



OBOS BBL Green Bond Second Opinion

28. June 2021

OBOS BBL (OBOS) is a Norwegian member-owned property developer. OBOS is one of the largest property developers in the Nordics, with a portfolio of both residential and commercial buildings. The organization also provides management services to housing associations, as well as banking services and other various benefits to members. This framework also covers OBOS's wholly owned subsidiaries.

OBOS's green bond framework includes the projects categories of **renewable energy, clean transportation, green buildings, waste management, and research and development projects.** Buildings that could qualify under OBOS's green bond framework tend to be among the most energy efficient buildings in Norway, however investors should be aware that the eligibility criteria do not go beyond what is required under Norwegian regulations. For existing buildings, the criteria do not include considerations of emissions from material use or construction phase emissions. The energy efficiency criteria of 30 percent improvements for renovation projects are in line with the EIA recommendations for energy efficiency and represent a higher level of ambition.

OBOS has incorporated ambitious environmental policies and targets into its governance. In particular, OBOS has introduced a target to reduce CO₂ emissions from new buildings by 45% by 2026 in a lifecycle perspective including material use, and has increased its ambitions in respect of the use of voluntary certification schemes and the certification levels achieved. OBOS has transparent sustainability reporting in place, utilizing the GRI framework, and is committed to transparency in its green bond framework reporting, for example it intends to externally verify its selection processes and impact reporting. OBOS informs us it considers climate resilience and adaptation for all new developments, and is developing business-wide matrices to account for physical and transition climate risks, though it does not currently report in accordance with the TCFD framework.

Based on the overall assessment of the project types that will be financed under the green bond framework, governance and transparency considerations, OBOS's green bond framework receives a **CICERO Light Green** shading, though the framework also includes Medium and Dark Green projects. The green building category includes the possibility for funding buildings with no additional criteria over current regulations - a more stringent approach would have been required for a darker shade. The framework would benefit from higher energy efficiency ambition and explicit screens for ESG risks and supply chain considerations.

SHADES OF GREEN

Based on our review, we rate OBOS's green bond framework **CICERO Light Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in OBOS's framework to be **Excellent**.



GREEN BOND PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated March 2021. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



2 Brief description of OBOS's green bond framework and related policies

OBOS is a Norwegian member-owned property developer. The organization was established in 1929 with the purpose to develop and provide housing to its member-owners. At the beginning of 2021, OBOS had 502,527 members, managed around 245,517 housing units, and had annual revenues of 12.245 MNOK (for fiscal year ending on 31 December 2020). OBOS is one of the largest property developers in the Nordics, with a portfolio of both residential and commercial buildings. The organization also provides management services to housing associations, as well as bank services and other various benefits to members. This framework covers OBOS BBL and all wholly owned subsidiaries.¹

Environmental Strategies and Policies

OBOS's vision is to develop societies of the future and fulfil people's housing dreams. OBOS's three main focus areas are contained in its strategy for the period 2021-2026. One such focus areas is "working towards a more sustainable society". This "sustainability strategy" builds on OBOS's previous "taking environmental responsibility" strategy in which OBOS committed itself, among others, to carbon neutral office activities and ensuring that all new projects had an environmental strategy.² OBOS reached this target and has therefore increased its environmental ambitions. Specifically, the "working towards a more sustainable society" strategy contains a target to reduce CO₂ emissions from new buildings by 45% by 2026. As part of this, for all its new buildings from 2021, OBOS will calculate their GHG emissions in accordance with Norwegian standard NS 3720. The calculations taken in 2021 will then serve as the benchmark for a 45% reduction by 2026.³ In respect of emission reductions from material use, OBOS will use the values contained in the 2020 report prepared by Asplan Viak on behalf of Enova SF⁴ on climate friendly building materials.⁵ To achieve its reductions, OBOS informs us it will focus on, among others, the type of materials it uses (increased emphasis on recycled materials, re-use of materials, and reducing over use), energy efficiency, building near public transportation, and fossil and emission free building sites. Moreover, OBOS informs us its building contracts will contain express provisions obliging contractors to deliver buildings in line with OBOS's emissions targets.

In addition to its focus on reducing emissions from its new developments, OBOS continues to utilize green building certification systems. OBOS has a policy of certifying all new developments started after 2019 and, across the

¹ Eligible Assets and Projects, as defined in this framework, will reside within the following subsidiaries and departments: OBOS Nye Hjem AS, OBOS Fornebu AS, BWG Homes AS, OBOS Block Watne AS, OBOS Sverige AB, OBOS Kärnhem AB, OBOS Nya Hem AB, OBOS Forvaltning, OBOS Eiendomsforvaltning AS, OBOS Prosjekt AS, Tandem AS, Hammerborg Inkasso AS, OBOS Eiendom AS, OBOS Finans Holding AS, OBOS-banken AS, OBOS Boligkreditt AS, OBOS Factoring AS, OBOS Eiendomsmeglere AS, Megleroppgjør AS, OBOS Aksjeinvesteringer, OBOS Medlemskontigent, Digitale tjenester.

² Each "environmental strategy" included at least one measure that delivered above regulatory requirements in the environmental category e.g. the use of energy classifications or the use of certification systems such as BREEAM.

³ New projects starting development in 2022 will have a reduction target of 20% compared to the 2021 figures; projects starting in 2023 will have a reduction target of 30% compared to the 2021 figures; and projects starting in 2024 and 2025 will have a reduction target of 40% compared to the 2021 figures.

⁴ Enova SF is a Norwegian state-owned enterprise responsible promoting environmentally friendly energy consumption and production, as well as the development of energy and climate technology.

⁵ https://www.enova.no/download?objectPath=upload_images/A8F136D1308844CCA1CD3DA65647B5A7.pdf&filename=Klimavennlige%20byggematerialer.%20Potensial%20for%20utslippskutt%20og%20barrierer%20mot%20bruk.16.10.2020.pdf



OBOS group, it has 54 developments at various stages of certification. Specifically, OBOS seeks to certify new developments using BREEAM NOR - with the ambition of reaching the levels of “Very Good” for OBOS Nye Hjem and OBOS Fornebu (residential buildings) and “Excellent” for OBOS Eiendom (commercial buildings) or Nordic Swan in respect of developments undertaken by OBOS Sverige, OBOS Kärnhem and OBOS Nya Hem.⁶ OBOS informs us that the majority of ongoing OBOS Nye Hjem projects plan to achieve a certification of Very Good or higher. Four current OBOS Eiendom developments are being developed with the ambition of achieving an ‘Excellent’ certification.⁷ OBOS states it is in the process of completing the first two buildings which are expected to be Nordic Swan certified. OBOS also seeks to increase the number of BREEAM In-Use certified buildings in OBOS Eiendom’s portfolio. In 2020, OBOS obtained its first three BREEAM In-Use certifications for existing buildings, with ratings of Very Good, Good and Good respectively.

Furthermore, OBOS will: increase focus on circular processes;⁸ continue to work to ensure sustainable procurement; continue to minimize the impact on biodiversity in new developments and existing OBOS properties; increase competence and knowledge among housing associations to help improve their sustainability standards; and facilitate more sustainable lifestyles of OBOS members, for example via its agreement with Zipcar to facilitate carpool solutions and similar agreements with suppliers of electric vehicle charging systems.

In respect of environmental and climate risk and resilience, OBOS is establishing individual environmental risk matrices for each business unit. The matrices are approved by senior management, implemented into OBOS’s overall risk management systems and reported to OBOS’s Board. In mapping environmental and climate risks, OBOS considers both physical and transition risk. Examples of identified and evaluated risks include extreme weather, erosion, biodiversity, new technology, and regulatory changes. OBOS informs us it is currently reviewing its matrices in light of the EU Taxonomy and informs us that once all matrices are established it aims to implement the use of climate scenarios. On top of this, OBOS continues to reduce risk through improved drainage and preventing erosion and flooding, screens all plots for some physical risk (flooding, ground conditions and avalanches), and evaluates the materials and locations of buildings to ensure robustness to extreme weather. It also considers solutions to manage urban overflow.

In 2020, all of OBOS’s projects under development targeted environmental performance above regulations in at least one area, for example building certification or energy usage, with 78% exceeding over five regulations and 12% exceeding more than ten regulations.

OBOS reports on sustainability and progress towards these goals in its annual reporting, which utilizes the GRI framework. OBOS informs us its sustainability reporting is undergoing a third party gap review which aims to further improve its reporting. OBOS aims to implement reporting in accordance with the TCFD in time for its 2021 annual report.

The Sustainability team in OBOS is formally placed under OBOS Eiendom, but serves the entire organization and all legal entities within OBOS BBL.

⁶ OBOS Nya Hem can also use Miljøbyggnad certification, though OBOS states it will use Nordic Swan in most cases.

⁷ OBOS informs us that certain projects under development were planned and developed prior to its increased ambition in respect of BREEAM certification. For example, five current OBOS Eiendom projects which began before the introduction of the ‘Excellent’ target are being developed with a target of ‘Very Good’. OBOS Eiendom’s remaining two ongoing developments are not aiming for certification. These are a small rehabilitation projects and a project which has been in development since before OBOS’s policy to seek certification for all developments.

⁸ E.g. by ensuring that no buildings are demolished before possible use and re-use has been evaluated (of the whole or part) and ensuring that all new buildings are designed for re-use.



Use of proceeds

The Green Bond framework includes a list of project and asset categories that are important for low-carbon and climate change resilient growth. According to the green bond framework, eligible project categories are green buildings, renewable energy, clean transportation, waste management and research and development projects.

Proceeds can be allocated to both new and existing projects.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

OBOS has established a green bond committee that is responsible for project selection and evaluation. The green bond committee consists of the CEO, CFO, the Director of Finance and the Environmental Director, as well as the CEO of OBOS Boligkreditt. Decisions are made by majority and the Environmental Director holds a veto. The issuer has informed us that it will avoid controversial projects when selecting projects for green bond funding.

The green bond committee oversees the process of selecting projects for all green bond issuing entities (OBOS BBL, OBOS Finans Holding, OBOS-banken and OBOS Boligkreditt), including all relevant wholly owned subsidiaries, according to the respective Eligibility Criteria. The issuer has informed us that the committee will meet every quarter to review projects and that if any projects no longer meet the eligibility criteria, they will be removed from green bond funding.

OBOS has appointed an external independent auditor to annually ensure that the project selection process and the allocation of proceeds of any Green Bond issue are in accordance with its green bond framework. OBOS informs us it will include any remarks from the independent auditor in its annual reporting.

Management of proceeds

CICERO Green finds the management of proceeds of OBOS to be in accordance with the Green Bond Principles.

OBOS will establish a green bond register within each issuing entity, with the purpose of monitoring eligible assets financed by the green bonds of each issuing entity. The value of the eligible assets detailed in the green bond register will at least equal the aggregate net proceeds of all outstanding green bonds to each issuing entity.

During the life of the green bonds, if an asset ceases to fulfil the eligibility criteria, OBOS will remove the asset from the registry and replace it when necessary for the balance as soon as reasonably practicable.

There may be periods when the total outstanding net proceeds of green bonds exceed the value of the eligible assets in the respective green bond registries. Proceeds yet to be allocated towards eligible assets will be held in accordance with the respective issuing entity's liquidity management policies. Unallocated proceeds will, on a best effort basis, be invested in eligible green, social or sustainable bonds, and OBOS confirms that temporary investments of unallocated green bond proceeds in companies or products connected to fossil-fuel production or fossil-based power generation are excluded.



Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

OBOS will provide an annual Green Bond report that will include allocation and impact reporting. The report will contain:

- A list of projects financed by green bonds.
- Closer descriptions of specific projects, including certifications and impact metrics.
- Amounts invested in each eligible asset and project, share of green bond funding, as well as potential funds still available in the earmarked account.
- A summary of other related activities undertaken during the year.

OBOS may choose to publish a separate report for Green Bonds issued by OBOS BBL, OBOS Finans Holding, OBOS-banken or OBOS Boligkreditt.

OBOS informs us that whether it reports on a project-by-project or a project category basis will depend on the ultimate use of proceeds, however for green buildings it will in any event report per building type. OBOS's reporting will be subject to external review.

Regarding impact reporting, OBOS will use the Key Performance Indicators (KPIs) listed in the table below, as applicable. The use of additional KPIs may be necessary or appropriate, and all calculations will be undertaken on a best effort basis. OBOS informs us that its reporting will detail the methodologies used and underlying assumptions made (including in respect of data unavailability) to calculate its KPIs.

Category	Examples of KPIs
Renewable Energy	<ul style="list-style-type: none">• Installed capacity (MW) per technology• Expected annual generation (GWH) per technology
Clean Transportation	<ul style="list-style-type: none">• Number of charging stations and chargers set up• Number of electric bikes and car pools set up• Number of electric bikes and cars made available
Green Buildings	<ul style="list-style-type: none">• Number of energy efficient buildings financed• Number of buildings with respective [EPC] energy labels A or B• Number of buildings with certifications and type of certification• Average energy efficiency (KWh/m2 per year)
Waste Management	<ul style="list-style-type: none">• Types of projects financed

Table 1. Example KPIs to be used in impact reporting.



3 Assessment of OBOS's green bond framework and policies

The framework and procedures for OBOS's green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where OBOS should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in OBOS's green bond framework, we rate the framework **CICERO Light Green**.

Eligible projects under OBOS's green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

There are two set of green criteria in the OBOS framework. The first covers OBOS BBL and the majority of departments and subsidiaries.⁹ There are different criteria for the bank and financing subsidiaries (OBOS Finans Holding, OBOS-banken and OBOS Boligkreditt) who will issue loans to green projects.

Category	Eligible project types	Green Shading and some concerns
Renewable Energy	Investment in renewable energy initiatives eligible for Green Bond funding: <ul style="list-style-type: none">• Solar energy• Small scale geothermal energy• Local energy solutions (e.g. excess heat but excluding from fossil-based sources)	Dark Green <ul style="list-style-type: none">✓ Consider local environmental impacts✓ The issuer has developed and implemented terms and conditions for sustainable procurement, which are terms annexed to its agreements with suppliers. Notwithstanding, it does not have any policies towards suppliers or subcontractors to measure supply chain impacts

⁹ OBOS Nye Hjem AS, OBOS Fornebu AS, BWG Homes AS, OBOS Block Watne AS, OBOS Sverige AB, OBOS Kärnhem AB, OBOS Nya Hem AB, OBOS Forvaltning, OBOS Eiendomsforvaltning AS, OBOS Prosjekt AS, Tandem AS, Hammerborg Inkasso AS, OBOS Eiendom AS, OBOS Factoring AS, OBOS Eiendomsmeglere AS, Megleroppgjør AS, OBOS Aksjeinvesteringer, OBOS Medlemskontigent, Digitale tjenester.



- ✓ The issuer has not set any thresholds or maximum life cycle emissions for geothermal renewable energy projects. However, the issuer informs us such projects will provide heating only to individual projects

Clean Transportation Investment in clean transportation initiatives eligible for Green Bond funding:



- Electric bike pools
- Electric car pools
- Bike sharing systems / bicycle pools
- Electric mass transportation (e.g. local “public” transportation buses, trams, trains etc.)
- Electric autonomous vehicles
- Electrical vehicle charging systems

Dark Green

- ✓ We are encouraged by the inclusion of this category as transportation systems are important for the overall sustainability of building projects
- ✓ Consider the indirect GHG emissions stemming from the production and other life-cycle impacts. To this end, the issuer informs us it prioritizes pedestrians and cyclists in its projects.
- ✓ We are encouraged that the issuer does not plan to develop new parking lots on existing projects, which could be for general use, in order to facilitate car pooling

Green Buildings

Investments in new and/or existing commercial properties, new residential projects financed by OBOS or other projects that are eligible for Green Bond funding as long as they meet one of the following requirements:



- BREEAM-NOR “Very Good” and minimum energy level B
- BREEAM In-Use certified buildings with a minimum requirement of “Very Good” and energy level B
- BREEAM Communities projects of “Very Good” with minimum requirement of energy level B for each separate building
- Energy Performance Certificate (EPC) level B or above and are expected to receive BREEAM In-Use “Very Good” or above
- Park and recreational areas on previous brownfield or industrial land
- Nordic Swan certified projects

Light Green

- ✓ The minimum energy level of B (EPC B) corresponds to the latest version of Norwegian building regulations (TEK17). EPC B also corresponds to the minimum criteria in this category
- ✓ The Light Green shading reflects that the framework allows for financing of buildings with no additional energy efficiency requirements, though this category also includes Medium Green projects
- ✓ Voluntary environmental certifications do not guarantee a reduction in GHG emissions nor



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- Miljöbyggnad Silver or better (for Sweden only)
 - Future Built projects (in accordance with the agreed target CO2 emissions reduction of 50%)
 - ✓ necessarily include considerations of resiliency
 - ✓ The issuer has developed business-wide matrices to consider climate risk and resilience in new building projects, including the durability of materials
 - ✓ The issuer has a comprehensive approach to transportation systems which includes developing near public transportation, considering bicycle and pedestrian accessibility, and facilitating electric charging stations and car pooling
 - ✓ According to the issuer, though it cannot quantify its use of reused or recycled materials, it has current initiatives on increasing the use of such materials
 - ✓ The construction process of new buildings, including production and transport of materials used, is a significant source of emissions. Clear, strict and ambitious policies (including for subcontractors and suppliers) regarding material use and selection, and construction methods, are encouraged. The issuer has no policy for fossil / emission free construction, though it informs us it demands fossil / emission free construction in larger cities and this will play a large role in achieving its emission reduction targets
 - ✓ The parks and recreational areas will be funded as a part of larger property developments, for example OBOS's development at Ulven which included the conversion of an industrial site into parkland
 - ✓ The issuer informs us that cabins will not be financed by the proceeds of any green bond
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Waste Management	Investment in waste management and recycling initiatives eligible for Green Bond funding:	Dark Green
	<ul style="list-style-type: none"> • Underground waste transportation systems • Local mass waste collection 	<ul style="list-style-type: none"> ✓ Local systems that reduce the environmental impact of waste collection ✓ No vehicles can be financed in this category ✓ Projects include reuse of non-polluted mass locally
Research and Development Projects	Funding of R&D projects, which aim to develop new knowledge and solutions related to:	Dark Green
	<ul style="list-style-type: none"> • Renewable energy • Environmentally friendly buildings and neighbourhoods • Development of new more environmentally friendly materials or natural resource preservation 	<ul style="list-style-type: none"> ✓ For example, the issuer is developing guidelines with Veidekke and Norconsult for a system that improves decision making to reduce emissions from materials used in the construction process
Table 2. Eligible project categories for OBOS BBL and subsidiaries excluding OBOS Finans Holding, OBOS-banken and OBOS Boligkreditt		
Category	Eligible project types	Green Shading and some concerns
Renewable Energy	Loans to private consumers and building societies for:	Dark Green
	<ul style="list-style-type: none"> • Solar energy • Small scale geothermal energy • Local energy solutions (e.g. excess heat but excluding from fossil-based sources) 	<ul style="list-style-type: none"> ✓ Solar energy systems play an important role in transitioning to low carbon
Clean Transportation	Loans to private consumers and/or building societies for:	Dark Green
	<ul style="list-style-type: none"> • Charging stations for electric vehicles • Electric bike pools • Electric car pools 	<ul style="list-style-type: none"> ✓ We are encouraged by the inclusion of this category as transportation systems are important for the overall sustainability of building projects
Green Buildings	Loans to private consumers and/or building associations (boligselskaper) that meet at least one of the following criteria:	Light Green
	For buildings built after 2019:	<ul style="list-style-type: none"> ✓ Voluntary environmental certifications do not guarantee a reduction in GHG emissions, a minimum energy performance level



<ul style="list-style-type: none"> • BREEAM (Very Good), Svanen Ecolabel or Miljöbyggnad Silver or better (for Sweden only) • Buildings with Energy Performance Certificate (EPC) labels A or B and built in accordance with the Norwegian building code TEK17 or later¹⁰ 	<ul style="list-style-type: none"> ✓ The minimum energy level for buildings built after 2019 or before 2012 corresponds to the latest version of Norwegian building regulations (TEK17). While this regulation is stringent, it falls short of financing the long-term solutions. In a low carbon 2050 perspective passive and plus house technologies become mainstream. For residential buildings built between 2012 and 2019, buildings built in accordance with TEK10 may have EPC ratings lower than level B. A recent report puts residential buildings built in accordance with TEK10 in the top 9% most energy efficient residential buildings in Norway¹¹
<p>For buildings in Norway built between 2012 and 2019:</p>	
<ul style="list-style-type: none"> • New or existing apartment buildings built after 2012 that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17) • New or existing other residential dwellings built after 2012 that comply with TEK10 or TEK17 	<ul style="list-style-type: none"> ✓ These projects are not necessarily built or managed by OBOS and do therefore not necessarily include any of the issuer's environmental safeguards or considerations of transportation, resilience and material use, though the issuer informs us OBOS Banken is developing such safeguards. Moreover, OBOS informs us it is developing an assessment platform in which borrowers enter environmental data about their projects
<p>For buildings in Norway built before 2012:</p>	
<ul style="list-style-type: none"> • Existing buildings built under older building codes than TEK10 for apartment buildings with EPC-labels A or B 	<ul style="list-style-type: none"> ✓ The energy usage target for renovation projects is in line with the EIA recommendations for improvements in energy efficiency in buildings
<p>Larger renovations:</p>	
<ul style="list-style-type: none"> • Renovations with at minimum improvement of two levels in EPC-label compared to the baseline for the year of construction on building code in the year of construction • Renovations with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m², compared to the baseline for the year of construction on building code in the year of construction • Larger renovation projects to improve drainage in and around the building associations to prevent erosion and flooding 	<ul style="list-style-type: none"> ✓ Renovation projects improving drainage are important for climate resilience

Table 3. Eligible project categories for OBOS Finans Holding, OBOS-banken and OBOS Boligkreditt

¹⁰ Over time, because of OBOS's Environmental Strategy, it expects the share of properties in its portfolio with EPC labels A and B to increase.

¹¹ Mutliconsult, 'Norwegian Energy Efficient Buildings - Green Residential and Commercial Buildings (January 2021), available at: https://eiendoms kreditt.no/wp-content/uploads/Report_KfSEiendoms kreditt_01_v02.pdf



Background

The real estate and construction sectors account for a large share of primary energy consumption and total direct and indirect emissions in most countries. The IEA reports that the efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand – in addition to improvements in lighting and appliances and increased renewable heat sources.¹² Moreover, the IEA's Sustainable Development Scenario suggests 50% of new constructed building area in 2030 to be near zero emission – in addition to increased renewable heat sources up to 25% in 2030.¹³

Heating from buildings alone accounts for 1,9 percent of Norwegian on-land emissions, the materials, construction and demolition phase of the building lifecycle constitute additional emissions.¹⁴ The Norwegian building sector has developed a roadmap for sustainable growth towards 2050, which includes a number of recommendations for sector. Some of the key recommendations include certifying the organization, removing all fossil fuel heating, requesting fossil free construction sites and commissioning an energy budget for the estimated actual and energy consumption.¹⁵

The energy efficiency of buildings is dependent on multiple factors including increasing affluence and expectations of larger living areas, growth in population and unpredictability of weather, and greater appliance ownership and use. Additionally, approximately half of life-cycle emissions from buildings stem from materials/construction. The other half stems from energy use, which becomes less important over time with the increasing adoption of off-grid solutions such as geothermal and solar. All of these factors should therefore be considered in the project selection process. In addition, voluntary environmental certifications such as LEED and BREEAM or equivalents measure or estimate the environmental footprint of buildings and raise awareness of environmental issues. These points-based certifications, however, fall short of guaranteeing a low-climate impact building, as they may not ensure compliance with all relevant factors e.g., energy efficiency, access to public transport, climate resilience, sustainable building materials. Many of these factors are covered under the World Green Building Council's recommendations for best practices for developing green buildings.¹⁶ CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

In addition to energy efficiency, CICERO Green assess if there is any screening for potential impacts from more extreme weather events, such as flooding. Flood risk for properties, is of particular concern in vulnerable geographic regions such as close to rivers or lakes. We also factor in if there have been any considerations around transportation solutions and environmental impacts in the construction phase of the building (e.g., waste considerations).

Governance Assessment

Four aspects are studied when assessing OBOS's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

¹² <https://www.iea.org/reports/building-envelopes>

¹³ <http://www.iea.org/tcep>

¹⁴ <https://www.miljostatus.no/tema/klima/norske-klimagassutslipp/klimagassutslipp-bygg/>

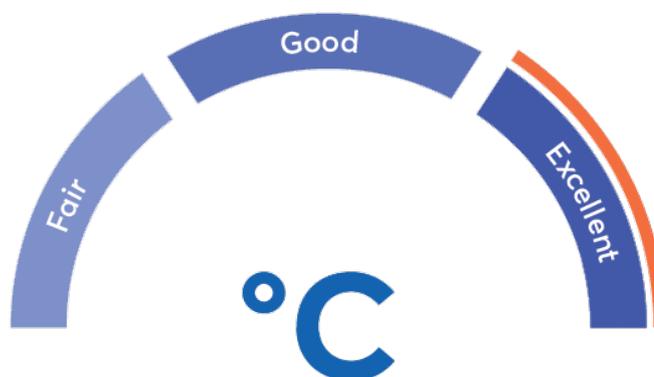
¹⁵ <https://byggalliansen.no/wp-content/uploads/2019/02/roadmap2050.pdf>

¹⁶ <https://www.worldgbc.org/how-can-we-make-our-buildings-green>



OBOS has incorporated ambitious environmental policies in the organization. “Working towards a more sustainable society” is a core strategic area, with relevant targets defined and transparent reporting in place. The issuer has informed us that environmental aspects are integrated into its management systems, for example it developed the management systems of OBOS Nye Hjem, OBOS Fornebu and OBOS Eiendom so that their contracts better reflect and are able to deliver on BREEAM targets.

The issuer has also informed us that it takes resilience and adaptation to extreme weather into account for all new developments. Indeed, the issuer is establishing environmental risk matrices which map environmental and climate risk. OBOS has also shown responsiveness to realized climate risks: in response to a mudslide in Gjerdrum in December 2020, OBOS initiated an internal review of ground conditions on all of its ongoing and planned projects, as well as advising its managed housing associations how to conduct their own reviews. We are encouraged by its aim to report in accordance with the TCFD framework in the near future.



We welcome OBOS’s commitment to transparent reporting, including its use of the GRI framework and its intention to externally audit and verify its evaluation and selection processes and impact reporting. Explicit screens for ESG risks and supply chain considerations could strengthen the framework further.

The overall assessment of OBOS’s governance structure and processes gives it a rating of **Excellent**.

Strengths

Sustainability is an important strategic area to OBOS, and the issuer continues to integrate environmental considerations into its business model. Most prominently, OBOS’s “working towards a more sustainable society” strategy targets a 45% reduction in CO₂ from its new buildings by 2026. It is a strength that OBOS measures its buildings GHG’s emissions using Norwegian standard NS 3720 and uses an externally calculated, industry-wide reference / baseline from which to calculate reductions in emissions from materials. OBOS’s increased focus on circular processes is also a strength, whereby it ensures that no buildings are demolished before considering possible use and re-use (in whole or part), ensures that all new buildings are designed for re-use, and increases its use of recycled or re-used materials.

OBOS continues to develop several building lighthouse projects where it tests new environmental technologies or strategies. For example, the Oen building will be Oslo’s first multi-story residential plus-house (where energy produced exceeds energy consumed). OBOS is also developing a large Future Build multi-story residential development, Nansenløkka at Fornebu with 700 units.

OBOS aims to facilitate a more sustainable lifestyle for its members. Among others, OBOS has an agreement with Zipcar to facilitate carpool solutions and similar agreements with suppliers of electric vehicle charging systems. Since 2016, OBOS has run Nabohjelp, a digital platform that enables residents to share both goods and services. OBOS also provides financial support for existing building associations that undertake projects that mitigate risk of flooding and erosion as well as removal of fossil fueled energy sources.



OBOS's systematic work with sustainable transportation systems is a clear strength. Its strategy is to develop land near public transportation, and to always consider bicycle parking facilities, how pedestrians can walk safely and how to facilitate sustainable transportation choices. For example, the pedestrian zones and bicycle parking should be easy access and closer to the buildings than the parking spaces. OBOS facilitates electric car charging by ensuring that there is enough electric capacity for all parking spots to install electric chargers. The installation of charging infrastructure is up to the owners or building associations.

We are encouraged that OBOS considers resilience when developing new projects, is developing environmental risk matrices, and is committed to reporting in accordance with the GRI. The issuer also provides services for existing buildings through OBOS Prosjekt (its consulting engineering division) for landscape and drainage design that mitigate risk for erosion and flooding.

OBOS has yet to develop environmental criteria for material use, however, the issuer has informed us that it gives preference to long-lasting materials. OBOS is a part of a collaboration with Entra and Norsk Gjenvinning to increase recycled content in concrete and wood products. The issuer has also informed us that it enquires about fossil free construction sites, opt for this when feasible and are in the process of developing minimum environmental requirements for construction sites. OBOS has a responsible procurement policy towards regular suppliers to its offices.

All parks and recreational areas to be funded under this framework will be as a part of larger property developments. For example, in the Ulven development, a large industrial area in Oslo (brown field site) is being developed into a residential area. Part of the land will be developed into a park to be handed over to the municipality upon completion. This project will add green area to city. At Ulven the issuer has undertaken a 3rd party insect account prior to the development and will measure the impact on biodiversity after the park has been developed.

The framework includes impact reporting, which includes example KPIs that will be used (if applicable). OBOS informs us that its impact reporting will be transparent on KPI methodology and data any (un)availability and consistent with other sustainability reporting. OBOS's appointment of an external independent auditor to annually verify its project evaluation and selection process and impact reporting is also a strength.

Weaknesses

No significant weaknesses perceived.

Pitfalls

Buildings that could qualify under the framework tend to be among the most energy efficient buildings in Norway, however investors should note that the energy efficiency thresholds for new and existing buildings in the OBOS framework are equivalent to the current Norwegian regulations (TEK17)¹⁷, and do not necessarily lead to any energy efficiency improvements. In a low carbon 2050 perspective the energy performance of buildings is expected to be improved, with passive and plus house technologies becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. The criteria for existing buildings do not include considerations of emissions from material use or construction phase emissions.

¹⁷ For information on the energy efficiency categories see (in Norwegian): <https://www.energimerking.no/no/energimerking-bygg/om-energimerkesystemet-og-regelverket/karakterskalaen/>
For information on TEK17: <https://dibk.no/byggereglene/byggteknisk-forskrift-tek17/>



Moreover, OBOS Finans Holding, OBOS-banken and OBOS Boligkreditt may use proceeds of any green bonds they issue to finance loans in respect of residential buildings built between 2012 and 2019 built in accordance with TEK10 and without additional energy efficiency threshold. Such buildings may have EPC ratings lower than level B i.e. lower than required in current Norwegian regulations. The energy efficiency criteria of 30 percent improvements for renovation projects are in line with the EIA recommendations for energy efficiency and represents a higher level of ambition than the thresholds for new and existing buildings.

Voluntary environmental certifications such as BREEAM-NOR cover many important sustainability issues, but fall short of guaranteeing low carbon buildings. The issuers considerations of transportations systems, materials and resilience are a strength in own developments, but there are currently no safeguards for these considerations in the loans to private consumers and or building associations (boligselskaper).

OBOS does not currently screen its supply chain for any additional environmental considerations, though OBOS informs us its building contracts will contain express provisions obliging contractors to deliver the buildings in line with OBOS's emissions targets., and its sustainable procurement policy ascribes certain environmental standards to suppliers. The issuer has informed us that it plans to include criteria towards suppliers and subcontractors and we encourage this development and its push towards a material use policy and fossil/emission free construction sites.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	OBOS Green Bond Framework (March 2021, updated June 2021)	
2	OBOS BBL Årsrapport 2020	OBOS BBL Annual Report 2020
3	OBOS Eiendom Årsrapport 2020	OBOS Eiendom Annual Report 2020
4	OBOS Boligkreditt Årsrapport 2020	OBOS Boligkreditt Annual Report 2020
5	OBOS Banken Årsrapport 2020	OBOS Banken Annual Report 2020
6	OBOS Finans Holding Årsrapport 2020	BOS Finans Holding Annual Report 2020
7	OBOS Standard Terms and Conditions for Sustainable Procurement (May 2020)	OBOS's terms and conditions for sustainable procurement



Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).

