



Green Bond Framework

September 2023

Content

- This is Flekkefjord Sparebank3**

- Sustainability and corporate social responsibility at Flekkefjord Sparebank4**
 - UN Sustainable Development Goals4
 - Sustainability governance5
 - Sustainable banking practices5
 - Responsible operation5
 - Responsible product offering.....6
 - Corporate social responsibility6
 - Sustainability targets towards 20306
 - Eco-lighthouse certification7

- Flekkefjord Sparebank and Green Bonds9**
 - 1. Use of Green Bond Proceeds9
 - Eligible Green Loan Portfolio10
 - 2. Process for selection and evaluation of eligible Green Financing12
 - 3. Management of proceeds.....12
 - 4. Reporting13
 - Allocation Report13
 - Impact Report13

- External review14**
 - Second-Party Opinion14
 - Post-issuance verification14

This is Flekkefjord Sparebank

Flekkefjord Sparebank is a local, independent savings bank, with head office located in Flekkefjord and branches in several adjacent towns and communities (Lund, Kvinesdal, Lyngdal, Farsund, Lindesnes and Egersund). We have 60 employees and total assets of approximately NOK 12,5 billion, which includes NOK 3.1 billion transferred to Verd Boligkreditt. Our ambition is to be the best local bank in the region.

Flekkefjord Sparebank's strategy is to be a contributor to the positive development of the region in which the bank operates. Since Flekkefjord Sparebank was founded in 1837, the development in the region and Flekkefjord Sparebank has gone hand in hand. We have contributed to the region being able to grow, develop and become what it is today. Although much has changed since then, some things remain the same; The need for a local savings bank that knows the local community well.

As such, in addition to being a traditional bank, Flekkefjord Sparebank is also an active and responsible social player in the region. Having this role is not just about loans, savings, sponsorships and gift funds. It is also about how we work to take care of the environment, the ethical standard we seek to promote and our contribution to other important social issues. We are dependent on trust from our customers and society at large, and therefore work consciously to earn this.

Flekkefjord Sparebank is part of the bank cooperation association "*De Samarbeidende Bankene – DSS*"¹. DSS was established in 2008 to take advantage of cost synergies related to procurement and to the standardization of IT systems, improving the competitiveness of the cooperating banks.



¹ [DSS AS - De samarbeidende sparebankene \(dssbank.no\)](https://dssbank.no)

Sustainability at Flekkefjord Sparebank

Sustainability and ESG are important parts of Flekkefjord Sparebank's corporate social responsibility. One of our most important goals as a committed and responsible player in society, is to create vibrant local communities that are also sustainable. This is embedded into our core values, which are *Reliable, Engaged* and *Customer oriented*.

Sustainability is also an important strategic driver in our business. We believe that companies that focus on sustainability generally perform better over time, since this often provides a strategic competitive advantage. Flekkefjord Sparebank's main strategic goal is to be the region's best *local* bank. To achieve this, both here and now and in the future, we consider that increased focus on sustainable solutions and green products is key.





By providing financing Flekkefjord Sparebank acknowledges that we can influence our customers and other companies through stepwise and systematic improvement. Flekkefjord Sparebank aims to be a contributor and driving force to create sustainable communities by conducting banking services in a responsible way.

In 2021, the Board approved a new sustainability strategy for Flekkefjord Sparebank. Based on a comprehensive survey among employees as well as input from other stakeholders, we conducted a materiality assessment that helped us to define which priorities Flekkefjord Sparebank should make in relation to "sustainability". Furthermore, to achieve the bank's strategic goal to "contribute to create sustainable local communities", we have identified the most essential themes and objectives for the different business areas.

UN Sustainable Development Goals

Flekkefjord Sparebank recognizes and expresses its full support for all UN sustainability goals, and to further develop the sustainability strategy we applied these goals, as well as the Paris Agreement objectives, as a compass to help define our priorities and to assess where we have the highest possibility of influence positively.

We selected four goals to which we believe Flekkefjord Sparebank can make a positive contribution and make a difference, shown in the table below:

UN SDGs	Our main targets
 Good health and well-being	Support measures that facilitate and increase commitment and awareness of good health and quality of life for everyone in our region.
 Gender equality	Promote gender equality and use our position to strengthen the position of women at all levels in our region, as well as contribute to a fair distribution of power, influence, and resources.
 Decent work and economic growth	Contribute to sustainable economic growth and a sustainable labor market in our region.
 Climate action	Act to reduce GHG emissions in our own operation, and third-party emissions in cooperation with our customers and partners.

Sustainability governance

Responsible business practices are ensured by integrating sustainability and social responsibility in the business processes. We have included sustainability and social responsibility in our core guidelines such as the bank's credit policy, asset manager's investment policy and risk assessment processes.

All employees in the bank are familiar with and regularly updated of Flekkefjord Sparebank's guidelines for social responsibility and sustainability. The guidelines are intended to ensure that the bank does not contribute to the violation of human and employee rights, corruption, serious environmental damage, and other unethical actions, as well as that we contribute to a change to a more sustainable society.

Flekkefjord Sparebank's Management Board has the responsibility to execute the strategies decided by the Board of Directors. Both the Board of Directors and the Management Board has knowledge of climate risks impacting Flekkefjord Sparebank, both operational risks and market risks. Flekkefjord Sparebank has established a Sustainability Committee, consisting of managers of different departments, which has the responsibility for the preparation and follow-up of the bank's sustainability strategy. The committee holds regular meetings to discuss current issues, exchange information and coordinate measures and further work.

The managers of the different departments are responsible for keeping up-to-date on the area of sustainability within their own area of responsibility, developing concrete action plans for the area they represent, as well as contributing information and knowledge in their own unit. The managers are also responsible for ensuring that principles, goals and measures are known and systematically followed up in their own department or specialist group.

Sustainable banking practices

Responsible operation

Flekkefjord Sparebank is an environmentally conscious bank and aims to maintain a low direct environmental footprint by working as resource efficient as possible and continuously seek to reduce our emissions and negative impact. We recognize, however, that our contribution to a transition to achieve the objectives in the Paris Agreement is significantly higher through providing credit in a responsible way and offering responsible investment products to our customers.

Flekkefjord Sparebank's procurement policy and code of conduct document emphasizes making considerations towards environmental aspects related to procurements in addition to price and quality factors:

- Flekkefjord Sparebank will select suppliers and partners which acknowledging's values and standards.
- Products we procure shall be as environmentally friendly and sustainable as possible, and we focus on the product's lifetime and durability and if applicable the prospects for recycling.
- Suppliers of products and services should have an environmental policy and comply with local regulations.
- We request our suppliers to sign a "Suppliers Code of Conduct Declaration" form.

Responsible product offering

Flekkefjord Sparebank aims to contribute to a sustainable societal development through our product offering and will actively seek to influence and motivate our customers to reduce their climate footprint. As a local bank, Flekkefjord Sparebank has a unique opportunity to encourage and guide our customers to take environmentally conscious choices. Through offering advice, we want to help our corporate customers to use sustainable resources, as well as making investments which are environmentally sustainable. We will therefore continue to work to increase our own competence on ESG matters, as well as to ensure to have a green and sustainable loan portfolio.

During 2022 we implemented a separate ESG assessment in connection with providing credit to our corporate customers, mapping the customer's environmental footprint, social aspects, and corporate governance. For corporate customers with loans above a certain level an ESG assessment will be conducted in connection with a credit application.

All funds managed by Flekkefjord Sparebank's asset manager partner through the DSS cooperation agreement, Norne Securites, must meet requirements for social responsibility, sustainability, good business practices, ethics, and transparency. Norne Securities' guidelines for sustainable investments ensures that the bank does not contribute to violations of human and labor rights, corruption, serious environmental damage, and other unethical actions.

Going forward, Flekkefjord Sparebank aims to develop new green products and increase volumes from green loans.

Corporate social responsibility



Flekkefjord Sparebank aims to be close to our customers by being accessible and close to our customers and offer superior service. We perceive it as a part of our business to put extra emphasis to local aspects in our sustainability strategy and efforts. We are each year providing economic support to local projects which contributes to developing the local communities in which we operate.

Sustainability targets towards 2030

Flekkefjord Sparebank is taking measures to reduce risks resulting from climate change, and going forward plans to report on the following:

- Calculation of greenhouse gas emissions related to our lending portfolio
- Mapping of the industries with highest greenhouse gas emissions and carbon intensity
- Detect incentives for customers to reduce greenhouse gas emissions, including but not limited to what extent and the effect of price differentiation for loans based on climate risk
- Criteria for exclusion of industries/individual customers based on climate risk
- Support projects and enhance the dialogue with customers to reduce climate risk
- Increase share of green loans to private and corporate customers
- Green funding (deposits and bonds)

Flekkefjord Sparebank has set the following targets for our business operation and contribution to the community in which we operate:

- Become climate neutral related to our own emissions (scope 1 and 2) by 2025.
- Increase the share of the Green Loan Portfolio to corporate customers to 15% by 2025 and to 25% by 2030.
- Assess the total emissions related to our overall loan portfolio (scope 3) by 2025 and seek to reduce these emissions with 15% by 2030 compared to 2025 (i.e. average 3% p.a.).
- Minimum 5% of the annual contribution as sponsorships and gifts shall be made to projects which purpose is to promote societal and/or environmental sustainability.

Eco-lighthouse certification



During first half of 2023 Flekkefjord Sparebank conducted the work to achieve the Eco-lighthouse certification. This certification set several criterias on reporting of climate related aspects conneted to the operation, including, but not limited to transparency, sustainability policy, target setting related to emissions reduction and sustainability improvements, and the offering of, and development of new, green products.

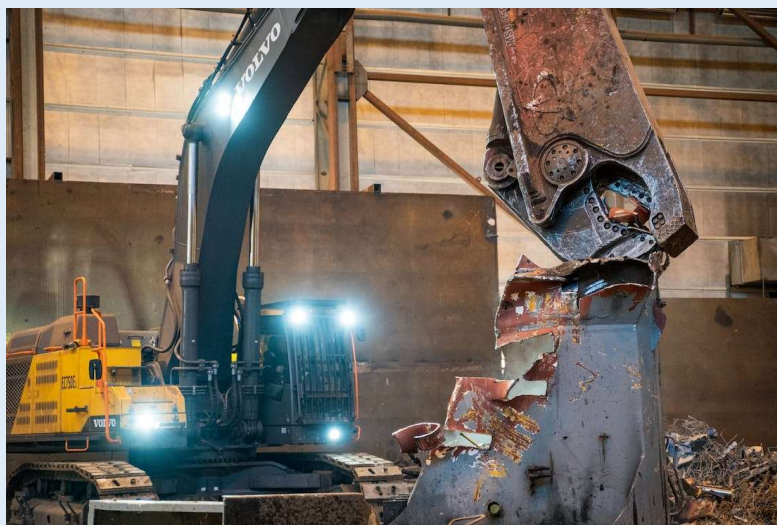
Furthermore, the certification requires the holder to report according to Taskforce on Climate Related Financial Disclosure – TCFD, which Flekkefjord Sparebank will do in connection with the Annual Report going forward.

Green Yard – an industrial adventure in our region

Founded in 2018, Green Yard has experienced high growth withing recycling of ships and is unique on a global basis. At their yard in Fedafjorden large vessels are cut in smaller pieces in compliance with the highest European standards, which then are sent to further metal recycling. In 2020 Green Yard acquired the former Kleven Yards in Ulstein on the west coast of Norway, where recycling of vessels as well as building new ships will take place.



Green Yard's CEO Hans Jørgen Fedog is vocal that Flekkefjord Sparebank has contributed to the company's growth: – *Flekkefjord Sparebank has the capacity to help us achieving our growth targets, as well as the strong and specific knowledge about the local business and industries. It is great to be backed by a bank which can make decisions fast, and last, but not least, Flekkefjord Sparebank is able offer competitive terms.*



For Flekkefjord Sparebank it has been important to contribute to a more sustainable society, as well as to new businesses and jobs benefitting our region.

Flekkefjord Sparebank and Green Bonds

With this Green Bond Framework (the “**Framework**”) we want to promote our ambition of contributing to a sustainable development in our region through the financing we offer our clients.

This Framework is aligned with the guidelines of the Green Bond Principles, published by the International Capital Markets Association (“**ICMA GBPs**”) with an updated version in June 2022². Each Green Loan category has been mapped against the different categories of the ICMA GBPs, the UN Sustainable Development Goals (the “**UN SDGs**”), as well as the relevant economic activities included in the EU Taxonomy. Furthermore, our aim is to always meet best market practices by adhering to relevant standards and guidelines in the green finance market. This Framework may over time be updated, however new versions of the Framework shall have no implications for the Green Bonds issued under this version of the Framework.

Aligned with the ICMA GBP, the Framework defines the criteria for which loans are eligible to be financed by Green Bonds, and it also outlines the process to evaluate, select, track and report on such lending activities. Each Green Bond issued under this Framework will in their relevant transaction documentation refer to this Green Bond Framework. The terms and conditions contained in the underlying documentation for each issued Green Bond will specify the actual terms of the instrument.

1. Use of Green Bond Proceeds


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

Only such loans that comply with criteria for each of the Green Loans categories listed below are deemed eligible to be financed by Green Bonds (“**Green Loan Portfolio**”). Green Bond proceeds can be used for both the financing of new as well as for refinancing of existing Eligible Green Loans.

For the avoidance of doubt, Green Bonds will not be used to finance loans to customers linked to fossil energy extraction and/or generation, production of or research and development within weapons and defense systems, potentially environmentally negative resource extraction, gambling, pornography, or tobacco, or other activities which are in violation of Flekkefjord Sparebank’s established industry sector guidance.

²[Green-Bond-Principles June-2022-280622.pdf \(icmagroup.org\)](https://www.icmagroup.org/green-bond-principles/)

Green Loan Portfolio

ICMA GBPs category	Eligible Green Loan criteria	UN SDG(s)	EU Taxonomy alignment
Green Buildings	<p>Loans provided to our customers to finance their acquisition, ownership, construction, or renovation of residential, commercial, and public buildings which meets either of the criteria set out below:</p> <ol style="list-style-type: none"> 1. Buildings built in 2021 or later: <ul style="list-style-type: none"> • Primary energy demand (PED)³ is 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures⁴. • For commercial buildings, a BREEAM-NOR or BREEAM In-use certificate notation as “Excellent” or better. 2. Buildings built before 2021: <ul style="list-style-type: none"> • Energy Performance Certificate A, or alternatively, buildings within the top 15% of the national stock in terms of primary energy demand, defined as; <ul style="list-style-type: none"> – buildings built according to Norwegian building codes of 2010 (TEK10)⁵ or 2017 (TEK17)⁶ or – Energy Performance Certificate B for buildings built prior to 2012. • For commercial buildings, a BREEAM-NOR or BREEAM In-use certificate notation as “Excellent” or better. 3. Renovated buildings: <ul style="list-style-type: none"> • Major renovations leading to a reduction in primary energy demand of at least 30%⁷. • For the full building to qualify after renovation, it should be expected to meet the criteria under #1 or #2 above. <p><input checked="" type="checkbox"/> Exclusions:</p> <ul style="list-style-type: none"> • Residential buildings used for leisure (cabins); • Commercial buildings purposely built to support activities explicitly excluded in this Framework (see above). 		Climate Change Mitigation 7.1 Construction of new buildings 7.7 Acquisition and ownership of buildings 7.2 Renovation of buildings



³ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁴ [veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf \(regjeringen.no\)](https://www.regjeringen.no/no/veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf)

⁵ To ensure TEK10-alignment, we use a conservative 2-year time lag and include buildings built from 2012 and onwards.

⁶ Using TEK10 and TEK17 will be replaced with a new national definition of “top 15%” if this is developed.

⁷ The initial primary energy demand and the estimated improvement is based on an energy audit conducted by an independent expert. The 30 % improvement results from an actual reduction in primary energy demand, and be achieved through a succession of measures within a maximum of three years.

ICMA GBPs category	Eligible Green Loan criteria	UN SDG(s)	EU Taxonomy alignment
Renewable energy	<p>Loans provided to our customers to finance their acquisition, ownership, construction, upgrade or maintenance of hydropower production facilities in Norway, as well as related required infrastructure, which meets either of the criteria set out below:</p> <ul style="list-style-type: none"> The power density is above 5W/m² or life-cycle emissions is below 100g CO₂e/kWh Run-of-river hydropower plants without artificial reservoirs 	 	<p>Climate Change Mitigation</p> <p>4.5 Electricity generation from hydropower</p>

ICMA GBPs category	Eligible Green Loan criteria	UN SDG(s)	EU Taxonomy alignment
Pollution prevention and control	<p>Loans provided to our customers to finance their acquisition, ownership, construction, upgrade or renovation of operating facilities and/or equipment, as well as related infrastructure and professional services, which meets either of the criteria set out below:</p> <ol style="list-style-type: none"> Recycling of waste, including but not limited to onshore ship recycling at approved recycling facilities, in accordance with the highest available recycling standards Manufacturing of filter membrane for waste-water treatment in facilities (not associated with fossil energy extraction) which purifies water and/or enhances the reuse of waste substances and nutrients 	 	<p>Climate Change Mitigation</p> <p>5.9 Material recovery from non-hazardous waste</p>

Alignment with the EU Taxonomy

The EU Taxonomy Regulation provides a classification system for identifying environmentally sustainable economic activities and in June 2021, the first set of delegated acts providing technical screening criteria for two of the six environmental objectives – “Climate Change Mitigation” and “Climate Change Adaptation” – were published.

To qualify as environmentally sustainable in the EU Taxonomy an economic activity should:

- 1) make a substantial contribution to achieve at least one of EU’s six environmental objectives,
- 2) do no significant harm to any of the other environmental objectives, and
- 3) meet minimum social safeguards.

For eligible **Green Loans for buildings** we have aligned the above-mentioned criteria with the “Climate Change Mitigation” criteria detailed in Annex 1 to the Taxonomy⁸, which distinguish between a) construction of new buildings, b) ownership of existing buildings and c) renovation of buildings.

⁸[taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex-1)

2. Process for selection and evaluation of eligible Green Financing

To ensure the transparency and accountability around the selection of Green Loans, Flekkefjord Sparebank has established an internal Green Bond Committee (the “**GBC**”) which is responsible for this Framework and defining the Eligible Green Loan criteria included herein, as well as future oversight and requirements for updates,. The GBC will be responsible for the selection of loans being eligible and included in the Green Loan Portfolio, and will keep a register of the portfolio of identified Green Loans.

The GBC consists of members from the Executive Management, Finance Department and Credit Risk Management in Flekkefjord Sparebank. Other internal representatives with specific expertise may be invited from time to time when deemed necessary. All decisions will be made in consensus.

All lending activities in Flekkefjord Sparebank must always go through the regular and applicable credit approval processes. The terms and conditions that govern our lending to corporate customers require borrowers to comply with all applicable laws, regulations, and practices as well as all authorisations, consents, approvals, waivers, resolutions, licenses, permits, exemptions, or registrations related to the assets and projects being financed. As part of the credit approval process the risks related to negative impact on climate and environment, labour and human rights, ownership structure, ethics, and corruption are assessed, as described in our internal procedures.

Relevant business units in Flekkefjord Sparebank can nominate loans for inclusion in the Green Loan Portfolio and to be included the loan must meet the Green Loan criteria defined in the Use of Proceeds section of this Framework. The GBC holds the right at their own discretion to not include loans in the Green Loan Portfolio, or exclude any loans already included in the Green Loan Portfolio. In the event a loan already included in the Green Loan Portfolio no longer meets the criteria in this Framework in the opinion of the GBC, such loan will be removed from the Green Loan Portfolio. To ensure traceability, all decisions made by the committee will be documented and filed.

3. Management of proceeds

The net proceeds from issued Green Bonds will be allocated toward the financing and refinancing of our Green Loan Portfolio. The proceeds from a Green Bond may either be allocated pro-rata across all the categories included in the Green Loan Portfolio or be allocated in part or in full towards certain Green Loan categories listed under 1. Use of Proceeds above.

Flekkefjord Sparebank will track the allocation of net proceeds from Green Bonds to eligible Green Loans to ensure that net proceeds from Green Bonds only support the financing of Green Loans and that the value of the Green Loan Portfolio at all times exceeds the total nominal amount of Green Bonds outstanding.

If a Green Loan already funded by Green Bonds is redeemed, or for other reasons loses its eligibility in line with the criteria in this Framework, it will be replaced by another qualifying Green Loan as soon as practically possible.

Unless the net proceeds from a Green Bonds are fully allocated at the date of the issue, the net proceeds awaiting allocation to the Green Loans Portfolio will be categorized and reported as “unallocated”. Such amount will be managed according to the regular liquidity management policy of our Treasury department. To the extent possible, the exclusions listed in the Use of Proceeds section of this Framework also apply for such temporary holdings of net proceeds.

4. Reporting

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

Allocation Report

The allocation report will include the following information.

- The aggregate size of the identified Green Loan Portfolio and the split between each category.
- The nominal amount of Green Bonds outstanding.
- The share of the Green Loan Portfolio currently financed by Green Bonds.
- The amount of net proceeds awaiting allocation (if any).

Impact Report

The impact report aims to disclose the environmental impact of the Green Loans financed by Green Bonds.

Impact reporting will be aggregated for each Green Loan category, and depending on data availability, calculations will be made on a best intention basis with full transparency on assumptions and calculation methods. Flekkefjord Sparebank may rely on external parties to assist with impact calculation and analysis. Flekkefjord Sparebank will align, on a best effort basis, our impact reporting with the portfolio approach described in ICMA’s “Handbook – Harmonized Framework for Impact Reporting” (June 2022)⁹.

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

- **Green Buildings:**
 - Estimated annual energy consumption (kWh/m²)
 - Avoided GHG emissions (tCO₂e/year) compared to baseline¹⁰
- **Renewable energy:**
 - Installed energy production capacity (MW)
 - Annual energy production (MWh)
 - Avoided GHG emissions (tCO₂e/year) compared to baseline (European grid factor)
- **Pollution prevention and control:**
 - Annual volume of waste handling (tonnes/year) related to (i) ship recycling and (ii) recycling general industrial waste
 - Annual volume of waste substances and nutrients from wastewater in process facilities

⁹ [Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/impact-reporting/Harmonised-Framework-for-Impact-Reporting-Green-Bonds-June-2022-280622.pdf)

¹⁰ When comparing the CO₂ emissions from the eligible Green Loan portfolio with the portfolio of standard buildings, the calculation will apply the grid factor recommended in the Nordic Position Paper on Green Bonds Impact Reporting, clause 22, page 20 ([NPSI Position paper 2020 final.pdf \(kuntarahoitus.fi\)](https://www.kuntarahoitus.fi/kuntarahoitus.fi))

External review

Second-Party Opinion

Flekkefjord Sparebank has engaged S&P Global Ratings (“S&P”) to assess the alignment of this Framework with the ICMA Green Bond Principles.

S&P has confirmed such alignment by issuing their Second Opinion (“SPO”), which will be publicly available on our website together with this Framework.

Post-issuance verification

As part of the Green Bond Report being issued no later than 12 months after a Green Bond issue, a limited assurance report will be provided by an independent auditor appointed by Flekkefjord Sparebank confirming that an amount equal to the net proceeds from issued Green Bonds has been allocated in accordance with this Framework.

Furthermore, Flekkefjord Sparebank will provide calculations of the estimated positive environmental impact, and the assumptions used therein, related to the Green Loan Portfolio.

The Green Bond Report will be made available on our website.

