



Fana Sparebank

Green Finance Framework Second Opinion

11.12.2019

Fana Sparebank is a local savings bank based in Bergen, Norway, holding a substantial share in the regional retail market.

The Fana Sparebank green finance framework provides a framework for investments into projects that align with the Green Bond and Green Loan Principles. Eligible projects include financing or refinancing investments in green buildings, clean transport and renewable energy. Fana Sparebank excludes fossil energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction, gambling or tobacco, from its use of proceeds.

Fana Sparebank expects to allocate the majority of net proceeds to green buildings, which cover both new and existing buildings. In addition to new and existing green buildings, project categories include clean transport and renewable energy. Investors should be aware that buildings that fall within the “green” zones defined by the Bergen municipality can qualify automatically for green funding. This includes that buildings only following regulation at the time of construction, meeting energy efficiency requirements similar to EPC rating C will qualify according to the framework. Direct fossil fuel heating is however excluded and for new buildings requirements are more stringent than regulation.

Fana Sparebank’s governance policy and framework meet the Green Bond and Green Loans Principles. Attention is needed in terms of resilience to consequences of climate change, integration of supply chain considerations, analysis of rebound effects and climate-related risk disclosures. The selection process also needs further development of a screening methodology for potential harmful external effects of projects.

Thanks to Fana Sparebank’s strong commitment to support local sustainability policy and to partly go beyond this, and especially thanks to its development of green mortgages to incentivize sustainable housing, Fana Sparebank’s green finance framework receives a **CICERO Medium Green** shading. To improve the quality of the framework, Fana Sparebank could set more ambitious and better justified green investment targets by finalizing its internal sustainability framework, include GHG targets, develop a climate risk assessment and management strategy including adaptation and resilience, and improve environmental screening methods.

SHADES OF GREEN

Based on our review, we rate the Fana Sparebank’s green finance framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Fana Sparebank’s framework to be **good**.



GREEN BOND/ GREEN LOAN PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.



°CICERO
Medium Green



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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated December 2019. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

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

Expressing concerns with 'shades of green'

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

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.



Brown is allocated to projects and solutions that are in opposition to the long-term vision of a low carbon and climate resilient future.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available



New infrastructure for coal

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, the governance aspects are carefully considered and reflected in the overall shading of the green bond framework. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent.



2 Brief description of Fana Sparebank's green finance framework and related policies

Fana Sparebank is a local savings bank based in Bergen, Norway. Fana Sparebank has a substantial share in the regional retail market. Fana carries out the message of its regionally embedded character to underline the importance of community development and sustainability. This second opinion concerns the green finance framework issued by Fana Sparebank, but the bank links its broader sustainability objectives to local community development and sustainable development alike. As part of their commitment, a share of Fana Sparebank earnings is reserved for gift allotment to local initiatives and social programs. Four main areas (including sustainability actions and social initiatives) have been identified as eligible to receive those funds. In 2018, Fana Sparebank contributed with a total of NOK 10.2 million in gifts.

This framework covers green finance instruments, which include public deposits, senior bonds and covered bonds issued by Fana Sparebank and all fully-owned subsidiaries, including Fana Boligkreditt.

Environmental Strategies and Policies

Fana Sparebank is signatory to multiple frameworks and initiatives such as the UNEP Finance Initiative's Collective Commitment to Climate Action, and the UN Global Compact. The bank is close to finalizing an internal sustainability strategy that is based on these multilateral initiatives, to be published early 2020. The sustainability strategy will include objectives for green activities in Fana's portfolio. The SDGs, and in particular goals 7 (affordable and clean energy), 11 (sustainable cities and communities), 13 (climate action) and 17 (partnerships) will provide guidance in drafting Fana Sparebank's internal sustainability strategy.

In addition, Fana Sparebank is expecting and aiming for an increased green share in its portfolio over the coming years.

In relation to SDG 11, the issuer highlights local policy to promote urban densification and support sustainable housing, to which lending operations are adapted. This includes local policies for clean transport (such as the zero-growth target set out by the Bergen municipality) and sustainable urban planning.

Related to SDG 13 (climate action) Fana Sparebank is committed to becoming a climate neutral company by 2019 as defined by the UN Framework Convention on Climate Change (UNFCCC) initiative Climate Neutral Now¹. This commitment relates to the issuer's internal operations, including the physical locations and buildings the bank occupies, employee travels for business purposes and commuting. Signatories of the initiative commit to measuring, reducing and (if not possible to reduce) compensate GHG emissions through the certified emission reduction carbon credit trading system. In the same context, the bank's internal operations (energy use, CO₂ emissions and waste management) have been eco-lighthouse² certified, and it follows a paperless office regime that includes all retail loan handling operations.

¹ <https://unfccc.int/climate-action/climate-neutral-now>

² <http://www.eco-lighthouse.org/>



Use of proceeds

Fana Sparebank intends to use the net proceeds from the issuance of green finance instruments under this framework to finance and/or re-finance a selected pool of eligible projects and assets (or green eligible assets) that promote the transition to low-carbon development, while also addressing elements of climate resilience. These assets include green buildings, both for residential and commercial real estate, renewable energy and clean transportation.

The key element in the issuer's approach of drafting the green finance framework is their intention to promote the transition towards a low-carbon and climate resilient society by encouraging sustainable behavior among their clients.

To achieve behavioral change of their clients, Fana Sparebank will introduce green mortgages as an eligible project category by 2020,³ building on the initial experience within the green portfolio and on developing criteria for eligibility of project categories. In order to encourage low-carbon construction and energy-efficiency improvements, green mortgages will be offered with a price incentive for the client. To qualify, a process based on EPC energy performance criteria, an elaborate self-assessment and external verification will be followed.

Fana Sparebank excludes from this framework activities that are in violation of the UN Global Compact principles, within the four areas of human rights, labour, environment and anti-corruption. More specifically this means that any activity carried out by Fana Sparebank, including those under this green finance framework, will not be used to finance investments linked to fossil energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction, gambling or tobacco.

Pertaining to climate resilience of green buildings, financing will not be given to construction on sites deemed at risk for flooding, in addition to which risks of avalanches and landslides will be taken into account in the future green mortgage category. No financing will be granted to structures exposed to sea level rising in violation with the recommendations from the Norwegian Directorate for Civil Protection⁴ or local regulation plans.

Fana Sparebank currently does not assess or disclose climate risks following the TCFD, but intends to start aligning with TCFD recommendations in 2020. The issuer expects that all proceeds under this framework will be spent in the green buildings category during the first year of implementing the framework. It will monitor and update expectations of expenditure under the other categories throughout the following years.

Selection

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

The issuer has put a selection committee in place by means of their green finance committee. Relevant business units within Fana Sparebank will nominate assets to be included in the pool of green eligible assets, and the green finance committee will determine which assets qualify for inclusion in accordance with the criteria in this framework. The process will be documented and maintained by Fana Sparebank's credit department. The pool of

³ The issuer proposes updates of the eligibility criteria for project categories covered by this framework over time (e.g. climate resilience criteria will be developed in 2020, individual assessments for green mortgages will be improved in 2021 and including restructuring measures for buildings to meet 30% improvements by 2022.)

⁴ Integrating Sea Level Rise and Storm Surges in Local Planning. The Norwegian Directorate for Civil Protection (DSB). October 2017.



green eligible assets will be monitored on a regular basis during the term of any green finance instrument to ensure compliance with the criteria set out in this framework. The chief credit officer is ultimately responsible for keeping the pool up to date, and is also granted exclusive veto on the selection of green eligible assets.

The issuer indicates that potentially contested projects in the renewable energy category (such as hydropower or wind projects) can be excluded from the framework upon case-by-case screening.

Management of proceeds

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

Net proceeds from green finance instruments will be transferred to a designated account. The issuer's credit support department is responsible for making sure the net proceeds finance green eligible assets in accordance with this framework. Fana Sparebank intends to allocate the proceeds from green finance instruments to loans included in the pool of green eligible assets, in accordance with the evaluation and selection process presented above. Fana Sparebank's credit support department will also make sure that the proceeds from the green finance instruments, at all times, are less or equal to the pool of green eligible assets.

If an asset no longer qualifies according to the criteria of this green finance framework, the asset will be removed from the pool of green eligible assets. All changes in the pool of green eligible assets will be tracked by the credit department.

Any unallocated proceeds from Green Finance Instruments temporarily held by Fana Sparebank will be placed in an ordinary bank account or in the short term money market.

Temporary investments of unallocated proceeds will be subject to the exclusionary criteria defined in this green finance framework. Should the total amount of green eligible assets fail to exceed the outstanding volume of outstanding green finance instruments, and measures to correct the discrepancy fail within a timeframe of three months, the issuer may re-establish the balance by repurchasing outstanding green finance instruments, depending on investor interest.

To ensure the fulfillment of the obligations at all times, monthly reports are produced under the supervision of the chief compliance officer.

Reporting

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

Fana Sparebank commits to regular reporting at least on an annual basis until full allocation, and thereafter in the event of material changes to the pool of green eligible assets. The report will include an allocation report as well as an impact report, and will be made available on Fana Sparebank's website.

The allocation report will include total volume of the pool of green eligible assets, as well as a breakdown per each category of green eligible assets, the total volume of outstanding green finance instruments, divided into green covered bonds, green bonds and green deposits, the total volume of outstanding green mortgages, the share of new financing versus refinancing and the total amount (if any) of net proceeds awaiting allocation.



The impact report will display environmental impacts on a portfolio basis for each category of green eligible assets defined in this framework. For the green building category this includes the share of assets funded through green finance instruments satisfying the criteria mentioned in table 1, further below. In addition, the following impact indicators have been established:

- Annual energy consumption and energy savings (MWh)
- Estimated annual reduction of CO₂ emissions (tons of CO₂e)

For clean transportation this includes the number of vehicles funded, and an estimated annual reduction/avoidance of CO₂ emissions (tons of CO₂e).

For the renewable energy category this includes energy generation capacity (MWh) and estimated annual avoidance of CO₂ emissions (tons of CO₂e).



3 Assessment of Fana Sparebank’s green finance framework and policies



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

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Fana Sparebank’s green finance framework, we rate the framework **CICERO Medium Green**.

Eligible projects under Fana Sparebank’s green finance framework

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

Category	Eligible project types	Green Shading and some concerns
Green Buildings	Loans to finance residential and commercial real estate including new and/or existing buildings that meet at least one of the following minimum requirements.	Medium to Light green
	New buildings , defined as buildings built in 2019 or later: ✓ Energy label - Buildings with an energy performance certificate (EPC) A	✓ Covering SDGs #7, #11, #13 ✓ EPC labels for old and new buildings are more ambitious than what is required by policy. ✓ TEK10 Urban criteria however also allow buildings built after 2010 with energy efficiency standards similar to EPC C, which only aligns with regulation at the time of construction to be funded under the framework. Buildings are selected based on postal code cross reference with local policy objectives.
	Existing buildings , defined as buildings built before 2019: ✓ Energy label - Buildings with an energy performance certificate (EPC) A or B issued by Enova	✓ Direct fossil fuel heating is however excluded.



- ✓ TEK10 Urban - Buildings meeting specific criteria defined below
- ✓ Improvement works - Energy efficient retrofit or renovation of existing buildings, reducing annual energy use (kWh/m²/year) per heated square meter by at least 30%

Certified buildings



- ✓ Buildings with a BREEAM certification of Excellent or Outstanding

- ✓ Note that all construction projects can have negative local environmental impacts and that these should be minimized.
- ✓ Flood risk is integrated in the eligibility criteria for project types to some extent – however, the issuer has indicated that the identification of assets being within flood risk areas needs to be developed further. The issuer expects to be able to provide full transparency on flood risk data when green mortgage products will be improved over time.
- ✓ We encourage the issuer to include other climate related extreme weather events, such as, heavy precipitation, snowloads, prolonged drought, rain-induced landslides and heatwaves in the framework.
- ✓ No information on material use, water use, waste management, life cycle performance or supply chain-related environmental impact and GHG emissions are assessed in this framework. We encourage the issuer to be informed about these elements going forward.

Clean Loans to finance vehicles run solely on one of the **Transportation** following fuels:



- ✓ **Electric power**
- ✓ **Hydrogen**

Dark green

- ✓ Covering SDGs #11, #13
- ✓ Vehicles running on electric power or hydrogen fuel cells contribute to an improvement of the direct ambient environment, by reduction of air pollution.
For both electric powered vehicles and hydrogen, the indirect GHG emissions stemming from the production and use should still be considered. Consider life cycle emissions, including grid factors, for electric vehicles.



Renewable Energy



Loans to finance construction, development and operation of power plants, generation and transmission of energy, and the manufacture of related technologies and equipment related to the following sources of renewable energy

- ✓ **Hydropower** Small scale hydropower, less than 20MW or located in boreal climate regions with less than 4.2g CO₂eq/kWh
- ✓ **Wind power** Onshore and offshore wind energy projects

Dark green

- ✓ SDGs #7, #13
- ✓ Hydropower and wind energy are substantial elements in the renewable energy mix in the Nordic countries, and contribute to independency of fossil fuels.
- ✓ Hydropower projects, even smaller ones, may affect ecological flows, natural flow regimes, sediment management, natural habitats biodiversity and and fish migration. We encourage the issuer to mitigate these negative effects by demanding adherence to requirements under the concession and by requesting project updates regularly.
- ✓ For projects requiring construction, consider emissions intensity and resilience of materials and equipment used.
- ✓ The issuer has indicated to assess contested projects, for example wind projects, on a case-by-case basis. We encourage the issuer to develop a strong screening methodology to exclude projects with potentially harmful environmental consequences from this framework.

Table 1. Eligible project categories

Background

In 2014, buildings accounted for over 38% of energy consumption in the EU⁵. In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. According to the International Energy Agency (IEA), efficiency of buildings needs to improve by 30% by 2025 in order to reach the Paris Agreement well below 2°C climate goal⁶ – in addition to improvements in lighting and appliances and increased renewable heat sources.⁷ Energy efficiency improvements in buildings are thus important building blocks towards reaching the 2°C mitigation objective. The EU sets out policy for countries to improve energy performance of buildings, obliging all new buildings in the EU to meet energy performance criteria in line

⁵ <https://ec.europa.eu/energy/en/eu-buildings-database>

⁶ <https://www.iea.org/topics/tracking-clean-energy-progress>

⁷ <http://www.iea.org/tcep>



with the 2°C goal. Heating from buildings account for 2.1 percent of Norwegian on-land emissions, the materials, construction and demolition phase of the building lifecycle constitute additional emissions⁸. The building sector has developed a roadmap for sustainable growth towards 2050, which includes a number of recommendations for sector. Some of the key recommendations include certifying the organization, removing all fossil fuel heating, requesting fossil free construction sites and commissioning an energy budget for the estimated actual and energy consumption⁹.

Voluntary environmental certifications such as LEED and BREEAM or equivalents that measure or estimate the environmental footprint of buildings and raise awareness of environmental issues. These certifications however fall short of guaranteeing an environmentally-friendly building. Therefore, CICERO also looks at the energy efficiency improvements of the building and targets that exceed regulations. In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments.

We also assess if there is any screening for potential impacts from more extreme weather events, such as flooding. Physical climate change such as extreme events and flooding are affecting all sectors and regions already. Due to historical emissions, we are de facto locked in for approximately 1.5°C global warming.¹⁰ Given today's policy ambition, the world is most likely heading toward 3°C warming in 2100 which implies accelerated physical climate impacts, including more extreme storms, accelerated sea level rise, droughts and flooding.¹¹ For near-term physical risk, investors and companies must consider the probabilities of physical events and resiliency measures to plan for and protect against the worst impacts. For the Norwegian building sector the most severe physical impacts will likely be increased flooding and urban overflow, as well as increased storms and extreme weather. Developing projects with climate resilience in mind is critical for this sector.

We also factor in if there have been any considerations around transportation solutions and environmental impacts in the construction phase of the building (building material and waste considerations). CICERO Dark Green shading is in particular difficult to achieve in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector should therefore conform to strict measures and is reserved for the highest building standards.

Transport is responsible for 20% of GHG emissions in Europe (EU plus European Economic Area) when excluding aviation and maritime transport¹². Clean transportation is therefore an important element of climate mitigation strategies in conjunction with energy performance of buildings. An increased share of renewable energy to meet energy and electricity demand supports the Paris objectives, Sustainable Development Goals and biodiversity targets as well as local policy on water quality, air quality and soil quality.

Governance Assessment

Four aspects are studied when assessing the Fana Sparebank's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these

⁸ <https://www.miljostatus.no/tema/klima/norske-klimagassutslipp/klimagassutslipp-bygg/>

⁹ <https://byggalliansen.no/wp-content/uploads/2019/02/roadmap2050.pdf>

¹⁰ <https://www.cicero.oslo.no/en/posts/news/scientists-demystify-climate-scenarios-for-investors>

¹¹ https://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf

¹² <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases/transport-emissions-of-greenhouse-gases-11>



aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent.

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

Strengths

Fana Sparebank clearly has a strong position in local and community-based sustainable development. The interplay between getting local policy on climate, environment and clean transport off the ground is a strong point of this framework. The issuer's take on making sustainable development happen through behavioral change based on price incentives is an interesting idea, translating high level policy objectives to real-life decision making. As such this framework can be regarded to be an ambitious interpretation of sustainable finance.

The issuer's use of EPC ratings as a basis for eligibility is introducing a high level of ambition in the framework, especially considering that the chosen levels differentiate between new (EPC A) and existing (EPC A or B) buildings.

We are looking forward to the development and implementation of green mortgages. One strong aspect associated to green mortgages is the data and potential for monitoring this category brings about, which also allows for adaptation to future developments in energy performance requirements.

Weaknesses

No substantial weaknesses perceived here.

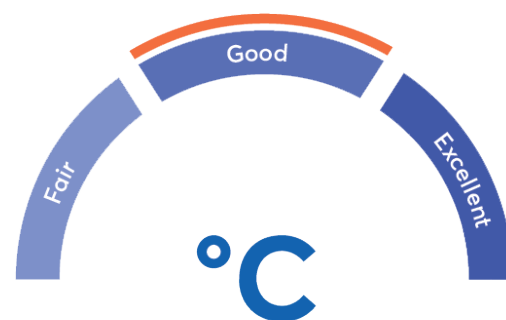
Pitfalls

Overall the framework has a strong intention to support behavioral change and to support local policy. The main pitfalls identified here are related to the absence of a method to screen for negative effects. The framework has no internal selection mechanism to exclude eligible projects based on potential harmful consequences embedded in the supply chain or life cycle of projects. This is particularly the case for TEK10 Urban and for the renewable energy categories.

For TEK10 Urban existing buildings that are constructed after 2010 and that fall within the zones defined by the Bergen municipality can qualify automatically. This, includes that buildings only following regulation at the time of construction, meeting energy efficiency requirements similar to EPC C will qualify according to the framework. Direct fossil fuel heating is however excluded.

A pitfall to take into account is incentives to reconstruct rather than retrofit. This bears the risk of construction induced GHG emissions. The issuer is aware of this risk, and aims to mitigate it by introducing green mortgages to incentivize energy efficient new and existing buildings alike.

The issuer introduces the goal of this framework in relation to low-carbon and climate resilient development. Climate resilience is addressed only to some extent in this framework, and mainly to exclude areas that currently face flood risk according to local policy. Although flood risk is an important element of climate-related risks that are likely to change over time, it is only one of risks relevant to eligible project categories under this framework. Other examples are snow loads, extreme precipitation, prolonged drought and heat, and wind gusts. The issuer has indicated to intend to expand on climate risks in the future, which we encourage the issuer to do as soon as





possible, given the static nature and long life cycle of residential buildings. The issuer could expand the analysis and include an assessment of physical climate risks into the framework, for it to truly contribute to the transition to climate-resilient development.

The issuer is relatively new to existing climate impact reporting initiatives. We encourage the issuer to take build on the work done by the Task Force on Climate-related Financial Disclosures (TCFD), GRI reporting or other clear reporting and assessment frameworks, also to address supply chain issues in construction of new buildings, indirect CO₂ emissions, life cycle assessments for both green buildings and clean transport, and avoiding of rebound effects.

Fana Sparebank selects parts of eligible assets based on postal codes, to check whether they are in line with Bergen's local policy. The fact that Fana Sparebank selects part of its eligible projects based on area selection makes it harder to track specific environmental performance, unless clear environmental targets and monitoring mechanisms are implemented. Examples of environmental performance includes use of materials, choices made by the municipality for district heating (including inclusion of natural gas, for example). We encourage the issuer to be informed on construction practices and choices in the Bergen region.

Fana Sparebank's sustainability strategy is still under development. It promises to include clear sustainability objectives, but it has not been adopted yet. Although strictly speaking this green finance framework in itself does not change over time, the issuer's sustainability strategy may provide additional clarity and transparency to this green finance framework. We encourage the issuer to adopt their sustainability framework soon.

The issuer has no specific environmental competences that are represented in the selection process and impact reporting. This particularly influences the capacity to adopt and apply screening criteria for potentially harmful consequences of projects that are considered to feed into the framework. In addition, this plays a role in the roll-out of green mortgages, which is partly based on self-assessments of clients. The issuer has indicated that although based on self-disclosure, the majority of the criteria can be checked using external available information sources. The issuer will consider implementing other control methods, including random samples, but emphasizes that development of methods for automated overseeing will be a priority. We encourage the issuer to consider cooperating with or integrating environmental expertise in their operations.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Green Finance Framework	The framework as presented by the issuer
2	Eco-lighthouse certificate	Certification for in-house operations as granted to the issuer
3	Integrating Sea Level Rise and Storm Surges in Local Planning (DSB)	Local resilience policy in Bergen that applies to the selection/exclusion of eligible projects under this framework
4	Brekke T. et al, Implementation of the EPBD in Norway (2016)	Study into energy performance requirements in Norway
5	TEK 17 and TEK10	Building codes that apply in Norway



Appendix 2: About CICERO Shades of Green

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

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

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

