

Second-Party Opinion

Sandnes Sparebank Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sandnes Sparebank 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 categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Agriculture and Sustainable Management of Living Natural Resources, and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to deliver positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 2, 7, 9, 11 and 12.



PROJECT EVALUATION / SELECTION Sandnes Sparebank’s Green Bond Committee will evaluate and select eligible projects in line with the eligibility criteria. Sandnes Sparebank has in place internal risk management procedures that incorporate ESG factors in allocation decisions made under the Sandnes Sparebank Green Bond Framework. Sustainalytics considers the project selection process and the risk management system to be in line with market practice.



MANAGEMENT OF PROCEEDS Sandnes Sparebank’s Treasury Department will manage the net proceeds on a portfolio basis and will track the allocation of proceeds using an internal sustainability bond register. Sandnes Sparebank intends to allocate all proceeds at issuance. Sandnes Sparebank will temporarily hold unallocated proceeds in cash or cash equivalents while pending allocation. Sustainalytics considers this process to be in line with market practice.



REPORTING Sandnes Sparebank intends to report on the allocation of proceeds and the corresponding impact in its allocation and impact report on an annual basis until full allocation. Allocation reporting will include the list of eligible assets and projects financed, the amount of bond proceeds allocated, the amount of bond proceeds outstanding, the amount and number of eligible loans, the amount of proceeds allocated to eligible loans and the balance of unallocated proceeds. In addition, Sandnes Sparebank commits to reporting on relevant impact metrics. Sustainalytics views Sandnes Sparebank’s allocation and impact reporting commitments as aligned with market practice.

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|------------------------|------------------|
| Evaluation Date | October 31, 2022 |
| Issuer Location | Rogaland, Norway |

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Introduction

Sandnes Sparebank (the “Bank”) is a Norwegian independent bank that offers a broad range of investment and banking products. Headquartered in Rogaland, Norway, the Bank has approximately 47,000 customers, including 5,000 corporate customers, and employs 138 people full time as of December 2021.^{1,2}

Sandnes Sparebank has developed the Sandnes Sparebank Green Bond Framework (the “Framework”), under which it intends to issue multiple green bonds and use the proceeds to finance and refinance, in whole or in part, existing or future projects that are expected to promote environmental benefits in Norway by mainly increasing energy efficiency in green buildings, increasing renewable energy capacity and promoting clean transportation. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Sustainable Agriculture and Sustainable Management of Living Natural Resources
5. Clean Transportation

Sandnes Sparebank engaged Sustainalytics to review the Sandnes Sparebank Green Bond Framework, dated October 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).³ Sandnes Sparebank will publish the Framework in a separate document.⁴

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ 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; 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 Sandnes Sparebank’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. Sandnes Sparebank representatives have confirmed (1) they understand it is the sole responsibility of Sandnes Sparebank to ensure that the information provided is complete, accurate and 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 Sandnes Sparebank.

¹ Sandnes Sparebank, “Annual Report 2021”, (2021), at: <https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/arsrapport-ny-2021/SSBarsrapport2021ENG-ORIG16mai.pdf?la=nb-NO>

² Sandnes Sparebank, “The story”, at: <https://www.dengulebanken.no/ombanken/historien>

³ The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Sandnes Sparebank Green Bond Framework is available on Sandnes Sparebank’s website at: <https://www.dengulebanken.no/investor-relations/gronn-obligasjon>

⁵ 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.

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. Upon twenty-four (24) months following the evaluation date set stated herein, Sandnes Sparebank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized 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 Sandnes Sparebank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sandnes Sparebank Green Bond Framework

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

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Environmentally Sustainable Management of Living Resources and Land Use, and Clean Transportation – are aligned with those recognized by the GBP. Sustainalytics expects the eligible projects to contribute to the decarbonization of Sandnes Sparebank's investment portfolio and deliver a positive environmental impact in Norway.
 - Sandnes Sparebank has defined a look-back period of five years for its refinancing activities, which Sustainalytics considers to be in line with market practice.⁶
 - Sustainalytics notes that the Bank excludes any projects linked to the production, storage or transportation of fossil fuels; nuclear energy generation; weapons or defence; potentially harmful resource extraction; gambling; and tobacco or other drugs.
 - Under the Green Buildings category, Sandnes Sparebank may finance or refinance loans for the acquisition, construction and renovation of commercial and residential buildings according to the following eligibility criteria:
 - Residential and commercial buildings which are in the top 15% most energy-efficient buildings in Norway and comply with either: i) the Norwegian building codes of 2010 (TEK10)⁷ or 2017 (TEK2017);^{8,9,10} or ii) receive an energy performance certificate (EPC) rating of A or B.
 - Refurbishment of existing buildings resulting in at least a 30% reduction in net primary energy demand compared to pre-renovation levels.
 - Sustainalytics considers these investments to be aligned with market practice.
 - Under the Renewable Energy category, Sandnes Sparebank may finance or refinance loans or investments for the construction, installation and maintenance of solar photovoltaic projects. Sustainalytics considers these investments to be aligned with market practice.

⁶ Sandnes Sparebank communicated to Sustainalytics that expenditures will include only capex.

⁷ TEK10 includes a specific energy demand for apartment buildings of 110 kWh/m².

⁸ TEK17 includes a specific energy demand for apartment buildings of 92 kWh/m².

⁹ The residential and commercial buildings that are among the top 15 % in energy efficiency in Norway and built after 31 December 2011. Hotels and restaurants that are among the top 15 % in energy efficiency in Norway and built after 31 December 2012.

¹⁰ Norwegian Building Authority, "Building Acts and Regulations", at: <https://dibk.no/regelverk/Building-Regulations-in-English/>

- Under the Energy Efficiency category, Sandnes Sparebank may finance or refinance loans related to the acquisition, installation, maintenance and repair of energy-efficient products and technologies, which may include:
 - Replacement of diesel generators with electricity from the grid, such as access point and wire equipment to support the transmission of electricity from the grid. Sustainalytics notes that 98% of the electricity generation capacity in Norway came from renewables in 2020.¹¹
 - Electric vehicles, including excavators and tractors, to replace vehicles that traditionally run-on fossil fuels.
 - Absorption heat pumps driven by solar-heated or geothermal-heated water and ancillary technical equipment.
 - Energy efficiency activities that have been recognized by ENOVA¹² as demonstrating energy results. Project examples include: i) energy advisory services to increase energy efficiency in buildings; ii) waterborne systems and accumulator tanks that will rely on renewable energy; iii) absorption heat pumps, pulling heat from the ground, mountains or sea; iv) building energy and heat management systems, including smart thermostats, smart water systems, central power steering systems and balanced ventilation systems; v) upgrades of building envelopes, resulting in at least a 30% reduction in heat loss compared to pre-renovation levels and an increase in energy efficiency equivalent to minimum TEK10 requirements; vi) highly efficient windows with low U-values, insulating products, LEDs and smart lighting solutions; and vii) heat reuse from grey water. Sandnes Sparebank has confirmed to Sustainalytics that the Bank will not finance fossil fuel-powered equipment or improvements in carbon-intensive heavy industries, which is aligned with market practice.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Resources and Land Use category, Sandnes Sparebank may finance or refinance loans or investments that may include:
 - Agricultural activities that are organic and accredited under the DEBIO certification scheme,^{13,14} which Sustainalytics considers to be aligned with market practice.
 - Greenhouses utilizing excess heat and CO₂ for heating and plant growth. The Bank has confirmed to Sustainalytics it will not finance projects that source CO₂ from fossil fuel-based sources, and its commitment to improve both energy and water efficiency when selecting greenhouses. The Bank has also confirmed to Sustainalytics that effluents that are not absorbed by plants will be recycled. Sustainalytics is of the opinion that recycling activities can prevent fertilizers run-off.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Sandnes Sparebank may finance or refinance loans for the acquisition of low-carbon transport and associated infrastructure in accordance with the following criteria:
 - Zero direct emissions passenger and public transit vehicles, including battery electric vehicles and vehicles that are powered by green hydrogen.
 - Charging infrastructure for electric and hydrogen vehicles. Sustainalytics notes that the Bank will not finance parking facilities as part of its charging infrastructure financing.
 - Project-based lending and general-purpose financing for pure play companies that derive at least 90% of their revenue from eligible categories identified under the Clean Transportation category. Sustainalytics recognizes that the GBP favour project-based lending and financing, which provide better transparency in general than non-project-based lending. Nevertheless, Sustainalytics recognizes that the financing of pure play

¹¹ IEA, "Norway 2022 Energy Policy Review", (2022), at: <https://iea.blob.core.windows.net/assets/de28c6a6-8240-41d9-9082-a5dd65d9f3eb/NORWAY2022.pdf>

¹² ENOVA is a state enterprise owned by the Ministry of Climate and Environment. It is responsible for the promotion of environmental-friendly production and consumption in Norway by providing subsidies, allocation of funds and advisory services. The Bank has confirmed to Sustainalytics that ENOVA's list is only used for reference in the energy efficiency category. The "Smart Energy" projects list is available at: <https://www.enova.no/privat/alle-energitiltak/>

¹³ DEBIO, "Organic Agriculture, at: <https://debio.no/english/>

¹⁴ Sandnes Sparebank will not finance activities such as large-scale livestock farming and industrial meat production.

- companies through green bonds is commonly accepted as an approach that can generate positive impact.
- Sustainalytics considers investments under this category to be aligned with market practice.
 - Project Evaluation and Selection:
 - Sandnes Sparebank’s Green Bond Committee (the “Committee”) will evaluate and select eligible projects in line with the Framework’s eligibility criteria. The Committee comprises members from selected departments across the organization, including the heads of the Retail Division, Corporate Division, ESG, Risk and Treasury. Sustainalytics considers this process to be in line with market practice.
 - Sandnes Sparebank has in place internal procedures that incorporate ESG factors to allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be in line with market practice. For additional details, see Section 2.
 - Management of Proceeds:
 - Sandnes Sparebank’s Treasury Department will manage the net proceeds using a portfolio approach and will track the allocation of net proceeds using a Green Bond Register.
 - Sandnes Sparebank intends to allocate all proceeds to eligible assets at issuance. Sandnes Sparebank will temporarily hold proceeds within its treasury, in cash or cash equivalents for pending allocation.
 - Reporting:
 - Sandnes Sparebank intends to report on the allocation of proceeds and corresponding impacts in its allocation and impact report. The Bank will publish the report on its website on an annual basis until full allocation.
 - Allocation reporting will include the list of eligible assets and projects financed, the amount of bond proceeds allocated, the amount of bond proceeds outstanding, the amount and number of eligible loans, the amount of proceeds allocated to eligible loans and the balance of unallocated proceeds.
 - Where feasible, impact reporting may include key performance indicators, such as GHG emissions reduced or avoided (measured in tCO₂e), installed renewable energy capacity (measured in MW) and annual electricity generation savings (measured in mWh).
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Sandnes Sparebank Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Sandnes Sparebank

Contribution to Sandnes Sparebank’s sustainability strategy

Sustainalytics is of the opinion that Sandnes Sparebank demonstrates a commitment to sustainability by incorporating it as one of the six cornerstones of the Bank’s business strategy for the 2021-24 period.¹⁵ Sandnes Sparebank’s sustainability strategy is focused on six lines of action: i) contribute to lifting local competency levels in economics and sustainability through seminars, presentations and social media; ii) contribute to economic equality by requiring customers and suppliers to have a diverse workforce and sharing knowledge and advisory services to reduce the gender pay gap; iii) ensure that customers and suppliers adhere to good business ethics and international conventions and Norwegian laws and regulations; iv) participate in initiatives to help customers in the transition to a low-carbon economy; v) offer green products, advisory services, education and evaluations of climate risks and track and reduce own emissions; and vi) collaborate with international initiatives to facilitate greater impact.¹⁶

The Bank is the largest member of the Eika Gruppen and the Eika Alliance, an alliance of more than 50 Norwegian banks that collaborate on a common platform for banking infrastructure, including IT, payment

¹⁵ Sandnes Sparebank, “Capital Markets Day”, (2021), at: https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/Q3-2021-og-CMD-2021/CMD-3Q21_english.pdf?la=nb-NO

¹⁶ Information shared with Sustainalytics confidentially.

and digital services.¹⁷ Sandnes Sparebank has implemented a due diligence assessment based on the Norwegian Transparency Act,¹⁸ which requires companies to be transparent on their compliance with fundamental human rights and working conditions. The Bank intends to disclose these procedures, including an update and integration of its ESG assessments, in its 2022 Annual Report. Through the Eika Gruppen, Sandnes Sparebank is also involved in the *Finans Norge* (Finance Norway) sustainability reference group, which allows the Bank to contribute to sustainability on a policy level in the Norwegian banking sector.¹⁹

Regarding its lending business, the Bank has focused on product development, such as green business loans and green transition loans aimed at financing transition and sustainable investments, green mortgages for financing energy-efficient homes and green loans to finance low-emissions vehicles. As of December 2021, green agriculture loans accounted for NOK 600,000 (EUR 57,600) of the Bank's loan portfolio, green mortgages accounted for NOK 51.7 million (EUR 5 million) of the loan portfolio, and green car loans to finance low-emissions vehicles, through Eika, accounted for NOK 12.6 million (EUR 1.2 million), or 40% of the total volume of car loans to the bank's customers.²⁰ The Bank has set a target to finance NOK 300 million (EUR 29 million) in green mortgages and NOK 100 million (EUR 9.6 million) in green corporate loans for 2022.

Sustainalytics is of the opinion that the Sandnes Sparebank Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further Sandnes Sparebank's action on its key environmental priorities. While recognising Sandnes Sparebank's targets for 2022, Sustainalytics encourages the Bank to develop time-bound targets for the following years and to report on progress made.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that Sandnes Sparebank will direct the use of proceeds issued under the Framework towards eligible projects that have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks commonly associated with the eligible projects could include issues related to land use, biodiversity and emissions associated with large-scale infrastructure development; human rights; and community relations and stakeholder participation.

Sustainalytics is of the opinion that Sandnes Sparebank is able to manage and mitigate potential risks by implementing the following:

- To prevent land use, biodiversity and emissions risks, Sandnes Sparebank has set a list of expectations for customers to prevent negative impacts on UNESCO World Heritage Sites,²¹ the International Union for Conservation of Nature (IUCN) Red List of Threatened Species,²² wetlands in accordance with the Ramsar Convention²³ and protected areas under the IUCN category I-IV.^{24,25} The Bank also excludes any financing of fossil fuels energy production.²⁶ Further, customers must declare that they have an environmental management plan and that they respect the UN Global Compact's principles.²⁷
- Since 2020, the Bank has assessed ESG factors and climate-related risks in credit granting processes for corporate customers; those with a financial exposure of more than NOK 10 million (EUR 1 million) have to pass through ESG assessments.²⁸

¹⁷ Eika Gruppen is the group of financial institutions within the Eika Alliance.

Eika Boligkreditt, "Eika Alliansen", at: <https://eikbol.no/About-us/The-Eika-Alliance>

¹⁸ Government of Norway, Ministry of Children and Families, "Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)", (2021), at: <https://lovdata.no/dokument/NLE/lov/2021-06-18-99>

¹⁹ Sandnes Sparebank, "Sandnes Sparebank Boligkreditt Green Bond Framework", (2020), at: <https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/Gronn-obligasjon/Green-Bond-Framework.pdf?la=nb-NO>

²⁰ Sandnes Sparebank, "Annual Report 2021", (2021), at:

<https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/arsrapport-ny-2021/SSBarsrapport2021ENG-ORIG16mai.pdf?la=nb-NO>

²¹ UNESCO, "World Heritage List", at: <https://whc.unesco.org/en/list/>

²² IUCN Red List of Threatened Species, "About", at: <https://www.iucnredlist.org/about/background-history>

²³ Ramsar Convention, "About the Convention on Wetlands", at: <https://www.ramsar.org/about-the-convention-on-wetlands-0>

²⁴ IUCN, "Protected Areas and Land Use", at: <https://www.iucn.org/our-work/protected-areas-and-land-use>

²⁵ Sandnes Sparebank, "Samfunnsansvar og Bærekraft", (2022), at: <https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Baerekraft-og-sosialt-ansvar/August-22/Brekrftsrapport--versjon-hst-2022.pdf?la=nb-NO>

²⁶ Sandnes Sparebank, "Annual Report 2021", (2021), at:

<https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/arsrapport-ny-2021/SSBarsrapport2021ENG-ORIG16mai.pdf?la=nb-NO>

²⁷ Shared with Sustainalytics confidentially.

²⁸ Sandnes Sparebank, "Annual Report 2021", (2021), at:

<https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/arsrapport-ny-2021/SSBarsrapport2021ENG-ORIG16mai.pdf?la=nb-NO>

- The Bank requires all corporate customers to comply with Norwegian laws and actively oppose discrimination, harassment and money laundering.²⁹ Further, the Bank requires all customers to respect the ILO Declaration on Fundamental Principles and Rights at Work.³⁰ Customers are required to present a declaration for all these topics.³¹
- Regarding stakeholder participation, Sandnes Sparebank conducts a materiality analysis on an annual basis to identify and monitor its progress on topics that are most significant to investors, employees, customers and the broader community, including Finance Norway, United Nations Environment Programme Finance Initiative (UNEP FI) and the Eika Alliance. The most recent materiality assessment was conducted in 2020 and the results were published in the Bank's 2021 Annual Report.³²
- The Bank's Code of Conduct guides the activities of the Bank and its subsidiaries, including good business practice and customer relations provisions,³³ and applies to all employees of the Bank, including board members and representatives.^{34,35}
- Since 2020, through Eika Gruppen, Sandnes Sparebank follows the Principles for Responsible Banking under the UNEP FI.³⁶ Although the Bank ended its direct membership in 2022, it commits to supporting the principles through joint priorities and working groups through the Eika Gruppen.³⁷
- Sandnes Sparebank carries out its operations in Norway, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate environmental and social risks associated with projects financed under the Framework.³⁸

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

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two categories below where the impact is specifically relevant in the local context.

Importance of financing green buildings in Norway

The buildings sector accounted for 34% of Norway's energy consumed in 2020 and produced about 500 ktCO₂e emissions, or 1% of the country's emissions in 2021.³⁹ Space heating consumes the most energy, accounting for 51% of energy demand in buildings in 2020, but the energy demand for appliances and lighting from both residential and commercial buildings is predicted to increase by 44% between 2020 and 2050 due to the increasing GDP per capita in Norway.⁴⁰ Nevertheless, building emissions are expected to decline by 43% by 2050 as a result of efficiencies, fuel switching and the installation of heat pump systems.⁴¹

In 2017, the Government of Norway introduced the Climate Change Act, which includes the implementation of Norway's climate targets and aims to transform Norway into a low-carbon society by 2050.⁴² The act commits Norway to reduce 50-55% of its GHG emissions by 2030 and 90-95% by 2050 compared to 1990 levels.⁴³ To achieve its climate targets, the Norwegian government has banned the installation of fossil fuel-

²⁹ Ibid.

³⁰ ILO, "ILO Declaration on Fundamental Principles and Rights at Work", at: <https://www.ilo.org/declaration/lang-en/index.htm#:~:text=The%20ILO%20Declaration%20on%20Fundamental%20Principles%20and%20Rights,are%20vital%20to%20our%20social%20and%20economic%20lives>

³¹ Sandnes Sparebank, "Annual Report 2021", (2021), at: <https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Investor-Relations/arsrapport-ny-2021/SSBarsrapport2021ENG-ORIG16mai.pdf?la=nb-NO>

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ Shared with Sustainalytics confidentially.

³⁶ UNEP FI, "Eika Gruppen AS", at: <https://www.unepfi.org/member/eika-gruppen-as/>

³⁷ Sandnes Sparebank, "Samfunnsansvar og Bærekraft, (2022), at: <https://www.dengulebanken.no/-/media/banker/sandnes-sparebank/Baerekraft-og-sosialt-ansvar/August-22/Brekrftsrapport--versjon-hst-2022.pdf?la=nb-NO>

³⁸ Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

³⁹ Norsk Industri, "Energy Transition Norway 2021", at: <https://www.norskindustri.no/siteassets/dokumenter/rapporter-og-brosjyrer/energy-transition-norway-2021.pdf>

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² Government of Norway, "Climate Change Act", (2017), at: <https://www.regjeringen.no/en/dokumenter/climate-change-act/id2593351/>

⁴³ Ibid.

based heating systems since 2016, prohibited the use of oil in heating buildings since 2020 and adopted the requirement of energy performance certificates since 2010.^{44,45} Last updated in 2017, Norway's building regulations require that new buildings have a total net-energy need lower than the energy requirement levels specified in the regulation.⁴⁶ Further, residential buildings must meet a set of energy requirements for individual building components, such as windows, doors and walls.⁴⁷ Additionally, Norway aims to reduce energy use in existing buildings by 10 TWh by 2030 compared to 2015.⁴⁸

Based on the above context, Sustainalytics is of the opinion that Sandnes Sparebank's financing of the construction and renovation of green buildings will support Norway in meeting its climate-related goals.

Importance of investments in energy efficiency in Norway

In 2020, the total final consumption of energy in Norway was 20.5 Mtoe.⁴⁹ Norway reached 5 toe of total energy consumption per capita in 2020, almost double the EU average, and had the highest electricity consumption per capita in the world.⁵⁰ A recent study from Statnett, the state-owned system operator in the Norwegian energy system, projects that the annual electricity consumption in Norway will increase from 139 TWh to 158 TWh from 2021 to 2026, representing the highest growth rate of electricity consumption among Nordic countries.⁵¹ Furthermore, about 20-30% of Norwegian largest energy-intensive industries' input costs come from energy.⁵²

The industry sector in Norway had the highest total final energy consumption in the country, representing 46% of energy consumption in 2020.⁵³ Despite that, energy-efficiency projects yielded the largest energy savings results in Norway in 2020:⁵⁴ 217 GWh in the industry sector, the second-highest after the transport sector with 590 GWh. The Norwegian government expects continued growth in energy-intensive industries, but the electrification of industry processes and the adoption of other energy efficiency measures are also expected to accelerate the decarbonization of the sector.⁵⁵

As part of its Nationally Determined Contribution under the Paris Agreement, Norway has set a target of 50-55% GHG emissions reduction by 2030 from a 1990 baseline.⁵⁶ This goal is part of a broader strategy that seeks to achieve climate neutrality by 2030 and a low-emission society by 2050.⁵⁷ Norway's main target for energy efficiency is to improve the overall energy intensity of the economy by 30% in 2030 compared to 2015.⁵⁸ However, the country's energy intensity fell by only 4% between 2015 and 2019.⁵⁹

Therefore, Sustainalytics is of the opinion that Sandnes Sparebank's financing of energy-efficiency projects will contribute to reducing Norway's overall energy intensity and help improve energy efficiency in the country, thus contributing to the transition to a low-carbon economy.

⁴⁴ IEA, "Norway 2022 Executive Summary", at: <https://www.iea.org/reports/norway-2022/executive-summary>

⁴⁵ Ministry of Climate and Environment, "Norway's Fourth Biennial Report Under the Framework Convention on Climate Change", (2020), 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)

⁴⁶ Norwegian Building Authority, "Regulations on technical requirements for construction works", (2017), at:

<https://dibk.no/globalassets/byggeregler/regulation-on-technical-requirements-for-construction-works-technical-regulations.pdf>

⁴⁷ IEA, "Norway 2022 Energy Policy Review", (2022), at:

<https://iea.blob.core.windows.net/assets/de28c6a6-8240-41d9-9082-a5dd65d9f3eb/NORWAY2022.pdf>

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ EnerData, "Norway Energy Information", at: [https://www.enerdata.net/estore/energy-market/norway/#:~:text=Industry%20accounts%20for%2038%25%20of,\(18%25\)%20\(2020\)](https://www.enerdata.net/estore/energy-market/norway/#:~:text=Industry%20accounts%20for%2038%25%20of,(18%25)%20(2020))

⁵¹ Statnett, "Increased power consumption and plans for new industry generates need for more power production", (2021), at:

<https://www.statnett.no/en/about-statnett/news-and-press-releases/news-archive-2021/increased-power-consumption-and-plans-for-new-industry-generates-need-for-more-power-production/>

⁵² IEA, "Norway 2022 Energy Policy Review", (2022), at: <https://iea.blob.core.windows.net/assets/de28c6a6-8240-41d9-9082-a5dd65d9f3eb/NORWAY2022.pdf>

⁵³ Ibid.

⁵⁴ Enova, "Annual Report 2020", (2021), at: <https://www.enova.no/about-enova/>

⁵⁵ Ibid.

⁵⁶ UNFCCC, "Update of Norway's nationally determined contribution", (2020), at: https://unfccc.int/sites/default/files/NDC/2022-06/Norway_updatedNDC_2020%20%28Updated%20submission%29.pdf

⁵⁷ Ministry of Climate and Environment, "Norway's Seventh National Communication", (2018), at:

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

⁵⁸ IEA, "Norway 2022 Energy Policy Review", (2022), at:

<https://iea.blob.core.windows.net/assets/de28c6a6-8240-41d9-9082-a5dd65d9f3eb/NORWAY2022.pdf>

⁵⁹ Ibid.

Alignment with/contribution to SDGs

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

| Use of Proceeds Category | SDG | SDG target |
|--|--|--|
| Green Buildings | 9. Industry, Innovation and Infrastructure | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities |
| Renewable Energy | 7. Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix |
| Energy Efficiency | 7. Affordable and Clean Energy | 7.3 By 2030, double the global rate of improvement in energy efficiency |
| Sustainable Agriculture and Sustainable Management of Living Natural Resources | 2. Zero Hunger 12. Responsible Consumption and Production | 2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality 12.2 By 2030, achieve the sustainable management and efficient use of natural resources |
| Clean Transportation | 11. Sustainable Cities and Communities | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries |

Conclusion

Sandnes Sparebank has developed the Sandnes Sparebank Green Bond Framework, under which it may issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that contribute to the decarbonization of Sandnes Sparebank's investment portfolio and deliver a positive environmental impact in Norway.

The Framework outlines a process for tracking, allocating and managing the proceeds and makes commitments for Sandnes Sparebank to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of

the Bank and is expected to contribute to the advancement of the UN Sustainable Development Goals 2, 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Sandnes Sparebank has adequate measures to identify, manage and mitigate the environmental and social risks commonly associated with the eligible projects funded by the proceeds.

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

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

| | |
|---|--|
| Issuer name: | Sandnes Sparebank |
| Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: | Sandnes Sparebank Green Bond Framework |
| Review provider's name: | Sustainalytics |
| Completion date of this form: | October 31, 2022 |
| Publication date of review publication: Original publication date <i>[please fill this out for updates]:</i> | |

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:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify):</i> | |

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 categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Agriculture and Sustainable Management of Living Natural Resources, and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to deliver positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 2, 7, 9, 11 and 12.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sandnes Sparebank's Green Bond Committee will evaluate and select eligible projects in line with the eligibility criteria. Sandnes Sparebank has in place internal risk management procedures that incorporate ESG factors in allocation decisions made under the Sandnes Sparebank Green Bond Framework. Sustainalytics considers the project selection process and the risk management system to be in line with market practice. Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

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*):

Sandnes Sparebank's Treasury Department will manage the net proceeds on a portfolio basis and will track the allocation of proceeds using an internal sustainability bond register. Sandnes Sparebank intends to allocate all proceeds at issuance. Sandnes Sparebank will temporarily hold unallocated proceeds in cash or cash equivalents while pending allocation. Sustainalytics considers this process to be 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*):

Sandnes Sparebank intends to report on the allocation of proceeds and the corresponding impact in its allocation and impact report on an annual basis until full allocation. Allocation reporting will include the list of eligible assets and projects financed, the amount of bond proceeds allocated, the amount of bond proceeds outstanding, the amount and number of eligible loans, the amount of proceeds allocated to eligible loans and the balance of unallocated proceeds. In addition, Sandnes Sparebank commits to reporting on relevant impact metrics. Sustainalytics views Sandnes Sparebank's allocation and impact reporting commitments 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*):
- list of eligible assets and projects financed
 - amount of bond proceeds outstanding
 - amount and number of eligible loans
 - amount of proceeds allocated to eligible loans and the balance of unallocated proceeds
 - relevant impact metrics, including: Estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh; Estimated annual GHG emissions reduced/avoided in tonnes of CO₂ equivalents; Installed Capacity (MW); Annual electricity generation (MWh); and examples of projects financed

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*):
- Installed Capacity (MW) and Annual electricity generation (MWh) for Renewable Energy

Example of projects financed
for Energy Efficiency and
Sustainable Agriculture

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):
 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.

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For more information, visit www.sustainalytics.com

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