

DNB

DNB Boligkreditt
Green Covered Bond Framework
2018



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DNB Boligkreditt Green Bond Framework

1. DNB Corporate Responsibility Strategy

DNB is Norway's largest financial services group and one of the largest in the Nordic region in terms of market capitalisation. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for retail and corporate customers.

As Norway's largest financial institution, DNB plays an important role in society, both in Norway and internationally. In addition to complying with Norwegian standards, DNB has chosen to support and participate in a number of global initiatives and complies with international guidelines in the field of corporate responsibility such as the United Nations' Sustainable Development Goals and the UN Global Compact principles in the areas of human rights, labour, the environment and anti-corruption. The global initiatives endorsed by DNB are listed on DNB's website in the [Sustainability Library](#).

In the autumn of 2017, DNB launched a new strategy in which corporate responsibility has a key position. DNB regards corporate responsibility as contributing towards sustainable development in all of the Group's operations, and has identified the following four pillars within corporate responsibility: 1) DNB generates long-term and sustainable financial value creation for its owners. This means that in DNB's operations, corporate responsibility is emphasised along with other relevant considerations in all decision making processes. 2) DNB contributes positively to society. This means that specific goals and measures related to selected United Nations Sustainable Development Goals shall be defined, and that systematic efforts shall be made to reach these goals. 3) DNB is honest and trustworthy. This means that products and services are always tailored to customer needs. DNB wants the best for its customers. In a world with new market entrants and major change, DNB shall be a bank that customers trust. 4) DNB is transparent about its operations. This means being open about the dilemmas faced when balancing short-term and long-term considerations. The Group shall be attentive to the needs of customers and society, recognizing when expectations change and engaging in dialogue with relevant stakeholders. This does not imply acting on all expectations, but listening to those who may have relevant insight into the business decisions made by the Group. DNB's [Group Principles on Corporate Responsibility](#) are published in DNB's Sustainability Library.

DNB has guidelines in place that specify what financing activities the bank can and cannot engage in including clearly defined expectations on the borrowers. DNB has also prepared sector guidance documents for lending within key industries. In terms of responsible investments, DNB has internal guidelines for matters related to the environment and human rights. Within its investment operations, the bank actively chooses companies that contribute positively to society and exclude others, or attempt to nudge companies in the right direction. DNB exercises active ownership and engages in dialogue with companies to induce them to change their behavior in a positive and more sustainable direction. DNB's [Group Guidelines on Corporate Responsibilities in Credit Activities](#) is published in DNB's Sustainability Library.

DNB Boligkreditt AS is the DNB Group's vehicle for covered bonds issuance based on residential mortgages. The company's offices are located in Oslo. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported as part of the business area Personal Banking Norway in DNB's consolidated accounts. Based on developments in international capital markets, DNB Boligkreditt has come to play a key role in ensuring long-term favourable funding for the Group. The rating agencies' assessments are of significance to the company's funding terms. DNB Boligkreditt's covered bond programmes are rated Aaa/AAA by Moody's and Standard & Poor's.

In alignment with the broader DNB corporate responsibility strategy, DNB Boligkreditt has established a Green Bond Framework to be able to issue Green Covered Bonds to finance or refinance mortgages for energy efficient residential properties with lower energy needs and consumption. Given DNB's leading presence in the Norwegian residential mortgage market, the intended Green Covered Bond transactions serve as a testament to DNB's leadership and commitment to sustainability.

2. DNB Boligkreditt Green Bond Framework

The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. In alignment with the ICMA Green Bond Principles 2017, DNB Boligkreditt's Green Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External review

For each Green Bond issued, (1) Use of Proceeds, (2) Project Evaluation and Selection, (3) Management of Proceeds, (4) Reporting and (5) External review will be adopted subject to and in accordance with this Green Bond Framework as amended from time to time.

A dedicated Green Bond Committee has been established to create this Green Bond Framework. The committee consists of members from a group of departments with relevant stakes in DNB's green bond(s), namely, DNB Boligkreditt as issuer, the Group Treasury, the Corporate Social Responsibility department and the Sustainable Finance department within DNB Markets. The committee will manage any future updates to the Framework, including expansions to the list of eligible categories, and oversee its implementation.

3. Use of Proceeds

DNB Boligkreditt intends to allocate the net proceeds of the Green Covered Bonds to a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway (Eligible Residential Green Buildings). The eligible loans are to be funded in whole or in part by an allocation of the bond proceeds.

DNB Boligkreditt has relied on the support of external green real estate consultant Multiconsult ASA to define the associated eligibility criterion below¹. Eligible Residential Green Buildings must meet the following eligibility criterion:

New residential buildings in Norway² (completed in 2012 or later³)

New or existing Norwegian residential buildings that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17).

Building code	Specific energy demand apartment buildings	Specific energy demand other dwellings
TEK 10	110 kWh/m ²	126 kWh/m ²
TEK 17	92 kWh/m ²	107 kWh/m ²

The list of eligibility criteria may be amended from time to time by the Green Bond Committee.

Energy Performance Certificates (EPC) for Norwegian residential buildings are currently not publicly available. When (or if) the database becomes publicly available and the data is deemed by DNB Boligkreditt to be reliable, the Green Bond Committee will consider including residential buildings with EPC labels A, B or C.

For the avoidance of doubt, any future changes to the eligibility criteria will not apply to Green Covered Bonds issued before the date of the change.

4. Process for Project Evaluation and Selection

DNB will select and track the Eligible Green Loans based on information from the official Land Register. The information is received from third-party Eiendomsverdi⁴, which is an entity that supports the reporting of mortgage cover pool data for a large number of Norwegian covered bond issuers.

Information from the Land Register regarding building year for all properties securing the loans in the DNB Boligkreditt Cover Pool are used to determine the Eligible Residential Green Buildings. Loans secured by mortgages on Eligible Residential Green Buildings are selected as Eligible Green Loans.

All residential mortgages within DNB Boligkreditt's Cover Pool, including the Eligible Green Loans, have been and will be originated in line with DNB credit risk policies.

DNB Boligkreditt will be responsible for identification and record keeping of new and existing mortgages that meet the eligibility criteria. A green mortgage register of Eligible Green Loans will be kept by DNB Boligkreditt and DNB Boligkreditt will select from the register the Eligible Green Loans available for green covered bond funding.

¹ The report will be published on the DNB website.

² This complies with the criteria set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>.

³ A conservative time lag between implementation of a new building code and the buildings built under that code is taken into account in Multiconsult's technical report, hence all residential buildings finished in 2012 and later are all eligible for Green Covered Bonds under this criterion.

⁴ For more information, please see: <https://eiendomsverdi.no/>

The Green Bond Committee will meet on a regular basis (at least annually) and will conduct an additional review on the selected mortgages to ensure ongoing compliance with the eligibility criteria.

DNB Boligkreditt takes care that all selected Eligible Green Loans comply with official national standards and local laws and regulations. It is part of the general transaction approval process within DNB to ensure that all activities comply with internal environmental and social standards.

5. Management of Proceeds

The Green Covered Bonds net proceeds will be managed by DNB Boligkreditt in a portfolio approach.

DNB Boligkreditt intends to allocate the proceeds from the Green Covered Bonds to a portfolio of loans that meet the use of proceeds eligibility criteria and in accordance with the evaluation and selection process presented above, the Eligible Green Loan Portfolio.

DNB Boligkreditt intends to designate sufficient Eligible Green Loans in the Eligible Green Loan Portfolio to ensure that the size of the Eligible Green Loan Portfolio always exceeds the total balance of all outstanding Green Covered Bonds. When necessary, additional Eligible Green loans will be added to the Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds.

During the life of the Green Covered Bonds, and upon becoming aware, if a loan ceases to fulfil the eligibility criteria, DNB Boligkreditt will remove the loan from the Eligible Green Loan Portfolio and replace it, when necessary, as soon as reasonably practicable.

DNB Boligkreditt will hold or invest any unallocated Green Covered Bond net proceeds, at its own discretion, in its liquidity portfolio in money market instruments.

6. Reporting

The Green Bond Principles require green bond issuers to keep investors and other stakeholders updated on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

On a best effort basis, DNB Boligkreditt will align the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (December 2015)"⁵⁵. The reporting is based on the Eligible Green Loan Portfolio and numbers will be aggregated for all Green Covered Bonds outstanding.

DNB Boligkreditt intends to report to investors within one year from the date of a Green Bond transaction and annually thereafter, until the proceeds have been fully allocated.

Allocation Reporting

The allocation report will provide, on an aggregated basis, on indicators such as:

- the size of the identified Eligible Green Loan Portfolio
- the total amount of proceeds allocated to Eligible Green Loans
- the balance (if any) of unallocated proceeds
- the amount or the percentage of new financing and refinancing

Impact Reporting

DNB Boligkreditt has appointed a specialised green real estate consultant Multiconsult ASA to develop a methodology for impact estimation and calculation. The impact report will provide details, on an aggregated basis, on indicators such as:

- estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh
- estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent

Both the allocation report and the impact report will be made available on the DNB website.

⁵ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>

7. External review

Second party opinion

DNB Boligkreditt will obtain an independent second party opinion from Sustainalytics to confirm the validity of the DNB Boligkreditt Green Bond Framework. The independent second party opinion will be published on the DNB website.

Verification

DNB Boligkreditt may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor (EY or any subsequent external auditor).

DNB Boligkreditt has the intention to obtain accreditation of the CBI certificate for the envisaged green bond with DNB Boligkreditt's Green Bond Framework being aligned with CBI's baseline for the Norwegian Low Carbon Residential Buildings: <https://www.climatebonds.net/standard/buildings/residential>.

Sustainalytics, an approved third party verifier, has been appointed to confirm the framework's conformance with the Low Carbon Building criteria of the Climate Bonds Standard.

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