°CICERO Shades of Green

SpareBank 1 Nord-Norge

Green Product Second Opinion

September 2, 2020

SpareBank 1 Nord-Norge (SNN) is a financial institution serving the region of Northern Norway. It offers a range of savings and loan products and provides financing solutions to local businesses. It is part of the SpareBank Alliance, consisting of 14 independent regional banks.

This green product framework has been developed to guide the labelling of the bank's loan portfolio. Assets that are classified as green under this framework will initially be financed in the same way as SNN's other assets. Once a portfolio of green assets achieves a critical mass, SNN will consider issuing the appropriate loan capital to back these assets.

The framework contains 11 eligible project categories. Many of them seek meaningful GHG and environmental impacts, however in some cases the criteria open up for projects which fall short of true ambition. As a result, we have provided two ratings for some of the categories. Examples of best practice include sustainable aquaculture which excludes non-certified soy feed, electric and hydrogen-based vehicles and the production and transmission of renewable energy. However, loans that may finance fossil-fuel based vehicles or machinery without meaningful improvement criteria cannot be seen as 'green' and should not be labelled as such by SNN's ESG team. In this regard, it should be noted that SNN has set up a scorecard process whereby in order to qualify as a green loan, aquaculture, fisheries and agriculture clients are required to document initiatives aimed at reducing energy intensity and/or carbon emissions. This is positive, but given the lack of threshold requirements the mechanism is not automatically a guarantee for green outcomes.

SNN's eligible project categories in some cases rely on international standards which are not ambitious in all national contexts. This is not a criticism of these standards, rather it is an encouragement to institutions using these standards to contextualize them. While international standards can be useful for achieving a common understanding among investors of the concept of 'green', they are not always meaningful in a local context. Since SNN's area of operation is Norway, where standards and innovation levels are already quite high, the international standards defining this framework occasionally fall short of true ambition.

Due to its advanced environmental thinking, SNN receives a governance rating of 'excellent'. SNN is an environmentally conscious and ambitious bank. It has set itself GHG emissions reduction targets (for its own operations) based on the Paris Agreement, and for the last verified year achieved its 5% reduction target. We are impressed that it has started reporting according to the recommendations of the TCFD, including working out how to measure carbon-related credit exposure (as part of Scope 3 emissions). The bank is ahead of peers when it comes to resiliency thinking and recently released a thorough and relevant study on climate risk in its region of operation.

SHADES OF GREEN

An overall shading of the Product Framework has not been carried out, however a shading of each eligible product category is included in Table 1.

An assessment of the governance structure of the green product framework has been performed. CICERO Shades of Green finds the governance procedures in SpareBank 1 Nord-Norge's framework to be **Excellent.**

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Contents

1 Terms and methodology

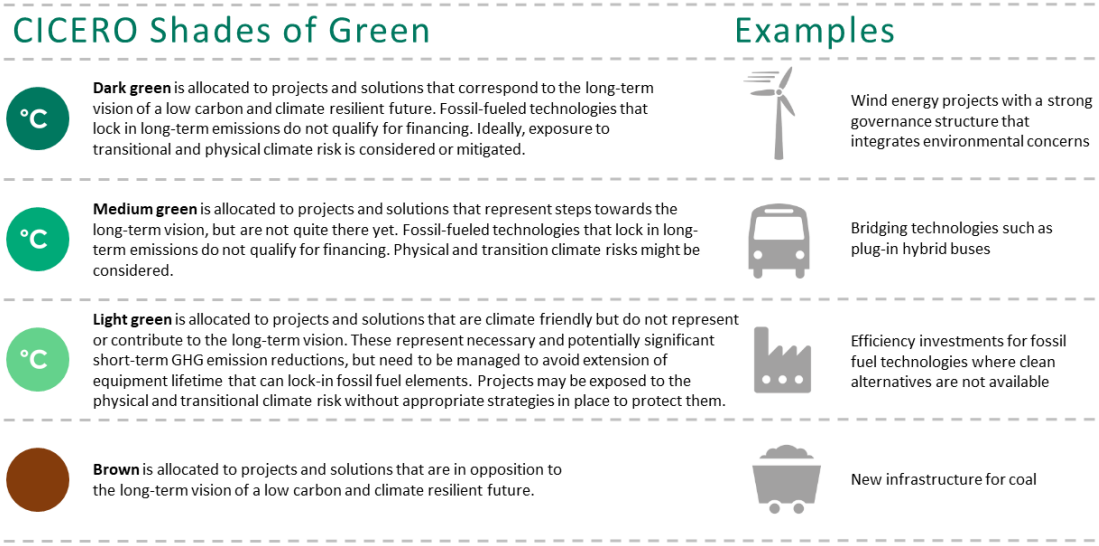
This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated August 2020**.** This second opinion remains relevant to all green products identified by the client for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

As this is not a green bond or green loan framework, compliance with the Green Bond or Green Loan Principles will not be assessed in full – even if some of the elements of these principles are present in the framework. The second party-opinion (SPO) provided herein will cover most of the elements of a standard SPO but will not include a Management of Proceeds Section – as no instruments will be issued under the framework.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'shades of green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:



Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, the governance aspects are carefully considered and reflected. CICERO Green considers three factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green product framework; 2) the selection process used to identify and approve eligible projects under the framework, and 3) the reporting on the project categories. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

2 Brief description of SpareBank 1 Nord-Norge' green product framework and related policies

SpareBank 1 Nord-Norge (SNN) is a financial institution serving the region of Northern Norway. It offers a range of savings and loan products and provides financing solutions to local businesses - including those in the key sectors of marine (including fishing and aquaculture), property, renewable energy and transport. It is part of the SpareBank Alliance, consisting of 14 independent regional banks.

This green product framework has been developed to guide SNN's lending activities. It will facilitate green loans, which in turn can be linked to the raising of green capital – including green bonds. Assets that are classified as green under this framework will initially be financed in the same way as the Group's other assets. Once a portfolio of green assets achieves a critical mass, SNN will consider issuing foreign and sub-ordinated loan capital to back these assets.

Environmental Strategies and Policies

SpareBank 1 Nord-Norge is the world's northernmost financial group and because of its location and the businesses it supports it is particularly concerned with environmental issues which affect the Arctic areas.

The bank has identified climate change as a key environmental risk. For 2019, the bank reported on climate risk using the template from the Task Force on Climate-related Financial Disclosures (TCFD).

SNN has the following sustainability objectives:

- Work to achieve a more sustainable loan portfolio (credit).
- Contribute to a greener securities market (liquidity management)
- Make it easier for the customer to make sustainable choices (products)

SNN is showing progress on several of these objectives already: as of 2019, the bank held just under 4% of the bank's total liquidity portfolio in green bonds – up from 1% in 2018 (second objective above). In 2018, a subsidiary (Spabol) of the Sparebanken 1 Alliance issued a green covered bond to facilitate a sustainable buildings loan portfolio and SNN transferred some NOK 36 billion of loans to this portfolio.

Its sustainability work is guided by the principles of United Nations Global Compact, UNEP FI's Principles for responsible banking, and OECD's Guidelines for multinational enterprises. It reports according to the Global Reporting Initiative (GRI).

SNN has policies on sustainability and corporate social responsibility, as well as operational procedures in place for financing (credit), liquidity and corporate governance, employees, procurement, securities funds and corporate social responsibility (through the initiative *Samfunnsløftet*). These policies are intended to avoid financing businesses or activities which carry a high risk of serious damage to the environment. The bank does not lend to businesses which operate with extraction of or power generation based on thermal coal, oil sands or nuclear power; use timber from actors engaged in illegal logging, selling illegally logged timber or deforestation, and/or destroy

tropical rainforests, removing primary forest or protected forests (High Conservation Value Forests), or; businesses that start up in areas that already have water shortages, and where such activities might come into conflict with the needs of the local community.

The bank is working on implementing a methodology for assessing ESG risk in its credit portfolio. Credit risk guidelines already include sustainability and climate resilience considerations. SNN commissioned and recently released a study on climate risk in Northern Norway.

The bank reports on greenhouse gas emissions from their operations, including Scope 1, Scope 2 and Scope 3 emissions. It has a target of a 5% reduction in greenhouse gas emissions each year from 2016-2026, with a goal of a total reduction of 40% by the end of the period

SNN supports the Sustainable Development Goals and has identified Goals 13 (climate change), 14 (life below water) and 8 (sustainable economic growth and decent employment) as particularly relevant for its operations.

Eligible product categories

The criteria used to qualify green loans are intended to contribute to a low-carbon future and comprise 11 categories, ranging from renewable energy to aquaculture and sustainable buildings. A full list eligible categories and exclusion criteria are provided in Table 1.

Both companies and individual projects can be financed using these criteria, however for financing companies, only “pure-play companies” with over 90% of revenues coming from sustainable activities would qualify.

Selection

The selection of qualifying green loans will follow SNN’s standard credit process and an ESG screening. The standard credit process ensures compliance with applicable national laws and regulations and the Group's other strategies and priorities - including SNN’s credit policy and guidelines for sustainable financing.

When potential green loans are assessed in the credit process, they are presented to the ESG-Team. The ESG team subjects the loans to a Scorecard which ensures compatibility with the Green Product Framework and asks questions about relevant sustainability metrics for each category. The ESG team will approve or reject loans on the basis of the Scorecard. Loans will be rated as green at least every quarter. Green loans are registered in a separate register.

Reporting

SNN will on an annual basis provide a report to show the positive environmental impact achieved based on the green product framework. The report will be published on the bank’s website and in its annual report and will contain the following:

- A summary of the general developments in the Green Product Framework
- An overview of volume per category granted green loans
- An overview of the number of companies and projects that are financed by green loans (for example: number of cars, volume of renewable energy (MWh per year))

• Objectives for the next year (such as GHG reduction plans of the lending portfolio, implementation of building codes (e.g. BREEAM In Use) and staff training activities)

SNN is planning to have its GRI report verified externally for the first time in 2020. The report will include activities related to the green product framework.

3 Assessment of SpareBank 1 Nord-Norge's green product framework and policies

The framework and procedures for SpareBank 1 Nord-Norge' green products are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where SpareBank 1 Nord-Norge should be aware of potential macro-level impacts of investment projects.

Eligible projects under the SpareBank 1 Nord-Norge 's green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns.

Category	Eligible project types	Green Shading and some concerns
Aquaculture	Aquaculture activities certified to: • ASC • BAP • Global G.A.P. The Worldwide Standard for Good Agricultural Practices • Friend of the Sea Feed used at the fish farm must only use soy protein concentrate that is certified either by the Round Table for Responsible Soy's (RTRS) Segregation certificate or by ProTerra.	**CICERO Light Green** **However, the project may be Brown** if loan is for financing (directly or indirectly) diesel generators or any fossil-fuel based equipment (including maintenance vessels) without substantial meaningful efficiency or GHG improvement criteria ✓ The main source of GHG emissions from aquaculture comes from the feedstock – specifically soy which is known to cause deforestation in tropical countries. ✓ Other concerns with the environmental impacts of aquaculture include escapes, effluent and wastewater discharge, antibiotic use,

chemicals use, overexploitation of wild fish stocks for feed, and sea lice.

- ✓ Certification schemes exist which aim for sustainable aquaculture. The Aquaculture Stewardship Council (ASC) is regarded as the strictest voluntary certification scheme. However, certification schemes are no guarantee for sustainability, and criticisms raised against the schemes include lack of stringency on supply chain certification (of soy) and fish escapes. ASC's Feed Standard v02 – to be launched in Q3 2020- will require producers to only use sustainable soy in their feed.

- ✓ SNN has restricted eligible aquaculture activities to those using soy certified under RTRS (Segregation) or ProTerra - two of the most robust certification regimes globally. However, there is room for improvement even using these more stringent soy certification schemes: in particular, SNN could consider encouraging its aquaculture client base to enter into dialogue with soy suppliers to encourage them to reduce deforestation in all of their operations.

- ✓ SNN states that ASC, BAP or Friend of the Sea certified activities for which a variance from the standard has been approved are not eligible – as these are usually less stringent.

		✓ SNN will track sustainability related KPIs (fish escapes, energy use) over time, but does not have formalized thresholds or criteria for rejecting projects on the basis of these KPIs. SNN's commitment to enter into a dialogue with customers about sustainability is positive but is not a guarantee for 'green' outcomes.
Fisheries 	Fishery activities carried out in MSC-certified fisheries	**CICERO Light Green** **However, the project may be Brown** if loan includes financing (directly or indirectly) of fossil-fuel based equipment (including fishing vessels) without meaningful improvement criteria. In order to avoid a 'brown' label, the vessels should be substantially better from an emissions perspective than existing standard vessels. ✓ MSC certification is awarded to fisheries which are well managed and have sustainable practices. The three groups of criteria are: 1) sustainable fish stocks, 2) minimizing environmental impacts, and 3) effective fisheries management. As with most certification schemes, criticisms can and have been raised against the MSC for not being sufficiently stringent in all areas ✓ 90 % of fisheries in Norway are MSC certified so SNN is likely to find that most of its

		loan portfolio will qualify according to this requirement in the framework
Agriculture	Agriculture techniques/projects that do not deplete or that improve existing carbon pools and/or are aligned with (Norwegian) organic or KSL-Standards and/or limit environmental impacts on soil, the marine environment or local flora and fauna. Examples could include reduction in fertilizer use, rangeland management, collection and use of agricultural waste, rehabilitation of degraded lands, irrigation modernization, organic agriculture, conservation agriculture, integrated pest management techniques, etc.	**CICERO Medium Green** **However, the project may be Brown** if loan is for financing fossil-fuel based farm equipment without substantial meaningful improvement criteria ✓ KSL is a Norwegian standard for sustainable agriculture. ✓ Financing sustainable agriculture will be an important contribution to a low-carbon society. However, SNN has defined the category in fairly flexible terms which opens up for inclusion of projects that may or may not have meaningful climate benefits
Forestry	Forestry activities aligned with FSC or PEFC standards, including: •The management of existing forests •Afforestation or previously unforested land •Reforestation	**CICERO Dark Green** ✓ FSC and PEFC are internationally recognized certification schemes. FSC is usually chosen by larger companies, whereas PEFC is the certification choice for most smaller enterprises. Most of Norway's forest estates are certified through the Norwegian version of PEFC. ✓ GHG emissions from forestry operations are small compared to the GHG benefits of sustainable forestry but we encourage SNN to enter into a dialogue with its customers about lowering emissions wherever

		possible – including in choices of machinery (fuel type) and travel.
Commercial, public and residential buildings (new and existing) 	Buildings in the top 15% in energy performance in the local context: • New Residential buildings in Norway (built after 2009) • New or existing Norwegian apartments that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012 • New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). Hence, built after 2009 • Existing Norwegian residential buildings (built before 2009) using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database. • New or existing Norwegian hotel and restaurant buildings that comply with the Norwegian building code TEK07, TEK10, TEK17 and later building codes. Hence, built after 2011 • New or existing Norwegian office, retail and industrial buildings and warehouses that comply with the Norwegian building TEK07, TEK10, TEK17 and later building codes. Hence, built after 2010 Buildings achieving one of the following certifications/standards: •The top two levels of BREEAM, LEED •Nordic Swan Ecolabel or equivalent certification •Net Zero Emissions	**CICERO Light Green** ✓ Certification standards such as LEED and BREEAM – while positive on several environmental dimensions – fail to guarantee energy efficient outcomes ✓ Buildings directly used for the exploration, extraction, refining and distribution of fossil fuels are excluded ✓ According to the EU taxonomy, new buildings' energy efficiency has to be 20 percent better than national regulations to qualify ✓ The heating source of buildings is an important contributor to its GHG footprint. SNN's customer base is in Norway, where heating is by electricity (mainly renewables-based) or ground-source heat pumps. Buildings directly heated by fossil fuels (which would be the case in Svalbard) have been excluded by the issuer ✓ Building material, recycling of concrete, access to public transport or EV charging stations, and resiliency are other important sustainability parameters for buildings. SNN's ESG team will screen loans on these parameters but does not have any fixed exclusion criteria

	•EDGE Renovated residential or commercial buildings with improved energy efficiency of 30% where at least two levels of improvement in energy labelling from the year of construction has been achieved or a 30% improvement in energy efficiency or carbon emissions has been calculated against a baseline.		
Land Vehicles 	Upgrading or replacement of vehicles for land passenger and freight transportation with new electric or hydrogen-based technology	✓	**CICERO Dark Green** Hydrogen is an energy carrier and the climate footprint of hydrogen-powered vehicles – although always lower than internal combustion engine running on petrol- will depend on the energy used to produce the hydrogen: In Norway, the hydrogen would be produced from renewable sources or natural gas and hence the hydrogen could be considered 'best-in-class'
Maritime Vehicles 	Upgrading or replacement of marine vehicles for passenger and freight transportation with low-emission vessels that meet the following measures: •Zero emissions, or •Below the emissions intensity thresholds per vehicle size (GT) for the Annual Efficiency Ratio (AER) and Energy Efficiency Operational Index (EEOI) as outlined by the Climate Bond Initiative (CBI), and •A managed reduction plan demonstrating that the vessel can remain under the emissions intensity threshold throughout its operating life		**CICERO Dark Green** if the loan is for zero emission vehicles or for R&D with the objective of reducing carbon emissions **However, the project may be Brown** if it is a loan for fossil-based vessels, even if they comply with the criteria as currently outlined by CBI but do not have further scrutiny on the regional context, vulnerable geographies, etc. The CBI criteria are likely to develop over time and we encourage SNN to consider these developments and to assess each project on a case by

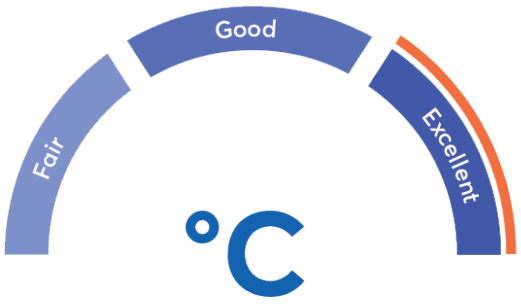
	Upgrading or replacement of fishing vessels with zero emissions vessels R&D for transport with the objective of reducing carbon emissions. For example, in alternative fuel technology. This could be hydrogen, ammonia, energy-efficient ship design, smarter logistics and wind-assisted technology etc. Vessels dedicated to transporting fossil fuels are excluded, as are non-electrified ferries and large cruise ships (>5000 GT).	case basis to determine if the loan can be labelled as green ✓ A concern with maritime transport is the disposal of retired vessels. We expect the companies in SNN's client base to have a strategy for recycling and safely disposing of vessels that are no longer in use.
Infrastructure °C	•Development and operation of low carbon public transport (hydrogen or fully electrified) •Development and maintenance of non-motorized transport infrastructure (bike, pedestrian mobility) •Development and maintenance of infrastructure for electric vehicles (e.g. charging stations) •Development and maintenance of infrastructure to support zero emissions public transportation	**CICERO Dark Green** ✓ Development and improvement of transport links to airports are excluded ✓ Any construction project – even those intended to transition society into a low-carbon future - will have negative environmental and social impacts, especially in the construction phase. Care should be taken to minimize these impacts.
Power Generation °C	Development and maintenance of electricity generation from: - wind power - geothermal energy - solar energy - biomass or biogas - ocean power - hydroelectric power	**CICERO Dark Green** ✓ Hydropower projects with lifecycle emissions >100g CO_2 eq/kWh are excluded ✓ Geothermal energy production from sources that emit more than 100g CO_2/kWh are excluded ✓ Bioenergy or biogas projects with lifecycle emissions > 100g CO_2/kWh or relying on feedstocks that are not covered in annex IX of the 2019 EU renewable energy directive or do no align with

		certification for low ILUC risk are excluded ✓ Construction of power plants in rural areas can be controversial in the local community. Care should be taken to involve all local stakeholders as much as possible. The issue has been contentious with respect to wind (and, historically, large hydropower) projects in Norway
Infrastructure to support the transmission and distribution of renewable energy	-Improvement of existing transmission systems (or other infrastructure) to facilitate the integration of electricity from renewable sources into the grid -Development of new transmission systems to facilitate integration of renewable energy sources into the grid	**CICERO Dark Green** ✓ Although a positive contribution to increase the uptake of renewable power in the grid, transmission lines can be controversial when they go through pristine natural landscapes. ✓ Projects financed in Svalbard – where heating and electricity currently is based on coal-fired power – are excluded ✓ Transmission systems supporting electrification of new oil and gas developments are excluded
Renewable energy technology	-Development and production of renewable energy technology, including equipment and storage of energy. For example: solar cells, wind turbines	**CICERO Dark Green** ✓ Funding investments in new technology is positive for climate change but care should be taken to minimize the environmental impact of any manufacturing activity. SNN should follow best practice in its lending policy to encourage its customers to be environmentally ambitious.

Table 1. Eligible project categories

Governance Assessment

Four aspects are studied when assessing SpareBank 1 Nord-Norge 's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) management of proceeds and 4) the reporting on the projects to stakeholders[1]. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



The overall assessment of SpareBank 1 Nord-Norge 's governance structure and processes gives it a rating of Excellent. The bank works systematically with climate reporting, risks, and opportunities. It has sensible reporting intentions and works systematically with supply chain companies on ESG issues. There is some room for improvement in terms of the robustness of the selection procedure (see *Pitfalls*).

Figure 1: SNN's Green Product Governance Score

EU Green Taxonomy

The European Union has published a taxonomy to classify sustainable activities. The final taxonomy was published on March 9, 2020 and contains implementation guidance for companies and financial institutions – including technical criteria for a range of sectors.

Not all sectors are covered by the Taxonomy at present. Of those included in SNN's framework, the following are included:

Agriculture: The Taxonomy contains criteria which distinguish between perennial, non-perennial and livestock production. Since SNN's framework does not make this distinction, we instead consider the overarching principles which must be met for all agricultural activities: 1. Reduced emissions from ongoing land and animal management; 2. Increased removals of carbon from the atmosphere and storage in above- and below-ground biomass through ongoing land and animal management, up to the limit of saturation levels; 3. The agricultural activity is not being carried out on land that was previously deemed to be 'of high carbon stock'. These principles seem to align well with SNN's eligibility criteria as described in the Product Framework.

Forestry: The Taxonomy recognizes the role of forests and forest products in absorbing and storing CO_2. It refers to the EU Forestry Strategy and the definition of Sustainable Forest Management and states that '*Forestry*

[1] CICERO Shades of Green's governance assessment usually includes an analysis of the management of proceeds. However, since SNN's product framework will not be used to issue any funding instruments this aspect of the governance assessment is excluded

operations that are FSC and PEFC certified are likely to meet the SFM and Do No Significant Harm criteria of the forest Taxonomy'[2]. As such, there is overlap between SNN's criteria and the EU's Taxonomy.

Buildings: The Taxonomy points out that 'In the EU, buildings are effectively the largest energy consuming sector, responsible for around 40% of energy consumption and 36% of carbon emissions'(pp.363). For existing buildings, the minimum benchmark is set as 15% of the top performers (local context) but that the percentage is set to be tightened to get onto a net-zero carbon trajectory by 2050. For renovation of buildings, the threshold is set at 30% improvement. The Taxonomy lists several criteria in addition to energy efficiency, which must be met as well, including a requirement to recycle or re-use 80% of (non-hazardous) construction and demolition waste and to carry out risk (resiliency) assessments. While SNN's criteria comply with the headline figures of 15% and 30%, we do not see the thresholds as particularly ambitious in the Norwegian context nor does the Framework make any mention of resiliency or material use and recycling requirements.

Transport/Infrastructure: The EU Taxonomy is supportive of transportation modes which lower GHG emissions from the transport sector. For public transport options, it includes zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail) and hydrogen and electric car for passenger/commercial vehicles. This is in line with SNN's project category. The Taxonomy does not currently have criteria for the maritime shipping sector.

Power Generation: The Taxonomy has criteria for most energy generation technologies and the focus is on supporting the development of renewable energy with emissions below 100g CO_2e / KWh. This is the threshold SNN has chosen as well, so SNN's framework can be said to be aligned with the EU's principles on this key point. The Taxonomy contains a host of other requirements related to environmental footprints which are currently not detailed in SNN's criteria – but may or may not be included via the national regulatory framework SNN's projects would be operating within.

Strengths

SNN is an environmentally aware and ambitious bank. It has in place policies and operational procedures on sustainability and corporate social responsibility which seek to avoid financing businesses or activities which carry a high risk of serious damage to the environment. The bank does not lend to businesses which operate with extraction of or power generation based on thermal coal, oil sands or nuclear power; use timber from actors engaged in illegal logging, selling illegally logged timber or deforestation, and/or destroy tropical rainforests, removing primary forest or protected forests (High Conservation Value Forests), or businesses that start up in areas that already have water shortages, and where such activities might come into conflict with the needs of the local community. It has tools in place for assessing supply chain risk.

We are impressed that the bank has started reporting according to the recommendations of the TCFD, including working out how to measure carbon-related credit exposure (as part of Scope 3 emissions).

Its GHG emissions reduction target has been based on the Paris Agreement, and for the last verified year it achieved the 5% annual reduction target it had set itself (for its own operations) , through a combination of reduction in air travel, energy efficiency measures and upgrading to more efficient office buildings.

The bank is advanced when it comes to resiliency thinking and recently released a thorough and relevant study on climate risk in its region of operation (Northern Norway).

[2] EU Taxonomy: Technical Report by the TEG, June 2019, pp.158

Weaknesses

SNN will track sustainability related KPIs over time for its customers but does not reject or accept projects according to the KPIs (no formal thresholds or requirement for substantial meaningful efficiency or GHG improvement criteria). Although SNN's commitment to enter into a dialogue with customers about sustainability is positive, it is not a guarantee for 'green' outcomes.

Pitfalls

The product framework's eligible green categories are broad. This leaves the bank (its ESG team) with a lot of discretion when applying the framework to their loan portfolio. SNN has outlined a process for how additional screening will be carried out but have not specified additional criteria (such as minimum requirements, thresholds). As such, there remains a risk that loans will be labelled as green which do not live up to SNN's intended vision and which may result in lock-in of fossil-fuel technologies. We encourage SNN to consider integrating thresholds in the future to ensure improvements are ambitious and not just minor iterations on existing (fossil-fuel based) technologies.

SNN's eligible project categories to a large extent relies on generic and international standards. While these standards can be useful for achieving a common understanding among investors about the concept of 'green', they are not always meaningful in a local context. Since SNN's area of operation is Norway, where standards and innovation levels are already quite high, the international standards defining this framework occasionally fall short of true ambition.

SNN's framework includes project loans as well as loans for general corporate purposes, provided the company is pure play – i.e. with 90% of revenues coming from a sustainable business line. We encourage the bank to be transparent vis-à-vis investors (under any future bond or financing framework where this product framework is used as a basis) about the possibility that the remaining 10% may come from activities which are unsustainable.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	DRAFT Green Product Framework Sparebank1 Nord Norge 28.08	
2	Sparebank 1 Nord-Norge: Susstainability 2019	Sustainability Report
3	Policy for sustainability and corporate social Responsibility (May 12, 2020)	
4	Quarterly accounts Q1 2020	
5	Annual Report 2019	
6	Guidelines for sustainable financing (credit)	
7	Guidelines for sustainability and corporate social responsibility in liquidity management and corporate governance	
8	Guidelines for sustainability in procurement	
9	Energi & klimaregnskap 2019; Sparebank 1 Nord Norge	Greenhouse Gas Accounts for 2019
10	SNN Aquaculture Certification	Document describing the four aquaculture certification schemes included in SNN's framework
11	SNN Scorecard	Document describing the process to be used by the ESG team to evaluate eligible projects for the green product framework
12	Sektoriell klimarisiko i Nord-Norge: Er nordnorsk næringsliv rigget for klimaendringer?	Report commissioned by SNN on climate risk

°CICERO Shades of Green

Appendix 2:
About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).