

# Sparebanken Vest Boligkreditt AS

## Sparebanken Vest

### PRE-ISSUANCE VERIFICATION LETTER

#### LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** June 17 – 26, 2019; revised June 24-25, 2020

**Approved verifier:** Sustainalytics

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#### Scope and Objectives

Sparebanken Vest Boligkreditt AS (“Sparebanken Vest” or “the Company”) has engaged Sustainalytics to review and verify that its green covered bond meets the requirements under the Low Carbon Buildings criteria of the Climate Bonds Standard.

Sparebanken Vest Boligkreditt AS is the wholly-owned subsidiary of Sparebanken Vest, and is licensed to issue covered bonds. Sparebanken Vest is a Norwegian financial institution, providing services to individuals and businesses in Western Norway, in particular the counties of Hordaland, Rogaland and Sogn & Fjordane. Based in Bergen, Sparebanken Vest has been in operation since 1823. Growing out of its background of a local bank serving the community, Sparebanken Vest considers Sustainability to be an inherent part of its business model, with the aim of supporting the creation of a better world, through the projects it chooses to finance and through the manner in which the bank conducts itself in relation to clients and the environment.

Sparebanken Vest Boligkreditt AS 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:

1. Residential building in Norway built after 2009:
  - i. New or existing Norwegian apartments that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17).
  - ii. New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17).
2. Residential buildings in Norway built in 2008 or earlier that have EPC labels A, B, or C

As part of its engagement process with Sustainalytics, Sparebanken Vest Boligkreditt AS provided a third-party report produced by Norwegian consultancy Multiconsult ASA, which developed a methodology to identify the most energy efficient residential buildings in Norway according to the above requirements. Having reviewed the report, Sustainalytics views Multiconsult’s third party expertise in the development of the eligibility criteria and project selection process positively.

## Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:<sup>1</sup>

- Low Carbon Buildings criteria
  - Residential Property Climate Bond<sup>2</sup>

## Issuing Entity's Responsibility

Sparebanken Vest was responsible for providing information and documents relating to:

- The details concerning the selection process for the Residential Green Buildings
- The details of the Residential Green Buildings
  - The report from Multiconsult ASA
- The management systems for internal processes and controls for Residential Green Buildings, 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

## Independence and Quality Control

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

Sustainalytics has relied on the information and the facts presented by Sparebanken Vest. 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 Sparebanken Vest 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 Sparebanken Vest 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 Sparebanken Vest's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Buildings
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

<sup>1</sup> Climate Bonds Standard, version 2.1 available at: [https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2.1%20-%20January\\_2017.pdf](https://www.climatebonds.net/files/files/Climate%20Bonds%20Standard%20v2.1%20-%20January_2017.pdf)

<sup>2</sup> Residential Property Climate Bonds certification methodology available at: <https://www.climatebonds.net/files/files/Residential%20Property%20Criteria.pdf>

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### **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 the Sparebanken Vest's covered green bond meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Sparebanken Vest 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, Sparebanken Vest Boligkreditt AS's Green Covered Bond is not in conformance with the Low Carbon Buildings criteria of the Climate Bond Standard Pre-Issuance Requirements.

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## Schedule 1: Detailed Overview of Eligible Properties

Sparebanken Vest has provided a report from Multiconsult ASA, a specialist property consultant, developed criteria and a methodology to identify the most energy efficient residential buildings in Norway, to be used with respect to a green covered bond issuance. The following is excerpted from that document:

*Multiconsult has studied the Norwegian residential building stock and identified three solid eligibility criteria for Green Bonds on energy efficient buildings. The criteria have been aligned with the Climate Bonds Initiative (CBI) and will be published as a CBI baseline for Norwegian residential buildings. The criteria that derive the baseline are similar to the CBI methodology already used in similar markets. Criterion 1 identifies the top 8 % most energy efficient residential buildings countrywide. The CBI baseline methodology also includes criteria using data from Energy Performance Certificates when available and according to CBI taxonomy, residential buildings may also qualify after being refurbished to a standard resulting in at least a 30 % reduction in energy demand.*

*Eligible Residential Green Buildings for Sparebanken Vest must meet the following eligibility criteria:*

- 1. New or existing Norwegian residential buildings that comply with the Norwegian building code of 2007 (TEK07) and later codes for small residential buildings and code of 2010 (TEK10) and later codes for apartments are eligible for green bonds as all these buildings have significant better energy standards and account for less than 15 % of the residential building stock. A two-year lag between implementation of a new building code and the buildings built under that code must be taken into account.*
- 2. Existing Norwegian residential buildings with EPC-labels A, B or C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database.*

## Schedule 2A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	<p><b>1.1</b> Statement on the environmental objectives of the bond</p> <p><b>1.2</b> Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p><b>1.3</b> Document a list of Nominated Projects and Assets</p> <p><b>1.4</b> Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p><b>1.5</b> Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
Internal Processes and Controls	<p><b>2.1.1</b> Tracking of proceeds</p> <p><b>2.1.2</b> Managing of unallocated proceeds</p> <p><b>2.1.3</b> Earmarking funds to Nominated Projects and Assets</p>
Reporting Prior to Issuance	<p><b>3.1.1</b> Investment area of Nominated Projects and Assets</p> <p><b>3.1.2</b> Intended types of temporary investments for the management of unallocated proceeds</p> <p><b>3.1.3</b> Approach of Verifier</p> <p><b>3.1.4</b> 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
Verification of requirements specified under Selection of Nominated Projects and Assets	<p><b>1.1</b> The objective of the bond is to primarily use proceeds to finance or refinance a portfolio of mortgages to eligible new or existing energy efficient residential buildings in Norway.</p> <p><b>1.2</b> The Nominated Projects and Assets meet Low Carbon Buildings criteria of the Climate Bond Standard.</p> <p><b>1.3</b> The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> <li>• Mortgages for energy efficient residential buildings in Norway</li> </ul> <p><b>1.4</b> Sparebanken Vest's management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p><b>1.5</b> Sparebanken Vest's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p><b>2.1.1</b> Sparebanken Vest'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><b>2.1.2</b> Sparebanken Vest's management confirms that it will hold any unallocated proceeds in its treasury liquidity portfolio, in cash or other short term and liquid instruments.</p> <p><b>2.1.3</b> Sparebanken Vest's management has confirmed that the proceeds from the bond will manage the proceeds using a portfolio approach.</p>	None
Verification of requirements specified under Reporting Prior to Issuance	<p><b>3.1.1</b> Sparebanken Vest's management confirms that the proceeds of the transaction will primarily be used to finance or refinance a portfolio of mortgages to eligible new or existing energy efficient residential buildings in Norway.</p> <p><b>3.1.2</b> Sparebanken Vest's management confirms that unallocated proceeds shall be held in its treasury liquidity portfolio, in cash or other short term and liquid instruments</p> <p><b>3.1.3</b> 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>	None

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	<p><b>3.1.4</b> 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. No third-party verifier has been appointed yet to conduct the Post-Issuance assurance exercise. Post-issuance will be carried out 12 months after issuance. However, conducting periodic Assurance Engagements over the term of the bond is at the discretion of the bond issuer, as per CBI guidelines.</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](http://www.sustainalytics.com)

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