

**Together** for a  
better future



**Green Bond Framework** **May 2022**

**BN Bank**

## 1. Introduction

### 1.1 About BN Bank ASA

BN Bank ASA ("BN Bank" or "the Bank") is a digital bank serving retail and corporate customers in Norway. Our roots go back to 1961, and the name BN Bank dates back to 1992 when the banking license was granted. BN Bank is a nation-wide lender with headquarters in Trondheim and branch office in Oslo.

Since December 2008, BN Bank has been wholly owned by member banks of the SpareBank 1 Alliance ("the Alliance"). Established in 1996, the Alliance is comprised of regional and local banks who cooperate to achieve economies of scale and to provide a full range of competitive financial services and products. Collectively, the Alliance is the second largest lender in Norway with approximately 21% share of the retail market and approximately 18% share of the corporate market.

#### Vision and values

BN Bank's vision "Together for a better future" aims to serve as a binding guideline for our work regarding sustainability. Contributing, during the course of time, to the Bank achieving value creation by undertaking responsible banking operations that warrants trust from all of our stakeholders. BN Bank's common future depends on a thriving environment, sustainable climate and people with secure employment who interact with each other based on sound morals and ethical choices.

The vision is supported our three core values:

- Together: Together with our customers we will find the best solution in each individual case.
- Different: We must dare to be different and build pride upon differentiating us from other banks.
- Simple: It should be simple to be, and to become, a customer of BN Bank.



#### Lending portfolio

In the retail market, BN Bank focuses primarily on mortgage lending. We have a nationwide presence, with most customers in Oslo and the central eastern region of Norway. In 2021, the profit after tax for the retail market was NOK 193 million, which gives a return on equity after tax of 8.4%.

BN Bank is also a specialized commercial real estate lender operating mainly in the Oslo region. We offer long-term financing of office properties, logistic properties, commercial properties, and rental housing. Further, we have some lending for land purchase, construction of properties, conversion or other development of properties. In 2021, the profit after tax for the corporate market was NOK 285 million, which gives a return on equity after tax of 12.2%.

BN Bank operates in a prudent manner, generating sustainable earnings and dividends for its owners. Strategic decisions such as ceasing unsecured consumer lending activities and restricting the

geographic focus of the commercial real estate business support our sound asset quality profile.



### 1.2 BN Bank's sustainability contribution

Together with all the associates we interact with, BN Bank contributes to sustainable development. Be it suppliers, customers, public opinion, or organisations with whom we cooperate. Of course, our main focus is the Bank's core business, i.e. loans and deposits, however, we are actively working to ensure that our attitude towards sustainability becomes a natural part of all the Bank's operations.

#### Sustainability governance

To ensure that sustainability is a natural part of all the Bank's processes, we have established the following rules for our business:

- We do not provide loans and decline to establish, as far as the law allows us, client relationships where the purpose of the client's activity is contrary to our sustainability strategy.
- We do not enter into any new agreements with material suppliers that do not satisfy our requirements for sustainability.
- All internal events must satisfy our requirements for sustainability.

Further, sustainability is ensured through a strategy that excludes exposure other than that which derives from:

- Mortgage loans in Norway.
- Financing commercial real estate and development projects mainly in and around the central region of Oslo.
- Providing deposit and payment services.
- The Bank's own liquidity investments derived from liquidity management and strategic ownership.

To ensure anchoring of the Bank's endeavours in sustainability, BN Bank has adopted a sustainability strategy encompassing the period 2020 to 2022. The strategy is based on our values and areas of business. It is cemented by management and approved by the board.

#### Sustainability reporting

BN Bank is continuously working to improve its sustainability reporting and introducing new standards. Sustainability reporting is incorporated as a separate entity of the Bank's annual report and is approved by management and the Bank's board of directors. Starting 2021, BN Bank has external verification of the sustainability report. To summarise the Bank's position and requirements within sustainability, both for our own organisation and our suppliers, the Bank has prepared a self-evaluation form based on the principles laid down in Fair Financial Guide. The form can be downloaded from the sustainability library on the Bank's website.

We report our work in accordance with the core requirements ("Core") of the Global Reporting Initiative ("GRI"). Attempts have been made to render the content of the report as balanced and correct as possible. Where relevant, the report refers to internal management documents which enable further information to be found. Our GRI index may be downloaded from the sustainability library on our website.



## Sustainability initiatives

BN Bank aspires to contribute to the global effort of sustainable development. As an organisation, we contribute to realising the UN's Sustainable Development Goals ("SDGs") and the Paris Agreement's aims to ensure that global temperature does not exceed the two degree increase limit, and preferably not surpass one and a half degrees. To achieve this, we must commit and cooperate – simply contribute to global voluntary work. Consequently, we support several initiatives that contribute to working sustainably within the financial sector.



PRINCIPLES FOR  
RESPONSIBLE  
BANKING

BN Bank was approved as a "Signatory to the Principles for Responsible Banking" in January 2020. As a signatory, BN Bank assures that our strategy and practice align with the vision society has set out for its future in the UN SDGs and the Paris Agreement.

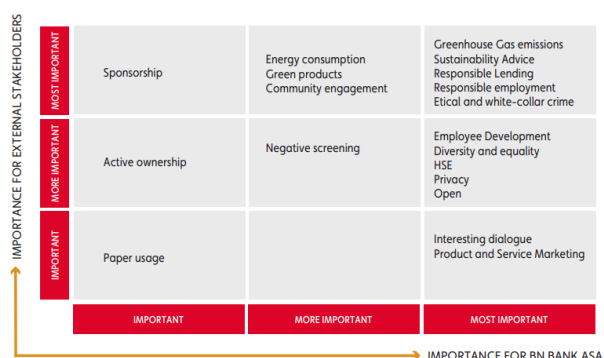


United Nations  
Global Compact

During the first half of 2020, BN Bank also signed up to the UN Global Compact's ten principles for responsible business, which provides guidelines for how the Bank complies to responsible operations within human rights, employment, anti-corruption and the environment. By incorporating the UN Global Compact's ten principles into our own strategy, policy, and practice, we at BN Bank can be held accountable to people, society, and – together with other like-minded companies – we will contribute to sustainable development.

## BN Bank's work with the UN's SDGs

BN Bank has, through stakeholder surveys, identified the key risk areas for sustainability in relation to the Bank's activities. This is evident from the graphical representation of the significance analysis in the figure below:



In accordance with the survey and through our adherence to UNEP Finance Initiative, we have identified two SDGs that we believe we can contribute to the most:



## SDG 13: Climate action

We can greatly influence which suppliers we use and which choices we make in the Bank's daily operations. On the other hand, we have limited impact on our mortgage customers' dwellings, which is largely a consequence of the general development in the standard of Norwegian homes. Our corporate customers are professional

players, allowing us to implement stricter requirements for them than for our personal market customers. This in turn means that we can apply stricter requirements for the business community thus making them work actively to cut their own emissions.

## SDG 8: Decent work and economic growth

The Bank acknowledges a special responsibility for following up, guiding, and detecting matters relating to money laundering and social dumping in the fields of construction and real estate. The Bank will always clarify the origin of the funds, and all employees will immediately notify the Bank's anti-money laundering department should there be any suspicion of funds originating from activities in violation of Norwegian law. Nor will we finance activities that are contrary to the Bank's sustainability policy. The Bank further provides guidance to customers when choosing suppliers for construction and renovation work.

## Climate targets

Our climate accounts are based on the standards and protocols of the Greenhouse Gas Protocol ("GHG Protocol") and the Task Force for Climate-Related Financial Disclosure ("TCFD"). We report our emissions in accordance with Scope 1, Scope 2, and Scope 3. We divide our Scope 3 emissions into upstream activities and downstream activities. BN Bank has set the following climate targets:

- Scope 1 – Direct emissions: BN Bank has no significant direct emissions of greenhouse gases. The target is no Scope 1 emissions at all.
- Scope 2 – Emissions related to energy consumption and heating: The target is net zero Scope 2 emissions by 2025.
- Scope 3 – Upstream (i.e. emissions related to procurement of goods and services): The target is net zero Scope 3 – Upstream emissions by 2030.
- Scope 3 – Downstream (i.e. emissions related to the Bank's lending operations): The target is for the emission intensity of Scope 3 – Downstream to be reduced by at least 40% by 2040, compared to a 2016 baseline. Emission intensity is defined as emissions compared to production revenues.

## Responsible credit

BN Bank aspires to be a pioneer bank in responsible loans in the retail market. Based on the Bank's ambition to offer fair banking services, and our focus on customers' rights, we have established an independent customer ombudsman. This is an external adviser paid by the Bank who will be able to guide customers should they, for example, encounter payment problems. The whole purpose is to have an independent party with knowledge of customer rights, that can assist customers, uncover weaknesses in the Bank's procedures, and seek out opportunities to find solutions.

Within the corporate market, our ambition is to contribute to improve the climate profiles of the properties we finance, and to highlight the benefits of environmental certification of buildings and investments in measures of improvement. We also have a special focus on work-related crime and the black economy. This is an area where the construction and property industry are particularly vulnerable.

## Community projects and initiatives

BN Bank believes that everybody should have the opportunity to experience a sense of belonging and community, regardless of age, life situation, or skills. It is important for the Bank to be involved in community projects, initiatives, and sponsorships. Examples of this include (i) collaboration with the FIRE foundation providing activities for people who, for various



reasons, need a safe and inclusive environment, (ii) collaboration with Norwegian tax authorities in the campaign “Tettpå” that aims to fight crime in the building industry, (iii) collaboration with the electricity supplier Elekt, offering customers information on how to save money and electricity, and choose sustainable supply of electricity, and (iv) sponsorship agreement with NTNU Business School, centre for Banking and Finance, specifically targeting the school’s work on climate risk.

### **The Green Bond Framework**

Sustainability in all forms is a highly prioritized area for BN Bank, where the establishment of this Green Bond Framework (the “Framework”) will enable our continued positive environmental impact in society. Through this Framework, we hope to promote further investments among our clients into environmentally sustainable assets that will assist in reaching the targets set forth by the Paris Agreement and the UN SDGs.

The Framework has been developed with a basis in the criteria set out by the Green Bond Principles of 2021 (“GBP”)<sup>1</sup>, the Climate Bonds Initiative and other established market standards. The Framework is applicable for issuance of green bonds, including the formats senior preferred, senior non-preferred, additional tier 1, and tier 2 (collectively referred to as “Green Bonds”).

The Framework is aligned with the four recommended components of the GBP; use of proceeds (section 2), process for asset evaluation and selection (section 3), management of proceeds (section 4) and reporting (section 5). Further, the Framework is reviewed by an external impartial firm, which has provided a second opinion to confirm its alignment with the GBP.

The Framework and second opinion from Sustainalytics are available on our website.

## **2. Use of proceeds**

### **Green Loans**

An amount equivalent to the net proceeds from BN Bank’s Green Bonds shall be used to finance or re-finance loans providing distinct environmental benefits (“Green Loans”). The Bank will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Green Loans.

### **Exclusion criteria**

The net proceeds of BN Bank’s Green Bonds will not be used to finance either nuclear energy generation, weapons, and defence industries or potentially environmentally negative resource extraction, gambling, or tobacco. Fossil fuel related activities that might exist in some types of loans will be excluded.

### **EU Taxonomy alignment**

The eligibility criteria outlined on the following page will ensure that the Green Loans funded under this Framework will make a substantial contribution to the achievement of EU’s environmental objectives. The definition of the eligibility criteria takes into account the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to implement them on a best effort basis. As long as there are clear EU Taxonomy Technical Screening Criteria available and feasible practical applications for the Norwegian market, BN Bank will take the EU Taxonomy into consideration.



<sup>1</sup> Green Bond Principles published in June 2021 are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA).

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

**Category Ia: Existing green residential buildings**

Residential buildings built before 31 December 2020 that are within the top 15% most energy efficient residential buildings in Norway demonstrated by adequate evidence.

The Norwegian consultancy firm Multiconsult has provided a technical report to BN Bank setting out the eligibility criteria for top 15% most energy efficient residential buildings in Norway as well as a refurbishment criterion:

- i. Norwegian residential buildings that comply with the Norwegian building code of 2010 ("TEK10") or 2017 ("TEK17")<sup>2</sup>.
- ii. Norwegian residential buildings with energy performance certificates ("EPCs") of A or B.
- iii. Renovation of Norwegian residential buildings leading to an improvement in energy performance of at least 30%.

Note: For i. and ii., loans related to the entire building are eligible. For iii., only loans dedicated to the associated invested amount are eligible.

**Green buildings****Category Ib: Existing green commercial buildings**

Commercial buildings built before 31 December 2020 that are within the top 15% most energy efficient commercial buildings in Norway demonstrated by adequate evidence.

The Norwegian consultancy firm Multiconsult has provided a technical report to BN Bank setting out the eligibility criteria for top 15% most energy efficient commercial buildings in Norway as well as a refurbishment criterion:

- i. Norwegian commercial buildings that comply with TEK10 or TEK17<sup>3</sup>.
- ii. While not part of Multiconsult's technical report, BN Bank will use EPC A and B as proxy for top 15% for commercial buildings not built according to TEK 10 or TEK 17. Based on evidence collected from the EPC database, commercial buildings with EPC A and B represent top ~13% most energy efficient commercial buildings in Norway.
- iii. Renovation of Norwegian commercial buildings leading to an improvement in energy performance of at least 30%.

Note: For i., loans related to the entire building are eligible. For ii., only loans dedicated to the associated invested amount are eligible.

**Category II: New green buildings**

Residential and commercial buildings built after 31 December 2020 that have a Primary Energy Demand ("PED"), defined as the energy performance of the building resulting from the construction, at least 10% lower than the Nearly Zero-Energy Buildings ("NZEB") requirements in Norway. The energy performance will be certified using EPCs.

Details and potential updates to the eligibility criteria for Green Loans will be available in BN Bank's regular reporting on Green Bonds. When updates of significant size are deemed necessary, BN Bank will update this Framework.

**EU Taxonomy – environmental objectives**

- Climate change mitigation

**EU Taxonomy – applicable activities**

- 7.1 Construction of New Buildings
- 7.2 Renovation of Existing Buildings
- 7.7 Acquisition and Ownership of Buildings

In the second opinion provided by Sustainalytics, an assessment of the alignment of BN Bank's Framework with the EU Taxonomy Climate Delegated Act is available.

<sup>2</sup> A two-year lag between implementation of a new building code and the buildings built under that code is taken into account.

<sup>3</sup> For office buildings, retail buildings, industrial buildings and warehouses, a two-year lag between implementation of a new building code and the buildings built under that

code is taken into account. For hotel and restaurant buildings, a three-year lag between implementation of a new building code and the buildings built under that code is taken into account.



### 3. Process for asset evaluation and selection

#### 3.1 Selection of Green Loans

The evaluation and selection process for Green Loans is a key process in ensuring that the amount equivalent to the net proceeds from Green Bonds are allocated to Green Loans which meet the eligibility criteria set out in this Framework.

#### The Green Bond Committee

The Green Bond Committee (“GBC”) established by BN Bank is an important cornerstone in the selection process. The GBC is responsible for the final approval of Green Loans, and broader responsibility for the pool of Green Loans, as well as regular reporting (further responsibilities of the GBC are available in section 3.2). The GBC consists of the CFO, Deputy CEO, Head of Treasury, Executive Director Retail Banking, and the Sustainability Officer. BN Bank will make sure that sustainability expertise always relies within the GBC. All decisions are made in consensus, and this applies to the selection process for Green Loans as well.

#### The Green Register

BN Bank has relied upon the support from the Norwegian consultancy firm, Multiconsult, to (i) define the eligibility criteria for the top 15% most energy efficient residential and commercial buildings in Norway and the refurbishment criterion, and (ii) to identify loans financing residential and commercial buildings in BN Bank’s existing portfolio in compliance with these eligibility criteria. For any new Green Loans originated after the date of Multiconsult’s technical report, the GBC will evaluate and select the Green Loans according to the methodology as defined in the technical report by Multiconsult and as defined in this Framework. Green Loans are inserted in a specific spreadsheet called the “Green Register”.

BN Bank ascertains, on a reasonable effort basis, that all selected Green Loans comply with official national and international standards as well as local laws and regulations. In addition, it is part of the general transaction approval process within BN Bank to ensure, on a reasonable effort basis, that all activities comply with internal environmental and social standards. These minimum requirements are reflected within BN Bank’s internal policies, whose implementation helps to mitigate the environmental and social risks associated with the Green Loans. BN Bank’s policies, guidance documents and expectations as they relate to sustainability can be found in the sustainability library on our website.



#### The EU Taxonomy

BN Bank takes the EU Taxonomy into due consideration. Under the EU Taxonomy, Green Loans should substantially contribute to at least one of the EU’s environmental objectives, by meeting the relevant Technical Screening Criteria, while not significantly

harming (“DNSH”) any other of EU’s environmental objectives and by meeting the requirements of the Minimum Social Safeguards. BN Bank has conducted a detailed EU Taxonomy assessment as part of the second opinion process with Sustainalytics.

#### 3.2 Further responsibilities of the GBC

BN Bank will follow the development of the Green Bond market and manage any future updates of this Framework to reflect current and future market practices (e.g., related to the EU Taxonomy) and potential updates to the GBP.

The Green Register is monitored on a regular basis during the term of the Green Bonds to ensure that the proceeds are sufficiently allocated to Green Loans. Further, if the GBC identifies loans which do not qualify under the Framework, the GBC has the authority to remove the loans from the Green Register.



### 4. Management of proceeds

Equivalent to the net proceeds from BN Bank’s Green Bonds will be tracked by using the Green Register. Information available in the Green Register will in turn serve as basis for regular reporting described in section 5.

All Green Bonds issued by BN Bank will be managed on a portfolio level. This means that a Green Bond will not be linked directly to one (or more) pre-determined Green Loans. The Bank will keep track and ensure there are a sufficient pool of eligible Green Loans in the Green Register to cover the amount equivalent to the outstanding Green Bonds. Green Loans can, whenever needed, be removed or added to/from the Green Register.

Any unallocated proceeds temporary held by BN Bank will be invested in accordance with the internal requirements for the liquidity reserve. Any temporarily investments of unallocated proceeds are limited to securities not operating within the following industries: fossil energy production and extraction, nuclear energy generation, tobacco, pornography, weapons and defence, coal, oil sand, or companies in breach with international human rights. Should there be any unallocated proceeds, BN Bank strives to allocate them within one year.



## 5. Reporting

To be fully transparent towards investors and other stakeholders, BN Bank commits to regular reporting until no Green Bonds are outstanding. If there are no changes in the underlying Green Loans, the Bank commits to reporting once per Green Bond issued. Information on the use of proceeds will be renewed annually until full allocation, and on a timely basis in case of material developments. The report consists of two parts: allocation reporting and impact reporting. It will be published on BN Bank's website and will cover some of the following areas:

### Allocation reporting

- Total amount of Green Bonds issued.
- Share of proceeds used for financing/re-financing and share of proceeds used for categories described in section 2.
- Share of unallocated proceeds (if any).

### Impact reporting

BN Bank intends to report on quantitative impact indicators where reasonable and where relevant data is available for the category "green buildings":

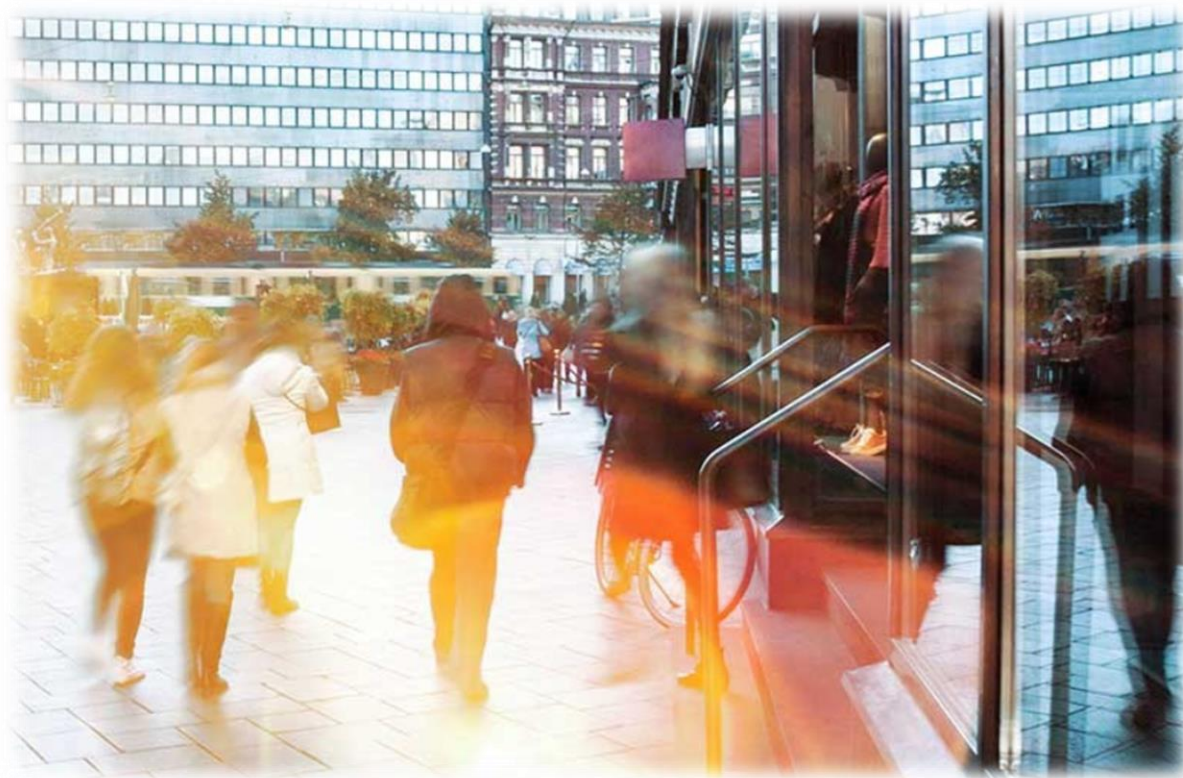
- Estimated annual greenhouse gas emissions compared to baseline (tCO<sub>2</sub>e).
- Estimated ex-ante annual energy performance in kWh/m<sup>2</sup>.

Depending on availability and subject to confidentiality agreements, BN Bank might seek to complement above indicators with relevant case studies.

## 6. External review

### Second opinion

To confirm the transparency and robustness of BN Bank's Framework, it is verified and approved by Sustainalytics, an external second opinion provider. In addition, Sustainalytics has assessed the alignment of BN Bank's Framework with the EU Taxonomy Climate Delegated Act. The second opinion by Sustainalytics is available on our website, together with this Framework.



### Contact

+47 73 89 20 00

[post@bnbank.no](mailto:post@bnbank.no)



### Address

BN Bank ASA  
Postboks 2415 Torgarden  
7005 Trondheim

**BN Bank**