



Green Finance Framework

August 2021

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1. Sustainability at SNN

As a regional bank, it is important for us to take part in community development and contribute to sustainable development.

About SNN

SpareBank 1 Nord-Norge (“SNN” or the “Group”) is the leading financial house in Northern Norway. It is part of the SpareBank 1 Alliance, which consists of 14 independent savings banks across the country. The alliance was created in 1996 to strengthen each local bank’s competitiveness, profitability and solvency, as well as to ensure each bank’s future independence and regional ties.



SNN has a strong physical presence in Norway. It has

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financial centres in Troms, Finnmark, Nordland and Helgeland

The following subsidiaries fall within the SNN Group:

SpareBank 1 Finans Nord-Norge AS •100%	EiendomsMegler 1 Nord-Norge AS •100%	SpareBank 1 Regnskapshuset Nord-Norge AS •100%	SpareBank 1 Nord-Norge Portefølje AS •100%
Fredrik Langesgt 20 AS •100%	Rødbanken Holding AS •100%	Rødbanken AS •100%	LAB Nord-Norge AS •100%

SNN's Sustainability Approach

SNN is the region's bank, and its vision is: **For Northern Norway**. As the world's northernmost financial group, SNN is particularly concerned with matters that affect Arctic areas. An important precept for the Group is to encourage sustainable development and economic growth by contributing to the transition to a low-emission society in North Norwegian business and industry. Indeed, the desire to support sustainable development of the region underlies the Group's business model, ownership model and local presence.

«Northern Norway has many nature-given advantages. Growth in value creation has for a number of years been higher in the North than elsewhere in Norway. This will likely continue, but it is highly important that all value creation should build on shared knowledge and sustainability. The financial industry will play a key role in the fight against climate change. This is a responsibility that SpareBank 1 Nord-Norge takes with the utmost seriousness. We must win the climate struggle together – no single actor can do so alone.»

Liv Ulriksen, Group CEO

Sustainability and climate risk are accordingly embedded in the Group's business and risk strategy, which is reviewed on a regular basis by the Board of Directors and supervisory board. In 2020, the main focus was on putting place a framework to link the Group's lending to green customers to green funding in the capital market (Green Product Framework).

Sustainability and climate risk are incorporated in the Group's overarching governing documents and core processes, including financing (credit), liquidity management and corporate governance, distribution of mutual funds and products, procurement, and guidelines for our employees. In 2020, SNN continued its work on the six principles for responsible banking developed by UNEP FI (United Nations Environment Programme Finance Initiative) and reports on the UN Global Compact's ten principles for corporate sustainability. In order to ensure an improved internal overview and transparency in relation to external stakeholders, the Group reports under the Global Reporting Initiative (GRI) standard. Climate risk is reported under the reporting framework developed by the Task Force for Climate-related Financial Disclosures (TCFD).

Internal training and knowledge in the field of sustainability in the financial industry was an important priority in 2020. A digital training course was mandatory for all employees, and the Group's authorisation scheme included sustainability as required reading for all authorised advisers. In addition, the Group formulated a 'green curriculum' describing how training in sustainability and the green transition for all employees should be organised.



UNEP FI:

SpareBank 1 Nord-Norge has endorsed the UN's ten principles for responsible banking, UNEP FI, and are working on integrating the principles into its operations. The impact analysis tool described in principle 2 was under development in 2020.



GLOBAL COMPACT:

SpareBank 1 Nord-Norge has endorsed the UN Global Compact Strategy, the world's greatest initiative for corporate social responsibility.



ECO-LIGHTHOUSE:

SpareBank 1 Nord-Norge is eco-certified, and is compliant with the obligations implicit in the scheme.



CLIMATE PARTNER:

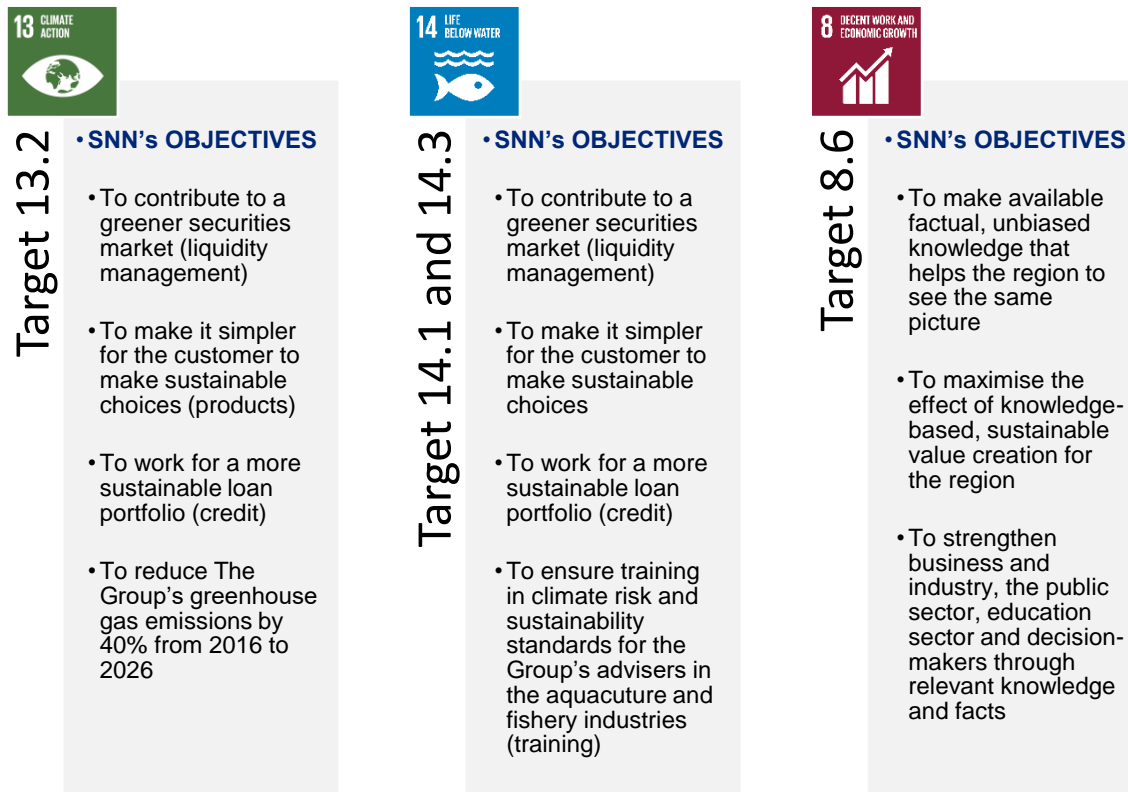
SpareBank 1 Nord-Norge participates in Klimapartnere Nordland, Troms og Finnmark along with 47 other enterprises in the region.

SNN's Sustainability Objectives and Governance System

The UN 17 Sustainable Development Goals are the world's shared working plan to eradicate poverty, combat inequalities and halt climate change. SpareBank 1 Nord-Norge intends, together with its largest owner, the Northern Norwegian community, to play its part in achieving all 17 UN Sustainable Development Goals. To that end, all applicants for support from 'Samfunnsløftet' need to state how their activity promotes one or more sustainability goals.



The Group has selected three sustainability goals for particular attention:



The sustainability and climate risk are incorporated into SNN's governance system:

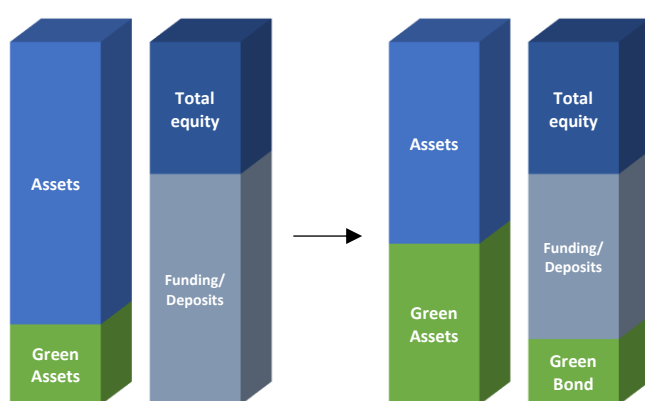


SNN's commitment to Climate Action

In 2020, SpareBank 1 Nord-Norge focused closely on adding climate risk to the agenda both internally and externally. This included:



- Further integrating climate risk into the Group's governance and control framework
- Increasing The Group's competence on climate risk
- Increasing the North Norwegian community's awareness and understanding of climate risk
- Identifying the sources of SpareBank 1 Nord- Norge's and North Norwegian business and industry's exposure to climate risk

An important priority in 2020 was to establish a **Green Product Framework**¹ (GPF) enabling climate risk in the Group's business to be included in the line between lending to customers and funding from the capital market, with ultimate goal of green product transition:



The framework was developed with a basis in criteria set by Green Bond Principles, Green Loan Principles and the Climate Bond Initiative and other established market standards. The EU's sustainable investment taxonomy is also included in the set of criteria, based on the information emerging from the Taxonomy.

CICERO has assessed the framework under its 'Shades of green' methodology. Cicero assigned the framework its top score of **'Excellent'**.



Moreover, climate risk is part of the Group's risk strategy, with quarterly reporting to the Board of Directors and group management team. Through its assessments of climate risk in its own business and in sectors funded by The Group, SpareBank 1 Nord-Norge will contribute to achieving the UN Sustainable Development Goals. This applies in particular to target 13.3².

Corporate Governance

The Board of Directors' knowledge of climate-related risks and opportunities

The board is well aware of climate-related risks and opportunities through its strategic discussions and its approval of steering documents making reference to climate risk. The board also receives various quarterly and annual reports that include assessments of the Group's climate risk exposure. The Group's risk strategy defines SNN's risk appetite in various risk areas, including climate risk.

The Management's role in assessing and managing climate-related risks and opportunities

In 2020, the management expanded its competence on climate-related risks and opportunities through strategic and operational discussions, and by producing governing documents that cover climate risk. Particular priority was given to the Green Product Framework as one of the tools for incorporating climate risk, and related risks, in the Group's portfolios in a better manner. Clear roles and responsibilities in relation to climate risk exposure have been established and relevant personnel report quarterly on climate risk exposure to the Group Management team and the Board of Directors.

¹ See [here](#).

² Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Strategy

Climate-related risks and opportunities identified by the Group in the short, medium and long term

SpareBank 1 Nord-Norge is exposed to climate risk both via transition risk and physical risk as an underlying risk driver for other risk types. This includes above all credit risk, market risk, liquidity and funding risk, insurance risk/ownership risk, as well as operational and reputational risk. Hence both risks and opportunities, in the short, medium and long term, are associated with lending, borrowing and investment in the capital markets etc.

The issues to be considered include:

- Which industries SNN should or should not finance
- Which objects SNN should or should not finance
- Which products SNN should or should not offer
- Which markets SNN should or should not be exposed to

Description of the impact of climate-related risks and opportunities on business operations, strategy and financial planning

The Group's operations, strategy and financial planning are affected by external and internal factors alike. Climate risk is a key external factor that the Group takes into account both in drawing up its strategy and in its operational activities. A priority in 2020 was to enhance knowledge of climate risk in the Group and among customers, as well as an awareness of associated opportunities and challenges. To that end procedures were established to assess climate risk in all credit cases.

Carbon reporting:

In 2020, for the first time, the Group is reporting on carbon exposure in the loan portfolio. The analysis gives an indication of the Group's exposure to the most emission-intensive industries in Northern Norway (based on data from Statistics Norway). **The analysis shows inter alia that the Group's exposure to the most emission-intensive industries is low.**

A key climate-related risk is stranded assets. The term refers to situations in which the Group's investments and collateral for loans etc. fall sharply in value or become valueless. This risk is particularly pertinent in industries in the Group's portfolio which are exposed to transition risk (see note 6). In 2020 The Group took steps to control this risk, and will continue this effort in 2021.

Potential impact of various scenarios on business operations, strategy and financial planning, including a 2°C scenario

The annual Internal Capital Adequacy Assessment Process (ICAAP) report assesses the Group's overall risk exposure and capital needs. From 2019 onwards, climate risk has been included in this assessment. Specifically, the ICAAP includes stress tests for negative trends, external and internal, and how those trends would affect the Group's financial position. The financial implications emerging from the stress tests outline potential consequences of external factors such as climate risk. This area is under ongoing development.

SpareBank 1 Nord-Norge's Kunnskapsbank ('knowledge bank') published in 2020 several reports dealing with climate risk and central North Norwegian industries such as seafood, tourism, construction and the real estate industry, along with the public sector. The reports describe physical risk and transition risk to which these sectors are exposed, and measures that should be initiated to counter such risk.

Based on the above, SpareBank 1 Nord-Norge has identified The Group's exposure to climate risk in the loan portfolio, including in relation to:

- Industries
- Physical risk
- Transitional risk
- Emission intensity

Risk management

Processes for identifying, assessing and managing climate-related risks

Climate risks are identified, assessed and managed at different levels and by different methods, including:

- At the overall level, through the ICAAP, risk strategy, other governing documents etc.
- At a granular level, through assessments made in connection with granting of credit, investment decisions, product development etc.
- Ongoing monitoring and quarterly reporting by the administration to the Board of Directors and senior management
- Through the Green Product Framework, which aims to make clear how large a portion of the loan portfolio is green in line with international requirements on green investments

SpareBank 1 Nord-Norge plans to carry out the following work in this area:

- Further developing a methodology to measure carbon-related exposure in the loan portfolio
- Further developing scenario analyses
- Performing an impact analysis in keeping with the principles of UNEP FI
- Introducing reporting procedures in accordance with the EU's sustainable investment Taxonomy
- Implementing a 'green curriculum' for The Group's employees

Objectives

Objectives and indicators used by the undertaking to assess climate-related risks and opportunities, in keeping with strategy and risk management processes

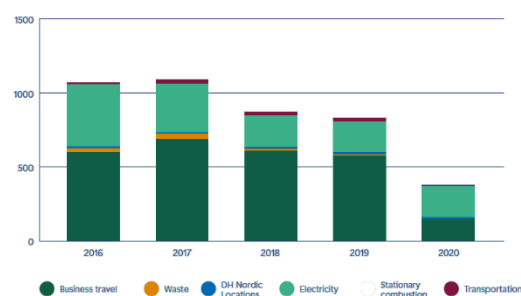
The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for the Group's operations. This defines the level of risk the Group is willing to take in the area. This includes:

- The target set in the internal risk strategy for the share of assets in safekeeping that are exposed to risk as stranded assets
- The target set in the internal risk strategy for qualified loans under the Green Product Framework
- The target set in the internal risk strategy for compliance with the Group's policy for sustainability and corporate social responsibility
- The objective set for the portion of the Liquidity Coverage Ratio (LCR) portfolio to be allocated to securities that actively address ESG
- The objective set for the number of employees completing mandatory training in this area (100%)
- The objective of a 40% reduction in greenhouse gas emissions from the Group's operations from 2016-2026, with a minimum 5% reduction per year

The climate account reports on greenhouse gas emissions from The Group's operations, broken down on Scope 1, Scope 2 and Scope 3.

In 2020 The Group achieved a 54% reduction in emissions. This is mainly due to reduced business travel as a result of Covid-19. Business travel is also expected to be considerably reduced through 2021.

EMISSIONS 2016-2020



All employees of the Group are expected to maintain a conscious awareness of consumption, travel, waste management and energy consumption in general. A focus on sustainability is also a personal responsibility at work

2. SNN Green Finance Framework

SNN's rationale for Green Financing

SNN believes that green finance instruments are an effective tool to channel investments to projects that have demonstrated climate benefits and thereby contribute to the **achievement of the SDGs set out by the United Nations**³. SNN sees the commitment to **decarbonisation of the economy** as a sustainability priority. By issuing green finance instruments, **SNN intends to align its funding strategy with its mission, sustainability and climate strategy and targets.**

In addition, following the development of the **Green Product Framework**, SNN was already looking into how to greenify the asset base. With this Green Finance Framework, we want to leverage on that experience and enhance transparency and accountability through the liability side.

Alignment with Green Bond and Loan Principles

SNN has established this Green Finance Framework under which the Company intends to issue green finance instruments, which may include bonds (including private placements), commercial paper, loans, promissory notes (Schuldscheindarlehen) and any other green finance instruments, to finance and/or refinance green loans with a positive environmental benefit.

This Green Finance Framework is based on the International Capital Markets Association ("ICMA") Green Bond Principles ("GBP") 2021 version⁴ and Loan Market Association ("LMA") Green Loan Principles ("GLP") 2021 version⁵. These are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green finance Instruments. Any future changes in the standards mentioned above may be implemented in future versions of this Green Finance Framework.

The SNN Green Finance Framework has four core components:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

For each green finance instrument issued, SNN asserts that it will adopt (i) Use of Proceeds (ii) Process for Project Evaluation and Selection (iii) Management of Proceeds and (iv) Reporting, as set out in this Framework. The SNN Green Finance Framework also follows the recommendations of the Green Bond Principles regarding External Review.

This Framework will apply to any green finance instrument issued by SNN and will be in force as long as any green finance instrument is outstanding.

³ To be found [here](#).

⁴ To be found [here](#).

⁵ To be found [here](#).

3. Use of Proceeds

SNN, at its discretion, however in accordance with the Green Bond and Loan Principles, will allocate an amount equal to the net proceeds of the green finance instruments to an eligible loan portfolio of new and existing green loans (“Eligible Green Loan Portfolio”). The eligible loans are to be funded in whole or in part by an allocation of an amount equal to the proceeds from the green finance instruments.

SNN’s green finance instruments will finance and/or refinance, in whole or in part, Eligible Green Loans (“Eligible Loans”). Eligible Green Loans are defined as loans that meet, respectively, the Green Eligibility Criteria defined below in the table, which has been prepared in accordance with the ICMA and LMA Green Loan Principles.




The definition of the Eligibility Criteria below takes into account the EU Taxonomy Regulation⁶ and the EU Taxonomy Climate Delegated Act⁷ with the intention to implement them, on a best effort basis.

As long as there are clear EU Taxonomy Technical Screening Criteria (TSC) and feasible practical applications in the geographies where the Group’s assets are located (in terms of local regulation), SNN will take the EU Taxonomy into due consideration, on a best effort basis.

Under this Framework, loans may be for both companies and individual projects 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 green activities would qualify for general corporate purpose (“GCP”) lending under this Framework, meaning that the entire loan by SNN to such a borrower is 100% eligible as a use of proceeds for a green finance instrument.

⁶ See [here](#).

⁷ See [here](#).

GBP/GLP Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDGs	Contribution to EU Environmental Objective ⁸	EU Economic Activity ⁹
Green Residential Buildings	<p>Loans, credits and investments to finance and refinance new or existing residential buildings.</p> <ul style="list-style-type: none"> ▪ New or existing Green Residential Buildings^{10 11} <ul style="list-style-type: none"> - Residential buildings in Norway (built from 2012) <ul style="list-style-type: none"> ✓ New or existing Norwegian apartments and other residential dwellings that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012¹² - Residential buildings in Norway (built before 2012) <ul style="list-style-type: none"> ✓ New or Existing Norwegian residential buildings (built before 2012) using older building codes than TEK10 for apartments and other residential dwellings with EPC-labels A and B. These buildings may be identified in data from the Energy Performance Certificate (EPC) database ▪ Refurbished Green Residential Buildings <ul style="list-style-type: none"> - One of two criteria below must be met: <ul style="list-style-type: none"> ✓ Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction ✓ Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m2, compared to the calculated label based on building code in the year of construction <p>Buildings directly being used for the exploration, extraction, refining and distribution of fossil fuels are excluded.</p>	  	<p>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>	<p>Renovation of existing buildings</p> <p>Acquisition and ownership of buildings</p>




⁸ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending regulation (EU) 2019/2088, see [here](#)

⁹ Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see [here](#)

¹⁰ This complies with the criteria set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, see [here](#).

¹¹ In accordance with the EU Delegated Acts, buildings built from the 1st January 2021 should meet the 'NZEB – 10%' criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In Norway, a definition for what constitutes a 'NZEB' has not yet been implemented.

¹² Two-year lag between implementation of a new building code and the buildings built under that code must be taken into account. This means that all residential buildings finished in 2012 and later are all eligible for finance instruments under this criterion..





<p>Green Commercial Buildings</p>	<p>Loans, credits and investments to finance and refinance new or existing commercial buildings.</p> <ul style="list-style-type: none"> ▪ New or existing Green Commercial Buildings¹³ <ul style="list-style-type: none"> - Commercial buildings belonging to top 15% low carbon buildings in Norway¹⁴ <ul style="list-style-type: none"> ✓ New or existing Norwegian hotel and restaurant buildings that comply with the Norwegian building codes of TEK07, TEK10, TEK17 and later. Hence, built after 2011¹⁵ ✓ New or existing Norwegian office, retail and industrial buildings and warehouses that comply with the Norwegian building codes of TEK07, TEK10, TEK17 and later. Hence, built after 2010¹⁶ - Commercial buildings achieving one of the following certifications/standards: <ul style="list-style-type: none"> ✓ The top two levels of BREEAM, LEED ✓ Nordic Swan Ecolabel or equivalent certification ✓ Net Zero Emissions ✓ EDGE ▪ Refurbished Green Commercial Buildings <ul style="list-style-type: none"> - One of two criteria below must be met: <ul style="list-style-type: none"> ✓ Refurbished Norwegian commercial buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction ✓ Refurbished Norwegian commercial buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m2, compared to the calculated label based on building code in the year of construction <p>Buildings directly being used for the exploration, extraction, refining and distribution of fossil fuels are excluded.</p>	  	<p>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>	<p>Renovation of existing buildings</p> <p>Acquisition and ownership of buildings</p>
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¹³ In accordance with the EU Delegated Acts, buildings built from the 1st January 2021 should meet the ‘NZEB – 10%’ criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In Norway, a definition for what constitutes a ‘NZEB’ has not yet been implemented.

¹⁴ Commercial buildings with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW, it is efficiently operated through energy performance monitoring and assessment. This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

¹⁵ A conservative time lag between implementation of a new building code and the hotel and restaurant buildings built under that code is taken into account in Multiconsult’s technical report, hence all buildings finished in 2011 and later (3 year lag) are all eligible under this criterion.

¹⁶ A conservative time lag between implementation of a new building code and the office, retail and industrial buildings built under that code is taken into account in Multiconsult’s technical report, hence all buildings finished in 2010 and later (2 year lag) are all eligible under this criterion.

<p>Renewable Energy</p>	<p>Loans, credits and investments to finance and refinance the acquisition, development, operation and maintenance of renewable energy power plants, generation and transmission of energy from such renewable sources, and manufacturing of related technologies and equipment.</p> <p>Loans may be for specific assets and projects or to 'pure play' companies, defined as enterprises which are expected to derive ≥90% of their turnover from assets aligned with defined eligibility criteria. For such enterprises, the entire loan principle is eligible for the green finance instrument funding, otherwise not at all.</p> <p>Electricity generation from (with life cycle emissions of less than 100g CO₂e/kWh):</p> <ul style="list-style-type: none"> ▪ Solar power: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities ▪ Wind power: Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes ▪ Geothermal power: Geothermal energy projects with life cycle emissions of less than 100g CO₂e/kWh ▪ Hydropower (in Norway, boreal regions): Small-scale hydropower projects (less than 25MW), and large-scale projects (more than 25MW) with either <ul style="list-style-type: none"> - (i) Life cycle emissions of less than 100g CO₂/kWh or - (ii) Power density greater than 5W/m² ▪ Transmission systems: Development of new, or improvement of existing, transmissions systems (or other infrastructure) to facilitate the integration of electricity from renewable energy sources into the grid 	 	<p>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.a) Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid</p>	<p>Electricity generation using solar photovoltaic technology</p> <p>Electricity generation from wind power</p> <p>Electricity generation from geothermal energy</p> <p>Electricity generation from hydropower</p> <p>Transmission and distribution of electricity</p>
<p>Clean Transportation</p>	<p>Loans to finance or refinance, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructures.</p> <ul style="list-style-type: none"> ▪ Land Vehicles <ul style="list-style-type: none"> - Low-carbon vehicles: Fully Electric, Hydrogen or otherwise zero-emission passenger vehicles - Infrastructure to support electric vehicles including (but not limited to) charging stations ▪ Maritime Vessels <ul style="list-style-type: none"> - Zero-emission vessels - Until 31 December 2025, hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power - Until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022, if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources - Vessels with emissions intensity below the thresholds per vehicle size (GT) for the Annual Efficiency Ratio (AER) and Energy Efficiency Operational Index (EEOI) as outlined by the Climate Bond Initiative 	 	<p>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.c) Increasing clean or climate-neutral mobility</p>	<p>Urban and suburban transport, road passenger transport</p> <p>Infrastructure enabling low-carbon road transport and public transport</p> <p>Sea and coastal passenger water transport</p>

<p style="text-align: center;">Environmentally Sustainable Management Of Living Natural Resources And Land Use</p>	<p>Loans to companies that benefit from selected sustainability certifications on products, services or processes.</p> <ul style="list-style-type: none"> ▪ Aquaculture <ul style="list-style-type: none"> - Aquaculture and supporting intragroup activities certified by^{17,18} <ul style="list-style-type: none"> ✓ Aquaculture Stewardship Council (ASC) ✓ Best Aquaculture Practices (BAP) ✓ Global G.A.P. Aquaculture Standard ✓ The Worldwide Standard for Good Agricultural Practices ✓ Friend of the Sea ▪ Fisheries <ul style="list-style-type: none"> - Fishery activities certified by <ul style="list-style-type: none"> ✓ Marine Stewardship Council (MSC) 	<div style="display: flex; flex-direction: column; align-items: center; justify-content: center;">   </div>	<p>Substantial contribution to the Sustainable Use and Protection of Water and Marine Resources (Article 12), including but not limited to:</p> <p>1.d) Ensuring the sustainable use of marine ecosystem services or contributing to the good environmental status of marine waters, including by protecting, preserving or restoring the marine environment and by preventing or reducing inputs in the marine environment</p>	<p>Not covered in EU Taxonomy Climate Delegated Act</p>
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¹⁷ ASC, BAP or Friend of the Sea certified activities for which a variance from the standard has been approved are excluded.

¹⁸ 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.

4. Process for Project Evaluation and Selection

A dedicated Green Finance Committee has been established to create this Green Finance Framework. Eligible Loans financed and/or refinanced through the Green Finance proceeds are evaluated and selected based on compliance with the Eligibility Criteria. The committee consists of members of the Corporate and Retail Banking, Credit, Treasury and Sustainability departments. The committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories and changes in market standards on a best effort basis, and oversee its implementation. When assessing prospective Eligible Green Loans and their non-financial impacts, SNN may rely on analysis provided by external parties, in addition to its own assessment.

The Green Finance Committee monitors the Eligible Green Loan Portfolio after each reporting period and is also responsible for:

- Reviewing the content of SNN's Green Finance Framework and updating it to reflect changes in sustainability strategy, market and regulatory developments on a best effort basis
- Excluding loans that no longer comply with the Eligibility Criteria and replacing them on a best efforts basis

Following the EU Taxonomy Climate Delegated Act on EU Taxonomy Regulation, Eligible Loans should not only contribute to at least one of the EU Environmental Objectives, however should also not significantly harm ('DNSH') any other EU Environmental Objectives. In addition, Eligible Loans should be complying with Minimum Social Safeguards that should be in place at company level.

In accordance with the recommendations above, SNN takes care that the Eligible Green Loan Portfolio complies with official international, national and local laws and regulations on a best effort basis. The terms and conditions that govern SNN's business lending require borrowers to comply with all applicable laws, regulations and practices and that they will comply with all authorisations, consents, approvals, waivers, resolutions, licences, permits, exemptions or registrations related to the project financed.

The Eligible Green Loan Portfolio is required to align with SNN's related internal sustainability codes and policies, including the General guidelines for corporate social responsibility and sustainability and the Code of Conduct. SNN recognises the need to align frameworks, policies and practices to environmental, social and governance (ESG) principles, and this continues to be an ongoing focus. Set out below are some examples of relevant codes and policies:

- Policy for sustainability and corporate social responsibility – see [here](#)
- Guidelines for sustainable financing (credit) – see [here](#)
- General guidelines for corporate social responsibility and sustainability – see [here](#)
- Green Product Framework – see [here](#)

SNN's codes and policies can be found on the [sustainability section](#) of the Group.

5. Management of Proceeds

The net proceeds of the green finance instruments issued under this Framework will be managed by SNN in a portfolio approach.

SNN intends to allocate the proceeds from the green finance instruments to an Eligible Green Loan Portfolio, selected in accordance with the Eligibility Criteria set out in Use of Proceeds and Process for Project Evaluation and Selection above.

SNN will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding green finance instruments. Additional Eligible Green Loans will be added to the Eligible Green Loans Portfolio to the extent required to ensure that an amount equal to the net proceeds from outstanding green finance instruments will be allocated to Eligible Green Loans.

During the life of the green finance instruments, if a loan ceases to fulfil the eligibility criteria, SNN will remove the loan from the Eligible Green Loan Portfolio and replace it when necessary for the balance as soon as reasonably practicable.

Pending the full allocation to the Eligible Loans Portfolio, SNN will hold and/or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc.).

6. Reporting

The Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds. In addition to information relating to the assets to which an amount equal to the net proceeds from the issue of Green Bonds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the Eligible Green Loans.

SNN will make and keep readily available reporting on the allocation of an amount equal to the net proceeds to the Eligible Green Loan Portfolio and wherever feasible reporting on the impact of the Eligible Green Loan Portfolio, at least at the category level, to be renewed annually until full allocation. SNN intends to provide aggregated reporting for all green finance instruments outstanding.

SNN will align, on a best effort basis, the impact reporting with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting (June 2021).”¹⁹

Allocation Reporting

The allocation report may provide indicators such as:

- The total amount of SNN green finance instruments outstanding
- The amount of net proceeds allocated to Eligible Green Loans
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The proportion of loans that are aligned with the EU Taxonomy Climate Delegated Act

Impact Reporting

Where feasible, SNN intends to report on the environmental impacts of the loans funded with proceeds from green finance instruments. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency. The Impact report may provide:

- A description of relevant Eligible Green Loans
- The breakdown of the Eligible Green Loan Portfolio by nature of what is being financed (financial assets)
- Metrics regarding Eligible Green Loans’ environmental impacts as described below:

GBP/GLP Category	Potential impact indicators
Green Residential/Commercial Buildings	<ul style="list-style-type: none"> - Estimated annual energy consumption in kWh/m² or savings in MWh - Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent - % of buildings with Energy Performance Certificate (EPC) with energy class A or B
Renewable Energy	<ul style="list-style-type: none"> - Renewable energy generation in MWh per year - Total installed capacity in MW - Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent
Clean Transportation	<ul style="list-style-type: none"> - Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent - Number of vehicles (units per year)
Environmentally Sustainable Management Of Living Natural Resources And Land Use	<ul style="list-style-type: none"> - % of certified fishery measured in number of certification schemes - % of fishery stocks with biomass at or above sustainable levels - Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent - % of certified sustainably-sourced and produced feed - Energy used (in kWh) per ton of production

¹⁹ See [here](#).

7. External review

Second party Opinion

ISS ESG reviewed the alignment of SNN's Green Finance Framework with ICMA's 2021 Green Bond Principles and LMA 2021 Green Loan Principles. ISS ESG provided a Second Party Opinion (SPO). In addition, ISS ESG assessed the alignment of SNN's Green Finance Framework with the EU Taxonomy Climate Delegated Act.

Annual Audit/Limited Assurance on the Allocation Reporting

SNN may request a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.

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