

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

SpareBank Nord-Norge  
31 January 2024

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Finance Instruments – Green Bonds and Loans

Relevant standards

- Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles, as administered by the LMA (as of February 2023)
- Guidance on Bonds to Finance the Sustainable Blue Economy, as administered by ICMA (as of September 2023)
- EU Taxonomy Climate Delegated Act (as of June 2023)

Scope of verification

- SpareBank Nord-Norge's Green Finance Framework (as of January 23, 2024)
- SpareBank Nord-Norge's Eligibility Criteria (as of January 23, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

SpareBank Nord-Norge (“the Issuer”, “the Bank”, or “SNN”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Finance Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. SNN’s Green Finance Framework (as of January 23, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Guidance on Bonds to Finance the Sustainable Blue Economy, and the Loan Market Association’s (LMA) Green Loan Principles.
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 basis<sup>1</sup> – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)<sup>2</sup>.
4. Linking the transaction(s) to SNN’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.



## SNN BUSINESS OVERVIEW

SNN is a leading provider of financial solutions in Northern Norway, that is headquartered in Tromsø, Norway. It is classified in the Public and Regional Banks industry, as per ISS ESG’s sector classification. The Bank carries out an entire range of financial services such as loans, savings, advisory, investments, insurance, and pension for personal and corporate customers. As of 31<sup>st</sup> December 2022, the company had a total income of NOK 4,064 million and total assets worth NOK 122,521 million.

<sup>1</sup> Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, 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 has been evaluated on a “best efforts basis”.

<sup>2</sup> Commission Delegated Regulation (EU) 2021/2139 of June 2021, [URL https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139)

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>3</sup>
<p><b>Part 1:</b> <b>Alignment with GBP/GLP</b></p>	<p>The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bonds Principles, Green Loans Principles, and Guidelines on Bonds to Finance Sustainable Blue Economy.</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b> <b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Finance Instruments will (re)finance eligible asset categories which include:</p> <p>Green Buildings, Renewable Energy, Clean Transportation, and Environmentally Sustainable Management of Living Natural Resources and Land Use.</p> <p>Product and/or service-related use of proceeds categories<sup>4</sup> individually contribute to one or more of the following SDGs:</p> <div data-bbox="571 1223 1038 1339" style="text-align: center;">  </div> <p>The other use of proceed category<sup>5</sup> improves the operational impacts of SNN’s borrower(s) and mitigates potential negative externalities of their sectors on one or more of the following SDGs:</p> <div data-bbox="683 1581 917 1697" style="text-align: center;">  </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p><b>Positive</b></p>

<sup>3</sup> The evaluation is based on the SNN’s Green Finance Framework (January 2024 version), on the analysed Eligibility Criteria as received on January 23, 2024, and on the Indicative Corporate Rating and applicable at the SPO delivery date.

<sup>4</sup> Green Buildings, Renewable Energy, Clean Transportation, and Sustainable Management of Living Natural Resources and Land Use.

<sup>5</sup> Green Buildings

<p><b>Part 3: Alignment with EU Taxonomy</b></p>	<p>SNN’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis<sup>6</sup>. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria, except for Activities 6.3<sup>7</sup> and 6.5<sup>7</sup></li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	
<p><b>Part 4: Linking the transaction(s) to SNN’s ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with Issuer’s sustainability strategy</b></p>

<sup>6</sup> Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, 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 has been evaluated on a "best efforts basis".

<sup>7</sup> Do No Significant Harm to Pollution Prevention and Control is assessed as not aligned for Activities 6.3 and 6.5.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of SNN’s Green Finance Framework (as of January 23, 2024) with the Green Bond Principles (GBP), Green Loan Principles (GLP) and the Guidance on Bonds to Finance Sustainable Blue Economy<sup>8</sup>.

GBP/GLP	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by SNN’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles and Green Loan Principles. The Issuer states that Environmental and Sustainable Management of Living Natural Resources and Land Use category was selected in accordance with the Guidance on Bonds to Finance Sustainable Blue Economy. Criteria are defined in a clear and transparent manner. The planned amount of proceeds to be allocated by project category will be disclosed at pre-issuance in investor presentation, and environmental benefits are described, and quantified.</p> <p>The Issuer defines exclusion criteria for harmful projects categories, in line with best market practice.</p>

<sup>8</sup> Considering the Guidance on Bonds to Finance Sustainable Blue Economy requires alignment with the ICMA’s Green Bond Principles, the Guidance is not included in the below table as a separate reference to avoid confusion.

<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by SNN’s Green Finance Framework is aligned with the Green Bond Principles and Green Loan Principles.</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, in line with best marked practice. The Issuer identify alignment of their Green Finance Framework and their green projects with official or market-wide taxonomies and to reference any green standards or certifications used, in line with best market practice.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by SNN’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are moved to a sub portfolio 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 temporary investment instruments for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by SNN’s Green Finance Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</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. SNN explains that the level of expected reporting will</p>

		<p>be at portfolio 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, and on the information reported, the reporting frequency and the scope and duration of the impact reporting, in line with best market practice. The Issuer discloses the location and link of the reports and commits to get the allocation report audited by an external party, in line with best market practice.</p>
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## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs<sup>9</sup>

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 in 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 Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green buildings</b> <i>Residential and commercial buildings built ≥2021 in Norway</i></p>	<p><b>CONTRIBUTION</b></p>	 

<sup>9</sup> The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

<ul style="list-style-type: none"> <li>▪ <i>Buildings complying with the relevant NZEB-10% threshold</i> <sup>10 11 12 13</sup></li> </ul> <p><i>Residential Buildings built &lt;2021: EPC A label or within the top 15% low carbon buildings in Norway</i><sup>14</sup></p> <p><i>Commercial Buildings</i><sup>15</sup> <i>built &lt;2021: EPC A label or within the top 15% low carbon buildings in Norway</i></p>	<p><b>Contribution</b></p>	
<p><b>Green Buildings</b></p> <p><i>Buildings which received at least one or more of the following classifications:</i></p> <ul style="list-style-type: none"> <li>▪ <i>LEED "Gold"</i></li> <li>▪ <i>BREEAM or BREEAM-NOR "Excellent" or equivalent, or higher level of certification</i><sup>15</sup></li> </ul>		
<p><b>Renewable Energy</b></p> <p><i>Loans, credit and investments to finance or refinance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Solar Energy: Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities</i></li> </ul>		

<sup>10</sup> 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.

<sup>11</sup> TEK17 eligible under the previous framework that were originated between 01/01/2021- 21/01/2023 have been grandfathered in the portfolio as of 31/01/2023 following the publication of the official Norwegian NZEB definitions.

<sup>12</sup> Compliant buildings are assessed against the respective NZEB threshold published by the Norwegian Ministry, expressed as specific energy demand in kWh/m<sup>2</sup>. 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.

<sup>13</sup> For buildings larger than 5000 m<sup>2</sup>, upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. In addition, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand. SNN requires evidence to demonstrate that buildings are efficiently operated through energy performance monitoring and assessment. This can be demonstrated, for example, through an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

<sup>14</sup> 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.

<sup>15</sup> The assessment is limited to certifications spelled out in the Framework.

- *Wind Energy: Onshore and Offshore wind energy generation and other emerging technologies, such as wind tunnels and cubes*
- *Hydropower<sup>16</sup> (in Norway, boreal regions)*
  - *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/m<sup>2</sup>*
  - *the lifecycle emissions from the generation of electricity from hydropower are lower than 100g CO<sub>2</sub>e/Kw*

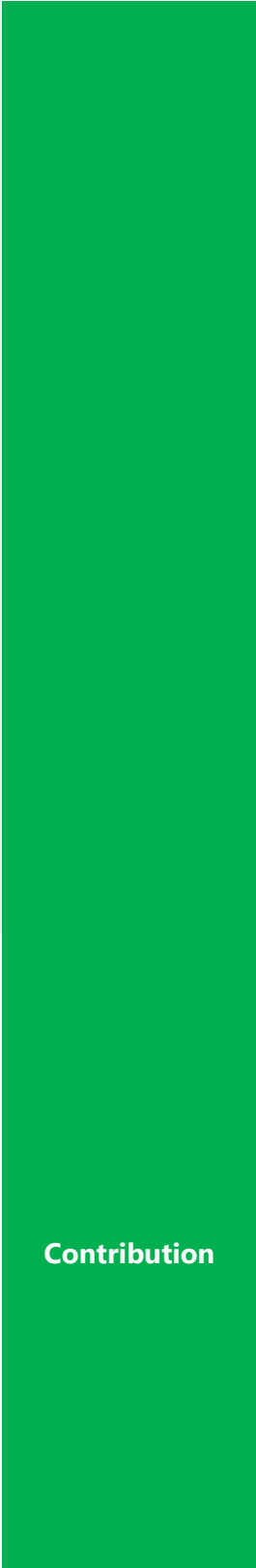
*Transmission and storage systems: Construction, operation and maintenance of transmissions and storage systems (or other infrastructure, including storage) to facilitate the integration of electricity from renewable energy sources into the grid.*

- *Direct connections, or expansion of existing direct connections of renewable energy sources*

**Renewable Energy**

*Transmission and storage systems: Construction, operation and maintenance of transmissions and storage systems (or other infrastructure, including storage) to facilitate the integration of electricity from renewable energy sources into the grid.*

- *Transmission and distribution infrastructure in an electricity system that complies with at least one of the following criteria:*
  - *the system is the interconnected European system, and its subordinate systems, or*
  - *More than 67% of newly enabled generation assets comply with the*



**Contribution**



<sup>16</sup> SNN will only finance hydropower facilities below 1000 MW.

*100gCO<sub>2</sub> e/kWh threshold (over a rolling 5-year period), or*

- *the grid's average emissions factor is less than 100gCO<sub>2</sub> e/kWh (over a rolling 5-year period)*
- *Facilities that store electricity and return it at a later time in the form of electricity*

**Clean Transportation**

*Loans, credit and investments to finance or refinance production, establishment, acquisition, expansion, upgrades, maintenance, and operation of low-carbon vehicles and related infrastructure<sup>17</sup>*

- *Land Vehicles*
  - *Zero carbon vehicles: Fully Electric, hydrogen or otherwise zero-emission passenger vehicles or freight*
- *Maritime Vessels*
  - *The vessels have zero direct (tailpipe) carbon emissions*
- *Zero carbon transportation infrastructure:*
  - *infrastructure to support zero emissions passenger, freight vehicle, vessels and public transportation, such as charging stations for electric vehicles, urban and intercity transit infrastructure, port operation and transshipment infrastructure*

**Environmental and Sustainable Management of Living Natural Resources and Land Use**

- *Aquaculture: Aquaculture and supporting intragroup activities certified by<sup>18 19</sup>:*
  - *Aquaculture Stewardship Council (ASC)*



**Contribution**

**Contribution<sup>20</sup>**



<sup>17</sup> No transport activities that are dedicated for the transport of fossil fuels.

<sup>18</sup> ASC, BAP or Friend of the Sea certified activities for which a variance from the standard has been approved are excluded.

<sup>19</sup> Feed used at the fish farm must only use soy protein concentrate that is certified either by the Round Table for Responsible Soy's (RTRS) Segregation certificate or by ProTerra.

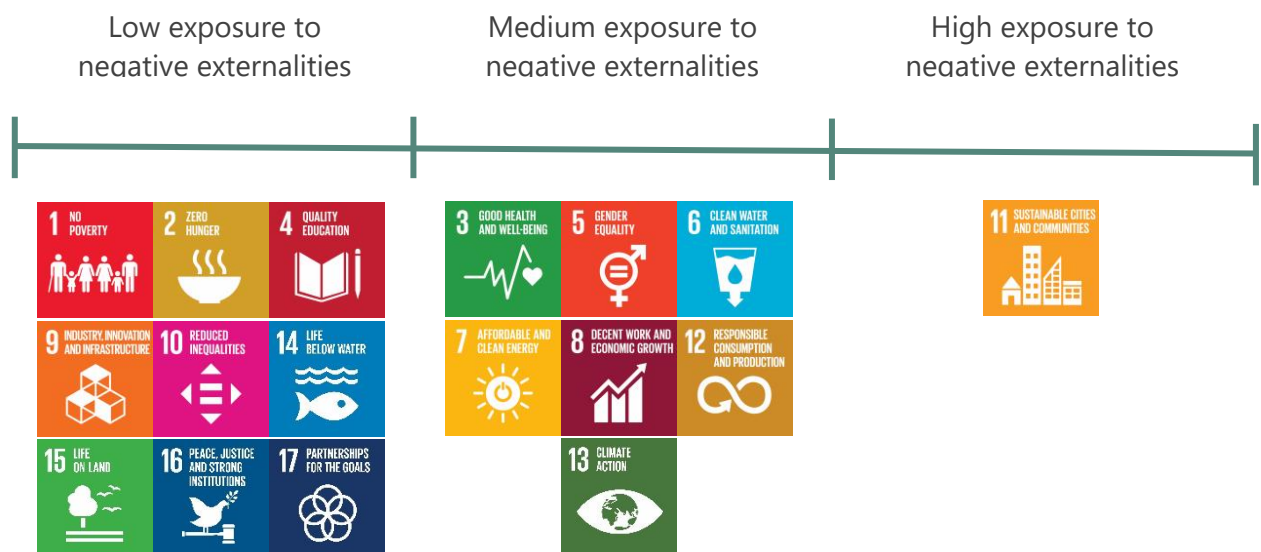
<sup>20</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an Issuer's product and service portfolio on the SDGs.

- *Best Aquaculture Practices (BAP)*
- *Global G.A.P. Aquaculture Standard*
- *The Worldwide Standard for Agricultural Practices*
- *Fisheries: Fisheries activities certified by:*
- *Marine Stewardship Council (MSC)*
- *Friend of the Sea*

**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’s clients.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>21</sup> in the Real Estate (which SNN 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.

<sup>21</sup> 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.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>22</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Refurbished Residential and Commercial Buildings in Norway with an improved energy efficiency of 30%<sup>23</sup></i></p> <ul style="list-style-type: none"> <li>▪ <i>Refurbished Norwegian residential and commercial buildings with at least a 30% improvement in energy efficiency, measured in kWh/m<sup>2</sup></i></li> </ul> <p><i>Where EPC labels are available to select eligible assets under this criterion, only labels of 'D' or better after refurbishment will be considered.</i></p> <p><i>Buildings directly being used for the exploration, extraction, refining and distribution of fossil fuels are excluded.</i></p>	<p>✓ <sup>24 25</sup></p>	 

<sup>22</sup> Only the direction of change is displayed.

<sup>23</sup> Qualifying buildings will be determined with the support of a specialized external consultant.

<sup>24</sup> It is noted that this UoP category is part of a broader strategy to achieve an established third-party standard. In this case, the Issuer is financing activities that contribute to its SBTi-validated GHG emissions reduction target.

<sup>25</sup> We note that the Issuer has aligned its selection criteria with the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2023).

## 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 categories<sup>26</sup> 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

SNN confirms that the projects financed under this Framework are and will be located in Norway.

SNN has defined Guidelines for Sustainable Financing Credit<sup>27</sup> to identify risks and/or opportunities applicable to the assets underlying this specific transaction. The Bank has a three-line risk management model in which (i) the first line of defense is responsible for identifying, managing, and reporting on climate risk related to their specific business line, (ii) the second line of defense ensures compliance with internal guidelines and external requirements related to climate risk, and periodically reporting the Group's exposure to climate risk to Group Management and the Board of Directors, and (iii) the third line of defense conducts audits based on annual plans established by the Board of Directors.

The Bank utilizes an ESG screening model (with assigned scores) which is tailor-made for individual sectors and industries with specific requirements that are relevant to the respective sector, before granting loans to customers to see if borrowers meet the Bank's corporate social responsibility and sustainability requirements. The Bank applies ESG screening to all new engagements over NOK 5 million (Norwegian Krone) and has specific minimum requirements. Borrowers with poor ESG scores face higher risk assessments that can affect loan pricing and access to loans. 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 (AML) risk, high and increasing probability of default (PD), and project financing in sectors with heightened risk etc. The Bank conducts an annual review of a substantial portion of its portfolios to ensure compliance with ESG guidelines. If a violation of the guidelines is identified during the review, the Bank establishes a follow-up/incentive/reject procedure that leads to the withdrawal of a new loan as part of its Guidelines for Sustainable Financing Credit.

<sup>26</sup> Green Buildings which have received at least one or more of the following classifications: LEED "Gold", BREEAM or BREEAM-NOR "Excellent", equivalent or higher; Refurbished Residential and Commercial Buildings in Norway with an improved energy efficiency of 30%; Transmission and distribution infrastructure in an electricity system; Clean Transportation which covers Core and /or auxiliary sustainable transport infrastructure to support zero emissions passenger or freight vehicles and public transportation and Maritime vessels; and Environmentally Sustainable Management Of Living Natural Resources And Land Use.

<sup>27</sup> Guidelines for Sustainable Financing Credit, October 2020, SNN, Available at [guidelines-for-sustainable-financing-credit-2022.pdf \(sparebank1.no\)](https://www.sparebank1.no/medias/ContentRepository/documents/2022/02/2022.pdf)

**ESG Guidelines into financing process for most sensitive sectors<sup>28</sup> financed under the Framework**

As part of their risk assessment, environmental and social risks are required considerations for credit facilities and capital market transactions. SNN’s approach to environmental risk management addresses both direct and indirect risks and covers sensitive activities across different sectors.

**ESG Guidelines into financing process for Fisheries and Aquaculture**

The Bank and the projects that will be financed under this framework are located in Norway, where Equator Principles are adopted. The principles cover (almost) all of the most relevant client-related sustainable management aspects for crop cultivation, such as water resources; water contamination and eutrophication; soil erosion and fertility; atmospheric emissions; responsible use of pesticides, herbicides, and fertilizers; alternatives to pesticides; herbicides, and fertilizers; crop rotation; polyculture farming instead of monoculture farming (crop diversity); and crop residues and solid waste.

The Bank has incorporated specific risk assessments for fisheries and aquaculture sectors that are contained within the ESC Screening (scoring) Model as part of due diligence process. Additionally, SNN annually review the impacts of its financing for Fisheries and Aquaculture and communicates it externally.<sup>29</sup>

**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. All assets financed will be located in Norway, where all core conventions of the International Labor Organization (ILO) conventions are ratified and the Transparency Act that requires companies to conduct human rights due diligence activities on their operations and their entire supply chain is in place. The Bank also monitors social and governance indicators within its ESG Due Diligence assessment process against its Guidelines for Sustainable Finance assessment prior to any loan given to new and existing customers. Therefore, high health and safety and labour standards are ensured by the relevant national legislation and the European Union’s mandatory social standards.

<sup>28</sup> The categorization of a sector as ‘most sensitive’ follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

<sup>29</sup> Green Finance Framework Page, SNN, Available at: <https://www.sparebank1.no/en/nord-norge/about-us/about-us/sustainability/green-finance-framework.html>



## 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 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, SNN 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 regular materiality analysis and community dialogue takes an integral part in mapping out priority areas regarding ESG Risks and the Bank's sustainability and social strategies.<sup>30</sup> Furthermore, SNN has both internal and external whistleblowing channels for those who wish to provide feedback and

<sup>30</sup> Sustainability and Samfunnsløftet 2022, SNN, Available at: <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/snn-baerekraftsrapport-2022-english.pdf>

complaints. The mechanisms are regulated via SNN's Policy on Exceptions Handling and Whistleblowing that are in place.<sup>31</sup>

**Inclusion**



SNN complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NUES) and has a Code of Practice<sup>32</sup> in place 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**



SNN 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<sup>33</sup> data processing. The Security Policy at SpareBank 1 Nord-Norge and the Data Protection Policy comply 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<sup>34</sup>.

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, by an appointed Data Protection Officer under Innovation and Business Department. Risk mitigation measures are registered, followed up, and reported via a dedicated measures database following the Global Reporting Initiative's (GRI) parameters. Additionally, SNN carries out regular external audits in relation to data protection and information security, outsourcing, any potential breaches and 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.

<sup>31</sup> Whistleblowing and Deviation Policy, SNN, Available at: <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/whistleblowing-and-deviation-policy.pdf>

<sup>32</sup> Annual Report 2022, SNN, Available at: <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/investor/rapporter/2022/SpareBank 1 Nord-Norge annual report 2022 lowres.pdf>

<sup>33</sup> Annual Report 2022, SpareBank 1 Gruppen, Available at: <https://www.sparebank1.no/content/dam/SB1/bank/bank/rapporter/sparebank-1-gruppen/NY-Arsrapport-SB1G-2022.pdf>

<sup>34</sup> Ibid.

**Responsible treatment of customers with debt repayment problems**

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



SNN carries out its transaction processes in accordance with the Mortgage Market Regulation in Norway<sup>35</sup>, 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<sup>36</sup> (set by maximum of 85%, provides online educational training targeting customers with debt problems<sup>37</sup>, and offers flexibility 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, SNN provides internal and external debt counseling services where its advisors work directly with retail clients. SNN 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 step of such a process is to send the loan(s) to the collection and foreclose on the property serving as collateral.

**Sales practices**

SNN has a policy in place that assets financed under this framework provide for responsible sales practices. The Bank's Code of Conduct<sup>38</sup> specifies the core

<sup>35</sup> Norwegian Lending Regulation, Available at: <https://www.regjeringen.no/en/topics/the-economy/finansmarkedene/the-lending-regulation/id2950571/>

<sup>36</sup> SNN has, in partnership with SpareBank 1-Alliansen, developed its credit models that are used for (i) calculating capital requirements for credit risk (A-IRB), (ii) granting credit, (iii) portfolio management, and (iv) calculating expected credit loss (ECL). SNN discloses the maximum credit exposure and credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. It is calculated as the ratio of the gross amount of the loan (or the amount committed for loan commitments) to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on the change in house price indices. The presented ratio is available at the parent company (SpareBank 1 Gruppen) level.

<sup>37</sup> "Sliter du økonomisk?", SNN, Available at: <https://www.sparebank1.no/nb/nord-norge/privat/tips-og-rad/utfordringer-i-privatokonomien.html>

<sup>38</sup> SNN Code – The Ethical Principles, SNN, Available at: [https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/ethical-guidelines\\_snn-koden.pdf](https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/ethical-guidelines_snn-koden.pdf)

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 and internal specialist days and training modules are carried out to ensure the implementation of responsible marketing and adequate product offers. SNN's 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.

SNN'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



SNN has policies and measures in place systematically ensuring that assets financed under this framework provide for responsible marketing (i.e., providing correct pricing, trainings its employees, auditing and monitoring). The Bank is committed to being transparent in its marketing activities. It has a Marketing Policy<sup>39</sup> in place providing transparency regarding product risks in an effort to avoid "greenwashing", and 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. Furthermore, the Policy sets a commitment towards not targeting vulnerable groups with offers of products that could increase their vulnerability such as credit cards or consumer loans to those with high levels of unsecured debt.

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 (VPFF) and Verdipapirfondenes Forening (VPF), and internal specialist days and training modules are carried out.

<sup>39</sup> SNN Marketing Policy, SNN, Available at: <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/snn-marketing-policy.pdf>

SNN carries out regular screening of customer surveys and complaints and is responsible for monitoring and evaluating its employees' competencies and sales practices and provides regular audits assessing responsible sales practices. Additionally, the Bank 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. This ensures that customer interests are adequately safeguarded.

### **Exclusion criteria**

SNN group policies and guidelines<sup>40</sup> exclude companies that are active in the following:

- production of tobacco, pornography, antipersonnel mines, cluster munitions and core components of weapons of mass destruction,
- contributing to abusive or systematic violations of human and labor rights, forced labour, serious environmental damage, corruption that conflicts with ethical guidelines,
- involved in power generation from coal, coal extraction, electricity production based on fossil fuels, oil and gas extraction,
- businesses that (i) operate with extraction or power generation based on thermal coal, oil sands, or nuclear power, (ii) use timber from actors engaged in illegal logging, selling illegally logged timber, or deforestation, and/or destroy tropical rainforests, removing primary forest or protected forests (High Conservation Value Forests), (iii) start-up in areas that already have water shortages, and where such activities might come into conflict with the needs of the local community,
- production of fossil fuel energy.

SNN carries out annual reviews of the Bank's portfolios to ensure that the guidelines are complied with. In case of a violation of the guidelines, the Bank initiates a dialogue with the client first and provide information about the improvement measures that would result in securities to comply with the guidelines again. Based on the feedback from the client, SNN's Forum for Risk and Capital Management (RICAP) either (i) discontinue or reduce the Bank's exposure depending on severity of the violation and lack of improvement, or (ii) retain the security based on the feedback and the measures taken.

<sup>40</sup> Guidelines for Sustainable Financing Credit, October 2020, SNN, Available at <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/guidelines-for-sustainable-financing-credit-2022.pdf>

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

The alignment of SNN'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 Act<sup>41</sup> (June 2023), based on information provided by SNN. Where SNN's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

SNN's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 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
- 4.10 Storage of Electricity
- 6.3 Urban and Suburban Transport, Road Passenger Transport
- 6.5 Transport by Motorbikes, Passenger Cars and Light Commercial Vehicles
- 7.7 Acquisition and Ownership of Buildings




All projects financed under the Green Finance Framework are and will be located in Norway.

Note: In order to avoid repetition, the evaluation of the alignment of SNN's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section I.2. Similarly, the evaluation of the alignment to the DNSH to Sustainable Use and Protection of Water and Marina Resources is given in Section J.2, and DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section K.3.

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](#).

<sup>41</sup>Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 4.1 – Electricity generation using solar photovoltaic (PV) technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>42</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>The activity generates electricity using solar PV technology. SNN requires from its borrowers under renewable energy lending process a formal documentation covering technical aspects including any potential concern for ESG related controversies (i.e., EIA). Furthermore, the Bank complies with the Norwegian Regulations on Environmental Impact Assessment for plans pursuant to the Norwegian Planning and Building Act.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>SNN's customers are obligated by all national regulatory requirements applicable to all loans originated in terms of assessing and, where feasible, using equipment and components of high durability and recyclability that are easy to dismantle and refurbish.</p> <p>The Ministry of Climate and Environment established legislation for managing waste of electrical and electronic equipment (WEEE) in 2004 and implemented the regulations on recycling and treatment of waste (Waste Regulations)<sup>43</sup>. Ensuring durability, recycling, and dismantling of solar panels are regulated by national legislation, which the eligible assets are subject to. Furthermore, large solar PV projects for land leases contain specific hand-back conditions to evaluate the decommissioning and dismantling of the project installations at the end of the lease term.</p> <p>The Bank has an ESG due diligence process and questionnaire in place for borrowers to ensure certain sector-specific requirements are fulfilled before financing the projects.</p>	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>42</sup> This column is based on input provided by the Issuer.

<sup>43</sup> Forskrift om gjenvinning og behandling av avfall (avfallsforskriften), 2004, Ministry of Climate and Environment of Norway, Available at <https://lovdata.no/dokument/SF/forskrift/2004-06-01-930>

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

**6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA**

See k)	✓
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b) 4.2 – Electricity generation using concentrated solar power (CSP) technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>44</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
The activity generates electricity using CSP technology. SNN requires from its borrowers under renewable energy lending process a formal documentation covering technical aspects including any potential concern for ESG related controversies.	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See j)	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
See a)4	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See k)	✓

<sup>44</sup> This column is based on input provided by the Issuer.




c) 4.3 – Electricity generation from wind power




PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>45</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>The activity generates electricity from wind power. SNN requires from its borrowers under renewable energy lending process a formal documentation covering technical aspects including any potential concern for ESG related controversies.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>SNN's wind power customers are obligated by all national regulatory requirements applicable to all loans originated. Regarding both on-shore and off-shore wind power facilities, 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<sup>46</sup>.</p> <p>Furthermore, SNN complies with the Norwegian Water Regulation (Vannforskriften) and 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 groundwater (See section j).</p> <p>The Bank has an ESG due diligence process and questionnaire in place for borrowers to ensure certain sector-specific requirements are fulfilled before financing the projects.</p>	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
See a)4	✓

<sup>45</sup> This column is based on input provided by the Issuer.

<sup>46</sup> Norway has developed the basis for an integrated marine environmental policy based on the ecosystem approach. The Offshore Energy Regulations/Act (06/2020) provides a detailed overview of the environmental considerations and requirements for offshore wind farms as part of project-specific impact assessments. Available at <https://www.regjeringen.no/contentassets/aaac5c76aec242f09112ffdceabd6c64/royal-decree-offshore-energy-regulation-june-2020.pdf>

<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See k)	

d) 4.5 – Electricity generation from hydropower

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>47</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>The electricity generation facility is a run-of-river plant and does not have an artificial reservoir; the power density of the electricity generation is above 5W/m<sup>2</sup>; and the life-cycle GHG emission from power generation is lower than 100g CO<sub>2</sub>e/kWh. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or alternatively using ISO 14067:2018, ISO 14064- 1:2018, or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party, namely Multiconsult.</p> <p>Multiconsult has investigated the SNN portfolio and confirmed that the assets, both planned and in operation, are well below a threshold of 100g CO<sub>2</sub>e/kWh, and any material change in GHG emission in relation to construction and operation is not foreseen.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>The Bank's borrowers are obligated to comply with the provisions of Directive 2000/60/EC and with all the requirements laid down in Article 4 of the Directive. The Ministry of Climate and Environment (KLD) confirmed that Norway has transposed the EU Water Framework Directive (2000/60/EC) in Norwegian law<sup>48</sup>, including several legal measures to ensure compliance with</p>	

<sup>47</sup> This column is based on input provided by the Issuer.

<sup>48</sup> The Water Regulations, 2006, the Ministry of Environment of Norway, Available at: <https://www.vannportalen.no/regelverk-og-foringer/vannforskriften/>

Article 4 of the WFD<sup>49</sup>, for example, regulate and control the action and behavior of the companies and other entities which operate hydropower plants, so that their actions and behavior do not impede the Article 4 WFD environmental objectives. This includes, but is not limited to, measures to ensure downstream and upstream fish migration, minimum ecological flow, and protect or enhance habitats, concerning urban waste-water treatment<sup>50</sup> and nitrate pollution from agricultural sources<sup>51</sup>. As further regulated in Norway, the effectiveness of those measures is monitored in the context of the authorization or permit setting out the conditions aimed at achieving good status or potential of the affected water body.

The Bank has an ESG due diligence process and questionnaire in place for borrowers to ensure certain sector-specific requirements are fulfilled before financing the projects.

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 k)



e) 4.10 – Storage of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>52</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
The activity is the construction and operation of electricity storage. Projects with chemical energy and/or hydrogen storage are excluded.	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>49</sup> The approach to water management in the WFD is ecosystem-based by dividing Norway into River Basin Districts (RBDs). For each RBD, a River Basin Management Plan (RBMP) and Programme of Measures (POM) are elaborated, identifying the specific environmental objectives for each water body pursuant to Article 4 of the WFD and the measures aiming to achieve the specific environmental objectives.

<sup>50</sup> Council Directive 91/271/EEC concerning urban waste-water treatment.

<sup>51</sup> Council Directive 91/676/EEC concerning nitrate pollution from agricultural sources.

<sup>52</sup> This column is based on input provided by the Issuer.

See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See d)3	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
See a)4	✓
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See k)	✓

## f) 6.3 – Urban and suburban transport, road passenger transport

<b>PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>53</sup></b>	<b>ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA</b>
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
SNN finances fully electric urban and suburban passenger transport vehicles that comply with zero direct (tailpipe) CO <sub>2</sub> emissions.	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
SNN finances vehicles from car-producers that are obliged to follow the following regulations:	✓
<ul style="list-style-type: none"> <li>the EU's End of Life (ELV) Directive (EU Directive 2000/53/EC), prohibiting the use of lead, mercury, hexavalent chromium, and cadmium,</li> </ul>	

<sup>53</sup> This column is based on input provided by the Issuer.

- the Norwegian regulations on recycling and treatment of waste (Waste Regulations)<sup>54</sup>,
- Waste Framework Directive (2008/98)
- Battery and Accumulators Directive (2006/66)

As part of the European Economic Area (EEA), Norway complies 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 with regard to their reusability, recyclability and recoverability.

The Bank has an ESG due diligence process and questionnaire in place for borrowers to ensure certain sector-specific requirements are fulfilled before financing the projects.

#### 5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

SNN's customers are obligated by national laws and regulations for the projects financed. As part of the EEA, Norwegian emission regulations are aligned to EC No. 715/2007. Additionally, the 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, Regulation (EU) 2020/740 which mandates all manufacturers, tire suppliers and distributors to equip their vehicles sold and imported to the EU is implemented in Norway and can be verified from the European Product Registry for Energy Labelling (EPREL). While noting the implementation of EPREL in Norway, relevant regulations do not stipulate tire's compliance 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. Considering the eligible projects are located in Norway where vehicle owners typically change tires during winter, the Issuer's visibility on the type of winter tyres that may be chosen by the vehicle owners cannot be guaranteed.



#### 6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

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


<sup>54</sup> See a)4 under Part III of this SPO for further reference.

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

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>55</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
SNN finances fully electric urban and suburban passenger transport vehicles that comply with zero direct (tailpipe) CO <sub>2</sub> emissions.	✓
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See i)	✓
3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
N/A: there is no EU Taxonomy criteria for the category	
4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See f)4  Additionally, as part of the European Economic Area (EEA), Norway complies with Directive 2005/64/EC of the European Parliament and of the Council of 18 September 2000 on end-of-life vehicles with regard to their reusability, recyclability, and recoverability. In that regard, the Bank’s borrowers are obligated to ensure that the vehicles are (i) reusable or recyclable to a minimum of 85% by weight, and (ii) reusable or recoverable to a minimum of 95% by weight.	✓
5. POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See f)5	○
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
N/A: there is no EU Taxonomy criteria for the category	

<sup>55</sup> This column is based on input provided by the Issuer.

h) 7.7 – Acquisition and ownership of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>56</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
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>For buildings built after 31 December 2020 that are larger than 5000 m<sup>2</sup>, SNN ensures that the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage of defects in the building envelope is disclosed to investors and clients. In addition, for buildings larger than 5000 m<sup>2</sup>, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle. These criteria 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 large non-residential buildings<sup>57</sup> is concluded as not aligned with the criteria since the Issuer currently has limited data visibility on whether the buildings are efficiently operated through energy performance monitoring and assessment. This is mainly due to EU Directive 2018/844 not being transposed into Norwegian law.</p>	<p style="text-align: center;"></p> <p>except for large non-residential buildings<sup>58</sup></p>

<sup>56</sup> This column is based on input provided by the Issuer.

<sup>57</sup> Large non-residential buildings are defined as per the EU Taxonomy criteria as non-residential buildings with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW.

<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See i)	✓
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	

i) Generic Criteria for DNSH to Climate Change Adaptation

<b>PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>58</sup></b>	<b>ALIGNMENT WITH THE EU TAXONOMY</b>
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>SNN utilizes the Task Force for Climate-related Financial Disclosure’ guidelines as a methodological guideline to identify, manage, and report physical climate risks, and uses EiendomsMegler 1 Nord-Norge’s pilot project data<sup>59</sup>. As part of the Issuer’s periodic monitoring, a physical climate risk and vulnerability assessment has been carried out for all group activities that SNN finances. Furthermore, the assessment of physical risk is part of the Bank’s ESG score model for corporate clients prior to loan approval and is reviewed through ESG Due Diligence Questionnaires. The Questionnaire and Online ESG Model also include 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, storm surges, increased number of floods, and land subsidence are identified as the most relevant physical climate risk indicators by SNN<sup>60</sup>. Physical risk is screened for the Bank’s overall loan portfolio, including lending secured by properties, where SNN is the mortgagee.</p>	✓

<sup>58</sup> Ibid.

<sup>59</sup> EiendomsMegler 1 Nord-Norge is a subsidiary of SNN. For more detailed information on the data and the pilot project, as well as the SNN’s TCFD-aligned climate analysis, please visit SNN Annual Report 2022, Available at <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/investor/rapporter/2022/SpareBank 1 Nord-Norge annual report 2022 lowres.pdf>

<sup>60</sup> SNN is located and operates in Northern Norway, which is characterized by hilly terrain and coastal communities and is therefore noted by the Bank as particularly exposed to rising sea levels and storm surges.




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.

The expected lifespan of the assets is identified on a sector level and taken into account during the assessment process. The result of the assessment shows that there are no projects subject to high material risks and the impacts on the SNN's financial position are limited in a 15-year perspective<sup>61</sup>.

SNN's risk assessment has not identified any urgent risk or imminent adaptation solutions that are required in the short term in its portfolio. The Bank commits to incorporating adaptation solutions, when they are applicable, and formally documented as needed. Furthermore, SNN carries out climate risk and vulnerability assessments systematically to all relevant current and future assets on annual basis, and externally communicates as part of its annual reporting.

j) Generic Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>62</sup>	ALIGNMENT WITH EU TAXONOMY
3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>SNN's borrowers 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</p>	


<sup>61</sup> For details on the sector-level climate-risk assessment results, please visit SNN Annual Report 2022, Available at [https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/investor/rapporter/2022/SpareBank\\_1\\_Nord-Norge\\_annual\\_report\\_2022\\_lowres.pdf](https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/investor/rapporter/2022/SpareBank_1_Nord-Norge_annual_report_2022_lowres.pdf)

<sup>62</sup> This column is based on input provided by the Issuer.

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.

Environmental Impact Assessments are conducted at the planning stage of green projects including water considerations, as per conformity with European legislation. Moreover, SNN requires its borrowers 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.

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

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>63</sup>	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>SNN’s borrowers are obligated to comply with the Norwegian Regulations on Environmental Impact Assessment for plans pursuant to the Norwegian Planning and Building Act. Environmental Impact Assessments are required for all public and private projects that 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>	

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 Regulation<sup>64</sup> 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 <sup>65</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
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<sup>63</sup> Ibid.

<sup>64</sup> Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

<sup>65</sup> This column is based on input provided by the Issuer.

SNN is governed by national legislation, including the Transparency Act that requires Norwegian companies to conduct human rights due diligence activities on their operations and the entire supply chain. The Bank adopted its commitment to Human Rights Due Diligence into the SNN's policies and procedures which have been laid out in its Guidelines for Human Rights and Employees<sup>66</sup>, Guidelines for Suppliers and Sustainability in Purchasing<sup>67</sup>, and the ESG scoring module (screening per questionnaire). Moreover, the Bank is a signatory to the UN Global Compact, the United Nations Environment Programme Finance Initiative Principles (UNEP FI) and respects the UN Guiding Principles for Business and Human Rights (UNGPs), the Principles for Responsible Banking, as well as the OECD Guidelines.

SNN 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. In line with the OECD Guidelines as well as the Transparency Act, SNN identifies 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. The impact analysis also includes the Bank's supply chains. In that regard, the Bank utilizes an ESG scoring module (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 due diligence is applied for all new engagements over NOK 5 million. The detailed questions cover elements of 'Environment' (physical risk and transition risk), 'Social', and 'Governance'. The qualification indicators include (i) compliance with laws and regulations, (ii) compliance with SNN's Guidelines on Procurement, Suppliers, Human Rights, and Sustainable Finance Credit, (iii) acceptable score in SNN's ESG scoring module, and (iv) eligibility under the Framework. In case any 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 Guidelines for Sustainable Financing Credit.



Following the identification of impacts, the Bank sets out relevant actions and follow-up procedures to mitigate the impacts. It includes the procedure of engagements in the corporate market, defined by a number of criteria such as increased Anti Money Laundering (AML) risk, high and increasing Probability of Default (PD), and project financing in sectors with heightened risk. SNN will require implementing the appropriate policies, and processes such as risk assessments, and providing or cooperating with efforts to provide remedy for

<sup>66</sup> Guidelines for Employee and Human Rights, SNN, Available at <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/snn-retningslinjer-arbeidstaker-menneskerettigheter.pdf>

<sup>67</sup> Guidelines for Suppliers and Sustainability in Purchasing, SNN, Available at <https://www.sparebank1.no/content/dam/SB1/bank/nord-norge/OmOss/baerekraft/snn-retningslinjer-baerekraftig-innkjop.pdf>

any violations in order to prevent potential risks. In case of a breach of human rights associated with a loan, SNN initiates a dialogue with the borrower to agree on mitigation measures for the impacts. More specifically, suppliers with high-risk classification are followed up by the Bank's purchasing department and are excluded based on the score, and fund providers with low grades will not be recommended to the Bank's customers.

SNN tracks the implementation of the prevention and mitigation measures annually in compliance with the Transparency Act and discloses detailed statements on due diligence in its annual reports. The due diligence is further communicated with borrowers and suppliers via the Bank's ESG scoring module. Furthermore, A contact form has been created on the Bank's website<sup>68</sup> for questions related to the group's work with due diligence in accordance with the requirements set out in the Transparency Act. SNN's further grievance mechanism includes both internal and external notification channels (warning systems) in place, for both employees, customers, and the public in the event of conditions that may be perceived as a breach of legislation, in which the results are reported annually in the Bank's annual report.

<sup>68</sup> Contact Form, SNN, Available at <https://www.sparebank1.no/nb/nord-norge/om-oss/baerekraft/apenhetsloven.html>

## PART IV: LINKING THE TRANSACTIONS TO SNN'S ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH SNN'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

SNN's sustainability approach is rooted in its commitment to sustainable development and economic growth, especially within the North Norwegian business and industry sectors. The Group has embedded sustainability and climate risk considerations within its business and risk strategies, both of which undergo regular review by the Board of Directors and the Group management.

For the year 2023, SNN has outlined the following tactical objectives, amongst them to implement a practical green transition in line with sustainable business practices.

In 2022, the Group established new sustainability goals and conducted a double materiality analysis to identify the most critical issues. Based on this analysis, SNN prioritized three sustainability goals for focused attention:

- **Climate Action:** SNN aims to achieve a net-zero loan portfolio by 2040 to support the green transition of North Norway.
- **Life Below Water:** The Group targets that 70% of its maritime industry portfolio will qualify for green financing by 2030.
- **Decent Work and Economic Growth:** SNN is committed to fostering a favorable migration trend to the North Norway area by 2030, in order to invigorate the economic vitality of the region. After successive iterations, commencing with the initial introduction of the green product framework in 2020, followed by the supplementary green financing framework in 2021, SNN developed the last version in 2023. The updated version of the Framework also integrates EU Taxonomy criteria for segments with established technical criteria.

SNN's Internal Capital Adequacy Assessment Process (ICAAP) integrates an annual comprehensive evaluation of the Group's risk exposure and capital requirements, taking climate risk into account. In 2022, the Group conducted extensive assessments of climate risk in its loan portfolio, analyzing individual segments and projecting various scenarios of sea-level rise and storm surges. While the short and medium-term risks were found to be relatively low, long-term perspectives revealed greater significance. Although the Group has not conducted independent analyses related to 2°C scenarios, it has relied on the 2°C scenario analyses conducted by UNEP FI in 2019, which estimated potential value losses on commercial properties due to transition risk and physical risk.

The Board of Directors remains informed about climate-related risks and opportunities through its involvement in strategic discussions, review and endorsement of steering documents, and evaluation of various reports from the Administration. Additionally, the Board

formulates policies addressing various risk areas, including credit risk and market risk, with a specific focus on ESG risk. Regular and ad hoc reports, encompassing assessments of the Group's climate risk exposure, serve as essential tools for the Board's monitoring and oversight activities.

Furthermore, SNN adheres to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for reporting climate risks and follows the Global Reporting Initiative (GRI) guidelines for its Sustainability Report.

In 2022, the Group issued NOK 3.6 billion in green bonds, supporting initiatives such as Green Residential Buildings, Green Commercial Buildings, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Fisheries, and Aquaculture.

The previous version of the Green Finance Framework (GFF) was published in 2021 and externally reviewed by ISS ESG.

#### *Rationale for issuance*

To align its funding strategy with its sustainability objectives, SNN renewed its Green Finance Framework in 2023 to be able to issue Green Bonds and Green Loans. One of its main objectives is to reach a net-zero loan portfolio by 2040.

SNN utilizes Green Instruments 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) as well as to the decarbonation of the economy.

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

**B. SNN’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*

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. The Issuer is classified under Public & Regional Bank industry, as per ISS ESG’s sector classification.

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

*ESG strengths and points of attention related to the Issuer’s disclosures*

Leveraging ISS ESG’s Research, the following strengths and points of attention<sup>69</sup> have been identified:

<b>STRENGTHS</b>	<b>POINTS OF ATTENTION</b>
The Bank provides green financial services such as electric vehicles, renewable energy, green commercial and residential buildings, and eco-efficient houses to its private, corporate, and public sector customers. Additionally, the Bank does not provide loans to coal-fired power plants and has environmental and social lending guidelines covering sector-specific requirements of resource extraction and related infrastructure, energy generation, and agricultural sector, and eco-efficient houses	The Bank’s environmental lending guidelines cover risk and impact assessment, resource efficiency, biodiversity, and pollution prevention and management; however, further aspects such as climate change and exclusions are not comprehensive. Additionally, the sustainability lending guidelines for fisheries, aquaculture, and pulp and paper industries is rather limited. The application procedures of environmental and social guidelines and transparency on implementation is partially

<sup>69</sup> Please note that Sparebank 1 Nord-Norge is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Public & Regional Bank industry. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

<p>to its private, corporate, and public sector customers. Additionally, the Bank does not provide loans to coal-fired power plants and has environmental and social lending guidelines covering sector-specific requirements of resource extraction and related infrastructure, energy generation, and agricultural sector.</p>	<p>disclosed. Further, there is no information on the environmental aspects in retail credit rating process and provision of social financial services.</p>
<p>The Bank integrates relevant ESG approaches that includes positive and negative screening criteria for its own investments. For asset management and own investments, the Bank also has some application procedures of environmental and social guidelines in place. Further, the Bank engages with its shareholders on topics such as human right violations and corruption and reports on some engagement tools such as engagement initiatives and proxy voting.</p>	<p>There is limited information on the environmental and social guidelines for mainstream asset management services, and structured investment products. The Bank’s disclosure on socially responsible investment products and services, and the volume of strict and diligently selected socially responsible investments is rather limited.</p>
<p>The Bank has a comprehensive code of business ethics that covers topics such as anti-corruption, insider dealings, gifts and entertainment, conflict of interest, and money laundering in varying degree of detail.</p>	<p>The Bank publishes the code of business ethics in local language, conducts compliance training, provides anonymous reporting channels, and has a non-retaliation policy against whistleblowers; however, details on further aspects such as compliance risk assessments and audits, and third-party anti-corruption due diligence are missing.</p>
<p>The Bank promotes a sustainable work environment and provides its employees with workplace flexibilities such as telecommuting option.</p>	<p>The Bank operates in Norway, that has high legal standards, thereby limiting the risks of its employee’s health and safety, working time reductions, dependent care and special leaves, and employment security; however, the Bank’s own commitment in these regards is not disclosed. There is limited disclosure of different types of employment and the Bank’s position on non-regular employment. Additionally, there is limited information on employee’s mental health management. Further, there is no evidence of the Bank’s Health and Safety Management System (HSMS) being certified to an international standard.</p>



The Bank has implemented an Information Security Management System (ISMS), which is aligned with ISO 27001. Further, the Bank is committed to prohibiting support for clients in tax evasion and does not offer offshore banking services.

The Bank's position on responsible marketing, responsible sales practices, responsible treatment of clients with debt repayment problems, and provision of equal access to financial services is not disclosed. Further, there is no evidence of a procedure to ensure information security in outsourced data processing.

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

### *Sustainability impact of products and services portfolio*

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

#### *Social Impact of Product Portfolio:*

SpareBank 1 Nord-Norge core business is the provision of finance to North Norwegian businesses and households. However, limited details are available to estimate the contribution to social SDGs. Therefore, the social impact of its product portfolio is considered neutral.

#### *Environmental Impact of Product Portfolio:*

SpareBank 1 Nord-Norge core business is the provision of finance to North Norwegian businesses and households. It is active in providing loans for clean transportation and renewable energy, thereby positively contributing to the environmental SDGs of Sustainable Energy Use and Mitigating Climate Change. However, its share is minimal, thus the environmental impact of product portfolio is estimated to be neutral.

### *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, financial market irregularities, and embezzlement.

**SECOND PARTY OPINION**

Sustainability Quality of the Issuer  
And Green Finance Framework

**ISS-CORPORATE** 

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

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the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if SNN'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 SNN (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.

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

SNN commissioned ISS-Corporate to compile Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles and Green Loan Principles and to assess the sustainability credentials of its Green Finance Instruments, 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)
- LMA Green Bond Principles (as of February 2023)
- Guidance on Bonds to Finance the Sustainable Blue Economy, as administered by ICMA (as of September 2023)
- EU Taxonomy Climate Delegated Act (as of June 2023)

### ISSUER'S RESPONSIBILITY

SNN's responsibility was to provide information and documentation on:

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

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, 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 Finance Instruments to be issued by SNN has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and LMA Green Loan Principles.

The engagement with SNN took place from September 2023 to January 2024.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group 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

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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