

Green Bond Framework

January 2023



Introduction

Brage Finans AS is an independent credit institution headquartered in Bergen, Norway, and licensed by the Norwegian Financial Supervisory Authority (Norwegian: Finanstilsynet). Brage Finans was established in 2010 and is owned by 23 Norwegian banks. The company offers financing solutions, mainly equipment financing, to both retail and corporate clients, mainly in the form of leasing and secured lending. Brage Finans' financial services offering is sold via the company's owners, third party suppliers as well as through own channels.

Brage Finans' Lending Portfolio

Brage Finans categorises all lending according to the types of assets being funded. Vehicles, construction machinery and transportation are the three categories making up the majority of the lending portfolio. These are examples of segments where technology is rapidly evolving. Brage Finans wishes to finance newer assets as these tend to have higher environmental performance.

Brage Finans is continuously evaluating financing solutions which can promote sustainable development. For retail clients, the company offers Green Car Loans for purchasing of electric cars. For corporate clients, Brage Finans offers financing of electric car charging stations, recycling and waste management solutions, sludge treatment and sea lice management to name a few examples. The company is also looking to add new green financing products such as financing of solar panels. The overall objective is to increase the share of green assets in the portfolio.

Owners of Brage Finans

- Sparebanken Vest
- Sparebanken Sør
- Fana Sparebank
- Haugesund Sparebank
- Voss Sparebank
- Spareskillingsbanken
- Flekkefjord Sparebank
- Søgne & Greipstad Sparebank
- Luster Sparebank
- Lillesands Sparebank
- Etne Sparebank
- Næringsbanken
- Sparebank 68 Grader Nord
- Askim & Spydeberg Sparebank
- Ørland Sparebank
- Aasen Sparebank
- Stadsbygd Sparebank
- Nidaros Sparebank
- Tolga-Os Sparebank
- Sparebanke Din
- Selbu Sparebank
- Drammedal Sparebank
- Varig Forsikring Nordmøre og Romsdal Gjensidig
- Varig Hadeland Forsikring
- Varig Orkla Forsikring Gjensidig

Vision and Goals



Sustainability at Brage Finans

Sustainability is an integrated part of Brage Finans' corporate strategy, where the company wishes to promote sustainable development through its operations and product offering. This is essential in ensuring long term value for Brage Finans, the company's customers, shareholders, investors, as well as for the broader environment in which Brage Finans operates.

Brage Finans adheres to Norwegian laws, regulations and standards and the company also supports the ten principles outlined in the UN Global Compact regarding human rights, labour rights, the environment and anti-corruption. With the UN Global Compact as guiding principles, these areas have all been integrated into Brage Finans' business strategies, daily operations as well as in relationships with various stakeholders. With this Green Bond Framework, Brage Finans wishes to support the UN Sustainable Development Goals and have chosen to label each investment category with relevant goals. Sustainability aspects are an important component of the company's credit policy, which is focusing on supporting responsible credit.

Sustainability in the credit policy

Brage Finans pursues a credit policy with the aim of minimising credit losses while also being a responsible and trustworthy supplier of equipment financing services. The credit strategy shall support the company's efforts in offering financial solutions that promote environmentally sustainable development.

Brage Finans does not offer leasing and loans to customers or businesses where:

- Brage Finans has reason to believe that operations are in violation of Brage Finans' internal ethical guidelines or society's expectations for ethical conduct,
- fraudulent behaviour has been indicated or where the client or its owners have been involved in criminal activity, or
- activities are in violation of laws, regulations and environmental requirements, or where necessary approvals from relevant authorities are not in place.

In addition, where the above requirements are fulfilled, Brage Finans does not offer leasing and loans to companies involved in:

- extraction of, or power generation based on, coal or oil sands,
- production or distribution of pornographic material,
- production or ownership of mass destruction weapons, such as chemical weapons, biological weapons and cluster bombs,
- activities linked to corruption or criminal activity,
- gambling, or
- tobacco.

Brage Finans' credit policy also states that the company should be restrictive in offering asset financing to clients developing or selling products with significant negative impact on the environment, nature or human rights.

Eco-Lighthouse Certification



As one of the first financial companies, Brage Finans received an Eco-Lighthouse certification in October 2019 and re-certification in August 2022. The Eco-Lighthouse Certification scheme (Norwegian: Miljøfyrtårn) became the first Norwegian environmental scheme to be recognised by the EU and in June 2019, specific criteria for the financial sector were published.

The main objective of this certification is to ensure climate and environmental aspects are integrated in the main business activities of a company. The criteria for the financial sector are also meant to promote integration of the recommendations in Finans Norge's "Roadmap for Green Competitiveness in the Financial Sector" published in June 2018. This roadmap details several recommendations for banks, asset managers and insurance companies on how to promote low-carbon and climate-resilient development through their operations. Examples include integration of climate risks in investment and financing decisions.

Brage Finans and Green Bonds

Brage Finans wishes to contribute to low-carbon and climate-resilient development. Offering financial services that help clients make environmentally sustainable investment decisions is therefore an important part of the business. By issuing Green Bonds, Brage Finans wishes to finance lending activities that create positive environmental impact.

Green Bond Framework







This Green Bond Framework is aligned with the Green Bond Principles published in 2018 by the International Capital Markets Association and has been prepared in cooperation with DNB Markets. Recognising that the Green Bond market and best practices are still evolving, Brage Finans will follow market developments and when deemed necessary by the company make appropriate updates to this Green Bond Framework.

Use of Proceeds

Net proceeds from Brage Finans' Green Bonds will be used to finance a portfolio of loans and leases, in whole or in part, that promote the transition to low-carbon and climate-resilient development. Only such loans and leases that comply with the list of Eligible Green Loans below are deemed eligible for Green Bond funding. Net proceeds from Green Bonds can be used for the financing of new loans and leases, as well as for refinancing of existing loans and leases.

For the avoidance of doubt, Green Bonds will not be used to finance investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco.

Eligible Green Loans

Category	Eligible Green Loans	Reference to UN SDGs
Clean Transportation and Machinery	1. Loans and leases to finance fully electric vehicles including, but not limited to, cars, trucks and public transport as well as fully electric machinery for construction, forestry management and agriculture.	
	2. Loans and leases to finance infrastructure for providing electricity to the above mentioned object.	
	3. Loans and leases to finance infrastructure for the above mentioned public transport services.	
Renewable Energy	Loans and leases to finance solar power installations as well as technologies and equipment related to renewable energy installations within solar and wind.	
		
Sustainable Aquaculture	Loans and leases to finance fish farm equipment, such as, but not limited to, non-chemical sea lice management, escape prevention, waste management and sustainable feed production, that meet the following minimum criteria: <ul style="list-style-type: none"> the fish farm must be certified by the Aquaculture Stewardship Council (ASC), and certified by the GLOBAL G.A.P standard, feed used at the fish farm must only use soy protein concentrate that is certified either by the Round Table for Responsible Soy's (RTRS) Segregation certificate or by ProTerra, and the equipment must not run on fossil fuel, the aquaculture company must be able to document that the producer of the feed used at the farm engages in a dialogue with its supplier of soy protein concentrate, encouraging it to reduce deforestation in all of its operations, not only in its production share that is certified. 	

Process for Project Evaluation and Selection

All lending in Brage Finans goes through the company's general credit approval process, where a number of exclusionary criteria are in place as detailed in this framework. In addition to existing policies and procedures, inclusion in the pool of Eligible Green Loans, loans and leases must also meet the criteria of this Green Bond Framework.

To ensure transparency and accountability around the selection of Eligible Green Loans, Brage Finans has established an internal Green Bond Committee, consisting of members from the Credit, Compliance and Treasury Departments.

Brage Finans' Credit Department will be responsible for nominating loans and leases to the Green Bond Committee, which in turn will evaluate and select loans and leases for inclusion in the pool of Eligible Green Loans in accordance with the criteria and definitions in this Green Bond Framework. Brage Finans' loan portfolio is categorised according to types of asset being financed, and the portfolio will be tagged at an asset-by-asset level for reporting purposes.

All decisions made by the Green Bond Committee will be in consensus. Decisions will be documented and filed and selected loans and leases will be tagged in Brage Finans' internal systems to ensure traceability.

Brage Finans acknowledges that Green Bond market standards are still evolving and the Green Bond Committee will evaluate the need for future updates to this Green Bond Framework depending on market developments.

Management of Proceeds

Net proceeds from issued Green Bonds will be tagged in Brage Finans' internal systems and earmarked for financing and refinancing of Eligible Green Loans as defined by this Green Bond Framework.

Brage Finans' Treasury Department will ensure that the amount of Eligible Green Loans at all times exceed the total amount of Green Bonds outstanding. If a loan or lease financed by Green Bonds no longer qualifies as an Eligible Green Loan in accordance with this Green Bond Framework, it will be excluded from the pool of Eligible Green Loans and if needed it will also be replaced by other qualifying loans or leases.

Net proceeds from Green Bonds awaiting allocation to Eligible Green Loans will be managed according to the overall liquidity management policy of Brage Finans and may be invested in short term money market instruments and cash.



Reporting

To enable investors and other stakeholders to follow the developments of Brage Finans' issuance of Green Bonds and the Eligible Green Loans being financed, an investor letter will be made available on the company's website. The investor letter will include an allocation report and an impact report and be published annually as long as there are Green Bonds outstanding.

Allocation report

- Amounts invested in each of the categories of Eligible Green Loans defined in this Green Bond Framework and the amount of new financing versus refinancing
- The nominal amount of Green Bonds outstanding
- The amount of net proceeds awaiting allocation to Eligible Green Loans
- Examples of assets financed by Green Bonds

Impact report

The impact report aims to disclose the environmental impact of financed Eligible Green Loans. Impact reporting will be made on a portfolio basis.

The assessment of environmental impact will be based on the Key Performance Indicators listed below, with the reservation that relevant data may not be available for each Eligible Green Loan. Methods for calculation will be described in the investor letter.

Clean Transportation and Machinery

- Number of financed low-carbon vehicles and machinery per asset type
- Number of electric vehicles charging points installed
- For public transport, increased capacity in terms of number of passengers

Renewable Energy

- Installed capacity (MWh) per renewable energy source

Sustainable Aquaculture

- Lending per equipment type and examples of assets financed

External Review

Second Opinion

Brage Finans has obtained a second opinion from CICERO Shades of Green to confirm the transparency of this Green Bond Framework and its alignment with the ICMA Green Bond Principles 2018. The second opinion will be made available on our website together with this Green Bond Framework.

Assurance

An independent external auditor appointed by Brage Finans will on an annual basis provide limited assurance that an amount equal to Green Bond net proceeds has been allocated to Eligible Green Loans.