



SpareBank 1 Sørøst-Norge Green Bond Second Opinion

December 10, 2021

SpareBank 1 Sørøst-Norge is a Norwegian local savings bank, established in June 2021 as the result of a merger between SpareBank 1 Buskerud-Vestfold and SpareBank 1 Telemark. The bank is part of the SpareBank 1 alliance, the second largest financial institution in Norway. SpareBank 1 Sørøst-Norge's largest lending exposure is to the real estate segment, but the bank also provides loans to local industrial activities, agriculture, forestry, transport, and energy.

Under this framework, green buildings are expected to receive 85% of the proceeds, and the remaining is to be split between district heating and cooling, sustainable manufacturing technology and renewable energy. The issuer expects a 50/50 split between refinancing and new finance. New buildings (from 2021 onwards) need an energy performance 10% better than regulation. Buildings built from 2012 to 2020 are eligible without further criteria than construction year. Older buildings need an Energy Performance Certificate (EPC) A or B or be BREEAM Excellent. Shopping malls, airport buildings and cabins will however be excluded. Direct financing of fossil fuel solutions is excluded in all categories.

CICERO Green assesses that SpareBank 1 Sørøst-Norge is likely aligned with the EU-taxonomy mitigation thresholds and most Do No Significant harm (DNSH) criteria. The consultancy Multiconsult has on behalf of the bank, assessed the top 15% of existing building stock. The approach raises some concerns. Regarding new buildings, investors should be aware that NZEB is not established in Norway and that regulations on energy efficiency for new buildings have not been tightened since 2016. The bank is likely partly aligned to the criteria related to *Sustainable use of water* and *Pollution prevention and control* for construction and renovation of buildings. SpareBank 1 Sørøst-Norge conducts thorough ESG-assessments that are included in the credit process, including physical and transitional climate risk, environment and human and workers' rights. CICERO Green assesses that Sparebank 1 Sørøst-Norge seems to fulfil the minimum social safeguards of the EU Taxonomy. The project category "sustainable manufacturing and technology" is too broad to assess alignment with the EU Taxonomy activities.

SpareBank 1 Sørøst-Norge has strong sustainability policies and emissions reduction targets that aim to be aligned with the Paris Agreement, both for its internal operations and its portfolio. The bank has implemented the TCFD-guidelines and is working systematically with climate risk and adaptation. Among others, the bank identifies the properties most exposed to climate risks and plans to offer favourable loan terms on adaptation measures. The bank has a strong consensus-based selection process including life cycle analysis, supply chain and lock in considerations, and a high focus on sustainability training of the client advisors. Impact reporting will be externally verified, but we see a risk of overestimating impacts from the green buildings category.

Based on the overall assessment of the projects that will be financed under this framework, and governance and transparency considerations, SpareBank 1 Sørøst-Norge's green bond framework receives a **CICERO Light Green** shading and a governance score of **Excellent**. In order to achieve a darker green shading, the framework would need stronger eligibility criteria in the Green buildings category.

SHADES OF GREEN

Based on our review, we rate the SpareBank 1 Sørøst-Norge's green bond framework **CICERO Light Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in SpareBank 1 Sørøst-Norge's framework to be **Excellent**.



GREEN BOND PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated December 2021. This second opinion remains relevant to all green bonds and/or loans issued under this framework 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.

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:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. 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 Sørøst-Norge's green bond framework and related policies

SpareBank 1 Sørøst-Norge is a local savings bank, established in June 2021 as the result of a merger between SpareBank 1 BV and SpareBank 1 Telemark. The new bank is continuing the sustainability focus of its predecessors, and sustainability is an integral part of SpareBank 1 Sørøst-Norge's business strategy. The new bank is a part of the SpareBank 1 alliance, the second largest financial institution in Norway. Through its alliance and its main subsidiaries EiendomsMegler 1 BV, EiendomsMegler 1 Telemark AS, Z-Eiendom AS and SpareBank 1 Regnskapshuset BV AS, the bank provides its 140,000 clients with solutions within finance, savings, insurance, and payments. The bank's largest lending exposure is to the real estate segment, but the bank is also providing loans to other sectors like local industrial activities, the agricultural sector, forestry, transport, and energy. Sparebank 1 Sørøst-Norge has 70% retail and 30% corporate customers.

The bank has 17 branch offices across the Viken and Vestfold and Telemark counties and has as of mid-2021 NOK 100 billion in business capital. The bank aims to double its green exposures to 25 billion NOK by 2025.

Environmental Strategies and Policies

SpareBank 1 Sørøst-Norge's sustainability strategy consists of three main pillars:

1. Move beyond compliance in the fight against financial crime (Responsible);
2. substantially ramp up our internal competence building on sustainability, and cooperate with the bank's owner foundations to share sustainability knowledge with customers and society at large (Dedicated)
3. double the bank's green exposures to 25 bn NOK by 2025, and become the customer's sparring partner and advisor on sustainability issues (Carbon-conscious)
4. To be offensive on climate related issues, and assist the bank's customers to do the same.

SpareBank 1 Sørøst-Norge's largest environmental and climate impact is through its lending portfolio, and the bank has established a target to reduce the greenhouse gas (GHG) emissions per unit of value creation from the loan portfolio by 7.6 % annually from 2019 as a step-wise approach to reach net zero. The target is based on a UNEP assessment on what is needed in annual global reductions to achieve the 1.5°C target by 2050¹. Reductions can also be achieved through the purchase of high-quality (Gold Standard) carbon credits or if possible to invest corresponding amounts locally to reduce GHG-emissions. However, the issuer informs that offsets can only be applied to cover for the residual to the extent the bank does not reach the target.

SpareBank 1 Sørøst-Norge is certified according to the new banking and financial criteria under the Eco-Lighthouse certification scheme, and uses this to work systematically with waste management, energy use, purchasing and transport for its internal operations. All branch offices were Eco-Lighthouse certified in line with the new banking and finance criteria in 2020. The bank has the same climate target for its internal operations as for its loan portfolio. To reach this target, the bank has established internal environmental targets for the period 2021-23 (most likely to be extended to 2025) related to increased share of zero-emission transport (from 17% to 30%), increased share of recycled waste (from 65% to 75%), reduce the average energy consumption (from 200

¹ [Cut global emissions by 7.6 percent every year for next decade to meet 1.5°C Paris target - UN report \(unep.org\)](https://www.unep.org/news-and-stories/story/cut-global-emissions-by-7.6-percent-every-year-for-next-decade-to-meet-1.5c-paris-target)



kWh/m² to 175 kWh/m²), to change to purchase guarantees of origin for renewable energy and to work to increase the share of environmentally certified suppliers (from 86 to 90).

SpareBank 1 BV and SpareBank 1 Telemark reported on Scope 1, 2 and 3 for 2020, and saw a reduction of around 30% from 2019. Scope 3 emissions calculated represent around 1/3 of the total emissions, and the main sources included are business travel and waste handling and do not include emissions in the bank's portfolio. However, portfolio emissions are accounted for in the bank's annual report, and for 2021 both emissions from the personal- and the corporate market will be included. The main reason for the emission reduction was less demand for transport and business travel due to travel restrictions because of Covid-19, and less waste, electricity consumption and district heating use due to mandatory use of home office.

The bank is reporting according to the TCFD guidelines and both transitional and physical climate risks have been assessed using scenarios developed by NGFS². Furthermore, the bank has started the assessment of climate risks on an asset basis. The bank has estimated the carbon emissions of its loan portfolio, as well as the emissions intensity per NOK millions of lending, and finds that the carbon emissions intensity is greatest in the industry and transport segments. The loan portfolio is considered by the bank to have a relatively small carbon footprint, and the bank does not have direct loan exposure to fossil energy production. The TCFD-assessment further concludes that the bank is exposed to medium- and long-term physical climate risks, particularly within the property sector related to commercial properties or homes located in places at increased risk of flooding due to rain, landslides or storm surges. Regarding adaptation, the bank has identified geographical areas where adaptation measures may be needed, and will approach clients identified with high climate risk and offer favorable loan terms on adaptive measures. The bank increases the credit terms for clients not accepting the offers for adaptive measures or that cannot demonstrate that adaptive measures are taken.

SpareBank 1 Sørøst-Norge also sees increased business opportunities in the green transition, e.g. in offering green products like green loans, among others within the real estate sector. The bank aims at working with its customers to incentivize sustainable choices and thereby reducing emissions. One example is to encourage renovation of buildings instead of demolition and new construction.

All lending activities in SpareBank 1 Sørøst-Norge must go through the bank's regular credit approval processes. The bank conducts ESG-assessments for all new corporate loans (from 2021) using a dedicated sustainability module integrated in the loan processing system. It reviews a broad set of ESG risks in assessing such loans: a) know your customer governance, physical and transitional climate risk, environmental risks such as pollution and waste, energy efficiency (EPC-labelling), environmental certifications, human and workers' rights and economic crime. Where high ESG-risks are identified, credit decisions are taken to a higher managerial level and the bank's sustainability team is consulted. This has resulted in certain activities being rejected. Examples are thermal coal, tar sand, projects that can increase water shortage in dry areas and environmental misconduct. ESG-requirements are also set through the bank's credit policy and in guidelines for fund management. The bank has a sustainability policy confirming alignment to the guidelines listed in the minimum social safeguards of the EU taxonomy and states that the bank respects human rights and does not contribute to violations of these. All the bank's staff received basic sustainability training in 2020. Going forward training will be strengthened and tied to competence goals forming part of the bank's scorecard system.

The SpareBank 1 alliance has conducted risk assessments of their suppliers to identify suppliers with a risk of having a negative impact on e.g. environment and on labour and human rights. The assessment has resulted in increased scrutiny and follow up of suppliers identified of having a risk of negative ESG-impacts. The bank has established a Code of Conduct also valid for suppliers, requiring alignment to relevant legal frameworks and guidelines with regard to environment, climate change, human and labour rights, and corruption. To ensure

² Network for Greening the Financial System, <https://www.ngfs.net/en>



implementation, the CoC is attached to contracts. Furthermore, the bank has internal and external whistleblowing channels to anonymously report concerns, and is requiring reporting on alignment to the ESG-requirements.

The bank is issuing a joint sustainability and financial report conducted in line with the Global Reporting Initiative (GRI). Furthermore, SpareBank 1 Sørøst-Norge has committed to:

- The Roadmap for Green Competitiveness in the Norwegian Financial Sector, aiming to achieve the targets in the roadmap in this strategy period (2021-2023).
- The UN Principles for Responsible banking (in 2019).
- The UN Sustainable Development Goals.
- The UN Global Compact, OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, including minimum labor rights outlined in the ILO Conventions.

Use of proceeds

Eligible assets under the green bond framework will be used to finance a portfolio of loans that promote the transition towards low-carbon and climate-resilient development (the green loan portfolio) within the categories green buildings, district heating and cooling, sustainable manufacturing technology and renewable energy.

Green bond net proceeds can be used to re-finance and finance loans, and the bank expect a 50/50 split between re-finance and finance. Only loans that comply with the list of eligible green loans as given in table 1 below are deemed eligible to be financed by green bonds.

The bank is excluding investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction, gambling, pornography or tobacco, nor other activities in violation of the bank's established sector guidance.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

SpareBank 1 Sørøst-Norge has established a green bond committee (GBC) that will be responsible for the green bond framework and for the evaluation and selection of loans to be included in the green loan portfolio. The GBC consists of members from the bank's credit management, sustainability and treasury teams. All decisions will be made by consensus, and the Head of Sustainability holds a veto.

To qualify as a green loan that can be financed using green bonds, the loan must meet the eligibility criteria defined in the Use of Proceeds section of the bank's green bond framework. Relevant business units in SpareBank 1 Sørøst-Norge, like representatives from corporate and retail banking segments, can nominate loans for inclusion in the green loan portfolio. The GBC will keep a register of the portfolio of identified green loans.

Life-cycle, supply chain, and lock-in effects are considered as part of the selection criteria for new loans, e.g. related to the exclusion of activities that are not sustainable over the long term, like fossil fuel and emission intensive activities, and in the assessment of new loans for commercial real estate projects, through questions related to material use, recycling and reuse, and (location-related) physical climate risk and nature risk. Furthermore, the GBC holds the right to exclude any green loans already funded by green bonds. If a green loan already included in the green loan portfolio no longer meets the criteria in the green bond framework it will be removed from the green loan portfolio. Removal of loans from the green portfolio will be done if mistakes are



discovered, or if the bank receives information or otherwise discovers that a loan is not meeting the criteria as expected.

To ensure traceability, all decisions made by the GBC will be documented and filed. The GBC is also in charge of potential future oversight and updates of the green bond framework. Potential future updates of the green bond framework will not impact the green bonds issued under this version of the framework.

Management of proceeds

CICERO Green finds the management of proceeds of SpareBank 1 Sørøst-Norge to be in accordance with the Green Bond Principles. An amount equal to the net proceeds from issued green bonds will be allocated towards the financing and refinancing of the bank's green loan portfolio.

SpareBank 1 Sørøst-Norge will strive to achieve a level of allocation to ensure that the value of the green loan portfolio at all times exceeds the total nominal amount of green bonds outstanding. Proceeds will be allocated pro-rata across the green loan categories based on the size each category represents. Green loans will be tagged for easy tracking. Net proceeds from green bonds awaiting allocation to the green loans portfolio will be managed according to the regular liquidity management policy of the bank's Treasury department. The exclusions listed in the Use of Proceeds above will also apply for temporary holdings of net proceeds.

The volume of green loans will be significantly higher than the proceeds from the green bonds, hence there will be a robust buffer to comply with the requirement that the value of green loans always exceeds proceeds.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

SpareBank 1 Sørøst-Norge will issue a green bond report that will be made available on the bank's website. The report will include an allocation and an impact report and will be published annually as long as there are green bonds outstanding or until full allocation.

Allocation reporting will provide information on the size of the identified green loan portfolio and each green loan category, nominal amount of green bonds outstanding, the share of the green loan portfolio currently financed by green bonds and the amount of net proceeds awaiting allocation (if any). The bank will provide an external review of the allocation reporting that will be made available on the bank's website.

Impact reporting. The impact report aims to disclose the environmental impact of the green loans financed by green bonds, and will be aggregated for each green loan category and be made on a best intention basis. The impact assessment may, where applicable, be based on the metrics listed below.

Green Buildings

- Estimated annual energy consumption (kWh/m²) and annual GHG emissions (tCO₂e) compared to baseline

District Heating and Cooling

- Financed energy generation capacity and estimated annual GHG emissions (tCO₂e) compared to baseline



Manufacturing and Technology

- Examples of individual loans/activities included in the green loan portfolio including indication of their environmental impact

Renewable Energy

- Financed energy generation capacity and estimated annual avoidance of GHG emissions (tCO₂e)

Grid factors and methodologies used for calculation of impacts will be disclosed. Impact reporting will be conducted by a third party, in close cooperation with the bank's sustainability and finance departments. Results will be externally verified.



3 Assessment of SpareBank 1 Sørøst-Norge's green bond framework and policies

The framework and procedures for SpareBank 1 Sørøst-Norge's green bond investments 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 Sørøst-Norge should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in SpareBank 1 Sørøst-Norge's green bond framework, we rate the framework **CICERO Light Green**.

Eligible projects under the SpareBank 1 Sørøst-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. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
Green buildings	<p>Loans financing the acquisition, ownership, construction, and renovation of residential, commercial, and public buildings meeting the following criteria:</p> <p>Buildings built in 2021 or later</p> <ul style="list-style-type: none"> Buildings with an energy consumption that is 10% lower than national minimum requirements (TEK17), or Buildings with BREEAM-NOR 3.0³ Excellent certificate. <p>For buildings larger than 5.000m²:</p> <p>(i) upon completion having undergone testing for air-tightness and thermal integrity (unless robust and traceable quality control processes are in place during construction), and</p>	<p>Light Green</p> <ul style="list-style-type: none"> ✓ The majority of the green bond proceeds (85%) is expected to be allocated to green buildings and remaining equally spread between the other three categories. ✓ Within the Green buildings category, the bank estimates that 10-15% will be buildings built in 2021 or later, and 70-80% will be buildings built between 2012-2021. For building built before 2021 the expected share of BREEAM-certified buildings is 0-5%. ✓ An energy consumption 10% lower than national minimum requirements and testing of air-tightness and calculation of the Global Warming Potential are in line with the EU Taxonomy. ✓ SpareBank 1 Sørøst-Norge confirms that to be eligible buildings also need to have an energy consumption 10% lower than

³ Expected to be in effect from 1st quarter 2022.



(ii) calculation of the Global Warming Potential for each stage of the life cycle.	NZEB as soon as this is officially determined.
Buildings built before 2021	✓ According to the bank, BREEAM-NOR 3.0 will be aligned with the EU Taxonomy. ⁵
<ul style="list-style-type: none">• Energy Performance Certificate A, or• Buildings within the top 15% of the national or regional stock in terms of primary energy demand, defined as<ul style="list-style-type: none">• buildings built according to Norwegian building codes of 2010 (TEK10) or 2017 (TEK17) (to ensure TEK10-alignment, we use a conservative 2-year time lag and include buildings built from 2012 and onwards, for hotels and restaurants we use a 3-year time lag), or• for buildings built prior to 2012, Energy Performance Certificate B, or• Commercial buildings with BREEAM-NOR Excellent certificate or better, and minimum 6 credits in the BREEAM-NOR “Energy” category⁴.	✓ The BREEAM-NOR Excellent criteria reflect a high environmental standard, and combined with a minimum energy score, this will ensure a low climate impact. ✓ Depending on the type of building, EPC B could be given to buildings with an energy performance that is in line or even below current regulations. EPC-labels are valid for 10 years, so some buildings with old labels may have energy performance weaker than current regulation. ✓ Shopping malls, airport buildings, industry-specific buildings of emission intensive industries and buildings heated directly with fossil fuels as well as cabins will be excluded from obtaining green loans.
For large, non-residential buildings (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.	✓ Investors should however be aware that except from the exclusions given above, all commercial and residential buildings built between 2012 and 2020 in line with the building regulations qualify under the framework. ✓ Through the ESG-assessments the bank identifies the properties most exposed to physical climate risk and offer adaptation solutions where needed. The bank increases the credit terms for clients not accepting the offers for adaptive measures or that cannot demonstrate that adaptation measures are taken. The bank further informs us that they aim to ensure that properties improve the climate resilience during renovations.
Renovated buildings	
<ul style="list-style-type: none">• Costs related to renovations leading to a reduction in primary energy demand of at least 30%.• For the full building to qualify, it should after renovations be expected to meet the criteria above for buildings built either before or after 2021.	
Residential buildings used for leisure (cabins) are excluded. Buildings used for the exploration, extraction, refining and distribution of fossil fuels as well as other industry-specific buildings of emission intensive industries are excluded. Furthermore, shopping malls and airport buildings, with associated parking lots, are also excluded.	✓ Access to public transportation is not a screening criterion to receive green loans. ✓ Renovation of existing buildings is key to succeed in the transition to a low carbon future, as they have a considerably lower carbon footprint than the construction of new buildings.

⁴ https://www.breeam.com/BREEAMIntNDR2016SchemeDocument/content/06_energy/ene01_nc.htm

⁵ [Nyheter – Grønn byggallianse \(byggalliansen.no\)](https://www.nyheter-gronnbyggallianse.no)



District heating and cooling



Loans financing the acquisition, construction, development, operation, maintenance, and improvement of facilities and related infrastructure for district heating and cooling where at least 95% of the fuel comes from renewable sources such as locally supplied forestry waste and residues, recycled wood waste, or waste heat from nearby industries.

Medium to Dark Green

- ✓ According to the bank, the selection criteria ensure locally supplied materials, where Norwegian standards and regulations apply, ensuring sustainable sourcing.
- ✓ According to the bank district heating/cooling using fossil fuels are excluded, but the remaining 5% of fuels may be from waste that include plastics.
- ✓ The approximate size of the facilities is 1-6 MW.

Sustainable manufacturing and technology



Loans financing manufacturing or industrial facilities, processes or technologies ensuring one or several of the following objectives:

- Increasing prevention, collection, sorting, recovery, and recycling of waste
- Replacing fossil-based energy sources with low-carbon alternatives
- Reducing energy consumption by at least 30%
- Reducing water consumption by at least 30%
- Significantly reducing GHG emissions by at least 30%
- Developing circular economy adapted products, production technologies and processes
- Increasing resilience against the effects of climate change

Medium Green

- ✓ Improving the resource and material efficiency in industrial processes is according to the IEA crucial for the green transition. The project category is however very broad, and the selection process therefore becomes very important. There is a risk that projects could be financed that are part of an emission intensive supply chain. The issuer is therefore encouraged to screen for improvements that in a longer perspective do not lock-in obsolete technologies.
- ✓ Examples of projects are within circular economy, pollution prevention and adaptation.
- ✓ Waste-to-energy cannot be supported, only investments related to the use of waste heat for district heating pumps. Be aware that waste heat could come from industries with large emissions. Emission intensive production or machinery, or machinery powered by fossil fuels will be excluded.

All loans in this Green Loan category will be subject to an individual due diligence and approval process conducted by the Green Bond Committee, evaluating the expected environmental impact on a case by case basis.

Activities in this category relate to the following categories in ICMA's Green Bond Principles:

- Energy efficiency
- Pollution prevention and control
- Sustainable water and waste-water management
- Circular economy adapted products, production technologies and processes, and/or certified eco-efficient products
- Climate change adaptation



<p>Renewable energy</p>  <p>Renewable energy</p> <ul style="list-style-type: none"> Renewable energy plants and installations, as well as manufacturing of relating technologies and equipment, within the following renewable energy categories: <ul style="list-style-type: none"> Wind power Solar power Hydropower with a power density above 5W/m², or life-cycle emissions below 100g CO₂e/kWh, or run-of-river plants without artificial reservoirs <p>Related infrastructure</p> <ul style="list-style-type: none"> Smart grid solutions, smart meters, and other monitoring systems aimed at enabling reduction of energy consumption. <p>Loans may be for specific assets and projects or to companies with ≥90% of their revenues from activities aligned with defined criteria.</p> <p>Activities in this category also relate to the Energy Efficiency category in ICMA’s Green Bond Principles.</p>	<p>Loans financing the acquisition, installation, construction, development, operation, maintenance, and improvement of:</p>	<p>Dark Green</p> <ul style="list-style-type: none"> Renewable energy is key to a low carbon transition. Large-scale renewable energy and construction project can have adverse local environmental impacts (for example on wildlife, ecosystems and biodiversity) and impacts on local communities. Both onshore and offshore wind as well as stand-alone solar power projects will qualify, subject to a screening for not being in a contentious area with local opposition. The bank informs that there will be a dialogue with the developer on how to minimize visual impacts and impact on biodiversity from landscape changes from the construction phase. If roof-based solar PV is funded, only the PV components, and not the whole building will be eligible. New hydropower developments can be funded, as long as the DNSH-criteria are met, and the development is not in a contentious area with local opposition. Power grids will not be financed.
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Table 1. Eligible project categories

Background

Financing institutions and banks are vital driving forces to reach the Paris Agreement and can provide leadership through providing financing of activities necessary to reduce greenhouse gas emissions and adapt to a changing climate. Banks also have a significant role in managing climate risks. Having climate goals for the bank’s operations and portfolio, including science-based targets, implementation of TCFD reporting and climate risk assessment of their customers in the ESG due diligence, represents best practices of the sector.

In February 2020, Norway released updated targets for 2030 to cut emissions by 50-55% from 1990 levels⁶, and in 2021 adopted a climate plan outlining the policies to be implemented to reach the target⁷. This document covers targets from the energy, land use, industrial processes and product use, agriculture, land-use change and forestry, and waste sectors. Greenhouse gas emissions have slightly decreased in Norway since 2015, but 2020 emissions were less than 4% lower than 1990 levels. Fast action is needed to reach the new 2030 goal.

⁶ <https://www.regjeringen.no/no/aktuelt/norge-forsterker-klimamalet-for-2030-til-minst-50-prosent-og-opp-mot-55-prosent/id2689679/>

⁷ [Meld. St. 13 \(2020–2021\) - regjeringen.no](https://www.regjeringen.no/no/aktuelt/meld-st-13-2020-2021/id2689679/)



Construction and real estate currently stand for around 16% of the greenhouse gas emissions in Norway, when taking into account both direct and indirect emissions, and 40% of the country's energy consumption⁸. According to the government's climate plan, measures to further increase energy efficiency must be weighed against the life cycle impacts of the building materials. The energy efficiency of buildings is dependent on multiple factors including increasing affluence and expectations of larger living areas, growth in population and unpredictability of weather, and greater appliance ownership and use⁹.

Renewable energy use increased 3% in 2020 as demand for all other fuels declined. The primary driver was an almost 7% growth in electricity generation from renewable sources. Accordingly, the share of renewables in global electricity generation jumped to 29% in 2020, up from 27% in 2019. Globally, solar PV electricity generation is expected to increase by 145 TWh, almost 18%, to approach 1 000 TWh in 2021. Increases in electricity generation from all renewable sources should push the share of renewables in the electricity generation mix to an all-time high of 30% in 2021¹⁰. In IEA's pathway to net zero, almost 90% of global electricity generation in 2050 comes from renewable sources, with solar PV and wind together accounting for nearly 70%. Annual clean energy investment worldwide will need to more than triple by 2030 to around \$4 trillion¹¹.

According to the IEA, achieving net-zero emission targets depends on strong and targeted R&D and innovation efforts in critical technologies and industries. In the Sustainable Development Scenario, almost 35% of the cumulative CO₂ emissions reductions by 2070 compared with the Stated Policies Scenario come from technologies that are currently at the prototype or demonstration phase which will not become available at scale without further R&D. About 40% of the cumulative emissions reductions rely on technologies that have not yet been commercially deployed in mass-market applications¹².

EU Taxonomy

The EU Taxonomy, first introduced in 2020, seeks to set out common classification systems to determine the environmental sustainability of activities. The EU-taxonomy regulation¹³ defines six environmental objectives. To be considered environmentally sustainable, an activity must substantially contribute to one or more of the six objectives, not significantly harm any of the other six objectives (Do-No-Significant-Harm - DNSH) and comply with the technical screening criteria (TSC). In June 2021, EU published its delegated acts outlining the TSC for the climate adaptation and mitigation objectives, respectively, which it was tasked to develop after the Taxonomy Regulation entered into law in July 2020 (the Annex 1).¹⁴ The delegated act also includes compliance with certain minimum social safeguards¹⁵, where we take the sectoral, regional and judicial context into account and focus on the risks likely to be the most material social risks.

CICERO Green has assessed eligible projects in SpareBank 1 Sørøst-Norge's green bond framework against the mitigation thresholds and the DNSH criteria for relevant activities in the Annex 1, as well as alignment with the minimum social safeguards. To qualify projects under the EU Taxonomy, the bank has to ensure that their clients align with the relevant criteria for the different activities. Criteria, activities with NACE-codes and likely alignment

⁸ [BYGGESEKTORENS KLIMABIDRAG \(bnl.no\)](https://www.bnl.no/bygge-sektorens-klimateffektivitet)

⁹ <https://www.iea.org/fuels-and-technologies/building-envelopes>

¹⁰ [Renewables – Global Energy Review 2021 – Analysis - IEA](https://www.iea.org/renewables/global-energy-review-2021-analysis)

¹¹ [Net Zero by 2050 – Analysis - IEA](https://www.iea.org/net-zero-by-2050-analysis)

¹² [Clean energy innovation – Energy Technology Perspectives 2020 – Analysis - IEA](https://www.iea.org/clean-energy-innovation-energy-technology-perspectives-2020-analysis)

¹³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

¹⁴ [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN)

¹⁵ The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights.



are presented in Appendix 2. The project category sustainable manufacturing and technology has not been assessed as no EU Taxonomy activities could currently be identified.

Relevant EU-Taxonomy activities are:

- Electricity generation using solar photovoltaic technology
- Electricity generation from wind power
- Electricity generation from hydropower
- District heating/cooling distribution
- Construction of new buildings
- Renovation of existing buildings
- Acquisition and ownership of buildings

The bank informs us that the corporate banking service concept is under review in order to incorporate sustainability and anti-money laundering aspects, and this will include procedures to detect significantly harmful activities under the EU taxonomy. Advisors will assess loans according to the taxonomy criteria via a dedicated interface of the loan assessment module used today. In case non-alignment (including DNSH) is detected, during annual client meetings or otherwise, a new loan will not be included in the green loan portfolio and any existing green loans will be removed from the green loan portfolio.

Acquisition and ownership of new buildings.

The bank has engaged Multiconsult to present evidence that the framework's criteria ensure the financed buildings will be among the top 15% of the national building stock, distinguishing between commercial and residential. According to Multiconsult, Norwegian residential buildings that comply with the Norwegian building code of 2010 (TEK10) and later codes account for less than 15% of the residential building stock. Furthermore, Multiconsult concludes that residential buildings that qualify under the framework represent top 10% of the similar building stock when it comes to energy efficiency while eligible commercial buildings represent between the top 4.9 and 13.6% of similar building stock in Norway. The methodology used by Multiconsult have some pitfalls (see page 16).

Alignment with minimum social safeguards

Social issues and safeguards are integrated into the bank's policies and strategies. The bank reviews a broad set of ESG risks in assessing their corporate loans, including human and workers' rights and financial crimes. ESG-requirements are also set through the bank's credit policy and in guidelines for fund management. Furthermore, the bank has a sustainability policy referring to the guidelines listed in the minimum social safeguards of the EU taxonomy and states that the bank respects human rights and does not contribute to violations of these. All the bank's staff received basic sustainability training in 2020. We also note that the bank' operations are limited to a country "deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment" as defined by the Equator Principles, and which has ratified all fundamental ILO conventions¹⁶. CICERO Green assesses that Sparebank 1 Sørøst-Norge seems to fulfil the minimum social safeguards of the EU Taxonomy.

Main gaps

Sustainable use of water and Pollution prevention and control for the activity *Construction of new buildings*. According to the issuer, the revised version of the BREEAM Excellent certification will ensure alignment with the EU Taxonomy criteria, including the requirements related to the water appliances and the components and materials used in new buildings. However, given that BREEAM-certification is not a requirement for green loans, there is a likely gap that financed buildings will not follow these DNSH-criteria.

¹⁶ [Ratifications of ILO conventions: Ratifications for Norway](#)

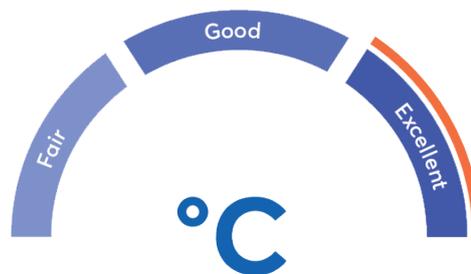


Governance Assessment

Four aspects are studied when assessing the SpareBank 1 Sørøst-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) the management of proceeds; and 4) the reporting on the projects to investors. 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.

SpareBank 1 Sørøst-Norge has strong sustainability policies, and clear emissions reduction targets both for its internal operations and its portfolio, assumed by the bank to be in line with achieving 1.5°C target by 2050. The bank reports on scope 1, 2 and 3 emissions for the bank's operation, and has a good overview of the emission intensity in the different sectors in its portfolio.

SpareBank 1 Sørøst-Norge is using the TCFD analysis to assess climate risk, is screening its portfolio for physical climate risk and encourages risk exposed clients to adapt resiliency measures. The bank has a strong consensus-based selection process including life cycle analysis, supply chain and lock-in considerations for new green loans. From 2021 the bank conducts ESG-assessments for all new corporate loans. ESG-requirements are also given in the bank's credit policy and in guidelines for fund management. The bank has a high focus on sustainability training towards the client advisors. Impact reporting will be externally verified, but we see a weakness in that the calculations of environmental impacts from the green buildings category may be overestimated.



The overall assessment of SpareBank 1 Sørøst-Norge's governance structure and processes gives it a rating of **Excellent**.

Strengths

SpareBank 1 Sørøst-Norge's focus and work on sustainability is a clear strength, demonstrated i.a. through having emission reduction targets for both its internal operation and its portfolio. It is considered a strength that Sparebank 1 Sørøst-Norge has GHG-emission reduction targets for its portfolio aiming at being aligned with a trajectory of achieving 1.5°C target by 2050. The overview of carbon related credit exposure by sector gives the bank a good starting point to work to reduce the GHG-emissions in its portfolio. CICERO Green encourages the bank to establish reporting of GHG-emissions for its loan portfolio.

The bank's work on climate risk assessment is commendable, both when it comes to identifying the physical risks and suggesting adaptation measures for customers identified to have high climate risks. Linking the willingness to implement adaptive measures with pricing of loans is reducing the bank's financial risks related to climate change and is considered best practice. The bank is also reporting according to the TCFD-guidelines. The bank is likely aligned with the DNSH-criteria related to climate change adaptation, which is relevant for all EU activities in the bank's green framework.

SpareBank 1 Sørøst-Norge has a high focus on sustainability training of the bank's employees, making the advisors better equipped to be a competent sparring partner for its customers on sustainability.



It is a strength that fossil fuel related equipment is explicitly excluded across all categories, and that the framework may finance technologies replacing fossil fuels in sectors where cleaner technologies are not yet widely in use. It is considered a strength that SpareBank 1 Sørøst-Norge is cooperating with the local industry to improve their work on sustainability through offering favorable credit terms on eligible projects. The issuer has established ambitious energy, water and GHG-emissions thresholds.

Weaknesses

We find a weakness in the framework's reporting on impacts from the green buildings category. For both new and existing buildings, the issuer plans on reporting energy use (in kWh/m² or in percentage terms) relative to national standards or Norwegian average. There is thus a risk that the environmental benefits of the financed buildings are overestimated, and even more so if the calculation is based on the Norwegian average¹⁷. There is no certainty that the financed existing buildings directly replace buildings with weaker energy performance. For newly constructed buildings, it makes sense to compare their energy use to that required by the regulation. The impact reporting would be more transparent if the issuer reported the actual energy use of the financed buildings. The bank should make sure to use the same grid factors when they report impacts as in annual reporting.

Pitfalls

Renovation of existing buildings is key in order to succeed in the transition to a low carbon future. The most important issue when it comes to the real estate sector from an environmental perspective is what could be done to make the existing building stock more energy efficient. The 30% improvement criteria is commensurable. For buildings built in 2021 or later, buildings with an energy consumption 10% lower than national building codes (TEK17) are eligible. Investors should be aware that NZEB is not established in Norway and that regulations on energy efficiency for new buildings have not been tightened since 2016, and as such a 10% improvement is not considered ambitious.

Even though the bank has included BREEAM-NOR Excellent and EPC A as eligible building criteria, the framework also opens for providing green loans to buildings with no additional energy requirements. The bank has engaged Multiconsult to present evidence that the framework's criteria ensure the financed buildings will be among the top 15% of the national building stock, distinguishing between commercial and residential buildings. In their assessment Multiconsult has considered the building stock statistics, historic building code development and building customs over the years, and has examined the EPC-system and how the database of certificates may be used to identify the bank's eligibility criteria. Net energy demand is calculated using standard building models identical to the models used for defining the building codes (TEK10/TEK17). Multiconsult finds that changes in the Norwegian building code have resulted in increasingly energy efficient buildings, and that as of 2020, 10% of Norwegian residential buildings are built following TEK10 or a newer building code, within 15% and thus being eligible according to the SpareBank 1 Sørøst-Norge criterion. The methodology used by Multiconsult however has some pitfalls:

- The construction year will alone be used to identify eligible residential buildings. EPC is only required when a building is sold or rented, there is uncertainty about the actual energy performance of the entire building stock. Since there is no requirement to provide evidence that the buildings are built according to the regulations, only to document construction year, there is no guarantee that the buildings comply with the regulation.

¹⁷ The most recent available official data from Statistics Norway is from 2012 and 2011. The average energy use for residential buildings in 2012 was 181 kWh/m² (in use). The average energy use in commercial buildings in 2011 was 230 kWh/m² (in use). Average energy use by all real estate activities (2011) in Norway: 179 kWh/m² (in use) (Statistics Norway). (see: https://cicero.oslo.no/file/2/sectorbriefs_realestate_17_12.pdf/download)



- Some buildings built after TEK 10 (that would be eligible under the framework) have received an EPC D. The Norwegian EPC system requires every apartment to be certified separately, however for apartment buildings the grading is set for an average apartment. This might lead to that a building built according to TEK 10 includes units with high heat losses and lower energy labels. Examples provided by Multiconsult are as low as energy label EPC C and D, and even in rare cases EPC E. The bank could consider screening for buildings which can be considered green.
- It is unclear to CICERO Green whether energy efficiency measures implemented recently supported by Enova in existing building stocks (solar panels, heat pumps etc.) are accounted for in the assessment.
- It will be important that the assessment is regularly updated to capture energy improvements in the building stock.

In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive and plus house technologies becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. In the Norwegian context, around half of the emissions comes from energy use, and the other half from embodied emissions. As the energy performance of buildings improves, the embodied emissions in building materials are becoming a more significant share of a building's climate footprint and should be managed.

Even though it is considered a strength that SpareBank 1 Sørøst-Norge is cooperating with the local industry to improve their work on sustainability, the project category "Sustainable manufacturing and technology" is however very broad. The selection process therefore becomes very important. There is a risk that projects could be financed that are part of an emission intensive supply chain. The issuer is therefore encouraged to screen for improvements that in a longer perspective do not lock-in obsolete technologies.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	SpareBank 1 Sørøst-Norge's Green Bond Framework, Dated December 2021	Green Bond Framework
2	SpareBank 1 BV annual report 2020.	Annual report from 2020.
3	SpareBank 1 BV, Bærekraftspolicy, 2020.	SpareBank 1 BV's Sustainability Policy, 2021-2023.
4	SpareBank 1 BV, Etiske retningslinjer, dated 2020.	SpareBank 1 BV Code of Conduct.
5	Retningslinjer for bærekraftig distribusjon og anbefaling av verdipapirfond i SpareBank 1, dated May 2021.	ESG guidance for fund management.



Appendix 2: EU Taxonomy criteria and alignment

Complete details of the EU taxonomy criteria are given in [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex_1_en.pdf)

Electricity generation using solar photovoltaic technology

Framework activity	Renewable energy		
Taxonomy activity	Electricity generation using solar photovoltaic (PV) technology (NACE codes D35.11 and F 42.22)		
	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Mitigation criteria	<ul style="list-style-type: none"> The activity generates electricity from solar PV technology. 	<p>Information provided by the issuer</p> <ul style="list-style-type: none"> Green loans can be provided to renewable energy plants and installations, as well as manufacturing of relating technologies and equipment, within solar power. Both roof-top and standalone solar PV can qualify. Solar power is assumed to contribute substantially to climate change mitigation. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	<p>The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps¹⁸:</p> <ul style="list-style-type: none"> (a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime; (b) where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; (c) an assessment of adaptation solutions that can reduce the identified physical climate risk. 	Please see under Construction of new buildings.	Likely aligned.

¹⁸ The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.

	<p>The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.</p> <p>For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p> <p>For new activities and existing activities using newly built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations.</p> <p>The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.</p>		
Sustainable use and protection of water and marine resources	N/A	N/A	N/A
Transition to a circular economy	<ul style="list-style-type: none"> The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. 	<p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> The bank's competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. In the case of circular economy and solar power, the focus will be on durability and recyclability of solar modules and other electric and electronic equipment. For all new loans to solar power, advisors will ask questions related to re-use and recycling. It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a 	Likely aligned.

		dedicated interface of the loan assessment module used today.	
Pollution prevention and control.	N/A	N/A	N/A
Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> • An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU¹⁹, or in accordance with national provisions. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<p><u>Relevant contextual information</u></p> <ul style="list-style-type: none"> • Not applicable for roof-top solar systems. • Solar power plants for the production and sale of electricity are subject to licensing from NVE (Norwegian Water Resources and Energy Directorate) pursuant to the Energy Act. • Solar power plants subject to a license are also covered by the Planning and Building Act's regulations on environmental impact assessment, but it is unclear whether an EIA is needed. • Solar power plants with a voltage of 1000 V AC / 1500 V DC or less do not need a license according to the Energy Act. <p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> • The bank's credit handbook will prohibit loans to activities in wetlands and biodiversity sensitive areas ("verneområder"). 	Likely aligned.

¹⁹ The EU-Directive on the assessment of the effects of certain public and private projects on the environment (the EIA-directive). [EUR-Lex - 32011L0092 - EN - EUR-Lex \(europa.eu\)](#)

Electricity generation from wind power

Framework activity	Renewable energy		
Taxonomy activity	Electricity generation from wind power (NACE codes D35.11 and F 42.22)		
	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Mitigation criteria	<ul style="list-style-type: none"> The activity generates electricity from wind power. 	<p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> Green loans can be provided to renewable energy plants and installations, as well as manufacturing of relating technologies and equipment, within wind power. Both onshore and offshore wind projects can qualify. Wind power is assumed to contribute substantially to climate change mitigation. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Construction of new buildings.		
Sustainable use and protection of water and marine resources	<ul style="list-style-type: none"> In case of construction of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC²⁰ of the European Parliament and of the Council, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptor 11 (Noise/Energy), laid down in Annex I to that Directive, and as set out in Commission Decision (EU) 2017/848159 in relation to the relevant criteria and methodological standards for that descriptor. 	<p><u>Relevant contextual information</u></p> <ul style="list-style-type: none"> Wind farms are regulated by NVE New wind farms in addition need an approved plan for environment, transport, and construction (MTA-plan), including input on how to minimize landscape changes and noise. Offshore windfarms are regulated by the Ocean Energy Act (Havenergiloven), also managed by NVE. <p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> The bank's competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. In the case of water & marine resources and offshore wind, the focus will be on key aspects of the project's EIA. For all new loans, advisors currently ask questions related to whether the activity has significant nature risk impact. It is envisaged that advisors will assess loans according to the taxonomy criteria, including the water & marine resources criteria, via a dedicated interface of the loan assessment module used today. 	Likely aligned.

²⁰ The EU-Directive establishing a framework for community action in the field of marine environmental policy, [EUR-Lex - 32008L0056 - EN - EUR-Lex \(europa.eu\)](#)

Transition to a circular economy	<ul style="list-style-type: none"> The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. 	<p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> For all new loans within wind power, advisors will ask questions related re-use and recycling. The bank's competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. In the case of circular economy and wind power, the focus will be on durability and recyclability of wind turbine blades and other electric and electronic equipment. It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a dedicated interface of the loan assessment module used today. 	
Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU²¹, or in accordance with national provisions. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. In case of offshore wind, the activity does not hamper the achievement of good environmental status as set out in Directive 2008/56/EC, requiring that the appropriate measures are taken to prevent or mitigate impacts in relation to that Directive's Descriptors 1 (biodiversity) and 6 (seabed integrity), laid down in Annex I to that Directive, and as set out in Decision (EU) 2017/848 in relation to the relevant criteria and methodological standards for those descriptors. 	<p><u>Relevant contextual information</u></p> <ul style="list-style-type: none"> Wind turbines for the production of electricity are normally subject to licensing from NVE pursuant to the Energy Act. Plants consisting of up to 5 wind turbines with a total installed capacity of less than 1 MW are exempt from the licensing obligation. Wind power installations where installed effect exceed 10 MW need to conduct an EIA as a part of the licensing process, in accordance with the Planning and Building Act. This includes implementation of mitigative measures. <p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> The bank's credit handbook will prohibit loans to activities in wetlands and biodiversity sensitive areas ("verneområder"). 	Likely aligned.

²¹ The EU-Directive on the assessment of the effects of certain public and private projects on the environment (the EIA-directive). [EUR-Lex - 32011L0092 - EN - EUR-Lex \(europa.eu\)](#)

Electricity generation from hydropower

Framework activity	Renewable energy		
Taxonomy activity	Electricity generation from hydropower (NACE Code D35.11 and F42.22)		
Taxonomy version	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Mitigation threshold	<p>The activity complies with either of the following criteria:</p> <ol style="list-style-type: none"> the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; the power density of the electricity generation facility is above 5 W/m²; the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh²². 	<p>Information provided by the issuer</p> <ul style="list-style-type: none"> Green loans can be provided to hydropower with a power density above 5W/m², or life-cycle emissions below 100g CO₂e/kWh, or run-of-river plants without artificial reservoirs. New hydropower developments can be funded, as long as the DNSH-criteria are met, and the development is not in a contentious area with local opposition. A study performed in 2019 by the Norwegian Institute for Sustainability Research (NORSUS) on Norwegian hydropower, indicates average life-cycle emissions of around 3.3g CO₂e/kWh. In addition, the study notes that hydropower plants in Norway tend to be located at high altitudes where there is little vegetation as well as colder climate, which leads to limited extra methane emissions from algae growth with could develop in the water storage basin where the climate is warmer²³. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Construction of new buildings.		
Sustainable use and protection of water and marine resources	<ol style="list-style-type: none"> The activity complies with the provisions of Directive 2000/60/EC²⁴, in particular with all the requirements laid down in Article 4 of the directive. 	<p>Relevant contextual information</p> <ul style="list-style-type: none"> The construction of energy production facilities larger than 1 MW needs a license from the Norwegian Water Resources and Energy Directorate (NVE) according to the "Energy Act" and the 	Likely aligned.

²² The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018162, ISO 14064-1:2018163 or the G-res tool. Quantified life-cycle GHG emissions are verified by an independent third party.

²³ [AR-01.19-The-inventory-and-life-cycle-data-for-Norwegian-hydroelectricity.pdf \(norsus.no\)](#)

²⁴ The Water Framework Directive, [EUR-Lex - 32000L0060 - EN - EUR-Lex \(europa.eu\)](#)

<p>2. For operation of existing hydropower plants, including refurbishment activities to enhance renewable energy or energy storage potential, the activity complies with the following criteria:</p> <p>2.1. In accordance with Directive 2000/60/EC and in particular Articles 4 and 11 of that Directive, all technically feasible and ecologically relevant mitigation measures have been implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water.</p> <p>2.2. Measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies:</p> <p>(a) measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimise operation and discharges during migration or spawning);</p> <p>(b) measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow;</p> <p>(c) measures to protect or enhance habitats</p> <p>2.3. The effectiveness of those measures is monitored in the context of the authorisation or permit setting out the conditions aimed at achieving good status or potential of the affected water body.</p> <p>3. For construction of new hydropower plants, the activity complies with the following criteria:</p> <p>3.1. In accordance with Article 4 of Directive 2000/60/EC and in particular paragraph 7 of that Article, prior to construction, an impact assessment of the project is carried out to assess all its potential impacts on the status of water bodies within the same river basin and on protected habitats and species directly dependent on water, considering in particular migration corridors, free-flowing rivers or ecosystems close to undisturbed conditions.</p> <p>The assessment is based on recent, comprehensive and accurate data, including monitoring data on biological quality elements that are specifically sensitive to hydromorphological alterations, and on the expected status of the water body as a result of the new activities, as compared to its current one.</p> <p>It assesses in particular the cumulated impacts of this new project with other existing or planned infrastructure in the river basin.</p>	<p>“Water Resources Act”. Conditions and rules of operation will be stated in the license.</p> <ul style="list-style-type: none"> • Mitigation of negative environmental impacts as well as impacts on biodiversity, surrounding areas, and cultural heritages are important elements in attaining necessary licenses from NVE. • Companies need to complete an EIA and to demonstrate alignment with the EU Water Framework Directive (WFD). For newer installations, minimum requirements include minimum water flow, functional fish migration pathways as well as safeguards for biodiversity and local ecosystems. • River basin management (RBM) is conducted on a regional level, and hydropower plants need to be incorporated in the existing river basin management plans. This is regulated in the WFD. • Old hydropower plants do not have licenses but must comply with and are subject to the same legal requirements and the same audit regime as plants with a license. • Smaller energy projects with lesser environmental impacts may be handled through simplified handling procedures. • NVE is carrying out audits to monitor performance, and has started an assessment of all licenses to ensure alignment with updated requirements. • To receive a license for a new hydropower plant, the Water Resource Act (§25) needs to be fulfilled, requiring that the overall consequences locally, regionally and nationally are investigated. This will be a part of the application to receive a and focus on e.g., the environment, nature and biodiversity. A license will only be issued if the advantages of the development are outweighing the disadvantages. Consequences must be adapted to the expected lifespan of the development. <p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> • For all new loans, advisors currently ask a question related to nature risk. 	
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	<p>3.2. On the basis of that impact assessment, it has been established that the plant is conceived, by design and location and by mitigation measures, so that it complies with one of the following requirements:</p> <ul style="list-style-type: none"> (a) the plant does not entail any deterioration nor compromises the achievement of good status or potential of the specific water body it relates to; (b) where the plant risks to deteriorate or compromise the achievement of good status/potential of the specific water body it relates to, such deterioration is not significant, and is justified by a detailed cost-benefit assessment demonstrating both of the following: (i) the reasons of overriding public interest or the fact that benefits expected from the planned hydropower plant outweigh the costs from deteriorating the status of water that are accruing to the environment and to society; (ii) the fact that the overriding public interest or the benefits expected from the plant cannot, for reasons of technical feasibility or disproportionate cost, be achieved by alternative means that would lead to a better environmental outcome (such as refurbishing of existing hydropower plants or use of technologies not disrupting river continuity). <p>3.3. All technically feasible and ecologically relevant mitigation measures are implemented to reduce adverse impacts on water as well as on protected habitats and species directly dependent on water. Mitigation measures include, where relevant and depending on the ecosystems naturally present in the affected water bodies:</p> <ul style="list-style-type: none"> (a) measures to ensure downstream and upstream fish migration (such as fish friendly turbines, fish guidance structures, state-of-the-art fully functional fish passes, measures to stop or minimise operation and discharges during migration or spawning); (b) measures to ensure minimum ecological flow (including mitigation of rapid, short-term variations in flow or hydro-peaking operations) and sediment flow; (c) measures to protect or enhance habitats. The effectiveness of those measures is monitored in the context of the authorisation or permit setting out the conditions aimed at achieving good status or potential of the affected water body. <p>3.4. The plant does not permanently compromise the achievement of good status/potential in any of the water bodies in the same river basin district.</p>	<ul style="list-style-type: none"> • The bank's competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. In the case of water resources and hydropower, we envisage that an additional industry-specific question will be asked regarding main impacts on water bodies, habitats and species, and mitigating actions. • It is envisaged that advisors will assess loans according to the taxonomy criteria, via a dedicated interface of the loan assessment module used today. 	
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	3.5. In addition to the mitigation measures referred to above, and where relevant, compensatory measures are implemented to ensure that the project does not increase the fragmentation of water bodies in the same river basin district. This is achieved by restoring continuity within the same river basin district to an extent that compensates the disruption of continuity, which the planned hydropower plant may cause. Compensation starts prior to the execution of the project.		
Transition to a circular economy	N/A	N/A	N/A
Pollution prevention and control.	N/A	N/A	N/A
Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> • An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU²⁵, or in accordance with national provisions. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented²⁶. 	<p><u>Relevant contextual information</u></p> <ul style="list-style-type: none"> • The construction of energy production facilities larger than 1 MW is subject to licensing from the NVE pursuant to the Energy Act and the Water Resources Act. • To receive a license the company needs to complete an EIA in accordance with the Planning and Building Act, including implementation of mitigative measures. <p><u>Information provided by the issuer:</u></p> <ul style="list-style-type: none"> • The bank's credit handbook will prohibit loans to activities in wetlands and biodiversity sensitive areas ("verneområder"). 	Likely aligned.

²⁵ The EU-EIA-directive. [EUR-Lex - 32011L0092 - EN - EUR-Lex \(europa.eu\)](#)

²⁶ Practical guidance is contained in Commission notice C/2018/2619 'Guidance document on the requirements for hydropower in relation to EU nature legislation' (OJ C 213, 18.6.2018, p. 1).

District heating/cooling distribution

Framework activity	Renewable energy		
Taxonomy activity	District heating/cooling distribution (NACE D35.30)		
Taxonomy version	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Mitigation criteria	<p>The activity complies with one of the following criteria:</p> <p>(a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41¹⁶, of Directive 2012/27/EU²⁷;</p> <p>(b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41²⁸, of Directive 2012/27/EU starts within a three year period as underpinned by a contractual obligation or an equivalent in case of operators in charge of both generation and the network;</p> <p>(c) the activity is the following:</p> <p>(i) modification to lower temperature regimes;</p> <p>(ii) advanced pilot systems (control and energy management systems, Internet of Things).</p>	<p>Information provided by the issuer:</p> <ul style="list-style-type: none"> Loans financing the acquisition, construction, development, operation, maintenance, and improvement of facilities and related infrastructure for district heating and cooling where at least [95%] of the fuel comes from renewable sources such as locally supplied forestry waste and residues, recycled wood waste, or waste heat from nearby industries can be funded using green proceeds. According to the bank, the selection criteria ensure locally supplied materials, where Norwegian standards and regulations apply, ensuring sustainable sourcing. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Construction of new buildings.		
Sustainable use and protection of water and marine resources	<ul style="list-style-type: none"> Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852²⁹, in accordance with Directive 2000/60/EC³⁰ of the European Parliament and of the Council and a water use and protection management plan, developed 	<p>Relevant contextual information</p> <ul style="list-style-type: none"> District heating and cooling systems are covered by the Energy Act, and the licensing obligation is triggered if the system supplies external consumers and has a capacity of more than 10 MW. An EIA must be carried out if the system has a capacity of 150 MW or more. Waste incineration 	Likely aligned.

²⁷ The EU-directive on Energy Efficiency, [EUR-Lex - 32012L0027 - EN - EUR-Lex \(europa.eu\)](#)

²⁸ “efficient district heating and cooling” means a district heating or cooling system using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat;”

²⁹ The regulation on the establishment of a framework to facilitate sustainable investment. [EUR-Lex - 32020R0852 - EN - EUR-Lex \(europa.eu\)](#)

³⁰ The Water Framework Directive. [EUR-Lex - 32000L0060 - EN - EUR-Lex \(europa.eu\)](#)

	<p>thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders.</p> <ul style="list-style-type: none"> Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU³¹ of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed. 	<p>plants are subject to an EIA assessment if the capacity is more than 100 tonnes of waste per day.</p> <ul style="list-style-type: none"> District heating and cooling installations under 50 MW are regulated by the “Pollution control regulation”, and installations over 50 MW need a license from the Norwegian Environment Agency. Measures to avoid degradation of water are included in the permit and in the EIA-process. <p>Information provided by the issuer</p> <ul style="list-style-type: none"> The approximate size of the facilities is 1-6 MW. For all new loans, advisors currently ask a question related to nature risk. The bank’s competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a dedicated interface of the loan assessment module used today. 	
Transition to a circular economy	N/A	N/A	N/A
Pollution prevention and control.	<ul style="list-style-type: none"> Fans, compressors, pumps and other equipment used which is covered by Directive 2009/125/EC³² comply, where relevant, with the top class requirements of the energy label, and otherwise comply with implementing regulations under that Directive and represent the best available technology. 	<p>Information provided by the issuer</p> <ul style="list-style-type: none"> The emission limits for emissions of NO_x, SO₂, CO and dust from incineration plants related to district heating are lowered on 20 December 2021 (cf. Pollution Control Regulations § 27-10, § 27-11, § 27-22, and appendix 2). The limit values are lower for plants over 5MW, and the deadline for phasing in is 2025 (2030 for smaller plants). The bank will follow up clients to ensure compliance with the phase-in of such limits. 	Likely aligned.
Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU³³, or in accordance with national provisions. 	<p>Relevant contextual information</p> <ul style="list-style-type: none"> An EIA must be carried out if the system has a capacity of 150 MW or more, including implementation of mitigative measures. 	Likely aligned.

³¹ The EU-EIA-directive. [EUR-Lex - 32011L0092 - EN - EUR-Lex \(europa.eu\)](#)

³² The EU-directive on establishing a framework for the setting of ecodesign requirements for energy-related products. [EUR-Lex - 32009L0125 - EN - EUR-Lex \(europa.eu\)](#)

³³ The EU-EIA-directive. [EUR-Lex - 32011L0092 - EN - EUR-Lex \(europa.eu\)](#)

	<ul style="list-style-type: none"> • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented³⁴. 	<ul style="list-style-type: none"> • Waste incineration plants are subject to an EIA assessment if the capacity is more than 100 tonnes of waste per day. <p><u>Information provided by the issuer</u></p> <ul style="list-style-type: none"> • The bank’s credit handbook will prohibit loans to activities in wetlands and biodiversity sensitive areas (“verneområder”). • For all new loans, advisors currently ask a question related to nature risk. 	
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³⁴ Practical guidance is contained in Commission notice C/2018/2619 ‘Guidance document on the requirements for hydropower in relation to EU nature legislation’ (OJ C 213, 18.6.2018, p. 1).

Construction of new buildings

Framework activity	Green buildings		
Taxonomy activity	Construction of new buildings (NACE Code F41.1, F41.2)		
	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Technical screening criteria	<p>Constructions of new building, eligible if:</p> <ul style="list-style-type: none"> The Primary Energy Demand is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation. The energy performance is certified using an as built Energy Performance Certificate (EPC). For buildings larger than 5000 m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. For buildings larger than 5000 m2, the life cycle Global Warming Potential of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand. 	<p>Information provided by the issuer: The following eligibility criteria apply:</p> <p>Buildings built in 2021 or later</p> <ul style="list-style-type: none"> Buildings with an energy consumption that is 10% lower than national minimum requirements (TEK17)³⁵; or Buildings with BREEAM-NOR 3.0 Excellent certificate. <p>For buildings larger than 5.000m2, (i) upon completion having undergone testing for air-tightness and thermal integrity (unless robust and traceable quality control processes are in place during construction), and (ii) calculation of the Global Warming Potential for each stage of the life cycle.</p> <p>The bank's competence-building effort as part of its new strategy will, for all advisors granting loans, highlight EU taxonomy technical criteria. In the case of construction of new buildings, this will include NZEB requirements, and requirements relating to building size. These technical requirements will also be featured in the future dedicated taxonomy interface of the loan assessment module used today.</p>	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps ³⁶ :	<p>Information provided by the issuer The bank is reporting according to the TCFD and has assessed physical climate risk for its portfolio on an asset basis.</p>	Likely aligned.

³⁵ NZEB requirements are yet to be implemented in Norway, and therefore this framework uses the latest Norwegian building code available (TEK17) as a proxy.

³⁶ The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.

	<p>(d) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime;</p> <p>(e) where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</p> <p>(f) an assessment of adaptation solutions that can reduce the identified physical climate risk.</p> <p>The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.</p> <p>For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p> <p>For new activities and existing activities using newly built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations.</p> <p>The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.</p>	<p>The bank asks specific questions on physical climate risks for all new loans. Furthermore the bank has a strategy for 2022-23 to increase training for the advisors to enable the clients to reduce the physical climate risk.</p> <p>The competence building effort will, for staff assessing such loans, include topics such as (but not limited to)</p> <ol style="list-style-type: none"> 1) specific locations in the market area with high physical climate risk (and hence the risk of accepting newbuilds in such locations); 2) the importance of increasing the lifetime of newbuilds through flexible interior design and design for reuse; 3) the implications of accepting newbuild close to vulnerable biodiversity areas; 4) how choosing low-carbon building materials reduces emissions immediately, and hence need to be balanced against energy-efficiency measures yielding gradual effects over a longer time period. <p>Regarding adaptation, the bank has identified geographical areas where adaptation measures may be needed. It will use Norkart and/or Eiendomsverdi to provide data on physical climate risk of the bank's retail and corporate portfolio, with results expected next month. The expected output is GPS coordinates for all buildings linked to the bank's loan exposure, matched with physical climate risk map data. Based on these data, the bank plans to identify the customers with the highest climate risks, and approach them to understand to what extent they have already taken adaptation measures. The bank will offer solutions for the customers with material climate risk that have not yet taken adaptive measures. Depending on their willingness to introduce adaptive measures the bank may adjust the pricing of the loan to reflect the increased risk.</p>	
Sustainable use and protection of water and marine resources	<ul style="list-style-type: none"> • Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing 	<p>Relevant contextual information</p> <ul style="list-style-type: none"> • Construction of buildings will normally not require an EIA, as the area has already been made available for new construction in the municipality 	Likely partly aligned.

	<p>product label³⁷ in the Union, in accordance with the technical specifications:</p> <ul style="list-style-type: none"> (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. <p>To avoid impact from the construction site, the activity complies with the criteria in the EU Water Framework Directive³⁸. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU³⁹ and includes an assessment of the impact on water in accordance with the Water Framework Directive, no additional assessment of impact on water is required, provided the risks identified have been addressed.</p>	<p>regulation plans. This includes a plan for impacts on water sources.</p> <p>Information provided by the issuer It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a dedicated interface of the loan assessment module used today.</p> <p>The bank provides better loan conditions for commercial real estate certified BREEAM Excellent/Outstanding. According to the bank's dialogue with the Norwegian Green Building Council (Grønn Byggallianse) it is envisaged that revised BREEAM Excellent criteria will be fully aligned with the EU taxonomy technical criteria.</p> <p>As BREEAM-certification is not a requirement, the bank cannot guarantee that the requirements related to sustainable use of water will be met for buildings not certified.</p>	
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> • At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material⁴⁰) generated on the construction site is prepared for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials. • Operators limit waste generation in processes related to construction and demolition in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. • Building designs and construction techniques support circularity and in particular demonstrate how they are designed to be more resource 	<p>Information provided by the issuer It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a dedicated interface of the loan assessment module used today.</p> <p>The bank intends to revise the current industry-specific question "I hvilken grad er prosjektet rigget for ombruk og resirkulering av materialer?" to include a to what degree the real estate company can confirm that all waste is sorted, weighted and that at least 70% of the non-hazardous waste is prepared for re-use, recycling and other material recovery (including backfilling) as required by the EU Taxonomy.</p>	Likely aligned.

³⁷ The Taxonomy is referring to Appendix E in the Taxonomy Annex 1.

³⁸ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy

³⁹ DIRECTIVE 2011/92/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the assessment of the effects of certain public and private projects on the environment.

⁴⁰ Refer to the European List of Waste established by Commission Decision 2000/532/EC

	efficient (with reference to ISO 208872 ⁴¹), adaptable, flexible and dismantlable to enable reuse and recycling.		
Pollution prevention and control	<ul style="list-style-type: none"> Building components and materials used in the construction comply with the criteria set out in Appendix C to the Taxonomy Annex 1. For building components and materials used in the construction that may come into contact with occupiers, formaldehyde emissions are within relevant limits⁴². Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants⁴³. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works. 	<p>Information provided by the issuer</p> <ul style="list-style-type: none"> The bank provides better loan terms for commercial real estate certified BREEAM Excellent/Outstanding. According to the bank's dialogue with the Norwegian Green Building Council (Grønn Byggallianse) it is envisaged that revised BREEAM Excellent criteria will be fully aligned with the EU taxonomy technical criteria. For all new loans to commercial real estate projects, the bank currently asks a specific question on risks related to contaminated ground and other relevant forms of pollution. <p>As BREEAM-certification is not a requirement, the bank cannot guarantee that the requirements related to pollution prevention and control will be met for buildings not certified.</p>	Likely partly aligned.
Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening should be completed in accordance with the EU EIA-directive or national provisions⁴⁴. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. The new construction should not be built on one of the following: <ul style="list-style-type: none"> a) arable land and crop land; 	<p>Relevant contextual information</p> <ul style="list-style-type: none"> Areas with prioritized biodiversity, endangered species and protected areas are regulated in the Nature Diversity Act. Construction of buildings will normally not require an EIA, as the area has already been made available for new construction in the municipality regulation plans. The Planning and Building Act is setting out requirements to the municipality regulation plans, to i.a. protect valuable land. <p>Information provided by the issuer</p> <ul style="list-style-type: none"> The bank's credit handbook will prohibit loans to activities in wetlands and biodiversity sensitive areas ("verneområder"). 	Likely aligned.

⁴¹ ISO 20887:2020, Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance (version of [adoption date]: <https://www.iso.org/standard/69370.html>).

⁴² Emit less than 0,06 mg of formaldehyde per m³ of material or component and less than 0,001 mg of categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/TS 16516522 and ISO 16000-3 523 or other comparable standardised test conditions and determination method.

⁴³ Standard ISO 18400 can be used.

⁴⁴ The Taxonomy is referring to Appendix D in the Taxonomy Annex 1.

	<ul style="list-style-type: none"> b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List. c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest⁴⁵. 	<ul style="list-style-type: none"> • For all new loans to commercial real estate projects, the bank currently asks a specific question on risks related to the protection of biodiversity. 	
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⁴⁵ Land spanning more than 0,5 hectares with trees higher than five meters and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ. It does not include land that is predominantly under agricultural or urban land use, FAO Global Resources Assessment 2020. Terms and definitions.(version of [adoption date]: <http://www.fao.org/3/I8661EN/i8661en.pdf>).

Renovation of existing buildings

Framework activity	Green buildings		
Taxonomy activity	Renovation of existing buildings (NACE code F41 and F43)		
	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Technical screening criteria	Renovation of existing buildings, eligible if: <ul style="list-style-type: none"> The reduction of primary energy demand (PED) must be at least 30 %. 	Information provided by the issuer The following eligibility criteria apply: <ul style="list-style-type: none"> Costs related to renovations leading to a reduction in primary energy demand of at least 30%. For the full building to qualify, it should after renovations be expected to meet the criteria above for buildings built either before or after 2021. 	Likely aligned.
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Construction of new buildings.		
Sustainable use and protection of water and marine resources	Please see under Construction of new buildings.		
Transition to a circular economy	Please s under Construction of buildings.		
Pollution prevention and control	<ul style="list-style-type: none"> Building components and materials used in the construction comply with the criteria set out in Appendix C to the Taxonomy Annex 1. For building components and materials used in renovation that may come into contact with occupiers, formaldehyde emissions are within relevant limits⁴⁶. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works. 	Information provided by the issuer <ul style="list-style-type: none"> The bank provides better loan terms for commercial real estate certified BREEAM Excellent/Outstanding. This will also apply to BREEAM-In-Use. According to the bank's dialogue with the Norwegian Green Building Council (Grønn Byggallianse) it is envisaged that revised BREEAM Excellent criteria will be fully aligned with the EU taxonomy technical criteria. It is envisaged that advisors will assess loans according to the taxonomy criteria, including the circular economy criteria, via a dedicated interface of the loan assessment module used today. <p>As BREEAM-certification is not a requirement, the bank cannot guarantee that the requirements related to pollution prevention and control will be met for buildings not certified.</p>	Likely partly aligned.

⁴⁶ Emit less than 0,06 mg of formaldehyde per m³ of material or component and less than 0,001 mg of categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/TS 16516522 and ISO 16000-3 523 or other comparable standardised test conditions and determination method.

Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A
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Acquisition and ownership of buildings

Framework activity	Green buildings		
Taxonomy activity	Acquisition and ownership of buildings (NACE L68)		
	EU Technical mitigation criteria	Comments on alignment	CICERO Green's comments on alignment
Technical screening criteria	<ul style="list-style-type: none"> Buying real estate and exercising ownership of that real estate. <p>Acquisition and ownership of buildings are eligible if:</p> <ol style="list-style-type: none"> For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment. 	<p>Information provided by the issuer The following eligibility criteria apply:</p> <p>Buildings built before 2021</p> <ul style="list-style-type: none"> Energy Performance Certificate A, or buildings within the top 15% of the national or regional stock in terms of primary energy demand, defined as <ul style="list-style-type: none"> buildings built according to Norwegian building codes of 2010 (TEK10) or 2017 (TEK17) (to ensure TEK10-alignment, we use a conservative 2-year time lag and include buildings built from 2012 and onwards, for hotels and restaurants we use a 3-year time lag), or for buildings built prior to 2012, Energy Performance Certificate B. Commercial buildings with BREEAM-NOR Excellent certificate or better, and minimum 6 credits in the BREEAM-NOR "Energy" category. <p>For large, non-residential buildings (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	Likely aligned
	EU Taxonomy DNSH-criteria	Comments on alignment	Alignment
Climate change adaptation	Please see under Construction of new buildings.		
Sustainable use and protection of water and marine resources	N/A	N/A	N/A
Transition to a circular economy	N/A	N/A	N/A

Pollution prevention and control	N/A	N/A	N/A
Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A



Appendix 3: 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, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.

