



Green Bond Framework

March 2024

About Spar Nord

Spar Nord dates back to 1824, and as part of our business model we have close relations with our customers and engage with the local communities in which we operate. Spar Nord is currently the 5th largest Danish bank and is considered a systemically important bank. We carry on banking activities within the borders of Denmark.

Spar Nord caters for retail and business customers who are served by 1,703 employees and 62 local banks (branches) supported by the Bank's head office. In other words, we are both a local and a national bank.

Spar Nord offers relevant types of financial services, consultancy and products, focusing its business on retail customers and small and medium sized enterprises (SMEs) in the local areas in which the Bank is represented.

Spar Nord is based on strong customer relations. We believe that relations and business are best created through local presence and decentralised decision-making. Therefore, the Bank bases its business on the local-bank model in which the core is local autonomy combined with an effective central control room.

The local-bank model is inspired by the franchise concept, in which strongly anchored local ownership and responsibility for own operations are the driver of customer value and business volume. The local-bank model supports local autonomy to set the team and nurture the marketplace using initiatives and marketing.

External autonomy towards customers and relations are combined with an internal effective central control room. Therefore, a uniform approach to underlying systems, processes and business procedures helps release time for customers and ensures quality in centrally managed areas such as credit, IT, money laundering and GDPR.

ESG organisationen

ESG is inherently anchored with the Bank's Board of Directors and Executive Board, with maximum involvement of our organisation through an ESG steering group. The ESG steering group is chaired by Spar Nord's CEO and also consists of executives from relevant professional fields.



Responsibility for performing development tasks and prioritisation in the field of sustainability is strongly anchored in the Bank's individual business areas. Clearly this places demands on collaboration and coordination across the Bank, which is secured through quarterly meetings of the ESG steering group to discuss the status of priority initiatives and relevant areas for attention.

The ESG steering group has the mandate to make decisions that help to ensure that ESG continues to be integrated across the Bank and that action is anchored in the relevant business areas which have the required skills sets to further develop and implement current sustainability targets.

The Bank has set up a department for ESG and sustainability to coordinate and support the Bank's decentralised ESG initiatives, including by ensuring dialogue and liaising across the organisation and by establishing cohesion and a common interpretation of legislation, strategy and ambition levels in the entire ESG area. The department has the overall responsibility for reporting the Bank's ESG efforts and forms part of the in-house strengthening of ESG-governance.

Partnerships and principles

In order to contribute to Denmark reaching its goal of reducing greenhouse emissions by 70% by 2030, Spar Nord has committed to the climate partnership for the financial sector and complies with the 20 recommendations of the Forum for Sustainable Finance. Spar Nord also collaborates on an ongoing basis with relevant industry communities and industry groups such as the National Banks in Denmark (LDB) and

Finance Denmark to promote sustainability in the financial sector. We also support sustainable business development through projects under the auspices of the Export and Investment Fund of Denmark (EIFO).

Spar Nord's ESG efforts support the targets stipulated in the Danish Climate Act and the Paris Agreement on climate neutrality by 2050. Spar Nord also endorses the UN Sustainable Development Goals and support and apply the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the ILO labour market conventions on the dignity of workers, which are described in greater detail in the Bank's relevant ESG policies which are available at <https://www.sparnord.dk/esg>. The Bank is a signatory to the UN Global Compact (UNGC), the UN Principles for Responsible Investment (UN PRI) and the UN Principles for Responsible Banking (UN PRB).

Nature, climate and environment

Nature and climate change calls for transition

In recent years, we have seen several extreme weather incidents and consistently rising average temperatures, which is a direct consequence of climate change – in Denmark as well as globally. These factors have a substantial negative impact on nature and on our society.

Spar Nord intends to take responsibility for supporting the sustainable transition through financing and investment activities that mitigate climate change. When we finance and make targeted investments in solutions that support good conditions for our nature – such as wind power, solar power and biogas – or in solutions aimed at restoring or revitalising nature, we contribute to mitigating climate change.

At Spar Nord, we consider climate change a significant societal challenge that is inextricably linked with nature. Therefore, we work to gain greater insights into how, as a financial institution, we can protect nature in the same way we protect the climate and the environment.

As part of the Bank's focus on climate change, we have defined climate actions and targets with a view to reducing the share of financed emissions and carbon emissions from the Bank's own activities. In 2023, Spar Nord also took the first important steps towards implementing a broader understanding of the E in ESG with a view to specifying the initiatives we regularly launch to increase positive impacts while reducing negative impacts on people, the environment and society. As part of these endeavours, we have decided to take a closer look at nature as a new key concept for the Bank that represents major environmental challenges extending beyond climate change.

Going forward, we will work with nature as a concept and improve our understanding of the challenges that go beyond climate change, such as extraction of nutrients, draining of water courses, deforestation, resource utilisation and circularity.

Impact on climate change

As Spar Nord has chosen climate change as the Bank's most significant impact area, the majority of the Bank's sustainability promotion activities are focused on energy optimisation and on developing energy-friendly investment and loan products. As part of becoming a signatory to the UN Principles for Responsible Banking (UN PRB), we committed to analysing how we impact and are impacted by society both in a positive and a negative direction in relation to the 17 UN Sustainable Development Goals.

Spar Nord has set a number of ESG targets to promote sustainable transition of the Bank's activities, both internally and commercially.



Investments

Reduction of financed emissions from investments in shares and corporate bonds made on behalf of customers by 30% in 2025 and 60% in 2030 compared to 2020 baseline.



Lending

Reduction of financed emissions from lending by 20% in 2025 and 45% in 2030 compared to 2021 baseline.



Own activities

Reduction of carbon emissions from the Bank's own activities by 30% in 2025 and 50% in 2030 compared to 2021 baseline.



Energy-friendly car loans

By 2025, 80% of all new loans for the financing of cars are to be for electric or plug-in hybrid vehicles.

Rational for green financing

Through Spar Nord's lending business, we help finance a wide range of assets and activities that may affect people, the environment and local communities, positively as well as negatively. Through dialogue and collaboration with our customers, Spar Nord aims to contribute to reducing the negative and promoting the positive impacts of our financing – both to the benefit of our customers and sustainability in society but also to live up to our own ambitions and to the expectations which the market and the authorities have for us.

An important element in this process is the Bank's ESG skills enhancement, in which all employees, and business advisers, received training during 2022-2023 to enhance their knowledge in and stimulate dialogue about sustainability with the Bank's customers and in relation to ESG risk management in connection with the Bank's lending activities.

Spar Nord has prepared a credit policy, among other things to support Spar Nord's integrity and social responsibility. Spar Nord's credit granting is always made based on a pre-calculated risk assessment in accordance with the customer's interests and abilities to comply with any obligations undertaken, against appropriate collateral and with due consideration to ESG issues.

Spar Nord has chosen to focus its sustainable finance efforts on specific loan products and projects supportive of the green transition. We have initially focused on the financing of private vehicles, home improvements and other energy supply that does not rely on fossil fuels, such as wind turbines, biogas facilities and heating supply.

Spar Nord offers two energy-friendly loan products that give customers an attractive interest rate and low fees when financing energy improvements for their homes or leisure property, or when purchasing an electric or plug-in hybrid vehicle. The aim is to encourage more customers to participate in the green transition. To support this agenda Spar Nord defined a SMART goal that 80% of all new car loans should be for electric or plug-in hybrid vehicles by the end of 2025.

To guide Spar Nord's customers and direct green investment planning and execution towards common practices, the EU Taxonomy have been considered as guiding tools in defining eligibility criteria and overall framework structure. The eligibility criteria takes into account the EU Taxonomy Regulation with the intention to apply it on a best efforts basis, where there are feasible practical applications and support by local regulation.

In any case, Spar Nord aims to assess all eligible green projects against the EU Taxonomy, on a best effort basis, to better understand current alignment and to further support the implementation of the EU Taxonomy. In the coming years, Spar Nord will continue its efforts to enhance its data quality, among other things through product and IT design and dialogue with its customers to gradually increase the alignment with the EU Taxonomy.

Spar Nord Green Bond Framework

At Spar Nord, we are aware that all of our financing activities have a certain environmental and climate impact. Spar Nord has chosen to focus its sustainable finance efforts on specific loan products and projects supportive of the sustainable transition.

Spar Nord Green Bond Framework (the 'Framework') is developed in accordance with the latest versions of the Green Bond Principles (GBP)¹, published by the International Capital Markets Association (ICMA). The Framework defines the loans and investments eligible to be allocated with Green Bonds issued by Spar Nord ("Green Loans"). The Framework establishes the process and criteria ("Eligibility Criteria") Spar Nord use to support the mobilization of debt capital to sustainable and environmentally beneficial projects.

The Green Financing Framework is aligned with the four core components of the GBP, as well as the recommendation for External Review, which will be described in more detail below:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

1. Use of proceeds

An amount equal to the net proceeds of Green Bonds issued under this Framework will be used to finance and/or refinance, in part or in whole, a portfolio of eligible Green Loans in accordance with the Eligibility Criteria set out in this framework.

While Spar Nord aims to document an exact project or asset financed, also general corporate purposes loans to 'pure play' green companies can be funded with net proceeds from Green Bond issuances. A pure play company is defined as a company deriving over 90% of its revenue from the Green Loan categories as defined below.

¹ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

Green Loan category

Eligibility Criteria

Clean Transportation

Financing of loans for zero (tailpipe) emission transportation and low carbon transport solutions:

Electric vehicles

Zero direct (tailpipe) CO2 emissions vehicles².

Low carbon transport infrastructure

Electrical charging stations and installations.

EU Environmental Objective

Climate change mitigation

Mapping of economic activities

6.5. Transport by motorbikes, passenger cars and light commercial vehicles

SDG impact

UN SGD 11

Green and energy efficient buildings

Financing of loans for new and existing buildings:

Buildings built before 31 December 2020

have EPC class A or are otherwise determined to belong to the top 15% most energy efficient buildings for the regional building stock; or buildings that have or are intended to receive a design, post-construction, or in-use stage certification of at least DGNB 'gold'.

New buildings built after 31 December 2020

have an energy demand at least 10% lower than the national requirements set for the nearly zero-energy building (NZEB); or buildings that have or are intended to receive a design, post-construction, or in-use stage certification of at least DGNB 'gold'.

Major renovations

Energy efficient retrofit or renovation of existing buildings, reducing energy use (kWh/m²/year) per heated square meter per year by at least 30%.

Individual installations

Direct costs related to installation, maintenance, and repair of energy efficiency equipment, building envelope components, on-site renewable energy generation and energy performance measuring and controlling equipment.³

EU Environmental Objective

Climate change mitigation

Mapping of economic activities

7.1. Construction of new buildings
7.2. Renovation of existing buildings
7.3. Installation, maintenance and repair of energy efficiency equipment
7.7. Acquisition and ownership of buildings

SDG impact

UN SGD 7, 11

² Passenger and light commercial vehicles, buses, trucks, and personal mobility devices

³ List of energy efficiency improvements can be found here: [Standardværdikataloget](#)

Green Loan category

Eligibility Criteria

Renewable Energy

Financing of loans for renewable energy:

Wind energy

Onshore and offshore wind energy generation facilities and related infrastructure.

Solar energy

Solar energy investments in photovoltaic solar energy (PV), concentrated solar power (CSP) or solar thermal facilities.

District heating

District heating and cooling infrastructure, where the system uses at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat.

Bioenergy

Production of electricity and/or heating/cooling that use biomass or biogas with life-cycle GHG emissions intensity below 100gCO₂e/kWh. Excluding use of non-RSPO certified palm oil operations

Construction and operation of facilities producing biogas and/or digestate through anaerobic digestion of separately collected bio-waste or sewage sludge.

Heat pumps

Installation and operation of electric heat pumps, where the Global Warming Potential of the refrigerant does not exceed 675, including heat pumps installed as part of a district heating system.

Manufacturing of renewable energy technologies

Manufacturing of equipment for energy generation from renewable non-fossil sources, including wind and solar.

EU Environmental Objective

Climate change mitigation

Mapping of economic activities

- 4.1. Electricity generation using solar photovoltaic technology
- 4.3. Electricity generation from wind power
- 4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids
- 4.15. District heating/cooling distribution
- 4.16. Installation and operation of electric heat pumps
- 4.20. Cogeneration of heat/cool and power from bioenergy
- 3.1. Manufacture of renewable energy technologies

SDG impact

UN SGD 7

Sustainable water, sewage and waste management

Water and wastewater

Facilities and technologies designed to treat, distribute, and conserve water, such as processing of wastewater, urban drainage systems, water purification processes, improved drinking water quality, improved reliable fresh water supply and increased water use efficiency.

Anaerobic digestion of sewage sludge treatment, resulting in the production and utilization of biogas.

Waste management

Activities and facilities aimed at preparing for reuse and recycling of non-hazardous waste as well as recovery activities which converts at least 50%, in terms of weight, of the processed waste into secondary raw materials.

EU Environmental Objective

sustainable use and protection of water and marine resources;
Pollution prevention and control

SDG impact

UN SDG 6, 12

2. Evaluation and selection process

Green Loans financed and/or refinanced through Green Bond net proceeds are evaluated and selected based on compliance with the Eligibility Criteria as set out in this Framework and the standard credit process. Spar Nord's credit granting is always made based on a precalculated risk assessment in accordance with the customer's interests and abilities to comply with any obligations undertaken and with due consideration to environmental, social and governance (ESG) issues. ESG risk is an inherent credit risk assessed together with other credit factors. Driven by both new ESG regulation and the current climate crisis, the inclusion of physical and transitional risks related to climate change is also an important assessment of the credit risk.

Spar Nord has designed and implemented a process, extending the mandate of the committee for sustainable financing, to ensure that only projects aligned with the Eligibility Criteria set out in this Framework will be selected as Green Loans for its Green Bonds.

From the existing and new lending in Spar Nord, key personnel within relevant business areas associated with the committee for sustainable finance evaluate potential Green loans and their compliance with the Eligibility Criteria presented in this Framework. Based on the analysis, the relevant business areas can nominate loans as potential Green Loans. When potential Green Loans have been nominated, a list will be presented to Spar Nord committee for sustainable financing.

Spar Nord committee for sustainable financing is ultimately responsible for evaluating and selecting loans to be included in a portfolio of eligible Green Loans.

Committee for sustainable finance

Spar Nord set up a committee for sustainable finance in 2023. The committee consists of members of the Executive Board and heads of the Bank's business units represented to ensure the committee is anchored across the organisation. The committee deals with activities relating to the Bank's loan portfolio, such as advisory services, IT solutions, data collection, products, credit-granting, and risk management as well as the monitoring of ESG risks relating to sustainable financing. Furthermore, the committee identifies and recommends specific actions to support cross-organisational progress in executing the Bank's action plan and goals for the reduction of financed emissions from lending.

3. Management of proceeds

The Green Bond net proceeds will be managed by Market Risk Committee in a portfolio approach, meaning that one dynamic portfolio consisting of Green Bonds is used to finance one dynamic portfolio consisting of Green Loans that has been granted to eligible green projects. Spar Nord will use a green register to monitor and track the allocation of net proceeds from Green Bonds to Eligible Green Loans, selected in accordance with the Eligibility Criteria and evaluation and selection process as set out in this Framework.

Spar Nord will strive, over time, to achieve a level of allocation for the portfolio of eligible Green Loans that matches or exceeds the balance of net proceeds from its outstanding Green Bonds. Green Loans will be added to or removed from Spar Nord portfolio of eligible Green Loans at its own discretion, and as deemed required.

There may be periods due to unanticipated events when the outstanding amount of Green Bonds exceeds the outstanding amount of Green Loans. In this case, Spar Nord will temporarily hold or invest any unallocated net proceeds at its own discretion in its liquidity portfolio. Spar Nord regularly considers ESG risk when placing excess liquidity.

Exclusions

Spar Nord has a general ban on financing companies involved in production of controversial weapons such as cluster munitions, landmines, chemical and biological weapons, and nuclear weapons outside the Non-Proliferation Treaty.

Spar Nord does not finance companies involved in the exploration, extraction or production of unconventional oil and gas, which includes tar sands, shale oil and shale gas, Arctic oil and gas and deep-sea oil and gas, as well as companies with more than 5% of their revenues stemming from coal mining, oil sands and arctic drilling. The ban applies to all forms of lending and financing activities.

Exclusion may also be implemented if a company or a country violates international standards and conventions and fails to demonstrate willingness to take responsibility. This applies to breaches of the UN's Global Compact, the UN's Declaration of Human Rights, the OECD's guidelines for multinational companies and The ILO labour market conventions on decent conditions for labour. Spar Nord complies with UN and EU-sanctions and thus also excludes financing in companies in sanctioned countries.

Spar Nord ensures consistency across the bank's financing and investment activities, which is why there is consistency between the principles set out for exclusion on lending and investments.

4. Reporting

To enable investors to follow the development and provide insight into prioritised areas, Spar Nord will annually, until full allocation of the net proceeds, and in the event of any material changes until the relevant maturity date, publish a Green Bond Report on allocation and impact of the Green Bonds issued.

Allocation reporting will include the following information:

- the outstanding amount of Green Bonds
- total allocation of Green Bond net proceeds to each Green Loan category
- the balance of Green Loans in the Green Registries, and balance (if any) of unallocated proceeds
- estimated Taxonomy eligibility and alignment of Green Loans (subject to data availability, on best efforts basis)

The impact reporting intends to disclose the positive environmental impact based on Spar Nord's share of financing the total investment. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis. The Green Bond Report will, to the extent feasible, include a section on methodology, baselines and assumptions used in the impact calculations. This report will be made available on Spar Nord's website.

Spar Nord intends to report, where and when available, the indicative impact indicators listed in the table.

Green Loan category	Indicative impact indicators
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions avoided (tonnes per year)
Green and energy efficient buildings	<ul style="list-style-type: none"> • Reduction in energy use (KWh per year) • Annual GHG emissions avoided (tonnes per year)
Renewable Energy	<ul style="list-style-type: none"> • Renewable energy generation (MWh per year) • Installed renewable energy capacity (MW) • Annual GHG emissions avoided (tonnes per year)
Sustainable water, sewage and waste management	<ul style="list-style-type: none"> • Annual amount of wastewater treated, reused or avoided in m3 or % • Annual amount of water saved in m3 or % • Annual amount of recycled material in tonnes • Annual GHG emissions avoided in tCO2e

5. External review

Second party opinion

Spar Nord has engaged Sustainalytics to act as a pre-issuance external reviewer of this Green Bond Framework, by way of a Second Party Opinion, confirming alignment with the ICMA Green Bond Principles.

Post-issuance review

An independent external party, appointed by Spar Nord will on an annual basis until full allocation of the net proceeds, and in the event of any material changes until the relevant maturity date, provide a review, confirming that an amount equal to the Green Bond net proceeds has been allocated to Green Loans.

Publicly available documents

The Green Bond Framework and the second party opinion will be publicly available on Spar Nord website, together with the post-issuance review and the annual Green Bond Report once published.



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