



Green Bond Framework

July 2021



1. INTRODUCTION

About SpareBank1 Helgeland

SpareBank 1 Helgeland (SBH) aims to be the preferred bank for retail and commercial clients in the Helgeland region. SBH was formally known as Helgeland Sparebank. The name was changed when the institute joined the Sparebank1 alliance in 2021. SBH has 150 employees working in four offices located across the Helgeland region.

SBH is deeply rooted in Helgeland. The ownership and management are carried out locally. SBH sees itself as an active part of the local community and wants to play a role in shaping the future for Helgeland.

Sustainability at SpareBank1 Helgeland

As a local bank we see it as our responsibility to contribute to the sustainable development of our home region, and thereby support Norway's national climate ambitions as well as the globally shared UN Sustainable Development Goals (SDG).

SBH wants to ensure that sustainability considerations are implemented across the organisation. In this context, SBH understands that the major part of a bank's environmental footprint lies in the assets and activities which we finance, while efforts to improve SBH's direct footprint are also part of our sustainability work.

Sustainability Strategy

We want to enable our clients, suppliers, owners, as well as ourselves as an organization, to make sustainable choices. This is the thinking that underpins the development of SBH's Sustainability Strategy, which is expected to be finalized during 2021. The strategy will provide overarching guidance and inform other policies and procedures, thereby operationalizing sustainability in all our activities (for examples see next 2 sections). We realize and welcome that sustainability is high on the agenda among regulators, investors, as well as our clients and owners. We want to be well prepared for these developments and expect that areas such as sustainability- reporting and the integration of sustainability into credit-risk assessments will be in focus in the years to come.

The Sustainability strategy will be based on three main pillars:

- The UN Sustainable Development Goals (SDG)
- UN Principles for Sustainable Banking
- Eco-Lighthouse certification criteria for banks.

SBH has chosen 5 SDGs which we believe are most relevant for our activities. These are the goals which SBH intends to focus on in our guiding documents and policies, such as strategies and policies covering human resources, ethical conduct, finance and credit, communications, procurement and ownership:

SDG 5: Gender Equality

SBH ambitions:

- Following internal guidelines and reaching defined targets for equality in the workplace
- The remuneration system shall ensure equality
- Equality, diversity and equal pay are being integrated as central principles into the new HR strategy

SDG 8: Decent work and economic growth

SBH ambitions:

- SBH aims to be a driver of economic and sustainable growth in our home region through our lending activities
- SBH assumes that the future Helgeland region will be based on the UN SDGs. SBH's intends to be a profitable and leading local bank contributing to developing Helgeland in this direction.

SDG 9: Industry, innovation and infrastructure

SBH ambitions:

- SBH shall contribute to projects and clusters which drive innovation, such as engineering education in high schools, mentoring programs, start-ups and growth-sectors
- Lobbying for national regulation for small and medium sized savings banks in order to ensure access to capital and lending to the local economy at competitive terms

SDG 12: Responsible Consumption and Production

SBH ambitions:

- All SBH offices are to be certified under the Eco-Lighthouse scheme, and the scheme's bank-specific criteria set¹, in the course of 2021
- SBH shall in 2021 establish an environment- and climate policy and provide reporting on climate- and environmental indicators for business areas such as:
 - Lending
 - Financing
 - Bonds
 - Savings products and allocation of client deposits
 - Management of SBH's own assets

¹ https://www.miljofyrtn.no/sok-sertifiseringskriterier/#avansert_sok_kriterier

SDG 13: Climate Action:

SBH ambitions:

- SBH considers climate risk to be a credit risk. The bank shall integrate climate-risk evaluations into its lending activities.
- SBH shall develop retail products which incentivise climate- and environmentally-friendly behaviour

Integrating the environmental perspective into management systems

In order to understand the environmental footprint and exposure to climate risk of our lending portfolio, we need to define and track relevant indicators at an asset level. Following our understanding of climate risk as a financial risk, the tracking and assessment of environmental data needs to be part of the regular loan management. All member institutes of the Sparebank1 Alliance are in the process of obtaining a climate-module which will be added to the loan management system. The module will demand that sector-specific environmental questions for each loan are answered and produce a risk assessment based on the available information. The new module will enable us to identify loans and groups of loans based on their ESG profile as part of our loan- and portfolio management.

Sustainability policy for lending activities

Applying the guidance laid out in our sustainability strategy, we have integrated sustainability into our lending policy for commercial clients. In addition to prescribing sustainability risk assessments for loans to companies with close connections to the oil and gas industry, the policy defines exclusion criteria, prohibiting lending to companies that:

- produce energy based on coal, tar sands or nuclear power
- carry the risk of contributing to illegal deforestation in their supply chain
- start new projects in areas experiencing water stress
- are involved in any activities connected to controversial weapons
- are involved in the production of tobacco products
- are involved in the production of pornographic material

Green Bond Framework

This Green Bond Framework is based on the 2021 version of Green Bond Principles published by the International Capital Markets Association.

2. USE OF PROCEEDS

The net proceeds of the Green Bonds issued by SpareBank1 Helgeland will be used to finance or re-finance eligible assets in the form of loans that have been evaluated and selected by SpareBank1 Helgeland in accordance to this Green Bond Framework. Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance.

Green project categories

ICMA Green Bond Principle category	Description	EU Environmental Target	Sustainable Development Goal
Energy efficiency	Loans to finance or refinance measures that increase the energy efficiency of buildings or replace the use of fossil energy in Norway.	Art. 6 Substantial contribution to Climate Change Mitigation (§1.b): improving energy efficiency except for power generation activities that are referred to in Article 14(2a)	11 - sustainable cities and communities 13 - Climate action
Green buildings	Loans to finance, refinance or rehabilitate new or existing residential and commercial buildings in Norway.	Art. 6 Substantial contribution to Climate Change Mitigation (§1.b): improving energy efficiency except for power generation activities that are referred to in Article 14(2a)	11 - sustainable cities and communities 7.3 - By 2030; double the global rate of improvement in energy efficiency

Eligibility criteria in project categories

Energy Efficiency

CATEGORY	DESCRIPTION	CRITERIA	DOCUMENTATION
Energy efficiency	<p>Replace the use of fossil energy.</p> <p>Measures to increase the energy efficiency of buildings.</p> <p>The electrification of the production of oil and gas, as well as measures to improve the energy efficiency of such activities, is excluded.</p>	<p>May include, but is not restricted to:</p> <ul style="list-style-type: none"> Replacing Diesel generators with electricity from the grid. Installing central steering systems in buildings. 	<p>Estimated energy saved (KWH/m2), estimated avoided fossil energy per year (e.g. litre diesel, m³ natural gas avoided)</p>

Green residential buildings

CATEGORY	DESCRIPTION	CRITERIA	DOCUMENTATION
Green apartments	New or existing apartments that are among the top 15 % in energy-efficiency in Norway	<ul style="list-style-type: none"> Are in accordance with building code from 2010 (TEK 10) or 2017 (TEK 17), i.e. the building was completed in 2012 or after 	Valuation, certificate of completion, or purchase contract
Other types of green residential buildings	New or existing residential buildings that are among the top 15 % in energy-efficiency in Norway	<ul style="list-style-type: none"> Are in accordance with building code from 2010 (TEK 10) or 2017 (TEK 17), i.e. the building was completed in 2012 or after 	Valuation, certificate of completion, or purchase contract
Older residential buildings	Apartments and other residential buildings that were completed under a building code prior to TEK10	The building has received an energy performance certificate with character A or B	Energy performance certificate
New green residential buildings	New residential buildings with an energy-efficiency of at least 10% above regulation for Near Zero Energy Buildings (NZEB) ²	The building's energy-efficiency (kWh/m ²) per year is at least 10% better than the energy standard enshrined in the pending Norwegian building code that is to follow TEK17	Energy performance certificate
Renovated green residential buildings	Renovated residential buildings which have achieved an improvement in energy-efficiency of at least 30%.	<ul style="list-style-type: none"> Improvement of the Energy performance certificate character with at least two steps OR <ul style="list-style-type: none"> Improvement of primary energy demand (kWh/m²) per year by at least 30% compared to the calculated energy efficiency of the building code applicable when the building was completed. A lower threshold is set at an achieved energy label D, documented through an EPC or calculated energy performance character. 	Energy performance certificate before and after the renovation OR Calculated difference between expected energy performance character based on construction year, and the registered energy character.

² NZEB regulation is expected to be in the form of the Norwegian adaptation of the Energy Performance Building Directive. The adaptation is expected to be included in the pending building code following TEK 17

Green commercial buildings

CATEGORY	DESCRIPTION	CRITERIA	DOCUMENTATION
Green commercial buildings – hotels and restaurants	New or existing hotel- and restaurant buildings which are among the top 15% in energy-efficiency in Norway	<ul style="list-style-type: none"> Are in accordance with building code from 2010 (TEK 10) or 2017 (TEK 17), i.e. the building was completed in 2013 or after 	Valuation, certificate of completion, or purchase contract
Green commercial buildings – offices, shops, industry	New or existing office-, shops- and industry buildings which are among the top 15% in energy-efficiency in Norway	<ul style="list-style-type: none"> Are in accordance with building code from 2010 (TEK 10) or 2017 (TEK 17), i.e. the building was completed in 2012 or after 	Valuation, certificate of completion, or purchase contract
Green commercial buildings	Buildings with certifications.	<ul style="list-style-type: none"> BREEAM/BREEAM NOR: "Excellent" or "Outstanding" OR <ul style="list-style-type: none"> LEED: "Gold" or "Platinum" 	Certification document
New green commercial buildings	New commercial buildings with an energy-efficiency of at least 10% above regulation for Near Zero Energy Buildings (NZEB, see footnote 1)	The building's energy-efficiency (kWh/m ²) per year is at least 10% better than the energy standard enshrined in the pending Norwegian building code that is to follow TEK17	Energy performance certificate
Renovated green commercial buildings	Renovated commercial buildings which have achieved an improvement in energy-efficiency of at least 30%.	<ul style="list-style-type: none"> Improvement of the Energy performance certificate character with at least two steps OR <ul style="list-style-type: none"> Improvement of primary energy demand (kWh/m²) per year by at least 30% compared to the calculated energy efficiency of the building code applicable when the building was completed. A lower threshold is set at an achieved energy label D, documented through an EPC or calculated energy performance character. 	Energy performance certificate before and after the renovation OR Calculated difference between expected energy performance character based on construction year, and the registered energy character.

3. SELECTION AND EVALUATION OF ELIGIBLE PROJECTS

SpareBank1 Helgeland has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Assets and Projects for its Green bond issuance. To oversee this, a Green Bond Committee has been established with members from treasury and sustainability. The representative from treasury is the chair of the committee and the sustainability representative holds a veto.

The Green Bond Committee follows the below process when selecting and evaluating projects for the Eligible Projects.

1. The treasury identifies a portfolio of potential projects
2. The treasury and sustainability officers evaluate the eligibility of the proposed portfolio according to eligibility criteria in above table and removes projects that do not meet the criteria
3. The Green Bond Committee verifies the eligibility and, if found to be aligned, gives final approval

4. MANAGEMENT OF PROCEEDS

SpareBank1 Helgeland will establish a Green Bond Register in relation to Green Bonds issued by SpareBank1 Helgeland for the purpose of monitoring the Eligible Assets and Projects and the allocation of the net proceeds from Green Bonds to Eligible Assets and Projects. The Head of the Treasury department is responsible for overseeing the management of proceeds.

SpareBank1 Helgeland will over the duration of the outstanding Green Bonds build up and maintain an aggregate amount of Asset and Projects in the Green Bond Register that is at least equal to the aggregate net proceeds of all outstanding SpareBank1 Helgeland Green Bonds.

SpareBank1 Helgeland intends to have allocated all proceeds within 24 months of issuance. There may be periods when the total outstanding net proceeds of Green Bonds exceed the value of the Eligible Assets and Projects in the Green Bond Register. Any such portion will be held in accordance with SpareBank1 Helgeland's normal liquidity management policy.

The Green Bond Register will form the basis for the impact reporting.

5. REPORTING

SpareBank1 Helgeland will annually publish a report on the allocation and impact of Green Bonds issued under this framework. Where relevant SpareBank1 Helgeland will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section on methodology, baselines and assumptions used in impact calculations.

Allocation Report

The allocation report will, to the extent feasible, include the following components:

- A list of Eligible Assets and Projects funded divided by sub-groups (e.g. per TEK group), including amounts allocated
- Detailed descriptions and case studies of selected Eligible Assets and Projects financed
- Amounts invested in each category as defined in the Use of Proceeds section and the relative share of new financing versus refinancing

Impact Report

SpareBank1 Helgeland will strive to report on the actual environmental impact of the investments financed by their Green Bonds. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

The impact indicators may vary with investment category, as defined in this Green Bond Framework. The impact metrics selected may include the following:

- Energy efficiency
 - Estimated energy savings (KWH/m2) per year
 - Estimated saved amount of fossil fuels /year (e.g. liter diesel, m³ natural gas)
- Green buildings
 - Number of green buildings financed
 - Share of proceeds allocated to residential -and commercial buildings
 - Share of proceeds allocated to groups of buildings defined by their building code (“TEK standard”)
 - Number of buildings with an energy performance certificate with character A,B

Allocation- and impact reporting will be made available on our website.

SBH intends to provide an environmental impact assessment report along with the first green bond report. To this end we intend to mandate a 3rd party consultancy to calculate the environmental impact of the assets that have been financed with green bond proceeds.

6. EXTERNAL REVIEW

SpareBank1 Helgeland has engaged Sustainalytics to act as an external reviewer of this Green Bond Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on SpareBank1 Helgeland’s website. A Third Party Audit will also be made available on the website.