

Green Bond Framework

January 2023



Introduction to Sparebanken Øst

Sparebanken Øst dates back to 1843 and today we are one of the largest non-affiliated and independent local savings banks in Norway. Our aim is to be a leading savings bank in Eastern Norway, providing financial services that enable people and small and medium-sized enterprises to build and utilise their financial resources in the best possible manner. We are headquartered in Drammen, approximately 40 kilometers west of Oslo, and have about 30 offices across Eastern Norway. We have a strong focus on developing the market area along the Drammen-Oslo axis and in the suburban regions of Oslo.

In our 180-year history, we have always seen the value of contributing to the development of the society around us. We wish to promote sustainable local communities together with their residents by creating financial security, predictability, and development. We believe we play an important role as a responsible contributor to both the local community and the broader society in general.

The bank operates across three main product areas: savings, credit and payment products. In addition, we distribute insurance, fund shares, interest hedging and currency transactions. To promote sustainable choices among our clients, we also provide green mortgages and green car loans at competitive prices.

Sustainability at Sparebanken Øst

Sparebanken Øst has helped build local communities since 1843, and we see the integration of sustainability into our activities as a natural progression of our role. As a regional savings bank, we believe we have a responsibility to be a positive driving force in society and support sustainable development, through both our actions and our products. To succeed in this mission, we believe business and sustainability must go hand in hand.

We have therefore integrated sustainability into our strategies, our relationships, dialogues with suppliers, and client products. As part of our business strategy, we aim to reduce greenhouse gas emissions in our own operations, portfolio and value chain, and to enhance our positive social impact by promoting diversity, inclusion and a good working environment. Diversity and inclusion are essential to us both in our own operations and in our community work. We believe that diversity is key to attract relevant expertise and that it contributes to improve the bank's performance. We acknowledge that sustainability is a complex field and will therefore strive to be open and transparent and work continuously to improve.

To identify the areas where Sparebanken Øst can have the most material impact, we have carried out a materiality analysis. The analysis is regularly reviewed to ensure that it continuously reflects the topics that are most important to our stakeholders.

Through the analysis, we have identified the following focus areas for Sparebanken Øst.

- Climate and environmental portfolio risk
- Sustainable lending, products and financing
- Responsible client advice
- Prevention of financial crime and corruption
- Giving back to the community

Climate and environmental portfolio risk

Sparebanken Øst supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and we work to align our business and reporting with the TCFD framework. The bank has set a long-term target of achieving net-zero greenhouse gas emissions by 2050 across the bank's operations, value chain and lending portfolios. Our main focus will be on reducing our own and financed emissions, before relying on offsets. We are a member of the Partnership for Carbon Accounting Financials (PCAF) and have begun work to map financed emissions in our lending portfolio. While the first version of a baseline for financed emissions will depend greatly on estimates, this will be an important first step to reduce greenhouse gases in our portfolio. We already disclose carbon accounting for our scope 1 and 2 emissions, as well as scope 3 emissions associated with employee air and car travel, as part of our annual sustainability report.

Since 2020, we have mapped the environmental risks of all our corporate clients as part of the processing of new credit cases. In 2021, we also began mapping transition and physical climate risk in the corporate portfolio.

Sparebanken Øst has significant exposure to residential real estate through residential mortgages. During 2023, we will take steps to implement ESG risk assessments in relation to applications for new mortgages, refinancing and other evaluations of mortgage clients.

ESG and Climate Module for Commercial Real Estate

A significant share of our loan portfolio is dedicated to real estate. Our work to identify and mitigate ESG-related risks in the corporate portfolio was further strengthened and systematised in 2022 when we implemented a new technical solution, the ESG and Climate Module, to identify and score the Environmental, Social and Governance (ESG) risks of our commercial real estate clients, hereunder transition and physical climate risk. The introduction of the ESG and Climate Module ensures that ESG risk assessments are applied to new corporate clients, loan applications, refinancing and annual evaluations of clients within Commercial Real Estate,

Through the Module, the customer receives a selection of material ESG questions. Based on the information provided by the client, and the bank's own additional assessment, clients are scored on several sustainability criteria. The criteria are weighted to give the bank an indication of how mature the client is in the face of sustainability challenges. Each client is given an ESG risk score of either low, moderate or high risk.

Climate risk assessments are an important part of the Module, and both physical and transition risks are considered. When identifying physical climate risk, we use danger zone maps from NVE (Norwegian Directorate of Water Resources and Energy) to determine if a property is located in an area exposed to risk factors such as avalanche, quicksand, floods, sea level rise or other. Subsequently, we assess relevant mitigating actions taken in the area as well as other factors that may serve to reduce or eliminate the physical risk factors to an adequate level. Transition risk is evaluated by obtaining the Energy Performance Certificates (EPC labels) of the relevant buildings, in addition to the information obtained through the client questionnaire in the Module. Where applicable, underlying assets in secured financing undergo an additional assessment of transition and physical climate risks.

Throughout 2022, we have also worked to apply the Module and assess the ESG risk of existing corporate clients. In 2022, assessments were completed for all Commercial Real Estate clients with loans.

Influencing our clients

At Sparebanken Øst, we primarily want to use positive influence to support sustainable transition. We have drawn up a routine for corporate clients that receive a high ESG risk score following the ESG risk assessment. In such cases, the client engagement should be escalated and discussed with the relevant manager or Chief

Credit Officer. Going forward, we will continue our work to determine how ESG risk assessments and scores will affect the credit process, risk appetite and pricing as well as credit decisions. We already have an ongoing project to answer these questions. Similarly, once we have implemented a solution to assess ESG risk for mortgages in 2023, we will establish follow-up procedures for mortgages that receive a high ESG risk score as part of the client dialogue.

For certain companies or sectors we may however find that the ESG risk or negative impact on the environment, society or humans is too significant, or that our opportunities to exert positive influence are limited. In such instances, we have the option of excluding companies or sectors from our portfolio. Sparebanken Øst has already refrained from financing projects based on physical climate risk exposure. Currently, we are not engaging in financing or investments within the following activities.

- Coal extraction or energy production based on coal
- Controversial weapons
- Tobacco
- Pornography
- Oil sand/tar sand
- Shale oil and gas
- Oil and gas extraction in the Arctic region

Sparebanken Øst has no direct exposure to carbon-intensive industries such as oil, gas or shipping,

Sustainable lending, products and financing

We want to help our customers make sustainable choices through our products and services. To this effect, we offer green mortgages and green car loans to retail customers. Green mortgages can be offered to properties where one of the following criteria are met: EPC label A or B; BREEAM-NOR certification Very Good or better; or Nordic Swan Ecolabel certification. Green car loans are applicable to electric vehicles and hybrid cars. Sparebanken Øst will continue to develop the sustainable product offering in order to enhance our contribution to a sustainable transition.

Responsible advice

Sparebanken Øst is committed to providing good financial advice to our customers. It is therefore a prerequisite that our employees have the relevant level of competence across all positions of the bank.

In order to meet the requirements set by the authorities and the expectations our customers have of us, all our employees in client-facing positions must complete various authorisations through the Financial Industry Authorization Schemes (FinAut). For all new employees at the bank, there is mandatory training in anti-money laundering and terrorist financing.

We want to be a sparring partner for our customers on sustainability, especially for our corporate clients who are facing increasing expectations and regulatory requirements. The ESG and Climate Module is the starting point for our engagement with corporate clients on sustainability. We proactively bring up sustainability in client dialogue and use the ESG assessment to discuss material topics such as climate risk. Above all we want to inform our clients about ESG risks and opportunities, and we find that the Module is an effective tool to enhance our clients' awareness around these topics. To ensure that our client-facing employees have the competence needed to engage with our clients on sustainability matters, we have organised several courses internally on the use of the ESG and Climate Module as well as how to collect the underlying data to assess transition and physical climate risks. We also provide a number of digital sustainability courses to all employees, that everyone is expected to complete.

With regards to retail customers, our client advisors will offer green mortgages and green car loans if they determine that the asset is eligible, with the aim of promoting awareness and sustainable choices also within

this segment. To further ensure that our advice contributes to the green transition, we will aim to make environmental and climate considerations a natural part of our dialogue with mortgage clients in line with the introduction of ESG assessments for mortgages.

Prevention of financial crime and corruption

As a financial institution, Sparebanken Øst has a major responsibility for uncovering and preventing financial crime. Financial crime, such as money laundering, corruption, terrorist financing and fraud, have negative consequences for our customers, society at large and the bank itself. We work systematically to prevent our services from being used for criminal activities. This includes our responsibility to know the identity of our customers, mapping ownership structures, obtaining information about how our customers' financial assets have been acquired and mapping how customers intend to use our services.

Regular training is carried out for all employees and the bank's board members. We have also introduced new processes and technical solutions to increase our employees' competence and improve our capacity to uncover and prevent financial crime. Sparebanken Øst has adopted internal ethical guidelines, as well as "Rules for good behaviour". These apply to everyone in the organisation, including the board. To ensure that our ethical guidelines are adhered to, and to follow-up on unacceptable circumstances reported through our whistle-blowing channel, the bank has established an ethics committee. The ethics committee consists of a union representative, the Head of Legal, the Human Resources manager, the deputy managing director and the managing director.

Giving back to the community

Through charitable gifts, we help children and young people fulfill their dreams. We are concerned with equal opportunities and work for an inclusive society by creating local arenas for sports and cultural experiences. Sparebanken Øst was established by and for the local community and we hope to give something back by funding local associations and foundations, such as sports teams, bands, theater groups and more. We have entered into long-term cooperation agreements with 26 local, non-profit sports associations, cultural organisations and humanitarian organisations, funding activities for children, youth and vulnerable groups, as well as the preservation of cultural-historical buildings, to name a few. Moreover, we support young people who want to pursue their talents and interests in sports and culture through our scholarship schemes. For many years, the bank has also been buying, conserving and managing buildings and historical material worth preserving and that may contribute to our social impact locally.

The UN Sustainable Development Goals

Sparebanken Øst supports the UN Global Compact ten principles within the areas of human rights, labour, environment and anti-corruption. In addition, we have identified the following four UN Sustainable Development Goals (SDGs) as the most relevant for our operations, and where we have the greatest possibility to promote positive impact.



- 4. Quality education:

We strive to continuously raise our competence and to share our knowledge with our customers to enable them to make responsible financial decisions. In addition, we have

initiated an educational program targeting 1500 10th graders, where we promote financial awareness.

- 8. Decent work and economic growth:
The majority of our customers are small-and midsize enterprises. As SMEs represent 70% of the value creation in the private sector, promoting sustainable growth in this segment is important. Integrating sustainability factors in our credit process is another important measure to ensure we promote sustainable growth.
- 13. Climate action:
Sparebanken Øst has always had a limited exposure to carbon-intensive sectors, and we also exclude certain sectors or sub-sectors from our financing. We map the environmental impact of our clients, and also which measures they are taking to adapt to climate change. We strive to incentivize sustainable decision-making through for instance our green mortgages and green car loans.
- 16. Peace, justice, and strong institutions
With strict ethical guidelines and internal processes, we seek to prevent all types of financial crimes, such as tax evasion, money laundering, fraud and corruption.

Reporting Practices

Sparebanken Øst strives to meet best market practice by adhering to relevant standards and guidelines. We report according to the Global Reporting Initiative (“GRI”) standards and we are currently working on including the recommendations from the Taskforce on Climate-related Financial Disclosures (“TCFD”) into our climate risk reporting.

The Norwegian Transparency Act came into force in 2022. Sparebanken Øst is covered by the law, which requires us to carry out due diligence assessments related to the risk of negative consequences for basic human rights and decent working conditions in the supply chain. As soon as the law came into force, we established a separate page on our website dealing with human rights and how the bank works with the topic. During the autumn, we carried out due diligence assessments of our suppliers. The aim of the assessment is to map whether the bank, through the supply chain, is exposed to violations of human and labor rights, negative environmental impact or economic crime such as bribery and corruption. The mapping will be carried out both through dialogue with and information from our suppliers, but also through obtaining information from other sources. We will report as the law requires within June 2023.

We will also do a due diligence assessment of ourselves. We are about to create a landing page on our website where our stakeholders can read about our work with the Transparency Act, due diligence assessments both by suppliers and ourselves, and how we work internally with the topic of human rights.

Sparebanken Øst and Green Finance

As a local savings bank, our greatest possibility for positive impact is by having a close dialogue with our clients, supporting them in making sustainable choices. We wish to use the Green Bond market as part of our sustainability ambition, financing our lending towards sustainable activities.

This Green Bond Framework (the “Framework”), aligned with the Green Bond Principles, published by the International Capital Markets Association (“ICMA GBPs”) in 2021, defines the criteria for which loans in our portfolio can be financed by Green Bonds, and it also outlines the process to evaluate, select, track and report on such lending activities. Each Green Bond issued under this Framework will in their relevant transaction documentation refer to this Green Bond Framework. The terms and conditions contained in the

underlying documentation for each issued Green Bond will specify the actual terms of the instrument. In addition to Sparebanken Øst, our wholly-owned subsidiary, Sparebanken Øst Boligkreditt AS, may also issue Green Bonds under this Framework. Assets in our other wholly-owned subsidiary, AS Financiering, may be part of Green Bonds issues by Sparebanken Øst.

This Framework may in the future be updated, however new versions shall have no implications for the Green Bonds issued under this version of the Framework.

Alignment with Relevant Market Standards and Guidelines

With this Framework, our aim is to meet best market practices by adhering to relevant standards and guidelines in the green finance market. Each Green Loan category has therefore been mapped against the different categories of the ICMA GBPs, as well as the UN Sustainable Development Goals (“UN SDGs”) and the relevant economic activities included in the EU Taxonomy.

The EU Taxonomy provides a classification system for identifying environmentally sustainable economic activities. The Taxonomy Regulation, which entered into force in July 2020, states that to qualify as environmentally sustainable, an economic activity should 1) make a substantial contribution to the achievement of one or several of EU’s six overarching environmental objectives, 2) do no significant harm to the achievement of any of the other environmental objectives, and 3) meet minimum social safeguards.

In April 2021, the first set of delegated acts providing technical screening criteria for two of the environmental objectives – Climate Change Mitigation and Climate Change Adaptation – were published.

The references in this Framework are based on these delegated acts. Based on currently available information, we believe the Green Loans financed under this Framework align well with the metrics and thresholds of the EU Taxonomy and have the potential to make a significant contribution to EU’s environmental objective of Climate Change Mitigation. [CICERO has as part of their Second Party Opinion commented on the Taxonomy alignment of our Green Loan criteria.]

We acknowledge that metrics and thresholds in the EU Taxonomy may still change, and that set thresholds will most likely also change over time. It is our aim to monitor the development, and when deemed necessary by Sparebanken Øst, this Green Bond Framework may be updated to further harmonise with the EU Taxonomy. In our annual Green Bond report, we also aim to provide additional information around the developments of the EU Taxonomy and its possible implications for our Green Loan criteria and activities.

Use of Proceeds

An amount equal to the net proceeds from Green Bonds issued under this Green Bond Framework will be used to finance a portfolio of loans that promote the transition towards low-carbon and climate-resilient development (“Green Loan Portfolio”).

Only such loans that comply with the Green Loan criteria of this Framework are deemed eligible to be financed by Green Bonds. Green Bond net proceeds can be used for the financing of new loans as well as for refinancing purposes.

For the avoidance of doubt, Green Bonds will not be used to finance investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction, gambling, pornography or tobacco, nor other activities in violation of the bank’s established sector guidance.

Green Loan Criteria

Green Bonds issued under this Framework will finance and refinance loans related to Green Buildings and Clean Transportation, and the relevant Green Loan criteria are further described below.

Green Buildings

Loans financing the acquisition, ownership, construction, and renovation of residential, commercial, and public buildings meeting the following criteria:

Relevant references	ICMA GBPs: Green Buildings UN SDGs: 13 Climate Action EU Taxonomy Environmental Objective: Climate Change Mitigation
Buildings built in 2021 or later	<p>Green Loan criteria¹</p> <ul style="list-style-type: none"> Buildings with an energy consumption that is 10% lower than national minimum requirements (TEK17); or Buildings with BREEAM-NOR Excellent. <p>EU Taxonomy Activity: <i>Construction of new buildings</i> The EU Taxonomy states that to ensure substantial contribution towards Climate Change Mitigation, buildings built in 2021 or later should have an energy consumption that is 10% lower than Nearly-Zero Energy Buildings (NZEB). NZEB requirements are yet to be implemented in Norway, and therefore this Framework uses the latest Norwegian building code available (TEK17) as a proxy.</p>
Buildings built before 2021	<p>Green Loan criteria²</p> <ul style="list-style-type: none"> Buildings with Energy Performance Certificate A; or Buildings within the top 15% of the national or regional stock in terms of primary energy demand, defined as buildings built according to Norwegian building codes of 2010 (TEK10) or 2017 (TEK17)³; or Buildings built before 2012 with Energy Performance Certificate B; or Buildings with BREEAM-NOR Excellent. <p>EU Taxonomy Activity: <i>Acquisition and ownership of buildings</i> The EU Taxonomy states that to ensure substantial contribution towards Climate Change Mitigation, buildings built before 2021 should either have an Energy Performance Certificate (EPC) A or be within the top 15% of the national or regional stock in terms of primary energy demand. We have relied on data from Multiconsult concluding that if limiting our scope to buildings built between 2012 and 2020 (based on TEK10 and TEK17) we identify a portfolio of buildings following the highest regulatory requirements for energy performance while also staying within the 15% threshold.</p>
Renovated buildings	<p>Green Loan criteria</p> <ul style="list-style-type: none"> Costs related to renovations leading to a reduction in primary energy demand of at least 30%. For the full building to qualify, it should after renovations be expected to meet the criteria above for buildings built either before or after 2021. <p>EU Taxonomy Activity: <i>Renovation of existing buildings</i> The criteria above mirror those of the EU Taxonomy for ensuring substantial contribution towards Climate Change Mitigation.</p>

¹ It is the ambition of Sparebanken Øst that green loans to buildings larger than 5000, financed under the Framework, in addition fulfill the following Taxonomy criteria: (i) upon completion having undergone testing for airtightness and thermal integrity (unless robust and traceable quality control processes are in place during construction), and (ii) calculation of the Global Warming Potential for each stage of the life cycle.

² Where green loans financed under the framework are for large, non-residential buildings (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW, it is the ambition of Sparebanken Øst that the building is efficiently operated through energy performance monitoring and assessment in accordance with the Taxonomy.

³ To ensure TEK10 alignment, we use a conservative 2-year time lag and include buildings built from 2012 and onwards.

Exclusions	<ul style="list-style-type: none"> • Residential buildings used for leisure (cabins). • Commercial buildings used for the exploration, extraction, refining and distribution of fossil fuels as well as other industry-specific buildings of emission-intensive industries. • Shopping malls and associated parking lots.
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Clean Transportation

Loans financing the purchase of zero-emission vehicles.

Relevant references	<p>ICMA GBPs: Clean Transportation</p> <p>UN SDGs: 11 Sustainable Cities and Communities, 13 Climate Action</p> <p>EU Taxonomy Environmental Objective: Climate Change Mitigation</p>
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Zero-emission vehicles	<p>Green Loan criteria Fully electric, hydrogen or otherwise zero-emission vehicles for the transportation of passengers or freight.</p> <p>EU Taxonomy Activity: <i>Transport by motorbikes, passenger cars and light commercial vehicles</i> The EU Taxonomy states that to ensure substantial contribution towards Climate Change Mitigation, vehicles should produce zero CO2 emissions per kilometer, with an exception up until 2025 when emissions should be below 50g CO2 per kilometer.</p>
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Process for Project Evaluation and Selection

To ensure the transparency and accountability around the selection of Green Loans, Sparebanken Øst has established an internal Green Bond Committee responsible for this Green Bond Framework and the Green Loan criteria included herein. The committee will be responsible for the evaluation and selection of loans for inclusions in the Green Loan Portfolio.

The Green Bond Committee consists of members from the Finance, Sustainability, Risk and Credit Departments as well as the Client Area. Other internal representatives with specific expertise may be invited from time to time when deemed necessary. All decisions will be made in consensus, and the Head of Sustainability holds a veto.

All lending activities in Sparebanken Øst must go through the regular and applicable credit approval processes. In addition, for a loan to qualify as a Green Loan, the loan must meet the Green Loan criteria of this Green Bond Framework. Only such loans that meet these criteria are eligible to be financed with Green Bonds. Relevant business units in Sparebanken Øst can nominate loans for inclusion in the Green Loan Portfolio, to be evaluated by the Green Bond Committee who will also keep a register of the portfolio of identified Green Loans.

The Green Bond Committee holds the right to exclude, at their own discretion, any Green Loans already funded by Green Bonds. If a Green Loan already included in the Green Loan Portfolio no longer meets the criteria in this Framework, as evaluated by the Green Bond Committee, it will be removed from the Green Loan Portfolio.

To ensure traceability, all decisions made by the Green Bond Committee will be documented and filed.

The Green Bond Committee is also in charge of potential future oversight and updates of this Framework.

Management of Proceeds

An amount equal to the net proceeds from issued Green Bonds will be allocated toward the financing and refinancing of our Green Loan Portfolio. The Finance department of Sparebanken Øst will endeavor to ensure that the value of the Green Loan Portfolio at all times exceeds the total nominal amount of Green Bonds outstanding. Net proceeds from Green Bonds awaiting allocation to the Green Loans Portfolio will be managed according to the regular liquidity management policy of our [Treasury department]. The exclusions listed in the Use of Proceeds section of this Framework also apply for such temporary holdings of net proceeds.

Reporting

To enable investors and other stakeholders to follow our issuance of Green Bonds, and the developments and impact of our Green Loan Portfolio, a Green Bond Report will be made available on our website. The Green Bond Report will include an **Allocation Report** and an **Impact Report** and will be published annually as long as there are Green Bonds outstanding or until full allocation.

Allocation Report

- The allocation report will include the following information.
- Size of the identified Green Loan Portfolio and each Green Loan category.
- Nominal amount of Green Bonds outstanding.
- Share of the Green Loan Portfolio currently financed by Green Bonds.
- Amount of net proceeds awaiting allocation (if any).
- Information on possible changes/developments in the EU Taxonomy regulation and delegated acts criteria or Norwegian laws and regulations that may be of relevance for our Green Loan criteria.

Impact Report

The impact report aims to disclose the environmental impact of the Green Loans financed by Green Bonds. Impact reporting will be aggregated for each Green Loan category and, depending on data availability, calculations will be made on a best intention basis. Sparebanken Øst may rely on independent third parties to assist with impact calculation and analysis, and will, on a best effort basis, align our impact reporting with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting” (April 2020).

The impact assessment may, where applicable, be based on the metrics listed below.

Green Buildings

- Estimated annual energy consumption (kWh/m²) and annual GHG emissions (tCO₂e) compared to baseline.

Clean Transportation

- Estimated GHG emissions compared to baseline (tCO₂e).

External Review

Second Party Opinion

Sparebanken Øst has obtained a pre-issuance Second Party Opinion from Cicero Shades of Green to confirm the transparency of this Green Bond Framework and its alignment with the ICMA Green Bond Principles, published in 2021.

The Second Party Opinion will be made available on our website, together with this Green Bond Framework.

Post Issuance Verification

An independent auditor appointed by Sparebanken Øst will provide a limited assurance report confirming that an amount equal to net proceeds from issued Green Bonds has been allocated in line with the criteria of this Green Bond Framework.

This report will be made available on our website.