



sparekillingens**banken**

greenbond**framework**

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this is spareskillingsbanken

Spareskillingsbanken is a local savings bank for the private market as well as small and medium-sized businesses in the Kristiansand region.

Spareskillingsbanken roots trace back to 1877 when Christianssand Arbeiderforenings Spareskillingsbank was established. Over the years, the bank's strategy to be the local bank in Kristiansand has remained firm, but we have made the necessary adjustments to adapt to new markets, segments and products to maintain as the preferred savings bank in our region. Spareskillingsbanken continues to grow and [confirms] its strong position in the [region]. Our loan portfolio is approximately NOK 9 billion. In addition, the bank has transferred NOK 2 billion in mortgage loans to retail customers to Verd Boligkreditt. There are 53 employees in Spareskillingsbanken.

Spareskillingsbanken actively participates in «De Samarbeidende Sparebanker (DSS)», a collaboration to help strengthening the participating banks' competitiveness and negotiation strength through joint business development and purchasing agreements within key business areas. The other partners are Flekkefjord Sparebank, Lillesands Sparebank, Luster Sparebank, Skudenes & Aakra Sparebank, Søgne and Greipstad Sparebank and Voss Sparebank.



sustainability at spareskillingsbanken

In recognition that we are facing a new era where sustainability, the environment and society are becoming an important strategic factor, Spareskillingsbanken is aiming to contribute to the transition to a low-emission society.

In 2021 we established an interdisciplinary sustainability group on the basis of Finance Norway's "Roadmap for green competitiveness in the financial industry"¹. This group has worked on proposals for how the Spareskillingsbanken can develop its role as a responsible [business partner] and contributor to the transition to more sustainable society.

Our ambition is to actively contribute to influence decisions in the corporate and retail customer markets towards a greener direction and contribute to a sustainable local community through corporate responsibility and business management. The bank's Board of Directors has defined sustainability as one of the bank's most important areas, stating that: "*Spareskillingsbanken shall be an active contributor to a sustainable local community by focusing on climate and the environment, social responsibility and responsible business practices.*" This is reinforced by the decision to hire a sustainability manager from September 1st, 2023.

Our sustainability targets

In 2020, we carried out a thorough materiality analysis to reveal the areas that are the most important for us to work on, as well as to reveal which stakeholders we must relate to in connection to preparing our sustainability strategy (published on our website²).

Following this process, we selected 3 of the UN's 17 sustainability development goals ("UN SDGs"):



¹[finance-norways-roadmap-for-green-competitiveness-in-the-norwegian-financial-sector.pdf \(finansnorge.no\)](#)

²[Bærekraft - Spareskillingsbanken](#)



These form the basis for our sustainability strategy and action plan, where we will focus on three main areas:

1. Providing credit:	Providing credits to retail and corporate customers is the core area of our business and where we have the highest opportunity to influence. Sustainability is becoming a natural and integrated part of credit processes through active monitoring of climate risk.
2. Internal business practices:	Sustainability must be a natural part of how we work and influence the choices we make every day. Therefore, sustainability will be incorporated as an integral part of how we manage our business activities.
3. Societal responsibility:	The local community is our target market and the area where we can have influence. Spareskillingsbanken aim to actively contribute to the development of a sustainable local community.

Our overarching long-term 2050 target is to achieve zero emissions from our own operations and work strategically to achieve zero emission in our credit portfolio. We aim to achieve this by implementing several near-term measures:

- Environment:**
- Develop green products for both private and corporate customers (see below).
 - Annual review the criteria for exclusion of industries/individual customers based on climate risk and human rights.
 - Annual calculation of financed greenhouse gas emissions in our loan portfolio (scope 3).
 - Set targets for GHG emission reduction in the loan portfolio (scope 3) for both the private and corporate portfolio, based on calculations conducted within year-end 2024.
 - Detect incentives for customers to reduce greenhouse gas emissions, including but not limited to what extent and the effect of price differentiation for loans based on climate risk.
- Social:**
- All the annual contributions as sponsorships and gifts shall assessed based on ESG and be made to projects which purpose is to promote societal and/or environmental sustainability.
- Governance:**
- Internal skill enhancement of ESG risk assessments of projects/exposures.

We are currently working on creating a new double materiality analysis in accordance with the EU's new Corporate Sustainability Reporting Directive (CSRD), which will impact us in a few years. This analysis will guide and prioritize our sustainability efforts going forward.



Sustainable products offering

We have the opportunity to influence our customers to make more sustainable choices by offering green products and want to help our customers choose more environmentally friendly solutions. Therefore, we are currently working on product development where the objective is to provide measures that will incentivize customers to engage in energy efficiency and renewable energy practices and investments.

Regarding other forms of green products, we currently offer this via partners, such as green car loans in collaboration with the leasing company Brage Finans and a green discount of 10% on house insurance with the insurance company Frende Forsikring if the customer has a green mortgage loan with Spareskillingsbanken.

Sustainability and environmental assessment in our credit processes

Climate risk for us as a bank is about risks linked to climate change which can lead to increased credit risk and financial losses. We consider both physical and transition risk in the loan portfolio and for the financial placements we make. Physical risk can have financial implications for businesses we finance through direct physical damage to their assets and have indirect effects through disturbances in the value chain in which they operate. Transition risk, on the other hand, involves financial and reputational risk for these businesses in relation to the necessary transition to a low-emission society.

Assessment of sustainability and climate risk is today an integral part of the bank's credit process for corporate customers. Work is done in DSS with regards to risk classifications and getting this into the credit processing system *LoanProcess*. The financial industry's road map for sustainable finance lays down guidelines for long-term measures. The goal is for the financial industry to be sustainable and profitable by 2030. We aim to establish target figures for climate risk to obtain a greener lending portfolio.

Corporate governance and societal responsibilities

Anti-money laundering and terrorist financing

Following the new Money Laundering Act which came into force in 2018 we have established separate routines for measures against money laundering and terrorist financing. This has a high focus in the bank's risk department, where risk analysis routines are anchored in the bank's Board of Directors. We are continuously aiming to strengthen the bank's follow-up and work to combat and prevent money laundering.

Ethics

Spareskillingsbanken's ethical guidelines regulate conditions that may contribute to weakening the bank's independence and integrity. The bank has also drawn up policy and notification rules that



will help to counter conditions such as corruption, money laundering and operations that do not operate in accordance with good business practices.

Human rights

Although Spareskillingsbanken has its operations in Norway we must be careful to not finance businesses that undermine human rights. Through the selection of products and suppliers the bank wants to promote our support and respect for recognized human rights principles. The bank has zero tolerance for all forms of discrimination. We have initiated an annual risk assessment of our impact on human rights throughout the entire value chain.

Spareskillingsbanken complies with the Transparency Act, which requires businesses to carry out due diligence assessments in accordance with the OECD guidelines for multinational companies. The purpose of the Transparency Act is to prevent violations of human rights and ensure decent working conditions at businesses and their supply chain.

Gender Equality and Diversity

As we have surpassed 50 employees, we have begun working on the Duty to Report on Gender Equality and Diversity (“ARP”). With this, we will actively, systematically, and purposefully strive to promote greater gender equality and prevent discrimination in the workplace. Specifically, this entails implementing measures and working preventively to enhance equality, despite not being aware of any concrete instances of discrimination.

Self-declaration form for suppliers and partners

In accordance with the Transparency Act, we are obliged to carry out due diligence assessments of our partners, suppliers and subcontractors through a risk-based approach. The purpose is to ensure that the production of goods and the delivery of services from our partners, suppliers and subcontractors consider basic labor and human rights. We are therefore asking our suppliers and business partners to sign a self-declaration for supplier behavior. In the document "Sustainable procurement - guidelines and obligations" we explain the requirements and expectations we set for ourselves, our suppliers, and partners.

Sustainability governance

Responsibility and organization

The bank's sustainability strategy has been approved by the bank's Board of Directors. The strategy is incorporated into relevant management documents procedures and instructions, and responsibility for implementation lies with the person responsible for the individual business areas in the bank. Furthermore, the bank's sustainability initiatives and activities are also firmly rooted in the bank's Board of Directors and management board.

A separate Sustainability Group has been established, taking responsibility for initiating and actively driving Spareskillingsbanken's work related to sustainability going forward.



Reporting



In December 2021, the bank obtained an Eco-Lighthouse certification according to the «banking and financial» criteria³. In connection with this, Spareskillingsbanken has published a TCFD (Task Force on Climate Related Financial Disclosure) report, which is an internationally recognized framework for climate risk reporting.

The bank's activities and work with social responsibility and sustainability efforts are reported in the bank's annual report. We are actively working to enhance our sustainability reporting and aim to create an integrated annual report that incorporates all of the bank's activities.

The bank aim to report its work within sustainability in accordance with recognized standards.⁴



³ [Miljøfyrtårn - Spareskillingsbanken](#)

⁴ [Rapportering bærekraft - Spareskillingsbanken](#)



spareskillingsbanken and green bonds

With this Green Bond Framework (the “**Framework**”) we want to promote our ambition of contributing to a sustainable development through the financing of assets which contribute to a low-carbon society.

This Framework is aligned with the guidelines of the Green Bond Principles, published by the International Capital Markets Association (“**ICMA GBPs**”) with an updated version in June 2022⁵. Each Green Loan category has been mapped against the different categories of the ICMA GBPs, the UN Sustainable Development Goals (the “**UN SDGs**”), as well as the relevant economic activities included in the EU Taxonomy. Furthermore, our aim is to always meet best market practices by adhering to relevant standards and guidelines in the green finance market. This Framework may over time be updated, however new versions of the Framework shall have no implications for the Green Bonds issued under this version of the Framework.

Aligned with the ICMA GBP, the Framework defines the criteria for which loans are eligible to be financed by Green Bonds, and it also outlines the process to evaluate, select, track and report on such lending activities. Each Green Bond issued will refer to this Green Bond Framework in their relevant transaction documentation. The terms and conditions contained in the underlying documentation for each issued Green Bond will specify the actual terms of the instrument.

1. Use of Proceeds

An amount equal to the net proceeds from Green Bonds issued under this Framework will be used to finance a portfolio of loans that promote the transition towards low-carbon and climate-resilient development.


Only such loans that comply with criteria for each of the Green Loans categories listed below are deemed eligible to be financed by Green Bonds (“**Green Loan Portfolio**”). Green Bond proceeds can be used for both the financing of new as well as for refinancing of existing Eligible Green Loans.

For the avoidance of doubt, Green Bonds will not be used to finance loans to customers linked to fossil energy extraction and/or generation, production of or research and development within weapons and defense systems, potentially environmentally negative resource extraction, gambling, pornography, or tobacco.

⁵[Green-Bond-Principles_June-2022-280622.pdf \(icmagroup.org\)](https://www.icmagroup.org/green-bonds/principles/Green-Bond-Principles_June-2022-280622.pdf)



Green Loan Portfolio

ICMA GBPs category	Green Loan criteria	EU Taxonomy category	UN SDG(s)
<p>Green Buildings</p> <p><u>Environmental objective:</u></p> <ul style="list-style-type: none"> - Climate change mitigation - Climate change adaptation 	<p>Loans provided to finance ownership or renovation of residential, commercial, and public buildings which meet either of the criteria set out below:</p> <p>Residential buildings⁶:</p> <ol style="list-style-type: none"> 1) <u>Buildings built in 2021 or later:</u> Primary energy demand (PED)⁷ is 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures⁸. 2) <u>Buildings built before 2021:</u> Energy Performance Certificate A, or alternatively, buildings within the top 15% of the national stock in terms of primary energy demand, defined as buildings built according to Norwegian building codes of 2010 (TEK10)⁹ or 2017 (TEK17)¹⁰. Buildings built prior to 2012 must obtain an Energy Performance Certificate B or better. 3) <u>Renovated buildings:</u> Major renovations leading to a reduction in primary energy demand of at least 30%¹¹. For the full building to qualify after renovation, it should be expected to meet the criteria under #1 or #2 above. <p>Commercial and public buildings:</p> <ol style="list-style-type: none"> 1) BREEAM-NOR or BREEAM In-use certificate notation as “Excellent” or better. 2) Nordic Swan Ecolabel (“Svanemerket”) for buildings certificate. 3) Renovated buildings achieving a reduction in primary energy demand of at least 30%¹¹. 	<p><u>Environmental objective:</u></p> <ul style="list-style-type: none"> - Climate Change Mitigation <p><u>Relevant activities:</u></p> <ul style="list-style-type: none"> - Construction of new buildings - Acquisition and ownership of buildings - Renovation of buildings 	

⁶ Excluding buildings for leisure (cabins or similar)

⁷ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).


⁸ [veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf \(regjeringen.no\)](https://www.regjeringen.no/veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf)

⁹ To ensure TEK10-alignment, we use a conservative 2-year time lag and include buildings built from 2012 and onwards.

¹⁰ If a new national definition of “top 15%” is developed TEK10 and TEK17 will be replaced with this.

¹¹ The initial primary energy demand and the estimated improvement is based on an energy audit conducted by an independent expert. The 30% improvement results from an actual reduction in primary energy demand, and be achieved through a succession of measures within a maximum of three years.



<p>Renewable Energy</p> <p><u>Environmental objective:</u></p> <ul style="list-style-type: none"> - Climate change mitigation 	<p>Loans provided to finance the acquisition and installation of solar PV panels on residential or commercial buildings.</p>	<p>Electricity generation using solar photovoltaic technology</p>	
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2. Process for selection and evaluation of green loan portfolio

To ensure the transparency and accountability around the selection of Green Loans, Spareskillingsbanken has established an internal Green Bond Committee (the “**GBC**”) which is responsible for this Framework and defining the Green Loan criteria included herein, selecting the loans to be included in the Green Loan Portfolio and keep a register of the portfolio of identified Eligible Green Loans, as well as future oversight and requirements for updates of the Framework. The GBC will consist of members from the Executive Management, Treasury department, and all decisions made will be made in consensus. To ensure traceability, all decisions made by the GBC will be documented and filed.

All lending activities in Spareskillingsbanken must always undergo regular and applicable credit approval processes and for corporate customers¹² be screened for environmental, social and governance (ESG) risks. The terms and conditions that govern our lending to corporate customers require borrowers to comply with all applicable laws, regulations, and practices as well as all authorizations, consents, approvals, waivers, resolutions, licenses, permits, exemptions, or registrations related to the assets and projects being financed. As part of the credit approval process the risks related to negative impact on climate and environment, labour and human rights, ownership structure, ethics, and corruption are assessed, described in internal credit assessment procedures.

To be included in the Green Loan Portfolio each loan must meet the Green Loan criteria defined in the Use of Proceeds section of this Framework. The GBC holds the right at their own discretion to not include loans in the Green Loan Portfolio, or exclude any loans already included in the Green Loan Portfolio. In the event a loan already included in the Green Loan Portfolio no longer meets the criteria in this Framework in the opinion of the GBC, such loan will be removed from the Green Loan Portfolio.

3. Management of proceeds

The net proceeds from issued Green Bonds will be allocated toward the financing and refinancing of our Green Loan Portfolio. The proceeds from a Green Bond may either be allocated pro-rata across all the categories included in the Green Loan Portfolio or be allocated in part or in full towards certain Green Loan categories listed under 1. Use of Proceeds above.

Spareskillingsbanken will track the allocation of net proceeds from Green Bonds to eligible Green Loans to ensure that net proceeds from Green Bonds only support the financing of Green Loans and that the value of the Green Loan Portfolio always exceeds the total nominal amount of Green Bonds outstanding.

¹² Amounts above NOK 100,000.



If a Green Loan already funded by Green Bonds is redeemed, or for other reasons loses its eligibility in line with the criteria in this Framework, it will be replaced by another qualifying Green Loan as soon as practically possible.

Any of the net proceeds from a Green Bonds awaiting allocation to the Green Loans Portfolio will be categorized and reported as “unallocated” and be managed according to the regular liquidity management policy of our Treasury department. To the extent possible, the exclusions listed in the Use of Proceeds section of this Framework also apply for such temporary holdings of net proceeds.

4. Reporting

To enable investors and other stakeholders to follow our issuance of Green Bonds, and the developments and impact of our Green Loan Portfolio, a Green Bond Report will be made available on our website. The Green Bond Report will include an “**Allocation Report**” and an “**Impact Report**” and will be published annually until proceeds are fully allocated.

Allocation Report

The allocation report will include the following information:

- The aggregate size of the identified Green Loan Portfolio.
- The nominal amount of Green Bonds outstanding.
- The share of the Green Loan Portfolio currently financed by Green Bonds.
- The amount of net proceeds awaiting allocation (if any).

Impact Report

The impact report aims to disclose the aggregated environmental impact of the Green Loans financed by Green Bonds. Calculations will be made on a best intention basis be aligned with the portfolio approach described in ICMA’s “Handbook – Harmonized Framework for Impact Reporting” (June 2023)¹³, with full transparency on assumptions and calculation methods. We may rely on external parties to assist with impact calculation and analysis. The impact assessment will be based on the metrics below:

- **Green Buildings:**
 - Estimated annual energy consumption (kWh/m²).
 - Estimated avoided GHG emissions (tCO₂e/year) compared to baseline¹⁴.
- **Renewable Energy:**
 - Installed solar PV capacity being financed (MW).
 - Estimated avoided GHG emissions (tCO₂e/year) compared to baseline¹³.

¹³ [Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf)

¹⁴ Using the grid factor recommended in the Nordic Position Paper on Green Bonds Impact Reporting, clause 22, page 20 ([NPSI Position paper 2020 final.pdf \(kuntarahoitus.fi\)](https://www.kuntarahoitus.fi/~/media/2020/06/NPSI_Position_paper_2020_final.pdf))



external review

Pre-issue verification

Spareskillingsbanken has engaged S&P Global Ratings (“**S&P**”) to assess the alignment of this Framework with the ICMA Green Bond Principles. S&P has confirmed such alignment by issuing their Second-Party Opinion (“**SPO**”), which will be publicly available on our website together with this Framework.

Post-issue verification

As part of the Green Bond Report being issued annually, a limited assurance report will be provided by an independent auditor appointed by Spareskillingsbanken confirming that an amount equal to the net proceeds from issued Green Bonds has been allocated in accordance with this Framework.

Furthermore, Spareskillingsbanken will provide calculations of the estimated positive environmental impact, and the assumptions used therein, related to the Green Loan Portfolio.

The Green Bond Report will be made available on our website.





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