



Green Finance Framework

January 2024

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1. Sustainability at SpareBank 1 SMN

About SpareBank 1 SMN

SpareBank 1 SMN is the region’s leading financial services group and a part of the SpareBank 1 Alliance. We are a regional independent financial services group present in 46 locations across 42 municipalities in Trøndelag, Møre og Romsdal, and Vestland. SMN is the region's largest private contributor to business development and non-profit causes through our donation work. We have several subsidiaries, among them are:

- The region's leading real estate agent - EiendomsMegler 1 Midt-Norge
- The region's leading leasing company - SpareBank 1 Finans Midt-Norge
- The region's leading accounting firm – SpareBank 1 Regnskapshuset SMN

Figure 1: Overview of SpareBank 1 SMN's stakeholders



Sustainability and corporate social responsibility

Sustainability is an integral part of our group strategy and is incorporated into all business lines and support functions including day-to-day operations, customer offering and distribution of community dividend. We view sustainability both as a financial risk and a business opportunity. Members of the group management team bear responsibility for achieving strategic goals for sustainability in their respective business areas. The work on sustainable development is regularly reviewed by the bank’s board of directors and by the management boards of the group’s subsidiaries. Relevant steering documents are publicly available in our Sustainability Library at smn.no/barekraft.

Stakeholder dialogue

We conduct a continuous stakeholder dialogue with an ever-growing network of stakeholders. This is part of our endeavour to ensure a coherent and long-term approach to how we are to create value for equity certificate holders, customers, employees and the community. More information is available in the document Stakeholder Dialogue in the sustainability library at: <https://www.sparebank1.no/en/smn/about-us/sustainability.html>.

Materiality Analysis

In addition to the continuous stakeholder dialogue, we perform a materiality analysis, updated every two years, in which we map environmental, social and financial materiality. The analysis helps us to achieve conformance between our business’s goals and focal areas, and the expectations placed on us by stakeholders.

The materiality analysis is prepared in terms of double materiality and defines which financial risks and opportunities we and our stakeholders perceive to be most crucial for our ability to attain our long-term strategic goals. It also helps us to identify those UN sustainability goals where our impact is greatest.

Figure 2: Double materiality analysis



SpareBank 1 SMN's Four Focal Strategic ESG Themes

Based on our latest materiality analysis we have identified **focal strategic ESG themes that the bank will focus on:**

1. Responsible lending and investments

Financing the climate transition, in addition to prevent and combat financial crime and corruption. Key performance indicators (KPIs):

- Corporate loan volumes with ESG score
- Retail loan volumes with ESG score
- Share of loans that meet requirements for green bonds
- Reduction of total CO2 emissions from loan portfolios – 8% reduction per year target
- Share of homes in the loan portfolio with energy rating
- Share of commercial properties in the loan portfolio (>1,000m2) with energy rating

2. Advisory services and customer offering

- Sales volume of products and services with an environmental benefit
- Sales volume of products and services with a social benefit
- Category score for sustainability in Winningtemp (employee development tool)
- No. of participants in competence and development programmes

3. Sustainable transition of Mid-Norway

- Share of large corporate customers with credit commitments with carbon accounting reports

4. Sustainable transition in SpareBank 1 SMN

- Share of group's purchases above NOK 100,000 from suppliers with carbon accounting reports
- Share of managers and employees having completed e-learning course in information security
- Category score for diversity, inclusion and equality in Winningtemp (employee development tool)

For the full list of ESG KPIs, latest reporting and KPI targets, please see:

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

ESG Due Diligence-process: corporate portfolio

Environmental, social and governance (ESG) factors are part of the credit risk assessment for all corporate loans as part of the lending process. For corporate loans above NOK 10 million, sector-specific ESG risk assessment models are used.

ESG Reporting Obligations, Memberships & Endorsements

The group supports the following national and international agreements

- UN's sustainability goals
- Paris Agreement
- ILO Conventions 100 and 111
- International Covenant on Economic, Social and Cultural Rights
- Working Environment Act
- Equality and Anti-Discrimination Act
- EU Action Plan for Sustainable Finance

We have signed and/or endorse the following principles and standards

- UN Principles for Responsible Banking
- UN Global Compact
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate Related Financial Disclosure (TCFD)
- Global Reporting Initiative (GRI)
- Eco-Lighthouse Foundation

See: <https://annualreport.smn.no/2022/content/516/SpareBank-1-SMNs-memberships.html> for an overview of SpareBank 1 SMN's memberships of industry, lobby and other Norwegian and international organisations.

Climate strategy at SpareBank 1 SMN¹

The climate crisis is the greatest challenge of our time and a threat to financial stability. The SpareBank 1 SMN group aims to be a part of the solution by stimulating the sustainable development of Mid-Norway in keeping with the national commitments under the Paris Agreement. This societal role is anchored in the group's sustainability strategy and entails, among other things, being a driver of the green transition. It applies in our day-to-day operations, through our customer offering and the way we invest our community dividend.

The group's climate strategy describes how SpareBank 1 SMN is to fulfil its obligations as a driver of the green transition. The full climate strategy can be found on the bank's website **Error! Bookmark not defined.**

Net Zero Ambition & Transition Planning

Given our support for the Paris Agreement, **SpareBank 1 SMN has the ambition to steer our portfolio to net zero emissions by 2050.**

Our goal is to reduce scope 3 emissions by 8% per year.

We are in the process of preparing transition plans per industry that we finance. Based on the emissions analysis, the preparation of transition plans will be prioritised with reference to each industry's emissions intensity. The transition plans will contribute to our effort to reduce financed greenhouse gas emissions and at the same time reduce our customers' vulnerability to climate changes, in particular transition risk. By 1H 2023 SMN has finalised transition plans for agriculture, fisheries and commercial property.

To strengthen this effort, SpareBank 1 SMN has signed and endorsed the Science-Based Targets initiative (SBTi).

Climate risk strategy

SMN has prepared a climate risk strategy for the group. This is published in our Sustainability Library². **Climate risk is reported to the board of directors at least quarterly as a routine item in the risk report. Operationally, climate risk is incorporated in all steering documents. Climate risk evaluation and management is an integral part of our business.** We have used TCFD's recommendations in evaluating climate risk on industry level in the corporate lending area

SpareBank 1 SMN's climate risk strategy is designed to ensure good long-term profitability for the group.

- The long-term objective will be met by **identifying, assessing and handling future climate risk** related to the group's operations, primarily through being a driver of the green transition.
- The group will **develop and maintain knowledge levels, tools and methodologies for identifying climate risk** both at customer level and in terms of quantifying risk at aggregate portfolio level.
- Credit policy and authorisations will be designed to form **an effective framework for the lending business** with a view to keeping the group's exposure to climate risk within the bounds of the board's stated risk appetite.
- The group will work proactively to **reduce climate risk in the loan portfolio by providing advice and funding transition**

¹ See full strategy at: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/smn-klimastrategi-engelsk.pdf>
<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>³ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

² <https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>³
https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

2. SpareBank 1 SMN Green Finance Framework

In line with SpareBank 1 SMN's Sustainability Strategy and ESG commitments, the bank has established this Green Finance Framework ("The Framework"). Under this Framework, SpareBank 1 SMN can issue Green Finance Instruments ("Green Finance Instruments"), in alignment with the ICMA Green Bond Principles³ (GBP) and LMA/APLMA/LSTA Green Loan Principles⁴ (GLP). The GBP and GLP are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. The Framework has been developed in line with the 2021 Green Bond Principles, including the updated appendix I of June 2022 and 2023 Green Loan Principles, and as such follows the 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, (i) Use of Proceeds (ii) Project Evaluation and Selection (iii) Management of Proceeds, (iv) Reporting will be adopted subject to and in accordance with this Green Finance Framework as amended from time to time. The Framework also follows the GBP's key recommendation of External Review for heightened transparency⁵.

The Green Finance Framework defines the loans, credits, and investments (hereinafter defined as the "Eligible Green Loan Portfolio") eligible to be funded by the proceeds of Green Finance Instruments issued by SpareBank 1 SMN. The documentation for any Green Finance Instruments issued shall provide a reference to this Framework under the use of proceeds section. The terms and conditions contained in the underlying documentation for each issued Green Finance Instruments will specify the actual terms of the instruments. Under the Framework, SpareBank 1 SMN can issue Green Finance Instruments in various forms, including, but not limited to Senior Preferred Debt, Senior Non-Preferred Debt, and Subordinated Debt, Senior Unsecured Debt, Green Deposits and Commercial Paper to finance and refinance eligible green loans which contribute to the UN Sustainable Development Goals and the sustainability strategy of SpareBank 1 SMN.

This Framework may, from time to time, be updated to reflect evolving market standards, regulations, technological developments or Sparebank 1 SMN's strategy. For the avoidance of doubt, any future changes to the Eligibility Criteria may not apply to Green Finance Instruments issued under this or previous versions of the Framework. Any future update of this Green Finance Framework that may exist will either keep or improve the current levels of transparency and reporting disclosure.

³ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

⁴ <https://www.lsta.org/content/green-loan-principles/>

⁵ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf

2.1 Use of Proceeds

An amount equal to the net proceeds of the Green Finance Instruments issued by SpareBank 1 SMN under this Framework shall be used to finance and/or re-finance a portfolio of “Eligible Green Loans” as defined by the eligibility criteria in this Framework (see below under the “Eligibility Criteria”).

Under this Framework, loans may be for individual projects or at the corporate level. As far as corporate financing is concerned, any loans to companies that generate over 90% of revenues from activities aligned with the Eligibility Criteria would qualify for general corporate purpose (“GCP”) lending under this Framework, meaning that the entire loan by SpareBank 1 SMN to such a borrower is 100% eligible.

Given our presence as the region’s leading savings bank, we are a key contributor and facilitator to the region’s societal value creation and hence SpareBank 1 SMN has a core focus on local customers, businesses and SMEs. As such, the vast majority, if not all, of the Eligible Green Loans at the corporate level will be dedicated to small, medium, and micro enterprises (“SMEs”)⁶.

Contribution to the Environmental Objectives of the EU and the EU Taxonomy Climate Delegated Act

The definition of the Eligibility Criteria takes into account the EU Environmental Objectives⁷ and the EU Taxonomy Regulation⁷ and the EU Taxonomy Climate Delegated Act⁸ with the intention to apply them on a best-efforts basis as long as there are feasible practical applications in the geographies where SpareBank 1 SMN’s assets are located. Due to a combination of factors, including but not limited to the uncertainty in the market surrounding how to implement the do no significant harm criteria and the minimum safeguards criteria and the lack of availability of certain data relating to the Eligible Green Loans, SpareBank 1 SMN does not consider “do no significant harm” in its application of the Eligibility Criteria.

Contribution to the UN SDGs

In alignment with SpareBank 1 SMN’s broader sustainability strategy and support of the UN SDG 2030 agenda, the Eligibility Criteria contemplated under this Framework directly contribute to the achievement of various UN SDGs⁹

⁶ As per the European Union’s definition and categorisation of SMEs: Enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

⁷ 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](#)

⁸ EU Taxonomy Climate Delegated Act ((EU) 2021/2139), see [link](#)

⁹ Mapping between ICMA Eligible Categories and UN SDGs based on ICMA High Level Mapping to the Sustainable Development Goals, see [here](#) and the 17 United Nation SDG Targets and Indicators, see [here](#)

ICMA GBP category	Eligible category description	UN SDGs	Contribution to EU Environmental Objectives ⁷	EU Economic Activities ⁸
Green Buildings	<p>Loans, credit and investments to finance/refinance new or existing residential or commercial buildings in Norway.</p> <p>Eligible Green Buildings must meet one or more of the following eligibility criteria:</p> <ol style="list-style-type: none"> 1. Residential buildings in Norway <ul style="list-style-type: none"> ➤ Buildings built ≥2021 : NZEB-10% <ul style="list-style-type: none"> - Buildings complying with the relevant NZEB-10% threshold¹⁰ ➤ Buildings built <2021 : EPC A label or within the top 15% low carbon buildings in Norway¹¹ 2. Commercial buildings in Norway <ul style="list-style-type: none"> ➤ Buildings built ≥2021: NZEB-10% <ul style="list-style-type: none"> - Buildings complying with the relevant NZEB-10% threshold¹⁰ ➤ Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway¹¹ ➤ Buildings which received at least one or more of the following classifications <ul style="list-style-type: none"> - LEED “Gold” - BREEAM or BREEAM-NOR “Excellent”, or equivalent or higher level of certification 3. Refurbished Residential and Commercial buildings in Norway with an improved energy efficiency of 30%¹² 		<p>EU Environmental Objective 1: Climate Change Mitigation</p> <p>Substantial contribution to Climate Change Mitigation (1.b): Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption</p>	<p>EU Economic Activity</p> <p>7.2. Renovation of existing buildings</p> <p>7.7. Acquisition and ownership of buildings</p>

¹⁰ In accordance with the EU Taxonomy Climate Delegated Act, buildings built from 1 January 2021 onwards should meet the ‘NZEB -10%’ criterion. In Norway, [NZEB definitions were announced on 31 January 2023](#) (Norwegian only).

Compliant buildings are assessed against the respective NZEB threshold published by the Norwegian Ministry, expressed as specific energy demand in kWh/m². At the time of writing all Norwegian buildings with EPC labels of A and some EPC B labels are compliant with NZEB-10%. The full methodology and selection approach used for NZEB-10% compliant buildings will be published in a technical report from a specialised external consultant.

TEK17 buildings eligible under the previous framework that were originated between 01/01/2021 - 31/01/2023 have been grandfathered in the portfolio as of 31/01/2023 following the publication of the official Norwegian NZEB definitions. Further information regarding grandfathered green buildings are detailed in the reporting disclosures on the [green bonds webpage](#).

¹¹ Qualifying building codes and/or EPC labels will be determined with the support of a specialised external consultant and may take into account guidance from the Norwegian Ministry and may use model estimates from Eiendomsverdi for PED where EPCs are missing. The Norwegian residential and commercial buildings under building codes TEK10 and TEK17 and EPC label A or B are within the top 15% as of FY23 statistics. Residential and commercial buildings under previously eligible framework criteria (eg TEK07 building code and EPC C label) may be grandfathered. Further information regarding grandfathered green buildings (as per the Climate Bonds Initiative [criteria](#) and the Multiconsult methodology report) are detailed in the reporting disclosures available on the [green bonds webpage](#).

¹² Qualifying buildings will be determined with the support of a specialised external consultant. Renovated buildings may take into account the future PED thresholds for renovations in line with the future Long Term Building Renovation Plan of the government.

<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Loans, credit and investments aiming at financing or refinancing environmentally sustainable fishery and aquaculture and environmentally sustainable forestry¹³:</p> <p>1. Fisheries & Aquaculture</p> <ul style="list-style-type: none"> - Marine Stewardship Council (MSC) - Aquaculture Stewardship Council (ASC) - Best Aquaculture Practices (BAP), minimum 2 stars - Global G.A.P. Aquaculture Standard  <p>2. Forestry</p> <p>Loans to finance or refinance environmentally responsible forest management</p> <ul style="list-style-type: none"> - Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or - the Programme for the Endorsement of Forest Certified (PEFC) 	  	<p>EU Environmental Objective: The protection and restoration of biodiversity (Article 15), including but not limited to</p> <p>(1a) nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem services</p> <p>(1d) sustainable forest management, including practices and uses of forests and forest land that contribute to enhancing biodiversity or to halting or preventing degradation of ecosystems, deforestation and habitat loss</p>	<p>Not covered in EU Taxonomy Climate Delegated Act¹⁴</p>
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¹³ For a detailed description see the list of eligible certifications schemes in the Annex.

¹⁴ Covered by other four remaining environmental objectives of the EU taxonomy. See [annex to the Platform on Sustainable Finance’s report with recommendations on technical screening criteria for the four remaining environmental objectives of the EU taxonomy](#)

<p>Circular economy adapted products, production technologies and processes and/or certified eco-efficient products</p>	<p>Loans, credit and investments to enterprises with selected sustainability certifications for products, services or processes¹³:</p> <p><u>Companies benefitting from selected sustainability certifications on products, services or processes:</u></p> <ul style="list-style-type: none"> - Eco-Lighthouse¹⁵ 	 	<p>Substantial contribution to the transition to a circular economy (Article 13), including but not limited to:</p> <p>1.a) uses natural resources, including sustainably sourced bio-based and other raw materials, in production more efficiently, including by:</p> <p>(i) reducing the use of primary raw materials or increasing the use of by-products and secondary raw materials; or</p> <p>(ii) resource and energy efficiency measures</p>	<p>Not covered in EU Taxonomy Climate Delegated Act¹⁴</p>
<p>Clean Transportation</p>	<p>Loans, credit and investments aiming at financing or refinancing production, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and core and/or auxiliary sustainable transport infrastructures ¹⁶</p> <ul style="list-style-type: none"> • <u>Low carbon vehicles:</u> <ul style="list-style-type: none"> - Fully electric, hydrogen or otherwise zero emissions vehicles for the transportation of passengers or freight • <u>Core and/or auxiliary sustainable transport infrastructure:</u> <p>Infrastructure to support zero emissions passenger or freight vehicles and public transportation, such as charging stations for electric vehicles, urban and intercity transit infrastructure</p> • <u>Maritime Vessels</u> <ul style="list-style-type: none"> - The vessels have zero direct (tailpipe) carbon emissions, or - 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 		<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>6.3. Urban and suburban transport, road passenger transport</p> <p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</p> <p>6.6. Freight transport services by road</p>

¹⁵ Manufacture of plastic, operation of petrol stations, wholesalers of solid, liquid and gaseous fuels and related products are excluded.

¹⁶ No transport activities that are dedicated for the transport of fossil fuels.

	<ul style="list-style-type: none"> - 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 - Until 31 December 2025, the vessels have direct (tailpipe) CO2 emissions 50 % lower than the average reference CO2 emissions value defined for heavy duty vehicles 			<p>6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities</p> <p>6.11. Sea and coastal passenger water transport</p> <p>6.15. Infrastructure enabling low-carbon road transport and public transport</p> <p>7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</p>
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<p>Renewable Energy</p>	<p>Loans, credit and investments to finance or refinance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources</p> <ol style="list-style-type: none"> 1. Solar Energy: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities 2. Wind Energy: Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes 3. Hydropower in Norway (boreal regions): <ul style="list-style-type: none"> - the electricity generation facility is a run of river plant and does not have an artificial reservoir - the power density of the electricity generation facility is above 5W/m² - the lifecycle emissions from the generation of the electricity from hydropower are lower than 100g CO₂e/Kw 		<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>	<ol style="list-style-type: none"> 4.1. Electricity generation using solar photovoltaic technology 4.2. Electricity generation using concentrated solar power (CSP) technology 4.3. Electricity generation from wind power 4.5. Electricity generation from hydropower
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2.2. Process for Project Evaluation and Selection

Eligible green loans financed and/or refinanced by Green Finance Instruments proceeds are evaluated and selected based on compliance with the eligibility criteria outlined in the Framework. A dedicated Green Bond Committee has been established to confirm and monitor the Eligible Green Loan Portfolio. SpareBank 1 SMN will in this way work on gradually expanding the Eligible Green Loan portfolio.

The Green Bond Committee will include the following members of SpareBank 1 SMN's senior management:

- Executive director – Finance
- Executive director – Corporate Banking
- Executive director – Retail Banking
- Executive director – Sunnmøre and Fjordane
- Executive director – Risk Management
- Executive director – Legal Services
- Executive director – Technology and Development
- CEO SpareBank 1 Finans Midt-Norge (leasing and car loans)
- Head of Sustainability
- Head of Treasury

The composition of the committee encapsulates perspectives from all lending areas and relevant stakeholders involved in the design and development of the Green Finance Framework.

The Green Bond Committee is responsible for:

- Reviewing the content of the Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory standards and developments on a best effort basis;
- Updating external documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants;
- Evaluating and defining the Eligible Green Loans Portfolio in line with the Eligibility Criteria as set out in the Framework, excluding loans that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best effort basis;
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. SpareBank 1 SMN may rely on external consultants and their data sources, in addition to its own assessment;
- Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Green Loans Portfolio and appropriate mitigation measures where possible;
- Qualifying that the environmental and social risks potentially associated with the Eligible Green Loans Portfolio are properly mitigated via the due-diligence processes conducted by SpareBank 1 SMN's at group level;
- Liaising with relevant business finance segments and other stakeholders on the above

The Green Bond Committee will meet at least on an annual basis. The use of proceeds, as financing and/or refinancing Eligible Green Loans Portfolio will be approved by SpareBank 1 SMN senior management based on the participation in the Green Bond Committee.

Green Buildings

SpareBank 1 SMN has relied on the support of an external real estate expert consultant Multiconsult to identify the eligible buildings that comply with these criteria within SpareBank 1 SMN's portfolio of residential and commercial real estate, including (1) investigating a suitable NZEB-10% selection approach, (2) defining the associated eligibility criteria for the top 15% of low carbon buildings and the eligible regulations, standards and certifications, (3) identifying the buildings that comply with above eligible criteria within SpareBank 1 SMN's existing portfolio of real estate. Information from the Land Register regarding building year as well as the EPC label from the national EPC database is used. The information is typically received from third-party

Eiendomsverdi¹⁷, which is an entity that supports the reporting of mortgage data for a large number of Norwegian bond issuers. The Green Bond Committee will oversee the process for the evaluation and selection of Eligible Green Loans according to the methodology defined by the consultant

Eco-efficient and/or circular economy adapted products, production technologies and processes

- SpareBank 1 SMN has relied on information from public databases and information from the respective certification bodies (Eco-Lighthouse) to determine the Eligible Green Certification Loans.

Environmentally Sustainable Management of Living Natural Resources and Land Use

- SpareBank 1 SMN intends to rely on information from public databases and information from the respective certification bodies (FSC, PEFC) to determine the Eligible Green Certification Loans.

Clean Transportation and Renewable Energy

- SpareBank 1 SMN intends to select Eligible Loans, screening the Transportation and Renewable Energy Lending Portfolios, based on the Eligibility Criteria defined within this Framework.

All Eligible Green Loans have been and will be originated in line with SpareBank 1 SMN credit risk policies. The relevant business units within SpareBank 1 SMN will identify potential Eligible Green Loans within their respective sectors to be evaluated for compliance with SpareBank 1 SMN's internal green classification system. SpareBank 1 SMN may also rely on advice from external parties to verify compliance. Once internally approved, the respective loan(s) will be tagged as Eligible Green Loan(s) in SpareBank 1 SMN's internal credit management system. These loans will form part of the Eligible Green Loan Portfolio.

SpareBank 1 SMN takes the EU Taxonomy into due consideration. Under the EU Taxonomy eligible loans should substantially contribute to at least one of the EU Environmental Objectives, by meeting the relevant Technical Screening Criteria, while not significantly harming ('DNSH') any other EU Environmental Objectives and also meet the requirements of the Minimum Social Safeguards. Sustainalytics has performed a detailed EU Taxonomy assessment as part of the Second Party Opinion. The EU Taxonomy's Do No Significant Harm criteria, minimum safeguards as well as Principle Adverse Impact Indicators are taken into account in the evaluation process on a best-efforts basis when practically feasible. SpareBank 1 SMN will evaluate and be open to include new categories of eligible assets within the EU Taxonomy Regulation when needed to reflect corporate strategy, technology, market developments, or regulatory developments. This may include future application of the EU Taxonomy Regulation to the last four environmental objectives on biodiversity, water and marine resources, circular economy and pollution. Taxonomy-alignment is a part of the assessment when considering Eligible Green Loans, but not a mandatory requirement for a loan to be included in the Eligible Green Loan Portfolio.

SpareBank 1 SMN ascertains, on a reasonable effort basis, that all selected Eligible Green Loans comply with official national and international standards as well as local laws and regulations. In addition, SpareBank 1 SMN handles minimum environmental and social requirements for all lending businesses, including those financed with the proceeds of the Green Finance Instruments. These eligibility criteria and minimum requirements are continuously developed and renewed. Some of these requirements have been specified above, as given in the use of proceeds. SpareBank 1 SMN's environmental and social policies can be in our Sustainability Library: <https://www.sparebank1.no/en/smn/about-us/sustainability.html>

¹⁷ <https://eiendomsverdi.no/>

2.3. Management of Proceeds

The Green Finance Instruments proceeds will be managed by SpareBank 1 SMN in a portfolio approach.

SpareBank 1 SMN intends to allocate the proceeds from the Green Finance Instruments to a portfolio of loans that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the Eligible Green Loan Portfolio.

SpareBank 1 SMN intends to designate sufficient Eligible Green Loans in the Eligible Green Loan Portfolio to provide that its outstanding balance of Eligible Green Loans exceeds the total balance of all outstanding Green Finance Instruments. Where necessary, additional Eligible Green Loans will be added to this Eligible Green Loan Portfolio pool to provide for sufficient and timely allocation of the incremental net proceeds. During the life of the Green Finance Instruments, if a loan ceases to fulfil the eligibility criteria, SpareBank 1 SMN will use its best efforts to remove the loan from the Eligible Green Loan Portfolio and replace it when necessary for the balance as soon as reasonably practicable.

SpareBank 1 SMN will identify, track and keep a register of new and existing Eligible Green Loans. Whilst any Green Finance Instrument(s) net proceeds remain unallocated, SpareBank 1 SMN will hold and/or invest, at its own discretion, in its liquidity portfolio in money market instruments, the balance of net proceeds not yet allocated to the Eligible Green Loan Portfolio.

2.4. Reporting

SpareBank 1 SMN will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Loan Portfolio after a year from the issuance of the applicable Green Finance Instruments, to be renewed annually until full allocation of the Green Finance Instrument net proceeds.

SpareBank 1 SMN intends to report the allocation of the Use of Proceeds to the Eligible Green Loan Portfolio at least at the category level and on an aggregated basis for all of the Issuer's Green Finance Instruments and other potential green funding outstanding, including green deposits.

SpareBank 1 SMN intends to align the reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (ICMA, April 2022)"¹⁸.

2.4.1 Allocation Reporting

The allocation report may provide, on a portfolio basis:

- The size of the identified Eligible Green Loan Portfolio, per investment category
- The total amount of proceeds allocated to the Eligible Green Loan Portfolio, per Green Eligible Category
- The balance (if any) 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 when applicable and applied on a best effort basis
- The geographic location of the assets, at country level

2.4.2 Impact Reporting

Where feasible, SpareBank 1 SMN intends to report on the impact of the Eligible Green Loan Portfolio. For each Green Eligible Category, the impact report may provide:

- A description of relevant green projects
- The breakdown of green projects by nature of what is being financed (financial assets)
- Metrics regarding projects' environmental impact as described below

¹⁸ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf

Selected Categories	Impact Measurement Indicators
Green Buildings	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent • % of energy use reduced/avoided • relevant % of renewable energy (RE) generated on site
Renewable Energy	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Clean Transportation	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent • Number of low carbon vehicles financed • Number of units installed (if applicable)
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products	<ul style="list-style-type: none"> • Breakdown of company lending per eligible certificate and other aggregated key impact indicators as provided by the certifying body • The increase in number of products and/or the share of production awarded an internationally recognised eco-label, or energy, eco-efficiency or other relevant environmental certification
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent • Increase in area under sustainable forest management (ha) • Increase in % of certified sustainable fisheries

SpareBank 1 SMN publishes annual Allocation and Impact Reports available at :

<https://www.sparebank1.no/en/smn/about-us/sustainability/green-bond-framework.html>

3. External Review

3.1 – Pre-issuance verification: Second party opinion

SpareBank 1 SMN has obtained an independent verification assessment from Sustainalytics to assess the alignment of the framework with the ICMA 2021 Green Bond Principles (including the updated Appendix I of June 2022) and LMA/APLMA/LSTA 2023 Green Loan Principles (GLP). SpareBank 1 SMN has also obtained a Taxonomy alignment assessment from Sustainalytics to assess the alignment of the framework with the EU Taxonomy. The second party opinion report and the Taxonomy alignment assessment will be published on the SpareBank 1 SMN website.

SpareBank 1 SMN will, on an ongoing basis, review the Framework and reserves the right to update the Framework if improvements are identified, or to include further categories as Eligible Green Assets, provided that the Second Party Opinion is updated by Sustainalytics.

3.2 – Post-issuance verification: Limited assurance report

SpareBank 1 SMN may request on an annual basis, starting one year after issuance and until full allocation, a limited assurance report of the allocation of the Green Finance Instruments proceeds to eligible assets, provided by its external auditor.

Annex

Sustainability certification schemes that are eligible:

Certification	Description
	<p>LEED (Leadership in Energy and Environmental Design) is a green building rating system for the design, construction, operation, and maintenance of green buildings, homes, and neighborhoods, which aims to help building owners and operators be environmentally responsible and use resources efficiently. Available for virtually all building types, LEED provides a framework for healthy, efficient, and cost-saving green buildings.</p>
	<p>BREEAM (Building Research Establishment Environmental Assessment Method), first published by the Building Research Establishment (BRE) in 1990, is the world's longest-established method of assessing, rating, and certifying the sustainability of buildings. It is an assessment undertaken by independent licensed assessors using scientifically-based sustainability metrics and indices which cover a range of environmental issues. With this method, projects can be assessed on integral sustainability. BREEAM also has a tool which focuses on neighbourhood development. Its categories evaluate energy and water use, health and well-being, pollution, transport, materials, waste, ecology and management processes. Buildings are rated and certified on a scale of 'Pass', 'Good', 'Very Good', 'Excellent' and 'Outstanding'.</p> <p>The BREEAM certification mark provides an internationally recognised badge of assurance that the assessment of a project conforms to the requirements of the scheme. The certification mark can be showcased to demonstrate the quality, performance and sustainable credentials of the asset.</p>
	<p>Eco-Lighthouse has prepared 72 industry-specific requirements for a range of different industries. Enterprises are certified subject to independent assessment and must undergo a recertification process every three years. They are also required to submit annual environmental reports. The Eco-Lighthouse certification scheme has been approved by the Norwegian public procurement authorities.</p> <p>As an integral part of the Eco-Lighthouse web portal, the annual climate and environmental report, consists of general and specific environmental performance indicators. The report is managed and developed by the Eco-Lighthouse administration, offering the enterprises an overview of their environmental impacts and their year-by-year progress, as well as constituting the basis for statistics showing how Eco-Lighthouse certified enterprises compare to their uncertified counterparts.</p>
	<p>The Marine Stewardship Council (MSC) is an international, independent and accredited certification for sustainably caught fish. Certification demonstrates that fish has been caught sustainably, without overfishing or damage to nature.</p>

	<p>Aquaculture Stewardship Council (ASC) is an international, independent and accredited certification for fish farming. Certification confirms that the fish has been farmed in a responsible manner. The certification applies key requirements to protect the ecosystem and reduce greenhouse gases.</p>
	<p>The Global Aquaculture Alliance (GAA) coordinates the development of the Best Aquaculture Practices (BAP) certification standards. More than 150 retail and foodservice brands worldwide are publicly committed to sourcing seafood responsibly from BAP-certified aquaculture processing plants, farms, hatcheries and feed mills.</p>
	<p>GLOBAL G.A.P. is an internationally recognised standard for farm production with the standard demanding, among other things, greater efficiency in production across 3 scopes of production: Crops, Livestock, Aquaculture. It improves business performance and reduces waste of vital resources. It also requires a general approach to farming that builds in best practices for generations to come. The certification is audited and issued by reputable certification bodies.</p>
	<p>Forest Stewardship Council (FSC) is an international, non-governmental organisation dedicated to promoting responsible management of the world's forests. FSC was established in 1993, following an initiative by environmental organisations from 25 countries, specifying agreements on sustainable forest management.</p>
	<p>Programme for the Endorsement of Forest Certification (PEFC), is a leading global alliance of national forest certification systems. As an international non-profit, non-governmental organization, they are dedicated to promoting sustainable forest management through independent third-party certification. PEFC provides certification for wood originating from large and small forests.</p>

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