

Sustainability at SpareBank 1 Nord-Norge

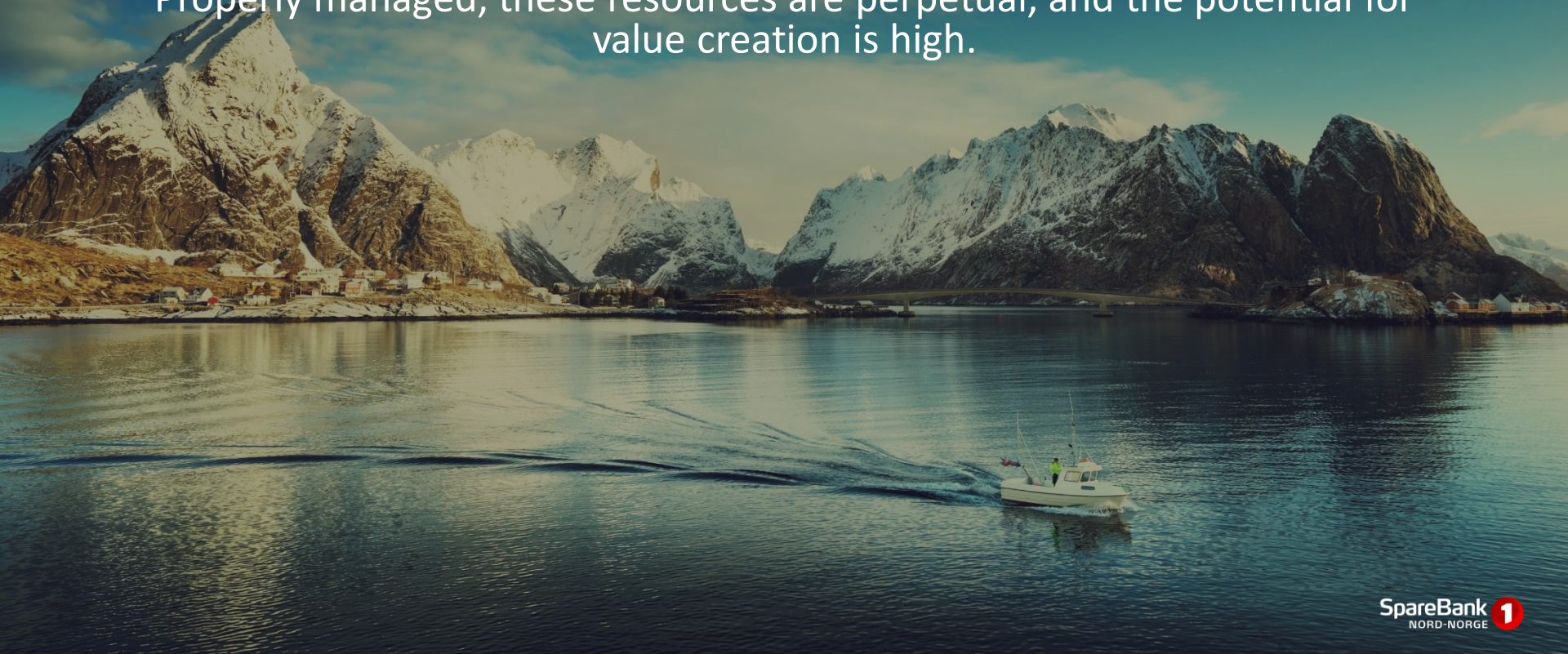


Financial services in Northern Norway since 1836



A region where its economy by large is based on natural resources.

Properly managed, these resources are perpetual, and the potential for value creation is high.



It is on this basis that SpareBank 1 Nord-Norge has founded its commitment to sustainability.

We have set ourselves the goal of being a driving force for a sustainable development in the region.

This is a responsibility we naturally embrace, because our business depends on the value creation of the region.





At the same time, it is possible for us to drive change. Both by making demands when we give loans, when we purchase, when we request new funding and by contributing with knowledge and expertise.

Why?

For Northern-Norway!

ESG is at the core of our purpose

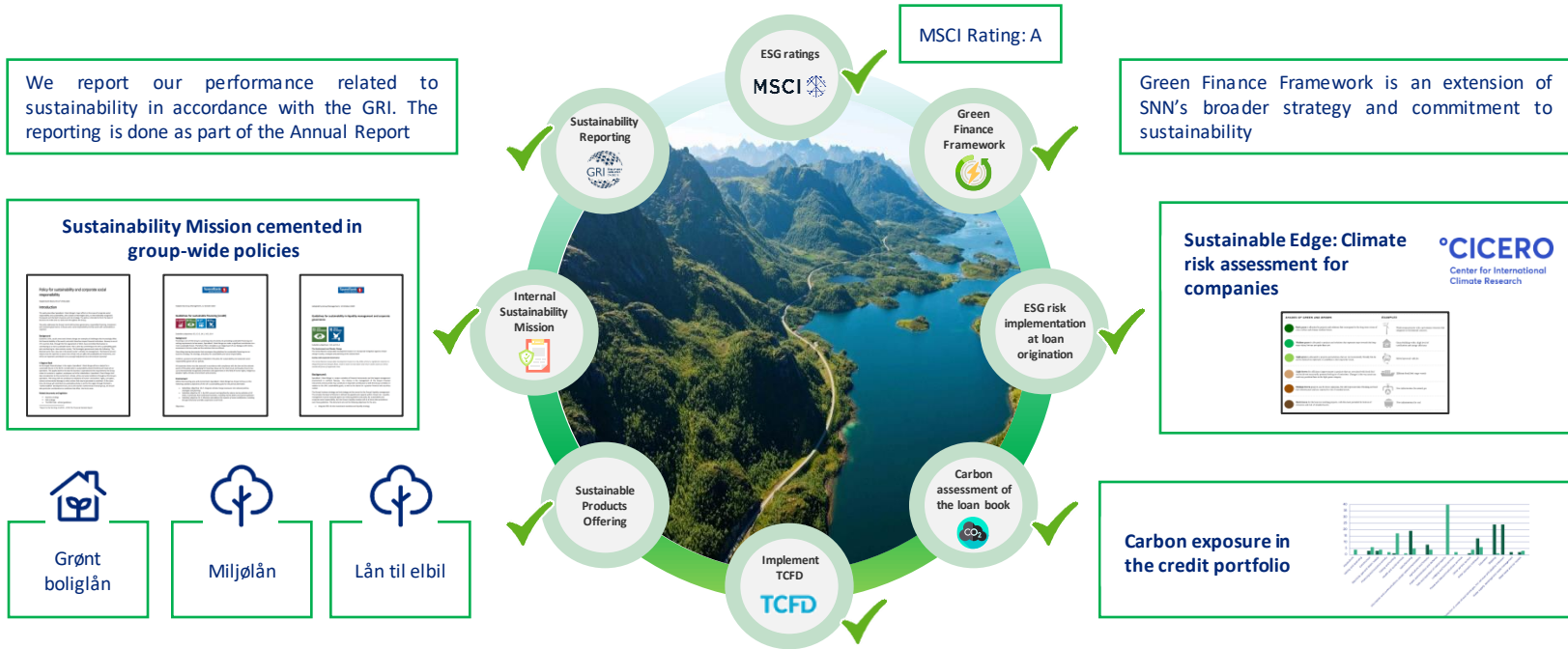
SNN is an actor that can contribute to the realization of the UN's 17 sustainability goals



Our approach to sustainability is holistic in the Group's operations and includes all three areas of sustainability: social, economic and environmental

SNN's sustainability overview

SNN has taken initiative on multiple fronts to integrate sustainability group-wide



Our approach to Sustainability

Sustainability and climate risk are embedded in the Group's business and risk strategy

Sustainability and climate risk are incorporated in the Group's overarching governance documents and core processes, including financing (credit), liquidity management and corporate governance, distribution of mutual funds and products, procurement, and guidelines for our employees



UNEP FI

SNN has endorsed the UN's ten principles for responsible banking, UNEP FI, and are working on integrating the principles into its operations



GLOBAL COMPACT

SNN has endorsed the UN Global Compact Strategy, the world's greatest initiative for corporate social responsibility



ECO-LIGHTHOUSE

SNN is eco-certified, and is compliant with the obligations implicit in the scheme

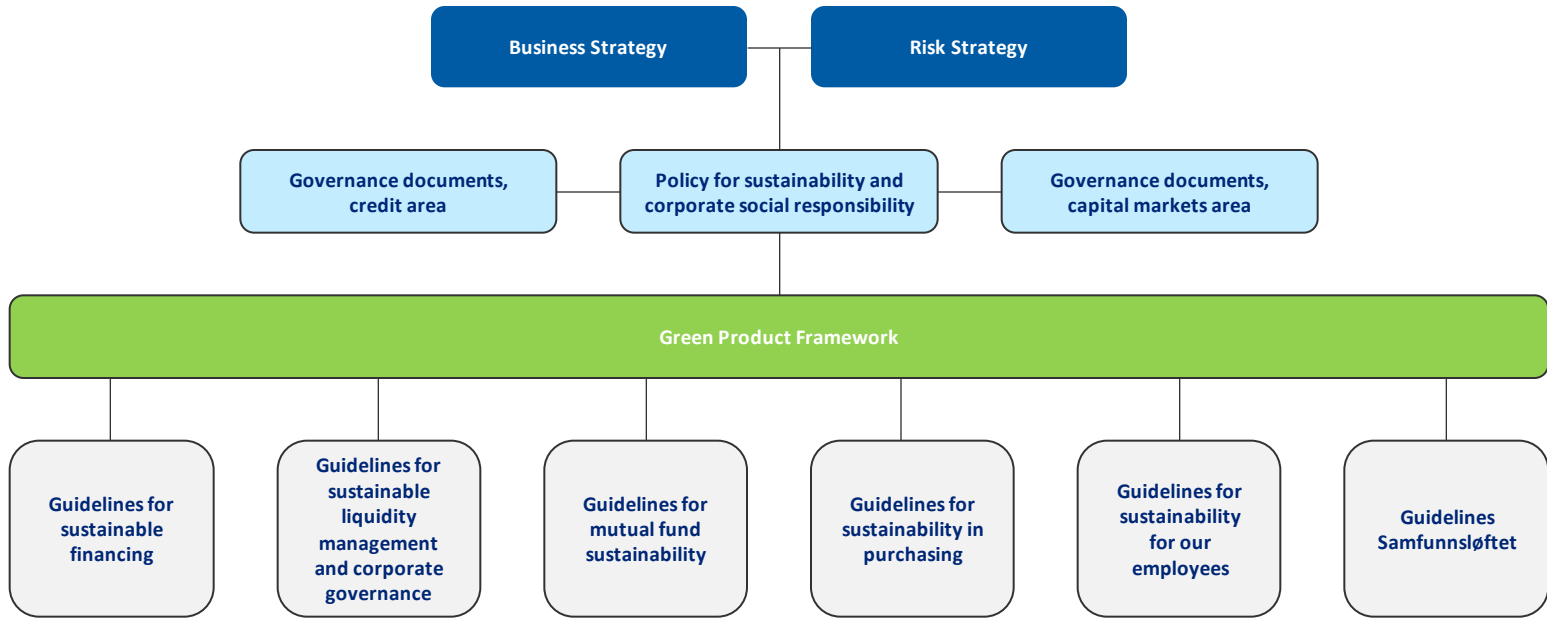


CLIMATE PARTNER

SNN participates in Klimapartnere Nordland, Troms og Finnmark along with 47 other enterprises in the region

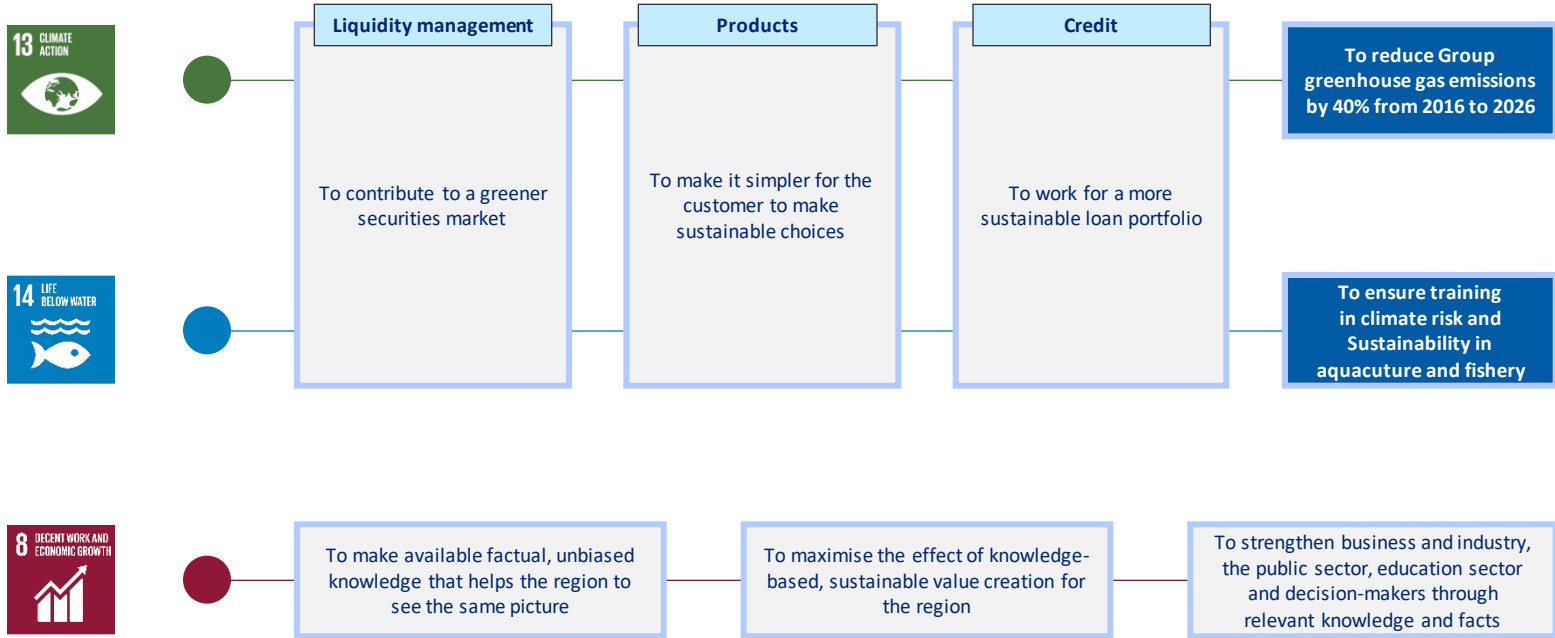
How we embed ESG throughout the bank

Sustainability and climate risk are incorporated into SNN's governance system



SNN's Sustainability Objectives

Aligned with UN Sustainable Development Goals



SNN's Samfunnsløftet strategy

Community dividend to contribute strengthening Northern Norway

'Samfunnsløftet's' Contribution To The UN Sustainable Development Goals

	Sustainability Goal	Amount (in NOK)		Sustainability Goal	Amount (in NOK)		Sustainability Goal	Amount (in NOK)
1	No poverty	80,000	7	Affordable and clean energy	-	13	Climate action	60,000
2	Zero hunger	-	8	Decent work and economic growth	600,000	14	Life below water	164,500
3	Good health and well-being	7,261,966	9	Industry, innovation and infrastructure	1,962,500	15	Life on land	20,000
4	Quality education	3,420,000	10	Reduced inequality	1,208,000	16	Peace, justice and strong institutions	90,000
5	Gender equality	3,071,000	11	Sustainable cities and communities	3,581,575	17	Partnerships to achieve the goal	5,130,300
6	Clean water and sanitation	250,000	12	Responsible consumption and production	176,000		Total	27,075,841

In 2020, Samfunnsløftet contributed support enabling...



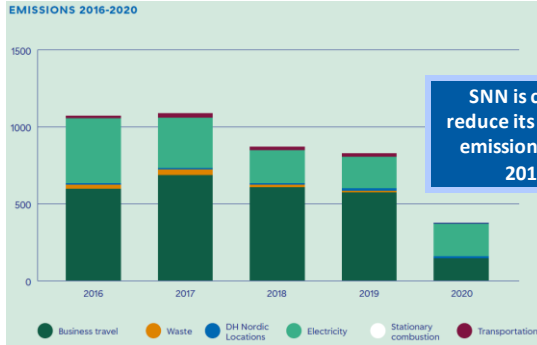
SNN's Commitment to Climate Action (1/2)

Transparent reporting aligned with TCFD (Task Force on Climate-Related Financial Disclosures)

- SNN has a dedicated **Strategy** and **Risk Management** in place on transition and physical risks and how this affects its lending portfolio
- Clear **objectives** with accompanying targets are defined to address climate-related risks and opportunities

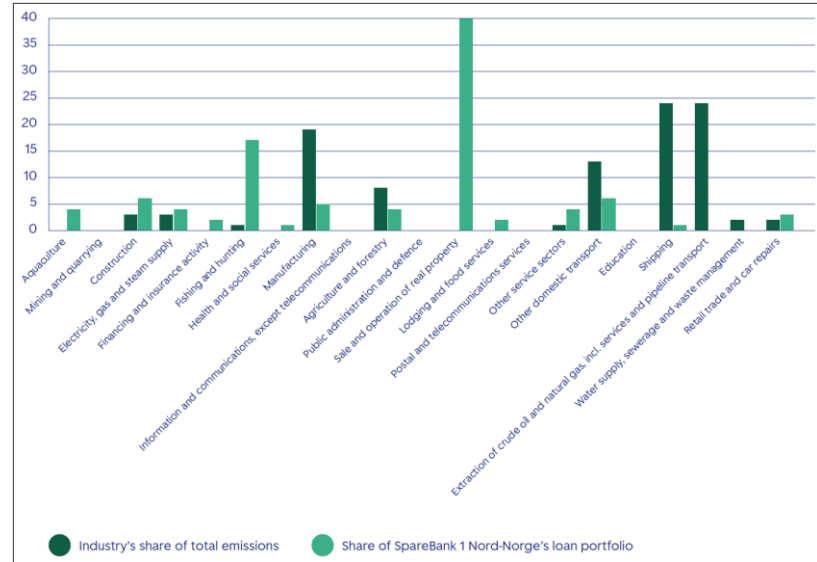


SNN Group's greenhouse gas emissions



SNN is committed to reduce its greenhouse gas emissions by 40% from 2016 to 2026

SNN keeps track of the carbon exposure in its credit portfolio



SNN's Commitment to Climate Action (2/2)

Carbon exposure in the credit portfolio

	Sustainability Goal	Sector's share of total emissions	Share of loan portfolio SNN
1	Aquaculture	0%	4%
2	Mining and quarrying	0%	0%
3	Construction	3%	6%
4	Electricity, gas and steam supply	3%	4%
5	Financing and insurance activity	0%	2%
6	Fishing and hunting	1%	17%
7	Health and social services	0%	1%
8	Manufacturing	19%	5%
9	Information and communications, except telecommunications	0%	0%
10	Agriculture and forestry	8%	4%
11	Public administration and defence	0%	0%

	Sustainability Goal	Sector's share of total emissions	Share of loan portfolio SNN
12	Sale and operation of real property	0%	40%
13	Lodging and food services	0%	2%
14	Postal and telecommunications services	0%	0%
15	Other service sectors	1%	4%
16	Other domestic transport	13%	6%
17	Education	0%	0%
18	Shipping	24%	1%
19	Extraction of crude oil and natural gas	24%	0%
20	Water supply, sewerage and waste management	2%	0%
21	Retail trade and car repairs	2%	3%

 Covered through Green Product Framework

SNN's Sustainable Products

SNN offers Green and Social Products to its clients

Green Products

Green lending and liquidity management

Green Product Framework: Aligned with SNN's goal of contributing to a greener securities market



Green products to the retail market

Green mortgages



Criteria:
- Passive House (NS 3700)
- EPC: A or B

Loans for renovations



Criteria:
- Meet the criteria for support from [ENOVA](#)
- EPC: A or B

Loans for electric cars



Criteria:
- New and used electric vehicles

Social Products

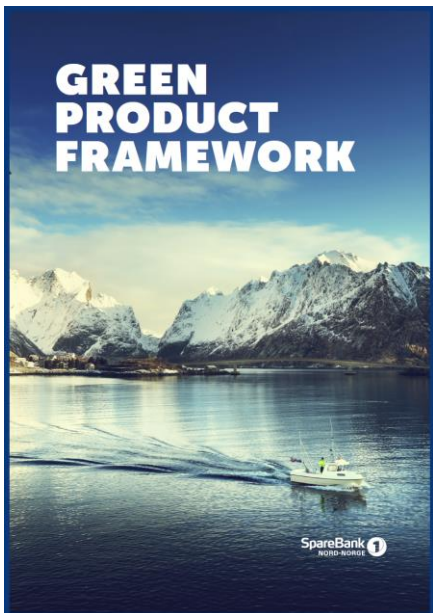
SNN also offers a number of products with a social profile

- Boliglån ung and LOfavør Boliglån ung are discounted products designed to help young home buyers enter the housing market
- Førstehjemslån and LOfavør Førstehjemslån are The Group's most reasonably priced mortgage loans to first-home buyers, regardless of age
- LOfavør Forskudd lønnsgaranti is a loan offered at a standard mortgage rate should the customer's employer goes bankrupt, pending disbursement from the wage guarantee fund
- LOfavør konfliktlån is a loan offered at a standard mortgage rate to customers who find themselves in a long-lasting labour dispute arising during collective bargaining



SNN's Green Product Framework

Greening the asset base

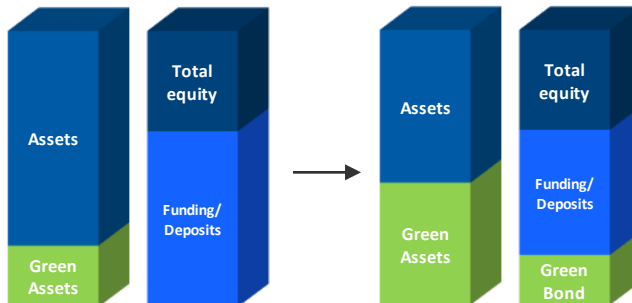


The Framework was developed with a basis in criteria set by Green Bond Principles, Green Loan Principles and the Climate Bond Initiative and other established market standards. The EU Taxonomy is also included in the set of criteria

Cicero assigned the framework its top score of 'Excellent'



Aim: Green Product transition



Sectors covered

Aquaculture
Fishery
Agriculture
Forestry
Property
Land transport
Maritime transport
Renewable energy

From Product to Finance Framework

Accessing capital markets

- SNN's **Green Product Framework** has a focus on greenifying SNN's loan asset base. The Framework was established to strengthen The Group's work on climate risk in the portfolio, its conformance with new regulation and requirements, and to play a part in assisting Northern Norwegian business and industry to achieve a green transition
- SNN's **Green Finance Framework** will leverage on the experience with the Product Framework and enhance transparency and accountability through the liability side
- **Governance** in relation to eligibility criteria between both Frameworks
 - The Green Finance Framework has a limited scope in relation to sectors covered
 - Criteria are aligned for the majority of the Use-of-Proceeds categories that are listed



Asset side



Overlap in sectors covered

Aquaculture

Fishery

Agriculture

Forestry

Property

Land transport

Maritime transport

Renewable energy



Funding side

SNN Green Finance Framework



SNN's Green Finance Framework

Rationale

- SNN intends to align its funding strategy with its mission, sustainability and climate strategy and targets
- With this Green Finance Framework, we want to leverage on that experience and enhance transparency and accountability through the liability side

Alignment with best market practices

- ICMA Green Bond Principles 2021
- LMA Green Loan Principles 2021
- EU Taxonomy Climate Delegate Act (June 2021)



Framework description



Use of Proceeds	SNN's green finance instruments will finance/re-finance Eligible Green Loans
Project Evaluation and Selection Process	In accordance with Eligibility Criteria and undertaken by the Green Finance Committee
Management of Proceeds	Managed by SNN through a portfolio approach
Reporting	On the allocation of net proceeds to the Eligible Green Loan Portfolio and wherever feasible reporting on portfolio impact
External Review	Second-party opinion by ISS ESG and auditor limited assurance report may be requested on the allocation report



Use of Proceeds



Taking into consideration EU Taxonomy Regulation and criteria

Green Buildings (Residential & Commercial)



Existing Buildings belonging to the **top 15%** most energy-efficient buildings of the local building stock and refurbished buildings which **achieved energy savings of at least 30%** in comparison to the baseline performance of the building before the renovation

Renewable Energy

- **Solar** energy projects
- **Wind** energy projects (onshore/offshore)
- **Geothermal** energy projects (<less than 100g CO2e/kWh)
- **Hydro power** projects (small-scale hydropower projects [less than 25MW], and large-scale projects [more than 25MW] – all <100gCO2e / kWh)
- **Transmission systems**

Clean Transportation



Land Vehicles

- **Low-carbon** vehicles
- **Related Infrastructure** to support electric vehicles

Maritime Vessels

- **As aligned with the EU Climate Delegated Act and Climate Bonds Initiative** criteria

Environmentally Sustainable Management Of Living Natural Resources And Land Use

Aquaculture:

- Aquaculture Stewardship Council Best Aquaculture Practices (BAP)
- Global G.A.P.
- The Worldwide Standard for Good Agricultural Practices
- Friend of the Sea

Fisheries:

- Marine Stewardship Council



Project Evaluation and Selection Process

SNN's Green Finance Committee

- SNN's Green Finance Committee consists of members from the following departments:



- The committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories and changes in the green bond standards on a best effort basis, and oversee its implementation
- The Green Finance Committee monitors the Eligible Green Loan Portfolio after each reporting period and is also responsible for:
 - Reviewing the content of SNN's Green Finance Framework and updating it to reflect changes in sustainability strategy, market and regulatory developments on a best effort basis
 - Excluding loans that no longer comply with the Eligibility Criteria and replacing them on a best efforts basis

Adherence to EU Taxonomy and EU GBS

In its asset selection, SNN takes into account **Do Not Significantly Harm** ('DNSH') criteria and **Minimum Social Safeguards** requirements



Confirmed by ISS ESG in the SPO

Alignment with SNN's internal ESG policies

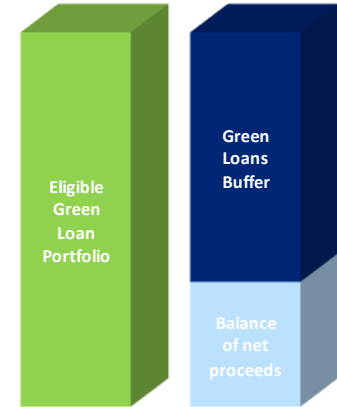
- The Eligible Green Loan Portfolio is required to align SNN's related internal sustainability codes and policies
- Taken into consideration are SNN's
 - Policy for sustainability and corporate responsibility
 - Guidelines for sustainable financing (credit)
 - General guidelines for corporate and social responsibility and sustainability
 - Green Product Framework



Management of Proceeds

Description of SNN's approach

- 1** The net proceeds of the green finance instruments issued under this Framework will be managed by SNN in a **portfolio approach**
- 2** SNN will strive, over time, to achieve a **level of allocation for the Eligible Green Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding green finance instruments**
- 3** During the life of the green finance instruments, **if a loan ceases to fulfil the eligibility criteria, SNN will remove the loan from the Eligible Green Loan Portfolio and replace it when necessary for the balance as soon as reasonably practicable**
- 4** **Pending the full allocation to the Eligible Loans Portfolio**, SNN will hold and/or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc.)



Reporting

SNN will make and keep readily available reporting on the allocation of an amount equal to the net proceeds to the Eligible Green Loan Portfolio and wherever feasible reporting on the impact of the Eligible Green Loan Portfolio, at least at the category level, to be renewed annually until full allocation

Allocation Report, indicators SNN will report on

- 1 The total amount of SNN green finance instruments outstanding
- 2 The amount of net proceeds allocated to Eligible Green Loans
- 3 The balance of unallocated proceeds
- 4 The amount or the percentage of new financing and refinancing
- 5 The proportion of loans that are aligned with the EU Taxonomy Climate Delegated Acts

Impact Report may provide

- 1 A description of relevant Eligible Green Loans
- 2 The breakdown of the Eligible Green Loan Portfolio by nature of what is being financed
- 3 Metrics regarding Eligible Green Loans' environmental impacts

SNN will align, on a best effort basis, the impact reporting with the portfolio approach described in "Handbook – Harmonized Framework for Impact Reporting (June 2021)"



Reporting – Pre-Issuance Allocation

Portfolio date: 30 June 2021

Eligible Green Loan Portfolio		Green Funding			
	Amount (NOKm)	Instrument (ISIN)	Issuance Date	Due Date	Amount (NOKm)
Green Residential Buildings	6,438				
Green Commercial Buildings	1,071				
Renewable Energy	1,300				
Clean Transportation	300				
Environmentally Sustainable Management Of Living Natural Resources And Land Use	3,661				
Fisheries (MSC certification)	861				
Aquaculture (Global.G.A.P. and ASC certification)	2,800				
Total	12,770	Total	Total	Total	-
Percentage of Eligible Green Loan Portfolio allocated (usage)					0%
Percentage of Net Proceeds of Green Funding allocated to Eligible Green Loan Portfolio					100%
Eligible Green Loan Portfolio - Unallocated (NOKm)					-
New loans added to the portfolio since December 2019 (NOKm)					9,478
The proportion of loans that are aligned with the EU Taxonomy Climate Delegated Acts ¹					
In scope of EU Taxonomy Climate Delegated Act		Green Buildings², Renewable Energy and Clean Transportation		Amount in scope	% Aligned
				9,109	98.7%

¹ For calculating the Taxonomy alignment percentage, only eligible categories for which there are defined Technical Screening Criteria available were considered. Out of scope category is Environmentally Sustainable Management Of Living Natural Resources And Land Use.

² In accordance with the EU Delegated Act, buildings built from the 1st January 2021 should meet the 'NZEB – 10%' criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In Norway, a definition for what constitutes a 'NZEB' has not yet been implemented.

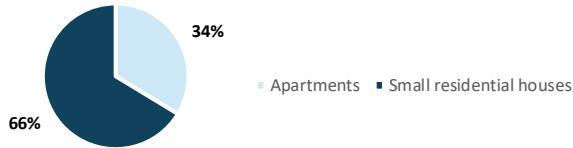


Reporting – Impact (1/5)

Green Buildings

Residential Buildings

Green Residential Buildings Portfolio [sq.m]

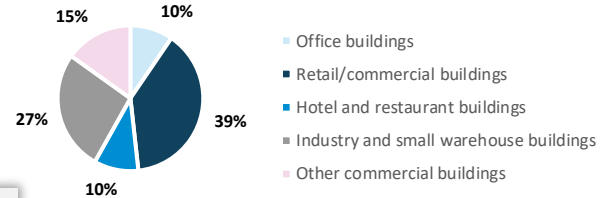


Area [m2]	Reduced energy [GWh/year]	Reduced CO2-emissions [tons CO2/yr]
765,901	99	12,332

14,680 tons CO₂ / year saved
(vs. Norwegian average)

Commercial Buildings

Green Commercial Buildings Portfolio [sq.m]

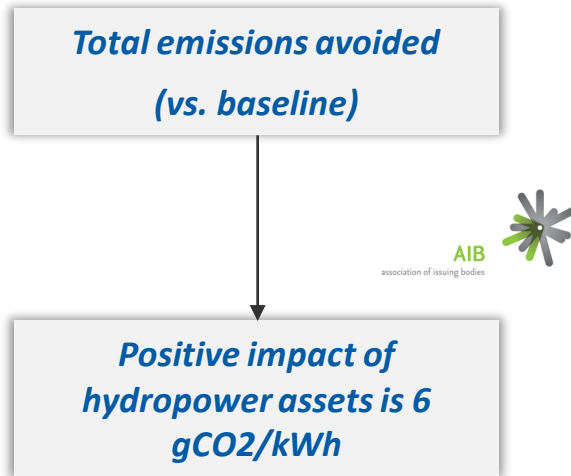


Area [m2]	Reduced energy [GWh/year]	Reduced CO2-emissions [tons CO2/yr]
171,660	19	2,348



Reporting – Impact (2/5)

Renewable Energy



SNN's portfolio of hydropower and wind energy plants

	Capacity [MW]	Total capacity [MW]	Estimated production [GWh/yr]	Expected production [GWh/yr]
Small hydropower	0.7 – 25	140	566	508
Wind	45	45	153	153
Sum		185	719	661

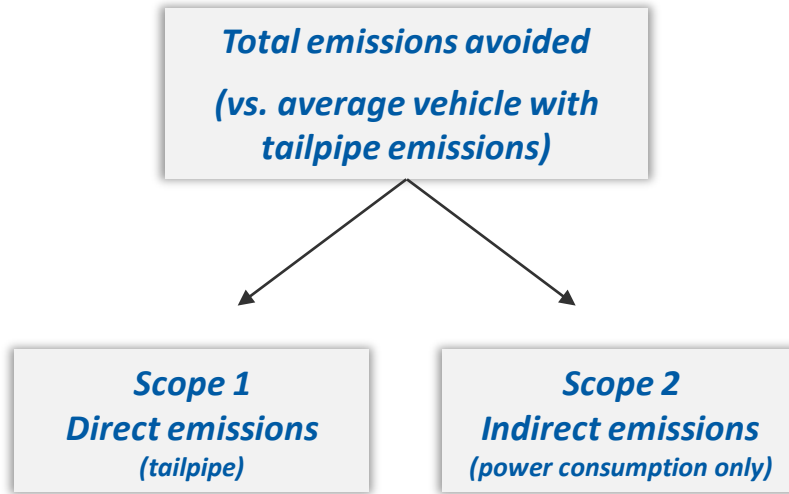
Impact assessment: Avoided emissions

	Produced power	CO ₂ -emissions avoided
Eligible wind power and hydropower plants in portfolio	661 GWh/year	83,806 tons CO ₂ /year



Reporting – Impact (3/5)

Clean Transportation



SNN portfolio of EV vehicles

	Number of vehicles	Sum km/yr	Sum person km/yr
Passenger vehicles	1,189	13.0 mill.	22.1 mill.
Light Duty Vehicles	27	0.3 mill.	0.4 mill.
Sum portfolio	1,216	13.3 mill.	22.5 mill.

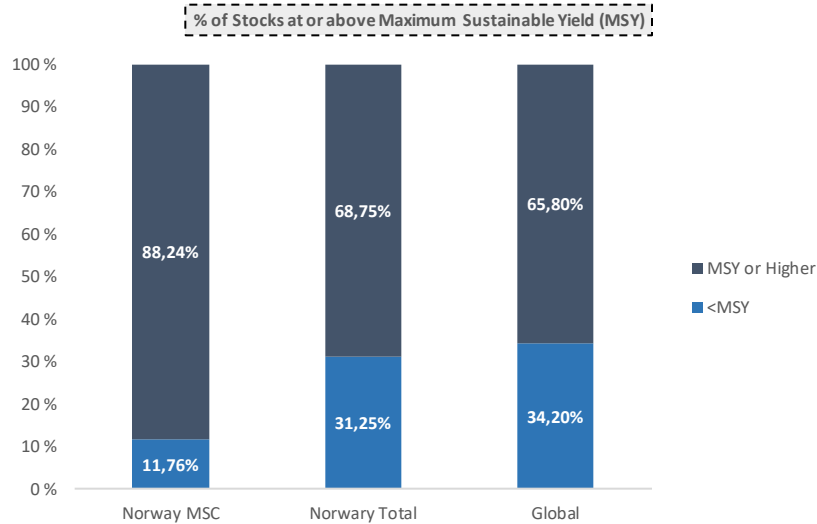
Impact assessment: Avoided emissions – Electric vehicles

	CO2-emissions avoided
Direct emissions only (Scope 1)	- 1,302 tons CO2/year
Indirect emissions EV's only (Scope 2)	935 tons CO2/year
Direct and indirect	- 367 tons CO2/year



Reporting – Impact (4/5)

Environmentally Sustainable Management Of Living Natural Resources And Land Use



SNN's contribution to responsible wild-capture fisheries

Indicator	Benefit MSC vs. Norway	Benefit MSC vs. World
% of fishery stocks with biomass at or above sustainable levels	<u>+19.5% vs. Norway</u>	<u>+22.4% vs. World</u>



Reporting – Impact (5/5)

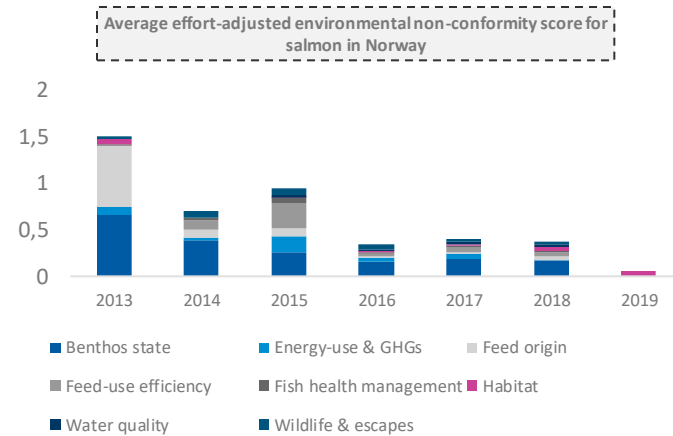
Environmentally Sustainable Management Of Living Natural Resources And Land Use



Farming of salmon is significantly lower in carbon impact compared to other on-land livestock.

Indicator	CO ₂ intensity avoided vs. chicken	CO ₂ intensity avoided vs. pork	CO ₂ intensity avoided vs. beef
CO ₂ intensity of protein avoided (g CO ₂ eq per typical serving (40g))	0.28	0.7	5.32

Improvement of conformity with the ASC standard in Norway for salmon

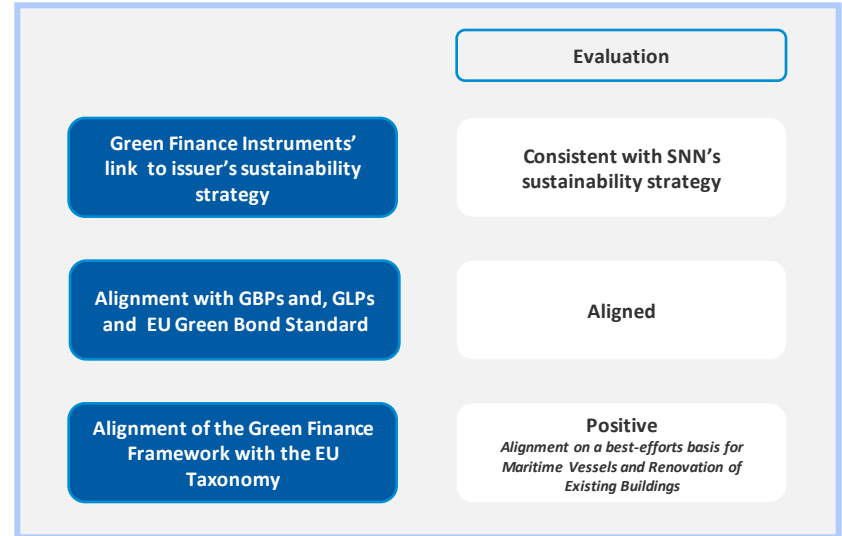


External Review - Second Party Opinion (1/2)

ISS ESG SPO

SNN commissioned ISS ESG to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Finance Instruments' link to SNN's sustainability strategy
2. SNN's Green Finance Framework benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs), and the Loan Market Association (LMA) Green Loan Principles (GLPs)
3. Alignment of the Green Finance Framework with the EU Taxonomy



External Review - Second Party Opinion (2/2)

Contribution to SDG assessment

GBP/GLP Category	SDG	
Green Residential Buildings	Significant contribution to SDG 13	Limited contribution to SDG 11
Green Commercial Buildings	Significant contribution to SDG 13	Limited contribution to SDG 11
Renewable Energy	Significant contribution to SDG 13	Significant contribution to SDG 7 (except for hydropower, limited contribution)
Clean Transportation	Significant contribution to SDG 13	Limited contribution to SDG 7
Aquaculture	Limited contribution to SDG 14	
Fisheries	Limited contribution to SDG 14	



EU Taxonomy Assessment: TSC, DNSH & MS

High level assessment → ISS ESG Accredited alignment

Eligible Green Asset Category	Green Buildings (Residential & Commercial)	Wind Power	Hydro Power	Land Vehicles
Geography	Norway			
Eligibility Criteria	Top 15% - (via Building code / EPC) Renovation of existing buildings	Electricity generation from wind power	Electricity generation from hydro power	Low-carbon vehicles (zero-emission) and Infrastructure to support electric vehicles
Alignment with the Technical Screening criteria of the EU Taxonomy Climate Delegated Act (June 2021)	TSC alignment = 98.4% Pre 2021: 98.4% (7,389/7,509) 2021 ¹ : 1.6% (120/7,509)	100% TSC alignment	100% TSC alignment (only facilities with <100gCO ₂ e/kWh life cycle emissions)	100% TSC alignment
Do No Significant Harm & Minimum Social Safeguards	SpareBank 1 Nord-Norge ensures that all eligible loans comply with official national and international environmental and social standards and local laws and regulations on a best effort basis. The terms and conditions that govern SNN's business lending require borrowers to comply with all applicable laws, regulations and practices and that they will comply with all authorisations, consents, approvals, waivers, resolutions, licences, permits, exemptions or registrations related to the project financed. The Eligible Green Loan Portfolio is required to align with SNN's related internal sustainability codes and policies, including the General guidelines for corporate social responsibility and sustainability and the Code of Conduct. SNN recognises the need to align frameworks, policies and practices to environmental, social and governance (ESG) principles, and this continues to be an ongoing focus			

Accredited EU Taxonomy alignment assessment (in scope): 98.7%² aligned (NOK 8,989m aligned out of NOK 9,109m total portfolio in scope)
Accredited EU Taxonomy alignment assessment (in scope + out of scope): 70.4% aligned (NOK 8,989m aligned out of NOK 12,770m total portfolio)

¹ In accordance with the EU Delegated Act, buildings built from the 1st January 2021 should meet the 'NZEB – 10%' criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In Norway, a definition for what constitutes a 'NZEB' has not yet been implemented.

² For calculating the Taxonomy alignment percentage, only eligible categories for which there are defined Technical Screening Criteria available were considered. Out of scope category is Environmentally Sustainable Management Of Living Natural Resources And Land Use.

