

Second-Party Opinion

SpareBank 1 SMN's Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that SpareBank 1 SMN's Green Bond Framework aligns with the four core components of the ICMA Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Eco-Efficient and Circular Economy Adapted Products, Production Technologies and Processes (iii) Clean Transportation, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, and (v) Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 8, 9, 11, 12 and 14.



PROJECT EVALUATION / SELECTION SMN's internal process in evaluating and selecting loans is handled by the Green Bond Committee (the "Committee"), comprised of SMN senior management and CEOs of subsidiaries. The eligibility of the loans is determined against the use of proceeds criteria included in the Framework. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS SMN's processes for management of proceeds are handled by the Committee, in a portfolio approach. SMN will track and keep a register of new and existing loans. Should any proceeds remain unallocated, SMN will hold and/or invest them temporarily in its liquidity portfolio or money market instruments. This is in line with market practice.



REPORTING SMN intends to report on the allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of investments and expenditures in the portfolio, the total amount of green funding outstanding, the proportion of new and existing loans and the balance of unallocated proceeds. In addition, SMN is committed to reporting on relevant impact metrics, such as estimated ex-ante annual energy consumption in kWh/m² or energy savings in MWh. Sustainalytics views SMN's allocation and impact reporting as aligned with market practice.

Evaluation date	August 24, 2020
Issuer Location	Trondheim, Norway

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Introduction

SpareBank 1 SMN ("SMN", 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. 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.

SMN has developed the SpareBank 1 SMN Green Bond Framework (the "Framework") under which it may issue multiple green bonds and deposits, and use the proceeds to finance and refinance, in whole or in part, existing and future loans that advance the transition to a low carbon economy and generate positive environmental impact on ecosystems and biodiversity. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Eco-Efficient and Circular Economy Adapted Products, Production Technologies, and Processes
3. Clean Transportation
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Renewable Energy

SMN engaged Sustainalytics to review the SpareBank 1 SMN Green Bond Framework, dated July 2020, and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 (GBP 2018).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible 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 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.4.1, 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 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 the Framework. SMN representatives have confirmed (1) they understand it is the sole responsibility of SMN to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

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

¹ 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/>.

² The SpareBank 1 SMN's Green Bond Framework is available on SpareBank 1 SMN's website at: <https://www.sparebank1.no/en/smn/about-us/sustainability/green-bond-framework.html>

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

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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.

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

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

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the SpareBank 1 SMN Green Bond Framework aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of SMN's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Eco-Efficient and Circular Economy Adapted Products, Production Technologies and Processes, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Renewable Energy – are aligned with those recognized by the GBP 2018. The projects and activities funded through the Framework will be implemented in Norway.
 - SMN may finance the acquisition, construction and/or refurbishment of green buildings in Norway. The green buildings eligibility criterion incorporates Norwegian building codes⁴ and EPC labels for residential buildings⁵ and third-party green building certification standards and Norwegian building codes for commercial buildings. Sustainalytics notes that both the residential and commercial buildings belonging to top 15% low-carbon buildings in Norway as determined by the building codes and EPC label approaches are eligible, which aligns with the CBI proxy for residential and commercial buildings.^{6,7} In addition, commercial buildings are eligible if they meet the following minimum certification levels: LEED "Gold", BREEAM "Excellent", Nordic Swan Ecolabel or any equivalent certification. For Sustainalytics assessment of these building certification schemes, please refer to Appendix 1. Furthermore, refurbishment of both commercial and residential buildings resulting in an improved energy efficiency of 30% over the baseline or with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction are considered eligible. Sustainalytics positively recognizes the establishment of minimum certification levels as building criteria and minimum energy efficiency savings for renovation/refurbishment activities.
 - Regarding Eco-efficient and/or circular economy adapted products, production technologies and processes, SMN may provide general purpose financing to corporations and/or SME's that derive >90% of their revenues from the sale of certified products, services, or processes. Sustainalytics notes that the GBP prefer project-based financing, nonetheless Sustainalytics acknowledges that financing of pure play companies that derive more than 90% of their turnover from certified products and services can still contribute positively to promoting sustainable products and certification schemes. Eligible certification schemes include Nordic Swan Ecolabel, Eco Lighthouse, Marine Stewardship Council (MSC), Aquaculture Stewardship Council

⁴ TEK 07 has no specific energy demand for apartment buildings and includes a specific energy demand of 126 kWh/m² for other dwellings. TEK 10 includes a specific energy demand for apartment buildings of 110 kWh/m² and a specific energy demand for other dwellings of 126 kWh/m². TEK 17 includes a specific energy demand for apartment buildings of 92 kWh/m² and a specific energy demand for other dwellings of 107 kWh/m²

⁵ New or existing apartments must comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17), while new or existing residential dwelling must comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). New or existing buildings meeting the Norwegian standard for Net Zero Emissions Buildings are also eligible. This ensures that eligible green buildings belong to the top 15% of their city, which is aligned with the CBI Residential Buildings Criteria.

⁶ For commercial buildings, are eligible hotel and restaurant buildings, as well as office, retail and industrial buildings and warehouses that comply with the Norwegian building codes TEK07, TEK10, TEK 17 and later buildings codes.

⁷ CBI, "Location Specific Criteria for Residential Buildings & Calculator", at: <https://www.climatebonds.net/standard/buildings/residential/calculator>

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(ASC), Best Aquaculture Practices (BAP) minimum 2-stars, and Global G.A.P Aquaculture Standard. Regarding Eco-Lighthouse, Sustainalytics notes that this is a certification scheme which is primarily aimed at environmental management systems (EMS), covering over 70 different industries and activities. The scheme is recognized by the European Commission as a standard that is commensurate with Eco Audit Management Scheme (EMAS) and ISO 14001, which are recognized as robust EMS certification standards. Sustainalytics notes, however, that Eco-Lighthouse has publicly disclosed relatively few industry criteria standards and it covers a range of business activities that are not considered green, including among others the manufacture of plastic, operation of petrol stations, wholesalers of solid, liquid and gaseous fuels and related products, which is considered to be a limitation of the scheme. Sustainalytics encourages the Bank to avoid providing financing to businesses engaged in activities that are not generally considered green and to report transparently on the financed businesses to investors. Sustainalytics recognizes the contribution of the other schemes towards positive environmental and social outcomes. For Sustainalytics' assessment of the certification schemes, please refer to Appendices 2 and 3.

- In the Clean Transportation category, SMN may provide loans to finance or refinance the production, acquisition, expansion, upgrade, maintenance and operation of low carbon transportation infrastructure and fully electrified passenger vehicles such as cars, and freight vehicles, such as ferries, vessels, lorries and trucks.⁸ Expenditures in transportation infrastructure may include charging stations for electric vehicles and intercity transit infrastructure. Sustainalytics recognizes the importance of investments into low-carbon means of transportation and infrastructure to advance the transition to a low-carbon economy.
- With regards to Environmentally Sustainable Management of Living Natural Resources and Land Use, SMN may provide loans to finance agricultural activities and environmentally responsible forest management. Agricultural activities include projects that aim at reducing GHG emissions and pollution, enhancing climate resilience, supporting sustainable water use and/or water protection, increasing the circularity of practices, and protecting ecosystems. One of the standards used as a tool for ensuring the implementation of good agriculture practices is Norway's Agriculture Quality System ("KSL"). The KSL standard consists of checklists and guides which farmers use for self-monitoring. KSL is recognized as a versatile tool to help farmers comply with current laws and regulations. Sustainalytics notes that KSL is not a certification scheme and does not require third-party audits; farmers can conduct self-audits. Considering these factors, Sustainalytics is unable to comment on the expected benefits of KSL guidelines in relation to the promotion of sustainable agriculture practices above and beyond compliance with laws and regulations.⁹ In addition, organic farming under Debio¹⁰ or equivalent schemes is eligible. Sustainalytics views Debio as a credible and impactful organic agriculture certification scheme. For additional information please refer to Appendix 4. Regarding forestry, forests must be certified against credible standards, including the Forest Stewardship Council ("FSC") and/or the Programme for the Endorsement of Forest Certified ("PEFC"), which are both viewed positively by Sustainalytics. For Sustainalytics assessment of the certification bodies, please refer to Appendix 5.
- As for the Renewable Energy category, SMN may provide loans to finance equipment development, manufacturing, construction, operation, distribution, and maintenance of renewable energy generation from the following sources: solar, on and offshore wind, and hydropower. In case of solar thermal/CSP projects, Sustainalytics recommends that SMN report on the limit of use of non-solar energy (fossil fuel back-up sources). Furthermore, Sustainalytics notes that hydropower projects are subject to a lifecycle emission threshold of 100gCO_{2e}/kWh, and that projects are limited to run-of-river and small-scale hydro (<20MW), as well as refurbishments or refinancing of existing medium or large hydropower plants.
- Project Evaluation and Selection:
 - SMN's internal process in evaluating and selecting loans is handled by the Green Bond Committee (the "Committee"), comprised of SMN senior management and CEOs of subsidiaries.¹¹ SMN applies minimum environmental and social criteria for its lending activities. In addition, eligibility of the loans is determined against the use of proceeds criteria included in

⁸ Freight vehicles that transport fossil fuels are excluded.

⁹ Sustainalytics notes that the KSL standard can help farmers implement agricultural practices that contribute to the six EU Environmental Objectives.

¹⁰ Debio, "About", (2020), at: <https://debio.no/english/>

¹¹ The SMN senior management includes the following executives: Group CEO, Finance and Strategy (Deputy CEO), Corporate Banking, Retail Banking and Organisation and Development, Communications and Society, Risk Management, Legal Services, Technology and Development. CEOs in subsidiaries include the following entities: Eiendomsmegler 1 Midt-Norge (real estate broker), SpareBank 1 Finans Midt-Norge (leasing and car loans), SpareBank 1 Regnskapshuset SMN (accounting), SpareBank 1 Markets (investment bank), SpareBank 1 Spire Finans (factoring and invoice purchases)

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the Framework. Based on these elements, Sustainalytics considers this process to be in line with market practice.

- Management of Proceeds:
 - SMN's processes for management of proceeds is overseen by the Committee using a portfolio approach. SMN will allocate the green bonds proceeds to a portfolio of loans, tracking and keeping a register of new and existing loans. The Bank intends to designate sufficient loans to make sure the outstanding balance of eligible loans exceeds the total balance of outstanding green bonds. SMN is committed to replace any loan that would cease to fulfil the eligibility criteria as soon as practically feasible. Should any proceeds remain unallocated, they will be temporarily held and/or invested in SMN's liquidity portfolio and in money market instruments. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - SMN intends to report on the allocation of proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include the total amount of investments and expenditures in the portfolio, the total amount of green funding outstanding, the proportion of new and existing loans and the balance of unallocated proceeds. In addition, SMN is committed to reporting on relevant impact metrics, such as estimated ex-ante annual energy consumption in kWh/m², energy savings in MWh for green buildings, percentage of GHG reduced or avoided. For an exhaustive list of impact metrics, please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the SpareBank 1 SMN's Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 6: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of SMN

Contribution of Framework to SMN 1 SMN's Sustainability Strategy

SMN's sustainability strategy aims at contributing to society's value creation through responsibly minded banking operations.¹² The Bank is focusing on the integration of sustainability into all business lines.¹³ In December 2019, the Bank adopted a new group strategy centred on three main areas of sustainability effort: (i) financial services for all – green lending and deposit products, (ii) stimulating innovation and development – focused on supporting the transition to a low emissions society, (iii) sustainable advice – climate leadership anchored on its core business.¹³

In 2019, in line with its sustainability strategy, SMN launched green residential mortgages and green loans.¹³ The loans are for building, acquiring, or renovating homes to the best energy standards, or investing in energy efficiency-oriented projects in their private homes.¹³ These financing efforts by SMN will be further enhanced by the Framework which intends to finance green residential and commercial buildings. The Bank also offers short-term loans to finance heat pumps, solar panel equipment, removal of oil-fired heating boilers, electric car chargers and the purchase of electric vehicles.¹³ SMN aims to stimulate the transition to a low emission society in the regions it operates by financing businesses and industries with innovative solutions.¹³ For 2020, SMN aims to focus on climate risk sustainability classification for its loan portfolio and implementation of TCFD¹⁴ reporting. The Bank will also strengthen the range and availability of its sustainable financing, particularly focusing in GHG and the environment.¹³

Sustainalytics is of the opinion that the SpareBank 1 SMN Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities. Sustainalytics encourages SMN to release quantitative, time-bound targets for its green product lines.

¹² SpareBank 1 SMN, "Sustainability within SpareBank 1 SMN & the Alliance", (2019), at: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/Green-Slides-SMN-IP.PDF>

¹³ SpareBank 1 SMN, "Annual Report 2019 – Sustainability Report", at: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/sustainability-report.pdf>

¹⁴ Task Force on Climate-related Financial Disclosures

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

Sustainalytics acknowledges that the Framework will be directed towards eligible projects that have positive environmental impact. However, Sustainalytics is aware that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include climate risk mitigation, occupational health and safety, land use change and biodiversity issues.

Sustainalytics is of the opinion that SMN can manage and/or mitigate potential risks through implementation of the following:

- For subordinated loans in the retail market, the Bank has a project to integrate climate risk assessments into loan approval, to ensure good assessment and management of the climate risk to which the bank is exposed.¹³
- SMN specific requirements for agriculture and forestry operations funded by the Bank. These requirements include: (i) water resource assessment to prevent conflicting with the right of access to water for the local population, (ii) establishment of access to water and wildlife corridors, (iii) sustainable timber use, (iv) biofuel production must satisfy RSB standard¹⁵, (v) crops and practices that produce highly negative impact on ecosystems must have a clear strategy for remediation, (vi) establishment of uncultivated zones adjacent to water sources, seas and rivers to prevent topsoil depletion and runoff, and (vii) minimal use of chemical inputs.¹⁶
- SMN developed a protocol to ensure that all new or substantially changed products, processes and systems undergo an adequate risk analysis.¹⁷ The protocol evaluates the sustainability and ESG factors to determine the risk of negative impact on the climate and the environment.¹⁷
- SMN's credit and investment policy ensures that, as a general rule, the Bank does not engage in lending or investment outside Norway, and requires its client companies to provide formal confirmation of their compliance with the Norwegian law.¹⁶
- Companies financed by SMN must comply with the Norwegian Working Environment Act, the legislation is intended to ensure a safe working environment, prevent work-related accidents and harm to health.¹⁸
- Norway is classified as a "Designated Country" under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.¹⁹
- In addition, SMN is a signatory of the UN Principles for Responsible Banking²⁰ by which it commits to manage the risks to people and environment resulting from its activities, products and services.²¹

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that SMN has adequate measures in place 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 three below where the impact is specifically relevant.

Contribution of Green Buildings towards Norway's climate goals

The most recent Norwegian building code (TEK17) requires dwellings to become 26% more energy efficient and office buildings 38% more energy efficient compared to previous requirements, installation of fossil fuel heating is not permitted.²² Norway's GHG emissions from the construction industry account for 2.62% of total emissions from all industries and households as of 2018,²³ and emission from heating purposes in

¹⁵ Roundtable on Sustainable Biomaterials, at: <https://rsb.org/the-rsb-standard/>

¹⁶ SpareBank, "Barekraft-i-utlan-ENG", at: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/Barekraft-i-utlan-ENG.pdf>

¹⁷ SpareBank, "Approval process for new products, processes and systems", at: <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/Barekraft/eng-godkjenning-av-nye-produkter-og-prosesser.pdf>

¹⁸ EU-OSHA, "Norway", at: <https://osha.europa.eu/en/about-eu-osha/national-focal-points/norway>

¹⁹ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

²⁰ UNEPFI, "Principles for Responsible Banking", at: <https://www.unepfi.org/banking/bankingprinciples/>

²¹ SpareBank 1 SMN, "SpareBank 1 SMN has committed to the UN's Principles for Responsible Banking", at: <https://www.sparebank1.no/en/smn/about-us/info/sparebank-1-smn-has-committed-to-the-uns-principles-for-responsible-banking.html>

²² NMCE, "Status report as of January 2020. 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)

²³ Statistics Norway, "Emissions from Norwegian economic activity", (2019), at: <https://www.ssb.no/en/nrmiljo>

households and industrial buildings account for about 2% of total GHG emissions.²⁴ In 2017, the Government of Norway introduced the Climate Change Act, a legally binding effort to promote the implementation of Norway's climate targets as part of its process of transformation to a low-emission society by 2050.²⁵ By the Act, Norway commits to reduce at least 40% of GHG emissions by 2030, and a reduction in the range of 80-95% by 2050, taking 1990 emissions as a baseline.²⁶

Sustainalytics is of the opinion that SMN's financing activities for the construction of residential and commercial green buildings will support Norway in meeting its climate-related goals.

Contribution of ecolabel certifications to promote responsible production and consumption

The Johannesburg Plan of Implementation of the World Summit on Sustainable Development called on all countries to develop and adopt, on a voluntary basis, consumer information tools relating to sustainable production and consumption.²⁷ Ecolabels are one such tool to promote long-term sustainable production and consumption, via influencing behaviour of market participants.²⁸ Ecolabels assist: 1) consumers' product and service selection according to specific environmental and social criteria preferences, and 2) businesses to communicate the environmental performance and credentials of their product or service.²⁸ There are in excess of 457 ecolabels in 199 countries, and 25 industry sectors.²⁹ While the abundance of ecolabels does not necessarily translate to improved consumer awareness, particularly of lesser known labels,³⁰ it can potentially drive innovation and market consolidation leading to higher-quality schemes and improving environmental effectiveness and impact.³¹ By financing businesses whose main source of revenue is associated with the sale of certified products, SMN can contribute positively to the promotion of sustainable products in Norway. The Nordic Swan is one of Norway's official ecolabels³² which aims for long-term sustainable society.³³ Nordic Swan has certified 30,108 consumer products³⁴ to advance responsible production and consumption.³⁵ Similarly, the Aquaculture Stewardship Council (ASC) incentivises aquaculture farms to follow best environmental and social processes.³⁶ ASC certified farms deliver a cleaner seabed, cleaner water and healthier fish; preserve the diversity of the species and wild population; adhere to strict feed requirements and ensure social responsibility.³⁷ Another impactful ecolabel is the Marine Stewardship Council (MSC), a certification that is helping to grow and maintain the number of sustainable fish populations.³⁸ By 2017, 12% of global marine wild catch was MSC certified, 94% of MSC certified fisheries have made at least one improvement of their practices, and stocks targeted by MSC certified fisheries show sustainable levels of stock biomass and in many regions stocks show higher biomass after MSC certification occurred.³⁹ Sustainalytics is of the opinion that SMN's financing of businesses that promote the trade of certified products will further encourage market behaviour toward sustainable consumption and production.

Importance of hydropower in Norway

Almost 100% of electricity supply in Norway is from renewables, with hydropower delivering 96.27% and wind 1.42%.⁴⁰ As a result, electricity generation in Norway is one of the least carbon intensive in Europe, with an

²⁴ NMCE, "Status report as of January 2020. 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)

²⁵ Government of Norway, "Climate Change Act", (2017), at: <https://www.regjeringen.no/en/dokumenter/climate-change-act/id2593351/>

²⁶ Lovdata, "Act relating to Norway's climate targets (Climate Change Act)", (2017), at: <https://lovdata.no/dokument/NLE/lov/2017-06-16-60>

²⁷ UN, "Plan of Implementation of the World Summit on Sustainable Development", (2002), at:

https://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/WSSD_PlanImpl.pdf

²⁸ UNEP, "Eco-labeling", at: <https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/responsible-industry/eco-labelling>

²⁹ Ecolabel Index, "Who's deciding what's green?", at: <http://www.ecolabelindex.com/>

³⁰ Song, L., et al (2019), "Ecolabel's role in informing sustainable consumption: A naturalistic decision making study using eye tracking glasses", Journal of Cleaner Production, at: <https://www.sciencedirect.com/science/article/pii/S0959652619303105>

³¹ OECD, "Environmental labelling and information schemes", (2016), at: <https://www.oecd.org/env/policy-perspectives-environmental-labelling-and-information-schemes.pdf>

³² Government of Norway, "Ecolabelling Norway", at: <https://www.regjeringen.no/en/dep/bfd/organisation/tilknyttede-virksomheter/Ecolabelling-Norway/id426153/>

³³ Svanemerket, "The Swan is the official Nordic ecolabel, introduced by the Nordic Council of Ministers", (2017), at: <https://www.svanemerket.no/english/>

³⁴ Svanemerket, "Produkter", at: <https://www.svanemerket.no/produkter/>

³⁵ Svanemerket, "Vanskelig å få. Enkelt å velge.", (2020), at: <https://www.svanemerket.no/Enkelt-a-velge/>

³⁶ ASC, "Our Approach", at: <https://www.asc-aqua.org/what-we-do/our-approach/>

³⁷ ASC, "The need for responsible aquaculture", at: https://www.asc-aqua.org/wp-content/uploads/2017/07/ASC_flyer_Need-for_MQ_20nov.pdf

³⁸ MSC, "Our collective impact", at: <https://www.msc.org/what-we-are-doing/our-collective-impact>

³⁹ MSC, "Global Impacts Report 2017", (2017), at: <https://www.msc.org/docs/default-source/default-document-library/what-we-are-doing/global-impact-reports/msc-global-impacts-report-2017-interactive.pdf>

⁴⁰ Government of Norway, "Renewable energy production in Norway", (2016), at: <https://www.regjeringen.no/en/topics/energy/renewable-energy/renewable-energy-production-in-norway/id2343462/>

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estimated emission factor of 18.6gCO₂eq/kWh in 2018.⁴¹ while the average carbon intensity of the electricity produced in the EU is estimated at 295.8gCO₂eq/kWh (2016).⁴² As of 2016, Norway is the world's sixth biggest producer of hydropower, taking the top position in Europe.⁴³ Norway has a particularly high storage capacity, representing close to 50% of Europe's reservoir capacity,⁴⁴ furthermore the available potential of hydropower is estimated to be more than 35 TWh.⁴⁵

Sustainalytics believes that SMN's financing of renewable energy projects will increase Norway's overall renewable energy capacity, thus contributing to the country's transition to a low-carbon economy.

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	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
Eco-Efficient and Circular Economy Adapted Products, Production Technologies and Processes	8. Decent work and economic growth 14. Life Below Water	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 14.1 By 2025, prevent and significantly reduce marine pollution of all kinds from land-based activities, including marine debris and nutrient pollution
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
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

⁴¹ Norwegian Electricity Regulatory Authority, "Electricity disclosure 2018", (2019), at: <https://www.nve.no/norwegian-energy-regulatory-authority/retail-market/electricity-disclosure-2018/>

⁴² European Environment Agency, "CO2 Emission Intensity", (2018), at: [https://www.eea.europa.eu/data-and-maps/daviz/co2-emission-intensity-5#tab-googlechartid_chart_11_filters=%7B%22rowFilters%22%3A%7B%7D%3B%22columnFilters%22%3A%7B%22pre_config_ugeo%22%3A%5B%22European%20Union%20\(current%20composition\)%22%5D%7D%7D](https://www.eea.europa.eu/data-and-maps/daviz/co2-emission-intensity-5#tab-googlechartid_chart_11_filters=%7B%22rowFilters%22%3A%7B%7D%3B%22columnFilters%22%3A%7B%22pre_config_ugeo%22%3A%5B%22European%20Union%20(current%20composition)%22%5D%7D%7D)

⁴³ Government of Norway, "The History of Norwegian Hydropower in 5 Minutes", (2016), at: <https://www.regjeringen.no/en/topics/energy/renewable-energy/the-history-of-norwegian-hydropower-in-5-minutes/id2346106/>

⁴⁴ Energi Fakta Norge, "Electricity Production", at: <https://energifaktanorge.no/en/norsk-energiforsyning/kraftproduksjon/>

⁴⁵ Statkraft, "Hydropower", at: https://www.statkraft.com/globalassets/old-contains-the-old-folder-structure/documents/hydropower-09-eng_tcm9-4572.pdf/

Conclusion

SMN has developed the SpareBank 1 SMN Green Bond Framework under which it will issue green bonds and use the proceeds to finance projects that aim at advancing the transition towards a low carbon economy and generate positive environmental impact on ecosystems and biodiversity. Despite the above-mentioned limitations, Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact.

The SpareBank 1 SMN's Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the SpareBank 1 SMN's Green Bond Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 8, 9, 11, 12 and 14. Additionally, Sustainalytics is of the opinion that SMN has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that SMN is well-positioned to issue green bonds and that the SpareBank 1 SMN's Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Certification Schemes for Green Buildings

	BREEAM	LEED	Nordic Swan
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing 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).	Svanen is owned by "Ecolabelling Sweden", a Swedish state company responsible for both the Swan ecolabel and the EU Ecolabel. Svanen was first released in 1989 by the Nordic Council of Ministers.
Certification levels	Pass Good Very Good Excellent Outstanding	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Certified
Areas of Assessment	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • General requirements • Resource efficiency • Indoor environment • Chemicals and materials • Construction Management • Regulatory requirements • Point-score requirements (including energy)
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ⁴⁶ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	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).	Points-based assessment. For apartment buildings at least 17 out of 44 possible points must be achieved. For small houses at least 16 out of 42 possible points must be achieved. For pre-school and school buildings at least 15 out of 39 possible points must be achieved.

⁴⁶ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Performance display			
Qualitative Considerations	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>Widely recognized within the region, strong assurance of quality.</p>

Appendix 2: Fishery and Aquaculture Certifications

	Marine Stewardship Council⁴⁷	Aquaculture Stewardship Council⁴⁸	Best Aquaculture Practices⁴⁹	Global GAP Aquaculture
Background	<p>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.</p>	<p>The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.</p>	<p>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.</p>	<p>GLOBAL G.A.P. is a trademark and a set of standards for good agricultural practices (G.A.P.). They are a global organization with the objective to ensure: safe, sustainable agriculture worldwide. They set voluntary standards for the certification of agricultural products around the globe.</p>
Clear positive impact	<p>Promoting sustainable fisheries practices.</p>	<p>Promoting sustainable aquaculture practices.</p>	<p>Promoting sustainable aquaculture practices.</p>	<p>Promoting sustainable aquaculture practices</p>
Minimum standards	<p>A minimum score must be met across each of the performance indicators.</p> <p>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</p>	<p>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</p> <p>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</p>	<p>The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets.</p> <p>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</p>	<p>Regarding aquaculture, the Control Points and Compliance Criteria document consists of 3 types of control points: Major Musts, Minor Musts and Recommendations. To obtain Global GAP certification, 100% of Major Musts are compulsory, 95% of Minor musts are compulsory and Recommendations are not required.</p>

⁴⁷ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>.

⁴⁸ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

⁴⁹ Best Aquaculture Practices, at: <https://www.bapcertification.org/About>.

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		consultations involved in the standard-setting process.	recommends BAP as a reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams. ⁵⁰	
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 purchasing, 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>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 & welfare, and food safety issues.</p>	The standard covers aquaculture compound feed production, hatcheries and farms and chain of custody
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>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>	Certification process requires an initial assessment and ongoing annual third-party audits. 10% of all audits carried out annually by certification bodies must be unannounced.
Third party expertise and multi-stakeholder process	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	<p>Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles.</p> <p>Managed in accordance with the International Social</p>	The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments.	GLOBALG.A.P. standards and implementation are developed and defined by various Technical Committees, Focus Groups and the Certification Body Committee. National Technical Working Groups support the

⁵⁰ Monterey Bay Aquarium Seafood Watch, at: <https://www.seafoodwatch.org/seafood-recommendations/eco-certification>.

	<p>Accreditation and Labelling (ISEAL)</p>	<p>and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).</p>	<p>work of the committees on a local level. The Integrity Surveillance Committee (ISC) assesses integrity issues and certification body non-conformances, defines correctional measures and proposes sanctions.</p>
<p>Performance display</p>				
<p>Qualitative considerations</p>	<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 modelled 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 within the industry.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species than for others.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture. GSSI's recognition shows that the two-star Best Aquaculture Practices Certification, for their Salmon Farms, and Finfish and Crustacean Farms standards, is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme governance, operational management</p>	<p>On 20 April 2018 The Global Sustainable Seafood Initiative has provided formal recognition of the GLOBALG.A.P. Aquaculture Certification System for the scope of Aquaculture.</p> <p>GSSI's recognition shows that the GLOBALG.A.P. Aquaculture Certification System, for their GLOBALG.A.P. Integrated Farm Assurance System is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme governance, operational management (including chain of custody) and applied aquaculture farm audit standards.</p>

			(including chain of custody) and applied aquaculture farm audit standards.	
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Appendix 3: Sustainalytics' assessment of Eco-Lighthouse certification

	Eco-lighthouse
Background	Eco-Lighthouse was established in 2003 as a national certification scheme and is governed by the Eco-Lighthouse Foundation in Norway. Eco-Lighthouse certification is related to industry's environmental management systems and covers over 70 different industries and activities.
Clear positive impact	Promoting adequate environmental management systems.
Minimum standards	The system requires that businesses must meet regulatory requirements and certification requirements, which include environmental aspects of energy, waste, transport, procurement and the work environment.
Scope of certification or programme	The Eco-Lighthouse Foundation has prepared industry-specific requirements for a range of different industries.
Verification of standards and risk mitigation	The enterprise must comply with general and specific industry criteria. The certification meeting involves the certifier checking whether the industry criteria are fulfilled, checking the annual climate and environmental report, on-site inspection of the facilities and interviews with key staff. After the meeting, the certifier sums up his or her findings in the environmental statement. As a general rule the Eco-Lighthouse issues three-year certificates. When 2½ years have passed since certification, the enterprise is advised to arrange a meeting with a certifier regarding recertification.
Third party expertise and multi-stakeholder process	Eco-Lighthouse is recognized by the European Commission as a standard that is commensurate with Eco Management Audit Schemes (EMAS) and ISO 14001 certification.
Performance display	
Qualitative considerations	Eco-Lighthouse is recognized by the European Commission as a standard that is commensurate with Eco Management Audit Schemes (EMAS) and ISO 14001 certification, both of which Sustainalytics considers to be robust EMS certifications. However, the Eco-Lighthouse certification scheme covers a number industry activities that are not typically considered green, including concrete products, plastics manufacturing, petrol stations, wholesalers of solid, liquid and gaseous fuels and related products and others, which is viewed as a limitation to the scheme.

Appendix 4: Sustainalytics' assessment of Debio agriculture certification

	Debio
Background	Debio certifies according to governmental order on organic farming, processing, import and marketing of organic agricultural products, which corresponds to the EU regulation 2092/91.
Clear positive impact	Promote organic farming.
Minimum standard	Agriculture must improve soil fertility. Strict requirements for fertilizer, feed and pesticides: organic feed must be used with certain exceptions, and the raw materials must be locally produced when possible. The use of readily soluble mineral fertilizers and chemical pesticides is prohibited. Permitted inputs are specified in the organic regulations. The use of genetically modified organisms (GMOs) and products derived from them is prohibited.
Scope of certification or programme	The certification covers farming, processing, import and marketing of organic agricultural products. The Norwegian Food Safety Authority has delegated the authority to supervise and make individual decisions to Debio. Debio shall supervise that agricultural and aquaculture products that are marketed with reference to the organic production method, satisfies the requirements of the regulations.
Verification of standards and risk mitigation	The annual risk assessment of the operator is based on a questionnaire filled out by the inspector directly after the annual inspection. As a consequence, risk assessment is carried out continuously. The questionnaire contains questions about characteristics of the operator, and each question has different answer-options linked to a number. The numbers are summed and when the sum is over the action-limit, it triggers an additional inspection.
Third party expertise and multi-stakeholder process	Developed in line with the EU regulation 2092/91, implemented in Norway as part of the Agreement on the European Economic Area (EEA).
Performance display	
Qualitative considerations	As a consequence of the EEA agreement between Norway and the European Union, Norway is part of the EU internal market as regards trade in organic products. The organic regulations are part of the EEA agreement, and are fully implemented in the Norwegian regulation. Sustainalytics is of the opinion that Debio is credible in regard to its compliance with EU Organic.

Appendix 5: Sustainalytics' assessment of forestry certification schemes

	Forest Stewardship Council (FSC) ⁵¹	Programme for the Endorsement of Forest Certification (PEFC) ⁵²
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Types of standards/benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source) 	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national

⁵¹ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

⁵² PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

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		systems must go through to achieve PEFC endorsement
Governance	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.
Scope	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) ⁵³ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC 	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody
Non-certified wood sources	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:

⁵³ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

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	<p>avoid sourcing materials from controversial sources, including:</p> <ul style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted. 	<ul style="list-style-type: none"> a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations.
<p>Accreditation/verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices⁵⁴ and both have also faced criticism from civil society actors.^{55,56} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

⁵⁴ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁵⁵ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁵⁶ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 6: 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:	SpareBank 1 SMN's Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 24, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

The review assessed the following elements and confirmed their alignment with the 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 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 (i) Green Buildings, (ii) Eco-Efficient and Circular Economy Adapted Products, Production Technologies and Processes (iii) Clean Transportation, (iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, and (v) Renewable Energy, are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 8, 9, 11, 12 and 14.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input 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 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):

SMN's internal process in evaluating and selecting loans is handled by the Green Bond Committee (the "Committee"), comprised of SMN senior management and CEOs of subsidiaries. The eligibility of the loans is determined against the use of proceeds criteria included in the Framework. Sustainalytics considers the project selection process 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 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):

SMN's processes for management of proceeds are handled by the Committee, in a portfolio approach. SMN will track and keep a register of new and existing loans. Should any proceeds remain unallocated, SMN will hold and/or invest them temporarily in its liquidity portfolio or money market instruments. This is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

SMN intends to report on the allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of investments and expenditures in the portfolio, the total amount of green funding outstanding, the proportion of new and existing loans and the balance of unallocated proceeds. In addition, SMN is committed to reporting on relevant impact metrics, such as estimated ex-ante annual energy consumption in kWh/m² or energy savings in MWh. Sustainalytics views SMN's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts
 Green Bond financed share of total investment
 Other (please specify):

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):

Green Buildings

Estimated ex-ante annual energy consumption in KWh/m2 or energy savings in MWh . Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent

Eco-efficient and/or circular economy adapted products, production technologies and processes

Breakdown of company lending per eligible certificate and other aggregated key impact indicators as provided by the certifying body

Clean Transportation

Low carbon public transportation and vehicles (including private vehicles). % of GHG reduced of avoided at least [xx%]

Low carbon transportation infrastructure: GHG savings (tonnes per year) due to the installed technology (direct), by transferring freight or passenger transport from road to e.g. railway (indirect) or both (as applicable) Number of units installed (if applicable)

Environmentally Sustainable Management of Living Natural Resources and Land Use

Agriculture: % Increase in certified agriculture land area measured hectares is equal to or greater than [xx%] % Increase in certified agriculture measured in number of certification schemes is equal to or greater than [xx%]

% of GHG reduced of avoided at least [xx%]

Forestry: % Increase in certified forest land area measured hectares is equal to or greater than [xx%] % Increase in certified forestry measured in

number of certification schemes is equal to or greater than [xx%] % of GHG reduced or avoided at least [xx%]

Renewable Energy

Total installed capacity in MWh

Estimated annual avoided emissions in tons of CO2 equivalent

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.)

<https://www.sparebank1.no/en/smn/about-us/sustainability.html>

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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