

# Green Bond Framework

## Who we are

Sandnes Sparebank is a Norwegian savings bank headquartered in Rogaland county, and the largest member of the Eika Alliance. Since the beginning of 1875, Sandnes Sparebank has gained a strong position in the southern region of Rogaland offering a broad range of investments- and banking products. In addition, Sandnes Sparebank is involved in real estate brokerage through its subsidiary Aktiv Eiendomsmegling Jæren AS, in which it owns 60%.

With total assets of NOK 27.7 billion and 136 FTE as of 3Q2019, Sandnes Sparebank is the second largest savings bank in Rogaland. The customer base consists of 40 000 retail- and 5 000 corporate clients.

In 2008, SSB Boligkreditt AS ("SSB") was established to secure long-term funding for Sandnes Sparebank through issuance of covered bonds. SSB is a fully owned subsidiary of Sandnes Sparebank and acquires the residential mortgages from Sandnes Sparebank which fulfills certain criteria according to the Norwegian covered bond legislation. The mortgage portfolio is then refinanced in the covered bond market. For 3Q2019, the covered pool totaled NOK 8.2 billion. SSB's covered bond program is rated AAA by Scope Ratings.

Sandnes Sparebank actively seeks to reduce its carbon footprint and looks for new ways to implement sustainable practices into the business strategy. From engaging in activities that contributes to lower energy consumption, to encouraging customers to choose electrical vehicles by offering green car loans<sup>1</sup>, as well as making sure all products offered by Sandnes Sparebank are compliant with sustainable banking. Through activities, products and services, SSB has an objective to strengthen its customers and client's ability to reduce the negative and increase the positive climate impact. Financing green residential buildings is an example of how SSB will contribute to reduce negative climate impact as green buildings produce lower emissions.

## What we do

Responsible and sustainable banking is increasingly important, and SSB seeks to contribute to a more sustainable future through the bank's policy for corporate citizenship and sustainability. Consequently, all bank employees get an annually update on this policy to ensure that the bank does not contribute to violation of human and employee rights, corruption, serious environmental damage and other unethical acts.

As part of our corporate responsibility, Sandnes Sparebank's Gavefond ("Gift Fund") was created for the intention of giving back to the local community. The Gift Fund has supported sport teams and organizations, from small to big projects. Further, Sandnes Sparebank is also concerned with how we can contribute to enhance environmental benefits within the organization. Sandnes Sparebank's head office was the first commercial building in Sandnes municipality with status as a passive building and is located in a car-free area, encouraging the use of public transportation. Aligned with our environmentally friendly policy, Sandnes Sparebank is using digital solutions such as video conferences and mobile solutions to reduce travel activity.

Sandnes Sparebank takes gender equality and equal pay seriously. Consequently, we have an equal gender composition across the Board and Executive Management. The bank is taking measures to make pay more equal, which is part of wage negotiations.

In 2019, Sandnes Sparebank signed the UN Principles for Responsible Banking<sup>2</sup> (UNEP FI). These principles provide a framework for sustainable banking and will be embedded internally in line with our existing sustainable business strategy. Additionally, Sandnes Sparebank supports the

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<sup>1</sup> Green car loans are offered through Eika Kredittbank

<sup>2</sup> <https://www.unepfi.org/banking/bankingprinciples/>

principles of UN Global Compact<sup>3</sup> and the UN Principles for Responsible Investment<sup>4</sup>, both being aligned in our internal guidelines. SSB is involved in Finance Norway's (No: Finans Norge) reference group on Sustainability. Finance Norway advocate the views of the Norwegian financial industry, among others concerning national climate policies. As a member of the Eika Alliance, SSB is contributing to the sustainability strategy in the Alliance.

## The Green Bond Framework

In line with the overall sustainability strategy across the Sandnes Sparebank Group, the bank has established a Green Bond Framework with the purpose of issuing Green Bonds (as defined below). The Green Bonds will be used to finance and/or refinance projects promoting environmental and sustainable benefits.

Under this Green Bond Framework, Sandnes Sparebank through its wholly owned subsidiary Sandnes Sparebank Boligkreditt can issue the following type of bonds:

- a) **"Green Covered Bonds"** – bonds whose proceeds will be used to finance and/or refinance, in part or in full, new and/or existing green residential buildings (as defined in Section 1 below). Green Covered Bonds will be issued by Sandnes Sparebank's wholly owned covered bond issuance entity, SSB Boligkreditt AS.

To present the Green Bond Framework, SSB will be using the ICMA's Green Bond Principles<sup>5</sup> ("GBP"). The GBP is a set of guidelines for issuance of a Green Bond that recommends transparency and disclosure in the development of the Green Bond market. According to ICMA, a Green Bond is "any type of bond where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the GBP." The GBP components comprise the following:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Verification

The Green Bond Framework may be amended from time to time to reflect current market practices and potential updates in the GBP. An independent second opinion provider will review the Green Bond Framework to confirm its alignment with the prevailing GBP.

## Link to UN's Sustainable Development Goals

Green Covered Bonds issued by SSB Boligkreditt under the GBP has a clear link to UN's Sustainable Development Goals ("SDG"). SSB will contribute towards meeting the SDG's by among others funding green buildings. The World Green Building Council explains how sustainable buildings promote the SDG's. Their reasoning behind promoting green buildings are linked to nine separate SDG's, including UN Goal 7 - *Affordable and Clean Energy*, 9 - *Industry, innovation and infrastructure*, 11 - *Sustainable cities and communities*, and 13 - *Climate action*. These goals promote energy and resource efficiency, environmentally sound technologies, and a sustainable urbanization of the cities.



<sup>3</sup> <https://www.unglobalcompact.org/>

<sup>4</sup> <https://www.unpri.org/>

<sup>5</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

# Green Terms for the Framework

## 1. Use of Proceeds

Proceeds from Sandnes Sparebank Boligkreditt's Green Covered Bonds are intended to be allocated to a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway (Residential Green Buildings).

### Eligible Projects – Green Buildings

The eligible loans are to be funded in whole or in part by an allocation of the Green Covered Bond proceeds in the following category:

ICMA GBP category	Definition of Eligible Category	UN SDGs <sup>6</sup>	Core UN SDGs Target	EU Environmental Objective <sup>7</sup>
Green Buildings	Loans or investments to finance new or existing residential buildings	  	<ul style="list-style-type: none"> <li>• <b>Target 7.3:</b> By 2030, double the global rate of improvement in energy efficiency</li> <li>• <b>Target 9.4:</b> 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</li> <li>• <b>Target 11.3:</b> By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries</li> </ul>	<ul style="list-style-type: none"> <li>• <b>EU Environmental Objective (1):</b> Climate Change Mitigation</li> <li>• <b>Substantial contribution to Climate Change Mitigation (1.b):</b> Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption</li> </ul>

Sandnes Sparebank Boligkreditt has relied on the support of the external real estate consultant Multiconsult ASA (“**Multiconsult**”) to define the associated Eligibility Criteria<sup>8</sup>. The Eligibility Criteria used to earmark Eligible Green Loans for SSB's green covered bonds are set out below. Such Eligibility Criteria complies with the recommendation of the Technical Expert Group (TEG) report on the EU Taxonomy published at the end of June 2019<sup>9</sup>, which establishes a system to classify environmentally-sustainable activities by setting out metrics and thresholds.

<sup>6</sup> In alignment with ICMA «Green and Social Bonds: A high-level mapping to the Sustainable Development Goals”: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

<sup>7</sup> In alignment with EU Taxonomy Environmental Objectives as defined in Article 5 (Amendment 41) and Article 6 (Amendments 46, 66 and 99): [http://www.europarl.europa.eu/doceo/document/A-8-2019-0175\\_EN.html](http://www.europarl.europa.eu/doceo/document/A-8-2019-0175_EN.html)

<sup>8</sup> The report will be made publicly available on Sandnes Sparebank's website

<sup>9</sup> [https://ec.europa.eu/info/publications\\_en](https://ec.europa.eu/info/publications_en). The EU Taxonomy only covers environmentally sustainable activities, there is not yet an EU Framework covering socially sustainable activities.

To be defined as an Eligible Residential Green Building, one or more of the following eligible criteria must be met:

**Residential Green Buildings:** *New residential buildings belonging to the top 15% most energy-efficient buildings of the local building stock and refurbished residential buildings which achieved energy savings of at least 30% in comparison to the baseline performance of the building prior to refurbishment.*

I. New or existing residential buildings in Norway

- a. New or existing Norwegian apartments that complies with the Norwegian building codes of 2010 (TEK10), 2017 (TEK17) or any subsequent building codes. Hence, construction completed from 2012<sup>10</sup> and onwards.
- b. New or existing Norwegian other residential dwellings that complies with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10), 2017 (TEK17) or any subsequent building codes. Hence, construction completed from 2009<sup>6</sup> and onwards.

Building code	Specific energy demand apartment buildings (model homes)	Specific energy demand other dwellings (model homes)
TEK07	N/A	126 kWh/m <sup>2</sup>
TEK10	110 kWh/m <sup>2</sup>	126 kWh/m <sup>2</sup>
TEK17	92 kWh/m <sup>2</sup>	107 kWh/m <sup>2</sup>

II. Existing Residential buildings in Norway

Existing Norwegian residential buildings built using older building codes than TEK10 for apartments and TEK07 for other residential dwellings (built before 2009) with EPC-labels A, B or C<sup>11</sup>.

III. Refurbished Residential buildings in Norway

One of two criteria below must be met:

- a. Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction
- b. Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m<sup>2</sup>, compared to the calculated label based on building code in the year of construction.

## Exclusion

The net proceeds will not be allocated or linked to fossil energy generation, nuclear energy generation, research and/or development within weapon and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. Sandnes Sparebank has already incorporated the exclusion guidelines from the Government Pension Fund Global (*Norwegian: Statens Pensjonsfond Utland*).

<sup>10</sup> A two-year lag between implementation of a new building code and the buildings built under that code is taken into account. This implies that all residential apartment buildings finished in 2012 and later and all other residential dwellings finished in 2009 and later are eligible for Green Bonds under this criterion. This is in line with the criteria as set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>

<sup>11</sup> These buildings may be identified in data available from the Energy Performance Certificate (EPC) database.

## 2. Process for Project Evaluation and Selection

Sandnes Sparebank Boligkreditt has established a Green Bond Committee in conjunction with this Green Bond Framework. The Green Bond Committee consists of members from selected departments across the organization, including Director, Head of Retail Division, Head of ESG and Head of Treasury. The Green Bond process will be managed by the Green Bond Committee, including evaluation and selection of Eligible Green Loans. Eligible Green Loans to be financed and/or refinanced through proceeds from the Green Covered Bonds are to be evaluated and selected based on the criteria for Eligible Criteria as set out in Section 1. The Green Bond Committee will also manage any future updates to the Green Bond Framework, including any expansion of the Eligible Categories, and oversee its implementation.

Sandnes Sparebank Boligkreditt has in this Green Bond Framework relied on the support of an external real estate consultant, Multiconsult, to (i) define the associated Eligibility Criteria for the top 15% of low carbon buildings and the eligible regulations, standards and certifications, and (ii) to identify the buildings that comply with these criteria within SSB's existing portfolio of real estate. For any new loans originated after the inaugural green issuance, the Green Bond Committee will evaluate and select Eligible Green Loans according to the methodology as defined in the external report by Multiconsult.

SSB will be responsible for the identification and recording of new and existing loans which complies with the Eligibility Criteria. A register of Eligible Green Loans will be kept by Sandnes Sparebank Boligkreditt and this register will determine which Eligible Green Loans being available for Green Covered Bond funding. Sandnes Sparebank will select and track Eligible Green Loans based on the information gathered from the official Land Register. Such information is obtained from the database of Eiendomsverdi<sup>12</sup>, which is an entity supporting the reporting of mortgage cover pool data for a large number of Norwegian covered bond issuers. Information gathered from the Land Register regarding the building year of all residential buildings securing loans in Sandnes Sparebank Boligkreditt's cover pool is used to determine the Eligible Residential Green Buildings.

Loans secured by mortgages on Eligible Residential Green Buildings are selected as Eligible Green Loans. All residential mortgages in SSB's cover pool, including the Eligible Green Loans, have been and will continue to be originated in line with SSB's credit risk policy.

## 3. Management of Proceeds

Net proceeds from Sandnes Sparebank Boligkreditt's green covered bonds will be managed on a portfolio approach. This means that a Green Covered Bond will not be linked directly to one (or more) predetermined Eligible Residential Green Buildings. SSB intends to allocate any proceeds from the Green Covered Bonds to a portfolio of loans which (i) meet the Eligible Criteria as set out in Section 1 and (ii) are in compliance with the evaluation and selection process as stated in Section 2, the Eligible Green Loan portfolio.

Sandnes Sparebank Boligkreditt will keep track and ensure that there are sufficient Eligible Green Loans in the Eligible Green Loan portfolio such that the outstanding balance of Eligible Green Loans portfolio always exceeds the total balance of all outstanding Green Covered Bonds. For any

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<sup>12</sup> <https://eiendomsverdi.no/>

subsequent Green Covered Bond issue, SSB will make sure that additional Eligible Green Loans are added to the Eligible Green Loan portfolio to ensure sufficient and timely allocation of the incremental net proceeds.

All transfers to and from the designated account will be documented to ensure transparent tracking and control. The Eligible Green Loan portfolio will be periodically reviewed by the Green Bond Committee. During the life of the Green Covered Bonds, SSB will replace and/or remove any loans that no longer fulfills the Eligible Criteria from the Eligible Green Loan portfolio, in order to restore the balance as soon as reasonably practicable.

Any unallocated proceeds temporarily held by Sandnes Sparebank Boligkreditt will be placed on an ordinary bank account or in the short-term money market. To avoid doubt, no allocated proceeds will be temporarily placed in investments as set out in Section 1 – *Exclusion*.

#### 4. Reporting and Transparency

To be fully transparent towards the green bond investors and other relevant stakeholders, SSB commits to regular reporting at least on an annual basis until no Green Covered Bonds are outstanding. The report will be made publicly available on Sandnes Sparebank’s website by 1<sup>st</sup> of May each year SSB has an outstanding Green Covered Bond under the Green Bond Framework. The initial report will be made public no later than one year after the inaugural issuance.

The report will include, but is not limited to the following:

- 1) The total amount of proceeds allocated to Eligible Green Loans
- 2) The number of loans in the Eligible Green Loan portfolio
- 3) The amount and percentage used for new financing and refinancing
- 4) Total amount of unallocated proceeds, if any
- 5) An impact report, stating the environmental benefits from the Green Covered Bonds

The impact report, wherever feasible, will disclose the environmental impacts for the aggregated Eligible Green Loans portfolio funded by Sandnes Sparebank Boligkreditt’s issuance of Green Covered Bonds. Key impact reporting indicators for Sandnes Sparebank Boligkreditt’s use of proceeds category may include, but is not limited to:

ICMA GBP category	Potential Reporting Indicators
Green Buildings	<ul style="list-style-type: none"> <li>• Estimated ex-ante annual energy consumption in kWh/m<sup>2</sup> or energy savings in MWh</li> <li>• Estimated annual Green House Gas (GHG) emissions reduced/avoided in tons of CO<sup>2</sup> equivalent</li> </ul>

#### 5. External Verification

Sandnes Sparebank Boligkreditt has obtained an independent Second Opinion on the Green Bond Framework from Sustainalytics. The independent Second Opinion report will be made publicly available together with the Green Bond Framework on Sandnes Sparebank’s website<sup>13</sup>.

<sup>13</sup> <https://sandnes-sparebank.no/investor-relations/gronn-obligasjon>