

# GREEN PRODUCT FRAMEWORK



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**SpareBank 1 Nord-Norge is the largest financial institution in Northern Norway, making it a vital contributor to sustainable development and economic growth in the region. Two of our most important contributions are the financial services and support we provide to the northern Norwegian business community.**

Climate risk is covered by the Group's risk strategy, and we are integrating sustainability into other core processes and strategies, including through a specific policy for sustainability and corporate social responsibility. In this regard, we have put in place operational procedures for: financing (credit), liquidity, corporate governance, our employees, procurement, securities funds and our Samfunnsløftet (Corporate Social Responsibility Strategy).

**SpareBank 1 Nord-Norge bases its work on sustainability on internationally recognised principles:**

- The 10 principles of UN Global Compact
- UNEP FI Principles for Responsible Banking
- The OECD Guidelines for Multinational Enterprises

By focusing on Sustainable Development Goals 13.3 and 14.1 in particular, we can contribute to achieving the EU's climate targets through our operations and in our market area.

**The Group has set itself the following objectives:**

- Work to achieve a more sustainable loan portfolio (credit).
- Contribute to a greener securities market (liquidity management)
- Make it easier for customers to make sustainable choices (products)

**Our ambition for sustainability is:**

*"SpareBank 1 Nord-Norge has sustainable business operations that contribute to achieving the UN's Sustainable Development Goals."*



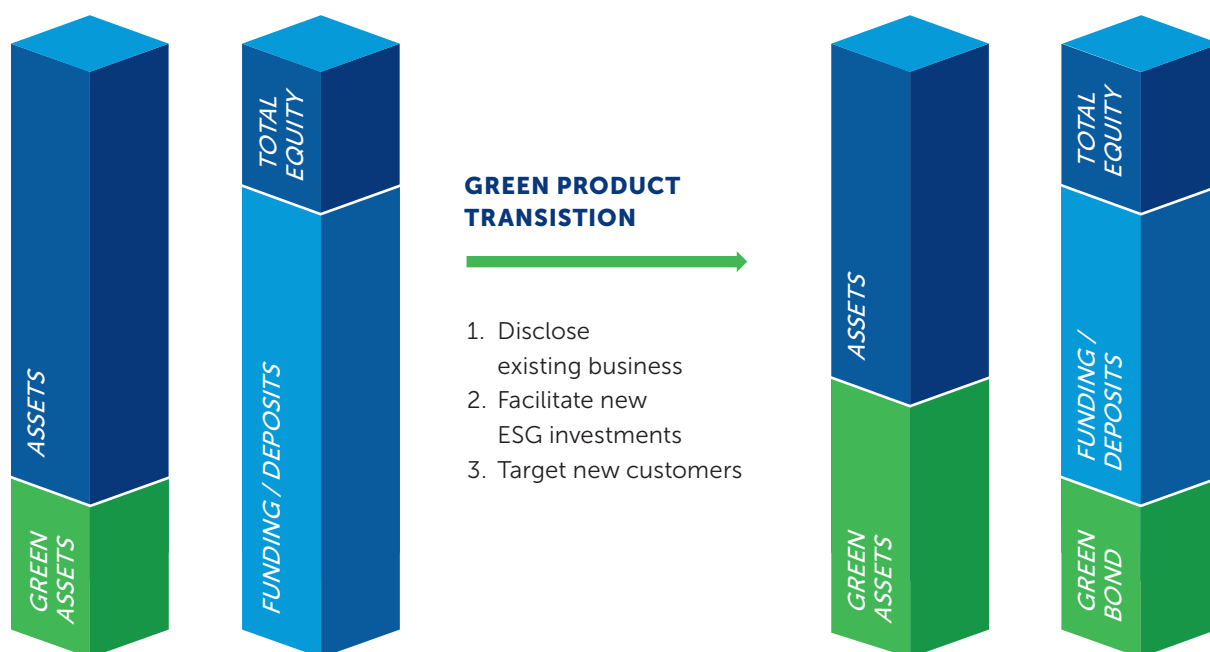
<sup>1</sup> 1. Limiting climate changes 2. Adaptation to climate change 3. Sustainable use and protection of marine resources  
4. Change-over to a circular economy 5. Prevention and control of pollution 6. Protection of the ecosystem

SpareBank 1 Nord-Norge established the Green Product Framework based on our sustainability strategy and commitment to sustainable development. The framework will guide our green lending activities by defining activities that increase *positive* environmental impact and/or reduce *negative* environmental impact, which can in turn help our customers mitigate and adapt to the effects of climate change. Based on four of our key sectors, *marine, property, renewable energy and transport*, this framework will facilitate the identification of *green loans*, which in turn can be linked to the raising of *green capital* through the issuance of green financial instruments. Our ambition is to leverage our role in society to influence companies, our customers, to transition to a low-carbon society, as well as to work to achieve a more sustainable loan portfolio and contribute to making the securities market greener.

The framework is based on established principles, market standards and the EU's initiative for identifying economic activities that contribute significantly to the EU's climate targets.

### Financing of assets

Assets that are classified as green under this framework will initially be financed in the same way as the Group's other assets. When a portfolio of green assets achieves critical mass, SpareBank 1 Nord-Norge could potentially issue foreign and subordinated loan capital through so-called green bonds based on the following model:





### Management of the framework

All applications for credit undergo our standard credit that intends to ensure compliance with applicable national laws and regulations and the Group's other strategies and priorities. This is established in our credit policy and in our guidelines for sustainable financing.

Once potential green loans have been assessed by our credit procedures, they are presented to the ESG Team. The ESG Team qualifies the loans as green at least every quarter. Green loans are registered in a separate register.

### Qualifying Green Themes, Activities and Projects

The table below outlines the criteria for green loans, as well as the exclusionary criteria where relevant. Both companies and individual projects can be financed with green loans for the purpose of contributing to activities that already align with a low-carbon future and activities that are on an appropriate trajectory to facilitating a low-carbon society. As far as corporate financing is concerned, only "pure-play companies" with over 90% of revenues coming from sustainable activities would qualify for general corporate purpose lending under this framework.

The Green Loan Use-of-Proceeds are aligned with the LMA Green Loans Principles (GLP) 2018 edition. The GLP comprise voluntary recommended guidelines, to

be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction. They seek to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be categorised as "green". The GLP build on and refer to the Green Bond Principles (GBP) of the International Capital Market Association, with a view to promoting consistency across financial markets.

Furthermore, the eligibility criteria are aligned with the thresholds for carbon emissions outlined in the EU Taxonomy, to the extent that criteria are available for the sectors in question. The EU Taxonomy is an EU classification system for determining whether an economic activity is environmentally sustainable.

In case the EU Taxonomy has no clear criteria for a specific category (e.g. shipping, fisheries and aquaculture), the framework defers to prevailing market practice.

Company-wide certification schemes may also be used. Companies must be entitled to use, for example, Eco-Lighthouse certification or a Nordic Swan Ecolabel on their products, services or processes to be eligible under the framework.

<sup>2</sup> Eco-Lighthouse has prepared 72 industry-specific requirements for a range of different industries. The Eco-Lighthouse certification scheme has been approved by the Norwegian public procurement authorities and is the first national certification scheme in Europe to be recognized by the European Commission.

<sup>3</sup> The Nordic Swan Ecolabel was established in 1989 by the Nordic Council of Ministers as a voluntary ecolabelling scheme for the Nordic countries Denmark, Finland, Iceland, Norway and Sweden. It is possible to obtain a certification with the Nordic Swan Ecolabel within 60 different product groups counting more than 200 different product types.

	Category	Eligible Projects and Activities	Exclusion	Possible KPI's
	<b>Aquaculture<sup>4</sup></b>	<p>Aquaculture activities certified by:</p> <ul style="list-style-type: none"> <li>• ASC</li> <li>• BAP</li> <li>• Global G.A.P.</li> </ul> <p>The Worldwide Standard for Good Agricultural Practices</p> <ul style="list-style-type: none"> <li>• Friend of the Sea</li> </ul>	<p>ASC, BAP or Friend of the Sea certified activities for which a variance from the standard has been approved</p> <ul style="list-style-type: none"> <li>• feed used at the fish farm must only use soy protein concentrate that is certified either by the Round Table for Responsible Soy's (RTRS) Segregation certificate or by ProTerra</li> </ul>	<ul style="list-style-type: none"> <li>• % increase in certified fishery measured in number of certification schemes is equal to or greater than [xx%]</li> <li>• % reduction in fish escapes at least [xx%]</li> <li>• % increase in sites with minimum benthic impact to at least [xx%]</li> <li>• % increase in certified sustainably-sourced and produced feed to [xx%]</li> <li>• % of GHG reduced or avoided at least [xx%]</li> <li>• % of energy reduced [xx%]</li> </ul>
	<b>Fisheries<sup>5</sup></b>	<p>Fishery activities certified by:</p> <ul style="list-style-type: none"> <li>• Activities are carried out in MSC certified fisheries</li> </ul>	<p>Improvement measures that lead to increased greenhouse gas emissions for the business (excluding scaling)</p> <p>Vessels where employees do not have collective agreements</p>	<ul style="list-style-type: none"> <li>• % of GHG reduced or avoided at least [xx%]</li> <li>• % of fishery stocks with biomass at or above sustainable levels</li> </ul>
	<b>Agriculture<sup>6</sup></b>	<p>Agriculture techniques/projects that do not deplete or that improve existing carbon pools and/or are aligned with (Norwegian) organic or KSL-Standards and/or limit environmental impacts on soil, the marine environment or local flora and fauna. Examples could include reduction in fertiliser use, rangeland management, collection and use of agricultural waste, rehabilitation of degraded lands, irrigation modernisation, organic agriculture, conservation agriculture, integrated pest management techniques, etc.</p>	<p>Uncertified commercial agriculture activities</p>	<ul style="list-style-type: none"> <li>• % increase in certified agriculture land area measured hectares is equal to or greater than [xx%]</li> <li>• % increase in certified agriculture measured in number of certification schemes is equal to or greater than [xx%]</li> </ul>
	<b>Forestry</b>	<p>Forestry activities aligned with FSC or PEFC standards, including:</p> <ul style="list-style-type: none"> <li>• The management of existing forests</li> <li>• Afforestation or previously unforested land</li> <li>• Reforestation</li> </ul>	<p>Commercial forest activities related to non-FSC or PEFC certified forests</p>	<ul style="list-style-type: none"> <li>• Certified forest area (hectares)</li> <li>• Net carbon sequestration (tonnes per year)</li> </ul>

<sup>4,5,6</sup> Company must be able to document initiatives aimed at reducing energy intensity and/or carbon emissions.

	Category	Eligible Projects and Activities	Exclusion	Possible KPI's
GREEN BUILDINGS (COMMERCIAL, PUBLIC AND RESIDENTIAL)	<b>Commercial, public and residential buildings (new and existing)</b>	<p>Buildings in the top 15% in energy performance in the local context:</p> <ul style="list-style-type: none"> <li>• New Residential buildings in Norway (built after 2009). New or existing Norwegian flats that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012.</li> <li>• New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). Hence, built after 2009</li> <li>• Existing Norwegian residential buildings (built before 2009) using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database.</li> <li>• New or existing Norwegian hotel and restaurant buildings that comply with the Norwegian building code TEK07, TEK10, TEK17 and later building codes. Hence, built after 2011</li> <li>• New or existing Norwegian office, retail and industrial buildings and warehouses that comply with the Norwegian building TEK07, TEK10, TEK17 and later building codes. Hence, built after 2010.</li> </ul> <p>Buildings achieving one of the following certifications/standards:</p> <ul style="list-style-type: none"> <li>• The top two levels of BREEAM, LEED</li> <li>• Nordic Swan Ecolabel or equivalent certification</li> <li>• Net Zero Emissions</li> <li>• EDGE</li> </ul> <p>Renovated residential or commercial buildings with improved energy efficiency of 30% where at least two levels of improvement in energy labelling from the year of construction have been achieved or a 30% improvement in energy efficiency or carbon emissions has been calculated against a baseline.</p>	<p>Improvement measures that lead to increased greenhouse gas emissions for the business</p> <p>Buildings directly being used for the exploration, extraction, refining and distribution of fossil fuels</p> <p>Buildings directly heated by fossil fuels</p>	<ul style="list-style-type: none"> <li>• % of GHG reduced or avoided</li> <li>• % of buildings with Energy Performance Certificate (EPC) with energy class A or B</li> <li>• % of apartments that comply with Norwegian building code TEK10/17</li> <li>• % of residential dwellings that comply with Norwegian building code TEK07/10/17</li> <li>• % of GHG reduced of avoided related to renovations</li> <li>• Reduction of energy use (kWh/m<sup>2</sup>/year) per heated square metre per year</li> </ul>

	Category	Eligible Projects and Activities	Exclusion	Possible KPI's
CLEAN TRANSPORTATION	<b>Land Vehicles</b>	Upgrading or replacement of vehicles for land passenger and freight transport with new electric or hydrogen-based technology		<ul style="list-style-type: none"> <li>% of GHG reduced or avoided at least [xx%]</li> </ul>
	<b>Maritime Vessels</b>	<p>Upgrading or replacement of marine vessels for-passenger and freight transport with low-emission vessels that meet the following criteria:</p> <ul style="list-style-type: none"> <li>Zero emissions, or</li> <li>Below the emissions intensity thresholds per vehicle size (GT) for the Annual Efficiency Ratio (AER) and Energy Efficiency Operational Index (EEOI) as outlined by the Climate Bond Initiative, and</li> <li>A managed reduction plan demonstrating that the vessel can remain under the emissions intensity threshold throughout its operating life</li> </ul> <p>Upgrading or replacement of fishing vessels with zero emissions vessels</p> <p>For project financing all of the following criteria must be met:</p> <ul style="list-style-type: none"> <li>Zero emissions, or</li> <li>Below the emissions intensity thresholds per vehicle size (GT) for the Annual Efficiency Ratio (AER) and Energy Efficiency Operational Index (EEOI) as outlined by the Climate Bond Initiative, and</li> <li>A managed reduction plan demonstrating that the vessel can remain under the emissions intensity threshold throughout its operating life</li> </ul> <p>R&amp;D for transport with the objective of reducing carbon emissions. For example, in alternative fuel technology. This could be hydrogen, ammonia, energy-efficient ship design, smarter logistics and wind-assisted technology etc.</p>	<p>Vessels that transport fossil fuels</p> <p>R&amp;D for fossil fuel-based technologies</p> <p>Non-electrified ferries and large cruise ships will be excluded</p>	<ul style="list-style-type: none"> <li>% of GHG reduced or avoided at least [xx%]</li> <li>% improvement in GHG emission intensity at least [xx%]</li> <li>% reduced of energy consumed by heavy oil at least [xx%]</li> <li>% reduced of emissions to air, including NOX, SOX, PM, VOC and Sulphur</li> </ul>
	<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>Development and operation of low-carbon collective schemes</li> <li>Development and maintenance of non-motorised transport infrastructure (bikes and pedestrian mobility)</li> <li>Development and maintenance of infrastructure for electric vehicles (e.g. charging stations)</li> <li>Development and maintenance of infrastructure to support zero emissions public transport</li> </ul>	Development and improvement of transport links to airports	<ul style="list-style-type: none"> <li>% of GHG reduced or avoided at least [xx%]</li> </ul>

	Category	Eligible Projects and Activities	Exclusion	Possible KPI's
RENEWABLE ENERGY	<b>Power Generation</b>	Development and maintenance of electricity generation from: <ul style="list-style-type: none"> <li>wind power</li> <li>geothermal energy</li> <li>solar energy</li> <li>biomass or biogas</li> <li>ocean power</li> <li>hydroelectric power</li> </ul>	Hydropower projects with lifecycle emissions >100g CO <sub>2</sub> eq/kWh Geothermal energy production from sources that emit more than 100g CO <sub>2</sub> /kWh  Bioenergy or biogas projects with lifecycle emissions > 100g CO <sub>2</sub> /kWh or relying on feedstocks that are not covered in annex IX of the renewable energy directive or do not align with certification for low ILUC risk	<ul style="list-style-type: none"> <li>% of GHG reduced or avoided at least [xx%]</li> <li>% installed renewable generation capacity equal to or greater than [xx%] of total consolidated installed capacity</li> </ul>
	<b>Infrastructure to support the transmission and distribution of renewable energy.</b>	<ul style="list-style-type: none"> <li>Improvement of existing transmission systems (or other infrastructure) to facilitate the integration of electricity from renewable sources into the grid</li> <li>Development of new transmission systems to facilitate integration of renewable energy sources into the grid</li> </ul>		
	<b>Renewable energy technology</b>	<ul style="list-style-type: none"> <li>Development and production of renewable energy technology, including equipment and storage of energy. For example: solar cells, windmills</li> </ul>		<ul style="list-style-type: none"> <li>% of GHG reduced or avoided at least [xx%]</li> <li>% increase in portfolio including development and/or manufacture of renewable energy technologies is equal to or greater than [xx%]</li> </ul>

MSC = Marine Stewardship Council | ASC = Aquaculture Stewardship Council certification | BAP = Best Aquaculture Practice certification

### Risk assessment

The green framework will not initially increase the credit risk for SpareBank 1 Nord-Norge, since initially we will mark the existing portfolio. Over time, it may be possible to actively seek commitments that comply with the framework. These commitments will not be approved at the expense of the current risk strategy and credit policy.

The Group will maintain its existing credit policy and the green framework will therefore not reduce the Group's capacity for ordinary customers.

### Reporting

The reporting on performance is designed to indicate the positive environmental impact that has been achieved based on the Green Product Framework.

The following will be reported annually on our website and in the annual report:

- A summary of the general developments in the Green Product Framework
- An overview of volume per category of granted green loans
- A detailed overview of the number of companies and projects financed by green loans (e.g. number of cars and volume of renewable energy (MWh per year))
- Objectives for the next year



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