

# Second-Party Opinion

## SpareBank 1 SMN Green Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the SpareBank 1 SMN Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds (“Green Buildings” and “Eco-efficient and/ or circular economy adapted products, production technologies and processes”) are aligned with those recognized by the Green Bond Principles 2018 as categories with clear environmental benefits. Sustainalytics considers that the use of proceeds, which will finance an Eligible Green Loan Portfolio, will contribute to energy savings in the hotel and restaurant, office, retail, industrial and commercial real estate market in Norway, and to a shift toward more sustainable and climate-friendly products and business operations.



**PROJECT EVALUATION / SELECTION** SpareBank 1 SMN has established a Green Bond Committee which is in charge of the evaluation and selection of Eligible Green Loans. SpareBank 1 SMN’s project selection is based on third-party consultations as well as third-party certifications. Sustainalytics considers this process to be in line with market practices.



**MANAGEMENT OF PROCEEDS** SpareBank 1 SMN will manage the green bond proceeds using a portfolio approach and maintain a register of new and existing Eligible Green Loans. The balance of unallocated bond proceeds will be held or invested at the company’s discretion in its liquidity portfolio in money market instruments. Sustainalytics considers this process to be in line with market practice.



**REPORTING** SpareBank 1 SMN commits to publishing an allocation and impact report annually until bond proceeds have been fully allocated. The allocation report will comprise, on a portfolio basis, relevant transaction information such as the total amount of investments and expenditures in the Eligible Green Loan Portfolio and the balance of the unallocated proceeds. Where feasible, SpareBank 1 SMN will report on key performance indicators, such as estimated ex ante annual energy consumption in kWh/m<sup>2</sup> or energy savings in MWh. It will also report, where available, key impact indicators measured and reported by the certification schemes (at an aggregate level for all certified companies) that are included in the Framework’s eligibility criteria, as well as the proportion of revenue from SMEs’ certified products, services and processes and the corresponding proportion of eligible loans. Sustainalytics views the latter as a useful measure of impact but also encourages the bank to aim to provide portfolio-level reporting on these key impact indicators based specifically on the companies in its portfolio.

<b>Evaluation date</b>	4 February 2019
<b>Issuer Location</b>	Trondheim, Norway

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## Introduction

SpareBank 1 SMN (“the company” or “the bank”), together with its subsidiaries, provide various financial and banking products, as well as advisory services to retail customers, farm sector customers, clubs, associations and others. SpareBank 1 SMN provides savings and investments, insurance, and payment services and is the largest bank in the Norwegian county of Trøndelag. The bank was founded in 1823 and is headquartered in Trondheim, Norway.

SpareBank 1 SMN has developed the SpareBank 1 SMN Green Bond Framework (the “Framework”) under which it intends to issue green bond(s) and use the proceeds to finance or refinance, in whole or in part, existing and future green commercial buildings as well as products that contribute to eco-efficiency and the circular economy. The framework defines eligibility criteria in two areas:

1. Green Buildings
2. Eco-efficient and/or circular economy adapted products, production technologies and processes

SpareBank 1 SMN has engaged Sustainalytics to review the SpareBank 1 SMN Green Bond Framework and provide a second-party opinion on the alignment of the Framework with the Green Bond Principles 2018 (the “GBP”),<sup>1</sup> and on the Framework’s environmental credentials. This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of SpareBank 1 SMN’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 SpareBank 1 SMN’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the SpareBank 1 SMN Green Bond Framework and should be read in conjunction with it.

<sup>1</sup> As administered by the International Capital Markets Association (ICMA) - ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> The SpareBank 1 SMN Green Bond Framework is available at: <https://www.sparebank1.no/en/smn/about-us/investor/financial-info/funding.html> and/or <https://www.sparebank1.no/en/smn/about-us/sustainability.html>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the SpareBank 1 SMN Green Bond Framework

Sustainalytics is of the opinion that the SpareBank 1 SMN Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of the framework:

#### Use of Proceeds

- The use of proceeds categories – namely (i) Green Buildings and (ii) Eco-efficient and/ or circular economy adapted products, production technologies and processes – are aligned with those recognized by the Green Bond Principles 2018 as categories with clear environmental benefits.
- The Framework's 1<sup>st</sup> and 3<sup>rd</sup> eligibility criteria for green buildings were developed in consultation with Multiconsult, a Norwegian consulting firm with extensive expertise in the green building market in Norway. Sustainalytics views positively the role of Multiconsult in the development of the criteria.
- The Framework requires that Eligible Commercial Green Buildings, new or existing, meet one or more of the following criteria:
  1. They belong to the top 15% in terms of energy performance within their building category in Norway. Norway's building code is used as a proxy for this criterion: Buildings that comply with the building code of 2007 (TEK07) or later codes (which represent less than 15% of the stock of buildings in each building category) are eligible;<sup>3</sup>
  2. They have received LEED "Gold", BREEAM or BREEAM-NOR "Excellent" or equivalent levels of certification, or the Nordic Swan Ecolabel;
  3. They have improved their energy efficiency by at least 30% (based on the calculated energy efficiency improvement or an upgrade in the energy performance certificate of the building by at least two levels).
- Sustainalytics views the green building certification schemes noted above as robust and sufficient to ensure that SpareBank's green building investments will render meaningful environmental benefits. (An overview of these schemes is in Appendix 1). For additional information on impact, please see Section 3.
- With regard to the bank's general purpose loans to companies deriving revenues from eco-efficient and/or circular economy adapted products, production technologies and processes, Sustainalytics views positively the certification schemes and eco-labels contained in the Framework's eligibility criteria. These include the Nordic Swan Ecolabel, the Eco-Lighthouse Label, the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC), the Best Aquaculture Practices (BAP) and the GLOBALG.A.P. – The Worldwide Standard for Good Agricultural Practices. (An overview of these schemes is available in Appendix 2 and 3).
- With regards to general purpose lending, Sustainalytics recognizes that the GBP prefer project-based lending and financing. In this regard, Sustainalytics considers the bank's approach to providing general purpose loans to large enterprises and SMEs that derive 90% or more of their revenue from certified products, services or processes as impactful, and that these loans will contribute to supporting businesses and activities whose products and services are aligned with the goal of achieving sustainable development. This approach to general purpose loans is aligned with market practice.
- SpareBank 1 SMN also intends to issue general purpose loans to SMEs that derive less than 90% of revenue from certified products, services and processes. In this regard, the bank intends to designate a portion of SME loans as eligible to be financed by proceeds from green bonds. In these cases, the portion of a loan to an SME that is eligible for financing under the Framework will correspond with the proportion of the recipient SME's revenues derived from certified products, services, and processes. Sustainalytics notes that it cannot be assumed that the entirety of these loans will directly finance impactful activities because the loans are for general purposes (rather than be earmarked for specific projects) and the level of certification for SMEs' products, services and processes is less than 90% with no established floor. Sustainalytics highlights this as a clear limitation of the Framework. Having said this, Sustainalytics positively notes the bank's intention to report, on a portfolio basis, the proportion of revenue derived from certified products, services and processes achieved by these SMEs and the corresponding proportion of loans issued to these SMEs that is

<sup>3</sup> Note that, because buildings that comply with the TEK07 code and later codes account for less than 15% of the buildings in each building category, the eligibility criterion of code compliance is aligned with the Climate Bond Initiative's requirement that a building be in the top 15% in terms of energy efficiency in order to be considered a low-carbon building.

## SpareBank 1 SMN Green Bond Framework

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eligible for financing using green bond proceeds. We believe this reporting will enhance transparency. Sustainalytics acknowledges that this approach will continue to support SMEs that have received some level of certification, promoting more sustainable practices in general.

- SpareBank 1 SMN's framework does not exclude ASC certifications granted with a variance from the standard. Sustainalytics encourages the bank to prioritize bond allocations to companies with full and complete ASC certifications so as to ensure full alignment with the standard. A list of variance requests and variances previously granted is available on ASC's website.<sup>4</sup>

### Process for Project Evaluation and Selection

- SpareBank 1 SMN established a Green Bond Committee, which is in charge of the evaluation and selection of Eligible Green Loans. The Green Bond Committee is composed of representatives from SpareBank 1 SMN's senior management in the Corporate Division, Communication and Social Responsibility, Treasury and the Credit Department. SpareBank 1 SMN confirmed that this process is based on third-party consultation from Multiconsult, which defined the methodology used by the bank to identify and select Eligible Commercial Green Buildings.

### Management of Proceeds

- SpareBank 1 SMN will manage the green bond proceeds using a portfolio approach and maintaining a register to track new and existing Eligible Green Loans and companies. Pending full allocation, the unallocated proceeds will be held or invested in the bank's liquidity portfolio in money market instruments.

### Reporting

- SpareBank 1 SMN will provide a comprehensive allocation and impact report disclosed annually in the same location as the other green bond information, on SpareBank 1 SMN's website.<sup>5</sup> The allocation report will contain extensive information regarding transactions, including: the total amount of investments and expenditures in the Eligible Green Loan Portfolio, the balance of unallocated proceeds, the proportion of new and existing loans (financing and refinancing) and the balance of unallocated proceeds, and the proportion of the SMEs' revenue from certified products, services and processes which will be used to match the respective proportions for inclusion in the Eligible Green Loan Portfolio. In the impact report, SpareBank 1 SMN will publish data such as estimated ex-ante annual energy consumption in kWh/m<sup>2</sup> or energy savings in MWh (for eligible green commercial real estate portfolio), estimated annual GHG emissions reduced/avoided in tons of CO<sub>2e</sub> and the breakdown of SME lending per eligible certification scheme and other aggregated key impact indicators as available from the certifying bodies (at an aggregate level for all certified companies). With regard to the latter, Sustainalytics encourages SpareBank 1 SMN to aim to provide portfolio-level impact reporting across all of the companies in its portfolio, where feasible. Overall, Sustainalytics views the scope and granularity of SpareBank 1 SMN's reporting to be in line with market practices.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the SpareBank 1 SMN Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of the Issuer

### Contribution of framework to issuer's sustainability strategy and sustainability track record

Sustainalytics considers that SpareBank 1 SMN has a strong sustainability strategy and governance structure based on the following:

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<sup>4</sup> ASC's list of variance requests and variances previously granted is available here: <http://variance-requests.asc-aqua.org/>

<sup>5</sup> The reporting will be disclosed at: <https://www.sparebank1.no/en/smn/about-us/investor/financial-info/funding.html> and/or <https://www.sparebank1.no/en/smn/about-us/sustainability.html>

## SpareBank 1 SMN Green Bond Framework

- SpareBank 1 SMN explicitly commits to “contribute to society’s value creation through responsible banking operations that instill confidence in the bank.”<sup>6</sup>
- SpareBank 1 SMN publicly commits to be a leader in responsible lending,<sup>7</sup> mostly through ensuring responsible credit processes. In this sense, the company developed a credit practice manual detailing the specific requirements related to combating money laundering and the black economy. Similarly, SpareBank 1 SMN developed socially sustainable banking services as well as environmentally sustainable banking services.<sup>8</sup>
- SpareBank 1 SMN developed a new CSR strategy in 2017, which applies to all its subsidiaries and outlines concrete objectives under the following topics: (i) responsible products and services, (ii) communication and openness, (iii) ethics and anti-corruption, (iv) environment and climate and (v) staff and organization.<sup>9</sup> In Sustainalytics’ opinion, the scope of the Group CSR strategy incorporates all the relevant environmental and social topics typically associated with lending activities.
- Sustainalytics highlights that the ultimate responsibility for implementing the CSR strategy lies with SpareBank 1 SMN’s CEO, while its executive directors are responsible for ensuring that relevant measures are aligned with and contribute to attaining the above-mentioned CSR objectives. Sustainalytics views the bank’s CSR governance positively, more so since SpareBank 1 SMN confirmed that an annual audit verifies the bank’s operational compliance with the CSR objectives, subsequently reported to the board of directors.<sup>10</sup>
- SpareBank 1 SMN believes that its social responsibility to society should be reflected in its capital allocations and lending activities. It has identified active ownership, negative screening and ESG requirements on financial suppliers as strategies in this regard.
- SpareBank 1 SMN requires that its first and second-tier suppliers abide by local, national and international laws regarding remuneration, working time, health, environment, safety and anti-corruption. Deviations from these provisions are evaluated as breaches of contract and could provide a basis for contract cancellation.<sup>11</sup> Sustainalytics views positively the scope and granularity of SpareBank 1 SMN’s sustainable procurement requirements and regards it as a mechanism for the bank to disseminate its sustainability standards through its network of partners.

Sustainalytics also highlights that the bank reduced its total energy consumption from 6.1 GWh in 2016 to 5.7 GWh in 2017, after phasing out oil-fired heating and switching to electric power solely. Sustainalytics views positively SpareBank’s improving energy consumption track record and encourages the company to formalize this approach into a strategy to decarbonize the company’s operations.

### Well positioned to address common environmental and social risks associated with the projects

The proceeds from SpareBank 1 SMN’s green bond will be directed toward an Eligible Green Loan Portfolio comprising environmentally impactful projects. Sustainalytics is aware that its eligible project categories may indirectly expose SpareBank 1 SMN to environmental and social risks through the SMEs and other companies that the bank may choose to finance or invest in. SpareBank 1 SMN confirmed that the companies to which the bank issues loans are locally based and follow all Norwegian laws and regulations. The bank requires all local companies to disclose their compliance with the Norwegian law, including the requirement to disclose the ultimate owners of the companies financed, the employees’ rights and efforts to avoid laundering.<sup>12</sup>

In addition to adhering to the local regulations directly as an independent entity and indirectly through the locally-based companies that it finances, SpareBank 1 SMN confirmed that it applies separate guidelines to sectors in which the bank may indirectly become involved through its clients’ subsidiaries and investments.<sup>13</sup> SpareBank 1 SMN commits to become an active owner in companies in which it acquires equity as a result of

<sup>6</sup> Sparebank 1 SMN’s CSR: <http://annualreport.smn.no/2017/content/347/Corporate-social-responsibility>

<sup>7</sup> Responsible credit process available at: <https://www.sparebank1.no/en/smn/about-us/sustainability/responsible-credit-processes.html>

<sup>8</sup> Details about the environmentally and socially sustainable banking services available at: <https://www.sparebank1.no/en/smn/about-us/sustainability/responsible-credit-processes.html>

<sup>9</sup> Sparebank 1 SMN’s CSR: <http://annualreport.smn.no/2017/content/347/Corporate-social-responsibility>

<sup>10</sup> Sparebank 1 SMN’s CSR: <http://annualreport.smn.no/2017/content/347/Corporate-social-responsibility>

<sup>11</sup> SpareBank 1 SMN’s in-house environment and responsible procurement policy : <https://www.sparebank1.no/en/smn/about-us/sustainability/environment-and-procurement.html>

<sup>12</sup> SpareBank 1 SMN’s requirements on sustainable lending: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/samfunn/Barekraft-i-utlan-ENG.pdf>

<sup>13</sup> SpareBank 1 SMN’s requirements on sustainable lending: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/samfunn/Barekraft-i-utlan-ENG.pdf>

restructuring. In this sense, SpareBank 1 SMN commits to engage with each company through a semi-annual report sent to the management body so as to resolve and improve the operational and sustainability performance of the company.<sup>14</sup>

SpareBank 1 SMN has developed additional requirements that go beyond Norwegian regulations and international agreements and principles through which the bank provides proactive mitigation against its exposure to environmental and social risks.<sup>15</sup> Sustainalytics highlights a strong overlap of these requirements with the bank's use of proceeds categories, specifically regarding sustainable agriculture, sustainable fishery and fish farming, and property development:

- In this sense, SpareBank 1 SMN expects all companies that produce crops requiring particularly high consumption of water, deplete the soils or have any other negative impact on the local ecosystem, to document sustainability measures or provide a clear strategy to remediate their negative impact. Similarly, companies must document measures to minimize the need for spraying, using the least chemically intensive techniques.<sup>16</sup>
- With regards to sustainable fisheries, SpareBank 1 SMN expects the companies to apply for internationally recognized certifications and to operate responsibly so as not to harm endangered species and fish stocks. Similarly, SpareBank 1 SMN expects that fish farmers operate responsibly and take an active position on their impact on local biotopes. SpareBank 1 SMN confirmed that for this industry, the bank will follow up on the companies' sustainability improvements and will track it through the bank's reporting. In the event that a seafood company loses its certification, it will no longer be eligible for the green bond portfolio.
- With regards to property development, SpareBank 1 SMN expects that real estate developers ensure processes to reduce the buildings' energy use, set related climate emissions reduction goals and integrate formalized measures such as certification schemes to ensure the implementation of these processes. However, the bank does not disclose how it tracks the real estate developers' sustainability commitments.

Sustainalytics encourages SpareBank 1 SMN to design quantitative internal processes for tracking the sustainability commitments and improvements of the companies the bank finances or invests in, in order for the bank to better manage its exposure to their environmental and social risks. Overall, Sustainalytics holds a positive view of SpareBank 1 SMN's ability to mitigate these environmental and social risks due to (i) Norway's strong regulations, (ii) the active role that the bank plays as an owner and as a lender, as well as the (iii) qualitative auditing process the bank established to track the companies' sustainability preparedness. In this sense, Sustainalytics considers that SpareBank 1 SMN is well positioned to identify, manage and mitigate environmental and social risks associated with its use of proceeds categories.

## Section 3: Impact of Use of Proceeds

### Contribution of green buildings towards Norway's climate goals

In 2017, the Norwegian Parliament passed a Climate Law that established long-term, legally binding emissions reduction goals,<sup>17</sup> setting up the country's course for meeting the targets set by the Paris Agreement, the Copenhagen Accord and the Kyoto Protocol. Specifically, Norway has committed to achieving a GHG emissions reduction of 30-40% below 1990 levels by 2020, 40% by 2030, and 80-95% by 2050.<sup>18</sup> The Climate Law came into effect in 2018, which was followed by an increase in budget allocation to the Ministry of Climate and Environment of NOK 10.5 billion, an increase of NOK 0.7 billion from the previous year. Norwegian building

<sup>14</sup> SpareBank 1 SMN's requirements on sustainable lending: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/samfunn/Barekraft-i-utlan-ENG.pdf>

<sup>15</sup> SpareBank 1 SMN's requirements on sustainable lending: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/samfunn/Barekraft-i-utlan-ENG.pdf>

<sup>16</sup> SpareBank 1 SMN's requirements on sustainable lending: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/samfunn/Barekraft-i-utlan-ENG.pdf>

<sup>17</sup> Norway Climate Action Tracker, <https://climateactiontracker.org/countries/norway/>

<sup>18</sup> Norway Climate Action Tracker, <https://climateactiontracker.org/countries/norway/pledges-and-targets/>

regulation has also become more stringent over the last 20 years,<sup>19</sup> as the new Norwegian Building Codes (TEK17) introduced stricter limits for both residential and commercial buildings' energy consumption. Moreover, Norway has also implemented a ban on fossil fuel heating systems and, since 2010, it has been mandatory to hold an energy performance certificate for any buildings that are constructed, sold or rented out.<sup>20</sup> However, the current policies are projected to decrease emissions only by 6% in 2030 below 1990 levels, far from the country's commitment and ambition to achieve carbon neutrality before 2050.<sup>21</sup>

Given this context, Sustainalytics is of the opinion that SpareBank's financing activities for the construction of commercial green buildings will not only reduce the GHG emissions from Norway's building sector but will also support Norway in meeting its climate-related goals.

### The relevance of circular economy adapted products in Norway

One of Norway's long-term goals regarding climate change is to promote a green shift, which implies a climate and environmentally-friendly restructuring of society.<sup>22</sup> A major element of this transition is the development of products and services that produce significantly less negative impact on the environment and climate than the ones currently available.<sup>23</sup> Moreover, the push for a climate-friendly restructuring of Norwegian business is done with the use of governmental schemes, managed by state-owned companies such as ENOVA and Innovation Norway.<sup>24</sup> Through these support schemes and tax cuts, the companies are incentivized to innovate in terms of sustainability, developing low emission technology and sustainable products and services.<sup>25</sup> Norway also has one of the highest percentages of eco-label categories per millions of people in Western Europe, approximately eight eco-labels for every 1 million citizens,<sup>26</sup> placing just below Denmark and Switzerland, but far ahead of more populous states such as the UK, Germany or France. The popularity and abundance of eco-labelling in Norway is a clear sign that a large portion of the population is environmentally conscious and responsive to eco-products, providing further market opportunities for the business sectors to shift towards a circular economy. As an example, in 2015, 51% of the Norwegian respondents to a food and nutrition questionnaire answered that they preferred environmentally friendly products, while 43% also favored ecological products.<sup>27</sup>

Taking into account all these facts, Sustainalytics views positively the lending efforts of SpareBank in terms of financing companies whose business models incorporate the above noted certification schemes, as they reduce negative impact on the environment and promote the shift towards a sustainable economy in line with the above mentioned Norwegian governmental policies and schemes.

### Importance of sustainable fisheries and aquaculture in Norway

The UN Food and Agriculture Organization (FAO) ranked Norway as the world's largest producer of salmon, the second largest exporter of fish and fish products by value, the seventh largest aquaculture producer and the 11<sup>th</sup> largest in terms of global capture fisheries production,<sup>28</sup> generating around 0.7% of Norway's GDP. However, coastal municipalities in Norway have become more reluctant to further aquaculture development in their jurisdictions due to concerns over potential negative environmental impacts on local biotopes (sea lice infections, interbreeding, unintended release of faeces and other chemicals).<sup>29</sup> Similarly, with regards to wild catch and maritime fisheries, the Royal Norwegian Ministry of Fisheries implemented a series of objectives<sup>30</sup> as well as a master plan targeting the responsible management (through overfishing prevention) among other aspects.

<sup>19</sup> Norway Climate Action Tracker, <https://climateactiontracker.org/countries/norway/current-policy-projections/>

<sup>20</sup> Sustainable Buildings, <https://energifaktanorge.no/en/et-baerekraftig-og-sikkert-energisystem/baerekraftige-bygg/>

<sup>21</sup> Norway Climate Action Tracker, <https://climateactiontracker.org/countries/norway/current-policy-projections/>

<sup>22</sup> Green shift – climate and environmentally friendly restructuring; <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktsartikler-klima/green-shift/id2076832/>

<sup>23</sup> Green shift – climate and environmentally friendly restructuring; <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktsartikler-klima/green-shift/id2076832/>

<sup>24</sup> Green shift – climate and environmentally friendly restructuring; <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktsartikler-klima/green-shift/id2076832/>

<sup>25</sup> Green shift – climate and environmentally friendly restructuring; <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktsartikler-klima/green-shift/id2076832/>

<sup>26</sup> Ecolabel Index, <http://www.ecolabelindex.com/ecolabels/?st=country.no>

<sup>27</sup> Statista Norway, <https://www.statista.com/statistics/567678/share-of-food-trend-preferences-of-the-population-in-norway/>

<sup>28</sup> Fishery and Aquaculture Country Profiles, the Kingdom of Norway, document available at: <http://www.fao.org/fishery/facp/NOR/en>

<sup>29</sup> Access to aquaculture sites: A wicked problem in Norwegian aquaculture development <https://link.springer.com/article/10.1186/s40152-015-0027-8>

<sup>30</sup> Information on fisheries management In the Kingdom of Norway: <http://www.fao.org/fi/oldsite/FCP/en/NOR/body.htm>

Sustainalytics views positively SpareBank 1 SMN's efforts to lend to company's holding internationally recognized certifications for sustainable fisheries. Sustainalytics has carried out an assessment of the certifications and considers that they represent an important complement to Norwegian legislation, supporting the Norwegian government in reaching its sustainability goals for responsible fishing.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

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
	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Eco-efficient and/or circular economy adapted products, production technologies and processes	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
	11. Sustainable cities and communities	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage
	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management of living and natural resources
	14. Life below water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution  14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans  14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics

## Conclusion

SpareBank 1 SMN has developed the SpareBank 1 SMN Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance or refinance an Eligible Green Bond Portfolio related to (i) Green Buildings and (ii) Eco-efficient and/or circular economy adapted products, production technologies and processes.

The use of proceeds, which will finance the Eligible Green Loan Portfolio, will contribute to energy savings in the hotel and restaurant, office, retail, industrial and commercial real estate market in Norway, and to a shift toward more sustainable and climate-friendly products and business operations. SpareBank 1 SMN's green buildings investments will also contribute to a reduction in GHG emissions from Norway's building sector, thereby supporting Norway in meeting its climate-related goals. Additionally, Sustainalytics views positively SpareBank 1 SMN's use of bond proceeds to finance companies that derive over 90% of revenues from certified products, services and processes. Sustainalytics considers that these activities align with the above-mentioned policies of the Norwegian government as well as with the bank's commitments to be a leader in responsible lending.



However, we highlight limitations to the Framework's intended allocation of bond proceeds in the case of SMEs that derive less than 90% of revenues from certified products and services. In such cases proceeds will be allocated to a portion of the loan based on the proportion of each SME's revenues derived from certified products and services. While these loans will support SMEs that are pursuing impactful activities, it cannot be assumed that the entirety of the loans provided by the bank to those SMEs will directly finance those activities, as they are for general purposes. Having said this, Sustainalytics believes that transparency will be enhanced through the bank's intention to report, on a portfolio basis, the proportion of revenues derived by these SMEs for certified products, services and processes and the corresponding proportion of loans provided to these SMEs.

Based on the above, Sustainalytics considers that SpareBank 1 SMN is well positioned to issue green bonds and that the SpareBank 1 SMN Green Bond Framework is transparent, credible and in alignment with the four components of the Green Bond Principles.

## Appendices

### Appendix 1: Overview of Green Building Certification Schemes in SpareBank's Framework



	<i>BREEAM NOR</i>	<i>LEED</i>
Background	BREEAM (Building Research Establishment Environmental Assessment Method) Norway is a national modification of the British BREEAM. BREEAM was first published by the Building Research Establishment (BRE) in 1990, UK. It is managed and developed by BRE Global, and it is supported in some countries by a number of National Scheme Operators (NSOs). BREEAM-NOR has been developed and is operated by the NGBC (Norwegian Green Building Council), under the license from BRE Global. This environmental certification scheme is used for promoting and certifying sustainable buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum
Areas of Assessment: Environmental Project Management	The Management category promotes the adoption of sustainable management practices and addresses various aspects: project brief and design, life cycle cost and service life planning, responsible construction practices, commissioning and handover, and aftercare.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.
Areas of Assessment: Environmental Performance of the Building	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority
Requirements	Credits with associated points.  For each environmental section the number of credits awarded must be initially determined by the assessor according with the criteria of each assessment issue. Afterwards, the percentage of credits achieved is calculated for each section, which is then multiplied by the corresponding section weighting, producing the overall environmental score. The section scores are then added up, resulting in the overall BREEAM-NOR score, which can be additionally enhanced by 1% for each innovation credit achieved (up to a maximum of 10%). The final score is then compared to the BREEAM-NOR rating benchmark levels and, provided all minimum standards have been met, the relevant level is awarded.	Prerequisites (independent of level of certification) and credits with associated points.  These points are then added together to obtain the LEED level of certification  There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).

	In order to receive the certification levels of “Very Good”, “Excellent” and “Outstanding”, the applicants must use low carbon emitting materials for the construction of new buildings. These specifications are also modified for Norway and differ from the original BREEAM International version.	
Performance display		
Accreditation	BREEAM-NOR Assessor BREEAM-NOR Accredited Professional	LEED AP BD+C LEED AP O+M
Qualitative considerations	BREEAM version widely used in Norway. Predominant environmental focus.	Widely recognized internationally, and strong assurance of overall quality.

## Appendix 2: Overview of General Certification Schemes and Eco-labels in SpareBank’s Framework

	<i>The Nordic Swan Ecolabel</i>	<i>Eco-Lighthouse</i>
Background	The Nordic Swan Ecolabel was established by the Nordic Council of Ministers in 1989, serving as a voluntary ecolabelling system for the Nordic countries Norway, Sweden, Denmark, Iceland and Finland. This ecolabel is a tool that companies utilize in order to evaluate the sustainability of its products and works to reduce the environmental impact from production and consumption of goods.	Eco-Lighthouse was established in 2003 as a national certification scheme and is governed by the Eco-Lighthouse Foundation in Norway. Eco-Lighthouse is an environmental management system which is aimed for enterprises that wish to review their environmental performance and social responsibility.
Certification levels	Certified	Certified
Applicability	Product Groups: <ul style="list-style-type: none"> <li>• Alternative dry cleaning</li> <li>• Baby products with textiles</li> <li>• Candles</li> <li>• Car and boat care products</li> <li>• Chemical building products</li> <li>• Cleaning agents for use in the food industry</li> <li>• Cleaning products</li> <li>• Cleaning services</li> <li>• Closed toilet systems</li> <li>• Coffee service</li> <li>• Compost bins</li> <li>• Computers</li> <li>• Construction and façade panels</li> <li>• Copy and printing paper</li> <li>• Cosmetic products</li> <li>• De-icers</li> <li>• Dishwasher detergents and rinsing agents</li> <li>• Dishwater detergents for professional use</li> <li>• Disposable bags, tubes and accessories for health care</li> <li>• Disposables for food</li> <li>• Durable/resistant wood for outdoor use</li> <li>• Floor coverings</li> <li>• Furniture and fitments</li> </ul>	Industry Groups (subgroups not shown): <ul style="list-style-type: none"> <li>• Agriculture, forestry and fishing:</li> <li>• Other services</li> <li>• Building and construction</li> <li>• Industry</li> <li>• Wholesale and retail trade, repair of motor vehicles</li> <li>• Transport, warehousing and storage</li> <li>• Overnight accommodation, food and beverage service activities</li> <li>• Sale and management of real estate</li> <li>• Professional, scientific and technical services</li> <li>• Business services</li> <li>• Education</li> <li>• Health and social services</li> <li>• Cultural activities, entertainment and recreational activities</li> <li>• Food industry</li> <li>• Miscellaneous</li> </ul>

	<ul style="list-style-type: none"> <li>• Grease-proof paper</li> <li>• Grocery stores</li> <li>• Hand dishwashing detergents</li> <li>• Heat pumps</li> <li>• Hotels, restaurants and conference facilities</li> <li>• Imaging equipment</li> <li>• Indoor paints and varnishes</li> <li>• Industrial cleaning and degreasing agents</li> <li>• Investment funds</li> <li>• Laundry detergents and stain removers</li> <li>• Laundry detergents for professional use</li> <li>• Liquid and gaseous fuels</li> <li>• Machines for parks and gardens</li> <li>• Office and hobby supplies</li> <li>• Outdoor furniture and playground equipment</li> <li>• Photographic developments services</li> <li>• Primary batteries</li> <li>• Printing companies, printed matter, envelopes and other converted paper products</li> <li>• Rechargeable batteries</li> <li>• Remanufactured OEM Toner Cartridges</li> <li>• Renovation</li> <li>• Sanitary products</li> <li>• Ski wax</li> <li>• Small houses, apartment buildings and buildings for schools and pre-schools</li> <li>• Solid biofuel boilers</li> <li>• Solid fuels and firelighting products</li> <li>• Stoves</li> <li>• Supplies for microfibre based cleaning</li> <li>• Textile services</li> <li>• Textiles, hides/skins and leather</li> <li>• Tissue paper</li> <li>• Toys</li> <li>• TV and Projectors</li> <li>• Vehicle wash installations</li> <li>• White Goods</li> <li>• Windows and exterior doors</li> </ul>	
Evaluation Criteria	<p>A criteria document exists for each product group, which stipulates the requirements. These are evaluated and revised, modified or altered every 3-4 years. New versions of criteria documents are then issued. The period of validity of criteria is indicated in the criteria document.</p>	<p>The Eco-Lighthouse system is based upon a general set of requirements (General Industry Criteria), which apply to companies in all industries, and over 70 sets of criteria applicable for specific industries.</p>
Requirements	<p>To obtain a license from the Nordic Ecolabel, the applicant must fulfil the requirements of the pertinent criteria document. Also, before a license is issued, the Nordic Ecolabelling organization normally pays at least one inspection visit to the applicant. Moreover, the licensee is obliged to prepare and submit annual reports to the Nordic Swan Ecolabel, as indicated in its specific product group.</p>	<p>In order to achieve certification under the Eco-Lighthouse scheme, companies must meet the standards of both the General Industry Criteria and the criteria specific to their respective industries. However, the Eco-Lighthouse generally issues three-year certificates, and when 2 and a half years pass since certification, the companies are asked regarding recertification.</p>

Performance display		
Accreditation	The Nordic Ecolabelling organization	Eco-Lighthouse certifiers (observed by an independent third party)
Qualitative considerations	The Nordic Swan Ecolabel has a strong presence in the Nordic countries. The Nordic Swan Ecolabel is one of the founders of the international network for ISO 14024 Type 1 ecolabels, GEN (Global Ecolabelling Network).	Eco-Lighthouse is the first national scheme in Europe that has been recognized by the EU. Eco-Lighthouse is also in accordance with ISO 14001.

### Appendix 3: Overview and Assessment of Fishery, Aquaculture, and Agriculture Certifications in SpareBank's Framework

	Marine Stewardship Council <sup>31</sup>	Aquaculture Stewardship Council <sup>32</sup>	GLOBAL G.A.P. <sup>33</sup>	Best Aquaculture Practices <sup>34</sup>
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The GLOBALG.A.P. (Global Good Agricultural Practice) is a global organization that promotes safe, sustainable agriculture worldwide.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable agriculture practices, including for crops, livestock, and aquaculture.	Promoting sustainable aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators.  As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.  Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations involved in	The GLOBALG.A.P. standard places a high degree of emphasis on the implementation of management plans and procedures, with a correspondingly lower focus on quantitative targets.  Assessment criteria are classified as "major must", "minor must", or "recommendation", indicating the priority placed on highly important components	The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets.  As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium's Seafood Watch programme recommends BAP as a

<sup>31</sup> <https://www.msc.org/standards-and-certification/fisheries-standard>





<sup>32</sup> <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<sup>33</sup> [https://www.globalgap.org/uk\\_en/](https://www.globalgap.org/uk_en/)

<sup>34</sup> <https://www.bapcertification.org/About>

		the standard-setting process.	of the standard. All major musts need to be met to receive certification.	reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams. <sup>35</sup>
Scope of certification or programme	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified sourcing, product identification, separation, traceability and records, and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>	<p>The integrated standard requires assessment of waste &amp; pollution management, environmental impact, water use, site productivity, and energy efficiency.</p> <p>The aquaculture and livestock standards additionally cover four pillars laid out by the FAO (aquaculture: food safety, environment, workers, animal welfare; livestock: resource use efficiency, conservation, rural livelihoods, community and ecosystem resilience, and responsible management).</p>	<p>Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star rating display on the label provides this information).</p> <p>Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health &amp; welfare, and food safety issues.</p>
Verification of standards and risk mitigation	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>GlobalGAP approves certification bodies, which can then in turn carry out audits and verification.</p> <p>Certification is valid for one year.</p>	<p>Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd's Register, NSF, SGS assess compliance against the standard.</p> <p>Non-compliance precludes recertification until the violation is remedied.</p>
Third party expertise and multi-stakeholder process	<p>Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>The standards are informed by FAO guidelines. The aquaculture module is recognized by the Global Sustainable Seafood Initiative (GSSI).</p>	<p>The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments.</p> <p>Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable</p>

<sup>35</sup> <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>

				Seafood Initiative (GSSI).
Performance display				
Qualitative considerations	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized, and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p> <p>However, the core standard does not impose stringent worker welfare standards, with particular concerns noted in the areas of health &amp; safety and fair remuneration &amp; bargaining rights. The optional GRASP assessment covers social impacts in more depth, but is not required for certification. Furthermore, on the environmental dimension, G.A.P. does not prohibit the use of pesticides beyond those permitted by national regulations.</p>	<p>Widely recognized within the industry.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species than for other.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>

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

### Section 1. Basic Information

Issuer name:	SpareBank 1 SMN
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	SpareBank 1 SMN Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	4 February 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	February 2019

### 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 GBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 use of proceeds categories – namely (i) Green Buildings and (ii) Eco-efficient and/ or circular economy adapted products, production technologies and processes – are aligned with those recognized by the Green Bond Principles 2018 as categories with clear environmental benefits.

The Framework's 1st and 3rd eligibility criteria for green buildings were developed in consultation with Multiconsult, a Norwegian consulting firm with extensive expertise in the green building market in Norway. Sustainalytics views positively the role of Multiconsult in the development of the criteria.

The Framework requires that Eligible Commercial Green Buildings, new or existing, meet one or more of the following criteria:

1. They belong to the top 15% in terms of energy performance within their building category in Norway. Norway's building code is used as a proxy for this criterion: Buildings that comply with the building code of 2007 (TEK07) or later codes (which represent less than 15% of the stock of buildings in each building category) are eligible;
2. They have received LEED "Gold", BREEAM or BREEAM-NOR "Excellent" or equivalent levels of certification, or the Nordic Swan Ecolabel;
3. They have improved their energy efficiency by at least 30% (based on the calculated energy efficiency improvement or an upgrade in the energy performance certificate of the building by at least two levels).

Sustainalytics views the green building certification schemes noted above as robust and sufficient to ensure that SpareBank's green building investments will render meaningful environmental benefits. (An overview of these schemes is in Appendix 1). For additional information on impact, please see Section 3.

With regard to the bank's general purpose loans to companies deriving revenues from eco-efficient and/ or circular economy adapted products, production technologies and processes, Sustainalytics views positively the certification schemes and eco-labels contained in the Framework's eligibility criteria. These include the Nordic Swan Ecolabel, the Eco-Lighthouse Label, the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC), the Best Aquaculture Practices (BAP) and the GLOBALG.A.P. – The Worldwide Standard for Good Agricultural Practices. (An overview of these schemes is available in Appendix 2 and 3).

With regards to general purpose lending, Sustainalytics recognizes that the GBP prefer project-based lending and financing. In this regard, Sustainalytics considers the bank's approach to providing general purpose loans to large enterprises and SMEs that derive 90% or more of their revenue from certified products, services or processes as impactful, and that these loans will contribute to supporting businesses and activities whose products and services are aligned with the goal of achieving sustainable development. This approach to general purpose loans is aligned with market practice.

SpareBank 1 SMN also intends to issue general purpose loans to SMEs that derive less than 90% of revenue from certified products, services and processes. In this regard, the bank intends to designate a portion of SME loans as eligible to be financed by proceeds from green bonds. In these cases, the portion of a loan to an SME that is eligible for financing under the Framework will correspond with the proportion of the recipient SME's revenues derived from certified products, services, and processes. Sustainalytics notes that it cannot be assumed that the entirety of these loans will directly finance impactful activities because the loans are for general purposes (rather than be earmarked for specific projects) and the level of certification for SMEs' products, services and processes is less than 90% with no established floor. Sustainalytics highlights this as a clear limitation of the Framework. Having said this, Sustainalytics positively notes the bank's intention to report, on a portfolio basis, the proportion of revenue derived from certified products, services and processes achieved by these SMEs and the corresponding proportion of loans issued to these SMEs that is eligible for financing using green bond proceeds. We believe this reporting will enhance transparency.

Sustainalytics acknowledges that this approach will continue to support SMEs that have received some level of certification, promoting more sustainable practices in general.

SpareBank 1 SMN's framework does not exclude ASC certifications granted with a variance from the standard. Sustainalytics encourages the bank to prioritize bond allocations to companies with full and complete ASC certifications so as to ensure full alignment with the standard. A list of variance requests and variances previously granted is available on ASC's website.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input checked="" 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 GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SpareBank 1 SMN established a Green Bond Committee, which is in charge of the evaluation and selection of Eligible Green Loans. The Green Bond Committee is composed of representatives from SpareBank 1 SMN's senior management in the Corporate Division, Communication and Social Responsibility, Treasury and the Credit Department. SpareBank 1 SMN confirmed that this process is based on third-party consultation from Multiconsult, which defined the methodology used by the bank to identify and select Eligible Commercial Green Buildings.

#### 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 |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> 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):

SpareBank 1 SMN will manage the green bond proceeds using a portfolio approach and maintaining a register to track new and existing Eligible Green Loans and companies. Pending full allocation, the unallocated proceeds will be held or invested in the bank's liquidity portfolio in money market instruments.

#### 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):

SpareBank 1 SMN will provide a comprehensive allocation and impact report disclosed annually in the same location as the other green bond information, on SpareBank 1 SMN's website. The allocation report will contain extensive information regarding transactions, including: the total amount of investments and expenditures in the Eligible Green Loan Portfolio, the balance of unallocated proceeds, the proportion of new and existing loans (financing and refinancing) and the balance of unallocated proceeds, and the proportion of the SMEs' revenue from certified products, services and processes which will be used to match the respective proportions for inclusion in the Eligible Green Loan Portfolio. In the impact report, SpareBank 1 SMN will publish data such as estimated ex-ante annual energy consumption in kWh/m2 or energy savings in MWh (for eligible green commercial real estate portfolio), estimated annual GHG emissions reduced/avoided in tons of CO2e and the breakdown of SME lending per eligible certification scheme and other aggregated key impact indicators as available from the certifying bodies (at an aggregate level for all

certified companies). With regard to the latter, Sustainalytics encourages SpareBank 1 SMN to aim to provide portfolio-level impact reporting across all of the companies in its portfolio, where feasible. Overall, Sustainalytics views the scope and granularity of SpareBank 1 SMN's reporting to be in line with market practices.

**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*): the balance of unallocated proceeds, the proportion of new and existing loans (financing and refinancing), the balance 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*):

**Frequency:**

- Annual  Semi-annual
- Other (*please specify*):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings (for eligible green commercial real estate portfolio)
- Decrease in water use  Other ESG indicators (*please specify*): estimated ex-ante annual energy consumption in kWh/m<sup>3</sup> (for eligible green commercial real estate portfolio), the breakdown of SME lending per eligible certification scheme and other aggregated key impact indicators as available from the certifying bodies (at an

aggregated level across all certified companies).

#### Means of Disclosure

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): company website: <a href="https://www.sparebank1.no/en/smn/about-us/investor/financial-info/funding.html">https://www.sparebank1.no/en/smn/about-us/investor/financial-info/funding.html</a> and/or <a href="https://www.sparebank1.no/en/smn/about-us/sustainability.html">https://www.sparebank1.no/en/smn/about-us/sustainability.html</a> |
| <input type="checkbox"/> 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.)

<https://www.sparebank1.no/en/smn/about-us/investor/financial-info/funding.html>  
<https://www.sparebank1.no/en/smn/about-us/sustainability.html>  
<http://annualreport.smn.no/2017/content/347/Corporate-social-responsibility>  
<https://www.sparebank1.no/en/smn/about-us/sustainability/environment-and-procurement.html>  
<https://www.sparebank1.no/en/smn/about-us/sustainability.html>

#### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

##### Type(s) of Review provided:

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> 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 recognized 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 specialized 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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