



SpareBank 1 Ringerike Hadeland Green Bond Second Opinion

January 20, 2021

SpareBank 1 Ringerike Hadeland is a Norwegian local savings bank with around 60 000 clients and a lending portfolio of NOK 37bn outstanding. The bank was established in 1833, and aims to develop the local community and region by providing financial services, including loans, deposits, advisory services, insurance and pension for private and corporate clients. The bank is part of the SpareBank 1 Alliance, consisting of 14 independent savings banks across Norway.

SpareBank 1 Ringerike Hadeland expects 50% of proceeds raised from the first issuance to be allocated to the green buildings category, 40% towards forestry projects, and the remaining 10% to hydropower projects under the renewable energy category. For the green buildings category, existing buildings with an Energy Performance Certificate (EPC) grade of either A or B are expected to receive 50% of the first issuance. The green buildings category covers buildings with a wide range of environmental certification criteria. For commercial buildings, it often requires a combination of a high EPC grade and additional environmental criteria, such as the BREEAM excellent or higher, or the FutureBuilt criteria, which is assuring. However, investors should be aware that certain residential buildings built before 2012 may qualify even if they don't meet current regulations – as they would be required only to have energy performance in line with TEK10 regulations.

The bank has robust eligibility criteria for agriculture, forestry, and renewable energy projects. Direct financing to fossil fuel solutions is excluded in all categories. Forestry projects must meet FSC or PEFC standards, and machinery for agriculture projects must run exclusively on biofuels. Eligible hydropower and biomass projects in the renewable energy category also have clear technical requirements. It should be noted that refinancing of loans for the agricultural project category may include some livestock production; however, for new loans, livestock will not be eligible under the framework.

The bank reports on scope 3 emissions from its credit portfolio and reports according to the TCFD recommendations. The bank has also implemented an ESG risk module for its standard loan process. The module will support its advisors in identifying and advising clients on key climate risks facing their projects and will also be used in the selection process under the framework.

Based on the overall assessment of the projects financed under this framework, governance and transparency considerations, SpareBank 1 Ringerike Hadeland's green bond framework receives a **CICERO Medium Green** shading and a governance score of **Good**. To further strengthen its climate policies, we encourage the bank to establish and implement targets for the indirect emissions from its financing activities and direct GHG emissions stemming from its operations.

SHADES OF GREEN

Based on our review, we rate the SpareBank 1 Ringerike Hadeland's green bond framework **CICERO Medium 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 Ringerike Hadeland framework to be **Good**.



GREEN BOND AND LOAN 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 November 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 Ringerike Hadeland's green bond framework and related policies

SpareBank 1 Ringerike Hadeland (SB1 RING) is a part of the SpareBank1-alliance consisting of 14 individual saving banks across Norway. SB1 RING has 59 000 clients and a lending portfolio of NOK 37 billion outstanding. SB1 RING is headquartered in Hønefoss and is present in Ringerike municipality of Viken county and Hadeland district of Innlandet county. The bank aims to develop the local community and region by providing financial services, including loans, deposits, advisory services, insurance and pension for private and corporate clients.

Environmental Strategies and Policies

SB1 RING has recently established a broad sustainability policy covering environmental and social aspects. The bank aims to have a sustainable business practice in line with the UN Sustainable Development Goals (SDGs 3, 4, 8, 13,17 have been specifically selected and deemed particularly relevant to the business). SB1 RING has prepared its emissions inventory for scope 1, scope 2, and partly scope 3 using the GHG protocol methodology. 2020 emissions were lower than 2019, but this is likely due to the covid-19 pandemic. Moreover, SB1 RING has calculated an estimate of the emissions intensity of its credit portfolio, namely based on estimated electricity consumption from commercial and residential buildings for corporate (32% of loan portfolio) and private clients (68% of loan portfolio)

According to the sustainability policy, SB1 RING will integrate sustainability into all internal routines and processes. The sustainability policy points to four focus areas:

- Reduce direct emissions from its operations by primarily reducing overall travel and increasing the energy efficiency of their existing headquarter building. Invest further in digital transformation, reduce food waste, and replace its current car fleet with zero-emission cars by 2022. The bank aims to certify to the Norwegian 'Miljøfyrtårn/Eco-lighthouse' standards as part of its strategy.
- Educating its staff on sustainability and providing ESG focused advisory services to its private and corporate clients. The bank seeks to influence its community of clients, employees, suppliers, and partners and share information to make sustainable choices and set clear requirements for its suppliers. A mapping of the client's climate-risk awareness will be conducted during 2022 and integrated into client advisory services.
- Factor in ESG related considerations into credit models and the relevant credit processes by developing tools for mapping and assessing climate risk throughout the credit process.
- Provide its private and corporate clients with sustainable financing products, including the distribution of funds and saving products, where each fund receives an ESG score. Overall, the bank views its financing activities as an area where it can meaningfully contribute to its regions sustainability efforts. The bank has established green mortgage products and 'green' car loans to the private market. Its longer-term ambitions are to offer corporate clients' green financing products', including green bond issuance. The bank states that it also aims to customise and adjust its overall product portfolio to ensure that its sustainable product offering is financially beneficial to its clients relative to conventional products.

SB1 RING adheres to the UN Global Compact principles, the Global Reporting Initiative (GRI), and the UN Environment Programme Finance Initiative (UNEP FI). As of 2020, SB1 RING has also incorporated the reporting standards set forth by the Task Force on Climate related Financial Disclosure (TCFD) to identify and report its exposure to climate risk.



Use of proceeds

The net proceeds of the green bonds issued will be used to finance or refinance (in part or in full) assets that have been evaluated and selected by SB1 RING in accordance with its green bond framework. The lookback period for refinancing cannot exceed more than five years. An asset that meets the criteria will be eligible for a loan financed with the green funds raised under this framework. Eligible project categories include renewable energy technologies, green buildings, energy efficiency measures, agriculture, agriculture machinery (powered by biofuels or electricity), forestry, and reforestation. Further details on the criteria within each category are presented in table 2.

According to the issuer, green bonds net proceeds will not be allocated to assets for which the purpose is fossil energy production, or nuclear energy generation, weapons or defense, potentially harmful resource extraction (e.g. rare-earth elements or fossil fuels), gambling or tobacco, nor in assets that breaches SB1 RING responsible and ethical investment guidelines or that violates the ten principles of UN Global Compact.

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 assessed 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.

SB1 RING has established a Green Finance Committee (GFC), which evaluates and selects eligible assets under the framework. The committee has representatives from the treasury, credit committee, group sustainability, and internal audit. The group sustainability representative holds the right to veto. The committee holds the ultimate responsibility for assessing projects and loans alignment with the framework and registering the eligible assets in the bank's internal systems. The GFC screens for controversial projects on a case-by-case basis. The screening includes risks stemming from the potential lock-in effects of fossil-fuel technologies and general ESG-risks. A newly developed ESG system will support the ESG risk assessments conducted by the GFC and will be mandatory for all commercial clients seeking financing through the framework. The clients will also be asked to submit any available life cycle assessments (LCA) documentation on eligible projects for financing. However, the bank does not carry out such LCA for eligible projects and relies on the clients to provide such information to the extent possible. Decisions at the committee are made by consensus. If there is disagreement, the relevant asset will be excluded from the green bond pool. Decisions by the GFC are documented and filed. The GFC is set to meet on an annual basis or more frequently when needed.

Management of proceeds

CICERO Green finds the management of proceeds of SB1 RING to be in line with the Green Bond Principles and the Green Loan Principles.

Eligible assets financed under the framework will be tracked and monitored in a Green Bond Register, which will provide an overview of the net proceeds allocated to the respective assets. The value of eligible assets detailed in the Green Bond Register will at least equal the aggregate net proceeds of all outstanding SB1 RING's green bonds. If outstanding net proceeds exceed the value of eligible assets, those unallocated proceeds will be held according to SB1 RING's liquidity management policy, which will go to fossil-free ESG related money market funds. Each disbursement made will be tracked and monitored in the register and can be aggregated to provide portfolio-level data overviews of the assets by category, etc. The Green Bond Register will form the basis for impact reporting, including any unallocated proceeds.



Reporting

Transparency, reporting, and verification of impacts are key to enabling investors to follow the implementation of green finance programs. Procedures for reporting and disclosing green finance investments are also vital to build confidence that green finance contributes to a sustainable and climate-friendly future, both among investors and society.

SB1 RING will use the GRI reporting guidelines as a guiding principle for its reporting. It will publicly publish an annual green bond investor letter, including an allocation and impact report. The allocation report will include the following:

- A list of all project categories financed, including allocated or eligible amounts
- Type of financing instruments utilised and respective outstanding amounts
- Financing breakdown of new projects, new loans, and the share of refinancing

The impact report will include the following, subject to data availability, confidentiality, and on a best effort basis:

- Aggregate impact information for each project category, and sub-category where feasible, including at least one relevant key performance indicator as illustrated by table 1.
- Information on the impact calculation methodologies.
- Alignment of eligible assets with the technical screening criteria of the EU taxonomy at the time of reporting. The issuer will report on the share of green financing aligned with the taxonomy on a sub-category basis, hence buildings, biomass, and hydropower.

Category	Examples of impact indicators
Renewable Energy	<ul style="list-style-type: none">▪ Installed capacity (MW)▪ Annual electricity generation (MWh)
Green Buildings	<ul style="list-style-type: none">▪ New and existing buildings:<ul style="list-style-type: none">- % of portfolio divided by year and/or EPC label▪ Annual GHG emissions avoided (in tonnes CO₂eq.)▪ Renovations:<ul style="list-style-type: none">- Reduction in kWh/m² and/or CO₂eq. relative to pre-investment situation
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none">▪ Annual GHG emissions avoided (in tonnes CO₂eq.)▪ Area reforested (km² or ha)

Table 1: Example of impact indicators to be used in impact reporting

Finally, an independent external auditor will review the selection process and allocation of proceeds against the green bond framework, and the report will be made public to all stakeholders.



3 Assessment of SpareBank 1 Ringerike Hadeland’s green bond framework and policies


The framework and procedures for SP1 RING’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 SP1 RING 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 Ringerike Hadeland’s green bond framework, we rate the framework **CICERO Medium Green**.

Eligible projects under the SpareBank 1 Ringerike Hadeland’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
Renewable Energy 	<p>Loans to finance or refinance acquisition, development, expansion, operation and maintenance of facilities for energy production from renewable sources, as well as supporting infrastructure.</p> <p>Renewable energy sources pertain to:</p> <ul style="list-style-type: none"> • Biomass (chip firing): projects with life cycle assessment emissions less than 100gCO₂/kWh, or ENOVA supported. • Hydropower: Small-scale hydropower projects (less than 25MW), and large-scale projects (more than 25MW) with either (i) life cycle assessment emissions of less than 100g CO₂/kWh or (ii) power density greater than 5W/m². <p><i>Bioenergy from food- or feed crops will be excluded.</i></p>	<p>Dark Green</p> <ul style="list-style-type: none"> ✓ The issuer informs that approximately 10% of the proceeds are expected to be allocated to hydropower projects at first issuance. ✓ Renewable energy is an integral part of the low carbon future. Increased electrification of industries throughout Norway as the transition from fossil fuels intensifies will correspondingly increase energy demand. ✓ According to the issuer, the biomass comes from wood waste, a by-product of forestry activities from the region. Furthermore, the wood waste processing facilities will be located near the railway, enabling efficient transport of the finished products to key customers. The issuer informs that stated emission numbers will be obtained from the



client on a best effort basis. Investors should note that prudent forest management in line with FSC standards or better should be assessed as a criteria when considering investments in chip firing plants and relevant projects for biomass to ensure the sustainability of such assets.

- ✓ The GFC will screen hydropower projects viewed as controversial due to environmental concerns. The issuer intends to request documentation on such issues from the client and include such information in its screening process.
-



Green Buildings



Loans to finance or refinance the construction or acquisition of new or existing residential buildings.

New Buildings: Built from 1st January 2021

- Buildings that follow the relevant TEK standard and are 20% more energy efficient than current regulations*

Existing Buildings

- Built between 2019-2021
 - Current standard (TEK17) + EPC = A
- Built between 2012-2018
 - Current standard (TEK10) + EPC = A or B
- Built before 2012
 - Relevant standard (TEK07 or earlier) + EPC = A or B or C

Refurbishments

- ENOVA supported projects and solutions
 - Only project cost may be included
- Professional technical consultations, energy audits and management services related to the improvement of energy performance of buildings
 - Only project cost may be included
- Renovations leading to minimum 30% energy efficiency improvements, measured in specific energy (kWh/m²) compared to the calculated label based on the building code in the year of construction

OR

- Renovation leading to at least a two-step improvement in the EPC-label relative to the calculated label based on the building code in the year of construction. A lower threshold is set at an achieved EPC “D”
 - Entire building is eligible for financing

Loans to finance or refinance the construction or acquisition of commercial buildings. **

New Buildings: Built after 1st January 2021

- Buildings that receive or is expected to receive one or more of the following certification standards:
 - A BREEAM or BREEAM-NOR “Excellent” (or better)
 - Nordic Swan Ecolabel
 - FutureBuilt with Future Built ZERO criteria for “lavutslippsbygg og områder”

AND

- That has received, or is expected to receive one or more of the following energy efficiency thresholds
 - EPC = A

Light to Medium Green

- ✓ The issuer informs that approximately 50% of the proceeds are expected to be allocated to green buildings at first issuance. Further, the issuer states that existing residential buildings of EPC A, or B grade will be financed for the first issuance.
- ✓ Requiring new buildings built from 2021 to be more than 20% more energy-efficient than required by regulation is positive and represents steps towards buildings in line with a low carbon future.
- ✓ According to the issuer, new residential buildings will be built near public transportation, providing access to efficient transportation.
- ✓ Requiring existing buildings built between 2019-2021 to meet EPC A is positive. However, it should be noted that for existing buildings constructed between 2012-2018, the required EPC grade indicates that the buildings were better than required by regulation at the time of construction, but not necessarily better than standards as required per current regulations.
- ✓ Renovation of existing buildings contributes meaningfully to the transition to a low carbon future. The 30% improvement and two-step EPC improvement criteria are reasonable. ENOVA is a reputable state-owned enterprise that has distinct requirements for eligible refurbishment projects and brings further confidence to the green buildings category under the framework.
- ✓ In the Nordic context, around half of the lifecycle emissions from buildings are expected to originate from the building materials and the construction phase of the building. The other half stems from emissions produced when operating the building (mainly energy use). The stated criteria/certifications partly address these issues. BREEAM-NOR Excellent aligned with “Paris proof” guidelines and FutureBuilt projects are expected to have significantly



- At least 10% more energy efficient than national NZEB standard
- Receive a “Paris Proof” from Grønn Byggallianse***

lower embodied emissions from construction materials than traditional buildings.

Existing Buildings: Built before 1st January 2021

- Buildings that receive or is expected to receive one or more of the following certification standards:
 - A BREEAM or BREEAM-NOR “Excellent” (or better)
 - Nordic Swan EcolabelFutureBuilt with Future Built ZERO criteria for “lavutslippsbygg og områder

- ✓ Any buildings directly heated by fossil fuels will be excluded from the green bond framework. Further, commercial buildings being used for fossil fuel exploration, extraction, refining, or distribution activities will also be excluded from the framework.

- ✓ Heavy emitting industrial commercial buildings such as airport facilities, gas stations, parking lots, and other relevant buildings have been excluded from the framework.

AND

- That has received, or is expected to receive one or more of the following energy efficiency thresholds
 - Build after 2019 → EPC A
 - Build before 2019 → EPC= B
 - Receive a “Paris Proof” from Grønn Byggallianse***

- ✓ Requiring new commercial buildings built after January 1st of 2021 to meet EPC A and additional criteria and standards such as BREEAM Excellent rating, etc., is positive and represents a significant step towards buildings in line with a low carbon future. It should be noted that certification standards such as BREEAM are viewed as favourable – but do not by themselves guarantee energy-efficient outcomes.

Refurbishments

- ENOVA supported projects and solutions
 - Only project cost may be included
- Renovations leading to minimum 30% energy efficiency improvements, measured in specific energy (kWh/m²) compared to the calculated label based on the building code in the year of construction
- OR
- Renovation leading to at least a two-step improvement in the EPC-label relative to the calculated label based on the building code in the year of construction. A lower threshold is set at an achieved EPC “D”
 - Entire building is eligible for financing

- ✓ Requiring existing buildings built after 1st of January 2021 or after and before 2019 to meet EPC A/B and be graded excellent by the BREEAM standard, as well as meeting other stated criteria, is a noteworthy and positive development.

- ✓ According to the issuer, most commercial buildings eligible for refurbishment investments are grocery or convenience stores (based on current commercial customer portfolio), which typically see good results from energy efficiency and refurbishment investments.

* In accordance with the EU Delegated Act, all buildings constructed from 1st January 2021 ought to have a primary energy demand (PED) measured in (kWh/m²/yr.), expressed through the EPC-label (Energy Performance Certificate) that is minimum 10% lower than the PED stipulated in the national definition of a NZEB building. In Norway, ENOVA is currently reviewing the current TEK17-standard, and a final definition of what constitutes a NZEB in Norway is expected to be readily available by the end of 2021. SpareBank 1 Ringerike Hadeland is committed to apply the 10% < NZEB-criterion for all buildings constructed after 1st January 2021 when the new building standard is implemented. In the meantime, new buildings being 20% more energy-efficient than the current building standard (i.e. TEK17) will be eligible for financing under this framework.

** Buildings heated directly by fossil fuels, airport buildings, gas stations, parking lots or in general heavily emitting industrial buildings are excluded, as well as buildings directly being used for the exploration, extraction, refining and distribution of fossil fuels. Shopping centres are eligible insofar as they are accessible by means of public transportation.

*** [Notat ParisProof bygg.docx \(byggalliansen.no\)](#)



Environmentally Sustainable Management of Living Natural Resources and Land Use



Agriculture:

Loans to farms and projects/activities aligned with the relevant KSL-standards, that limit impacts on soil, marine environment and local flora and fauna, and do not deplete existing carbon pools, including:

- Projects/techniques/activities aligned with “Klimasmart Landbruk” [\(I\)](#)
- Loans to machinery, equipment or vehicles that run 100% on biofuel, biogas and/or electricity, such as tractors
- ENOVA supported initiatives and solutions
- Projects/activities supported by Innovation Norway’s programs: “Renewable energy in agriculture”: [\(I\)](#) or “Support to bioeconomy projects”: [\(II\)](#)

Fossil fueled solutions will be excluded or carved out from the financing. Biofuels from feed-or food crops is excluded. Only fuels sold commercially in Norway are eligible as subject to EU Directive 2018/2001: [Miljødirektoratet - biofuel sustainability](#)

Forestry and Reforestation:

Loans to finance or refinance forest activities or projects aligned with environmentally responsible forest management, including:

- Loans to reforestation, planting of new forest
- Rehabilitation of degraded lands to facilitate reforestation

All forest land must be certified in accordance with the FSC or PEFC standard (either at individual or group level).

Light to Medium Green

- ✓ The issuer informs that approximately 40% of the proceeds are expected to be allocated to forestry projects.
- ✓ Financing sustainable agriculture will be an important contribution to a low-carbon society.
- ✓ Project alignment with Klimasmart Landbruk (KSL) and its eight focus areas contributes positively to cut emissions and increasing carbon uptake.
- ✓ All machinery financed under the framework will run on sustainable fuels or electricity only, an important transitional step for the agriculture business. Eligible biofuels are defined as sustainable in the Norwegian regulations, aligned with the recast renewable energy directive. Technically, machinery that can run on biofuel can also run on both fuels, bio and fossil. However, according to the issuer, contractual agreements to solely use biofuels address the risk that the machinery financed could run on fossil fuels.
- ✓ According to the issuer, most of their customers in the agriculture business produce grains or dairy products and account for roughly 10% of the issuer's total corporate market share. However, the issuer could not indicate the exact expected distribution of proceeds between non-livestock and livestock farming, where meat production is an important consideration. The issuer indicated that livestock production would be excluded for new loan considerations going forward.
- ✓ Eligible forestry projects must meet FSC or PEFC standards for forest land use. It should be noted that these standards are international forestry certification schemes that are a good starting point for sustainable forestry, but that these standards are quite vague when it comes to demonstrating that the forestry projects lead to an increase in the forests carbon stock. Moreover, planted and semi-natural forests tend to be relatively poor in biodiversity and ecological benefits than natural forests.

Table 2: Eligible project categories



Background

The Norwegian building sector has developed a roadmap for sustainable growth towards 2050, including several recommendations for the sector¹. Some of the key recommendations include industry certification, removing all fossil fuel heating from buildings, requesting fossil-free construction sites, and commissioning an energy budget for the estimated actual and energy consumption. Such steps would reduce emissions from the materials and construction phase of real estate projects, which accounts for approximately half of the life cycle of buildings in the Nordic context.

The other half stems from energy use, which becomes less important over time with the increasing adoption of off-grid solutions such as geothermal and solar. All these factors should therefore be considered in the project selection process.

In addition, voluntary environmental certifications such as LEED and BREEAM or estimations of the environmental footprint of buildings should also be considered to raise awareness of environmental issues. However, these points-based certifications fall short of guaranteeing a low-climate impact building, as they may not ensure compliance with all relevant factors, e.g., energy efficiency, access to public transport, climate resilience, and sustainable building materials. Many of these factors are covered under the World Green Building Council's recommendations for best practices for developing green buildings².

Forests and land use represent important opportunities for controlling climate change, according to the IPCC. Sustainable forest management is essential for positive contributions to the environment and the climate. Generally speaking, this means that if trees are harvested, new ones should be replanted, the selected species should be suitable for the climate in which they grow (native) and that the rights of the people who live in or near forests should be respected. International standards such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) are often used as guidelines to ensure this. However, investors should be aware that forestry operations' environmental and social impact is highly location-specific. The commercial harvesting of forests in Nordic climates (boreal) is different from temperate or tropical forests in terms of climate impacts and the vulnerability of native species, and issues related to the rights of indigenous peoples. The national regulatory framework and enforcement levels also vary, with important implications for how sustainably forest companies operate. Norway can be considered a low-risk country from a forest management sustainability perspective.

From a Norwegian perspective, forestry is seen as an effective way to absorb emissions through carbon sequestration, and throughout the whole forestry production value chain. Nitrogen fertilisation, increased forest density, and breeding new forest plants ('skogplanteforedling') are all valuable measures. Important considerations are biodiversity and ecosystem impacts, such as those covered by the Norwegian PEFC regulation. It is expected that the forestry sector will play a role in providing biofuel in other sectors, contributing to reducing emissions in those sectors, but increasing emissions in the forestry sector.

¹ Byggalliansen - The Property Sector's Roadmap Towards 2050. <https://byggalliansen.no/wp-content/uploads/2019/02/roadmap2050.pdf>

² World Green Building Council - How can we make our buildings green? <https://www.worldgbc.org/how-can-we-make-our-buildings-green>



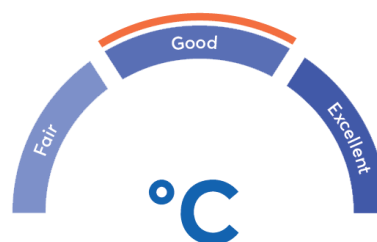
Governance Assessment

Four aspects are studied when assessing the SpareBank Ringerike Hadeland'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 Ringerike Hadeland has a clear focus on sustainability and aims at integrating sustainability and ESG considerations throughout its business processes and value chain. The bank is well aware of its lending portfolio's largest environmental and climate-related impacts and strives to further integrate sustainability across its offered products and services. The bank plans to implement climate goals for its internal operation, including science-based targets. The bank reports on its greenhouse gas emissions from operations on scope 1, 2 and 3, and it also partly reports on estimated scope 3 emissions for the bank's loan portfolio. The bank has recently developed and implemented an ESG module, which will support its advisors in better assessing climate risk for commercial clients and their projects.

The bank has ambitions to join and become a full member of UN Global Compact and sign onto the UN Environment programme's Finance Initiative (UNEP FI). Furthermore, the bank includes TCFD analysis and key recommendations for assessing climate risks in its annual reporting.

Environmental competence is represented at the Green Finance Committee, and the sustainability representative has veto power. The framework has clearly defined the project selection criteria, and a third party will verify reporting on both allocation and impacts. The bank intends to report on the fraction of financing aligned with the EU taxonomy technical screening criteria at the time of reporting on a by category basis. The overall structure of SB1 RING's green bond framework is developed to align with both the ICMA Green Bond Principles (GBP) and the LMA and APLMA Green Loan Principles (GLP).



The overall assessment of SpareBank 1 Ringerike Hadeland's governance structure and processes gives it a rating of **Good**.

Strengths

The bank has demonstrated a high awareness of sustainability issues by focusing on four key themes important to the bank's operations, region, and stakeholders. The bank has a sound reporting regime that includes emissions reporting from its credit portfolio, including retail and corporate segments. Moreover, the bank started to report according to the TCFD-guidelines and recommendations in 2020 to incorporate climate resilience and climate risk dimensions.

The broad scope combined with specific criteria is a key strength of the framework. In particular, the green buildings category outlines clear criteria, combining Energy Performance Certificate (EPC) requirements with other building standards and criteria such as BREEAM, other national green building standards, and Nordic Swan Ecolabel. Furthermore, another considerable strength is that public transportation alternatives must be available near new residential buildings, which cannot be taken for granted in a region like Ringerike Hadeland. Public transportation is far better than individual modes of transport from a resource efficiency and climate perspective. Refurbishment projects are supported by ENOVA, which brings further assurance to such projects, given that



ENOVA conducts sound environmental analysis before providing funding. Most of the buildings applicable for refurbishment investments are according to the issuer grocery and convenience stores - which typically see good results in energy savings from such investments.

Fossil fuel-related equipment and machinery are explicitly excluded across all project investment categories. In principle, the framework could finance technologies replacing fossil fuels in sectors where cleaner technologies are not widely used, such as agriculture and forestry.

Alignment with the eight focus areas of the regional Klimasmart Landbruk framework, developed by the Norwegian agriculture industry, is a general strength for potential projects and activities financed under the agriculture investment category. ENOVA and Innovation Norway could also support eligible agriculture projects, which brings confidence that the selected and funded projects under the framework will have an overall positive climate impact.

Weaknesses

CICERO Green notes that the issuer cannot currently distinguish what type of agricultural activity it may finance under the framework. This is due to the nature of farming activities that could be a combination of grain, dairy, livestock, and other types of production. Hence, it's challenging to assess if such financing will go towards emission-intensive agriculture business activities, such as red meat production. However, the issuer has stated that new loans will not be issued towards livestock production in the future. According to the issuer, current livestock financing makes up a minor portion of the total financing for the sector.

Pitfalls

Assets to be financed under the framework are screened for physical climate risk exposure. It does not guarantee that sufficient adaptive measures have been implemented, as the issuer mainly relies on the client's documentation in the screening process. Therefore, it's unclear how the issuer will verify that clients have implemented such measures or if this could be a potential reason to exclude the particular project/asset from financing. However, the issuer has stated that it's currently using a satellite-based map service to further screen areas exposed to physical climate risk events such as floods, etc.

For the green buildings category, it should be noted that there are no requirements or certification criteria concerning emissions from material use or from the construction phase for residential buildings built after the 1st of January 2021. In the Nordic context, the construction phase and embodied emissions in materials used amount to roughly half of buildings' total life cycle emissions. According to the other building project categories, the building must meet both EPC standards and additional certification standards that address concerns to some extent from the construction and embodied emissions in materials.

For the outlined forestry projects, it's important to note that forestry projects generally contribute positively to climate change mitigation. However, such projects can also lead to deforestation. The EU Taxonomy requires that a verified GHG baseline is established and that an increase in the forest carbon stock is verifiable. The FSC and PEFC schemes are vague when it comes to these criteria. Hence, the forest owners should establish a baseline to enable verifiable alignment and demonstrate that carbon stocks have been maintained or increased against this baseline.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	SpareBank 1 Ringerike Hadeland Green Bond Framework	Green bond framework of SpareBank 1 Ringerike Hadeland, dated November 2021.
2	Annual report SpareBank 1 Ringerike Hadeland, 2020	Annual report of SpareBank 1 Ringerike Hadeland, for the financial year 2020, dated March 2021.
3	SpareBank 1 Ringerike Hadeland sustainability strategy	SpareBank 1 Ringerike Hadeland sustainability strategy, dated March 2021.
4	SpareBank 1 Ringerike Hadeland ethical guidelines	SpareBank 1 Ringerike Hadeland ethical guidelines, approved by the board 14.05.2020.
5	Sustainable procurement routines and guidelines for SpareBank 1 Ringerike Hadeland 2020-2022	Key principles of procurement policy and relevant procurement attachments.



Appendix 2: About CICERO Shades of Green

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

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognised 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.

