°CICERO Shades of Green

Skue Sparebank
Green Bond Second Opinion

16 August 2022

Skue Sparebank is a Norwegian savings bank that has a total of 11 offices in Geilo, Hol, Gol, Nesbyen, Flå, Noresund, Vikersund, Sigdal, Numedal, Hønefoss and Drammen. Skue Sparebank counts 84 employees. The bank offers its services to private individuals (around 75% of its loans) and corporate customers (around 25% of its loans) in the areas where they are represented, mostly in the retail and real estate sectors.

Skue Sparebank is expecting to finance mainly green buildings (approx. 90% of the proceeds). The remaining approx. 10% is expected to be allocated to hydropower projects within the renewable energy category. Green bonds issued under the framework will only refinance loans according to the issuer, and all projects are located in Norway. For the green buildings project category, new buildings (from 2021 onwards) need an energy performance 10% better than regulation (expected 5% of the proceeds in this category). Buildings built from 2012 to 2020 (expected 90% of the proceeds in this category) are eligible with an EPC A or if they are in the top 15% of the national building stock. The Framework also includes buildings in line with the 2010 or the current 2017 regulations, without additional energy efficiency improvements required. Older buildings (expected 5% of the proceeds in this category) need an EPC B or to be within the top 15%. While new buildings under the framework may be better than regulation, the Light Green shading reflects that the framework also allows for financing of buildings with no additional energy efficiency requirements compared to regulation.

Skue Sparebank has set some climate and environmental targets, such as reducing emissions related to its own operations by 30% by 2027 and by 50% by 2030. The bank would however benefit from setting climate targets for the credit portfolio. The bank does not yet report on emissions for scope 1,2,3, however it informed us that it will start reporting on emissions from 2023. Skue Sparebank has set relevant ESG guidelines for its customers and procedures for sustainability and social responsibility. Even though ESG guidelines include climate risks, the bank would benefit from assessing climate risks using the TCFD recommendations and from using climate scenarios. CICERO Green also sees a risk of overestimating the impact from the green buildings category if the issuer uses the average energy use for Norwegian residential buildings. CICERO Green also encourages the issuer to obtain an external review on its impact reporting for better transparency.

Based on the overall assessment of the projects that will be financed under this framework, and governance and transparency considerations, Skue Sparebank's green bond framework receives a **CICERO Light Green** shading and a governance score of **Good**. In order to achieve a darker green shading, the framework would need stronger eligibility criteria in the green buildings category.

SHADES OF GREEN

Based on our review, we rate Skue Sparebank's green bond framework **CICERO Light Green.**

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in Skue Sparebank's framework to be **Good**.

GREEN BOND PRINCIPLES

Based on this review, this framework is found to be aligned with the principles.

°CICERO Light Green

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Contents

1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated **August 2022**. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

Shading	Examples
Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.	Solar power plants
Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	Energy efficient buildings
Light Green is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	Hybrid road vehicles

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

2 Brief description of Skue Sparebank's green bond framework and related policies

Skue Sparebank was created in 1842, and it merged in 2013 with Hol Sparebank, and in 2020 with Hønefoss Sparebank. Skue Sparebank has a total of 11 offices in Geilo, Hol, Gol, Nesbyen, Flå, Noresund, Vikersund, Sigdal, Numedal, Hønefoss and Drammen, and counts 84 employees. Skue Sparebank offers its services to private individuals in Buskerud (around 75% of its loans) as well as corporate customers (SMEs) in the areas where they are represented (around 25% of its loans), mostly in the retail and real estate sectors.

Skue Sparebank is one of the largest members in the Eika Alliance, which consists of more than 50 banks, the Eika Group and Eika Boligkreditt, representing together more than NOK 360 billion in total assets, close to one million customers and more than 3,000 employees.

Environmental Strategies and Policies

Skue Sparebank has established some environmental targets and goals, including reducing emissions related to its own operations by 30% by 2027 and by 50% by 2030. The bank does not yet report on emissions for scope 1,2,3. However, the bank informed us that it will start reporting scope 1, 2 and 3 emissions[1] from 2023 for the accounting year 2022, and aims to start measuring emissions related to its credit portfolio by 2023.

Skue Sparebank aims to purchase services products produced in a sustainable way, recycled when possible, and shall use local suppliers when available. A procurement policy has been adopted by the bank, which aims at collaborating with suppliers and service providers which meets the bank's requirements, guidelines, and standards. For example, suppliers must ensure that the operation of the company is in accordance with local environmental management rules. Larger suppliers should have an environmental policy to reduce the company's negative impact on the environment in the form of resource consumption, waste management, hazardous substances, greenhouse gases and other emissions. The bank has also set guidelines and procedures for sustainability and social responsibility which include waste management and offices' energy consumption considerations. The bank also aims to obtain Eco-lighthouse certification by 2023.

On the customers side, the issuer has set guidelines for risk assessment related to climate risk in the overall credit assessment, where it assesses the customer's industry, serviceability, mortgage objects, and related suppliers and customers. The bank has included questions in its credit case report template for corporate customers, to help assessing if the customer takes an ESG approach in relation to their business activities, including climate risk assessment and adaptation measures where necessary. For particularly vulnerable industries determined by the bank (e.g., agriculture and forestry, transport, large construction projects, commercial buildings, especially older buildings, and tourism), as well as for large projects, a thorough assessment with sustainability requirements and a collection of documentation must be carried out. As a follow up, the bank advises on what sustainability and climate risk can mean for its clients 'operation and profitability, as well as on how to improve the business operation. The bank also informed us that it discusses with its customers who do not meet its sustainability requirements and discusses how improvements can be made and find satisfactory solutions to both parties.

While the bank considers some physical climate risks, mostly for larger commercial real estate, the bank relies however on local authorities for assessing most physical climate risk, and informed us that it does not use climate scenario analysis nor report in line with the TCFD.

[1] Scope 1 will be related to the employees' use of cars to/from the office (bank owned and private cars), and scope 3 will be emissions from air travel.

Furthermore, the bank sets requirements and conditions to customers it finances. Skue Sparebank has decided not to grant credit to the following industries: weapons, tobacco, pornography, gambling; coal and nuclear power generation; commercial fishing and fish farming (but not exclude small-scale fish farming in freshwater); and mining, aviation, oil, and gas. The issuer informed excluding commercial fishing and fish farming due to its inland location and lack of sector competence.

Use of proceeds

An amount equal to the net proceeds from Green Bonds issued under the green bond framework will be used to finance a portfolio of loans that promote the transition towards low-carbon and climate-resilient development.

Only the loans that comply with the criteria listed in the table 1 below are deemed eligible to be financed by green bonds. Green bonds issued under the framework will only refinance loans within the following project categories: green buildings (approx. 90% of the proceeds) and renewable energy (approx. 10% of the proceeds). The issuer confirmed that all projects financed are in Norway.

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, such as activities in the fish farming and commercial farming sector, or in the aviation sector.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

Skue Sparebank has established an internal green bond committee responsible for the evaluation and selection of eligible loans for inclusion in the green loan portfolio. The green bond committee will evaluate and select eligible loans based on the criteria set in the table 1 below. However, the bank does not screen for life cycle impacts and controversies when selecting eligible loans, but relies on the construction permit obtained by the borrower to assess the eligibility. The green bond committee consists of members from the Credit Management, Sustainability and Treasury teams in Skue Sparebank. Skue Sparebank's Treasury team will, on behalf of the green bond committee, keep a register of the portfolio of identified green loans. Other internal representatives with specific expertise may be invited from time to time when deemed necessary. Additionally, relevant business units in Skue Sparebank, such as representatives from the corporate and retail banking segments, can nominate loans for inclusion in the green loan portfolio. All decisions will be made by consensus.

All lending activities in Skue Sparebank must go through the regular and applicable credit approval processes. The terms and conditions that govern its business lending require borrowers to comply with all applicable laws, regulations, and practices and that they comply with all authorizations, consents, approvals, waivers, resolutions, licenses, permits, exemptions, or registrations related to the projects financed.

The green bond committee holds the right to exclude any green loans already funded by green bonds. If a green loan already included in the green loan portfolio no longer meets the eligibility criteria, it will be removed from the green loan portfolio.

Management of proceeds

CICERO Green finds the management of proceeds of Skue Sparebank to be in accordance with the Green Bond Principles.

An amount equal to the net proceeds from issued green bonds will be allocated toward the financing and refinancing of the green loan portfolio. Allocation of the proceeds from a green bond is done on a portfolio level, where the proceeds are allocated pro-rata to all assets included in the green portfolio. To track the proceeds allocated to each project category, the issuer informed that the bank's portfolio data base system contains information on building year and updated information can easily be extracted and modified for the green buildings related projects. The renewable projects are few and thus easily identifiable according to the issuer.

The Treasury department will, on behalf of the green bond committee, endeavor to ensure that the value of the green loan portfolio always exceeds the total nominal amount of green bonds outstanding. If the green loan portfolio does not exceed the net proceeds from green bonds being issued and await allocation to the green loan portfolio, such unallocated amounts will be managed according to the regular liquidity management policy of the Treasury department. To the extent possible, the exclusions listed in the Use of Proceeds section also apply for such temporary holdings of net proceeds. However, the issuer informed that it aims at allocating the entirety of the proceeds and thus having no unallocated proceeds.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

The green bond report will include an allocation report and an impact report, and will be published on the bank's website within one year from the date of a green bond issuance, and annually thereafter, until the proceeds are fully allocated.

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 bond;
- Amount of net proceeds awaiting allocation (if any);
- If applicable, information on changes in the EU Taxonomy regulation and delegated acts criteria or Norwegian laws and regulations that is relevant to the green loan criteria.

The impact report aims to disclose the environmental impact of the green loans financed by green bonds. The impact reporting will be aggregated for each green loan category, and depending on data availability, calculations, methodology, and grid factor used will be made available. Skue Sparebank will contract an independent third party to assist with impact calculation and analysis. Skue Sparebank will align, on a best effort basis, the impact reporting with the portfolio approach described in the ICMA's "Handbook – Harmonized Framework for Impact Reporting". The impact assessment may, where applicable, be based on the metrics listed as follow:

- Estimated annual energy consumption (kWh/m^2) and annual GHG emissions (tCO_2e) compared to baselines (Norwegian residential building (252 kWh/m^2) and TEK10/TEK17 (117 kWh/m^2 in average);
- Financed energy generation capacity;
- Estimated annual avoidance of GHG emissions (tCO_2e).

An independent auditor appointed by Skue Sparebank will provide a limited assurance report confirming that an amount equal to the net proceeds from issued green bonds has been allocated in line with the criteria of the green bond framework. This report will be made publicly available on the bank's website. However, the issuer does not currently intend to have the impact reporting externally reviewed.

3 Assessment of Skue Sparebank's green bond framework and policies

The framework and procedures for Skue Sparebank's green bond investments are assessed, and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Skue Sparebank should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Skue Sparebank's green bond framework, we rate the framework **CICERO Light Green.**

Eligible projects under Skue Sparebank's green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
Green Buildings	Loans financing the acquisition, ownership, construction, and renovation of residential buildings subject to meeting one of the following criteria: **Buildings built in 2021 or later:** Buildings with an energy consumption that is 10% lower than national minimum requirements (TEK17); or **Buildings built before 2021**: 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	**Light Green** ✓ 90% of the proceeds will be allocated to this project category. ✓ The issuer informed us that the distribution of the proceeds in that category will be as following: - 2021 - onwards: 5% - Built 2012-2020: 90% - Renovated: 5%. ✓ Although some buildings will be significantly more energy efficient that regulations, the Light Green shading reflects that the framework also allows for financing of buildings built between 2012-2020 with no additional energy efficiency requirements compared to regulation. ✓ The issuer determined the top 15% based on an assessment from Multiconsult where TEK10 & TEK17 is within the top 15% of the building stock[2]. ✓ In the Nordic context, some 50% of lifecycle emissions from buildings are expected to come from the operation of the building (mainly energy use), and

[2] Report_KfSEiendomskreditt_01_v02.pdf

	(TEK10) or 2017 (TEK17), however for buildings built prior to 2012, to have at least Energy Performance Certificate B. **Renovated buildings**: 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.	the other half from building materials[3],[4]. TEK 10, TEK 17 and EPCs do not seek to minimize emissions from building materials. ✓ For buildings built prior to 2012, the issuer aims to reach at least EPC B. For old buildings with old EPC labels, the energy performance is expected to be significantly weaker than current regulations. ✓ The issuer informed that is has no size limit for its buildings, but that no residential buildings will exceed 5.000 m^2. Cabins are explicitly excluded as per the framework. ✓ Buildings heated directly by fossil fuels (e.g., district heating) are not eligible according to the issuer. ✓ The construction of new roads and parking lots are excluded, according to the issuer. ✓ The physical risk from climate change is not considered and factored into projects pertaining to residential buildings, according to the issuer. The issuer informed that if building permit is obtained, the bank assumes that physical climate risk has been considered and assessed. ✓ The access to public transport is not considered for new buildings according to the issuer. ✓ Renovation of existing buildings is key to succeed in the transition to a low carbon future, as they have a considerably lower carbon footprint that the construction of new buildings. The 30% improvement criteria is commensurable. For renovated building, the issuer calculates the 30% reduction in primary energy demand compared to level prior to renovation. Alternatively, the EPC level must be improved by a minimum of two levels. ✓ The issuer informed us that after renovation, the green loans can cover the entire building, and not only the cost related to the renovation.
Renewable Energy	Loans financing the acquisition, ownership, installation, construction, development, operation, maintenance, and improvement/upgrading of: Hydropower plants and installations, as well relating	**Dark Green** ✓ 10% of the proceeds will be allocated to this project category. ✓ Renewable energy is an important part of the low carbon future. This is also true for Norway, which has large renewable energy electricity production, but sees increased electricity demand as various sectors transition from fossil fuels.

[3] sectorbriefs_realestate_17_12+(1).pdf (squarespace.com)
[4] Microsoft Word - Utredning av livslÃ¸psbaserte miljÃ¸krav i TEK 02.01.18 (dibk.no)

	technologies, equipment and infrastructure, with (i) a power density above 5W/m^2, (ii) life-cycle emissions below 100g CO_2e/kWh, or (iii) run-of-river plants without artificial reservoirs.	✓ Loans may be for specific assets and projects, or to companies with more than 90% of their revenues from activities aligned with defined criteria. ✓ The issuer expects to finance hydropower projects that have a size lower than 20MW. ✓ The issuer informed us that both construction of new hydropower and refurbishment of existing hydropower can be funded by green loans. ✓ As the green loans are made to hydropower producers, vehicles running on fossil fuel owned by the producers might be included. However, the share of such is very small compared to the size of the investments in the hydropower production equipment according to the issuer. ✓ The issuer informed that environmental impacts assessment (EIA) will be part of the plant owners construction license, and that it must follow rules and regulations related to the protection of biodiversity.

Table 1. Eligible project categories

Background

Financing institutions and banks are vital driving forces to reach the Paris Agreement and can provide leadership through providing financing of activities necessary to reduce greenhouse gas emissions and adapt to a changing climate. Banks also have a significant role in managing climate risks. Having climate goals for the bank's operations and portfolio, including science-based targets, implementation of TCFD reporting and climate risk assessment of their customers in the ESG due diligence, represents best practices of the sector.

In February 2020, Norway released updated targets for 2030 to cut emissions by 50-55% from 1990 levels[5], and in 2021 adopted a climate plan outlining the policies to be implemented to reach the target[6]. This document covers targets from the energy, land use, industrial processes and product use, agriculture, land-use change and forestry, and waste sectors. Greenhouse gas emissions have slightly decreased in Norway since 2015, but 2020 emissions were less than 4% lower than 1990 levels. Fast action is needed to reach the new 2030 goal.

Construction and real estate currently stand for around 16% of the greenhouse gas emissions in Norway, when considering both direct and indirect emissions, and 40% of the country's energy consumption[7]. According to the government's climate plan, measures to further increase energy efficiency must be weighed against the life cycle impacts of the building materials. The energy efficiency of buildings is dependent on multiple factors including increasing affluence and expectations of larger living areas, growth in population and unpredictability of weather, and greater appliance ownership and use[8].

The Norwegian building sector has developed a roadmap for sustainable growth towards 2050, including several recommendations for the sector[9]. Some of the key recommendations include industry certification, removing all

[5] https://www.regjeringen.no/no/aktuelt/norge-forsterker-klimamalet-for-2030-til-minst-50-prosent-og-opp-mot-55-prosent/id2689679/
[6] Meld. St. 13 (2020–2021) - regjeringen.no
[7] Byggesektorens klimabidrag (bnl.no)
[8] https://www.iea.org/fuels-and-technologies/building-envelopes
[9] Byggalliansen - The Propoerty Sector's Roadmap Towards 2050. https://byggalliansen.no/wp-content/uploads/2019/02/roadmap2050.pdf

fossil fuel heating from buildings, requesting fossil-free construction sites, and commissioning an energy budget for the estimated actual and energy consumption. Such steps would reduce emissions from the materials and construction phase of real estate projects, which accounts for approximately half of the life cycle of buildings in the Nordic context.

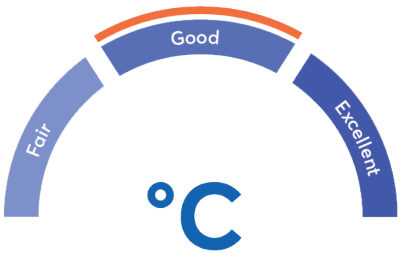
Norwegian power demand is estimated to increase by 5.8 TWh to account for the electrification of many sectors towards 2030. In 2020, Norway produced 154 TWh of electricity[10]. The Norwegian hydropower system has a normal annual production of around 136 TWh and an aggregate power capacity of 32,700 MW. Norway currently has more than 800 reservoirs, with a storage capacity equivalent to around 87 TWh. Norway has around half of Europe's total reservoir capacity. Large storage capacity and high installed capacity provide the Norwegian hydropower system with significant flexibility. Most of Norway's reservoirs were built before 1990, but upgrades and expansions of power plants have increased reservoir utilisation capacity in recent years. Relatively little growth is expected in hydropower production in Norway in the next few years, as capacity investments in renewable energy are largely being channeled towards solar and wind power.

Governance Assessment

Four aspects are studied when assessing Skue Sparebank's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Skue Sparebank has set some climate and environmental targets such as to reduce emissions related to its own operations by 30% by 2027 and by 50% by 2030. Skue Sparebank would however benefit from setting climate targets for its credit portfolio. The bank does not yet report on emissions for scope 1,2,3, however it informed us that it will start reporting on emissions from 2023. Skue Sparebank has set relevant ESG guidelines for its customers and procedures for sustainability and social responsibility, including climate risks assessments, but does not require climate scenario analysis nor report in line with the TCFD. A procurement policy has been adopted by the bank, which aims at collaborating with suppliers and service providers to avoid negative impact on the environment.

Environmental competence is represented at the Green Finance Committee. The framework has clearly defined the project selection criteria. Skue Sparebank is publicly reporting for allocation and impacts on its website. At least on metrics per project category for the impact reporting has been defined, and the issuer provide transparency on the methodology and the calculations used. While the allocation reporting will be externally reviewed, we would encourage the issuer to have the impact reporting also externally reviewed.



The overall assessment of Skue Sparebank's governance structure and processes gives it a rating of **Good.**

Strengths

It is strength that the issuer includes low-carbon solutions, such as hydro power projects. Investments in production of renewable electricity are considered to contribute substantially to climate change mitigation and are important in a low-carbon transition.

[10] Electricity production - Energifakta Norge

Renovation of existing buildings is key to succeed in the transition to a low carbon future. The most important issue when it comes to the real estate sector from an environmental perspective is what could be done to make the existing building stock more energy efficient. The 30% improvement criteria is commensurable.

It is a strength that Skue Sparebank has set guidelines for risk assessment, including climate risk, in the overall credit assessment. However, the issuer would benefit from using the use of climate scenario analysis and to report in line with the TCFD recommendations.

Weaknesses

We find a weakness in the framework's reporting on impacts from the green buildings category. If the issuer reports on estimated annual energy consumption and annual GHG emissions for both new and existing buildings compared to the average energy use for Norwegian residential buildings (252 kWh/m^2)[11], there is a risk that the environmental benefits of the financed buildings are overestimated. The impact reporting would be more transparent if the issuer reported the actual energy use of the financed buildings.

Pitfalls

The green building criteria represent a pitfall. The lack of energy use requirements that goes beyond regulation for existing buildings is a clear pitfall of this framework and the Light Green shading reflects that the framework allows for investments without clear environmental benefits, that no other screening criteria than EPC level or TEK codes are included, and that most of the proceeds are expected to be allocated to all buildings built between 2012-2020 without any further energy requirements. In a 2050 perspective, building energy performance needs to improve with passive and plus house technologies becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. Transport solutions, voluntary environmental certifications, and limiting emissions related to the building materials are also important to consider. It is also a risk that new buildings even if best in class on energy efficiency add significant emissions because of material use and construction emissions instead of reducing them over the lifetime of the building.

Climate risk screening including climate scenario analysis and in line with the TCFD recommendation is currently not standard practice. Developing projects with climate resilience in mind is therefore critical for the real estate and the renewable energy sectors. The issuer would benefit from a more systematic inclusion of climate risk and scenarios into management systems and reporting, which could have improved the governance score. While some assets financed may be screened for physical climate risk exposure, this does not guarantee that sufficient adaptive measures have been implemented. Where an asset's exposure is seen as material, it is not clear how the issuer will check whether its clients have implemented such measures or if this will be a reason for excluding the loan from green bond financing. This is in particular relevant for buildings, which in general are expected to be highly exposed to physical climate risks.

[11] Multiconsult-Impact-Assessment-Report-SpareBank1-Ostlandet_2022.pdf

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Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Skue Sparebank Green Bond Framework	Dated August 2022
2	Interne Retningslinjer for bærekraft og samfunnsansvar	Internal document - Guidelines for Sustainability and Social Responsibility.
3	Bærekraft i kredittvurderingen	Internal document - Sustainability in the credit rating dated 23.11.2020
4	Bærekraft report 2021	Sustainability Report 2021
5	Årsrapport 2020	Annual Report 2020
6	ESG I Kundesamtalen	ESG in client's conversations dated 01.03.2021
7	Beskrivelse av Grønne Produkter Pm og Bm	Description of Green Products dated 31.12.2021 Pm refers to private customers and BM to corporate customers.
8	Bærekraft i kredittsaker (fra bankens mal)	Sustainability in credit cases (from the bank's template)
9	Bærekraft i Kredittpolicy Dokumentet	Sustainability in the credit policy document (for revision in March 2022)
10	Bærekraft i kreditthåndboken fra januar 2022	Sustainability in the credit handbook from January 2022

11	Egenerklæring for leverandøradferd 2020	Supplier declaration form
12	Policy for innkjøp	Procurement policy.

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Appendix 2:
About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.

Environmental Finance
Bond Awards
2022
Winner
External assessment provider of the year

- **2021 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2020 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2020 Largest External Review Provider In Number Of Deals,** Climate Bonds Initiative Awards
- **2019 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2019 Largest Green Bond SPO Provider,** Climate Bonds Initiative Awards
- **2018 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2018 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2017 Best External Assessment Provider,** Environmental Finance Green Bond Awards
- **2016 Most Second Opinions,** Climate Bonds Initiative Awards