

Second-Party Opinion

BN Bank Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the BN Bank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds - Green Buildings - is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible category are expected to lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION / SELECTION BN Bank has established a Green Bond Committee (GBC) for selection and final approval of green loans. The committee consists of the CFO, Deputy CEO, Head of Treasury, Executive Director Retail Banking and the Sustainability Officer. The Bank has in place internal policies to ensure mitigation of the environment and social risks associated with the assets that will be financed under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS BN Bank's Green Bond Committee will be responsible for management of proceeds on a portfolio basis and will track the allocation of proceeds using a green register. Pending allocation, proceeds will be invested temporarily in the Bank's liquidity reserve. BN Bank intends to allocate proceeds within 12 months of issuance. This is in line with market practice.



REPORTING BN Bank intends to report on allocation of proceeds on its website once per green bond issuance and renewed annually until full allocation. Allocation reports will include the amount of green bonds issued, share of proceeds used for financing versus refinancing and share of unallocated proceeds. In addition, BN Bank is committed to reporting on relevant impact metrics. Sustainalytics views BN Bank's allocation and impact reporting as aligned with market practice.

Evaluation Date	May 13, 2022
Issuer Location	Trondheim, Norway

Report Sections

Introduction	2
Sustainalytics' Opinion	3
Appendices	9

For inquiries, contact the Sustainable Finance Solutions project team:

Pauline Horng (Amsterdam)
Project Manager
pauline.horng@sustainalytics.com

Lea Muething (London)
Project Support

Vedang Kulkarni (Mumbai)
Project Support

Julie Malinur (Amsterdam)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Alignment with the EU Taxonomy

Sustainalytics has assessed BN Bank ASA's Green Bond Framework for alignment with the EU Taxonomy and is of the opinion that all of the Framework's eligibility criteria (which map to three EU activities) align with the applicable Technical Screening Criteria (TSC) in the EU Taxonomy. The Framework aligns with seven of the Do No Significant Harm (DNSH) criteria of the EU Taxonomy, and partially aligns with another three of the DNSH criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Introduction

BN Bank ASA (“BN Bank” or the “Bank”) is a Norwegian Bank established in 1992, focusing on mortgage lending and specialized in providing financing to commercial and residential real estate developers. The Bank operates mainly in the area of Oslo and is headquartered in Trondheim, Norway.

BN Bank has developed the BN Bank Green Bond Framework dated April 2022 (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to provide positive environmental impact by improving the energy performance of buildings in Norway. The Framework defines eligibility criteria in one area:

1. Green Buildings

BN Bank engaged Sustainalytics to review the BN Bank Green Bond Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ The Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the EU Taxonomy 2021 Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BN Bank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BN Bank representatives have confirmed (1) they understand it is the sole responsibility of BN Bank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BN Bank.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>.

² The BN Bank Green Bond Framework will be available on BN Bank’s website at: www.bnbank.no.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BN Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BN Bank Green Bond Framework

Sustainalytics is of the opinion that the BN Bank Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the BN Bank Green Bond Framework:

- Use of Proceeds:
 - The eligible category, Green Buildings, is aligned with those recognized by the GBP. Sustainalytics notes that loans in the Bank's portfolio of eligible assets are expected to provide meaningful environmental contributions and support the transition towards a low-carbon economy in Norway.
 - Sustainalytics notes that while the Bank has not defined a look-back period, all the expenditures under the Framework will go towards green assets and exclude operational expenditures, which is aligned with market practice.
 - As a part of the Green Building category, the Bank may finance or refinance the construction, acquisition and renovation of new and existing residential and commercial buildings⁴ in Norway. The eligibility criteria include the following:
 - Existing buildings in the top 15% energy-efficient buildings in Norway, which include: (1) buildings that comply with the TEK 10⁵ and TEK 17⁶ building regulations; (2) residential buildings completed prior to the TEK 10 building regulations with an energy performance certificate (EPC) labelled A or B;⁷ or (3) renovations of buildings that lead to at least a 30% improvement in energy performance compared to a maximum baseline period of three years. This is in line with market practice.
 - New buildings with an energy performance of at least 10% lower than the regulations for nearly zero-energy buildings (NZEB).
 - Sustainalytics views the above criteria to be in line with the market practice.
- Project Evaluation and Selection:
 - BN Bank has established a Green Bond Committee (GBC) which will be responsible for selection and final approval of eligible green loans. The GBC consists of the CFO, Deputy CEO, Head of Treasury, Executive Director Retail Banking and the Sustainability Officer.
 - The Bank has an internal environmental and social risk monitoring process in place, which is applicable to all eligible loans. Sustainalytics considers this process to be adequate and in line with market expectation. For additional detail, see Section 2.
 - Based on the cross-functional committee for loan selection and the risk management system, Sustainalytics considers this process to be in line with the market practice.

⁴ BN Bank has confirmed to Sustainalytics that buildings designed for commercial purposes of extraction, storage, transportation or manufacturing of fossil fuels are excluded.

⁵ Norwegian Building Authority, "Regulations on technical requirements for building works", at: https://dibk.no/globalassets/byggeregler/regulations_on_technical_requirements_for_building_works.pdf

⁶ Ibid.

⁷ BN Bank, "Multiconsult report on BN Bank Green Buildings Portfolio" shared with Sustainalytics confidentially. Sustainalytics further notes that EPC A and B are used as a proxy for the top 15% of commercial building stock if buildings are not built according to TEK 10 or TEK 17. Data shows that EPC A and B represent approximately the top 13% of most energy efficient commercial buildings in Norway.

- **Management of Proceeds:**
 - BN Bank's GBC will be responsible for managing the allocation process using a portfolio approach and will track the use of proceeds through a green register. The Bank will ensure an adequate reserve of eligible loans to cover the amount equivalent to outstanding green bonds. BN Bank intends to allocate proceeds within 12 months of issuance. Unallocated proceeds will be temporarily held in the Bank's liquidity reserve. Temporary investments of unallocated proceeds will exclude securities of companies operating in fossil energy production and extraction, nuclear energy generation, tobacco, pornography, weapons and defence, coal, oil sands and companies violating international human rights.
 - Based on the use of a tracking system and disclosure on the use of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - BN Bank intends to report on the allocation of proceeds and its impact on the Bank's website once per green bond issued until no green bonds are outstanding. Information on the use of proceeds will be renewed annually until full allocation or in case of any material developments. The allocation report will contain the total amount of green bonds issued, the share of proceeds used for financing versus refinancing, amount of proceeds allocated and share of unallocated proceeds. In addition, the Bank is committed to reporting on impact metrics such as estimated annual GHG emissions compared to the baseline (tCO₂e) and estimated ex-ante annual energy performance (kWh/m²). The Bank may provide relevant case studies to complement the above indicators depending on their availability and subject to confidentiality agreements.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the BN Bank Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. **Technical Screening Criteria**
 - The three eligible green criteria outlined in the Framework were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. **Do No Significant Harm Criteria**
 - A total of ten individual DNSH criteria across all environmental objectives apply to the three criteria assessed. Three are partially aligned and seven are aligned.
3. **Minimum Safeguards**
 - Based on a consideration of the policies and management systems applicable, Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
 - For Sustainalytics' assessment of alignment with the Minimum Safeguards, see Section 2 below.

Table 1 provides an overview of the alignment of the Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Ecosystems
Construction of new buildings	■	□	■	□	■	■	■	■
Renovation of existing buildings	■	□	■	□	■	■	■	-
Acquisition and ownership of buildings	■	□	■	□	-	-	-	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	⊠
No applicable DNSH criteria for this Objective or Activity	-
Grey shading indicates the primary EU Environmental Objective	

Section 2: Sustainability Strategy of BN Bank

Contribution of the Framework to BN Bank's sustainability strategy

Sustainalytics is of the opinion that BN Bank demonstrates a commitment to sustainability expressed in its sustainability strategy for the period of 2020-2022. One of two major goals in this strategy is to actively monitor and reduce the carbon footprint of the Bank's loan portfolios and ultimately move towards becoming a climate neutral organization.⁸

In line with its strategy, BN Bank takes measures to reduce the Bank's emissions from its loan portfolios by increasing the proportion of financing of low-energy and net zero buildings.⁹ The Bank developed a calculation method for GHG emissions in accordance with the Greenhouse Gas Protocol in 2020 for its own activities, those of its clients and those clients' suppliers and customers.¹⁰ BN Bank targets to reduce its scope 1 and 2 emissions to net zero by 2025 and its scope 3 upstream emissions (including business travel, commuting and waste) by 2030. Regarding their downstream scope 3 emissions, which includes business market involvement in real estate management and mortgage loans to households, the Bank plans to reduce the emissions intensity by 40% by 2040 compared to a 2016 baseline and to achieve net zero by 2050.^{11,12}

Sustainalytics is of the opinion that the BN Bank Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further its action on key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key

⁸ BN Bank, "Sustainability Strategy 2020-2022", at: https://www.bnbank.no/globalassets/02_om-oss/gronn-bank/barekraftsbibliotek/sustainability-strategy-2020-2022.pdf

⁹ BN Bank's Climate Risk report has been shared with and reviewed by Sustainalytics confidentially.

¹⁰ BN Bank, "Sustainability Policy", at: https://www.bnbank.no/globalassets/02_om-oss/gronn-bank/barekraftsbibliotek/sustainability-policy_2020.pdf

¹¹ BN Bank, "Together for a Better Future", at: https://www.bnbank.no/globalassets/02_om-oss/gronn-bank/barekraftsrapport/bn-bank-sustainability_2020.pdf

¹² BN Bank has no significant Scope 1 GHG emissions, as the Bank does not own any company facilities.

environmental and social risks possibly associated with the eligible projects could be financial risks for borrowers, such as over-indebtedness, predatory lending and money laundering.

Sustainalytics is of the opinion that BN Bank is able to manage or mitigate potential risks through implementation of the following:

- BN Bank has established a Responsible Credit Policy which dictates regular reviews of its credit retail market portfolio, ensuring that customers sharing the same product and risk profile have the same price. In case of significant discrepancies between a new and an existing customer, the Bank takes steps to align the price offered to customers accordingly. To prevent over-indebtedness, BN Bank has stopped offering increases on existing consumer loans and has limited the offering for refinancing of expensive debt without borrowing.¹³
- Under its Anti-Money Laundering Policy, BN Bank has set measures against money laundering, terrorist financing, fraud, internal fraud and corruption. All employees have to participate regularly in mandatory training on money laundering and terrorist financing. The Bank has further appointed a Compliance Officer who is responsible for money laundering-related matters.¹⁴
- The Bank operates in Norway, which is recognized as a Designated Country by the Equator Principles. As such, Norway is deemed to have robust environmental and social governance systems, legislation and institutional capacity to mitigate environment and social risks.¹⁵

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BN Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy requires that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the ILO Declaration on Fundamental Rights and Principles at Work.

Human and labour rights

BN Bank ASA has implemented the following policies and procedures aimed at ensuring human and labour rights:

- BN Bank complies with human and labour rights including those set by the UNEP Finance Initiative (as a signatory), UN Global Compact (as a signatory), Principles of Responsible Banking, UN Principles of Responsible Investment, the Equator Principles, IFC Performance Standards on Environmental and Social Sustainability, and the IFC Environmental, Health and Safety Guidelines.¹⁶
- The Bank will ensure its clients comply with human and labour rights as a part of its general credit approval process.

Sustainalytics' ESG Risk Rating has evaluated the performance of BN Bank in the area of human and labour rights and has not detected involvement in any significant controversies that would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

BN Bank ASA has implemented the following anti-bribery and anti-corruption policies and procedures:

- BN Bank's Code of Conduct outlines its ethics framework for responsible conduct.¹⁷ The Bank has adopted a zero-tolerance approach towards corruption and maintains transparent procurement processes along with open and unambiguous customer relationships. The Bank has established guidelines to address corruption, bribery, internal and external fraud, insider trading and whistleblowing related issues and a uniform sanction system to handle all violations in its ethical

¹³ BN Bank, "Responsible Credit Policy", at: <https://www.bnbank.no/en/about-us/gronn-bank/credit-policy/>

¹⁴ BN Bank, "Anti-money laundering", at: <https://www.bnbank.no/en/about-us/gronn-bank/anti-money-laundering/>

¹⁵ Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

¹⁶ BN Bank, "Sustainability Policy", at: https://www.bnbank.no/globalassets/02_om-oss/gronn-bank/barekraftsbibliotek/sustainability-policy_2020.pdf

¹⁷ BN Bank, "Code of Conduct", at: <https://www.bnbank.no/en/about-us/gronn-bank/Code-of-Conduct/>

guidelines. Ethics meetings are conducted across the departments annually with updated ethical guidelines made available to all its stakeholders via a digital portal.¹⁸

- The Bank will ensure its clients comply with its anti-corruption and anti-bribery guidelines as part of its credit approval process.

Sustainalytics' ESG Risk Rating has evaluated the performance of BN Bank in the area of anti-bribery and anti-corruption and has not detected involvement in any significant controversies which would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that BN Bank's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP. Sustainalytics focuses below on its impact as relevant in the local context.

Importance of energy efficient buildings in Norway

As part of its Nationally Determined Contribution (NDC) as a signatory to the Paris Agreement, Norway has set a target of 40% GHG emissions reduction by 2030 from a 1990 baseline.¹⁹ This goal is part of a broader strategy which seeks to achieve carbon neutrality by 2030 and a low-emission society by 2050.²⁰ Norway included the building industry on its environmental agenda back in 1998, notably through energy efficiency requirements and buildings regulation, in an early acknowledgement of the contribution of the energy consumption of buildings to climate change.²¹ Households accounted for 22% of Norway's total energy consumption in 2020, indicating potential significant impacts from energy efficiency improvements to residential buildings.²² Heating usually makes up 30-45% of the energy requirements of older buildings in Norway, with household heating demand being higher than business heating demand.²³ In new and renovated buildings that comply with Norway's newest national energy requirements, heating accounts for only 5-15% of energy demand.²⁴

Norway's building regulations are generally considered to be some of the strictest in the world.²⁵ In addition to mandatory standards for individual components, they also mandate overall quantitative performance thresholds.²⁶ The most recent Norwegian set of building regulations (TEK17) requires dwellings to become 26% more energy efficient and office buildings 38% more energy efficient compared to previous requirements; installation of fossil fuel heating is not permitted.²⁷ In 2021, almost 70% of the primary energy in Norway comes from renewable sources,²⁸ so reducing electricity consumption from households can make more renewable energy available for other uses, including for export, which could potentially improve the renewable energy mix in Europe.²⁹

¹⁸ BN Bank, "Sustainability Report 2020", at: <https://indd.adobe.com/view/8046ce31-4966-4dfd-a03f-ea6413f992ae>

¹⁹ UNFCCC, "Submission by Norway to the ADP", at:

[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Norway%20First/NorwayINDC%20\(Archived\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Norway%20First/NorwayINDC%20(Archived).pdf)

²⁰ Norwegian Ministry of Climate and Environment, "Norway's Seventh National Communication", 2018, at:

<https://www.regjeringen.no/contentassets/52d65a62e2474bafa21f4476380cfdaf/t-1563e.pdf>

²¹ Nykamp, N., (2017), "A transition to green buildings in Norway", Environmental Innovation and Societal Transitions, at:

<https://www.duo.uio.no/handle/10852/64152>

²² Norwegian Ministry of Petroleum and Energy, "Energy use by sector", at: <https://energifaktanorge.no/en/norsk-energibruk/energibruken-i-ulike-sektorer/>

²³ The Property Sector's Roadmap Towards 2050, Grønn Byggallianse and Norsk Eiendom (2016), at: <https://byggalliansen.no/wp-content/uploads/2019/02/roadmap2050.pdf>

²⁴ Ibid.

²⁵ Q-haus, "TEK10, TEK15, "Husbanken and NS3700 (Passivhaus Standard) – How Norway is leading the Energy Efficiency revolution", at:

<https://qhaus.eu/articles/151-tek10-tek15-husbanken-ns3700-passivhaus-standard-how-norway-is-leading-the-energy-efficiency-revolution/>

²⁶ NMCE, "Status report as of January 2020. Norway's Fourth Biennial Report Under the Framework Convention on Climate Change", at:

[https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/58167_Norway-BR4-1-Norway_BR4%20\(2\).pdf](https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/58167_Norway-BR4-1-Norway_BR4%20(2).pdf)

²⁷ Ibid.

²⁸ Our World In Data, "Norway: Energy Country Profile", at: <https://ourworldindata.org/energy/country/norway#how-much-of-the-country-s-energy-comes-from-renewables>

²⁹ The Norwegian American, "Hydropower should be Norway's next great export", at: <https://www.norwegianamerican.com/opinion/hydropower-should-be-norways-next-great-export/>

In view of the above, Sustainalytics is of the opinion that the BN Bank Green Bond Framework is expected to contribute to meeting Norway's climate targets through lending for financing and refinancing commercial and residential buildings with high energy efficiency standards.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the BN Bank Green Bond Framework are expected to advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

BN Bank has developed the BN Bank Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance green buildings. Sustainalytics considers that the projects funded by the green bond proceeds are expected to have positive environmental impacts.

The BN Bank Green Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for BN Bank to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics considers the BN Bank Green Bond Framework to be aligned with the overall sustainability strategy of the Bank and that the green use of proceeds category will contribute to advancing the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that BN Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the BN Bank Green Bond Framework for alignment with the EU Taxonomy and is of the opinion that the Framework's criteria, which map to three EU activities, are aligned with the applicable Technical Screening Criteria in the EU Taxonomy. The Framework aligns with seven of the Do No Significant Harm criteria of the EU Taxonomy, and partially aligns with another three of the DNSH criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that BN Bank is well positioned to issue green bonds and that the BN Bank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE³⁰ activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria and Do No Significant Harm criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for BN Bank ASA Framework is shown in Error! Reference source not found. below.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Green Buildings	New Buildings	7.1 Construction of new Buildings	F41.1, F41.2, F43	Mitigation	Table 3
	Existing green residential and commercial buildings	7.2 Renovation of existing buildings	F41, F43	Mitigation	Table 4
	Existing green residential and commercial buildings	7.7 Acquisition and ownership of buildings	L68	Mitigation	Table 5

³⁰ The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer's Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed		Green Buildings	
EU Activity		Construction of new buildings	
NACE Code		F41.1, F41.2, F43	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	Confirm that for constructions of new buildings the following criteria apply: 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, 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. The energy performance is certified using an as built Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m², 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. 3. For buildings larger than 5000 m², 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. Please indicate whether any assets planned to be financed are larger than 5000m² and if so please demonstrate that respective criteria are fulfilled.	1. For buildings built after 31 December 2020, BN Bank has communicated that it will finance the construction of new buildings with Primary Energy Demand at least 10% lower than the threshold set for NZEB requirements in Norway and certified by an EPC label. BN Bank further confirmed that it will ensure fulfillment of this compliance as a part of its credit approval process for loans marked as green and hence financed under this Framework. Until NZEB is established in Norway, no loans are allocated to this category. 2. For buildings larger than 5000 m², BN Bank considers that the existing Norwegian building requirements set out robust and traceable quality control processes. Air-Tightness testing is included in the existing building requirements (TEK standard). BN Bank further confirmed that regardless of whether this will be carried out through the updated building requirements, it will ensure that this criterion is fulfilled as part of its credit approval process for loans marked as green and hence financed under this Framework. 3. For buildings larger than 5000 m², BN Bank will make sure that underlying assets meet the lifecycle GWP if the loan is financed under the Green Bond Framework. This will be ensured through BN Bank's credit approval process for loans marked as green and hence financed under this Framework.	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 6		Partially Aligned

Sustainable use and protection of water and marine resources	Confirm the following: Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to the annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. To avoid impact from the construction site, demonstrate the activity complies with the criteria set out in Appendix B to the Annex of the Climate Delegated Act.	BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Further, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned
Transition to a circular economy	1. Demonstrate that at least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Further confirm that operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. 2. Describe how building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887288 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.	1. BN Bank mentioned that it abides by all local laws and regulations. Norway's waste regulation is compliant with the Directive of the European Parliament and of the Council (EU) 2018/851 amending Directive 2008/98/EC on waste. Directive 2008/98/EC outlines that by 2020, the preparing for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of nonhazardous construction and demolition waste excluding naturally occurring material defined in category 17 05 04 in the list of waste shall be increased to a minimum of 70 % by weight. 2. BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned
Pollution prevention and control	Demonstrate how building components and materials used in the construction comply with the criteria set out in Appendix C to the Annex of the Climate Delegated Act.	BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned

	• Confirm that building components and materials used in the construction that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516290 or ISO 16000-3:2011291 or other equivalent standardised test conditions and determination methods. • Where the new construction is located on a potentially contaminated site (brownfield site), demonstrate that the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400. • Demonstrate that measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.		
Protection and restoration of biodiversity and ecosystems	Demonstrate how the activity complies with the criteria set out in Appendix D to the Annex of the Climate Delegated Act. Confirm that the new construction is not built on one of the following: (a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey; (b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List²⁹⁵ or the IUCN Red List; (c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest.	BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned

Table 4

Framework Activity assessed		Green Buildings	
EU Activity		Renovation of existing buildings	
NACE Code		F41, F43	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	Confirm that the building renovation complies with the applicable requirements for major renovations. Confirm alternatively, that it leads to a reduction of primary energy demand (PED) of at least 30 %.	BN Bank confirmed that building renovation complies with the applicable requirements for major renovations leading to 30% reduction in PED. The Bank further stated that currently in its pool of eligible loans marked as green and hence financed under this Framework there are no loans allocated to this category. BN Bank will establish good routines to ensure compliance with this category before allocating loans to it.	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 6		Partially Aligned
Sustainable use and protection of water and marine resources	Where installed as part of the renovation works, except for renovation works in residential building units, confirm that the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to this Annex: (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. Please confirm compliance with all thresholds.	BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned
Transition to a circular economy	1. Demonstrate that at least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling	1. BN Bank confirmed that it abides all the local laws and regulations. Norway's waste regulation is compliant with the Directive of the European Parliament and of the Council (EU) 2018/851 amending Directive 2008/98/EC on waste. Directive	Aligned

	operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Further confirm that operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. 2. Demonstrate how building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887(301) or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.	2008/98/EC outlines that by 2020, the preparing for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of nonhazardous construction and demolition waste excluding naturally occurring material defined in category 17 05 04 in the list of waste shall be increased to a minimum of 70 % by weight. 2. BN Bank has confirmed that they will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	
Pollution prevention and control	Demonstrate how building components and materials used in the construction complies with the criteria set out in Appendix C to the Annex of the Climate Delegated Act. Confirm that building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011 or other equivalent standardised test conditions and determination methods. Demonstrate that measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.	BN Bank has confirmed that they will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned

Table 5

Framework Activity assessed		Green Buildings	
EU Activity		Acquisition and ownership of buildings	
NACE Code		L68	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	1. Confirm that for buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. 2. Confirm that for buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition. 3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW), demonstrate that it is efficiently operated through energy performance monitoring and assessment.	1. For buildings built before 31 December 2020, the building is within the top 15% most energy efficient buildings in Norway. Multiconsult report has assisted BN Bank with identifying loans that qualify according to this criterion. 2. Please refer to the assessment set out in Appendix 2, Table 3. Furthermore, the Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for loans marked as green and hence financed under this Framework. 3. BN Bank has confirmed that it will ensure fulfillment of this criterion as a part of its credit approval process for Green Loans. Also, the Bank has confirmed that the responsibility of fulfillment of this criterion lies with the GBC.	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 6		Partially Aligned

Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 6

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.³¹ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that: - for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; - for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework. - For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. - For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.	As part of the transaction approval process, BN Bank ensures that all activities comply with internal environmental and social standards. The assessment of such risks takes place at an early stage and is part of the standard operating procedure for all loans. For the corporate market, BN Bank has included an ESG module in its credit process for all loans exceeding NOK 10 million. This is included in order to gain a better understanding of the bank’s potential exposure to climate risk through its lending activities. The module assesses clients and assets with regards to physical- and transition risk (climate risk), environmental footprint, as well as social conditions and governance. For the retail market, BN Bank is currently rolling out an ESG risk evaluation scheme for its mortgage lending activity. The bank has started internal training on ESG and is implementing this in its new routines. BN Bank monitors the degree of physical risk associated with the mortgage object using geographical data on physical risks as a part of the bank’s Internal Capital Adequacy Assessment Processes (“ICAAP”). To ensure compliance with BN Banks sustainability policy, BN Bank has developed an ESG surveillance system analysing media, public communication, and credit data. The system flags any breach to the sustainability policy. BN Bank publishes scenario analyses in accordance with the Task Force on Climate-Related Financial Disclosures (“TCFD”) together with their annual report.	Partially Aligned

³¹ The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

- BN Bank works with the same risk analysis for all loans.
- BN Bank has conducted a mapping of the physical climate risk in its lending portfolio. The Bank is committed to continuously monitor and report on climate risk. BN Bank will implement adaption solutions during this process.
BN Banks does not own the underlying assets it provides financing to, and accordingly the main channel where BN Bank makes a difference is through dialogue with the borrowers.
- All potential adaption efforts must be aligned with Norwegian adaption plans and regulations.
BN Bank will in general insist that any measures taken by borrowers are in accordance with Norwegian laws and regulations.

Example of BN Bank's initiatives with regards to this:
BN Bank has construction inspectors in place at larger commercial properties, BN Bank engages dialogue with the borrowers to ensure compliance with all relevant laws, directives or national plans
- BN Bank has confirmed that they engage with their customers and encourage them to implement adaption solutions within five years. However, the Bank has mentioned that they do not own those assets, and accordingly cannot commit on behalf of its customers that the adaption solutions will be implemented within a fixed timeframe.

Given that it is uncertain whether the adaptation solutions will be implemented within five years from the start of the activities for the underlying assets, Sustainalytics considers this criterion to be partially aligned. Furthermore, Sustainalytics encourages the Bank to include a process that ensures clients commit to implementing adaptation solutions to manage climate risks before loan disbursement process and report them in their annual report.

Table 7

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
DNSH Criteria	Alignment with DNSH Criteria	
- An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. - Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. - For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.	- EIA is implemented in the legal systems of most countries, including Norway. BN Bank insists that for all applicable projects an EIA will be conducted in accordance with Norwegian regulations. - BN Bank insists that for all applicable projects, clients must implement the required mitigation and compensation measures in accordance with the EIA. If this is not followed through, BN Bank might reject to extend financing to certain borrowers/projects. - BN Bank abides by all Norwegian regulatory requirements applicable to all loans originated. Norwegian law ensures that biodiversity is taken into account for all new building projects as local authorities evaluate environmental risks before providing building permission. If, for some reason, a building permit is given by Norwegian authorities despite evident environmental risks (including biodiversity), BN Bank might reject to extend financing.	Aligned

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	BN Bank ASA
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	BN Bank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 13, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible category for the use of proceeds - Green Buildings - is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible category are expected to lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☐ Renewable energy | ☐ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☐ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☐ Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BN Bank has established a Green Bond Committee (GBC) for selection and final approval of green loans. The committee consists of the CFO, Deputy CEO, Head of Treasury, Executive Director Retail Banking and the Sustainability Officer. The Bank has in place internal policies to ensure mitigation of the environment and social risks associated with the assets that will be financed under the Framework. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|--|--|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☐ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
 ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

BN Bank's Green Bond Committee will be responsible for management of proceeds on a portfolio basis and will track the allocation of proceeds using a green register. Pending allocation, proceeds will be invested temporarily in the Bank's liquidity reserve. BN Bank intends to allocate proceeds within 12 months of issuance. This is in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- | | |
|--|--|
| ☐ Allocations to future investments only | ☐ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |
| ☐ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

BN Bank intends to report on allocation of proceeds on its website once per green bond issuance and renewed annually until full allocation. Allocation reports will include the amount of green bonds issued, share of proceeds used for financing versus refinancing and share of unallocated proceeds. In addition, BN Bank is committed to reporting on relevant impact metrics. Sustainalytics views BN Bank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts
 ☐ Green Bond financed share of total investment
- ☐ Other (please specify): Share of financing vs. refinancing, share of unallocated proceeds

Frequency:

- ☒ Annual
 ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings
 ☒ Energy Savings
- ☐ Decrease in water use
 ☐ Other ESG indicators (please specify):

Frequency

- ☒ Annual
 ☐ Semi-annual
- ☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report
 ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents
 ☒ Other (please specify): Corporate Website
- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- ☐ Consultancy (incl. 2nd opinion)
 ☐ Certification
- ☐ Verification / Audit
 ☐ Rating

☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

