

DNB

DNB Boligkreditt
Green Covered Bond Framework

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DNB Boligkreditt Green Bond Framework

DNB & DNB Boligkreditt AS in brief

DNB ASA (with subsidiaries, "DNB") is Norway's largest financial services group and one of the largest in the Nordic region in terms of market capitalisation. DNB offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for retail and corporate customers. DNB Bank ASA (with subsidiaries, the "DNB Bank Group"), is the largest subsidiary of DNB ASA, and is Norway's largest bank group as measured by total assets. The DNB Bank Group offers corporate, retail and investment banking services and products to customers in Norway and internationally.

DNB Boligkreditt AS ("DNB Boligkreditt") is DNB Group's vehicle for covered bonds issuance based on residential mortgages. The company's offices are located in Oslo. DNB Boligkreditt is a wholly-owned subsidiary of DNB Bank ASA and is reported as part of the business area Personal Banking Norway in DNB's consolidated accounts. Based on developments in international capital markets, DNB Boligkreditt has come to play a key role in ensuring long-term favourable funding for the Group. The rating agencies' assessments are of significance to the company's funding terms. DNB Boligkreditt's covered bond programmes are rated Aaa/AAA by Moody's and Standard & Poor's.

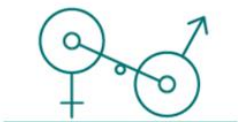
This Green Bond Framework (hereinafter referred to as the "Framework") has been established by DNB Boligkreditt in light of its role in the Norwegian residential mortgage market and alignment with DNB's broad sustainability strategy.

DNB and Society

As Norway's largest financial institution, DNB plays an important role in society, both in Norway and internationally, by bringing together capital, labour and expertise. For us, corporate responsibility is essential in creating value for our stakeholders – including investors, customers, employees, authorities and society at large. DNB's competitiveness is enhanced through long-term and sustainable financial value creation, and by contributing to economic, social and environmental development in the areas and industries where we operate. In practice, this means we emphasize corporate responsibility as an integrated part of our decision-making process.

Our contribution to sustainable development is ensured through responsible business practices and emphasis on environmental issues, social responsibility and business ethics. In addition to complying with Norwegian standards, DNB has chosen to support and participate in a number of global initiatives and complies with international guidelines in the field of corporate responsibility such as OECD guidelines for multinational enterprises, and the UN Global Compact principles in the areas of human rights, labour, the environment and anti-corruption. DNB is a signatory to the Principles for Responsible Banking and committed to align our business strategy in support of the United Nations' Sustainable Development Goals and the Paris Climate Agreement. The global initiatives endorsed by DNB are listed on DNB's website in the [Sustainability Library](#).

In the autumn of 2017, DNB launched a new strategy in which corporate responsibility has a key position. DNB regards corporate responsibility as contributing towards sustainable development in all of the Group's operations and has identified the following four pillars within corporate responsibility, accompanied by a number of long-term ambitions.:



We are a driving force for equality and diversity

- Gender balance (40/60) in management positions at all levels, and diversity and inclusiveness in all teams.
- Promoting equality among our customers through products, services and dialogue.
- Our largest suppliers within IT, consulting and legal services are required to work systematically



We provide loans and investments for sustainable growth

- Contributing with NOK 450 billion to the financing of renewable energy and infrastructure by 2025.
- Contributing with NOK 130 billion to the financing of green real estate by 2025.
- In 2020, all new and refinanced shipping loans shall include a



We combat financial crime and contribute to a safe digital economy

- We work systematically to prevent DNB's products and services from being used for criminal activity, and DNB aims to be the most trusted player when it comes to delivering banking services in a modern, digital economy.



We help our customers manage their own finances

- With more than two million personal customers in Norway, DNB has a special responsibility to ensure that as many people as possible are able to make sound financial decisions. Research shows that poor financial habits are passed down from one generation to the next, and we regard it as part of our corporate

with equality and diversity in their own organisations.

clause about responsible ship recycling.

- Sustainability shall form part of the risk assessment for loans to companies (>NOK 8 million).
- Our start-up pilot shall each year help at least 5000 start-up companies
- Contributing with NOK 200 million in growth loans to businesses that need capital to grow.

responsibility to help as many people as possible develop good financial habits.

Corporate responsibility in DNB's credit activities

DNB has guidelines in place that specify what financing activities the bank can and cannot engage in including clearly defined expectations to our borrowers. Environmental, social and governance factors are assessed in the credit process for all corporate loans above NOK 8 million and we place the following requirements and expectations on our customers:

Compliance with applicable laws DNB's customers shall comply with applicable laws and regulations of their country of origin as well as of the countries where they operate. They shall also act in accordance with relevant international conventions and guidelines set by international organisations, such as the United Nations and the Organisation for Economic Co-operation and Development.

Respect human and labour rights DNB's customers shall fully support and respect, within their sphere of influence, internationally recognised human rights, and ensure that they are not involved in human rights violations. Further, customers shall respect the eight fundamental or core international labour organisation conventions.

Show regard for the environment DNB supports the protection and preservation of the environment and believes that DNB can make an important contribution to the promotion of good environmental practices. Therefore, DNB aims to prioritise corporate clients with responsible environmental behaviour. For clients that operate in industry sectors with a high environmental footprint, DNB has an interest in seeing that such clients adequately manage their environmental footprint.

Consider climate change risks DNB's clients shall seek to integrate relevant climate change challenges into their investment planning, integrate material climate change risks in their risk management, report on material climate change risks and greenhouse gas emissions as well as be transparent about their interaction with policymakers and regulators and their positions on climate change legislation and regulation.

In addition to the general criteria above, DNB has also prepared sector guidance documents for lending within key industries, which can be found in the Sustainability Library. To ensure we finance activities that are in line with DNB's values, we have identified a list of excluded activities where we do not grant credit, and these can be found in our "Group standard for Corporate Responsibility in DNB ASA's credit activities" (see our Sustainability Library).

In alignment with our responsible lending activities and our ambition to mobilise capital for sustainable financing, DNB has introduced a Green Loan offering, defined in the DNB Sustainable Product Framework¹ with clear guidelines around eligibility criteria to define green use of proceeds.

In 2018, DNB has participated in two Climate-Related Financial Disclosures (TCFD) pilot projects for scenario testing of climate risk in the lending portfolio. A substantial TCFD disclosure effort was DNB's CDP² report from August 2018, for which DNB was the only Nordic bank to receive the top score A. In addition, DNB participated in pilot projects under the auspices of the United Nations Environment Program UNEP FI to develop better reporting standards through the use of scenario analyses.

DNB has supported the UN Sustainable Development Goals ("UN SDG") since 2015 and for DNB they represent a platform for innovation and growth as well as a framework for customer dialogue around sustainability efforts. We have identified two

1 Available in the Sustainability Library

2 CDP, formerly the Carbon Disclosure Project, is a foundation whose purpose is to help give businesses and authorities a better overview of their own climate impact.

main goals of particular importance as they represent areas where DNB can make a difference both by contributing positively and by reducing potential downside risks:

- Goal 5: Achieve gender equality and empower all women and girls.
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

DNB has also identified seven additional goals as relevant to our business operations: 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 10 (Reduced Inequalities), 12 (Responsible Consumption and Production), 13 (Climate Action), 14 (Life below Water) and 16 (Peace, Justice and Strong Institutions). DNB acknowledges that the 17 Goals are all interconnected and indirectly contributes to the achievement of the whole UN SDG agenda by 2030.

DNB Boligkreditt and Green Covered Bonds

In alignment with the broader DNB corporate responsibility strategy, DNB Boligkreditt has established this Framework to be able to issue Green Covered Bonds ("**Green Covered Bonds**") to finance and/or refinance mortgages for energy efficient residential properties with lower energy needs and consumption. Given DNB's leading presence in the Norwegian residential mortgage market, the intended Green Covered Bond transactions serve as a testament to DNB's leadership and commitment to sustainability.

DNB Boligkreditt Green Bond Framework

The ICMA Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. In alignment with the ICMA Green Bond Principles 2018³, DNB Boligkreditt Green Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

For each Green Covered Bond issued, DNB asserts that it will adopt (1) Use of Proceeds, (2) Process for Project Evaluation and Selection, (3) Management of Proceeds and (4) Reporting, as set out in this Framework. The Framework also follows the recommendations of the Green Bond Principles regarding External Review.

This Framework has been established by a dedicated Green Bond Committee. The committee consists of members from a group of departments with relevant stakes in DNB's green bond(s), namely, DNB Boligkreditt as issuer, Group Treasury, the Corporate Social Responsibility department and the Sustainable Finance department within DNB Markets.

The Framework defines the portfolio of loans (the "**Eligible Green Loan Portfolio**") eligible to be funded by the proceeds of the Green Covered Bonds. The documentation for any Green Covered Bond issued shall provide a reference to this Framework under the use of proceeds section. The terms and conditions contained in the underlying documentation for each issued Green Covered Bond will specify the actual terms of the instruments.

This Framework (including the Eligibility Criteria (defined below)) may, from time to time, be updated and, will be applied to any Green Covered Bond. For instance, future changes to the Green Bond Principles may be implemented in future versions of this Framework. Any future version of this Framework will either keep or improve the current level of transparency and reporting disclosures, including the corresponding review by an external consultant. Future updates of the Framework will be managed by the Green Bond Committee.

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

Use of Proceeds

DNB Boligkreditt intends to allocate the net proceeds of the Green Covered Bonds to a loan portfolio of new and existing mortgages ("**Eligible Green Loans**") for energy efficient residential buildings in Norway (the "**Eligible Residential Green Buildings**"). The Eligible Green Loans are to be funded in whole or in part by an allocation of the bond proceeds.

DNB Boligkreditt has relied on the support of external green real estate consultant Multiconsult ASA to define the associated eligibility criteria below (the "**Eligibility Criteria**"). Eligible Residential Green Buildings must meet the following eligibility criteria:

New residential buildings in Norway⁴ (completed in 2012 or later⁵)

New or existing Norwegian residential buildings that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17)⁶.

Building code	Specific energy demand apartment buildings	Specific energy demand other dwellings
TEK 10	110 kWh/m ²	126 kWh/m ²
TEK 17	92 kWh/m ²	107 kWh/m ²

Energy Performance Certificates (EPC) for Norwegian residential buildings are currently not publicly available. When (or if) the database becomes publicly available and the data is deemed by DNB Boligkreditt to be reliable, the Green Bond Committee will consider including residential buildings with EPC labels A, B or C.

For the avoidance of doubt, any future changes to the Eligibility Criteria will not apply to Green Covered Bonds issued before the date of the change.

Alignment with the EU Environmental Objectives

The Eligible Green Loans make a substantial contribution to the achievement of certain EU Environmental Objectives⁷ and relative sub-targets:

- *EU Environmental Objective (1): Climate Change Mitigation*
- *Substantial contribution to Climate Change Mitigation (1.b):* Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption

4 This complies with the criteria set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>.

5 A conservative time lag between implementation of a new building code and the buildings built under that code is taken into account in Multiconsult's technical report, hence all residential buildings finished in 2012 and later are all eligible for Green Covered Bonds under this criterion.

6 The Eligibility Criteria will apply to residential buildings until there will be clear a definition of what NZEB ("Nearly Zero Energy Buildings") corresponds to in terms of regulation, within the Norwegian context. In accordance with the EU Taxonomy document, buildings built from 1 January 2021 should meet the "NZEB – 20%" criterion, meaning that the net primary energy demand of the new buildings must be at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements. DNB intends to closely monitor regulatory developments regarding this topic and intends to apply the EU Taxonomy Technical Screening Criteria for Green Buildings when there will be an exact definition of NZEB in Norway. Sources: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf and <https://www.epbd-ca.eu/wp-content/uploads/2018/08/CA-EPBD-IV-Norway-2018.pdf>

7 Proposal for a regulation of the European Parliament and of the council on the establishment of a framework to facilitate sustainable investment, COM/2018/353 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018PC0353>

Alignment with the UN SDGs

The Eligible Green Loans directly contribute to the achievement of two specific UN SDGs:

- SDG 9: Industry, innovation and infrastructure
- SDG 11: Sustainable cities and communities

Process for Project Evaluation and Selection

DNB Boligkreditt will select and track the Eligible Green Loans based on information from the official Land Register. The information is received from third-party Eiendomsverdi⁸, which is an entity that supports the reporting of mortgage cover pool data for a large number of Norwegian covered bond issuers.

Information from the Land Register regarding building year for all properties securing the loans in the DNB Boligkreditt Cover Pool are used to determine the Eligible Residential Green Buildings. Loans secured by mortgages on Eligible Residential Green Buildings are selected as Eligible Green Loans.

All residential mortgages within DNB Boligkreditt's Cover Pool, including the Eligible Green Loans, have been and will be originated in line with DNB credit risk policies.

DNB Boligkreditt will be responsible for identification and record keeping of new and existing mortgages that meet the Eligibility Criteria. A green mortgage register of Eligible Green Loans will be kept by DNB Boligkreditt, and DNB Boligkreditt will select from the register the Eligible Green Loans available for green covered bond funding.

The Green Bond Committee will meet on a regular basis (at least annually) and will conduct an additional review on the selected mortgages to ensure ongoing compliance with the Eligibility Criteria.

DNB Boligkreditt ascertains, on a best effort basis, that all selected Eligible Green Loans comply with official national standards and local laws and regulations. It is part of the general transaction approval process within DNB to ensure, on a best effort basis, that all activities comply with internal environmental and social standards.

Management of Proceeds

The Green Covered Bonds net proceeds will be managed by DNB Boligkreditt in a portfolio approach.

DNB Boligkreditt intends to allocate the proceeds from the Green Covered Bonds to a portfolio of loans (the "**Eligible Green Loan Portfolio**") that meet the Eligibility Criteria and in accordance with the evaluation and selection process presented above.

DNB Boligkreditt intends to designate sufficient Eligible Green Loans in the Eligible Green Loan Portfolio to ensure that the size of the Eligible Green Loan Portfolio matches or exceeds the total balance of all outstanding Green Covered Bonds. When necessary, additional Eligible Green Loans will be added to the Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds.

During the life of the Green Covered Bonds, and upon becoming aware, if a loan ceases to fulfil the Eligibility Criteria, DNB Boligkreditt will remove the loan from the Eligible Green Loan Portfolio and replace it, when necessary, as soon as reasonably practicable.

DNB Boligkreditt will hold or invest any unallocated Green Covered Bond net proceeds, at its own discretion, in its liquidity portfolio in money market instruments.

Reporting

The Green Bond Principles require green bond issuers to keep investors and other stakeholders updated on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

⁸ For more information, please see: <https://eiendomsverdi.no/>

On a best effort basis, DNB Boligkreditt will align the reporting with the portfolio approach described in "Handbook – Harmonized Framework for Impact Reporting (June 2019)"⁹. The reporting is based on the Eligible Green Loan Portfolio and numbers will be aggregated for all Green Covered Bonds outstanding.

DNB Boligkreditt intends to report to investors within one year from the date of a Green Covered Bond transaction and annually thereafter, until the proceeds have been fully allocated.

Allocation Reporting

The allocation report will provide, on an aggregated basis, on indicators such as:

- The size of the identified Eligible Green Loan Portfolio;
- The total amount of proceeds allocated to Eligible Green Loans;
- The balance (if any) of unallocated proceeds;
- The amount or the percentage of new financing and refinancing; and
- The geographical distribution of the Eligible Green Loan Portfolio, at country level.

Impact Reporting

Where feasible, DNB intends to report on the impact of the Eligible Green Project Portfolio. The Impact report may provide:

- A brief description of the Eligible Green Loans;
- The breakdown of Eligible Green Loan Portfolio, by nature of what is being financed (financial assets); and
- Metrics regarding Eligible Green Loans' environmental impact.

DNB Boligkreditt has appointed a specialised green real estate consultant Multiconsult ASA to develop a methodology for impact estimation and calculation. The impact report will provide details, on an aggregated basis, on indicators such as:

- Estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh; and
- Estimated annual GHG emissions reduced/avoided in tons of CO₂ equivalent.

Both the allocation report and the impact report will be made available on [DNB's green covered bonds website](#).

External review

Pre-issuance verification: Second party opinion

DNB Boligkreditt will obtain an independent Second Party Opinion from Sustainalytics to confirm the validity of the DNB Boligkreditt Green Bond Framework. The independent Second Party Opinion will be published on the DNB website.

Post-issuance verification: Auditor's report and CBI

DNB Boligkreditt may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor (EY or any subsequent external auditor).

DNB Boligkreditt has obtained CBI post-issuance certification for all Green Covered Bonds issued to date, which is aligned with CBI's baseline for the Norwegian Low Carbon Residential Buildings: <https://www.climatebonds.net/standard/buildings/residential>. DNB Boligkreditt has obtained programmatic accreditation of the CBI certificate for all future Green Covered Bonds issued under this Framework.

⁹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

Sustainalytics, an approved third-party verifier, has been appointed to confirm the framework's conformance with the Low Carbon Building criteria of the Climate Bonds Standard.

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