



Odal Sparebank
SIDEN 1877



Green Bond Framework March 2023

A background image featuring a close-up of green leaves and a single acorn with its cap. The acorn is positioned in the upper right quadrant, and the leaves are scattered throughout, some in sharp focus and others blurred. The overall color palette is various shades of green.

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Odal in brief

Odal Sparebank (“Odal” or “the Bank”) is an independent local Norwegian savings bank, headquartered in Sand (Sagstua) in Nord-Odal and a member of the Eika Alliance. The history of Odal dates all the way back to 1877 and today the Bank has four branches - Sand in Nord Odal, Skarnes in Sør-Odal, Kongsvinger and Kløfta in Romerike. Odal has assets under management of ~NOK 10,2 billion.

The Bank with its 47 employees offers a broad range of banking products to more than 18.500 private- and corporate clients through a combination of sales offices and digital solutions. A key element to Odal’s business model is by being a member of the Eika Alliance, which enables product diversification and provides the opportunity to finance retail mortgages via Eika Boligkreditt,

ESG in Odal’s business

Odal has a long tradition of promoting sustainable growth and development together with its suppliers, customers, public opinion, or organisations with whom Odal cooperate. The Bank’s ESG work encompasses the climate and nature, social conditions and corporate governance, and is a natural continuation of the role the bank has played for more than 145 years.

Achieving the UN’s Sustainable Development Goals (SDG) and targets for greenhouse gas emissions in accordance with the Paris Agreement by 2030 will require a significant transition and redirection of capital towards sustainable development. This transition will have to be financed, and the banking sector will play a vital role. Odal will contribute to this transition and will consider both the risks and opportunities presented by sustainable development.



E – Environmental Responsibility

Odal is continuously working on reducing the Bank's own environmental footprint. Emissions from Odal's own operations (Scope 1 & 2) come mainly from purchased energy (including heating and electricity) as well as business travel and waste from office buildings. Therefore, the Bank has launched several initiatives including using renewable energy for its head office and has a project going on this winter to get rock heat in the second building Odal owns. The Bank uses digital equipment such as video conferences and mobile solutions to reduce travel and focusing to use as little paper as possible. Odal uses suppliers close to the Bank to minimize transport.

The Bank's greatest impact on society and the environment takes place indirectly through its lending, products and services (Scope 3). The Bank recognises that the finance industry can increase its positive impact by focusing on responsible credit- and investment-policies and offering green loans such as green car loans and green leasing. In cooperation with Eika Kapitalforvaltning, Odal offers asset management services following their guidelines for responsible investment, ensuring alignment with human and labour rights, corruption laws, no large environmental damages or other harmful actions.

Definitions

- Scope 1 include emissions from operations that are owned or controlled by the bank such as company vehicles and office buildings
- Scope 2 include emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the bank
- Scope 3 include all indirect emissions (not included in Scope 2) that occur in the value chain of the bank such as from the lending book

S – Social Responsibility

In addition to banking services, Odal has a strong sense of social responsibility in its local communities. The bank supports and make donations to charities and community projects, with a particular focus on those relating to *children, youth sports, music, culture and history*. Odal has also the last couple of years used more money on education and ESG projects and has a yearly sustainability award. The Bank has contributed over NOK 9,0m to local community projects this year. By supporting local organizations and projects, Odal can contribute to a positive development in the area. For example, Odal has made a large contribution to the establishment of a research park at Kongsvinger University College. The research centre will contribute to studies in sustainability economics and digital management. With 4 locations where the Bank's customers can get help, Odal specifically help the elderly and people who need it for financial inclusion.



G – Governance & Reporting

Odal has adopted an *ESG strategy* for the period 2021-2024 that is based on the Bank's values and areas of business. It is cemented by management and approved by the board. To further integrate ESG into its operations, Odal has set up a dedicated *ESG team* within the Bank. Odal has also established a *climate & environment policy* as well as integrated ESG into other policies such as the *credit policy*. In addition, the Bank does not enter into any new agreements with material suppliers that do not consider ESG aspects and currently, Odal is working on establishing a purchasing policy.

The *UN Principles for Responsible Banking (PRB)* serves as the Bank's overall framework to align Odal's ESG strategy and practice with the Sustainable Development Goals and the Paris Agreement.



In addition to the Bank's policies, *ESG assessment is included into the credit approval process* in order to gain a better understanding of the Bank's potential exposure to climate risk through its lending activities. Odal assesses its corporate clients with regards to physical- and transition risk (climate risk), as well as social conditions and governance.

For the corporate portfolio, Odal has identified a relatively low share of climate related risks in both the short, medium and long term. This is partly because the Bank does not finance fossil energy production nor have a large share within emission-heavy industries or industries that are currently dependent on fossil energy. For Odal's main industries agriculture and real estate, the Bank has identified both transitional risks as well as climate-related opportunities such as green loans for the agriculture sector to help them convert to more climate-friendly operations as well as green loans to commercial properties, for measures that reduce emissions and improve energy efficiency.

For the retail portfolio, Odal is working to launch new green loan products for energy-efficient homes, in order to motivate the Bank's customers further.

Odal is continuously working to improve its ESG reporting and introducing new standards. The ESG report is incorporated as a separate section in the Bank's annual report and is approved by management and the board.

The United Nations Sustainable Development Goals

Odal has identified which of UN's Sustainable Development Goals (SDGs) that are considered to be particularly important and relevant for Odal's operations. Thus far, Odal is working actively to contribute to the following SDGs:



EU Taxonomy

Odal welcomes the increased clarity and structure which the *EU Taxonomy* brings to the sustainable finance market and strives to align the Green Use of Proceeds of the Framework with the EU Taxonomy to the extent possible. This implies that the eligibility criteria of the Green Project categories are based on, where relevant and applicable, the Substantial Contribution criteria for *Climate Change Mitigation* and the Platform on Sustainable Finance's recommendations for the remaining objectives. Odal will monitor the regulatory developments and will consider updating this framework accordingly.

The Green Bond Framework

The establishment of this *Green Bond Framework* (the “Framework”) enables the Bank’s continued positive environmental impact in society. The Framework has been developed in alignment with the *Green Bond Principles* of 2021 (“GBP”)¹. The Framework is applicable for issuance of *Green bonds* (in several formats incl. Senior Preferred and Senior Non-Preferred).

The Framework is aligned with the *four core components* of the GBP:

- Use of Proceeds
- Process for Asset Evaluation and Selection
- Management of Proceeds
- Reporting

Swedbank has acted as advisor to Odal in the establishment of this Framework. Further, the Framework is reviewed by an external impartial firm, which has provided a second opinion to confirm its alignment with the GBP. The Framework and second opinion from Sustainability are available on Odal’s website, www.odal-sparebank.no.



¹ Green Bond Principles published in June 2021 (with June 2022 Appendix I) are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (“ICMA”)

Use of proceeds

Green Loans

An amount equivalent to the net proceeds from Odal’s Green bonds shall be used to *finance or refinance Green Loans providing distinct environmental benefits* (“Green Loans”). The Bank will continuously exercise its professional judgement, discretion and ESG expertise when identifying the Green Loans.







Financing and refinancing

New financing is defined as Green Loans disbursed during the reporting year. *Refinancing* is defined as Green Loans disbursed before the reporting year. The distribution between financing and refinancing will be reported in Odal’s annual allocation and impact report.

Exclusion criteria

The net proceeds of Odal’s Green bonds will *not be used to finance either, nuclear energy generation, weapons, and defence industries or potentially environmentally negative resource extraction, gambling, or tobacco.*



Green Loan categories	Sub-categories	Related SDGs	EU Taxonomy environmental objectives
Green buildings	<p>New & existing residential and commercial buildings² Within the top 15 % most energy efficient buildings in Norway demonstrated by adequate evidence. Criteria:</p> <ul style="list-style-type: none"> Buildings in accordance with building code from 2010 (TEK 10) or 2017 (TEK 17)³, or Buildings that either have or will receive EPC of class A or B <p>Major renovations</p> <ul style="list-style-type: none"> Major renovations leading to an improvement in energy performance of at least 30% 	 	Climate change mitigation
Renewable energy	<ul style="list-style-type: none"> Solar energy i.e. installation of solar-panels and related equipment Wind power 		Climate change mitigation
Clean transportation	<ul style="list-style-type: none"> Fossil-free vehicles powered by electricity Infrastructure for clean transportation including bicycle and pedestrian infrastructure and electric charging points 		Pollution prevention & control
Sustainable agriculture	<ul style="list-style-type: none"> Agricultural activities that are organic and accredited under the DEBIO certification scheme 	 	N/A

² According to the EU Taxonomy, buildings built from the 1st of January 2021 should meet the “NZEB – 10%” criterion. At this point in time, the concept of NZEB has not yet been defined in Norway. Odal will monitor any regulatory developments regarding this topic.

³ For residential, office-, retail-, and industrial buildings and warehouses, a two-year lag between implementation of a new building code and the buildings built under that code is taken into account. For hotel and restaurant buildings, a three-year lag is taken into account.

Process for asset evaluation & selection

Selection of Green Loans

The evaluation and selection process for Green Loans is a key process in ensuring that the amount equivalent to the net proceeds from Green bonds are allocated to loans which meet the criteria in the Framework.

The Green Bond Committee

The Green Bond Committee (“GBC”) established by Odal is an important cornerstone in the selection process. The GBC will meet on a regular basis (at least annually) and will conduct a review on the selected loans to ensure ongoing compliance with the eligibility criteria as well as annual reporting. The GBC consists of representatives from relevant functions such as the Financial controller, the Credit manager and the ESG manager. Odal will assure that the ESG expertise always relies within the GBC. All decisions are made in consensus, and this applies to the selection process of Green Loans as well.

The credit process

All lending activities in Odal must go through the regular and applicable credit approval processes. The terms and conditions that govern our business lending require borrowers to comply with all applicable laws, regulations and practices and that they comply with all authorisations, consents, approvals, waivers, resolutions, licenses, permits, exemptions or registrations related to the projects financed. Also, for corporate clients a standard set of ESG questions is included. Questions cover areas such as climate risks, human rights and financial crime risks. In addition, it is part of the general credit approval process to ensure, on a reasonable effort basis, that all activities comply with internal environmental and social standards as required by Norwegian FSA.

The Green Register

In addition, to qualify as a Green Loan, the loan must meet the criteria defined in the Use of Proceeds section of this Framework. Only such loans that meet these criteria are eligible to be financed with Green bonds being issued under this Framework. Green Loans are inserted in a specific spreadsheet called the “Green Register”.

Relevant business units in Odal, such as representatives from the corporate and retail market, can nominate loans for inclusion in the Green Register.

Odal’s Treasury team will, on behalf of the Green Bond Committee, keep track of the Green Register.

Further responsibilities of the GBC

Odal will follow the development of the Green Bond market and manage any future updates of this Framework to reflect current and future market practices (e.g., related to the EU Taxonomy) and potential updates to the GBP.

The Green Register is monitored on a regular basis during the term of the Green Bonds to ensure that the proceeds are sufficiently allocated to Green Loans. Further, if the GBC identifies loans which do not qualify under the Framework, the GBC has the authority to remove the loans from the Green Register.



Management of proceeds

Equivalent to the net proceeds from Odal's Green bonds will be tracked by using the Green Register. Information available in the Green Register will in turn serve as basis for regular reporting (see Section Reporting). All Green bonds issued by Odal will be managed on a *portfolio level*. This means that a Green bond will not be linked directly to one (or more) pre-determined Green Loans. Green Loans can, whenever needed, be removed or added to/from the Green Loans' portfolio. Any unallocated proceeds temporary held by Odal will be invested in accordance with the internal requirements for the liquidity reserve. Should there be any unallocated proceeds the Bank strives to allocate them within one year. The Treasury department will be responsible of the management of proceeds.

Reporting

To be fully transparent towards investors and other stakeholders, Odal commits to regular reporting until no Green bonds are outstanding. The report consists of two parts; *allocation and impact reporting*, and will be published on the Bank's website on an *annual basis* and will cover the following areas:

Allocation reporting

- Total amount of Green bonds issued
- Share of proceeds used for financing/re-financing and share of proceeds used for categories described in "Use of proceeds"
- Share of unallocated proceeds (if any)

Impact reporting

The metrics below are examples of indicators that are likely to be used by Odal in the forthcoming impact reporting:

Green buildings

- Annual energy saved (MWh)
- Estimated annual tCO₂e emissions reduced or avoided

Renewable energy

- Installed capacity (MW) or expected annual generation (MWh)

Clean transportation

- Number of fossil-free vehicles deployed
- Number of electric vehicles charging points installed
- Estimated annual tCO₂e emissions reduced or avoided

Sustainable agriculture

- Cropland under organic agriculture practices (hectare)
- Organic farming certification scheme

External review

Second opinion

To confirm the transparency and robustness of Odal's Green Bond Framework, it is verified and approved by an external second opinion provider. The second opinion by Sustainalytics is available on Odal's website; www.odal-sparebank.no together with this Framework.

External verification

Allocation of proceeds will be subject to an annual review by an independent party. The verification report provided by the independent party will be published on Odal's website; www.odal-sparebank.no





Sentralbord: 62 97 00 66
kundeservice@odal-sparebank.no
www.odal-sparebank.no