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ASSESSMENT
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Sparebanken Vest

Second Party Opinion – Green Bond Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 Sustainability Quality Score (excellent) to Sparebanken Vest's green bond framework dated 27 June 2023. The bank has established its use-of-proceeds framework to finance projects across two eligible green categories — green buildings and renewable energy. Sparebanken Vest has described the main characteristics of the green finance instruments within a formalized framework that is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), and the issuer has also incorporated MIS-identified best practices for all four components. The framework demonstrates a high contribution to sustainability. In addition, the renewable energy category demonstrates full adherence to the EU taxonomy criteria, the green buildings category adheres to the substantial contribution criteria, one of the four applicable DNSH criteria and all MS criteria, based on the information provided by the bank, as detailed in Appendix 3.

Sustainability quality score

SQS1

SQS5	SQS4	SQS3	SQS2	SQS1
Weak	Intermediate	Good	Very good	Excellent ▼

Alignment with principles
USE OF PROCEEDS

Overall alignment

Not aligned	Partially aligned	Aligned	Best practices
			▼

FACTORS	ALIGNMENT
Use of proceeds	Best practices
Evaluation and selection	Best practices
Management of proceeds	Best practices
Reporting	Best practices

Contribution to sustainability

Overall contribution

Poor	Limited	Moderate	Significant	High
				▼

Expected impact
Relevance and magnitude — High

ADJUSTMENTS	
ESG risk management	No adjustment
Coherence	No adjustment

Scope

We have provided a second party opinion (SPO) on the green credentials of Sparebanken Vest's green bond framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1). Under its framework, the bank plans to finance projects across two green categories — green buildings and renewable energy — as outlined in Appendix 2 of this report. We have also considered whether the eligible categories are defined in accordance with the technical screening criteria (TSC) set out in Annex I of the Commission Delegated Regulation (EU) 2021/2139 (the EU Climate Delegated Act) and the Minimum Safeguards (MS) set out in Regulation (EU) 2020/852 (the Taxonomy Regulation), jointly referred to as the EU taxonomy criteria. Our assessment does not constitute a verification or audit of taxonomy alignment.

Our assessment is based on the last updated version of Sparebanken Vest's green bond framework dated 27 June 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

Sparebanken Vest is a large regional bank that operates mainly in Western Norway. The bank provides a range of retail and corporate banking, treasury and estate agency services, including financing, savings and investment products, as well as advisory services and trading activities. The bank also offers life and general insurance products, securities brokerage and leasing services through certain jointly owned companies, of which it is the majority owner. As of December 2022, the bank reported total assets of NOK263.8 billion (€25.1 billion).

Sparebanken Vest faces moderate environmental risks because of the bank's (corporate) portfolio exposure to carbon transition. However, exposure to the oil, offshore and shipping businesses is limited. Typical challenges for the sector are linked to the growing business risks and stakeholder pressure to meet the broader carbon transition goals. In response, Sparebanken Vest is expanding its climate risk and portfolio management. Since 2020, the bank claims to be climate neutral by compensating for its own climate footprint. In 2019, a similar climate neutrality requirement was introduced for all major suppliers and sponsorship agreements. By year-end 2020, 96% of Sparebanken Vest's supplier portfolio committed to climate neutrality. In addition, the bank's clients are required to establish an action plan for green transition to reduce carbon-related credit risk.

Strengths

» Eligible projects address environmental challenges that are highly relevant for the issuer and its sector.

» The environmental benefits are relevant and measurable.

» There is a structured and transparent process for project evaluation and selection, which incorporates an assessment of environmental, social and governance (ESG) risks and benefits for each selected project.

» Monitoring is foreseen to ensure the continued compliance of selected projects throughout the life of any bond issued under the framework.

Challenges

» The inclusion of general corporate purpose financing represents a nonstandard use of proceeds susceptible to specific challenges, for which the issuer has put in place adequate mitigation measures.

Alignment with principles

Sparebanken Vest's green bond framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1), and incorporates MIS-identified best practices for all four components:

- ☑ Green Bond Principles (GBP)
- ○ Social Bond Principles (SBP)
- ○ Green Loan Principles (GLP)
- ○ Social Loan Principles (SLP)
- ○ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

Sparebanken Vest has clearly defined the nature of expenditures, location and eligibility criteria, including relevant exclusion criteria, for the two eligible categories. The exclusion criteria are part of Sparebanken Vest's publicly available policies, including a list of excluded companies. The definition of the two eligible categories follows the substantial contribution criteria contained in the EU Taxonomy Climate Delegated Act for Climate Change Mitigation, thus constituting a reference to stringent, internationally recognized technical thresholds. All the eligible projects are located in Norway.

The cornerstone of the ICMA's GBP is the full utilization of net bond proceeds for eligible projects with clear environmental benefits. The inclusion of pure-play type of expenditures in the structures represents a nonstandard use of proceeds, which introduces certain challenges in terms of alignment with principles, in particular in terms of compliance with eligibility and exclusion criteria, clarity of the sustainability objectives, allocation and traceability of funds to eligible projects, impact reporting, and an increased risk of double counting. With appropriate mitigation measures, pure-play investments can still be considered in line with the spirit of the use-of-proceeds thematic issuance and therefore aligned with the GBP.

Sparebanken Vest's allocation of proceeds toward general corporate purpose loans to pure-play companies is limited to 5% of the total allocation under the framework. Pure-play companies have been defined as those that derive 90% of their revenue from activities that adhere to the eligibility criteria. The issuer has confirmed that pure-play lending will only be possible for hydropower companies that are able to link the proceeds to eligible assets, which will be known to the bank in advance before a loan is granted. To avoid the risk of double counting, only the share attributable to the eligible assets is considered. The mitigation measures in place to ensure the traceability of funds, compliance with the eligibility criteria and clarity of the environmental benefits, coupled with the limited allocation and the 90% threshold and exclusion criteria to define pure-play companies, allow us to consider the structure in line with the current market practices.

Clarity of the environmental objectives – BEST PRACTICES

Sparebanken Vest has clearly outlined a relevant environmental objective associated with the eligible categories, which is coherent with international standards. The objective is climate change mitigation. The framework has referenced relevant United Nations' (UN) Sustainable Development Goals (SDGs) and environmental objectives in the EU taxonomy to articulate the eligible category objectives.

Clarity of the expected benefits – BEST PRACTICES

Sparebanken Vest has clearly identified the environmental benefits of its eligible categories. These benefits are measurable and will be quantified in the reporting. The issuer has stated in internal documentation that 100% of the net proceeds will be allocated at issuance, which means that there will be a 100% refinancing share. The bank does not apply a look-back period. However, there is transparency regarding the date of issuance of the green bond portfolio, which is disclosed as part of the annual reporting to investors. At the time of financial reporting in 2022, around two-thirds of the portfolio originated in 2020 and one-third in 2021.

Best practices identified

- Eligibility criteria are clearly defined for all project categories
- Objectives set are defined, relevant and coherent for all project categories
- Relevant benefits are identified for all project categories
- Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection

Not aligned | Partially aligned | Aligned | Best practices

Transparency and quality of process for defining eligible projects – BEST PRACTICES

Sparebanken Vest has established a clear process for evaluating, selecting and monitoring eligible projects, formalized in its publicly available framework. The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise. A Green Bond Committee will be established, consisting of the head of sustainability and senior officials within Sparebanken Vest's credit, funding, risk management and corporate lending teams. An external consultant specializing in green real estate and renewable energy might support the bank in its decision-making. The Green Bond Committee will monitor the portfolio at least quarterly throughout the life of the instruments to ensure the continued compliance with the framework. The committee commits to removing projects from the eligible portfolio that no longer meet the eligibility criteria. The traceability of the decision-making process is ensured through meeting minutes.

With respect to pure-play lending, which is a nonstandard use of proceeds and where the identification and selection of eligible projects present special challenges, the issuer reports that only hydropower facilities that have been approved by the Norwegian Water Resources and Energy Directorate (NVE), and thus received a formal license for the facility, will be deemed suitable for the portfolio. The bank also has access to the corresponding documentation, including technical information, to ensure that the green assets in scope meet the eligibility criteria. The bank is also able to monitor the ongoing general compliance with the eligibility criteria.

Environmental and social risk mitigation process – BEST PRACTICES

The environmental and social (E&S) risk mitigation processes applied are publicly disclosed via formalized policies and guidelines. As part of the transaction approval process, E&S risks are assessed in an internal E&S due diligence process that is linked to various international standards and agreements, such as the United Nations Guideline Principles (UNGPs). The process implemented includes a combination of identification, management, mitigation, monitoring and control measures. The process for identifying potential controversies for financed projects and the associated reallocation of proceeds are part of the responsibilities of the Green Bond Committee. With regard to pure-play lending, the NVE documentation covers E&S topics and includes all the necessary steps the client must take to mitigate any E&S concerns. The issuer specifies that monitoring will take place throughout the life of the instruments and that projects facing controversies may be withdrawn from the list of eligible assets and replaced by other eligible projects.

Best practices identified

- The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- The process for project evaluation and selection is traceable
- Material environmental and social risks for most project categories are identified
- Presence of corrective measures to address environmental and social risks across projects
- ESG controversies are monitored

Management of proceeds

Not aligned	Partially aligned	Aligned	Best practices

Allocation and tracking of proceeds – BEST PRACTICES
Sparebanken Vest has defined a clear process for the management and allocation of bond proceeds in its framework. Net proceeds of the bonds are held in a general treasury and appropriately tracked to ensure their use in accordance with the framework. Funds are managed on a portfolio basis. Given the dynamic nature of the portfolio, the balance of the eligible proceeds will be adjusted quarterly, and the bank commits to fully allocate the net proceeds at issuance.

Management of unallocated proceeds – BEST PRACTICES
Should there be any temporary unallocated proceeds, the issuer intends to allocate them to ESG-oriented assets (green and/or social bonds) within Sparebanken Vest's treasury liquidity portfolio, in cash or other short-term and liquid instruments. Temporary placements in ESG-oriented assets are carried out in line with the bank's specific E&S policies and target only high-quality liquid assets (HQLA), e.g., securities issued by sovereigns, housing credit companies, municipalities and county authorities. The issuer has also confirmed in internal documentation that it will substitute any asset that no longer qualifies with another green eligible asset contained in the portfolio.

Best practices identified

- Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- Short allocation period, for example typically less than 24 months
- Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting

Not aligned | Partially aligned | Aligned | Best practices

Transparency of reporting – BEST PRACTICES

Sparebanken Vest will report annually on the bonds issued under its framework, and this reporting will be made publicly available. Such reporting will occur until maturity of bonds. The reporting is exhaustive and includes the description of financed projects, expected sustainable benefits, the amount allocated across eligible categories, the share of refinancing and the amount of unallocated proceeds if any.

Sparebanken Vest has identified relevant environmental reporting indicators for the two eligible categories and clearly disclosed these indicators in its framework. The methodologies and assumptions used to report on the environmental impact of eligible projects will be publicly disclosed. As part of the annual audit review, the bank's independent external auditor will verify the allocation and impact reporting until maturity of the instruments.

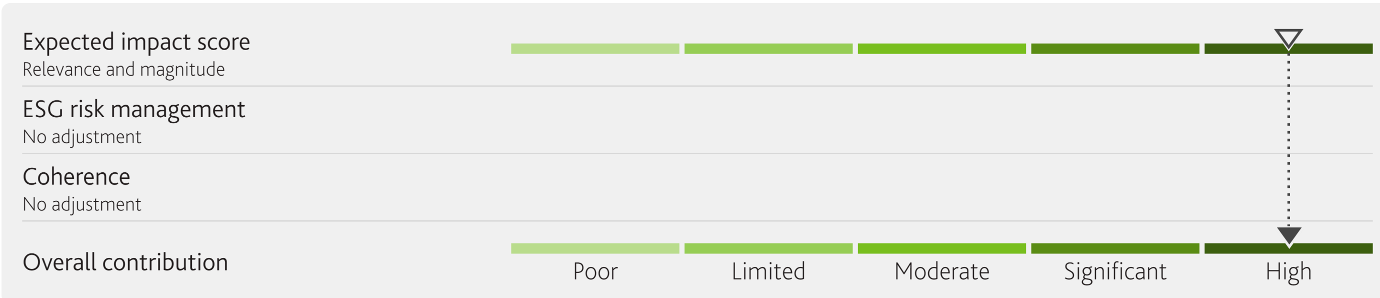
The inclusion of general corporate purpose instruments viapure-play companies constitutes a nonstandard use of proceeds susceptible to specific challenges in terms of allocation and impact reporting of the eligible projects. The bank confirms in internal documentation its commitment to tracking and reporting the allocation of the net proceeds and the environmental benefits associated with the activities undertaken by pure-play companies.

Best practices identified

- Reporting until full bond maturity or loan payback
- Reporting covers material developments and issues related to the projects or assets
- Reporting on allocation of proceeds and benefits done at least at eligible category level
- Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

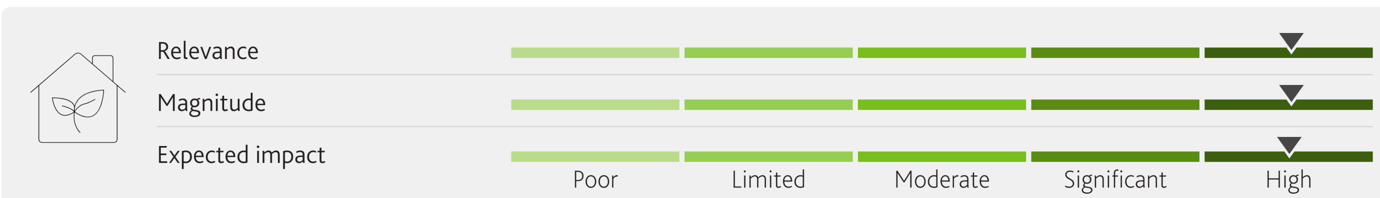
The framework demonstrates a high overall contribution to sustainability.



Expected impact

The expected impact of the eligible project categories on the environmental objective is high. For the purpose of assessing the consolidated score on contribution to sustainability, we have weighted the categories according to estimates provided by Sparebanken Vest. In particular, the issuer estimates that most of the proceeds will be allocated to projects in the green buildings category. A detailed assessment of the two eligible categories is provided below.

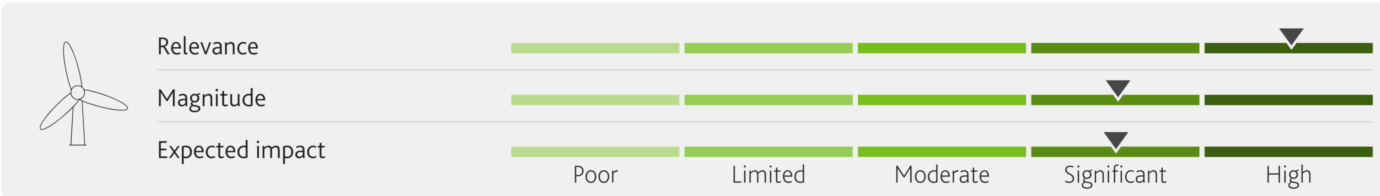
Green buildings



The acquisition of new or existing residential or commercial buildings in Norway addresses one of the country's most crucial sustainability challenges. Decarbonizing the building sector is essential, considering that 40% of the country's energy is consumed in buildings, with 28% attributable to operations and 12% to materials and construction. While Norwegian buildings primarily rely on electricity for energy consumption, the projected population growth, demographic challenges and urbanization will necessitate additional new and energy-efficient buildings, especially in the Oslo region. The issuer intends to allocate most of the proceeds to acquire new residential buildings. While acquiring existing buildings brings environmental benefits as their energy efficiency improves, we also acknowledge the advantages of acquiring new buildings that can meet the country's needs, resulting in our assessment of a high relevance score for the category.

In terms of magnitude, eligible projects follow stringent green building energy consumption thresholds, such as the EU taxonomy substantial contribution criteria, the top levels of Norway's building code (TEK) or the highest Energy Performance Certificate (EPC). With 98% of Norway's energy mix being renewable energy, the greatest environmental impact of buildings occur in the construction stage rather than in the operational stage. Norway's comprehensive building code (TEK) addresses this challenge by regulating building materials, insulation and ventilation. Emphasis is placed on the selection of sustainable structural materials such as concrete, steel and timber to meet the necessary durability. Although Norway's 2050 road map for the real estate sector places a significant emphasis on the reuse of construction materials and achieving 79% recycling, challenges remain in promoting the reuse of construction materials. The stringent building code adopted by the country, which ensures comprehensive oversight during the construction stage, combined with the low emissions of the operational stage, has resulted in a high magnitude, and hence, an overall high expected impact score for the category.

Renewable energy



Despite the fact that the country's energy mix is already 98% renewable, comprising 92% hydropower and 6% wind energy, the project has significant value because of the role of Norway as one of the largest net exporters of electricity in Europe. The eligible projects' positive impact extends to neighboring countries with interconnected energy grids, because the additional supply of energy supports their efforts to increase their share of renewable energy. Therefore, the acquisition of new or existing hydropower facilities is considered highly relevant to contribute to the increase in renewable energy installed capacity and climate change mitigation.

There are three different types of eligible projects under this category. One type is run-of-river plants without artificial reservoirs, which represent the best available technology for hydropower projects defined by international standards to enable long-term positive environmental impacts with minor or no externalities. The other two types of eligible hydropower projects follow internationally recognized standards (i.e., the EU taxonomy or for facilities in operation before 2020 - the Climate Bond Initiative (CBI)) with a power density of above $5W/m^2$ or life cycle emissions lower than $100g\ CO_2e/KWh$. However, for facilities commissioned in 2020 or later, the CBI sets more stringent standards with a power density above $10W/m^2$ or a greenhouse gas (GHG) emissions intensity of less than $50g\ CO_2e/kWh$. Most Norwegian hydropower projects surpass the eligibility criteria defined in the framework because of the low-carbon grid factor of the country and strict regulations imposed by the government. Since the eligibility criteria for hydropower projects do not take into account the increasing tightening of thresholds depending on the year of the facilities' commissioning as defined by the best market standards, we estimate the magnitude to be significant, leading to an overall significant expected impact score for this category.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. Norway is a Designated Country under the Equator Principles[1], which assures that the issuer is required to sufficiently address the management of most of the environmental and social risks. When lending to all new and existing clients, a sustainability and climate risk assessment is used to assess the extent to which the clients actively consider and take action to limit risks and impacts in their organizations. The following assessment areas are in scope: environmental and climate impact, human and labor rights, business ethics and corporate governance, corruption and money laundering, and country risk[2]. In addition, there is a requirement for clients to prepare a sustainability action plan with stipulated deadlines. The result of the assessments is included in the basis for decision-making in each individual credit case. Furthermore, Sparebanken Vest has introduced guidelines and policy requirements in the corporate market for the management and assessment of climate change impacts and related risks. Ethical behavior and social responsibility in its own business operations, in its dealings with stakeholders, in corporate governance, and in ownership are reflected in the “Principles for Corporate Social Responsibility”[3].

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects to be financed within this framework align with Sparebanken Vest's endeavor to support the increase in the share of renewable energies in the global energy mix and reduce energy consumption in cooperation with its suppliers and customers. Furthermore, they align with the sustainability priorities of Sparebanken Vest, as defined in its sustainability strategy, which entails the achievement of climate neutrality. By investing in projects to reduce GHG emissions, the bank also supports Norway in its goal to reduce the country's overall GHG emissions by at least 55% below 1990 levels by 2030 and 90%-95% by 2050[4].

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The two eligible categories included in Sparebanken Vest's framework are likely to contribute to three of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	*Renewable energy*	7.2: Increase substantially the share of renewable energy in the global energy mix
	Green buildings	7.3: Double the global rate of improvement in energy efficiency
GOAL 11: Sustainable Cities and Communities	*Green buildings*	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 13: Climate Action	*Green buildings* *Renewable energy*	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The mapping of the UN's SDGs in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's green bond framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Sparebanken Vest's framework

Eligible Project Category	Description	Sustainability Objectives	Main Impact Reporting Metrics
Green buildings	Eligible green buildings must meet one or more of the following eligibility criteria: **(1) Residential buildings in Norway:** (1.1) Buildings built ≥2021: NZEB-10%* (1.1.1) Buildings complying with the relevant NZEB-10% threshold (1.2) Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway: (1.2.1) Buildings complying with TEK10 & TEK17 building codes (built ≥2012) (1.2.2.) Other buildings with EPC labels reflecting the top 15% **(2) Commercial buildings in Norway:** (2.1) Buildings built ≥2021: NZEB-10% (2.1.1) Buildings complying with the relevant NZEB-10% threshold (2.2) Buildings built <2021: EPC A label or within the top 15% low carbon buildings in Norway: (2.2.1) Buildings complying with TEK10 & TEK17 building codes (hotel and restaurant buildings built ≥2013 & office, retail, and industrial buildings built ≥2012) (2.2.2) Other buildings with EPC labels reflecting the top 15% **(3) Refurbished Residential and Commercial buildings in Norway with an improved energy efficiency of 30%** (3.1) Refurbished Norwegian residential and commercial buildings with at least a 30% improvement in energy efficiency, measured in kWh/m^2 (3.2) Where EPC labels are available to select eligible assets under this criterion, only labels of 'D' or better will be considered *In addition, the footnotes of the framework provide information on the exclusion of large buildings (>5000 m^2) constructed ≥2021, given the additional corresponding EU Taxonomy criteria for large buildings are challenging to adhere to from a data availability perspective.	Climate Change Mitigation	- Estimated annual GHG emissions reduced/avoided in tons of CO_2 equivalent - % of energy use reduced/avoided
Renewable energy	Eligible hydropower plants must meet one of the following eligibility criteria: - The electricity generation facility is a run of river plant and does not have an artificial reservoir - The power density of the electricity generation facility is above 5W/m^2 - The lifecycle emissions from the generation of electricity from hydropower are lower than 100g CO_2e/KW	Climate Change Mitigation	- Estimated annual GHG emissions avoided/reduced in tons of CO_2 equivalent - Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)

Appendix 3 - Adherence to the EU taxonomy

Limited to our scope[5], we consider that the renewable energy eligible category adheres to all the EU taxonomy criteria for economic activity 4.5 - Electricity generation from hydropower. The green buildings eligible category refers to two economic activities: 7.2 - Renovation of existing buildings and 7.7 - Acquisition and ownership of buildings. Full adherence of the green building category to all EU taxonomy criteria is demonstrated for economic activity 7.7. As for economic activity 7.2, the green buildings category shows adherence to all its criteria of substantial contribution and only one of the four applicable DNSH criteria.

Based on the information provided and limited to the eligible projects that adhere to the EU taxonomy, the bank has implemented planning and monitoring processes to ensure that all selected projects adhere to technical screening criteria and minimum safeguards set out in the EU taxonomy regulation. Sparebanken Vest has done a detailed screening of the EU taxonomy criteria for each of the economic activities and identified where the existing applicable law is likely to cover the requirements and where it needs to be complemented by additional measures. This process is described in the "Process for project evaluation and selection" section.

Exhibit 1

Substantial contribution criteria - Climate change mitigation

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Substantial contribution" for Climate Change Mitigation	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	Adhere	- The issuer confirms that existing residential or commercial buildings should have achieved a 30% improvement in primary energy demand (PED) after renovation to be eligible for green financing. The evidence of qualification of buildings is provided with the support of a specialized external consultant on the basis of the label of the final energy performance certificates (EPC) or the specific energy demand in kWh/m^2. Throughout the renovation, the bank will require documentation from the client on the construction costs. Lending is provided directly for these construction costs for each of the installments as the project progresses.
	7.7. Acquisition and ownership of buildings	Adhere	- Criterion 1: As confirmed by the issuer, residential or commercial buildings built before 31 December 2020 must have an EPC A label or be within the top 15% of low-carbon buildings in Norway (i.e., the operational PED). The evidence of qualification of buildings is provided with the support of an external consultant on the basis of the label of the final energy performance certificates (EPC) or building codes TEK. - Criterion 2: As confirmed by the issuer, the PED of residential or commercial buildings built after 31 December 2020 should be 10% lower than the threshold set for the nearly zero-emission building (NZEB) requirements. A specialized external consultant has developed a method for selecting NZEB-10% compliant buildings, using data from the national EPC register. In addtion, the issuer has confirmed that large (> 5000 m^2) buildings built after 31 December 2020 are excluded from financing, making the substantial contribution requirements for air-tightness and thermal integrity as well as life cycle Global Warming Potential (GWP) not applicable. - Criterion 3: In the case of all large (> 5000 m^2) non-residential buildings (hotels), the issuer states that such buildings are operated through energy performance monitoring and assessment. The clients are obliged to provide the bank with the relevant documentation. In addition, the hotels are required to have EPCs containing information about their energy systems.
Renewable Energy	4.5. Electricity generation from hydropower	Adhere	- The issuer confirms that the eligible category complies with all three criteria for contribution to sustainability of electricity generation from hydropower. As of note, compliance with only one criterion is required by the EU taxonomy. The parameters of the hydropower plants under construction will be known prior to the construction start. Upon completion of the plant, the client will provide the bank with formal documentation of the constructed plant confirming all thresholds/requirements.

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 2

Do No Significant Harm - Climate change adaptation (1/2)

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Climate Change Adaptation	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	Adhere	The following analysis refers to both economic activities 7.2. and 7.7. In addition to using scenarios from the Bank from England and the Network for Greening the Financial System (NGFS), the issuer refers to the Norwegian Building Code Regulation (TEK) standards regarding the physical risks of green buildings for new construcitons and major renovations to demonstrate its adherance to Appendix A of the EU taxonomy. All elements listed in Annex A seem to be covered by methodologies suggested by the Bank of England, NGFS and TEK: - The TEK regulation specifies which safety levels are to be used as a basis for regulation and construction in hazardous areas. Of note, Norway has some of Europe's strictest technical construction requirements. - The processes for selecting green projects are aligned with the Norwegian Building Codes (TEK10, TEK17) and environmental legislation, which cover general requirements relating to protection against natural stresses. In this sense, buildings shall be located, designed, and constructed in such a way as to ensure adequate safety against damage or significant inconvenience caused by natural stresses.
	7.7. Acquisition and ownership of buildings	Adhere	- Risk and vulnerability analyses are conducted at the planning stage and relevant measures are applied to reduce identified material risks. TEK10 & TEK17 Building Code Regulations ensure new buildings are not prone to significant physical climate risks e.g. flooding, extrem weather events, landslides and avalanches. Local climate conditions are taken into account as well. An analysis conducted by Sparebanken Vest in 2021 for the entire portfolio confirmed that the bank has little exposure to physical risks. Nevertheless, the bank confirmed that it continues to measure and monitor its exposure to physical risks, paying particular attention to assets that may be climate stranded in future. Sparebanken Vest also assesses transition risk in the portfolio by monitoring the distribution and development of EPC labels. - To assess the impact of risks, Sparebanken Vest applies climate scenario analysis in its stress tests, with the possible outcomes being 'early action', 'late action' or 'no additional action' as defined by the Bank of England. The climate scenarios can follow different future pathways, as recommended by the NGFS. The NGFS scenarios were developed in cooperation with leading climate scientists and have been used, for example, in the International Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C. - In addition, the Norwegian building legislation proposes to use climate scenarios at the country level when a risk is identified. Such climate profiles were developed by the Norwegian Centre for Climate Services and include projected climate change and climatic challenges up to the year 2100, based on the IPCC's low and high emissions scenarios.

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 3
Do No Significant Harm - Climate change adaptation (2/2)

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Climate Change Adaptation	Related issuer information
Renewable Energy	4.5. Electricity generation from hydropower	Adhere	- Sparebanken Vest demonstrates its adherence to Appendix A of the EU taxonomy by refering to requirements of the Planning and Building Act of 2008 and to climate profile developed by the Norwegian Centre for Climate Services. - The issuer confirms that it complies with the Norwegian Regulations on environmental impact assessment for plans pursuant to the Norwegian Planning and Building Act of 2008, which suggests to consider climate change in a risk- and vulnerability analysis for all planning levels. For details on the scope of assessment, see the analysis for economic activities 7.2. and 7.7. on CCA. - The issuer engages with its corporate customers to ensure they factor in climate risk, both physical and transition risk when a loan is granted. The issuer has prepared sustainability and climate risk assessment forms which are adapted to relevant issues in each industry relating to the climate, environment, nature-related as well as other types of risks.

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 4
Do No Significant Harm – Sustainable use and protection of water and marine resources

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Sustainable Use and Protection of Water and Marine Resources	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	Do not adhere	- The issuer is not able to demonstrate its adherence to the EU taxonomy's provisions linked to economic activity 7.2. The Norwegian regulations on technical requirements for construction works include provisions to prevent damages to the building from water leakages, however, it does not explicitly state its compliance with the water flows and flush volumes as required by the EU Taxonomy.
	7.7. Acquisition and ownership of buildings	*Not applicable*	N/A
Renewable Energy	4.5. Electricity generation from hydropower	Adhere	- The issuer confirms that it complies with the provisions of Directive 2000/60/EC through its adherence to the EU Water Framework Directive (WFD) articles 4 and 11. It reduces adverse impacts on the water as well as on protected habitats and species directly. The Ministry of Climate and Environment (KLD) of Norway has a number of legal measures to ensure compliance with Article 4 of the WFD. Specifically, it ensures that the requirements set out in the WFD are met and that the monitoring of the process is ensured. - Norway has a licensing system for the construction and operation of hydropower facilities and is committed to implementing measures with the aim of improving the ecological status/potential of water bodies already affected by hydropower and providing strict environmental requirements for new developments. All new hydropower projects must be in line with Article 4 of the WFD. The measure and efforts to achieve the environmental objective of the WFD might vary from region to region, as stated in the joint statement attached to the EEA Committee Decision No. 125/2007. - Sparebanken Vest informs that it complies with the Norwegian Regulations on Environmental Impact Assessment (EIA) for plans pursuant to the Norwegian Planning and Building Act and all national regulatory requirements applicable to all loans originated.

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 5
Do No Significant Harm – Transition to a circular economy

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Transition to a Circular Economy	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	Do not adhere	- The issuer is not able to demonstrate its adherence to the threshold of reuse of construction waste. Although the issuer reports that the projects will abide by national building legislations and policies set forth by the Norwegian Regulations on technical requirements for construction, its threshold of 60% does not explicitly abide by that of the EU taxonomy which asks for a minimum of a 70% reuse rate. Furthermore, Norwegian guidelines ask for the design, construction, and demolition to result in the least possible impact on natural resources and the external environment but do not explicitly implement a criterion of circularity as required by the EU taxonomy.
	7.7. Acquisition and ownership of buildings	*Not applicable*	N/A
Renewable Energy	4.5. Electricity generation from hydropower	*Not applicable*	N/A

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 6
Do No Significant Harm – Pollution prevention and control

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Pollution Prevention and Control	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	Do not adhere	- The issuer is not able to demonstrate its adherence to the criteria set out in Appendix C. The EU taxonomy regulates the emissions of formaldehyde, carcinogenic volatile organic compounds, in addition to prescribing the adoption of measures to reduce noise, dust, and pollutant emissions during construction. The Norwegian Regulations do not cap emissions on any material used, but they state general provisions suggesting the use of products that contain no, or a low content of, substances hazardous to health or the environment.
	7.7. Acquisition and ownership of buildings	*Not applicable*	N/A
Renewable Energy	4.5. Electricity generation from hydropower	*Not applicable*	N/A

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 7
Do No Significant Harm – Protection and restoration of biodiversity and ecosystems

Eligible Category	Corresponding EU Taxonomy economic activity	Adherence to "Do no significant harm" to Protection and Restoration of Biodiversity and Ecosystems	Related issuer information
Green Buildings	7.2. Renovation of existing buildings	*Not applicable*	N/A
	7.7. Acquisition and ownership of buildings	*Not applicable*	N/A
Renewable Energy	4.5. Electricity generation from hydropower	Adhere	- The issuer confirms that it adheres to Appendix D of the EU taxonomy. An Environmental Impact Assessment (EIA) is required for all public and private projects which are likely to have significant effects on the environment, and it is conducted based on the EU's EIA Directive 2011/92/EU. The issuer also complies with the Norwegian Regulations on EIA, which implement the EU Directive on EIA. - The construction of energy production facilities larger than 1 MW needs a license from the Norwegian Water Resources and Energy Directorate (NVE) according to the "Energy Act" and the "Water Resources Act". Mitigation of negative environmental impacts, as well as impacts on biodiversity and surrounding areas, are important elements in attaining necessary licenses from NVE. Projects are required to complete an EIA and to demonstrate alignment with the EU Water Framework Directive (WFD) and its minimum requirements include minimum water flows, functional fish migration pathways as well as safeguards for biodiversity and local ecosystems.

Source: Moody's Investors Service and Sparebanken Vest

Exhibit 8
Minimum Social Safeguards
Assessment at the issuer level

Minimum Safeguards	Adherence to Minimum Safeguards criteria	Related issuer information
Human Rights	Adhere	- Sparebanken Vest adheres to the UN Guiding Principles (UNGPs) on Business and Human Rights, as well as to the OECD Guidelines for Multinational Enterprises (MNEs). The existing Corporate Social Responsibility (CSR) principles aim to ensure ethical behavior in relation to human rights in its own business operations and value chain and its dealings with its customers and suppliers. The bank has procedures in place to ensure that projects/companies are subject to an established human rights due diligence process that follows the steps and procedures described in the UNGPs and the OECD Guidelines for Multinational Enterprises. In addition, the International Labour Organisation (ILO) conventions are enshrined in Norwegian law. - Sparebanken Vest states that it performs an annual assessment of the lending book as well as a controversy screening to ensure that its customers do not violate applicable laws and regulations and have not been convicted in court on labor law or on human rights. Furthermore, the Norwegian Transparency Act promotes respect for human rights and decent working conditions by companies and ensures public access to information. The requirements imposed by the Transparency Act have been operationalized through the bank's operational risk policy and working procedures.
Corruption	Adhere	- Sparebanken Vest informs that it adopts an anti-corruption policy that defines compliant and non-compliant behaviors involving the entirety of the stakeholders they engage with. Training on corruption-related behaviors and risks is mandatory for all employees and this training is tracked and incentivized. Corruption risk factors are identified through a risk assessment of their processes, followed by appropriate actionable measures. Audits are in place and conducted by the compliance department and by other business lines.
Taxation	Adhere	- Sparebanken Vest states that it takes into account the Taxation Act when assessing for financing. It also operates in respect of the Anti-Money Laundering Act by reporting suspicions or violations with regard to taxation to the Financial Supervisory Authority. Furthermore, Sparebanken Vest conducts an annual assessment of the lending book to ensure that clients are not in violation of applicable laws and regulations.
Fair Competition	Adhere	- Sparebanken Vest adheres to the competition law in Norway, covered by the Competition Act (2004). It also conducts an annual assessment of the lending book to ensure that companies (clients) are not in violation of applicable laws and regulations.

Source: Moody's Investors Service and Sparebanken Vest

Moody's related publications

Second Party Opinion analytical framework:

» Framework to Provide Second Party Opinions on Sustainable Debt, October 2022

Topic page:

» ESG Credit and Sustainable Finance

Endnotes

1 The Equator Principles, Designated & Non-Designated Countries, retrieved in June 2023.

2 Sparebanken Vest, Sustainability Library, retrieved in June 2023.

3 Sparebanken Vest, Sustainability Library, retrieved in June 2023.

4 UNFCCC, Norway's long-term low-emission strategy for 2050, October 2020.

5 See Appendix C - Adherence to the EU taxonomy in our Framework to Provide Second Party Opinions on Sustainable Debt, October 2022.

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