

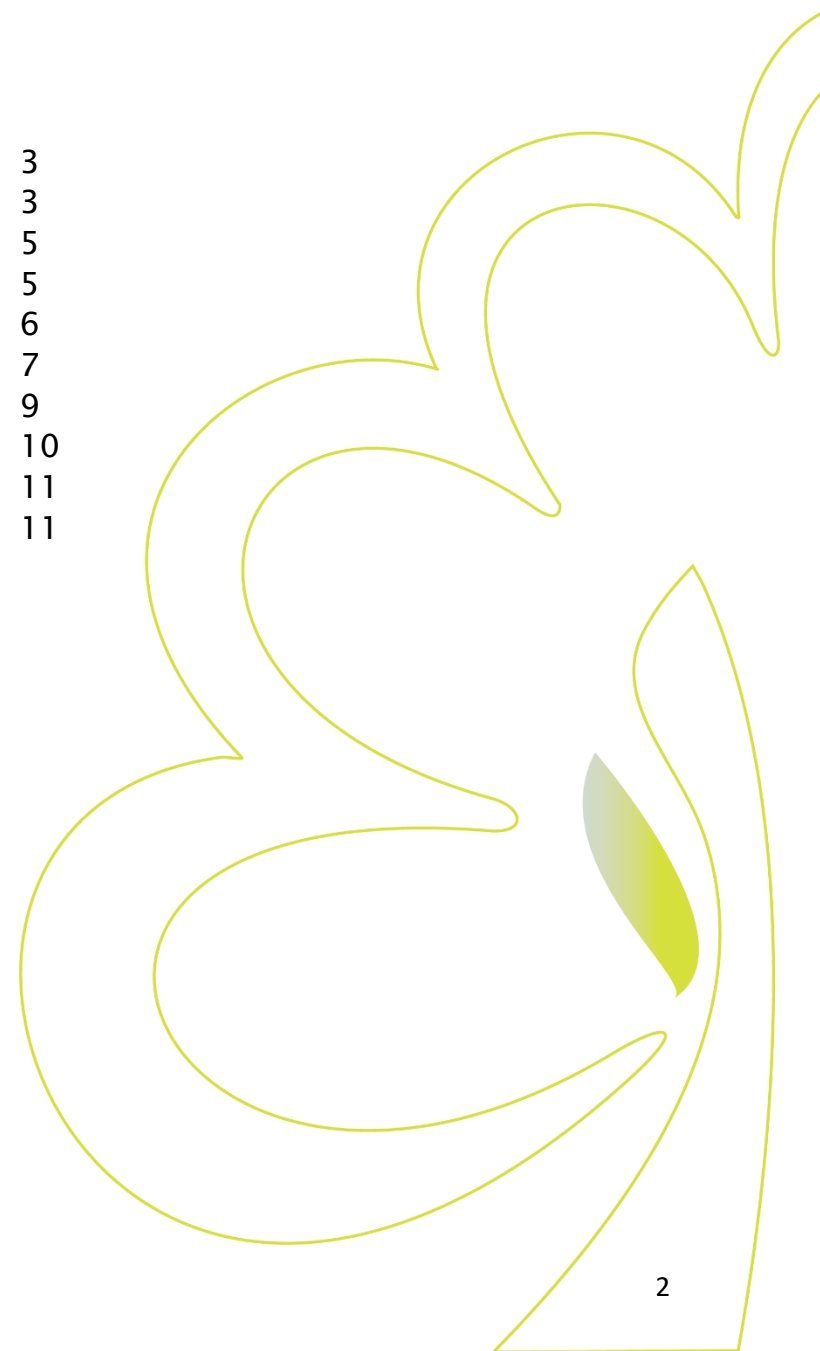


Sunndal
Sparebank

Green Bond Framework
May 2024

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About Sunndal Sparebank

Sunndal Sparebank (“Sunndal” or “the Bank”) is a local savings bank headquartered at Sunndalsøra, on the western coast of Norway, with branches in Surnadal, Kristiansund, Molde and Ålesund.

The Bank was established in 1892 and has long traditions of being an active and important financial institution in the local community of Sunndal. Customers particularly value Sunndal for its good personal service, the friendly atmosphere, accessibility and commitment to create good solutions for both small and large needs.

The Bank's main activity is to advise on and sell financial services to private customers throughout the country and to businesses and agriculture in Møre and Romsdal. A key element to Sunndal's business model is by being a member of the Eika Alliance, which enables product diversification and provides the opportunity to finance retail mortgages via Eika Boligkreditt.

The loan portfolio by 31 Dec 2023 is approximately NOK 5bn. In addition, the Bank has transferred NOK 1,9bn in retail mortgages to Eika Boligkreditt. There are 43 employees in Sunndal Sparebank.

Sunndal Sparebank's commitment to ESG

As a bank, Sunndal recognizes its role in facilitating the necessary transition to a low-emission society by allocating capital towards green assets and projects. ESG is an integral part of the Bank's strategy, and the goal is to take an active approach to ESG throughout the business and help implement initiatives and solutions in the financial industry that have a positive environmental and social impact. An overarching goal is also to increase expertise on ESG and climate risk within finance and implement this in important core processes in Sunndal's business.

In own operations, Sunndal Sparebank takes a conscious environmental responsibility and works purposefully to reduce its own environmental footprint, for example through reduced business travel, preference for environmentally certified suppliers (e.g. Eco-Lighthouse, Nordic Swan Ecolabel or similar), and reviewing suppliers with an increased likelihood of having a negative ESG impact. Other measures for example include good routines for waste management of paper, residual waste and used electronics. Since 2013, the Bank reports on Scope 1-3 GHG emissions according to the GHG protocol.

Responsible finance

Green product offering

The majority of the Bank's environmental impact comes from financed emissions i.e. the loan book and Sunndal recognizes the opportunity to support customers in choosing sustainable options. For example, the Bank offers customers green products, such as favourable financing for electric vehicles, green mortgages, green renovation loans and green loans for commercial buildings. The Bank also continuously establishes new green loan products and strives to actively influence and provide knowledge to customers to make climate-smart choices. By 2030, the Bank targets that 50% of all its lending to private, corporate and agricultural customers should be considered green according to internal criteria.

ESG assessment in the lending process

ESG risk is specifically included as an integrated part of the credit approval process, where an enhanced ESG assessment is conducted on corporate and agricultural customers. These customers are given a separate ESG score based on a set of assessment criteria. Criteria are for example related to climate-related risks such as physical risk, transition risk and regulatory risk in the transition towards a low carbon society. In addition, labour standards and ethics are also covered for corporate and agricultural customers.

As for climate risks specifically, corporate advisors use a climate risk tool developed by the Eika Alliance. The main purpose is to identify

the climate risk represented by the individual corporate or agricultural customer. The climate risk tool is to be reviewed with the customer in connection with new credit cases, and at least annually in connection with engagement reviews.

For private and corporate customers, a qualitative assessment is made of physical risk (climate risk in relation to the customer's assets) and transition risk.

Selected ESG targets

- Conduct ESG assessments of all corporate and agricultural customers in the loan portfolio.
- Increase the Bank's GAR (Green Asset Ratio) to at least 50 percent by 2030. Applies to the total loan portfolio in own balance sheet.
- By 2025, have at least two green bonds issued in the Norwegian market and listed on the Oslo Stock Exchange.

Selected initiatives

- *Eco-Lighthouse certification* - the Bank has been Eco-Lighthouse certified since 2013. As part of the recertification in 2023, Sunndal carried out a double materiality analysis. Some important areas identified include GHG emissions from the loan book and offering green products and financing.
- *Climate risk tool* - during the past years, Sunndal has started using a new climate risk tool developed by the Eika Alliance. In 2023, all corporate and agricultural loans had been reviewed using the tool, compared to 99% in 2022 and 47% in 2021.

Sunndal Sparebank in society

For more than 130 years, Sunndal Sparebank has actively supported residents and businesses in the municipality and gives back to the local community in the form of donations and sponsorship agreements, totalling around NOK 3 millions annually. Supporting activities aimed at children and young people has been particularly important. During the previous years, the Bank has sponsored several organizations each year, and one of the criteria in the application has been to describe how the projects will affect UN SDGs.

Governance & policies

ESG and management of ESG risks are an integral part of Sunndal's strategy and mainly guided by its ESG policy. In the policy, the Board of Directors has set out principles and guidelines for responsible banking, social issues combating financial crime, ethical awareness, sustainable procurement, sustainable investments and ownership, and responsible credit process. The Bank also has a number of other ESG-related documents in place such as ethical guidelines and credit policy. For example, anti-corruption work is mentioned in the ESG policy, the ethical guidelines and credit policy. As part of the credit policy, the Bank states its ambition to contribute to achieving the Paris Agreement by pursuing a responsible and sustainable lending operation.

Selected policies

- ESG policy
- Ethical guidelines
- Credit policy
- Policy for business and risk management

Selected initiatives

- In 2023, the Bank carried out training in risk assessment and knowledge of money laundering and sanctions regulations. The trainings were aimed at the Board of Directors, managers and employees to be able to identify and manage risks within the area in the best way possible.
- Together with Eika Alliance, the Bank works to detect fraud. In 2023, the Eika Alliance deployed an AI solution, which helped to reduce fraud losses for customers and the financial industry.

The United Nations Sustainable Development Goals (UN SDGs)

Sunndal Sparebank recognizes that the UN's SDGs are particularly important and relevant for the Bank's operations, to achieve a sustainable local society. The Bank contribute to several of the SDGs in its operations but mainly focuses on SDG 8 – decent work and economic growth and SDG 10 – reduced inequalities. In the green loan categories, the Bank can contribute to SDG 7 - clean energy, SDG 9 - industry, innovation and infrastructure and SDG 11 - sustainable cities and communities.

Sunndal Sparebank's rationale for updating the Framework

In 2019, Sunndal Sparebank became the first Norwegian savings bank to issue a green bond, using its position in the local community to channel funds towards sustainable solutions that support the transition to a low-carbon society. In recent years, ESG related regulation has evolved, and thus Sunndal aims to incorporate these market developments in its updated *Green Bond Framework* (the "Framework").

This update marks the second version of Sunndal's Framework (i.e. initial launch in 2018 and now updated in 2024). The main change from the previous version is that the Framework has been broadened to include loans to green buildings.

The updated Framework reflects market trends and best practices and is developed in accordance with the *Green Bond Principles* from 2021 ("GBP")¹. The Framework follows the core components and recommendation of external review:

- Use of Proceeds
- Process for Loan Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable for issuance of *Green bonds* (Senior bonds). The terms and conditions of the underlying documentation for each Green bond issued by Sunndal Sparebank shall provide a reference to this Framework. This Framework may over time be updated, however new versions shall have no implications for the Green bonds that have been issued under this Framework.

Swedbank has acted as advisor to Sunndal Sparebank in the establishment of this Framework.

¹The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)

Use of Proceeds

Allocation of net proceeds




An amount equivalent to the net proceeds from Sunndal Sparebank's Green bonds shall be used to finance or re-finance, in whole, or in part, loans with environmental benefits ("Green Loans"). The Framework does not apply any look-back period to Green Loans due to the fact that Green Loans have a certain tenor meaning that the "age" of the underlying green portfolio is automatically limited. New financing is defined as Green Loans disbursed during the reporting year. Refinancing is defined as Green Loans disbursed before the reporting year.

Exclusion criteria

Net proceeds of Sunndal Sparebank's Green bonds will not be used to finance or re-finance either, *fossil fuel related energy generation and related infrastructure, nuclear energy generation, weapons, tobacco, or potentially environmentally negative resource extraction, mining, gambling or pornography.*

EU Taxonomy

Sunndal Sparebank strives to align the Green Use of Proceeds with the *EU Taxonomy* to the extent possible. The EU Taxonomy is a classification system with six environmental objectives. The eligible Green Loan categories have been mapped to the relevant *Environmental Objectives*, which are presented below.

Green Loan Categories	Sub-categories	EU Environmental Objective & SDGs
Green Buildings	<p>Loans to Green buildings that fulfil one of the following criteria:</p> <ol style="list-style-type: none"> <u>Residential buildings</u> <ul style="list-style-type: none"> New buildings (built after 31 Dec 2020): <ul style="list-style-type: none"> Primary Energy Demand (PED)² at least 10% lower than the threshold set for Nearly Zero Energy Building (NZEB) according to national building regulations³ Existing buildings (built before 31 Dec 2020): <ul style="list-style-type: none"> EPC A or within top 15% most energy efficient buildings in Norway. Until the official Norwegian definition for top 15% is in place, include buildings built according to Norwegian building codes of 2010 (TEK10)⁴ or 2017 (TEK17)⁴ or EPC A or B <u>Commercial buildings</u> <ul style="list-style-type: none"> New buildings (built after 31 Dec 2020): <ul style="list-style-type: none"> Primary Energy Demand (PED)² at least 10% lower than the threshold set for NZEB according to national building regulations³ or Minimum environmental certification of BREEAM-NOR Excellent Existing buildings (built before 31 Dec 2020): <ul style="list-style-type: none"> EPC A or within top 15% most energy efficient buildings in Norway. Until the official Norwegian definition for top 15% is in place, include buildings built according to Norwegian building codes of 2010 (TEK10)⁴ or 2017 (TEK17)⁴ or EPC A or B Minimum environmental certification of BREEAM-NOR/BREEAM In-Use Excellent <u>Major renovations for residential and commercial buildings</u> <ul style="list-style-type: none"> Renovation costs for buildings with at least a 30%⁵ improvement in primary energy demand For the full building to qualify after renovation, it should be expected to meet the criteria under #1 or #2 above 	<p>Climate change mitigation</p> 
Clean Transportation	<ol style="list-style-type: none"> Passenger and public passenger transport with zero direct (tailpipe) emissions (i.e. hydrogen and electrical vehicles), or Heavy equipment vehicles with zero direct (tailpipe) emissions (i.e. hydrogen and electrical vehicles) 	<p>Climate change mitigation</p> 
Renewable Energy	<ol style="list-style-type: none"> Solar power (Solar photovoltaic (PV)) Wind power Hydro power that became operational before 2019 that meets at least one of the following criteria: <ul style="list-style-type: none"> i) the electricity generation facility is a run of river plant and does not have an artificial reservoir, or ii) the power density of the electricity generation facility is above 5W/m², or iii) the lifecycle emissions from the generation of the electricity from hydropower are below 100g CO₂e/Kwh Hydro power that became operational in or after 2019 that meets at least one of the following criteria: <ul style="list-style-type: none"> i) the electricity generation facility is a run of river plant and does not have an artificial reservoir, or ii) the power density of the electricity generation facility is above 10W/m², or iii) the lifecycle emissions from the generation of the electricity from hydropower are below 50g CO₂e/Kwh 	<p>Climate change mitigation</p> 

² The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC)

³ <https://www.regjeringen.no/contentassets/296636deecf419590fe6b5668fe196f/23-12-korrigert-veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf>

⁴ A two-year lag (for residential, office, retail and industrial buildings) and a three-year lag (for hotel and restaurant buildings) between implementation of a new building code and the buildings built under that code must be taken into account

⁵ The initial primary energy demand and the estimated improvement is based on an energy audit conducted by an independent expert. The 30% improvement results from an actual reduction in primary energy demand, and be achieved through a succession of measures within a maximum of three years

Process for Loan Evaluation and Selection

Selection of Green Loans

The evaluation and selection process for Green Loans is a *key process* in ensuring that the proceeds from Green bonds are allocated to loans which meet the criteria under the Use of Proceeds section in this Framework.

The credit process

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

For climate risks specifically, advisors use a climate risk tool developed by the Eika Alliance. The main purpose is to use questions to identify the climate risk represented by the individual corporate customer or agricultural customer. The climate risk tool is to be reviewed with the customer in connection with new credit cases, and at least annually in connection with engagement reviews.

Green Bond Committee

The Green Bond Committee ("GBC") established by Sunndal Sparebank is a cornerstone in the selection process. The GBC will meet on a regular basis (at least annually) and consists of Chief Executive Officer, Risk Manager, Compliance Officer, Credit Manager and Head of AML / ESG.

The process for loan evaluation and selection proceeds as follows:

- Any GBC member or relevant business units in Sunndal Sparebank, such as corporate advisors may propose potential Green Loans to be evaluated in alignment with the criteria specified under the Use of Proceeds section of this Framework.
- The GBC confirms that proposed Green Loans are eligible and aligned with the criteria in this Framework as well as ensures that the environmental and social risks potentially associated with the Green Loans adhere to applicable laws and regulations and the Bank's ESG policy.
- Approved Green Loans will be included in Sunndal Sparebank's Green Loan portfolio ("Green Register"). The Bank's Finance Department will, on behalf of the Green Bond Committee, keep track of the Green Register.

All decisions are made in consensus, and this applies to the selection process of Green Loans as well. In addition, the Bank will follow the development of the green bond market and manage any future updates of this Framework to reflect current and future market practices (e.g., related to the EU Taxonomy) and potential updates to ICMA's principles.

Management of Proceeds

Tracking of Net Proceeds

Equivalent to the net proceeds from Sunndal Sparebank's Green bonds will be tracked by using the Green Register. Information available in the Green Register will in turn serve as basis for regular reporting (see Section "Reporting") and will be verified by an external party (see Section "External review").

All Green bonds issued by Sunndal Sparebank will be managed on a *portfolio level*. This means that a Green bond will not be linked directly to one (or more) pre-determined Green Loans. Green Loans can, whenever needed, be removed, or added to/from the Green Register.

The Green Register is monitored on a regular basis (at least annually) during the term of the Green bonds to ensure that the proceeds are sufficiently allocated to Green Loans. Further, if the GBC identifies loans which do not qualify under the Framework, the GBC has the authority to remove the loans from the Green Register.

Allocation Period

Sunndal Sparebank will commit to, on a best-effort basis, allocate the net proceeds from the Green bonds to Green Loans within 12 months from issuance date of the Green bond(s).

Temporary holdings

Any unallocated proceeds temporary held by Sunndal Sparebank will be invested in accordance with the internal requirements for the liquidity reserve. The Finance Department will be responsible for the management of proceeds.

Reporting

To enable investors, and other stakeholders to follow the development of the Green Loans funded by Green bonds, a *Green Bond Report* will be made available on the Bank's website. The Green Bond Report will include an *allocation report* and an *impact report* which will be published annually until full allocation and in the event of any material developments, as long as there are Green bonds outstanding.

Allocation reporting

The allocation report will include the following information:

- Total amount of Green bonds outstanding
- Share of proceeds used for new financing/refinancing
- The breakdown of Green Loans by project category
- Descriptions of selected Green Loans financed/refinanced
- Share of unallocated proceeds (if any)

Impact reporting

The impact report aims to disclose the environmental-related impact of the Green Loans financed under this Framework. Note that if all data cannot be collected, the impact assessment/calculations will be on a best effort basis. The impact assessment will include some of the following impact indicators:

Green Loan category	Example of impact reporting indicator
Green Buildings	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced or avoided tonnes CO₂e • Energy savings (GWh)

Clean Transportation	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced or avoided tonnes CO₂e • Number of zero-emission vehicles deployed
Renewable Energy	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced or avoided tonnes CO₂e • Estimated annual renewable energy generation (GWh/year)

External Review

Second party opinion

To confirm the robustness and alignment of Sunndal Sparebank's Framework with ICMA GBP, it has been verified and approved by an external second party opinion provider. The *second party opinion* by Sustainalytics is available on; www.sunndal-sparebank.no together with this Framework.

External verification

An independent external party appointed by Sunndal Sparebank will provide a review, confirming that an amount equal to the net proceeds has been allocated to eligible Green Loans. The report will be published on Sunndal Sparebank's website; www.sunndal-sparebank.no together with the Green Bond Report.

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