S&P Global Ratings

Powered by **Shades of Green**

Second Party Opinion

SpareBank 1 Helgeland (SBH) Green Bond Framework

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Location: Norway	**Sector:** Banks

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

See Alignment Assessment for more detail.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

The bank is more advanced in its carbon accounting than local peers. It reports on its greenhouse gas emissions across all scopes and details its emissions in the loan portfolio.

SBH allocates the issuance proceeds to green buildings, thereby financing assets with low climate-related risks. The high energy efficiency of the buildings in the bank's lending portfolio is important, especially as most of the bank's loan book consists of mortgage loans.

Weaknesses

No weakness to report.

Areas to watch

SBH's strategy for managing climate risk is developing. The bank has published its first transition plan. However, this is still in its early stages and the bank needs to obtain more reliable data to provide customers with advice to reduce their emissions. It has also started assessing physical climate risks, but this does not influence any credit decisions as of now.

Shades of Green Projects Assessment Summary

Based on the project category's Shades of Green detailed below, the expected allocation of proceeds, and in consideration of environmental ambitions reflected in SBH's Green Bond Framework, we assess the framework as Light green.

Green Buildings	Light green
• Loans financing residential, and commercial buildings built before and after 2020 and renovated buildings.	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

SBH, headquartered in Mo i Rana, is a regional savings bank based in Norway. As of Dec. 31, 2024, the bank reported assets totaling Norwegian krone (NOK) 37.3 billion (about €3.2 billion). The bank offers a range of financial products and services to retail customers, small and midsize enterprises, municipal authorities, and other institutions. Its operations are divided into two primary segments: Retail Market--predominantly residential mortgages, accounting for 64% of the bank's loan portfolio; and Corporate Market--accounting for the remaining 36% of the loan portfolio, covering various business sectors. The bank provides services including savings, investment, pension, insurance, leasing, and mortgage products. SBH is a member of the SpareBank 1 Alliance, a nationwide network of 13 independent savings banks, enabling it to offer a wider array of financial products and services including banking, insurance, pensions, and asset management for its customers. SBH has 165 employees and is listed on the Oslo Stock Exchange.

Material Sustainability Factors

Climate Transition Risk

Banks are highly exposed to climate transition risks through their financing of economic activities, which affect the environment. Their direct environmental impact is small, compared with their financed emissions, and mainly stems from power consumption. Generally, policies and rules to reduce emissions could raise credit, legal, and reputation risks for banks. Positively, financing the climate transition offers a growth avenue for banks through lending and other capital market activities. In the European context, climate and environmental regulations are ambitious, and there is a strong push toward integrating sustainability considerations into the regulation of banks and financial markets.

Physical Climate Risk

Banks finance a wide array of business sectors that are exposed to physical climate risk. However, although climate change is a global issue, weather-related events are typically localized, so the magnitude of banks' exposure is linked to the geographic location of the activities and assets they finance. Similarly, banks' physical footprints (such as branches) may also be exposed to physical risks that might disrupt their ability to service clients in the event of a natural catastrophe. Banks could help mitigate the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies. Key physical climate risks in Norway relate to an increase in extreme precipitation and flooding.

Access and affordability

Banks' large impact on society stems from their role in enabling access to financial services to individuals and businesses, and in ensuring the correct functioning of payment systems. Ensuring affordable access to financial services, especially for the most-vulnerable members of the population, remains a challenge for the banking industry. Structural issues such as poverty, the informal economy, and lack of financial literacy partly limit access to financial services. However, banks have many opportunities to support economic development through financial inclusion, including by using new technologies.

Issuer And Context Analysis

The project category within the financing framework--green buildings--targets climate transition risk, which we consider to be one of the most material sustainability factors for SBH. Real estate (residential and commercial) accounts for 81.6% of the bank's lending portfolio. Green building projects can help to manage energy consumption, therefore reducing transition risks for the bank. Given that green buildings are susceptible to the impacts of climate change, physical climate risk also emerges as a significant risk within the context of the framework.

SBH adopted its sustainability strategy in 2022, which it has since updated in light of the EU Corporate Sustainability Reporting Directive's double materiality analysis--highlighting financed emissions as one of the top three material topics. SBH published its first climate transition plan toward net-zero emissions in 2024. It shows how the bank’s business strategy is aligned with the transition to a zero-emissions society and what measures bank is prioritizing to achieve this goal by 2050. The plan determines targets for the bank’s entire value chain. It also stresses the need of better access to robust and reliable data to measure the impact and provide advice to its customers. The most emissions-intensive industries in its lending portfolio are agriculture and forestry, aquaculture, fishing, construction, and maritime transport. They account for 78.5% of the emissions in the bank's emissions portfolio. Real estate (residential and commercial) accounts for 3.1% of emissions and comprise 81.6% of the bank's lending portfolio. SBH does not have any lending exposure to the oil and gas industry.

SBH is committed to supporting its customers in the transition to a low emissions society via a range of green products including green mortgages, green loans for energy measures, and green business loans. Customers could benefit from a green mortgage with a favorable rate if the home has an energy rating of A or B. Green loan products offer favorable terms for investments in energy efficient homes, renewable energy sources, and climate-friendly activities. For the retail market, the bank aims to ensure 100% of mortgages for new-build homes are green, an annual increase in the proportion of loans for refurbishments that align with the taxonomy, as well as a yearly increase in the proportion of mortgages for homes meeting EU Taxonomy criteria. In the corporate market, the bank plans to lend at least NOK200 million annually (about €17.1 million) to projects eligible for green loans. These products and related targets will help customers to adapt to new requirements and benefit from tailored advice.

In 2023 SBH mapped the different types of climates risks that could affect its lending to the corporate and retail market following Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The bank identified increased frequency of flooding, landslides, and extreme weather as key physical risks, particularly for the real estate, farming, agriculture, and transportation sectors. It also highlighted stricter regulatory requirements, along with technological and market changes and reputational risk, as part of transition risk. The bank is also assessing properties in its lending portfolio from a physical climate risk perspective on a scale from 0 to 6, where 6 indicates very high risk. However, this is done for monitoring purposes and does not currently affect loan decisions.

Unlike its local peers, the bank measures and reports on its own and financed emissions. According to its carbon accounting report, which is based on Partnership for Carbon Accounting Financials standards, 98.5% of the bank's emissions are attributable to financed emissions within its loan portfolio. Notably, the bank also reports on emissions by sector in its loan portfolio. The bank has set goals to reduce its emissions annually by 2.5% by 2030 and achieve net-zero emissions by 2050, aligning with the Paris Agreement, which we view positively.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Use of proceeds

We assess the framework's green project category of green buildings as having a green shade, and we note that the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds. SBH will allocate an amount equal to the net proceeds from instruments issued under this framework to finance or refinance loans that will support the transition toward low-carbon and climate resilient development. It will refinance loans for activities that are in line with the eligibility criteria outlined in the framework, namely green buildings.

✓ Process for project evaluation and selection

The framework outlines the process to select and approve eligible projects. SBH commits to establish a Green Finance Committee (GFC), which consists of representatives from finance, operations and sustainability. The sustainability function will have veto. GFC is responsible for project evaluation and selection in line with the criteria described in the framework. The bank also assesses climate, governance, and social risks in its real estate portfolio. The framework has a clear exclusion list outlining that green bonds will not be used to finance projects directed to fossil energy production, nuclear power generation, weapons and defense, gambling or tobacco, as well as cabins and buildings with direct fossil fuel heating.

✓ Management of proceeds

The allocation of the net proceeds will be tracked to ensure that they exclusively finance eligible projects, with the bank establishing a green financing register. Furthermore, the bank will ensure that the value of the eligible assets will at least equal the aggregate net proceeds of all outstanding SBH Green Bonds. Unallocated proceeds will be managed in accordance with the bank's liquidity management.

✓ Reporting

The bank commits to disclosing the allocation and impact of proceeds annually within its Green Financing Investor Report, until full allocation of the proceeds. The allocation report will include a description of the portfolio of eligible assets, the type of financing instruments used and respective outstanding amounts, information on the split between new financing and re-financing, and a list of eligible assets with the amount allocated and the geographical distribution. It will also report on the aggregate environmental impacts of green loans financed by green bonds. Among the key performance indicators are annual energy use, measured as kWh/m^2 of gross building area, the number of green buildings financed, the share of proceeds allocated to residential and commercial buildings, and the share of buildings by EPC label.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments".

Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in SBH's Green Bond Framework, we assess the framework as Light green.

Light green

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Green Buildings

Assessment	Description
Light green	Built after Dec. 31, 2020 • Primary energy demand (PED) is, or will be, 10% lower than the threshold for NZEB requirements in national measures. The energy performance is or will be certified using an Energy Performance Certificate. Built on or before Dec. 31, 2020 • EPC class A, or PED within the top 15% of the national or regional building stock. Note: Until a definition of the top 15% of the national or regional building stock is developed for Norway, SpareBank 1 Helgeland will apply the thresholds proposed by NVE to the Ministry of Energy in 2023. Improving existing building stock • Renovations of existing buildings that either lead to a reduction PED of at least 30%, or where the building meets the applicable national and regional building regulations for "major renovation" according to Directive 2010/31/EU.

Analytical considerations

- The IEA emphasizes that reaching net-zero emissions in buildings asks for major strides in energy efficiency strides and fossil fuel abandonment. All financed properties must achieve high energy performance. New properties should also cut emissions from building materials and construction. Additionally, addressing physical climate risks is key to strengthening climate resilience across all buildings in the portfolio.
- The Light green shade reflects that the framework allows for the financing of buildings built on or before Dec. 31, 2020. Most of the financing will go toward the residential buildings built by this date with EPC class A, or PED within the top 15% of the national or regional building stock. The issuer interprets the threshold to mean that all buildings constructed in Norway between 2012 and 2020 are considered within the top 15%, which is in line with current market practice. While these buildings were built under more stringent building codes and are likely to be energy-efficient, there is no requirement to screen their actual performance or verify their EPC. As a result, while

the risk is small, there remains a possibility that some buildings deviating from expected energy efficiency standards could be financed.

- The framework lacks specific criteria for mitigating the physical climate risks associated with financed assets, which we view as a limitation to our shading. Buildings are particularly vulnerable to such risks, and while building regulations consider these factors to some extent, there is no assurance that they will be adequately addressed. In Norway, increased precipitation and flooding are a significant risk.
- In the transition to a low-carbon society, renovating and upgrading existing properties is important. Renovations that achieve at least a 30% reduction in primary energy consumption demonstrate a solid commitment and lead to our Medium green assessment within the framework. However, SBH has indicated that such projects are expected to constitute only a minor portion of the allocated proceeds.
- Loans for buildings that use fossil fuel heating will not qualify for financing under this framework. However, the buildings to be financed are all in Norway, where the use of fossil fuel heating for most buildings is prohibited by law. The legal restrictions on energy use do not apply to cabins, which may still use fossil fuels; cabins are therefore excluded from the framework. Additionally, cabin development poses risks to biodiversity and leads to indirect emissions from the construction of supporting infrastructure.
- Given the substantial climate impact linked to new building projects, especially those related to embodied emissions, it is essential for these to be constructed with the goal of minimizing emissions from materials. However, the current framework lacks specific criteria to address emissions associated with the building materials used for buildings built in 2021 or later. This limits our assessment to Light green for this subcategory. In the Nordic context, building material emissions typically account for half of a building's life cycle emissions.

S&P Global Ratings' Shades of Green

	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

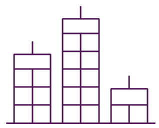
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Green buildings	 ***11. Sustainable cities and communities**

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, Mar. 6, 2025
- Analytical Approach: Shades of Green Assessments, July. 27, 2023
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, Mar. 6, 2025
- S&P Global Ratings ESG Materiality Maps: Banks, July. 20, 2022.

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