



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

SpareBank 1 SR-Bank ASA
8 August 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bonds
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)EU Taxonomy Climate Delegated Act (as of June 2021)
Scope of verification	<ul style="list-style-type: none">SpareBank 1 SR-Bank ASA's Green Bond Framework (as of August 8, 2023)SpareBank 1 SR-Bank ASA's Eligibility Criteria (as of August 8, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

SpareBank 1 SR-Bank ASA (“the Issuer”, “the Bank”, “the company”, or “SR-Bank”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. SR-Bank’s Green Bond Framework (as of August 8, 2023)– benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)².
4. Linking the transaction(s) to SR-Bank’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.






SR-BANK BUSINESS OVERVIEW

SpareBank 1 SR-Bank ASA engages in the provision of financial and banking services and is classified in the Public and Regional Banks industry per ISS ESG’s sector classification. It operates through following segments: Retail Market, Corporate Market, SME & Agriculture, and Other Activities. The Retail Market segment includes self-employed people. The Corporate Market segment comprises of maritime and public sectors. The SME & Agriculture segment serves the small and medium-sized enterprises. The company was founded on October 1, 1976, and is headquartered in Stavanger, Norway.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a "best efforts basis".

² Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL](#)

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP	The Issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP.	Aligned
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Green Bonds will (re)finance eligible asset categories which include:</p> <p>Green categories: Green Buildings, Renewable Energy, and Clean Transportation.</p> <p>Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">    </div> <p>Process-related use of proceeds categories⁵ individually improve (i) the Issuer’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s sector on one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">   </div> <p>With regards to the UoP categories for which the EU Taxonomy assessment (on the Do No Significant Harm Criteria and Minimum Safeguards) has not been performed, the environmental and social risks are managed.</p>	Positive
Part 3: Alignment with EU Taxonomy	<p>SR-Bank’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁵. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria ▪ Aligned with the Minimum Safeguards requirements 	

³ The evaluation is based on the SR-Bank’s Green Bond Framework (August 2023 version), on the analyzed Eligibility Criteria as received on August 8, 2023, and on the ISS ESG Corporate Rating updated on January 18, 2023, and applicable at the SPO delivery date.

⁴ Green Buildings, Renewable Energy, and Clean Transportation.

⁵ Green Buildings.

<p>Part 4: Linking the transaction(s) to SR-Bank's ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer's sustainability strategy</p>
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SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the SR-Bank's Green Bond Framework (as of August 8, 2023) with the Green Bond Principles (GBP).

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by SR-Bank's Green Bond Framework is aligned with the GBP.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP. Criteria are defined in a clear and transparent manner. Environmental benefits are described. Disclosure of distribution of proceeds by project category will be provided while reporting.</p> <p>The Issuer defines exclusion criteria for harmful projects categories, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by SR-Bank's Green Bond Framework is aligned with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process and identifies alignment of their Green Bond framework and their green projects with official and market-wide taxonomies and to reference any green standards or certifications used, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by SR-Bank's Green Bond Framework is aligned with the GBP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the</p>

		<p>temporary investment instruments for unallocated proceeds.</p> <p>The Issuer discloses the nature of the temporary investments, in line with best market practice.</p>
4. Reporting	✓	<p>The allocation and impact reporting provided by SR-Bank’s Green Bond Framework is aligned with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. SR-Bank explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting, on the information reported, the reporting frequency, and the scope and duration of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs⁶

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.



1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs⁷:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Residential Buildings built ≥ 2021 in Norway</i></p> <ul style="list-style-type: none"> ▪ <i>Buildings complying with the relevant NZEB-10% threshold^{8 9 10}</i> 	Contribution	 

⁶ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁷ The review is limited to the examples of projects spelled out in the framework.

⁸ 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.

⁹ Previously eligible TEK17 buildings originated between 01/01/2021 - 31/01/2023 have been grandfathered as of 31/01/2023 following the publication of the official Norwegian NZEB definitions.

¹⁰ 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 in scope. The full methodology and selection approach used for NZEB-10% compliant buildings will be published in Multiconsult's technical report.

Green Buildings

Residential Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway

- Buildings complying with TEK10 & TEK17 building codes (built ≥2012)¹¹
- Buildings with EPC labels reflecting the top 15%¹²

Contribution



Green Buildings

Commercial Buildings built ≥2021 in Norway

- Buildings complying with the relevant NZEB-10% threshold^{13 14 15}

Contribution



Green Buildings

Commercial Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway

- Hotel and restaurant buildings complying with the Norwegian building code TEK10, TEK17 (built ≥2011)¹¹
- Office, retail and industrial buildings complying with the Norwegian building code TEK10, TEK17 (built ≥2010)¹¹
- Buildings with EPC labels reflecting the top 15%¹⁶

Contribution



¹¹ Qualifying building codes will be determined with the support of a specialized external consultant, confirming that TEK10 and TEK17 building codes belong to the top 15%. A two-year lag (for residential, office, retail and industrial buildings) and a three-year lag (for hotel and restaurant buildings) between the implementation of a new building code and the buildings built under that code must be taken into account. Previously eligible TEK07 commercial buildings have been grandfathered as of 31/12/2022.

¹² Qualifying EPCs will be determined with the support of a specialized external consultant. At the time of writing Norwegian residential buildings with EPC labels of A and B are in scope. Previously eligible TEK07 small residential buildings and EPC C labels built before 2012 have been grandfathered as of 30/06/2021 and 31/12/2020 respectively.

¹³ 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.

¹⁴ Previously eligible TEK17 buildings originated between 01/01/2021 - 31/01/2023 have been grandfathered as of 31/01/2023 following the publication of the official Norwegian NZEB definitions.

¹⁵ 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 in scope. The full methodology and selection approach used for NZEB-10% compliant buildings will be published in Multiconsult's technical report.

¹⁶ Qualifying EPCs will be determined with the support of a specialized external consultant. At the time of writing Norwegian residential buildings with EPC labels of A and B are in scope. Previously eligible TEK07 small residential buildings and EPC C labels built before 2012 have been grandfathered as of 30/06/2021 and 31/12/2020 respectively.

Green Buildings

Buildings which received at least one or more of the following classifications:

- LEED “Gold”
- BREEAM or BREEAM-NOR “Very Good” or equivalent, or higher level of certification
- Nordic Swan Ecolabel

Contribution



Renewable Energy

Loans, credit and investments to finance or refinance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:

- *Solar Energy: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities*
- *Wind Energy: Onshore and Offshore wind energy generation*
- *Hydropower¹⁷ in Norway, that meets one of the criteria*
 - *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 electricity from hydropower are lower than 100g CO₂e/Kw*

Contribution



Clean Transportation¹⁸

Production, establishment, acquisition, expansion, upgrades, maintenance and operation of:

- *Low carbon vehicles: Fully electric, hydrogen, or otherwise zero emissions vehicles for the transportation of passengers or freight*

Contribution



¹⁷ The Issuer confirmed that the plants will be smaller than 100 MW.

¹⁸ No transport activities that are dedicated for the transport of fossil fuels.

Clean Transportation¹⁹

Production, establishment, acquisition, expansion, upgrades, maintenance and operation of:

- *Core and /or auxiliary sustainable transport infrastructure: Infrastructure to support zero emissions passenger or freight vehicles and public transportation such as EV charging stations or urban and intercity electric road infrastructure*

Contribution

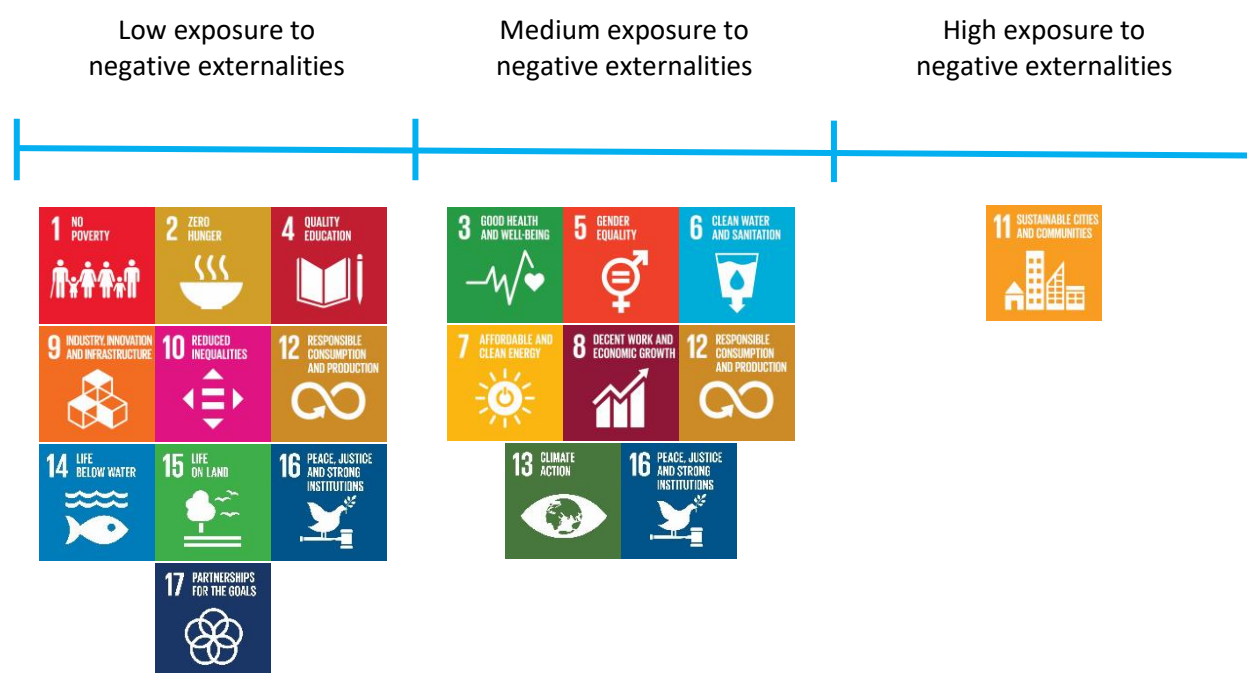


¹⁹ No transport activities that are dedicated for the transport of fossil fuels.



2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities²⁰ in the Real Estate industry (which SR-Bank finances) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ²¹	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Refurbished Residential and Commercial buildings in Norway with an improved energy efficiency of 30%²²</i></p> <ul style="list-style-type: none"> <i>Refurbished Norwegian residential and commercial buildings with at least a 30% improvement in energy efficiency, measured in kWh/m²</i> 	✓	 

²⁰ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

²¹ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

²² Qualifying buildings will be determined with the support of a specialized external consultant.

- *Where EPC labels are available to select eligible assets under this criterion, only labels of 'D' or better will be considered.*

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs and covers the project categories²³ that have not been assessed against the Do No Significant Harm Criteria and the Minimum Safeguards of the EU Taxonomy. The entirety of the assets are and will be located in Norway.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

SR-Bank confirms that the projects financed under this Framework are and will be located in Norway, and to some extent Sweden (onshore wind farms).

SR-Bank has defined Sustainability Guidelines for the Corporate Market²⁴ to identify risks and/or opportunities applicable to the assets underlying this specific transaction. The Bank's Board of Directors and Group Executive Management Team carry out the group operations and monitor climate risks and opportunities to ensure investments are constantly aligned with the guidelines adopted by the Bank and to identify the need for any repositioning (or withdrawing) action.

The Bank utilizes an ESG scoring model (ESG Due Diligence Questionnaire) which is tailor-made for individual sectors and industries with specific due diligence questions that are relevant to the respective sector. The detailed questions cover all elements of 'Environment' (physical risk & transition risk), 'Social', and 'Governance'. The qualification indicators include (i) compliance with laws and regulations, (ii) compliance with SR-Bank's policies and guidelines on sustainability, (iii) acceptable score in SR-Bank's ESG model, and (iv) eligibility under the Framework. SR-Bank further notes that the output/score of the model is also influenced by the industry of the Bank's borrowers. Accordingly, the Bank ensures that any borrower or prospect considered for sustainable financing under this framework must have an acceptable ESG score based on this model.

In case an ESG risk is identified and cannot be managed within the scope of the financed activities, the Bank applies a follow-up/incentive/reject procedure that leads to the withdrawal of a new loan as part of its Sustainability Guidelines.

Labour, Health, and Safety

- ✓ The Bank's borrowers are obligated to be in compliance with ILO core conventions, as well as the United Nations Declaration of Human Rights and Worker's Rights. The bank also monitors social and governance indicators within its ESG Due Diligence Questionnaire process. As all assets financed will be located in Norway, where all core conventions of the International Labor Organization (ILO) conventions are ratified. Therefore, high health & safety and labour standards are ensured by the relevant national legislation and the European Union's mandatory social standards

²³ Green Buildings which have received at least one or more of the following classifications: LEED "Gold", BREEAM or BREEAM-NOR "Very Good" or higher, and Nordic Swan Ecolabel; Solar Energy; and Clean Transportation which covers Core and /or auxiliary sustainable transport infrastructure to support zero emissions passenger or freight vehicles and public transportation such as EV charging stations or urban and intercity electric road infrastructure.

²⁴ Sustainability Guidelines for the Corporate Market, SpareBank 1 SR-Bank, <https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/SustainabilityguidelinesforthecorporatemarketSpareBank1SR-Bank.pdf>

Biodiversity

✓ The financed activities feature the respect of biodiversity as an integral part of the planning process. The Bank's borrowers are obligated to obtain necessary licenses when required in order to mitigate the negative environmental impacts on biodiversity, surrounding areas, and cultural heritages. All assets financed for the project categories assessed under the KPIs will be in Norway. Thus, the environmental impacts on biodiversity and the habitats have been reduced as it complies with the Norwegian Regulations on Environmental Impact Assessment (EIA) for plans pursuant to the Norwegian Planning and Building Act. The present EIA provisions implement the EU Directive on Environmental Impact Assessment.

In line with the "Energy Act" and the "Water Resources Act", a license from the Norwegian Water Resources and Energy Directorate (NVE) for the construction of energy production facilities larger than 1MW is required, which shows that the necessary cautions and plans regarding the protection of biodiversity are taken into account. Furthermore, borrowers need to complete an EIA and demonstrate alignment with the EU Water Framework Directive (WFD). Minimum requirements include minimum water flows, functional fish migration pathways as well as safeguards for biodiversity and local ecosystems.

Community Dialogue

✓ Financed activities feature community dialogue as an integral part of the planning process. All assets financed for the project categories assessed under the KPIs will be in Norway, which is an Equator Principles designated country. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Thus, SR-Bank and its borrowers are obligated to comply with the requirements on Grievance Mechanisms, and Stakeholder Engagement. The Issuer's borrowers are obligated to comply with the Norwegian Regulations on Environmental Impact Assessment (EIA) for plans pursuant to the Norwegian Planning and Building Act. The present EIA provisions implement the EU Directive on Environmental Impact Assessment and include community dialogue as a core practice.

✓ The Bank further has its own community engagement process, where continuous and regular community consultation sessions take place as part of materiality analysis and take an integral part in mapping out priority areas regarding ESG Risks and the Bank's sustainability and social strategies. Furthermore, SR-Bank applies contact forum tools on its website for those who wish to provide feedback and has a Whistleblowing Policy in place.

Inclusion

- ✓ SR-Bank has a Code of Conduct²⁵ in place in systematically ensuring borrowers are not discriminated on the basis of race, gender, age, disability, sexual orientation, religion, political beliefs, national or ethnic origin or other factors that represent a breach of the principle of equal treatment in access to credit. Furthermore, the Bank's Whistleblower Policy allows anonymous, written, and verbal reports in order to protect the borrowers.

Data protection and information security

SR-Bank has a policy in place systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced data processing. The Bank's Personal Data Protection and Cyber Security²⁶ strategy complies with the Norwegian Personal Data Act, and the EU's General Data Protection Regulation (GDPR), which provides customer data rights, protection measures, and privacy and data security principles.

- ✓ A quality management system has been established with the group's governing documents relating to information security, cyber security, and privacy. Risk management processes have been established to constantly identify and monitor risks, apply the processes designed to ensure compliance with internal requirements, as well as applicable acts and regulations, and map and manage the risks associated with information security, cyber security, and privacy. Risk mitigation measures are registered, followed up, and reported via a dedicated measures database. For outsourcing, SR-Bank adheres to the European Banking Authority Guidelines on outsourcing arrangements²⁷ in terms of security of data and systems, location of data and data processing, sub-outsourcing, monitoring and auditing and contingency plans and exit strategies. Additionally, the Bank has a number of technical safety barriers and puts employees through regular information security, cyber security and privacy training in order to avoid unwanted incidents, and regular audits are conducted.

Responsible treatment of customers with debt repayment problems

- ✓ SR-Bank has procedures in place to ensure that assets financed under this framework provide responsible treatment toward customers with debt problems. The Bank complies with the Financial Supervisory Authority of Norway's (FSA) requirements regarding governing credit risk management, internal controls, and oversight which includes requirements for dealing with customers with debt problems and has permission from FSA to use internal measurement methods or quantify credit risk

²⁵ SR-Bank Code of Conduct, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/english/about-us/Social-responsibility/SpareBank_1_SR-Bank_etiske_retningslinjer_2021_15mars_EN.pdf

²⁶ Sustainability in SpareBank 1 SR Bank, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Sustainability_in_SpareBank_1_SR-Bank.pdf

²⁷ The European Banking Authority Guidelines on outsourcing arrangements, February 25, 2019 ("EBA Guidelines"), <https://www.eba.europa.eu/sites/default/documents/files/documents/10180/2551996/38c80601-f5d7-4855-8ba3-702423665479/EBA%20revised%20Guidelines%20on%20outsourcing%20arrangements.pdf>

(Internal Rating Based Approach) to ensure that the incentives are in place for the customers with debt problem.

SR-Bank carries out its transaction processes in accordance with the Mortgage Market Regulation in Norway²⁸, which underlines the underwriting standards that the bank conforms with. The Issuer has pre-emptive actions in place and implements a conservative loan-to-value (LTV) ratio (set by a maximum of 85%), provides online educational training²⁹ targeting at customers with debt problem, and offers flexibilities to borrowers struggling with repayment (set to a maximum of 60% LTV, with a repayment minimum of 2.5% per annum when LTV is higher than 60%). Furthermore, in compliance with the Norwegian Financial Agreements Act that regulates the rights and duties of the involved parties, SR-Bank provides internal and external debt counseling services and has ESG policies around mortgage sales and foreclosures across its 33 branches in Norway where its advisors work directly with retail clients. SR-Bank contacts the client in different ways and in different steps of the process. The Bank advises meeting retail clients with financial problems with the possibility of an on-site or digital meeting), where they go through the client's financial situation is gone through and a debt restructuring plan is made for the customer to be cured. The proposed plans may include an interest-only period or changes to the amortization plan of the loan(s). The last and ultimate step of such a process is to send the loan(s) to the collection and foreclose on the property serving as collateral.

For mortgage sale and foreclosure, the Issuer confirms ensuring to sell mortgages under conditions that are not detrimental to clients, in line with the abovementioned regulations. In that regard, the Issuer lowered the mortgage interest rate to 3 %, which was 5% prior to 2023. The calculation method is stated as "maximum 5x debt/ gross income of borrowers".

Sales practices



SR-Bank has a policy in place that assets financed under this framework provide for responsible sales practices. The Bank's Code of Conduct specifies the core elements of customer services as providing a high level of integrity, availability, transparency, and fair treatment, and it applies rules for proper conduct and compliance with the operational limits set and the general rules on good business practices and international standards and conducts regular internal audits of the activities to identify potential operational or reputational risks and prevent malpractices. The Issuer only provides group bonuses and does not provide personal bonuses targeted at individual sales targets.

The Issuer provides training on responsible sales practices for its employees via Verdipapirforetaketenes Forbund (VPFF) and Verdipapirfondenes Forening (VPF), and internal specialist days and training modules are carried out by SPAMA to ensure the implementation of responsible marketing and adequate product offers. SR-Bank's

²⁸ Norwegian Lending Regulation, <https://www.regjeringen.no/en/topics/the-economy/finansmarkedene/the-lending-regulation/id2950571/>

²⁹ "Bekymret for økonomien?", SR Bank, <https://www.sparebank1.no/nb/sr-bank/privat/tips-og-rad/bekymret-for-okonomien.html>

employees are obligated to provide information on product costs and risks transparently to the customers, and to engage with vulnerable customers with a positive attitude.

SR-Bank's Product Management Policy carries out regular screening on customer surveys and complaints and is responsible for monitoring and evaluation of its employees' competences and sales practices and provides regular audits assessing responsible sales practices.

Responsible marketing



SR-Bank has policies and measures in place systematically ensuring that assets financed under this framework provide for responsible marketing. The Bank is committed to being transparent in its marketing activities. It has guidelines in place on clear and correct pricing, and the provision of complete and understandable information in order to ensure that customers' interests and investor protection are safeguarded when customers and investors are being sold products and services. Credit policy guidelines for product and distribution strategy have been established, and procedures, processes, and work descriptions have been operationalized. Training is also provided via the authorization scheme for financial advisers (AFR), training programs via Verdipapirforetagnes Forbund (VPPF) and Verdipapirfondenes Forening (VPF), and internal specialist days and training modules are carried out by SPAMA.

SR-Bank's Product Management Policy requires that all new products and services, as well as material changes to these, must be subject to a risk assessment made by relevant professionals, approved by risk management and compliance, and presented and approved to the group's executive management. The product, process, and system scoring (PoPS) process ensures that customer interests are adequately safeguarded.

Exclusion criteria

SR-Bank group policies exclude companies that are active in (i) the development, testing, production, storage, or transportation of controversial weapons or components exclusively intended for controversial weapons including cluster munitions, anti-personnel mines, nuclear weapons, chemical weapons, and biological weapons, (ii) the manufacture of tobacco products or components explicitly intended for such products, and (iii) the production of pornographic material.

SR-Bank abides by all current sanctions and Anti-Money Laundering (AML) Legislation for the exclusion of entities and individuals found to have engaged in prohibited conduct.

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of SR-Bank's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act³⁰ (June 2021), based on information provided by SR-Bank. Where SR-Bank's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

SR-Bank's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 4.3 Electricity Generation from Wind Power
- 4.5 Electricity Generation from Hydropower
- 6.3 Urban and Suburban Transport, Road Passenger Transport
- 6.5 Transport by Motorbikes, Passenger Cars and Light Commercial Vehicles
- 7.2 Renovation of Existing Buildings
- 7.7 Acquisition and Ownership of Buildings

All projects financed under the Green Bond Framework are and will be located in Norway. For wind power categories, projects are and will also be located in Sweden.

Note: In order to avoid repetition, the evaluation of the alignment of SR-Bank's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section f). Similarly, the evaluation of the alignment to the DNSH to Sustainable Use and Protection of Water and Marine Resources is given in g), the evaluation of the alignment to the DNSH to Pollution Prevention and Control is given in Section h), and the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section i). They are applicable to all of the above activities.


Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

³⁰ The EU Taxonomy Climate Delegated Act, https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en




a) 4.3 Electricity generation from wind power

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³¹	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The activity generates electricity from wind power.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See f)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR-Banks wind power customers are obligated by all national regulatory requirements applicable to all loans originated.</p> <p>An Environmental Impact Assessment (EIA) is being conducted at the planning stage of green projects. The EIA includes water considerations, as per conformity with European legislation including the EU Directive 2008/56/EC's requirements on the development and implementation of marine strategies and the Directive Descriptor 11 related to Noise/Energy, laid down in Annex I has been translated by Norwegian law.</p> <p>For both its Swedish and Norwegian projects, SR-Bank's wind power customers thus comply with the mentioned EU Directives.</p> <p>As mentioned in section m), SR-Bank complies with the Norwegian Water Regulation (Vannforskriften) as well as with the EU Water Framework Directive (WFD) which entered into force in Norway in 2008. The Directive's main objective is to ensure a good status of surface and ground water.</p>	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR Bank's wind power customers are obligated by all national regulatory requirements applicable to all loans originated.</p> <p>As part of the EU, Sweden translated EU relevant Directives in The Building and Planning Act (SFS 2010:900). In relation to climate change, the Act requires climate impacts and adaptation to be considered in planning and permitting for development. Specifically, the Act requires planning and permitting processes to consider:</p> <ul style="list-style-type: none"> ▪ The sustainable management of land, water, energy, and raw materials and environmental conditions 	✓

³¹ Ibid.

<ul style="list-style-type: none"> ▪ The conservation of energy and water, as well as climate conditions ▪ Chances of preventing water and air pollution <p>Additionally, acquiring an environmental notification pursuant of the Environmental Code is necessary.</p> <p>In Norway, power production is overseen by Norwegian Water Resources and Energy Directorate (NVE) which emphasizes on preserving the environment. Further Norway has implemented a regulatory system for managing waste electrical and electronic equipment (WEEE) in 1999 called the regulations on recycling and treatment of waste (Waste Regulations).</p> <p>The eligible assets are subject to decommissioning obligations as per regulation. Dismantling of wind turbines is regulated by national legislation.</p>	
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>N/A: There is no EU Taxonomy criteria for the category</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See i)</p>	

b) 4.5 Electricity generation from hydropower

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³²	ALIGNMENT WITH THE EU TAXONOMY
<p>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</p>	
<p>SR-Bank formulated the eligibility criteria for hydropower projects in line with the life-cycle GHG emissions threshold of 100 gCO₂e/kWh in the June 2021 EU Taxonomy Annex I to the Commission Delegated Regulation.</p>	
<p>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See f)</p>	
<p>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>The activity complies with the provisions of Directive 2000/60/EC and with all the requirements laid down in Article 4 of the Directive.</p>	
<p>The Ministry of Climate and Environment (KLD) confirmed that Norway has transposed the EU Water Framework Directive (2000/60/EC) in the Norwegian law, including several legal measures to ensure compliance with Article 4 of the WFD, for example, regulate and control the action and behavior of the companies and other</p>	

³² Ibid.

entities which operate hydropower plants, so that their actions and behavior do not impede the Article 4 WFD environmental objectives.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

N/A: There is no EU Taxonomy criteria for the category

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

N/A: There is no EU Taxonomy criteria for the category

6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

See i)



c) 6.3 Urban and suburban transport, road passenger transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³³

**ALIGNMENT
WITH THE EU
TAXONOMY**

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION

SR-Bank (re)finances vehicles that comply with zero direct (tailpipe) CO₂ emissions. Currently, only electric vehicles are considered in the portfolio. Yet, SR-Bank may or may not include hydrogen vehicles that comply with zero-direct tailpipe emissions in the future.



Additionally, transport activities that are fossil-fueled powered are excluded from this Framework.

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

See f)



3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

SR-Bank (re)finances vehicles from car-producers that are obliged to follow the EU's End of Life (ELV) Directive (EU Directive 2000/53/EC), prohibiting the use of lead, mercury, hexavalent chromium, and cadmium, with some exemptions for lead where substitutions are not yet available.



As a party to the "Agreement on the European Economic Area" (EEA), Norway must also comply with EU regulation 2016/1628 including Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles,

³³ Ibid.

Directive 2005/64/EC on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

SR-Bank’s customers are obligated by local laws and regulations for the projects financed.

As a party to the “Agreement on the European Economic Area” (EEA), Norwegian emission regulations are aligned to EC No. 715/2007. Additionally, SR Bank (re)finances the vehicles that comply with the emissions thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC.

For road vehicles of categories M and N, tires comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as Regulation (EU) 2020/740 is implemented in Norway.

The Regulation 540/2014 that mandates all manufacturers to equip their vehicles sold and imported to the EU is binding for all Member States of the EU as well as for Norway.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

N/A: there is no EU Taxonomy criteria for the category.

d) 6.5 Transport by motorbikes, passenger cars and light commercial vehicles

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁴	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>SR-Bank (re)finances vehicles that comply with zero direct (tailpipe) CO₂ emissions. Currently, only electric vehicles are considered in the portfolio. Yet, SR-Bank may or may not include hydrogen vehicles that comply with the zero-direct tailpipe emissions in the future.</p> <p>In addition, transport activities that are fossil-fueled powered are excluded from this Framework.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See f)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	

³⁴ Ibid.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

SR-Banks customers are obligated by local laws and regulations for the projects financed.

As a party to the “Agreement on the European Economic Area” (EEA), Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and amending Council Directive 70/156/EEC has been incorporated and enforced in Norway.



5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

SR-Banks customers are obligated by local law and regulations.

As a party to the “Agreement on the European Economic Area” (EEA), Norwegian emission regulations are aligned to EC No. 715/2007.

As well, the financed projects are obligated to comply with the emissions thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC.

For road vehicles of categories M and N, tires comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as out Regulation (EU) 2020/740 is implemented in Norway.



The Regulation 540/2014 that mandates all manufacturers to equip their vehicles sold and imported to the EU is binding for all Member States of the EU as well as for Norway.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA


N/A: there is no EU Taxonomy criteria for the category.

e) 7.7 Acquisition and ownership of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁵	ALIGNMENT WITH THE EU TAXONOMY
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>For buildings built before 31 December 2020, the buildings are required to have an EPC A label or are within the top 15% low carbon buildings in Norway. Qualifying building codes and EPCs will be determined with the support of a specialized external consultant “Multiconsult”, by using national EPC registry data.</p> <p>Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW), it will be efficiently operated through energy performance monitoring and assessment. This criterion will be ensured through inspection and certification processes employed by the project parties involved in infrastructure investments. In terms of ESG due diligence for such buildings, the Bank has access to information provided privately by the project parties and project commitments, as well as publicly available information. Such certifications may include EPC labels, Environmental Impact Assessment (EIA), or such monitoring is covered as per the building code.</p> <p>For buildings built after 31 December 2020, the PED is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council, which were announced on 31 January 2023 in Norway. Green buildings consultant Multiconsult has been used to derive a practical method to select compliant buildings.</p> <p>The assessment for buildings larger than 5000 m² is concluded as not aligned with the criteria, since not all the buildings undergo testing for air-tightness and thermal integrity as of now.</p>	<p style="text-align: center;"></p> <p style="text-align: center;">except for buildings larger than 5000 m²</p>
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See f)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A: there is no EU Taxonomy criteria for the category.	

³⁵ This column is based on input provided by the Issuer.


f) Generic Criteria for DNSH to Climate Change Adaptation

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁶	ALIGNMENT WITH THE EU TAXONOMY
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR-Bank utilizes the Task Force for Climate-related Financial Disclosure’ guidelines as a methodological guideline to identify, manage, and report physical climate risks, and uses Eiendomsverdi’s data. As part of the Issuer’s periodic monitoring, a physical climate risk and vulnerability assessment has been carried out for all group activities that SR-Bank finances. Furthermore, assessment of physical risk is part of the Bank’s ESG score model for corporate clients prior to loan approval and reviewed through ESG Due Diligence Questionnaires. The Questionnaire and Online ESG Model also includes an online map from the Norwegian Water Resources and Energy Directorate (NVE) that includes these physical risks, and that supports the borrowers when answering this question.</p> <p>The rising sea level, increase in the number and intensity of flooding events, quick clay slide, major rockslide and snow and stone avalanches are identified as the most relevant physical climate risk indicators by SR-Bank. Physical risk is screened for properties where the group is the mortgage provider. Physical climate risk is assessed for relevant green building assets as part of the Planning and Building Act of 2008. As per this Act, if risk is identified in the screening phase of a building, county-level climate scenarios are to be used that are based on both low (RCP4.5) and high (RCP8.5) emission scenarios developed by IPCC, with assessments covering at least a milestone year of 2050.</p> <ul style="list-style-type: none"> ▪ Sea level: 20-year storm surge, now scenario ▪ Flooding: 20-year flood, now scenario ▪ Quick clay slide: moderate probability, now scenario ▪ Major rockslide: danger zone, now scenario ▪ Snow and stone avalanches, inspected special caution zone, now scenario <p>The expected lifespan of the assets is identified on a sector level and taken into account during the assessment process. The result of the assessments shows that 98.6% of activities are not exposed to climate risks, meaning that only 1.4% is exposed to those risks³⁷. ‘Rising sea levels’ are identified as the highest risk category with 72% of loans exposed to the risk.</p> <p>SR-Bank’s risk assessment has not identified any urgent risk or imminent adaptation solutions that are required in the short term. The Bank commits to incorporating adaptation solutions, when they are applicable, and formally documented as needed.</p>	

³⁶ This column is based on input provided by the Issuer.


³⁷ SR-Bank Sustainability Report 2022, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Sustainability_Report_2022.pdf

g) Generic Criteria for DNSH to Water and Marine Resources


PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁸	ALIGNMENT WITH THE EU TAXONOMY
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR-Bank’s customers are obligated to comply with all applicable national regulations and that through the European Economic Area (EEA) Agreement, Norway adheres to a large part of the EU legislation.</p> <p>To preserve Water and Marine Resources, the EU Water Framework Directive (2000/60/EC) has been transposed into Norwegian national law by way of the Water Regulation and came into force in Norway in 2009. The Drinking water Directive 98/83/EC (and successor) have also been transposed as well as the Council Directive 91/271/EEC concerning urban waste-water treatment.</p> <p>Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan.</p> <p>Environmental Impact Assessments are conducted at the planning stage of green projects including water considerations, as per conformity with European legislation. Moreover, SR-Bank’s customers are obligated to comply with the Norwegian Regulations on Environmental Impact Assessment for plans pursuant to the Norwegian Planning and Building Act and all national regulatory requirements applicable to all loans originated.</p>	

³⁸ This column is based on input provided by the Issuer.

h) Generic Criteria for DNSH to Pollution and Prevention Control

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁹	ALIGNMENT WITH THE EU TAXONOMY
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR-Bank’s customers are obligated to comply with all applicable national regulations. Through the European Economic Area (EEA) Agreement, Norway adheres to a large part of the EU legislation.</p> <p>Norway’s regulation on limitation of use of health and environmental hazardous chemicals and other products thus complies with EU Regulation No 1907/2006, 201 regulations 2019/1021, 2017/852, 1005/2009 and 1907/2006.9/1021, 2017/852, 1005/2009 and 1907/2006. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p> <p>In addition, building components must adhere to REACH and the Regulation (EU) N. 305/2011. They also must comply with The Building Code that require that used materials should be tested and certified, as well that “Products for construction must give no or low pollution to the indoor air”.</p>	

i) Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems


PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴⁰	ALIGNMENT WITH THE EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
<p>SR-Bank’s customers are obligated to comply with the Norwegian Regulations on Environmental Impact Assessment for plans pursuant to the Norwegian Planning and Building Act.</p> <p>Environmental Impact Assessments are required for all public and private projects which are likely to have significant effects on the environment and are conducted based on the EU EIA Directive 2011/92/EU. Mitigation of negative environmental impacts as well as impacts on biodiversity, surrounding areas, and cultural heritages are important elements in attaining necessary licenses from NVE. Companies need to complete an EIA and to demonstrate alignment with the EU Water Framework Directive (WFD).</p>	

³⁹ This column is based on input provided by the Issuer.

⁴⁰ This column is based on input provided by the Issuer.

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation⁴¹ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴²	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>SR-Bank’s commitment to respect internationally recognized human rights is rooted in the overall sustainability and climate strategy and is anchored in the group’s governing documents. SR-Bank is signatory of various internationally recognized initiatives that frame its commitment to Human Rights. The Issuer is a member of the UN Global Compact and reports annually to the UN Global Compact. The Bank also supports and respects the UN Guiding Principles for Business and Human Rights (UNGP) as well as the Principles for Responsible Banking.</p> <p>According to the Principles for Responsible Banking, SR-Bank has to identify the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that analyses the scope, the scale of exposure, the context, and relevance as well as the scale and intensity/salience of impact. As per the scoping exercise to identify all areas of the business, across its supply chains, where Risk Based-Capital is more likely to be present and significant.</p> <p>Once this impact analysis is done the Bank has to set out relevant actions to mitigate those as far as feasible to maximize. In 2021, SR-Bank completed an impact analysis exercise using the UNEP FI Portfolio Impact Analysis tool (UNEP FI Tool). This analysis determines the negative and positive impacts of all the Bank activities with a view of the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.</p> <p>In addition, the Bank utilizes an ESG scoring model (ESG Due Diligence Questionnaire) which is tailor-made for individual sectors and industries with specific due diligence questions that are relevant to the respective sector. The detailed questions cover elements of 'Environment' (physical risk & transition risk), 'Social', and 'Governance'. The qualification indicators include (i) compliance with laws and regulations, (ii) compliance with SR-Bank’s policies and guidelines on sustainability, (iii) acceptable score in SR-Bank’s ESG model, and (iv) eligibility under the Framework. In case an ESG risk is identified and cannot be managed within the scope of the financed activities, the Bank applies a follow-up/incentive/reject procedure that leads to the withdrawal of a new loan as part of its Sustainability Guidelines.</p> <p>SR-Bank’s approach to due diligence assessments builds on the UNGP and the OECD Standard, which incorporates due diligence assessments for the entire value chain.</p>	

⁴¹ The EU Taxonomy Regulation, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

⁴² This column is based on input provided by the Issuer.

This includes assessment of risks to human rights and employee standards in the context of all their activities, including loans provided to businesses.

At national level, in Norway, the Transparency Act also requires Norwegian companies to conduct human rights due diligence activities on their operations and their entire supply chain, including business partners.

SR-Bank commits to take steps to identify, address, prevent and limit violations of human rights or decent working conditions for its supply value chain – whether potential or actual impacts. Required activities include implementing the appropriate policies, processes such as risk assessments, and providing or cooperating with efforts to provide remedy for any violations.

In accordance with the Transparency Act, the group publishes the due diligence assessment on its website annually by 30 June (the first time in 2023). They also have a requirement to respond to any written inquiries from any person requesting information about the risk relating to human rights and decent working conditions in the enterprise's own activities and the supply chain and how these risks are managed. A contact form has been created on the website for questions related to the group's work with due diligence in accordance with requirements set out in the Transparency Act.

SR-Bank ESG screens all new engagements over 10MNOK and has a range of absolute minimum requirements. There is also a follow-up procedure of engagements in the corporate market, defined by a number of criteria such as increased Anti Money Laundering risk, high and increasing Probability of Default, project financing in sectors with heightened risk etc.

PART IV: LINKING THE TRANSACTION(S) SR-BANK'S ESG PROFILE

A. CONSISTENCY OF GREEN BONDS WITH SR-BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

SR-Bank adopted its Sustainability and Climate Strategy⁴³ for the years between 2022 and 2025, which is tailored to be align with the objectives of Paris Agreement. Through its strategy, the Bank aims to incorporate ESG topics into all of its business areas by the end of 2025, which will be evident in creating improved customer experience, deliverable results, internal and external operations and in actions aiming for sustainable social development. This commitment to sustainability is executed through four key focus strategic areas: (i) emission reduction, (ii) transition, (iii) equality and diversity, and (iv) combating financial crime. SR-Bank has further defined specific targets under these priorities for the 2022-2025 period:

1. Emission Reduction:
 - a. To be climate neutral in its own operations by the end of 2022, which was achieved in 2022⁴⁴. The Bank compensated for CO₂ emissions by buying biochar (biocarbon capture and storage), and climate forest that sequesters CO₂.
 - b. To achieve net zero emissions in its financing and investment activities by 2050, with a sub-target for reducing emissions in the lending portfolio by 2030.
2. Transition:
 - a. Financing and facilitation of NOK 50 billion in sustainable activities by the end of 2030.
 - b. Financing of NOK 15 billion in green properties by the end of 2025.
 - c. Facilitating new jobs through entrepreneurship and innovation.
3. Equality and Diversity:
 - a. Gender balance (40/60) on all management levels and material positions in the company by 2025.
 - b. Equal pay for genders – equal pay for equal work.
 - c. Strengthening economic equality through the Bank's advisory, products, and services.
4. Combat Financial Crime
 - a. To have zero tolerance for all forms of financial crime.
 - b. To safeguard human rights by contributing to transparency in supply chains.
 - c. To be known for high ethical standards.

The Sustainability and Climate Strategy includes SR-Bank's detailed action plan to achieve its ESG targets. For example, (i) demanding corporate customers and suppliers to have a proactive plan for emission reduction, (ii) creating jobs, advisory service to customers and employees, and skills development in order to achieve transition goals, (iii) setting a detailed interim target regarding gender balance in order to achieve gender equality goals, and (iv) training employees to report and recognize digital and physical financial crimes.

To guide the Sustainability and Climate Strategy, The Board of Directors and Group Executive Management Team carry out the group operations and monitor climate risks and opportunities. SR-

⁴³ SR Bank's Sustainability and Climate Strategy 2022-2025, <https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/english/about-us/Social-responsibility/SustainabilityandClimateStrategy.pdf>

⁴⁴ Ibid., page 23.

Bank's CEO is directly responsible for the realization of the Bank's ESG strategy, approves the main ESG-related documents, and monitors ESG-related initiatives. The Executive Vice President of People Communications and Sustainability Team also holds the operational responsibility together with the CEO.

SR-Bank discloses the defined targets and tracks their progress annually in its Sustainability Report⁴⁵, which is prepared according to the Global Reporting Initiative (GRI) standards. Additionally, the Bank regularly conducts a physical climate risk analysis and materiality analysis to identify the most important issues to its stakeholders and map out potential impacts, including climate and environmental factors. It publishes its Annual Report and Sustainability Report every year, which includes reporting on how potential risks are monitored, managed, and mitigated. The reporting is completed based on the set of standards of the GRI and is also subject to the sector-specific guidelines relating to financial institutions such as UNEP FI Principles for Responsible Banking, Task Force on Climate-Related Financial Disclosures (TCFD), and Carbon Disclosure Project (CDP) principles.

As a signatory of Poseidon Principles since 2020, SR-Bank's portfolio is regularly tracked in terms of climate alignment and reported as "performing well below the climate alignment trajectory", with a climate alignment score of -10.7%. The Bank is also a signatory of further industry alliances such as the United Nations (UN) Global Compact, the UNEP FI Principles for Responsible Banking (PRB), Partnership for Carbon Accounting Financials (PCAF), Poseidon Principles, Skift Business Climate Leaders, and Women in Finance Charter.

In line with its environmental commitments, SR-Bank issued NOK 39,810 million in 2022, targeted at investments in green residential and commercial buildings, renewable energy, and clean transportation as part of its Green Bond Program. The program targeted at carbon dioxide reduction, which led to 2,010 GWh in direct carbon dioxide avoided across investments⁴⁶.

Rationale for issuance

To align its funding strategy with its mission and sustainability objectives, SR-Bank established a Green Bond Framework to be able to issue Green Bond Instruments.

SR-Bank utilizes Green Bonds as a tool for channeling its investments to projects and assets that have demonstrated clear environmental or climate benefits and contribute to the achievement of the UN Sustainable Development Goals (UN SDGs) and Paris Agreements, and also for its commitment to achieving net zero emissions by 2050. The projects that will be financed under this Framework contribute to the EU Taxonomy objective "Climate Change Mitigation" and will enable SR-Bank to roll out its Emission Reduction and Transition targets.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.*

⁴⁵Sustainability in SpareBank 1 SR-Bank, May 2023, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Sustainability_in_SpareBank_1_SR-Bank.pdf

⁴⁶SR Bank Green Bond Impact Report, 2022, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Investor/virksomhetsstyring/gjeldsinvestorer/SR_Bank-Impact_Report_2022_vF.pdf

B. BANK'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Public and Regional Banks, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Labour standards and working conditions
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria



ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part IV.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁴⁷	DIRECTION OF IMPACT	UN SDGS
Financing of ships (conventional propulsion)	2%	OBSTRUCTION	 

⁴⁷ Percentages presented in this table are not cumulative.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public and Regional Banks industry are as follows: Sexual harassment in the workplace, failure to respect the right to just and favourable conditions of work, and financial market irregularities.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

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ANNEX 1: Methodology

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of SR-Bank's Green Bond Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly, the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Bond Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if SR-Bank's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by SR-Bank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available or that the information provided did not fulfill the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by SR-Bank (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which SR-Bank's Green Bond Framework contributes to related SDGs has been identified.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

SR-Bank commissioned ICS to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of June 2021 with June 2022 Appendix)
- EU Taxonomy Climate Delegated Act (as of June 2021)

ISSUER'S RESPONSIBILITY

SR-Bank's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation on the alignment of the project categories with the EU Climate Delegated Act
- Documentation of ESG risks management at the framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Second Party Opinion of the Green Bonds to be issued by SR-Bank has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with SR-Bank took place from May to August 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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