

SR-Boligkreditt AS

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: August 12 – 23, 2019

Approved verifier: Sustainalytics

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Scope and Objectives

SpareBank 1 SR-Bank ASA (“SR-Bank”) is the largest regional bank in Norway. The Bank targets customers throughout Norway except the northernmost regions. SR-Bank offers a range of services to both corporate and retail customers. SR-Bank is one of the 14 banks that constitute the SpareBank 1 alliance. SR-Boligkreditt AS (“SR-Boligkreditt”) is SR-Bank’s wholly-owned mortgage lending subsidiary, licensed to issue covered bonds. SR-Bank has engaged Sustainalytics to review and verify that SR-Boligkreditt’s green bond meets the requirements under the Low Carbon Buildings Criteria of the Climate Bonds Standard.

SR-Boligkreditt intends to issue a green covered bond to finance and/or refinance a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway (“Residential Green Buildings”). The mortgages within the loan portfolio to be financed and/or refinanced by proceeds from the green covered bond correspond to residential buildings in Norway meeting one of the following requirements:

- Apartments compliant with building codes TEK10 or TEK17 and other residential dwellings compliant with building codes TEK07, TEK10, and TEK17
- Dwellings that have EPC labels of A, B, or C
- Refurbished buildings that have 30% improved energy efficiency, as measured by a two-step improvement in EPC or a 30% improvement in measured specific energy (kWh/m²) from the EPC level calculated based on building age

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Buildings Criteria
 - Residential Property Climate Bond¹

Issuing Entity’s Responsibility

SR-Boligkreditt was responsible for providing information and documents relating to:

- The details concerning the selection process for the eligible portfolio of mortgage loans
- The details of the eligible portfolio of mortgage loans
- The management systems for internal processes and controls for eligible portfolio of mortgage loans, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

¹ Residential Property Climate Bonds certification methodology available at: <https://www.climatebonds.net/files/files/Residential%20Property%20Criteria.pdf>

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of SR-Boligkreditt's green bond, issued to finance Nominated Projects, and provided an independent opinion informing SR-Boligkreditt as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by SR-Boligkreditt. Sustainalytics is not responsible if any aspect of the Nominated Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by SR-Boligkreditt management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant SR-Boligkreditt employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of SR-Boligkreditt's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Buildings Criteria
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that SR-Boligkreditt's green bond meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that SR-Boligkreditt will ensure compliance with Climate Bond Standard requirements.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, SR-Boligkreditt AS's green covered bond is not in conformance with the Low Carbon Buildings criteria of the Climate Bond Standard Pre-Issuance Requirements.

Schedule 1: Selection Criteria for Eligible Green Mortgages

SR-Bank has commissioned a report, to be published on its website, from the real estate consultant Multiconsult ASA to define eligibility criteria for determining green mortgages. These criteria are excerpted below:

1. **New residential buildings in Norway (built after 2009)**
 - i. New or existing Norwegian apartments that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012.²
 - ii. New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). Hence, built after 2009.

Building code	Specific energy demand apartment buildings (model homes)	Specific energy demand other dwellings (model homes)
TEK 07	N/A	126 kWh/m ²
TEK 10	110 kWh/m ²	126 kWh/m ²
TEK 17	92 kWh/m ²	107 kWh/m ²

2. **Residential buildings in Norway (built before 2009)**

Existing Norwegian residential buildings built using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database.
3. **Refurbished Residential buildings in Norway with an improved energy efficiency of 30%**

One of two criteria below must be met:

 - i. Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction.
 - ii. Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m², compared to the calculated label based on building code in the year of construction.

² A two year lag between implementation of a new building code and the buildings built under that code must be taken into account. This means that all residential apartment buildings finished in 2012 and later and all other residential dwellings finished in 2009 and later are all eligible for Green Bonds under this criteria. This is in line with the criteria as set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>

Schedule 2A: Pre-Issuance General Requirements

<p>Selection of Nominated Projects and Assets:</p>	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
<p>Internal Processes and Controls</p>	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
<p>Reporting Prior to Issuance</p>	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
<p>Verification of requirements specified under Selection of Nominated Projects and Assets</p>	<p>1.1 The objective of the bond is to primarily use proceeds to finance/refinance a portfolio of eligible mortgages for green residential buildings.</p> <p>1.2 The Nominated Projects and Assets meet the Low Carbon Residential Buildings criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include a portfolio of eligible mortgages in Norway which meet one of the following criteria:</p> <ul style="list-style-type: none"> • Apartments compliant with building codes TEK10 or TEK17 and other residential dwellings compliant with building codes TEK07, TEK10, and TEK17 • Dwellings that have EPC labels of A, B, or C • Refurbished buildings that have 30% improved energy efficiency <p>1.4 SR-Boligkreditt's management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 SR-Boligkreditt's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	<p>None</p>
<p>Verification of requirements specified under Internal Processes and Controls</p>	<p>2.1.1 SR-Boligkreditt's management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects.</p> <p>2.1.2 SR-Boligkreditt's management confirms that unallocated proceeds shall be held in the Bank's treasury liquidity portfolio in cash or other liquid instruments.</p> <p>2.1.3 SR-Boligkreditt's management has confirmed that the proceeds from the bond will be managed using a portfolio approach, and will strive to achieve a level of allocation that matches or exceeds the balance of net proceeds outstanding.</p>	<p>None</p>
<p>Verification of requirements specified under Reporting Prior to Issuance</p>	<p>3.1.1 SR-Boligkreditt's management confirms that the proceeds of the transaction will primarily be used to finance/refinance a portfolio of eligible mortgages for green residential buildings.</p> <p>3.1.2 SR-Boligkreditt's management confirms that unallocated proceeds shall be held in the Bank's</p>	<p>None</p>

	<p>treasury liquidity portfolio in cash or other liquid instruments.</p> <p>3.1.3 The bond's offer letter confirms that an approved third party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Buildings criteria of the Climate Bonds Standard.</p>	
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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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