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Second Party Opinion

SpareBank1 Gudbrandsdal Green Bond Framework

Feb. 14, 2025

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.

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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

SpareBank1 Gudbrandsdal (S1G)'s initiative is to fund activities that serve as immediate transitional steps to a low-carbon, climate resilient future. To do so, it is leveraging industry-specific credit risk assessments that include a review of transition and physical climate risks. In its green bond framework, the bank has identified relevant projects within agriculture and real estate, which are also the highest emitting sectors it currently finances.

Weaknesses

The criteria for eligible green buildings do not always exceed the minimum regulatory requirements. Most of the proceeds will be allocated to loans for buildings constructed between 2012 and 2020. The framework criteria for these buildings do not require energy performance beyond levels determined by regulatory standards at the time of construction (TEK10 and TEK17).

Buildings built after 2021 with BREEAM In-Use certification are eligible for financing under this framework. Although this certification may result in lower energy consumption, it does not specify minimum energy-savings thresholds. This limits our assessments of the projects' environmental benefits.

Areas to watch

S1G has yet to report its financed emissions, a highly material factor for banks. It has committed to disclose its financed emissions according to Partnership for Carbon Accounting Financials guidelines within three years of enrolment, ensuring it reports at the latest in 2027.

All livestock farming entails material climate impacts. The conversion of pig farms to pathogen-free breeding in Norway may improve the conversion rate of feed to edible meat, and thereby reduce associated emissions. However, the livestock sector is a material contributor to climate change and is exposed to significant climate and environmental risks stemming from land-use change and water consumption.

Shades of Green Projects Assessment Summary

Over the three years following issuance of the financing, S1G expects to allocate the vast majority of proceeds to green buildings, and the rest of the proceeds to the remaining three categories.

The issuer expects all the proceeds to be allocated to refinancing projects.

Based on the project categories Shades of Green detailed below, the expected allocation of proceeds, and considering the environmental ambitions reflected in S1G's green bond framework, we assess the framework as Light green.

Green buildings	**Light green**
Loans financing residential, public, and commercial buildings built before and after 2021 and renovated buildings.	

Renewable energy	**Dark green**
Loans provided to finance companies involved in, or projects and assets related to, the development, installation, operation, or maintenance of hydropower assets.	

Sustainable agriculture	**Light green**
Renewable energy for local power production.	
Improved farming methods that meaningfully help achieve greenhouse gas emission reduction targets.	

Climate change adaptation	**Medium green**
Loans provided to finance projects with the purpose to prevent river flooding and/or landslides.	

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

SpareBank1 Gudbrandsdal (S1G) is a savings bank in Norway that was founded in 1860, with its head office in the town of Vinstra. It has assets of about Norwegian krone (NOK) 18 billion (about €1.536 billion) as of Dec. 31, 2024. The bank has four branches spread across four municipalities: Otta, Vinstra, Ringebu, and Lillehammer and serves more than 30,000 retail customers as well as 3,000 small and midsize corporate customers. The bank's NOK18 billion loan portfolio is distributed one-third to corporate customers and two-thirds to retail customers. The bank has about 100 employees and is involved in the community, supporting local initiatives and contributing to local economic growth.

Material Sustainability Factors

Climate transition risk

Banks are highly exposed to climate transition risk through their financing of economic activities that affect the environment. Their direct environmental impact is small compared with their financed emissions, which stem mainly from power consumption. Generally, policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks. Positively, financing the climate transition offers a growth avenue for banks through lending and other capital market activities. In Europe, climate and environmental regulations are ambitious, and there is a strong push to integrate 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 footprint (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.

Biodiversity and resource use

Banks contribute to significant resource use and biodiversity impacts through the activities they fund or invest in. For example, the real estate sector--which is a major recipient of bank financing--is a large consumer of raw materials for new construction, such as steel and cement. Similarly, bank-financed agricultural activities can have material biodiversity impacts.

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. However, banks have many opportunities to support economic development through financial inclusion, including by using new technologies.

Issuer And Context Analysis

The project categories in the green bond framework are green buildings, renewable energy, sustainable agriculture, and climate change adaptation, which address climate transition risk, one of the key sustainability factors for S1G. Green buildings, renewable energy, and sustainable agriculture can help society manage its energy consumption, reducing transition risks for the bank. Furthermore, the bank has identified that green buildings and agriculture are the highest emitting sectors it finances in its loan portfolio, making these projects important in managing climate transition risk. While the climate change adaptation project category directly addresses physical climate risks in the region, the remaining three categories are exposed to the impacts of climate change, making physical climate risk highly relevant within the framework.

S1Gis working on its sustainability strategy, with a focus on UN Sustainable Development Goals (SDGs) such as gender equality, decent work and economic growth, sustainable cities and communities, and climate action (SDGs 5, 8, 11, and 13). The bank has also committed to several sustainability objectives, including achieving net-zero greenhouse gas emissions by 2050, for its own operations. This year it also intends to start preparing for the Corporate Sustainability Reporting Directive (CSRD) for the financial year 2026, to be reported in 2027. The bank will commence this work by conducting a double materiality analysis, to be completed in early 2025. It will also use these analyses to update its sustainability policy. In autumn 2023, it achieved an Eco-Lighthouse certification, a national environmental management standard recognized by the EU for sustainability, for its own operations and products.

S1G reports on scopes 1, 2, and 3 (partial) and has a short-term target to reduce greenhouse gas emissions by at least 30% by the end of 2026 using 2022 as the baseline year. In addition, the bank intends to publish a new decarbonization target for 2030 during the first half of 2025. Because S1G is a credit institution, the most material emissions are not its own but, rather, relate to its lending portfolio. Although its greenhouse gas accounting predominantly encompasses scope 1 and 2 emissions, it is attempting to broaden the scope to include all significant scope 3 emissions, including financed emissions in its lending portfolio. In November 2024, S1G became a signatory to the Partnership for Carbon Accounting Financials (PCAF) and will report in accordance with the PCAF standard. S1G is required to disclose its financed emissions according to PCAF guidelines within three years of enrolment, ensuring reporting at the latest in 2027.

Currently S1G conducts climate risk assessments for its small-and-midsize enterprise clients, which represent one-third of its loan portfolio, while leveraging on physical climate risk data for its real estate portfolio. The bank's credit risk assessment process is industry specific and includes a comprehensive review of clients' climate exposures, encompassing both transition and physical risks. We view positively that the credit risk assessment will include extreme weather risk exposure to landslides, avalanches, floods; verified implementation of management systems, environmental certifications, and energy labeling; a transition plan to be fossil free; and its sustainability reputation among other factors. To screen for physical climate risks the bank uses governmental risk maps from the Norwegian Water Resources and Energy Directorate (NVE) for all corporate loans exceeding a certain amount and relies on data from Eiendomsverdi to screen its entire real estate portfolio, including for residential properties. During the credit risk assessment for corporates, if the bank deems the sustainability risk to be high, it will internally escalate the lending approval decision.

S1G assesses biodiversity risks for its corporate customers using its ESG model. The bank’s corporate loan portfolio can potentially affect local biodiversity, in particular loans to the agriculture and commercial buildings sector (about 11% of all loans). When screening for biodiversity risks the bank uses industry-specific criteria; for example, for real estate the bank will screen for proximity to vulnerable species and ecosystems as well as assess the client's understanding of new and stricter biodiversity laws. Although financing renewable energy projects can introduce biodiversity risks, these are mitigated by NVE's strict regulations. For example, NVE requires an environmental impact assessment (EIA) for all projects in the power production sector.

Alignment Assessment

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

Alignment Summary

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, and 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. S1G commits to allocate an amount equal to the net proceeds to finance and refinance a portfolio of loans dedicated to projects that meet the criteria outlined in the framework. S1G expects that all the proceeds will be used to refinance eligible projects. This includes green buildings, renewable energy, sustainable agriculture, and climate change adaptation. The green buildings category includes properties built before and after 2021 and renovation projects. We note that the framework does not include a lookback period for refinancing eligible loans, as is recommended by the Principles.

✓ Process for project evaluation and selection

S1G has established an internal Green Bond Committee (GBC) consisting of members of its treasury and business support departments. The GBC is responsible for defining the criteria in the framework, selecting loans for eligible projects, keeping a register of financed Green Loans, and overseeing the framework. All decisions must be unanimous. S1G screens its portfolio for physical climate risks using data from Eiendomsverdi and NVE maps. Additional environmental and social risks are assessed as part of its ESG module in its credit assessment for corporate customers. This includes physical climate risks, environmental management systems, and certifications, as well as human rights violations, and water scarcity to name a few. The framework excludes the provision of financing for leisure homes, and to customers linked to the extraction of fossil fuels, the development and production of weapons and defense systems, the extraction of natural resources with negative environmental impacts, gambling, pornography, and tobacco.

✓ Management of proceeds

S1G commits to tracking the allocation of net proceeds to the provision of loans in its Green Loan Portfolio (GLP) to eligible activities. It will use a portfolio approach and will review and update its GLP annually. S1G will also ensure that the value of the GLP will always exceed the total nominal amount of outstanding green bonds. If loans in the GLP are repaid or if the financed activities no longer meet the criteria in the framework, S1G will replace it them with other eligible loans. Unallocated proceeds will be managed according to its treasury department's regular liquidity management policy for short-term investments. The company will aim to do so while applying the eligible criteria and exclusion list in the framework.

✓ Reporting

S1G commits to report on the allocation of proceeds and the impacts of loans it provides to eligible activities in a green bond report that it will publish annually. While there is no formal commitment to do so in the framework, we understand that the issuer will report until full allocation. This is supported by S1G's commitment to ensure that the value of the green loan portfolio (GLP) always exceeds the total nominal amount of green bonds outstanding and its expectation that all the proceeds will be used to refinance eligible projects. The allocation report will include the portion of the GLP allocated to each eligible category, the share of the GLP financed by green bonds, the nominal amount of instruments outstanding, and the share of unallocated net proceeds. S1G will also report on the aggregated environmental impacts of eligible financed activities. We view positively that it will do so using ICMA's Harmonized Framework for Impact Reporting.

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 considering the environmental ambitions reflected in SpareBank1 Gudbrandsdal's Green Bond Framework, we assess the framework as 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	Loans financing buildings which meet either of the criteria set out below: For buildings built in 2021 or later: - Primary energy demand (PED; the calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed in kWh/m2 per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate [EPC]) is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures (TEK17, Regjeringen) or - For public and commercial buildings: EPC A, or BREEAM-NOR/BREEAM In-Use "Excellent" or better For buildings built before 2021: - EPC A or within top 15% of the national building stock in terms of PED, defined as buildings built according to Norwegian building codes of 2010 (TEK10; to ensure TEK10-alignment, we use a conservative two-year time lag and include buildings built from 2012 and onwards) or 2017 (TEK17; if a new national definition of "top 15%" is developed, the use of TEK10 and TEK17 will be terminated and replaced with this). Buildings built prior to 2012 must obtain minimum EPC B; or - For public and commercial buildings: EPC A or B, or BREEAM-NOR/BREEAM In-Use "Excellent" or better. For renovation of buildings: - Major building renovations leading to a reduction in PED of at least 30% (The initial PED and the estimated improvement is based on an energy audit conducted by an independent expert. The 30% improvement results from an actual reduction in PED and be achieved through a succession of measures within a period of maximum of

three years). For the full building to qualify after renovation, it should be expected to meet the criteria above; and

- For public and commercial buildings: At least 70 % (by weight) of non-hazardous construction and demolition waste generated is prepared for material recovery.

Analytical considerations

- The IEA emphasizes that reaching net-zero emissions in buildings requires major energy-efficiency efforts and fossil fuel abandonment. All properties must achieve high energy performance and new properties should additionally cut emissions from building materials and construction. Addressing physical climate risks is also central to strengthening climate resilience across all buildings.
- S1G expects that most of the proceeds will be allocated to buildings built before 2021, with a minority earmarked for those built in or after 2021. The bank expects the vast majority of proceeds to be allocated to residential buildings. We assign a Light green shade to the provision of financing for all buildings built after 2012. The criteria include considerations on energy performance, physical climate risk, and green building certifications but those applicable to buildings built between 2012 and 2020 do not exceed the regulatory requirements in place at the time of construction (TEK10, TEK17). Though TEK10 was launched in 2010, the framework includes a two-year lag to exclude buildings constructed under previous building codes (TEK07, TEK97) unless they have at least EPC B. As S1G expects to allocate most proceeds to this category, the Light green shade drives that of the overall framework.
- Eligible residential buildings built after 2021 will exceed NZEB-defined regulatory requirements by 10%. Similarly, new public and commercial buildings with EPC A or BREEAM-NOR "Excellent" or above are expected to correspond to the top 15% of existing Norwegian building stock, absent an official definition for this threshold. Although there is some uncertainty, the use of TEK10 and TEK17 as a proxy for the top 15% of the national building stock in terms of energy performance is in line with the best currently available information. We therefore view positively that the framework specifies that S1G will adopt any new official definition if and when it is approved by the regulatory authorities. The most material source of climate impacts for new construction projects is embodied emissions in the materials used. The framework does not include specific criteria that address such emissions in buildings built in or after 2021, which limits our assessment to Light green. In the Nordic context, the emissions associated with materials account for about half a building's lifecycle emissions. We note that as part of its ESG assessment of corporate customers, S1G considers whether the borrower has requirements for emissions related to materials.
- In our view, the latest version of BREEAM-NOR (version six) at the "Excellent" level addresses a building's energy efficiency, embodied emissions, and physical climate risk. BREEAM-NOR or BREEAM In-Use might also somewhat mitigate climate and environmental impacts, but their approach is less robust when compared to the new version of BREEAM-NOR. This is because they cover a broad set of issues, with the former incorporating sustainability in the design phase of the building, and the latter focusing on the management of water, waste, and energy, among others. However, BREEAM In-Use does not guarantee a building will be low carbon as it does not require energy efficiency improvements beyond regulatory requirements. Older versions of BREEAM-NOR do not sufficiently address material risks from construction, including embodied emissions and physical climate exposure. Buildings that have these certifications may not reflect meaningful contributions to the reduction of emissions in the real estate sector from, for example, energy use or the environmental impacts of construction waste.
- Although S1G currently has no eligible renovation projects in its portfolio, we assess the financing of such buildings--the energy efficiency of which needs to show a 30% improvement--as Medium green as this shows a strong commitment to the transition to a low-carbon future. We view positively that loans to buildings in the oil and gas value chains will not be in scope of this framework.
- Given the fixed nature of buildings, improving their resilience to physical climate risk is key to the transition to a low carbon future. Although the framework does not include specific criteria related to this exposure, S1G assess risks related to environmental damage caused by extreme weather events to its portfolio and as part of the ESG module of its credit assessments for its corporate lending activities. It uses maps developed by the NVE and data from Eiendomsverdi to screen its portfolio for physical climate risks and has identified flooding and landslides as its most material exposures. It takes compliance with regulations and building permits into account during its credit approval process.

Renewable energy

Assessment	Description
Dark green	Loans provided to finance companies involved in, or projects and assets related to, the development, installation, operation, or maintenance of renewable energy projects that meet either of the criteria set out below: • Hydropower plants and installations, as well as related technologies, equipment, and infrastructure, with: - a power density above 5W/m2; or - life-cycle emissions below 100g CO2e/kWh; or - run-of-river plants without artificial reservoirs.

Analytical considerations

- Renewable energy projects such as hydroelectric are key to limiting global warming to well below 2ºC, provided their negative impacts on local environments, and physical risks, are sufficiently mitigated. According to the IEA, most of Norway's electricity supply comes from hydropower (88%), alongside an increasing contribution from wind (10%). As of 2022, renewables accounted for 98.5% of power generation with the remainder from natural gas and waste.
- S1G's loans to hydropower support the Paris Agreement modelled pathways. These imply that almost all electricity is supplied from zero or low-carbon sources by 2050. In addition, S1G assumes that projects financed adhere to public approvals and regulations, including NVE and municipalities, to address physical and biodiversity risks. As a result, we assess these projects as Dark green.
- Hydropower projects can produce notable emissions during construction and from water reservoirs. We view positively that the framework includes thresholds for life-cycle emissions or power density for facilities that are not run-of-river and involve reservoirs. The criteria align with the EU Taxonomy's guidelines for a significant contribution to mitigating climate change.
- Hydropower can pose risks to biodiversity and ecosystems, such as altering water flows and disrupting fish migration. In Norway, these issues are addressed during the licensing process, which involves relevant authorities and includes EIAs for new plants as well as regulations for waterway management. Local impacts can vary, and some older plants operating under outdated licenses may lack effective ecosystem preservation measures, such as provisions for fish migration. Run-of-river plants without artificial reservoirs, which are also included in this framework, generally have a smaller impact on local biodiversity. In our view, the NVE and local municipalities' criteria adequately manage the negative effects on biodiversity.
- Given the ongoing and future impacts of a changing climate, which in the bank's region include flooding, the resilience of hydropower assets is crucial. Such aspects are covered in the licensing process and regulation of such assets in Norway, while the bank also considers physical climate risk in its credit assessment specifically covering flooding and landslide risks.

Sustainable agriculture

Assessment	Description
Light green	Loans provided to finance environmentally sustainable agriculture projects and assets that meet either of the criteria set out below: • Renewable energy for local power production: – solar PV installed on roof tops or on the ground – bioenergy using locally sourced residues/bio-waste as feedstock. • Improved farming methods that meaningfully contribute to achieve greenhouse gas emission reduction targets set out in "Landbrukets klimaplan 2021-2030".

Analytical considerations

- In 2023, agriculture accounted for about 9.6% of Norway's total greenhouse gas emissions. Most emissions from this sector stem directly from livestock, which produces methane, and from nitrous oxide released during fertilizer application and crop cultivation. Emissions from fossil-fuel-powered machinery are less significant. On a global scale, land-use changes related to animal feed production significantly contribute to emissions throughout the value chain. Animal-based foods, especially those from livestock, which is included under this framework, generally have a much larger carbon footprint than plant-based alternatives. Additionally, at a local level, the sector affects the environment through, for example, nitrogen runoff from farmland and the depletion of soil nutrients. Agricultural practices that reduce climate emissions from crop and livestock farming and enhance soil health, water quality, and ecosystem integrity are crucial for a low-carbon, climate-resilient future. Sustainable inputs and farming practices, as well as shifting to more plant-based and lower-emissions protein sources, contribute to a green transition for this sector.
- The sustainable agriculture category encompasses a range of initiatives aimed at enhancing on-farm environmental performance such as covering manure pits, livestock replacement, and GPS-guided fertilization. In previous years the issuer has said that it funded more solar PV projects, while in the coming years it expects to direct more proceeds toward improved farming methods. Renewable energy projects for local power generation align with a low-carbon, climate-resilient future. While livestock production under improved farming method is expected to contribute to reducing emissions versus standard livestock production, it remains an emissions-intensive method of food production and tempers our view of the issuer's overall environmental ambition. Consequently, we assess this category as Light green; as the financed projects, particularly livestock-related activities, do not signify a significant shift toward transitioning the agricultural sector. Although we would typically assess renewable energy projects as Dark green when considered in isolation, we assess most eligible activities in this category as Light green because of their transitional focus on mitigating agriculture's environmental impact rather than offering long-term, low-carbon solutions. Furthermore, the issuer has not disclosed specific details on the allocation of proceeds within the category other than anticipating that a larger share will go toward improved farming methods.
- S1G will provide loans for the conversion of conventional pig breeds to specific pathogen-free (SPF) breeds, where the animals' genes have been altered to remove health-compromising infectious agents. This may improve the health of the pigs, reducing their mortality and the quantity of feed they require for sustenance, thereby decreasing the greenhouse gas emissions of pig farming and the pork value chain. However, animal-based diets are not typically consistent with a low carbon, climate resilient future because they have higher value-chain emissions than plant-based, non-processed alternatives (such as legumes). S1G specifies that eligible livestock financing is restricted to replacing existing herds on farms, with no allowance for the expansion of current livestock operations. Additionally, S1G has confirmed that only SPF pigs are eligible for financing under this framework, with no other livestock species included. We assess the provision of loans for such activities as Light green, as this particular breed of pig might result in a reduction in the emissions intensity of the pork value chain. However, as the Paris Agreement 2050 objectives require much steeper reductions to address the climate impact related to livestock value chains, we consider the benefits of SPF pigs to be near-term and transitional.
- S1G's criteria for its solar panel loans are defined as land area without trees/vegetation and is not applied to farming/agricultural activities. The bank does not consider clearing new land or using farming land to develop ground-based solar PV plants to be sustainable. A strength of the framework is that it requires ground-based solar installations to not be constructed on non-cultivated and cleared areas, to reduce the impacts on biodiversity. We view as positive that bioenergy will be produced using locally sourced waste-based feedstocks because this will allow for circular waste management with lower transport emissions. The issuer has informed us that waste inputs will only be sourced from certified forests using PEFC or FSC certifications and from manure.

Climate change adaptation

Assessment	Description
Medium green	Loans provided to finance projects related to structural measures aiming at the protection of people, ecosystems, and infrastructure, which meets the criteria set out below: - Building of levees, dykes, dams, reservoirs, retention ponds, change river course, to prevent river flooding and/or landslides subject to conservation of habitats, ecosystems, and nature.

Analytical considerations

- Increased temperatures and worsening weather events resulting from climate change are likely to become inevitable. It is consequently essential to plan for and mitigate physical climate risks to minimize their financial and environmental effects.
- With proceeds allocated to this category S1G will aim to improve resilience against river flooding and landslides, as these are the most material physical climate exposures of its portfolio. The issuer has informed us that several of its customers have already experienced damage to buildings, and fields, resulting at times in loss of income. As outlined throughout this report, the issuer has assessed such risks using maps from NVE and data from Eiendomsverdi.
- While we understand that the financed projects will mostly be small scale, any construction will result in climate impacts from the materials used (cement in particular) and in the construction process from the use of fossil-fuel-powered equipment. As part of the ESG module in its credit assessment system for corporate loans S1G considers potential borrowers' knowledge of risks and regulations related to nature and eco-systems. However, because this assessment does not in itself guarantee the mitigation of such exposures, and given that the criteria do not include any such specifications, we assign a Medium green shade to the provision of financing for activities included in this category. Measures that will affect the natural course of rivers and waterways can also have negative effects on aquatic and local biodiversity. S1G aims to mitigate these risks by observing its criterion that investments funded under this category will be subject to habitat and ecosystem conservation.
- We note that S1G does not currently have policies and plans focused on identifying and managing potential risks of maladaptation, meaning the transfer of vulnerabilities to other parties affected by climate hazards.

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

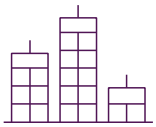
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

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 affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Green Buildings	 **11. Sustainable cities and communities***  **13. Climate action**
Renewable Energy	 **13. Climate action**
Sustainable Agriculture	 **13. Climate action**
Climate Change Adaptation	 **11. Sustainable cities and communities**

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

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

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