S&P Global Ratings

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Second Party Opinion

OBOS Green Bond Framework

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Location: Norway	**Sector:** Real estate

Alignment With Principles

Aligned = ✓ Conceptually aligned = O 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

OBOS has set ambitious targets to reduce its new properties' emissions and calculates these frequently in the development phase. Specifically, it aims to reduce the emissions intensity of its new buildings by 45% in 2026, 55% in 2030, and 95% in 2050 (from a 2020 baseline). To support this, OBOS calculates projects' life cycle emissions three times during the development phase. It has also developed guidelines on how to reduce buildings' embodied and operational emissions.

Weaknesses

For loans to private consumers and housing associations, the eligibility requirements for green buildings do not exceed the regulatory minimum, except for new construction. Buildings to be financed must be more energy efficient than the nation's existing stock of buildings. However, the eligibility criteria fall short of representing significant steps toward a low carbon, climate resilient future.

Areas to watch

Despite OBOS addressing embodied emissions in its targets and internal procedures, new construction inherently entails high emissions. The sector's understanding of, and methodologies to reduce, embodied emissions are still evolving.

Eligible Green Projects Assessment Summary

We assess eligible projects under the issuer's green finance framework based on their environmental benefits and risks, using Shades of Green methodology.

Renewable energy	**Dark green**
Acquisition, development, expansion, operation, and maintenance of facilities for energy production from renewable sources, as well as supporting infrastructure	

Green buildings	**Medium to Light green**
Construction and/or acquisition of new or existing commercial and residential properties	
Finance loans to private consumers and or building associations (boligselskaper) under OBOS-banken and OBOS Boligkreditt.	
Improve the existing building stock	

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

OBOS BBL is a member-owned property developer that operates in Norway, Sweden, and Denmark. The organization was established in Norway in 1929 to develop and provide housing to its member-owners. Today, OBOS is one of the largest property developers in the Nordics, developing both residential (primarily single-family houses) and commercial buildings (including shopping centers, hotels, hospitals, and schools) as well as providing management services to housing associations. OBOS also provides bank services, real estate brokerage (about 5% of annual revenues in 2023) and engages in activities that benefit its members (its owners) and invests in start-ups. At the beginning of 2024, OBOS had 580,000 members and managed more than 280,000 individual dwellings. It employs over 2,300 people and its annual revenue was Norwegian krone (NOK) 16,678 million (€1,436 million) for the fiscal year ending Dec. 31, 2023. This framework covers OBOS BBL and all wholly owned subsidiaries.

Material Sustainability Factors

Climate transition risk

Increased energy use in buildings is a significant climate change driver, accounting for about a third of global greenhouse gas emissions on a final-energy-use basis, according to the International Energy Agency (IEA). This leaves the sector highly exposed to growing public, political, legal, and regulatory pressure to accelerate climate goals. Rising power costs and the need for upgrades to meet new energy standards could raise operating costs and affect the market positions of residential, commercial, and industrial properties. Investing in climate resilience might be costly but could decrease the risk of assets becoming obsolete as a result of regulatory or climate shifts. Properties with lower carbon footprints could run more efficiently and potentially attract higher rents over time. Norway's focus on renewable energy, especially hydropower, contributes to the country's low emissions and supports its climate targets.

Physical climate risk

Real estate assets are inherently vulnerable to physical climate risks due to their fixed geographical locations. These risks range from acute events like wildfires, floods, and storms—which are increasing in frequency and severity—to chronic changes such as shifting temperature and precipitation patterns and rising sea levels. Both types of risks can harm properties, jeopardize tenant safety, and require investment to mitigate potential damage or, in extreme cases, to relocate tenants. The overall impact varies by region, with some areas facing significant risks, and most market participants have some insurance coverage. But companies may start to face increasing difficulty getting insurance for the most exposed assets, absent adequate adaptation measures. In Norway and Sweden, the building sector's susceptibility to urban flooding, severe storms, and other extremes underscores the need for prioritized climate resilience in project development to effectively manage these risks in both countries.

Biodiversity and land use

The real estate sector impacts biodiversity and land use, primarily when space usage leads to habitat disruption and fragmentation. Development can affect local ecosystems by altering water flow and increasing pollution, potentially harming native species and ecological functions. These activities often result in land degradation and the loss of natural or agricultural areas, impacting ecosystem services and biodiversity. Expansion into natural areas poses risks of irreversible biodiversity loss, which can be mitigated if sustainable design and green infrastructure are integrated into developments. In Norway and Sweden, challenges like agricultural runoff, invasive species, and intensive land practices threaten diverse ecosystems and habitats.

Access and affordability

Low housing stock and a lack of affordable options can significantly impact livelihoods, with vulnerable, low-income individuals potentially facing homelessness. For many residential tenants, affordability is important given that a large portion of their take-home pay might go toward rent. Additionally, ensuring accessibility for disabled individuals allows them to participate in community life and access necessary services, enhancing both individual wellbeing and community inclusivity. In Norway and Sweden, the building sector must prioritize universal design and accessibility, guided by Norway's Anti-Discrimination and Accessibility Act and Sweden's provisions within the Boverket Building Regulations.

Issuer And Context Analysis

The framework's project categories address the most significant sustainability factors for OBOS. Investments in green buildings and renewable energy help address OBOS' transition risks and these investments will help it achieve its decarbonization goals. Although the green bond framework is not designed to address social matters, it does consider access and affordability, and their effects on communities—highly relevant to most projects.

The OBOS Group has relevant overarching strategies to address environmental and climate risks, supported by its various subsidiaries. In housing development, these entities are held to specific sustainability targets and policies, with targets set for all projects. For example, OBOS Eiendom targets an EPC A for all its projects, and OBOS Sverige aims to certify its projects under the Nordic Swan Ecolabel. We view positively that OBOS has set a target to reduce emissions from new buildings by 45% by 2026, 55% by 2030, and 95% by 2050 (from a 2020 baseline). With over 80% of OBOS' emissions originating from the construction of new buildings, it is taking steps to reduce both embodied and operational emissions. Since 2021 it has been working on reducing material use via design optimization; choosing materials with lower lifecycle emissions; increasing the energy efficiency of its buildings; and investing in renewable energy. The issuer calculates the life cycle emission of projects three times during the development process and has developed guidelines showing end-users how to reduce emissions once they occupy a building.

We view positively that OBOS is further strengthening its physical climate risk approach to new buildings. OBOS is conducting climate risk assessments of its land-for-development portfolio to identify risks such as landslides and erosion, and increased rainfall, floods, wind, and drought. It has designed a template for this assessment in accordance with the EU taxonomy and BREEAM-NOR, and will use it for new developments.

OBOS intends to focus on brownfield areas for new building projects, which we see as a strength. The issuer also prioritizes building where public transportation is easily accessible. For all new projects, OBOS assesses whether there is a need to reduce and mitigate biodiversity risks, and whether it needs to take measures to safeguard and improve biodiversity. OBOS has begun to map the land it owns to identify areas that are potentially sensitive to biodiversity loss such as cultivated land, and has started monitoring red-listed (endangered) species. OBOS expects this work will help it align its activities with the EU taxonomy and ensure that it is preparing land and operating on it responsibly. For construction projects, OBOS has policies to limit biodiversity risks; it stipulates that all wood used must be FSC or PEFC certified and that no materials come from endangered species.

OBOS-banken is exposed to ESG risks mainly through its lending portfolio, and we view as a strength that it is now estimating its financed emissions; in 2023, these constituted 61.7% of its total emissions. Through 2024, it aims improve the data quality in its calculations and establish a baseline for emission reduction targets**.** OBOS-banken offers loans to private individuals and housing companies; loans to the latter are associated with buildings previously built by OBOS. Part of its strategy to decrease emissions is increasing its share of green lending and its goal is that every third new lending krone should be green by 2026. In 2023, green lending growth as percentage of net lending growth was 39.6%, which was on target. In 2022 OBOS-banken introduced ESG risk assessments as a part of its standard process for new loan applications for the corporate market. It reviews topics such as maintenance, energy efficiency, physical climate risks, management, and requirements for suppliers. Currently 34% of the housing companies in the portfolio are assessed, with risk levels ranging from low to moderate. The bank has yet to set exclusion requirements but is focusing on counseling and raising client awareness as to how to reduce portfolio risks.

Although not its core business, OBOS' home-purchase models are improving housing access and affordability in Sweden and Norway. OBOS' members can co-buy/buy properties under the OBOS Deleie and OBOS Bostart programs in Norway, and OBOS Deläga in Sweden. In Norway and Sweden, members are able to buy 50% (at least) of a property and pay an amount equivalent to the market rent for OBOS' share of the rest, until they are ready to purchase the whole house. In Norway, members can buy a house at a lower-than-market price in exchange for OBOS having the first right to buy it back if the member wants to sell.

Alignment Assessment

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

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✕

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

✓ Use of proceeds

We assess all the framework's green project categories as having a green shade. The issuer commits to allocate the net proceeds issued under the Green Bond Framework exclusively to eligible green projects. The framework encompasses two project categories—renewable energy and green buildings. Both categories contribute to climate change mitigation.

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.

✓ Process for project evaluation and selection

OBOS has established a Green Bond Committee (GBC) composed of its CEO, CFO, the CEO of OBOS Boligkreditt, the Finance Director, who chairs, and the Environmental Director, who has veto authority. This committee oversees the selection and evaluation of projects eligible for green bond funding, ensuring they comply with OBOS' sustainability criteria, laws, and the outlined use of proceeds. The GBC also updates the Green Bond Framework, reflecting changes in corporate strategy, technology, market conditions, and regulations. It replaces ineligible assets and projects as needed. As part of the evaluation process, OBOS requires all corporate entities to assess their own ESG risks, while OBOS-banken evaluates these risks for housing cooperative loans, assessing specific climate and nature risks for each project and building. OBOS also recognizes climate change mitigation as an environmental goal for all project categories and maintains an exclusion list that bars investments in fossil energy production, environmentally damaging resource extraction, gambling, and tobacco. Finally, the issuer works with suppliers to mitigate any relevant social risks in the value chain using Norway's Transparency Act as guidance.

✓ Management of proceeds

OBOS commits to tracking the net proceeds from its Green Finance Framework through a green bond register of all issuing entities. If an asset no longer meets the eligibility criteria during the lifespan of the green bonds, OBOS will remove and replace the asset in the register. Any unallocated proceeds will be managed according to the liquidity policies of the respective issuing entities and kept in an escrow account and/or in money market funds.

✓ Reporting

OBOS will publish an annual Green Bond Investor Report for as long as green financing instruments are outstanding. OBOS-banken and OBOS Boligkreditt may issue separate Green Bond Investor Reports. These reports will detail the allocation and impact of the bonds, including a list of specific projects and their descriptions, investment amounts in each eligible asset and project, and any remaining funds in the earmarked account. They will also provide actual impact metrics or, when not feasible, estimated impacts. We view positively OBOS's commitment to appoint an external auditor to review the allocation of proceeds. However, it lacks a similar commitment to audit the reporting of impact indicators.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Over the three years following issuance of the financing, OBOS expects to allocate 100% of proceeds to the Green Buildings category. Specifically, the issuer expects 75% of proceeds to be allocated to the financing of loans to private consumers and/or housing associations by OBOS-banken and OBOS Boligkreditt, and 25% toward construction of new commercial and residential properties under OBOS BBL.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and considering the environmental ambitions reflected in OBOS' 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

Renewable energy

Assessment	Description
Dark green	Investments in the acquisition, development, expansion, operation, and maintenance of facilities for energy production from renewable sources as well as necessary supporting infrastructure. Renewable sources in scope include: • Solar energy • Small-scale geothermal energy • Local energy solutions (such as excess heat, but excluding fossil fuel-based sources)

Analytical considerations

- With about 88% of its electricity generated from hydropower (according to the IEA), Norway's energy transition is advanced, compared globally. We assess the financing of renewables projects such as solar, small geothermal, and waste heat recovery as Dark green. Such projects strongly support national and global environmental objectives aimed at a low-carbon, climate-resilient (LCCR) future. For OBOS, addressing the potential ecological impacts of these projects is key to ensuring that it manages biodiversity, and land, and resources use carefully, to mitigate adverse effects.
- OBOS aims to use nearby industrial waste heat for its green buildings. It will leverage waste heat recovery to reduce emissions and environmental risks linked to extra electricity production from alternative sources. However, climate advantages depend on the industries providing the heat. We view positively that OBOS specifically excludes heat from fossil fuel-associated industries.
- OBOS' solar and geothermal projects aim to reduce its properties' dependence on district heating or electricity. Eligible solar projects primarily involve installing solar panels on OBOS-owned roofs and facades, while geothermal investments aim to enhance heating systems in local clusters of OBOS-developed buildings and individual properties.
- In all its new building developments, OBOS measures carbon dioxide emissions for solar projects under the Norwegian standard, NS 3720, which calculates emissions from the production of solar panels and their generated energy over both the construction and operational phases, expected to span 50 years. It will integrate renewable energy projects, including solar panels, into its building developments. OBOS will evaluate environmental and climate risks as part of its overall project assessment, with no additional considerations beyond standard procurement policies.

- Regarding supplier due diligence, OBOS' solar project investments are managed primarily through Enny AS, a collaborative venture with Hafslund. According to OBOS, Enny upholds social and environmental standards in its supplier assessments and ensures compliance with the Åpenhetsloven (Transparency Act).

Green buildings	
Assessment	**Description**
Medium to Light green	Investments in the construction and/or acquisition of new or existing commercial and residential properties under OBOS BBL. Properties built after Dec. 31, 2020, (and which have therefore received the Norwegian local building permit "rammesøkt") must meet at least one of the following criteria: • Energy Performance certified using EPC and Primary Energy Demand (PED) 10% lower than the threshold for Net Zero Energy Buildings (NZEB) requirements in national measures. • Certified Nordic Swan Ecolabel, Passive House, or BREEAM-NOR Very Good, with EPC A or B. • Buildings that meet the EU taxonomy's substantial contribution criteria to at least one of the environmental objectives, and the Do No Significant Harm (DNSH) criteria for activities within the construction and real estate activities sector. Alignment will be documented by a third party. Properties built before Dec. 31, 2020, must meet at least one of the following criteria: • EPC class A, or PED within the top 15% of the national or regional building stock. • Certified Nordic Swan Ecolabel, Passive House, or BREEAM-NOR Very Good, with EPC A or B. • Buildings that meet the EU taxonomy's substantial contribution criteria to at least one of the environmental objectives, and the DNSH criteria for activities within the construction and real estate activities sector. Investments in the renovation of existing buildings must meet one of the following criteria: • Achieve a reduction in PED of at least 30%, or meet the applicable national and regional building regulations for "major renovation" according to Directive 2010/31/EU; or • Meet the EU taxonomy's substantial contribution criteria to at least one of the environmental objectives, and the DNSH criteria for activities within the construction and real estate activities sector. Proceeds may also be used to finance loans to private consumers and or housing companies (including housing cooperations; borettslag og sameier) in relation to purchasing or owning assets that meet the criteria included in the framework.

Analytical considerations

- Improving the energy performance of new and existing buildings and reducing emissions associated with building materials are key to an LCCR future. Mitigating buildings' exposures to climate physical risks will also contribute to future resiliency.
- The eligibility criteria for buildings, plus OBOS' internal policies, address key ways to decarbonize the building sector. These include energy efficiency, reductions in embodied emissions, the generation of on-site renewable energy, and emissions-free construction sites. However, the issuer can draw on a wide range of criteria to assess an asset as eligible, with ranging levels of ambition. This leads us to assess such buildings as Medium or Light green.

- OBOS-banken and OBOS Boligkreditt are expected to use approximately 75% of the proceeds to finance loans to private consumers and/or housing associations. The issuer says that about two thirds will go to housing associations, and one third to private consumers. While these loans will be for purchasing or owning assets that meet the framework criteria, we note that for existing buildings there are no required energy efficiency improvements beyond local regulation. Also, in Norway there is no official definition of what a building must have to make it into the top 15% of national or regional buildings. While this represents the best information currently available, the lack of certainty regarding the robustness of this definition constrains our assessment. OBOS will likely adopt the new national definition of the "top 15%," once it has been established. This lack of definition and the fact that there is no energy efficiency requirement beyond what is legislated limit our assessment of this activity to Light green.
- For assets financed under OBOS-banken and OBOS Boligkreditt, physical climate risks are assessed at the lender level for new loans to housing associations through an ESG assessment. The assessment is not used for loans to private individuals. The assessment has a special focus on climate-related risk, where it uses national database to assess climate risks. Currently 34% of housing companies in the portfolio are assessed, with risk levels between low and moderate. The bank has yet to set exclusion requirements following the assessment but is focusing on counseling and raising client awareness as to how to reduce portfolio risks.
- The issuer expects to use the remaining 25% of the financing's proceeds to construct new commercial and residential properties under OBOS BBL. We understand that most of these buildings will qualify by using PED 10% lower than the NZEB threshold. Considering that the new buildings will be more efficient than required by regulation—and that OBOS monitors and targets embodied emissions reductions and addresses physical climate risks—we assess these investments as Medium green.
- Minimizing emissions from materials will help OBOS address the significant climate impacts associated with new construction projects. The issuer targets to reduce the emissions intensity of its new buildings by 45% in 2026, 55% in 2030, and 95% in 2050 (from a 2020 baseline). To support this target, OBOS has made it mandatory for all projects to calculate life cycle emissions three times during the development process and has developed additional guidelines on how to reduce emissions from projects. While we view these efforts positively, we believe they fall short of what is needed for new buildings to be climate neutral in the short term. Sector-wide, understanding of, and methodologies to reduce, embodied emissions are still evolving.
- OBOS plans to introduce enhanced climate assessments for each new development, based on the EU taxonomy methodology, which we view as a strength. However, while this assessment will be introduced for future projects, the issuer is assessing current projects' climate risks under Norwegian regulation, which is less ambitious in our view. The issuer also assesses climate risks as part of its due diligence when acquiring new land.
- The issuer does not currently have a breakdown of properties to be built on brownfield and greenfield land but says that it intends to focus on industrial and brownfield areas that are easily accessible by public transportation. From its public disclosures, it says it will assess all new projects for the need for measures to safeguard and improve biodiversity.
- We view favorably the framework's criteria for renovations targeting energy efficiency. The IEA's pathway to net zero describes energy efficiency and electrification as the two main drivers in the decarbonization of buildings. That said, we do not foresee any investments of this sort in the next three years.
- Both new and existing buildings could qualify for financing if they meet the EU taxonomy substantial contribution criteria for climate change adaptation, as well as the relevant DNSH criteria, although OBOS currently has no projects that meet these criteria. The construction and operation of buildings remains emissions-intensive, and new buildings meeting these criteria would only need to perform in line or slightly better than the current building code in Norway. We consider the requirements under the code to be insufficient compared to what is needed for the building sector to transition to a low carbon future. Nevertheless, we think OBOS' internal guidelines, addressing both embodied and operational emissions in line with its targets, mitigate the lack of more ambitious energy performance thresholds.

S&P Global Ratings' Shades of Green

Assessments	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

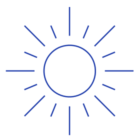
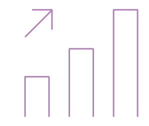
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

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 impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds		
Renewable Energy	 **7. Affordable and clean energy***	 **8. Decent work and economic growth***
Green Buildings	 **11. Sustainable cities and communities***	

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

Related Research

- SPO Spotlight: Second Party Opinions, March 28, 2024
- Analytical Approach: Second Party Opinions: Use Of Proceeds, July 27, 2023
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach For Use-Of-Proceeds SPOs, July. 27, 2023
- ESG Materiality Map: Real Estate, July. 20, 2022

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