Sustainable Finance Product Framework

April 2024

Contents

1. Introduction

1.1. SpareBank 1 SR-Bank Profile and sustainability strategy

SpareBank 1 SR-Bank (SR-Bank) is a Norwegian bank operating in Southern Norway. The bank has more than 350,000 individuals and companies as customers. The bank's strategy is based on a complete range of good digital services, a modern customer service centre, and a well-developed network of branches that provide our customers with fast, easy access to financial services and expertise via all channels.

SR-Bank plays an important societal role in a changing world. Our ambition is to take responsibility to be a part of the solution and a proactive ally to our clients in the transition to a more sustainable society.

This means that sustainability will be an integral part of everything we do: how we create valuable customer experiences, how we deliver results; how we operate our business, and how we work with others and contribute to the society of which we are a part. All employees will have a proactive, responsible approach to sustainability.

1.1.1 Our global initiatives

The 17 UN Sustainable Development Goals[1] (SDG) lays the foundation for the work with sustainability in the group, and the contribution to the green transition. The group supports the Paris Climate Agreement and considers this framework to be an important step towards strengthening our contribution to reaching the climate commitment.

In addition, we are basing this framework and our sustainability approach on the following principles and guidelines

- The 10 Principles of the UN Global Compact[2]
- The UN Principles for Responsible Banking[3]
- The OECD guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- The Poseidon Principles

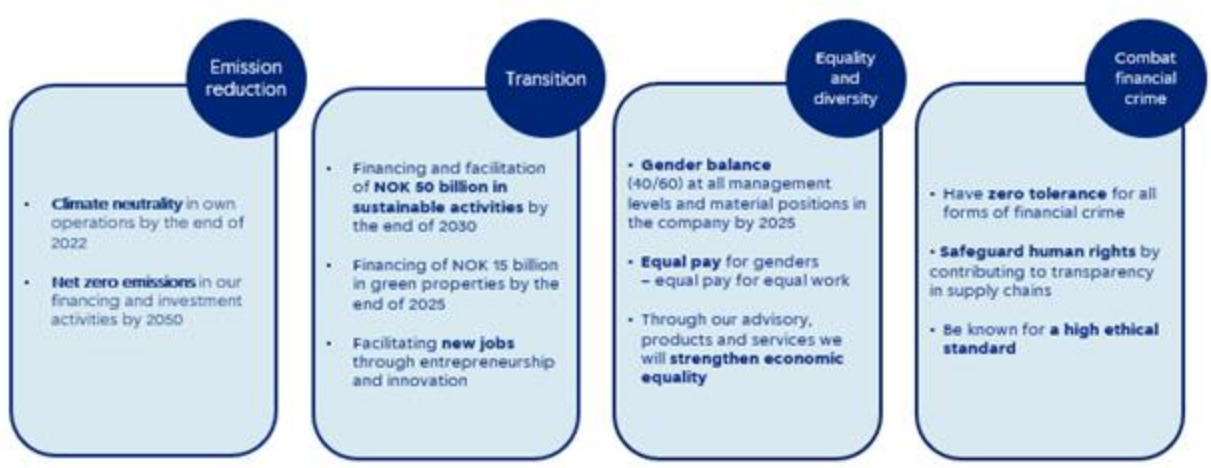
1.1.2 Our goals and objectives

We have defined four overarching sustainability goals. We have further defined relevant ratings and KPIs that we will work towards and report on for the goals. The goals will help operationalise the Sustainability strategy and emphasise which measures that must be implemented.

[1] UN Sustainable Development Goals https://fn.no/om-fn/fns-baerekraftsmaal

[2] Global Compact https://globalcompact.no/

[3] Principles for Responsible Banking https://unepfi.org/banking/bankingprinciples/



This framework will contribute specifically to the transition goals of financing and facilitating NOK 50 bn in sustainable activities by the end of 2030 as well as financing NOK 15 billion in green properties by 2025. It is very likely that the framework will help contribute to the emission reduction target as well as the portfolio allocation to sustainable finance will increase.

1.2. ESG as part of the credit process

All customers of SR-Bank must comply with the relevant laws and regulations as well as our guidelines and policy on sustainability.

In addition, SR-Bank has developed an ESG scorecard which forms the basis of the ESG assessment of corporate clients. Any client or prospect considered from Sustainable financing under this framework must have an acceptable ESG score based on this model.

Qualification of eligible sustainable financing at SpareBank 1 SR-Bank:

The process for qualifying loans under the Sustainable Product Framework depends on the sector, the size of the loan and potentially other deciding factors. Some smaller loans and exposures may be qualified directly by the client relationship manager, whilst most will have to go through the "ESG Team". The SR-Bank ESG Team has representatives from the corporate division, risk and sustainability.

1.3. Regulatory framework: The EU taxonomy

The EU Taxonomy (the taxonomy) is a framework to classify sustainable economic activity and serves as an implementation tool that enables capital markets to identify and respond to investment opportunities that contribute to the environmental policy objectives the EU has set (which has its basis in the goals of the Paris Agreement.). The Taxonomy sets out technical screening criteria for economic activities which can make substantial contribution to climate change mitigation and criteria to do no significant harm to other environmental objectives.

This framework is harmonized with the criteria of the taxonomy to the extent that it is deemed relevant at this point. Some sectors that are in this framework are not yet covered by the taxonomy, such as aquaculture and fisheries. For the real estate sector, Norwegian national standards corresponding to the criteria in the taxonomy have not yet been developed. For these sectors we defer to the prevailing market practise as described in the use of proceeds section.

SR-Bank considers the taxonomy to be the principal guideline for this framework and we monitor the developments of the taxonomy closely.

1.4. Product scope and review process

This framework refers to corporate and retail credit facilities where use of proceeds either comply with the environmental objectives listed in section 2.2 or qualify for sustainability-

linked lending as described in section 2.3. Examples for products that may qualify under this framework are revolving credit facilities, term loans and guarantees.

SR-Bank will on a continuous basis, monitor relevant developments and update the framework on as-needed basis.

2. Sustainable Finance Framework

2.1. Overview

To support us in reaching our overall sustainability commitment of being a proactive ally in the transition and our contribution to the sustainability goals we need to ensure that our clients have access to financial products that promote sustainability. The aim of this Sustainable Finance Framework is to guide SR-Bank employees in identifying and developing Green and Sustainable Loans / Products with reference to:

(i) Green Loan Use-of-Proceeds; and
(ii) Sustainability-Linked Loans (SLL) based on tailored KPIs as further described below and sustainability performance targets (SPT)

Specific product propositions may reference this framework.

See also the following table for an overview to link sustainability to borrower's bank financing.

	Green Finance		Sustainability-linked Finance
Green loan principle / Loan characteristics	Loan proceeds are specifically allocated to eligible green projects or general corporate purpose loans are provided to companies that derive over 90% of revenues from eligible green activities	Sustainability-Linked Loan Principles / Loan Characteristics	Loans for general corporate purposes, where the terms of the loan is linked to the borrower's sustainability performance, measured using predefined and tailored Key Performance Indicators (KPIs) as assessed against pre-determined Sustainability Performance Targets (SPTs)
Sustainable Finance Definitions	i. EUT Green[4] ii. Non-EUT Green[5]	Sustainable Finance Definition	ESG supporting instrument[6]
Use of Proceeds	Eligible Portfolio of Green Projects, as outlined in section 2.2	Selection of KPIs	Formulation of quantitative KPIs and targets, which are SMART (specific, measurable, attainable, relevant and time-bound), material to the borrower's overall business and follow the guidance as laid out in section 2.3.2

[4] "EUT Green" are economic activities that substantially contribute to one of the six EU Environmental Objectives, Do No Significant Harm (DNSH) to any of the other objectives, while respecting the Minimum Safeguards (MS) for non-retail exposures, including OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

[5] "Non-EUT Green" are economic activities that:

- Align with the Eligibility Criteria (Green Finance) or the KPI-Linked Finance criteria (Sustainability-Linked Finance); and/or
- Align with Best Market Practice Criteria / Principles / Standards / Regulation (Green/Sustainability-Linked Loan Principles / EUT /CBI); and/or
- Substantially contribute to one of the six EU Environmental Objectives, however, Do No Significant Harm criteria and/or Minimum Safeguards criteria are not implemented (due to e.g. the technical nature of criteria, data collection, challenges, asset location, etc.)

[6] "ESG supporting instrument" is a financial product that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. This definition is derived from Article 8(1) of Regulation (EU) 2019/2088 of the SFDR.

Process for Project Evaluation and Selection	Lending origination teams to identify eligible green activities of borrowers based on defined Eligible Green Activities and to be confirmed by borrowers	Calibration of SPTs	Targets should be ambitious and benchmarked against historical performance, peer performance and the science or external standards, targets and/or taxonomies and follow the guidance as laid out in section 2.3.2
Reporting	N/A	Reporting	The borrower should update the lender(s) on the performance of KPIs on an annual basis
Verification	N/A	Verification	- External auditor to verify KPIs annually, e.g. by means of integrated or Sustainability reporting Limited assurance by external auditor at signing Targets sufficiently set into the future (life time of the loan)

2.2. Green Loan Use-of-Proceeds

The Green Loan Use-of-Proceeds are aligned with the **Loan Market Association** (**LMA) Green Loans Principles (GLP) 2023 edition**[7]. The GLP comprise voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction, that seek to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be categorised as "green". The GLP are intended for broad use by the market, providing a framework within which the flexibility of the loan product can be maintained, and will be reviewed on a regular basis, in light of the development and growth of the global green loan market. The GLP are based on four components:

(i) Use of Proceeds
(ii) Process for Project Evaluation and Selection
(iii) Management of Proceeds
(iv) Reporting

Furthermore, eligibility criteria are aligned with the Technical Screening Criteria of the EU **Taxonomy** to the extent that criteria are available for the sectors in question on a best effort basis. The EU Taxonomy is an EU classification system to determine whether an economic activity is environmentally sustainable. The EU taxonomy is a tool to help investors understand whether an economic activity is environmentally sustainable. It is a common language between investors, issuers and policymakers that can build confidence that investments are meeting robust environmental standards and are consistent with high-level policy commitments such as the Paris Agreement

In case the taxonomy has no clear criteria for a specific category, this framework defers to prevailing market practice.

Below is an overview of the qualifying green themes and activities.

This chapter (Green Loan Use-of-Proceeds) covers SR-Bank's financing of investments in projects and assets listed as eligible below. Under this Framework, loans may be for individual projects or at the corporate level. As far as corporate financing is concerned, any loans to companies that generate over 90% of revenues from activities aligned with the Eligibility Criteria would qualify for general corporate purpose ("GCP") lending under this Framework, meaning that the entire loan by SpareBank 1 SR to such a borrower is 100% eligible[8]

[7] Green-Loan-Principles-Feb2023.pdf
[8] Compliance with this requirement may be measured based on revenues, overall expenditures and/or other indicators as determined by SpareBank 1 SR, and must be documented and confirmed annually, both forward looking and backward looking.

Green Eligible Category

2.2.1. Green Residential Buildings

Sub-theme	Eligible activities	EU Taxonomy Activities[9]
Residential buildings[10] **(existing and new construction**)	**Buildings built ≥2021: Buildings complying with the relevant NZEB-10% threshold [11]** • Small residential buildings; (1) EPC A or (2) EPC B combined with energy demand below NZEB-10% threshold • Apartment buildings; (1) EPC A or (2) EPC B combined with energy demand below NZEB-10% threshold • Apartments with EPC A with energy demand below NZEB-10% threshold **Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway** • Buildings with either EPC label A or B or building codes TEK10-17 and newer • Buildings otherwise complying with the top 15% low carbon building in Norway [12]	7.1. Construction of new buildings 7.7. Acquisition and ownership of buildings
Residential buildings[10] (**renovated**)	**Renovation loans for residential buildings in Norway with an improved energy efficiency of 30%** One of the criteria below must be met or be designed and intended to be met: • Renovated Norwegian residential buildings with at least a 30% reduction in energy use measured in specific energy, kWh/m2 [13] • Renovation project that contributes to the building being at least 70 per cent self-sufficient in renewable energy. This also includes plus houses.	7.2. Renovation of existing buildings

[9] EU Taxonomy activities that substantially contribute to EU objective Climate Change Mitigation
[10] Including vacation homes
[11] In accordance with the EU Taxonomy Climate Delegated Act, buildings built from 1 January 2021 onwards should meet the 'NZEB -10%' criterion. In Norway, NZEB definitions were announced on 31 January 2023 (Norwegian only). Compliant buildings are assessed against the respective NZEB threshold published by the Norwegian Ministry, expressed as specific energy demand in kWh/m2. At the time of writing all Norwegian buildings with EPC labels of A (with the exception of individual unit residential apartments) and some EPC B labels are compliant with NZEB-10%. Small residential buildings with EPC B, apartment buildings with EPC B and individual unit apartments with EPC A require further documentation to be considered compliant with the respective NZEB-10% kWh/m2 threshold. The full methodology and selection approach used for NZEB-10% compliant buildings will be published in a technical report from a specialised external consultant.
[12] Qualifying building codes and/or EPC labels (actual or estimated) will be determined with the support of a specialised external consultant and may take into account guidance from the Norwegian Ministry. It is expected that Norwegian residential and commercial buildings under building codes TEK10 and TEK17 and EPC label A or B are within the top 15% as of FY23 building stock statistics. TEK07 buildings and EPC C labels may be considered as part of the top 15% low carbon buildings in Norway, according to new limits for inclusion in the top 15% energy efficient methodology under guidance by the Norwegian Energy Ministry.
[13] Renovated buildings may take into account the future PED thresholds for renovations in line with the future Long Term Building Renovation Plan of the government.

2.2.2. Green Commercial Buildings

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activities[9]
Commercial buildings **(existing and new construction**)	**Buildings built ≥2021: NZEB-10%** [11] • Buildings with EPC A or otherwise complying with the relevant NZEB-10% threshold • Buildings larger than 5.000 m2 must also have a demonstrated life cycle Global Warming Potential (GWP) calculation, and upon completion, the building must undergo testing for airtightness and thermal control **Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway:** • Buildings with either EPC label A-B or building codes TEK10-17 are compliant • Buildings otherwise complying with the top 15% low carbon building in Norway[12] **New or existing commercial buildings which have received, or are designed and intended to receive, at least one of the following classification** • LEED "Gold" • BREEAM or BREEAM-NOR "Very Good", or equivalent or higher level of certification • Nordic Swan Ecolabel • Equivalent certification scheme and level The buildings must meet the above criteria and additionally have, or be designed and intended to receive, an Energy Performance Certificate (EPC) with grade A or B [14]	Buildings **designed for the purpose of extraction, storage, transportation, manufacture of fossil fuels or crypto mining** is not eligible	7.1. Construction of new buildings 7.7. Acquisition and ownership of buildings

[14] EPC label must apply for minimum 75 % of floor area

Commercial buildings (**Renovated**)	**Renovation loans for Commercial buildings in Norway with an improved energy efficiency of 30 %:** One of the criteria below must be met or be designed and intended to be met: • Renovated Norwegian commercial buildings with at least a 30% reduction in energy use, kWh/m2 delivered energy to the building [13] • Renovation project that contributes to the building being at least 70 per cent self-sufficient in renewable energy. This also includes plus buildings		7.2. Renovation of existing buildings

2.2.3. Renewable Energy

Sub-theme	Eligible activities	EU Taxonomy Activities[9]
	Development, trade, acquisition, installation, operation and maintenance of renewable energy power plants, generation and transmission of energy from such renewable sources and manufacturing of related technologies and equipment:	3.15. Manufacture of anhydrous ammonia 4.1. Electricity generation using solar photovoltaic technology 4.2. Electricity generation using concentrated solar power (CSP) technology 4.3. Electricity generation from wind power 4.4. Electricity generation from ocean energy technologies 4.5. Electricity generation from hydropower 4.7. Electricity generation from renewable non-fossil gaseous and liquid fuels 4.8. Electricity generation from bioenergy 4.9. Transmission and distribution of electricity 4.10. Storage of electricity 4.12. Storage of hydrogen
Wind energy	• **Wind projects**: Onshore and offshore wind energy projects	
Solar energy	• **Solar projects**: Photovoltaic, Concentrated Solar Power energy and solar thermal facility	
Ocean energy	• **Ocean energy projects** with life cycle emissions of less than 100g CO2e / KWh	
Geothermal	• **Geothermal power projects**: life cycle emissions of less than 100g CO2e / KWh and direct emissions of less than 100g CO2e / KWh	
Hydropower	• **Hydropower** in Norway that meets at least one of the following criteria: - Run-of-river, small scale hydro power plants with either installed capacity less than 25 MW or without an artificial reservoir - Power density greater than 5W/m2 - Life cycle emissions less than 100g CO2e / KWh	
Renewable non-fossil gaseous and liquid fuels	• Electricity generation from **renewable non-fossil gaseous and liquid fuels** as defined by the EU Taxonomy	
Bioenergy	• Manufacture of **biogas and biofuels** for use in transport and of bioliquids as defined by the EU Taxonomy**Feil! Bokmerke er ikke definert.** • Electricity generation from **bioenergy**, as defined by the EU Taxonomy[14]	
Hydrogen	• Manufacturing and storage of **hydrogen** as defined by the EU Taxonomy: - The activity complies with the life-cycle GHG emissions savings requirement of 73.4% for hydrogen [resulting in life-cycle GHG emissions lower than 3tCO2e/tH2] and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO2e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001	

	- Life-cycle GHG emissions savings are calculated using the methodology referred to in Article 28(5) of Directive (EU) 2018/2001 or, alternatively, using ISO 14067:2018(119) or ISO 14064-1:2018(120) - Quantified life-cycle GHG emission savings are verified in line with Article 30 of Directive (EU) 2018/2001 where applicable, or by an independent third party - Where the CO2 that would otherwise be emitted from the manufacturing process is captured for the purpose of underground storage, the CO2 is transported and stored underground, in accordance with the technical screening criteria set out in Sections 5.11 and 5.12, respectively, of this Annex	4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids
Anhydrous ammonia	• Manufacturing of **anhydrous ammonia** as defined by the EU Taxonomy - Ammonia is produced from hydrogen that complies with the technical screening criteria set out in Section 3.10 of this Annex (Manufacturing of hydrogen) - Ammonia is recovered from waste water	
Transmission and storage systems	• Construction, operation and maintenance of transmissions and storage systems (or other infrastructure, including storage) to facilitate the integration of electricity from renewable energy sources into the grid - Transmission and distribution infrastructure in an electricity system that complies with at least one of the following criteria: ✓ The system is the interconnected European system, and its subordinate systems, or ✓ more than 67 % of newly enabled generation assets comply with the 100gCO2 e/kWh threshold (over a rolling 5-year period), or ✓ the grid's average emissions factor is less than 100gCO2 e/kWh (over a rolling 5-year period) - Direct connections, or expansion of existing direct connections of renewable energy sources - Facilities that store electricity and return it at a later time in the form of electricity	

2.2.4. Clean Transportation

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activity[9]
	Production, establishment, acquisition, expansion, upgrades, maintenance and operation of low carbon vehicles and related infrastructures[15]:	All land vehicles that are dedicated to the transport of fossil fuels are not eligible Vessels dedicated to the transport of **fossil fuel are not eligible**	6.3. Urban and suburban transport, road passenger transport 6.6. Freight transport services by road 6.5. Transport by motorbikes, passenger cars and light commercial vehicles 6.7. Inland passenger water transport 6.8. Inland freight water transport 6.9. Retrofitting of inland water passenger and freight transport 6.10. Sea and coastal freight water transport, vessels for port operations and auxiliary activities 6.11. Sea and coastal passenger water transport 6.15. Infrastructure enabling low-carbon road transport and public transport
Land Vehicles	• Fully electric, hydrogen or otherwise zero tail pipe emissions passenger and freight		
Maritime Vessels	• The vessels have zero direct (tailpipe) carbon emissions		
Zero carbon transportation Infrastructure	• infrastructure to support zero emissions passenger, freight vehicle, vessels and public transportation, such as charging stations for electric vehicles, urban and intercity transit infrastructure, port operation and transhipment infrastructure		

[15] No transport activities that are dedicated for the transport of fossil fuels.

			6.16. Infrastructure enabling low carbon water transport 6.12. Retrofitting of sea and coastal freight and passenger water transport

2.2.5. Environmentally Sustainable Management of Living and Natural Resources and Land Use

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activities
Aquaculture	**Aquaculture operations, facilities, or seafood products that have the following certifications, or improvement that result in one of the following certifications:** • Aquaculture Stewardship Council (ASC) • Best Aquaculture Practices (BAP) minimum 2 stars • The Worldwide Standard for Good Agricultural Practices • Marine Stewardship Council (MSC); Marine Ingredients DEBIO **Products and services that result in significant improvements in energy efficiency or marine environment of aquaculture farming and processing facilities**	Aquaculture which has been certified with a variance from the standard Aquaculture feed that use soy ingredients not certified according to RTRS, Proterra or equivalent certification scheme Equipment running on fossil fuels	Not covered in EU Taxonomy Climate Delegated Act
Fisheries	**Fisheries operations, facilities, or seafood products which meet the following certifications, or improvement that result in one of the certifications:** • Marine Stewardship Council (MSC)	Improvement measures that lead to increased greenhouse gas emissions intensity for the business	
Agriculture	**Agriculture technology /projects:** • Projects to reduce methane or other GHG emissions from livestock • Agriculture projects that improve or do not deplete existing carbon pools, and/or are aligned with (Norwegian) organic or KSL-Standards. Examples could include reduction in fertilizer use, rangeland management, collection, use of agricultural waste, and rehabilitation of degraded lands. • Biofuel production from waste products • Agricultural techniques and projects that significantly reduce environmental impacts on soil, local flora, or fauna. Examples could include conservation agriculture, integrated pest management techniques	Uncertified commercial agriculture activities No conversion of high carbon stock lands Purchase/improvement in appliances and equipment primarily using fossil fuel so as to avoid lock-in of fossil fuel consumption. Activities which result in fuel switching are eligible Genetically Modified Organisms and Crops	

	• Low-carbon agricultural technology investments that improve efficiency and reduce environmental impact. Examples could include vertical farming, hydroponics, and aeroponics • Products and/or services that significantly improve energy efficiency of traction, irrigation, and other agriculture and livestock management	Biofuel production that competes with food production or decreases forestation, biodiversity or carbon pools in soil	

2.2.6. Energy Efficiency and GHG Emission Reduction

Sub-theme	Eligible activities	Exclusions	EU Taxonomy activities[9]
	Measures to improve the energy efficiency of processes that result in significant[16] energy savings or GHG emissions to industrial processes, infrastructure or in a company's production/operation/supply chain:	Projects to improve the energy efficiency of fossil fuel production, distribution and/or power generation Energy efficiency improvements which "lock- in" the use of fossil fuels Technologies that increase the energy efficiency of fossil fuel production, distribution and/or power generation GHG reduction in fossil fuel-based technologies or industries	3.4. Manufacture of batteries 3.5 Manufacture of energy efficiency equipment for buildings 7.3 Installation, maintenance and repair of energy efficiency equipment 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
Industrial processes and supply chains	• Products and services that significantly improve the energy efficiency of or significantly reduce GHG emissions from industrial processes • Significant improvements of industrial/utility energy efficiency involving reduction of heat losses, increased waste heat recovery and changes in processes • Significantly improved energy efficiency in or significantly reduced GHG emissions from a company's existing product supply chains • Improved industrial processes resulting in substantially reduced GHG emissions		
Electricity transmission and distribution systems	• Distribution systems retrofit, including transmission lines and substations, to significantly increase energy efficiency and/or reduce technical losses • Significant improvements to existing systems to increase energy efficiency. examples could include smart grid technology and infrastructure • Significant improvement of existing transmission systems (or other infrastructure) to facilitate the integration of electricity from renewable sources into the grid		

[16] An energy efficiency improvement or emission reduction is assessed as 'significant' by the Group's ESG Risk Forum, once taking into account the activity in relation to market standards, available technologies, peer performance, relevant energy performance metrics and science-based trajectories where relevant

Energy Storage:	• Manufacturing of batteries as defined by the EU Taxonomy • Manufacturing of thermal batteries, rechargeable batteries, battery packs and accumulators (and their respective components), including from secondary raw materials, that result in substantial GHG emission reductions in transport, stationary and off-grid energy storage and other industrial applications. • Recycling of end-of-life batteries.		
Energy Efficiency for Buildings	**Manufacture, installation, maintenance and repair of energy efficiency equipment as defined by EU Taxonomy, including but not limited to the following[17]:** • addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness • replacement of existing windows with new energy efficient windows; • replacement of existing external doors with new energy efficient doors; • installation and replacement of energy efficient light sources; • installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems **Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings as defined by EU Taxonomy, including but not limited to the following:** • installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); • installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation		

[17] Need to comply with latest Norwegian technical building regulation, pt. TEK17, where applicable. For activities not covered by these regulations, best commercially available technology must be used

	• Procurement, operation and maintenance of Zero tailpipe emissions construction machines		
Other Energy efficiency products	• Renewable energy or energy efficiency products and services in the relevant areas as described in this chapter 2.2		
Waste and wastewater management	• Technology, systems, and facilities that recycle or increase efficiency of wastewater processing, including development, manufacture, installation and operation		
Other GHG emission reduction activities	• Retrofit of existing commercial, residential, or industrial infrastructure with cooling agents resulting in substantially reduced GHG emissions • Facilitating processes concerning the capture and/or storage of GHG • New processes/systems that substantially reduce GHG emissions in existing supply chain • Near-zero carbon emission technology that replace fossil fuel technology • Systems for monitoring GHG emissions		

2.2.7. Carbon Markets Activities

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activity
Carbon/Energy financing	**Activities in carbon markets. Examples could include activities relating to compliance with various national and international agreements**	Financing of fossil fuel-based activities	Not covered by EU Taxonomy

2.2.8. Pollution prevention and control

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activity[18]
Waste management	• Separate collection and transport of hazardous waste prior to treatment, material recovery or disposal • Construction, repurposing, upgrade, and operation of dedicated facilities for the treatment of hazardous waste	Landfill activities Activities directly related to the exploration, extraction, refining and distribution of fossil fuels Treatment of wastewater from fossil fuel operations	5.3. Construction, extension and operation of wastewater collection and treatment 5.4. Renewal of wastewater collection and treatment 5.5. Collection and transport of non-hazardous waste in source segregated fractions 2.1. Collection and transport of hazardous waste 2.2. Treatment of hazardous waste
Wastewater management	• Construction, extension and operation of wastewater collection and treatment as defined by EU Taxonomy • Renewal of wastewater collection and treatment as defined by EU Taxonomy • Equipment and processes to reduce, recycle and reuse waste materials and wastewater, including refining recycled materials		

[18] EU Taxonomy activities that substantially contribute to EU objective Pollution Prevention and Control

2.2.9. The sustainable use and protection of water and marine resources

Sub-theme	Eligible activities	Exclusions	EU Taxonomy Activity[19]
Manufacturing	• Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems	Financing of fossil fuel-based activities	5.1. Construction, extension and operation of water collection, treatment and supply systems 5.2. Renewal of water collection, treatment and supply systems 1.1. Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems 2.1. Water supply 3.1. Nature-based solutions for flood and drought risk prevention and protection
Water supply	• Construction, extension, operation, and renewal of water collection, treatment and supply systems		
Flood and drought risk prevention and protection	• Planning, construction, extension, and operation of large-scale nature-based flood or drought management and coastal, transitional or inland aquatic ecosystem restoration measures contributing to preventing and protecting against flooding or droughts, and enhancing natural water retention, biodiversity and water quality		

2.2.10. protection and restoration of biodiversity and ecosystems

Sub-theme	Eligible activities	EU Taxonomy Activity[20]
Forestry	• Establishment of forests, forest management activities or rehabilitation and restoration of forests. Forest land that meets any of the following certifications: - Forest Stewardship Council (FSC) - Program for Endorsement of Forest Certification (PEFC)	1.1. Conservation, including restoration, of habitats, ecosystems and species

[19] EU Taxonomy activities that substantially contribute to EU objective The Sustainable Use and Protection of Water and Marine Resources

[20] EU Taxonomy activities that substantially contribute to EU objective protection and restoration of biodiversity and ecosystems

Biodiversity	• Preservation or conservation of valuable natural habitats and landscapes • Preservation of rare plant and animal species • Promotion, restoration, or preservation of biodiversity in urban areas such as parks and green rooftops • Permanent conservation of land through conservation easement agreements • Investments in working forest protection technologies and monitoring equipment for forests and fishing vessel	2.1. Hotels, holiday, camping grounds and similar accommodation

2.2.11. Climate change adaptation

Sub-theme	Eligible activities	EU Taxonomy Activity
Climate change adaptation	**Activities which substantially contributes to climate change adaptation:** • The economic activity has implemented physical and non-physical solutions that substantially reduce the most important physical climate risks material to that activity • The physical climate risks that are material to the activity have been identified from those listed in the relevant appendix of the EU taxonomy[21] by performing a robust climate risk and vulnerability assessment. These must be proportional to the scale of the activity and its expected lifespan • The climate projections and assessment of impacts are based on best practice and available guidance • The adaptation solutions implemented: - do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities - favor nature-based solutions or rely on blue or green infrastructure where possible - are consistent with local, sectoral, regional or national adaptation plans and strategies - are monitored and measured against predefined indicators, remedial action is considered where indicators are not met	See EU Taxonomy delegated act Annex II[22]

[21] https://ec.europa.eu/sustainable-finance-taxonomy/assets/documents/CCA%20Appendix%20A.pdf
[22] EU Taxonomy delegated act Annex II

Any reference to the EU Taxonomy in the above tables, refer to the technical screening criteria on the following web-page: https://ec.europa.eu/sustainable-finance-taxonomy/tool/index_en.htm

In addition to the sectors and criteria specified in the framework, loans for other activities that are in compliance with the technical screening criteria for substantial contribution with the EU taxonomy will also qualify as green loans.

2.3. Sustainability-Linked Loans

Sustainability-Linked Loans (SLL) are loans that incentivise the borrower's achievement of ambitious, predetermined sustainability performance objectives. The use of proceeds in relation to a sustainability linked loan is not a determinant in its categorisation and, in most instances, sustainability linked loans will be used for general corporate purposes. SLLs link the interest margin to the improvement of specific KPIs as described below.

The Loan Market Association (LMA) has, together with the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), launched the **Sustainability Linked Loan Principles (SLLP)**[23]. The SLLP is a framework, enabling all market participants to clearly understand the characteristics of a sustainability linked loan, based around the following five core components:

(i) Selection of KPIs
(ii) Calibration of SPTs
(iii) Loan Characteristics
(iv) Reporting
(v) Verification

When providing Sustainability-Linked Loans SR-Bank will align these instruments with the SLLP.

SR-Bank also acknowledges that Sustainability-Linked Loans, given that they normally have a general corporate purposes nature, can be used for broad purposes by the loan recipient. As such when providing such loans to clients engaged in carbon intensive activities, SR-Bank will conduct an assessment of the client's climate transition strategy, taking into account the recommended disclosures of the **International Capital Market Association's Climate Transition Finance Handbook**.[24] It is SR-Bank's intention to only provide Sustainability-Linked Loans to clients that have demonstrated a credible and ambitious intention to transition their business models towards lower carbon activities.

[23] Latest edition dates from Feb 2023., see link
[24] Latest addition dates from December 2020.

2.3.1. Process considerations for SLLs

Below, a process breakdown is provided detailing the specific steps with regards to SLLs. In addition, a general pricing mechanism is detailed as well.

	KPI linked SLL
1	SR-Bank identifies [COMPANY]'s current sustainability efforts and commitment in the Environmental, Social and Corporate Governance areas
2	SR-Bank proposes to structure a new facility, normally for general corporate purposes
3	SR-Bank and [COMPANY] agree on several key performance indicators (KPI's) that could be used as a basis to measure the effectiveness of [COMPANY]'s Sustainability
4	Commercial characteristics of the facility improve / deteriorate, if [COMPANY]'s sustainability achievements are reflected by a better / lower score, respectively, on defined KPIs

2.3.2. Link to KPIs

The borrower's sustainability performance is measured using predefined sustainability performance targets (SPTs), as measured by predefined key performance indicators (KPIs), which may comprise or include external ratings and/or equivalent metrics, and which measure improvements in the borrower's sustainability profile.

The selected KPIs must be:

- relevant, core and material to the borrower's overall business, and of high strategic significance to the borrower's current and/or future operations; and ideally address at least two E, S or G themes
- measurable or quantifiable on a consistent methodological basis; with ideally 3-5 years of historical data. KPI's have current status and target value that is not yet reached or surpassed. When this is related to decarbonisation, the target is ideally aligned with SBTi or other science based methodologies
- taking into account climate change if this is a material topic for the borrower, with at least one KPI addressing climate change mitigation or adaptation
- able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition
- material and SMART (specific, measurable, attainable, relevant and time-bound). Historical performance data and future reported data should receive a limited assurance by an agreed external auditor
- matching in terms of timescale to the tenor of the of the SLL
- not business as usual or reflect obligatory performance improvements based on

regulatory requirements

Aligned with market practice, the following process considerations are taken into account:

- Setting a baseline
    - Dependent on the KPI's chosen, the borrower together with SR-Bank will set a baseline.
- Setting a meaningful improvement target. The SPTs should be ambitious, and take into consideration the following factors:
    - represent a material improvement in the respective KPIs and be beyond both a "business as usual" trajectory and regulatory required targets
    - where possible be compared to a benchmark or an external reference
    - be consistent with the borrower's overall sustainability / ESG strategy;
    - be determined on a predefined timeline, set before or concurrently with the origination of the loan
    - an annual SPT should be set per KPI for each year of the loan term, but exceptions may be possible when issuers are still working towards the formalization of KPIs and targets to be subsequently determined on a predefined timeline, set before or concurrently with origination of the loan. If KPIs are not yet available, then a sleeper clause may be inserted to allow for the definition of the KPIs and SPTs at a later stage. However, these would still need to comply with the above guidance

- SPTs should be based on recent performance levels and be based on a combination of benchmarking approaches:
    - An annual SPT should be set per KPI for each year of the loan term
    - the borrower's own performance over time, for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended;
    - the borrower's peers, i.e. the SPT's relative positioning versus its peers' where available (average performance, best in class performance) and comparable, or versus current industry or sector standards when available; and/or
    - reference to the science, i.e. systematic reference to science-based scenarios, carbon budgets, official country/regional/international targets or action plans or other external frameworks and taxonomies that set sustainable performance standards

    - Dependent on the KPI, SR-Bank and the client will agree on a target score in order to be eligible for a margin discount

- Tracking progress
    - The borrower shall periodically, typically annually, report its externally verified progress on the selected KPI's and SR-Bank will adjust the margin accordingly

2.3.3. Reporting and Verification

Borrowers should, at least once per annum, provide the lenders participating in the loan with:

- up-to-date information sufficient to allow them to monitor the performance of the SPTs and to determine that the SPTs remain ambitious and relevant to the borrower's business; and
- a sustainability confirmation statement with verification report attached, outlining the performance against the SPTs for the relevant year and the related impact, and timing of such impact, on the loan's economic characteristics

Borrowers must obtain independent and external verification of the borrower's performance level against each SPT for each KPI for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the Sustainability-Linked Finance Loan economic characteristics, until after the last SPT trigger event of the loan has been reached

Exceptions to the above must be approved on a case-by-case basis in line with our internal governance procedures.

For the avoidance of doubt, any future change to the eligibility criteria (e.g. future changes to the LMA/APLMA/LSTA Green Loan Principles, and/or development related to sustainable finance regulation) may not necessarily apply to sustainability-linked finance products underwritten under this Framework. Similarly, SR-Bank will continue to qualify previously underwritten SLLs as Sustainable Finance (issued before the date of this Framework), which may not align with the criteria as outlined under this Framework.

Possible KPIs

The following tables, structured with some of the sub-themes as the green loan tables above, outline possible KPIs for SLLs:

Sub-theme	Possible KPIs
Commercial buildings **(existing and new construction**)	- Estimated energy savings in MWh per year according to EPC label or energy calculator
Commercial buildings (**renovations**)	- Estimated ex-ante annual energy consumption in KWh/m^2 or energy savings in MWh
Renewable Energy	- Total installed capacity in MWh or MW
Low carbon land transportation	- Number of vehicles (units per year)
Aquaculture	- % increase in certified aquaculture sites measured in number of certification schemes - % increase in sites with minimum benthic (seafloor related) impact - % increase in sustainably sourced feed - % number of sites using environmental friendly antifouling and cleaning solutions - % of GHG reduced by minimum 30 % - % of energy reduced by electrification of sites

	- % of sludge reduction
Fisheries	- % of fishery stock with biomass at or above sustainable levels - % of GHG reduced
Agriculture	- % increase in certified agriculture land area measured hectares - % increase in certified agriculture measured in number of certification schemes
Energy Storage	- Energy storage capacity

DISCLAIMER

THIS DOCUMENT IS INTENDED TO PROVIDE NON-EXHAUSTIVE, GENERAL INFORMATION. THIS DOCUMENT MAY CONTAIN OR INCORPORATE BY REFERENCE PUBLIC INFORMATION NOT SEPARATELY REVIEWED, APPROVED OR ENDORSED BY SPAREBANK 1 SR-BANK AND ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY SPAREBANK 1 SR-BANK AS TO THE FAIRNESS, ACCURACY, REASONABLENESS OR COMPLETENESS OF SUCH INFORMATION.

THIS DOCUMENT MAY CONTAIN STATEMENTS ABOUT FUTURE EVENTS AND EXPECTATIONS THAT ARE FORWARD LOOKING STATEMENTS. NONE OF THE FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS IN THIS DOCUMENT SHOULD BE TAKEN AS FORECASTS OR PROMISES NOR SHOULD THEY BE TAKEN AS IMPLYING ANY INDICATION, ASSURANCE OR GUARANTEE THAT THE ASSUMPTIONS ON WHICH SUCH FUTURE PROJECTIONS, EXPECTATIONS, ESTIMATES OR PROSPECTS HAVE BEEN PREPARED ARE CORRECT OR EXHAUSTIVE OR, IN THE CASE OF THE ASSUMPTIONS, FULLY STATED IN THE DOCUMENT. SPAREBANK 1 SR-BANK HAS AND UNDERTAKES NO OBLIGATION TO UPDATE, MODIFY OR AMEND THIS DOCUMENT, THE STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS OR TO OTHERWISE NOTIFY ANY ADDRESSEE IF ANY INFORMATION, OPINION, PROJECTION, FORECAST OR ESTIMATE SET FORTH HEREIN CHANGES OR SUBSEQUENTLY BECOMES INACCURATE.

THIS DOCUMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL OR FINANCIAL ADVICE. IT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR ANY SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OR A RECOMMENDATION REGARDING ANY SECURITIES, NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER AND IT HAS NOT BEEN APPROVED BY ANY SECURITY REGULATORY AUTHORITY.

THE DISTRIBUTION OF THIS DOCUMENT AND OF THE INFORMATION IT CONTAINS MAY BE SUBJECT OF LEGAL RESTRICTIONS IN SOME COUNTRIES. PERSONS WHO MIGHT COME INTO POSSESSION OF IT MUST INQUIRE AS TO THE EXISTENCE OF SUCH RESTRICTIONS AND COMPLY WITH THEM.

THE INFORMATION IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED.

THE ADDRESSEE IS SOLELY LIABLE FOR ANY USE OF THE INFORMATION CONTAINED HEREIN AND SPAREBANK 1 SR-BANK SHALL NOT BE HELD RESPONSIBLE FOR ANY DAMAGES, DIRECT, INDIRECT OR OTHERWISE, ARISING FROM THE USE OF THIS DOCUMENT BY THE ADDRESSEE.