

SUNNDAL SPAREBANK GREEN BOND FRAMEWORK

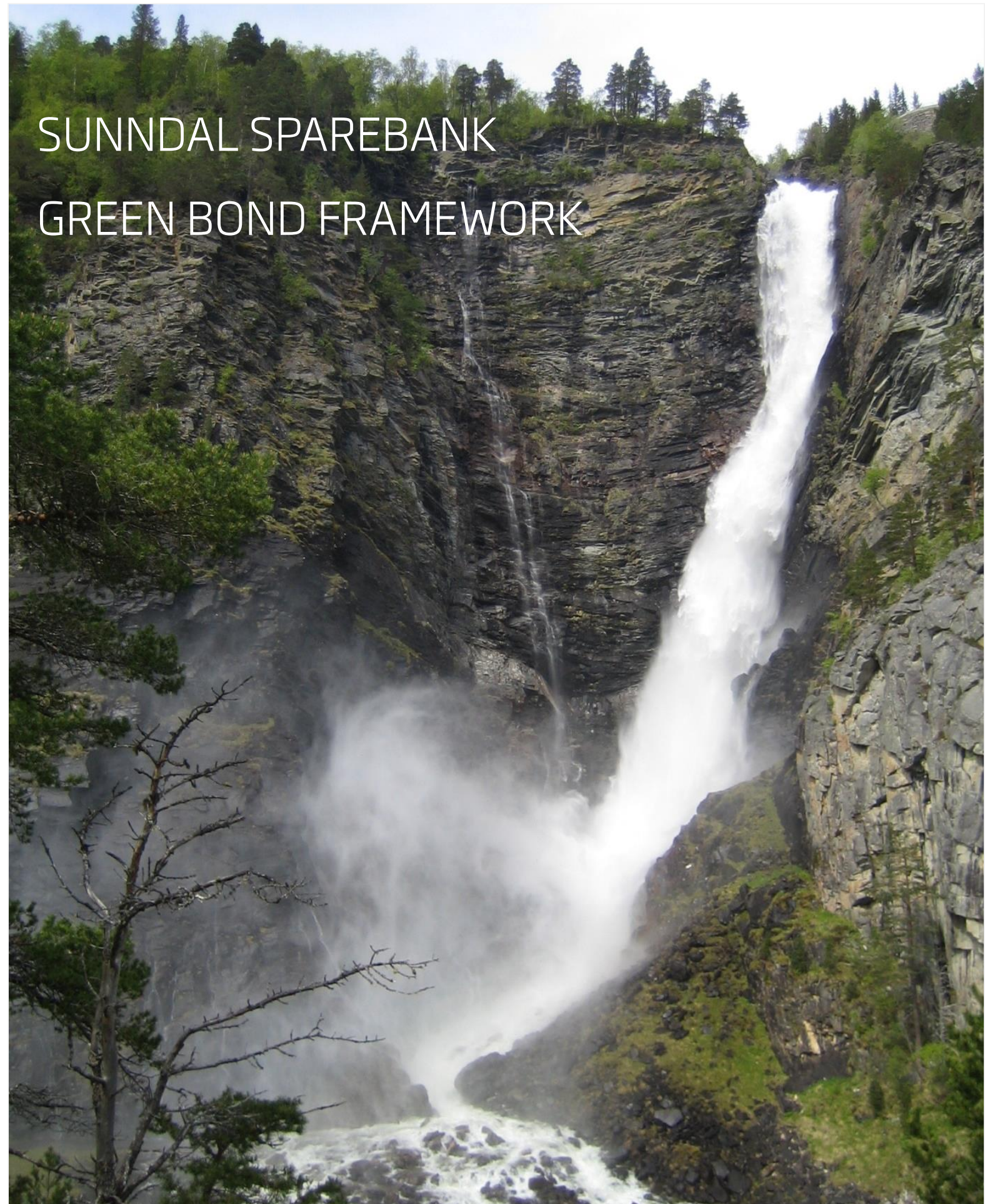


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1. Introduction

Who we are

Sunndal Sparebank (“the Bank”) is a local savings bank located at Sunndalsøra, on the western coast of Norway. The Bank was established 5th of August 1892 and has long traditions of being an active and important financial institution in the local community of Sunndal.

It started out as a bank funding and supporting the regions agricultural activities. Since its early days the bank has evolved along the rest of the community, but still plays an important role as a supporting institution in the region.

Sunndal Sparebank is committed to its role as a contributor to social and cultural projects in the region, giving gifts and financial support to a number of initiatives.

Sunndal Sparebank's Sustainable Work

Sunndal Sparebank is committed to being a bank taking the important steps towards a sustainable future. In its credit policy the bank states: *“Globally (The Paris Agreement) many countries has embraced the goal to limit global warming to less than 2 degrees celsius. Sunndal Sparebank has an ambition to contribute to achieving this objective by pursuing a responsible and sustainable lending operation”.*

In 2014, the Bank became a “Miljøfyrtårn”, and since then it has performed several measures in order to reduce its carbon footprint and raise awareness about the importance of the climate. Amongst these are:

1. Improving the energy efficiency for the

main office building.

2. Starting to use waste heat from Hydro Aluminum Sunndals plant to apply for heating in the main office building.
3. Increased focus on sorting and proper recycling of waste.
4. Prepare annual Climate- and environmental reports.

Sunndal Sparebank has also made its commitment visible on the balance sheet, as several renewable energy projects in the region, mainly small scale hydro power plants, are financed by the bank. Furthermore, the Bank has an ambition to leverage its position as an important lending institution in its community to raise awareness on climate- and sustainability related issues with actions directed towards its clients, and in particular the SME market.

The Green Bond Framework

Sunndal Sparebank's green bond framework (the “Green Bond Framework”) is compliant with the ICMA Green Bond Principles methodology (the “GBP”)¹. All bonds issued by the Bank under the Green Bond Framework will be in line and in accordance with the UN Sustainable Development Goals (SDG).

By this the Bank will use its position as an important institution in the local community to support the long term work contributing to a more sustainable and environmental friendly world. More specifically, the Green Bond Framework will promote UN Goals SDG7 Affordable and Clean Energy and SDG13 Climate Action.



Sunndal Sparebank intends to issue green senior unsecured bonds under the established Green Bond Framework. A green bond can only be issued if the amount of eligible green projects exceeds the size of the green bond issues. The green bonds issue is in accordance with the GBP: *"Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the GBP"*. The latter mentioned components include:

1. Use of Proceeds (Section 2),
2. Process for Project Evaluation and Selection (Section 3),
3. Management of Proceeds (Section 4), Reporting (Section 5), and
4. External Verification (Section 6).

As such the Framework may be updated from time to time to reflect current market practices and potential updates in the GBP. Furthermore, the Framework is reviewed by an external impartial firm that has provided a second opinion to confirm the alignment of the Green Bond Framework with the key features of the GBP.

2. Use of Proceeds

Proceeds from Sunndal Sparebank's green bonds will be used to finance or re-finance, in part or in full, Eligible Projects (as defined below) providing distinct environmental benefits in accordance with the below defined two main categories.

Eligible Projects:

1. A selected pool of loans to fund hydro-, wind- and solar power projects and related infrastructure.
2. A selected pool of loans to fund fully electric vehicles and vehicles run on only hydrogen,

both light and heavy, that promote a transition to a low carbon environment.

3. Process for Project Evaluation and Selection

Projects funded by Sunndal Sparebank's green bonds will be clearly defined in the banks credit policies in line with criteria's for Eligible Projects. Eligible Projects will be evaluated, selected and approved by the relevant business units at Sunndal Sparebank and the list of loans will be checked and approved by the Green Bond Committee. Sunndal Sparebank has an internal Green Bond Committee consisting of three (3) members:

- Chief Executive Officer
- Risk and Compliance Officer
- Chief Operating Officer¹

The Green Bond Committee represents the following units within the Bank: Treasury, Lending and Credit.

Selection of Eligible Projects

Sunndal Sparebank will exercise its professional judgement, discretion and sustainability expertise in order to identify Eligible Projects. The selection and approval of Eligible Projects is a two-step process:

1. The selection process will be applied on a "project level", i.e. the Banks credit products under the Green Bond Framework, for both private and corporate customers, will be put into a specific "green" registry, in order to precisely and efficiently track which loans that are given and what type of projects / assets a specific loan has funded. It is the clients advisor that approves the individual loans under the Green Bond Framework according to requirements given in the banks credit policy. This process will also apply in the refinancing of loans.

2. The “green” registry of loans is presented, on a periodic basis, to the Green Bond Committee. The committee is responsible for checking the eligibility of each loan, and approve the list. If the Green Bond Committee finds one or more loans that in their opinion does not qualify to a loan under the Green Bond Framework, the committee has the authority to remove the loan or loans. The final “green” registry, and the decisions made to achieve this registry for the current period, are documented and filed.

Sunndal Sparebank will ensure that the advisors that are responsible for these loan processes receives the proper training in order to register and track the loans that are being given. In addition, the credit policies for new green loans will be emphasized internally in the bank, and for the relevant persons.

Exclusion

Sunndal Sparebank shall not contribute to the violation of human and labor rights, corruption, serious environmental damage or other acts which may be perceived as unethical. Furthermore, the Bank will not fund weapon, mining or gas and fossil energy industry through the proceeds from a green bond under this framework.

4. Management of Proceeds

Net proceeds from Sunndal Sparebank’s green bonds will be transferred to a designated account. The Finance Department is responsible for ensuring that the net proceeds are financing Eligible Green Projects in accordance with the Green Bond Framework.

All green bonds issued by Sunndal Sparebank will be managed on an project level. This means that a green bond will be linked directly to predetermined Eligible Green Projects.

Sunndal Sparebank will keep track and ensure there are sufficient Eligible Green projects in the portfolio.

Projects can, whenever needed, be removed or added to/from the Eligible Green Project portfolio. Sunndal Sparebank will document all transfers to and from the designated account in order to ensure transparent tracking and good control. The portfolio of green loans and projects will be periodically reviewed. Any unallocated proceeds temporary held by Sunndal Sparebank will be placed on an ordinary bank account or, preferably, in green funds / green bonds listed on Oslo Børs.

5. Reporting

To be fully transparent towards the green bond investors and other market stakeholders, Sunndal Sparebank commits to regular reporting at least on an annual basis until full allocation, and thereafter if material changes to the portfolio, on the use of proceeds from green bonds. The report will be made available on Sunndal Sparebank’s website from the 1st of May each year Sunndal Sparebank has an outstanding green bond under the Green Bond Framework.

The report will include, but are not limited to, the following areas:

1. The total amount of green bonds issued by Sunndal Sparebank
2. Allocation of proceeds between the Eligible Projects defined in the Green Bond Framework.
3. Total amount of unallocated proceeds.
4. An impact report, stating the environmental benefit from the green bond. Related to the Eligible Project category of hydro-, wind- and solar power projects, at least, but not limited to, the number of MW installed in

the projects financed under the Green Bond Framework will be reported. Related to fully electric vehicles and vehicles run on only hydrogen, at least, but not limited to, the number of vehicles financed under the Green Bond Framework will be reported.

Sunndal Sparebank will on an ongoing basis review the Green Bond Framework and reserves the right to update the framework

if deemed required.

6. External Verification

The Centre for International Climate and Environmental Research – Oslo (CICERO) has reviewed Sunndal Sparebank's Green Bond Framework and issued a Second Opinion. The Green Bond Framework and the Second Opinion are made publically available on Sunndal Sparebank's web site.

