

# TCFD Report 2021



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# 1 INTRODUCTION

Sparebanken Sør's mission is to "create sustainable growth and development for our region". For Sparebanken Sør, sustainable development means that the bank should contribute to positive development within ESG (Environmental, Social, Governance), while safeguarding the bank's social responsibility in areas where the bank operates. Our work on sustainability should strengthen our competitiveness and reduce the bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the bank should contribute to sustainable growth and development by strengthening its positive effects and reducing its negative impacts on people, society, climate and nature.

This report deals with the climate and how Sparebanken Sør integrates climate-related risks and opportunities into its business activities.

The figure below outlines the four pillars of the Task Force on Climate-Related Financial Disclosures, TCFD:

Governance:	Strategy:	Risk management:	Targets and methods:
Management of climate-related risks and opportunities.	Effects that climate-related risks and opportunities have on the bank's strategy, business areas and financial planning.	Systems and processes the bank uses to identify, assess and manage climate-related risks.	Methods and targets (KPIs) the bank uses to assess and manage climate-related risks and opportunities.

These four areas are the focus of this report.

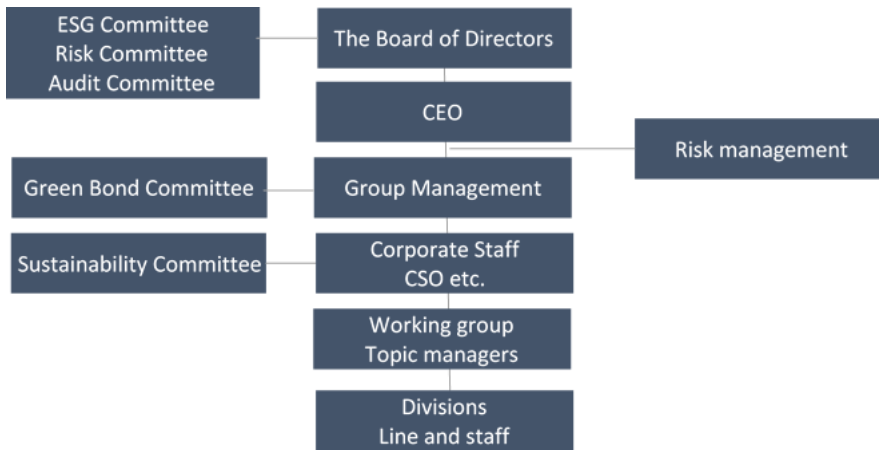
## 2 GOVERNANCE

### 2.1 The board's role with regard to climate-related threats and opportunities

The board has overall responsibility for ESG, including the climate. The board adopts the bank's strategy plan. ESG and the climate are included in the bank's strategy plan as one of the prioritised areas. The board considers various policy documents, reports and action plans related to ESG and climate-related risks and opportunities. The board also considers major credit cases where ESG and the climate are integrated in the lending processes. The board determines overarching objectives and risk frameworks for climate-related risks and opportunities in the bank's framework for risk management. The board also focuses on leveraging the opportunities afforded by the green shift.

### 2.2 Management's role in assessing, managing and handling climate-related threats and opportunities

The organisational structure for work on ESG and climate risk at Sparebanken Sør is as follows:



Information on the status and development of climate-related threats and opportunities will be integrated into quarterly risk reports presented to group management and the board.

You can find out more about the organisation in Sustainable Strategy, <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/barekraftsrapporter/>

## 2.3 Policy documents, climate

The bank’s policy documents for climate risk are as follows:

ESG policy documents and policy	Document status	
	Public	Internal
<b>Determined by the board</b>		
Strategic plan		X
Sustainability strategy	X	
Risk and capital strategy		X
Organisation of risks and capital management		X
<b>Determined by group management</b>		
Policy for responsible lending	X	
Policy for responsible investments and responsible securities trading	X	
Policy for climate and the environment	X	
Risk assessment of products, services, procedures, processes and systems		X
Policy for responsible procurement	X	
Guidelines for procurement – supplier declaration	X	
Green and Sustainable Bond Framework	X	
Green and Sustainable Product Framework	X	

### 3 STRATEGY

#### 3.1 Climate-related threats and opportunities over different time horizons

Climate risk represents three types of risk:

Transition risk: Risk during transition to a zero-emission society, which includes political and regulatory matters, technology, market and reputation.

Physical risk : Acute risk due to extreme weather such as hurricanes, floods etc. Chronic risks, which are long-term climate changes that affect temperature, sea level etc.

Liability risk : The company may be held liable for damage caused because of climate change and regulations that are not observed.

Sparebanken Sør's approach to climate is twofold:

- Direct impact from the bank's own operations.
- Indirect impact from the bank's business areas.

The impact relates to how the bank's business activities are affected by climate, but also how the bank's business activities affect climate.

Sparebanken Sør must make a positive contribution to reducing direct and indirect greenhouse gas emissions. The aim is to facilitate more sustainable development in the bank and among customers, suppliers and partners.

Relevant time horizons: (In the 2020 version, the ST and MT time horizons were 0–10 years and the LT time horizon was 10–30 years)

Klimarisiko og tidsperspektiv	Tid, år
Short Term(ST)	1 - 4
Medium Term (MT)	4 - 10
Long Term (LT)	10 - 30

##### 3.1.1 Climate-related risk and opportunities from own operations

Greenhouse gas emissions from the bank's own internal operations are low. The potential for reducing greenhouse gas emissions is greatest in relation to land use, energy efficiency and travel.

Climate-related risks and opportunities from the bank's own operations are considered low.

##### 3.1.2 Climate-related risks and opportunities from the business areas

Climate-related risks:

The following business areas and activities are considered to be exposed to the greatest climate-related risks:

- Lending: Increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL). Higher capital requirements for "non-sustainable activities and products".
- Investments: Repricing of assets and "stranded assets".
- Financing: Access to and cost of financing due to lack of "sustainable activities".
- Changed customer behaviour and increased competition through technology and digitalisation.

The bank considers transition risk to be the greatest, since Norway, at least in the short term, only has a low exposure to physical risk due to severe climate change.

Risk type	Description	Potential financial impact for Sparebanken Sør	Impact risk		
			ST (0–4 years)	MT 4–10 years)	LT (10–30 years)
Transition risk	<b>Regulatory risk/political risk</b> Strong regulation to achieve the goals of the Paris Agreement. Increased costs of greenhouse gas emissions. Regulations will affect the cost of greenhouse gas emissions, capital requirements, value of assets, costs and access to raw materials, input factors, infrastructure, transport, reporting requirements, lawsuits.	Increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL) due to restructuring and impaired servicing capacity as a result of regulations that affect climate-intensive products, raw materials, transport and input factors. Increased costs to ensure compliance with increased regulations and reporting requirements. Increased impairments of “stranded assets”. Reduced capital requirements for sustainable activities.	Low	Moderate	High
	<b>Technological risk</b> Increased costs for conversion to climate-friendly technology, distribution, products and services. Change in production methods and input factors. Impairments for failed technology.	Increased investment in new technology, products and services. Critical size in relation to ability to adapt. Impairments for bad investments. Risk of deterioration of relationships and customer loyalty, both of which are of key importance for a regional bank, through digitalisation.	Low	Moderate	Moderate
	<b>Market risk</b> Changes in consumption and demand due to the transition to a low-emission society will affect products, production processes, input factors and the value of assets. Changed consumption patterns affect business models, costs, sales and earnings.	Reduced market shares and revenues due to changed customer behaviour. Increased costs for input factors and supply chain may lead to impaired servicing capacity and increased losses. Globalisation and increased competition due to technology, digitalisation. Too little regional access to sustainable activities. Increased financing costs. Stranded assets.	Low	Moderate	Moderate
	<b>Reputation risk</b> Negative exposure to climate risk could lead to a loss of reputation and reduced attractiveness. Stigmatisation of products and industries.	Loss of reputation due to unwillingness or inability to adapt to a low-emission society could lead to reduced market shares for deposits and lending. Impaired access to and cost of financing and equity. Reduced value of equity certificates.	Low	Moderate	Moderate
	<b>Acute risk</b> Increased severity of extreme weather such as cyclones and floods.	Increased losses, reduced value of pledged security and assets in locations exposed to extreme weather. Increased costs for the prevention of climate damage and curtailment of insurances. Reduced revenues due to interruptions in production, transport and supply chain.	Low	Low	Moderate
Physical risk	<b>Chronic risk</b> Changes in weather/precipitation patterns. Rising temperatures. Rising sea level.	Same as for acute risk, but chronic risk could have greater and more permanent long-term effects.	Low		Moderate
	<b>Insurance risk and legal risk</b> Liability for damage caused to third parties and society.	The bank considers this risk category to represent an extremely low risk for the bank in the short term, and the bank has therefore not taken this into account in the TCFD report.	Extremely low	Low	Low

## Climate-related opportunities:

The bank considers climate-related opportunities to be greatest in the following areas:

- Lending: Growth in earnings and volume from sustainable activities, new markets and industries. Reduced capital requirements for sustainable activities.
- Investment: Excess return and capital allocation for sustainable activities.
- Financing: Better access to and lower cost of financing through sustainable activities.
- Cost reduction: Efficient servicing and distribution through digital solutions.

Opportunity	Description	Potential financial impact for Sparebanken Sør	Opportunity to influence		
			ST (0–4 years)	MT (4–10 years)	LT (10–30 years)
Resource efficiency	More efficient processes for transport, production and distribution. Increased recycling and reuse. Energy-efficient buildings. Reduced consumption of input factors and raw materials. Reduced consumption in general.	Reduced costs, digital meetings, digital service concepts and distribution. Reduced energy consumption, land use and other operating costs for property. New industries and customers due to conversion to circular economy, recycling and reuse.	Low	Low	Low
Energy sources	Use of renewable energy. Regulations and incentives. Use of new technology. Better carbon markets. Transition to decentralised energy production.	Reduced costs for energy consumption. Financing of renewable energy, electricity storage, energy-efficient means of transport, electric cars etc.	Extremely low	Extremely low	Extremely low
Technology, products and services	More efficient production and distribution through new technology. New climate-friendly and recyclable products and services. Changed use of raw materials and input factors.	Reduced costs due to new technology and digitalisation. Increased earnings from new customers, more reasonably priced financing, reduced capital requirements due to sustainable activities. Excess return on sustainable investments and assets.	Moderate	Moderate	High
Market	Access to new markets through new technology, new products and services. Use of public incentives. Diversification of business model.	Increased revenues from new markets and customers due to digitalisation and sustainable activities. Increased diversification and reduced risk. Better access to public and private risk capital in sustainable projects and industries could contribute to growth.	Moderate	Moderate	High
Strength/ability to adapt	Participation in renewable programmes and adaptation to climate-friendly measures.	Sharing knowledge, technology, products and systems with partners based on shared ambitions to achieve the goals of the Paris Agreement. Restructuring of internal resources and recruitment of new expertise.	Low	Low	Low

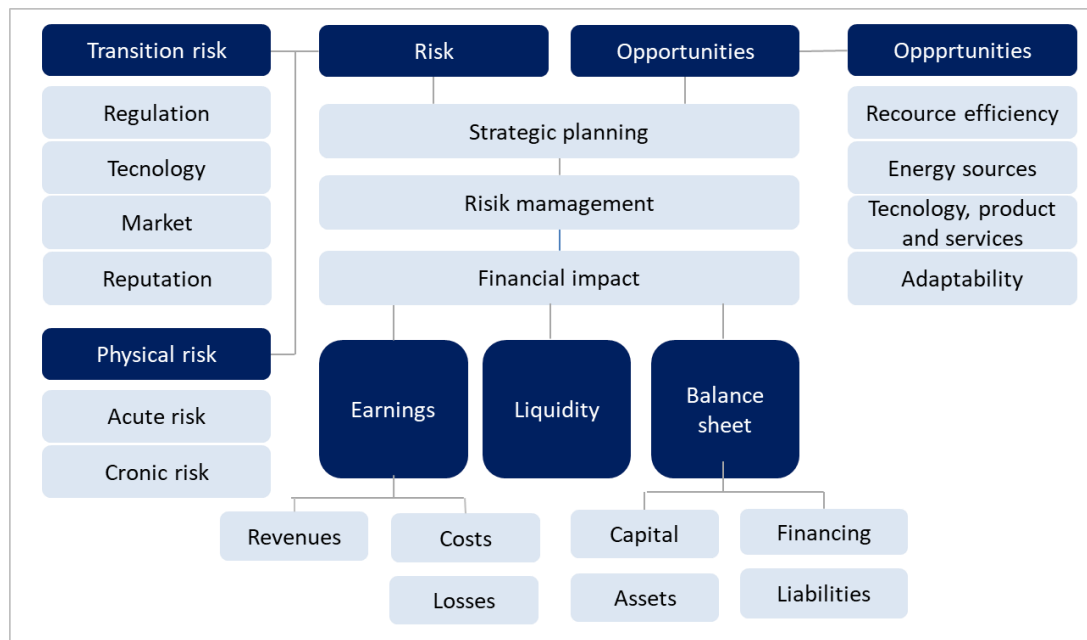
## 3.2 How climate-related risks and opportunities will affect strategy, business areas and financial planning

Sparebanken Sør is a regional savings bank, where the business model is an integrated value chain that includes the development, production and provision of financial products and services. Distribution of products through owner companies and partners is an important part of the business model. Sparebanken Sør serves customers through a combination of sales offices and digital solutions. Digitalisation and an analytical approach characterise activities throughout the value chain. The largest business areas are Lending to retail and corporate markets as well as Financing and Investment. Business activities are carried out within the framework of the company's strategy, corporate governance and ethical guidelines.

Sparebanken Sør conducts traditional banking activities within loans, savings and the supply of related products such as leasing, insurance, funds, real estate etc. Most of the bank's income derives from Lending

and Financing. Investments and revenue from other products managed by the bank, or through subsidiaries and partners, are also important business areas for the bank.

The relationship between climate-related risks, opportunities and strategic and financial impact is as follows:



Climate-related risks and opportunities will have the greatest impact on Sparebanken Sør's strategy, business areas and financial planning in the following areas:

- Adaptation to new regulations, the EU taxonomy, EBA etc.
- Redirection of capital to sustainable activities.
- Change in competitive situation through technological development and digitalisation.
- Changes in customer behaviour and preferences for products and services adapted to a low-emission society.
- Changes in customer and industry composition through the phasing out of activities that are climate-intensive and the emergence of new climate-friendly activities and industries.
- Repricing of assets.
- Cost of and access to equity and financing.

From a short-term perspective, it is most important to take into account the following risk areas and opportunities:

- Integrating and managing climate risk in lending, investing and financing. From a short-term perspective of one to four years, the bank believes that the risk is relatively low in terms of both transition risk and physical risk.
- Establishing good technology platforms, digital operating solutions and distribution channels.
- Establishing and expanding portfolios of sustainable products and bonds.
- Building internal expertise throughout the organisation in order to be able to adapt to a low-emission society and to ensure that the bank has the ability and willingness to adapt.
- Ensuring compliance with regulatory requirements.

A qualitative and quantitative analysis should be made in all relevant business areas to map climate-related risks and opportunities.



### 3.3 Impact of various climate-related scenarios on strategy, business areas and financial planning (including a 2 °C scenario)

This section deals with how different climate-related scenarios will affect the bank's strategy, business areas and financial planning.

In short, this includes:

1. Preparing models and climate scenarios (1.5–2 °C with early/late adaptation, and a 3–4 °C hot-house scenario) in a ten-year perspective.
2. Establishing data sources and assumptions for the climate scenarios.
3. Modelling the different climate scenarios.
4. Analysing and evaluating results and what impact the scenarios will have on strategy, business areas and financial results.
5. Assessing possible measures.

This is a demanding task due to its complexity, the lack of data and models, and the long time-horizon, with a lot of uncertainty about the effects of both climate-related risks and opportunities.

The bank will continue to work on establishing models and data for scenario analyses and stress tests.

## 4 RISK MANAGEMENT

### 4.1 How climate risk affects different risk categories

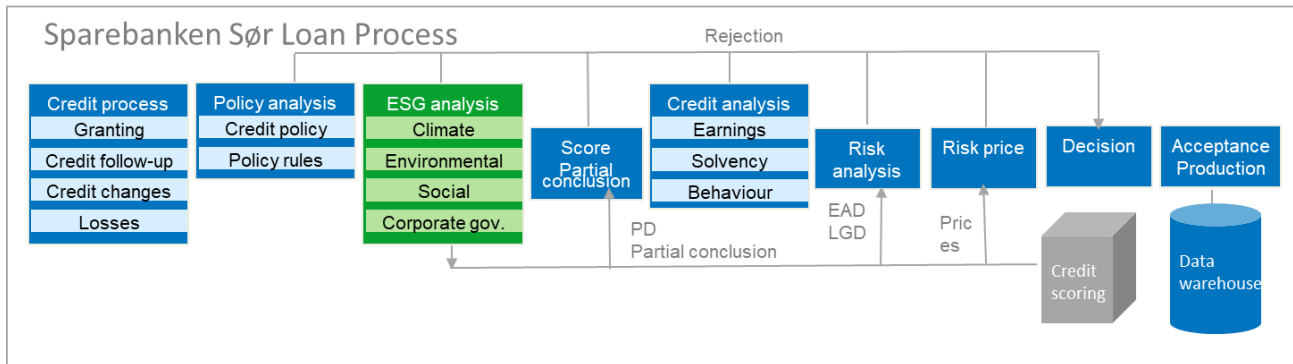
Climate risk is not a separate, isolated risk but is an important risk factor that affects other risk categories such as credit risk, market risk etc. The relationship between climate risk and the most significant risk categories, and the bank's risk assessment, are shown below.

riskA2:E	Transition risk			Physical risk				
	Type	ST (0–4 years)	MT (4–10 years)	LT (10–30 years)	Type	ST (0–4 years)	MT (4–10 years)	LT (10–30 years)
Credit risk	Regulations, changes in supply chains and customer behaviour could trigger impaired servicing capacity (PD) and reduced pledged security (LGD) from customers and could lead to increased losses (EL)	Low	Low/Moderate	Moderate	Increased losses (EL) from customers, industries and sectors that are exposed to reduced values on pledged security and assets due to climate change.	Low	Low/Moderate	Low/Moderate
Market risk	Regulations, technology and customer behaviour could generate “stranded assets” and repricing of securities and other assets.	Low	Low/Moderate	Moderate	Climate disasters could lead to rapid repricing, changes in volatility and loss of values on assets and asset items.	Low	Low	Low/Moderate
Operational risk	Negative effects of regulatory changes on internal processes and suppliers could lead to increased losses.	Low	Low	Low/Moderate	Damage from extreme weather to property, infrastructure and input factors and harm to people could result in increased losses.	Low	Low	Low
Liquidity risk	Low proportion of sustainable activities affects rating, access to and cost of financing. A rapid repricing of securities could reduce the value of the bank’s liquidity buffer.	Low	Low/Moderate	Moderate	Impaired servicing capacity and costs for the prevention and repair of climate-related events could affect customers’ deposits.	Low	Low	Low/Moderate
Business risk	Reduced revenues due to lack of adaptation to a low-emission society. High costs due to lack of digitalisation and technological development. Increased volatility in results due to rapid changes in regulations and customer behaviour.	Low	Low	Low/Moderate	Physical damage to property and data and harm to people due to serious climate events could lead to increased costs and reduced revenues.	Low	Low	Low
Strategic risk	Inadequate restructuring and adaptation to a low-emission society will affect profitability and the bank’s reputation.	Low	Low	Low/Moderate	Risk of loss of assets exposed to serious climate events.	Low	Low	Low

#### 4.1.1 Credit risk

Climate risk related to credit risk is primarily associated with lending. Retail customers account for the largest volume with approx. 66 per cent of total lending, of which mortgages make up more than 90 per cent. Corporate customers consist of relatively small SME customers, with good diversification in terms of geography and industry. The business structure in the market area and the exclusion criteria for Sparebanken Sør listed in our “Responsible lending policy” help ensure that the bank in practice does not lend to industries with high greenhouse gas emissions.

Sparebanken Sør has an integrated module for ESG analysis in lending processes for the business market. See the figure below.



The ESG module has a special focus on climate, but covers the following ESG areas:

- Exclusion criteria: Included in the Policy analysis.
- Industry: Framework for managing industries and industry-specific assessments and requirements.
- Climate: Assessment of how physical risk and transition risk could affect the customer and the ability to service and collateral for the case, and result in increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL).
- Natural environment: Assessment of how the customer's business activities impact the natural environment.
- Social conditions: Assessment of how the customer and its partners comply with requirements and international conventions related to social conditions, and employee and human rights.
- Governance: Assessment of whether the customer and partners comply with requirements and international conventions on corporate governance.

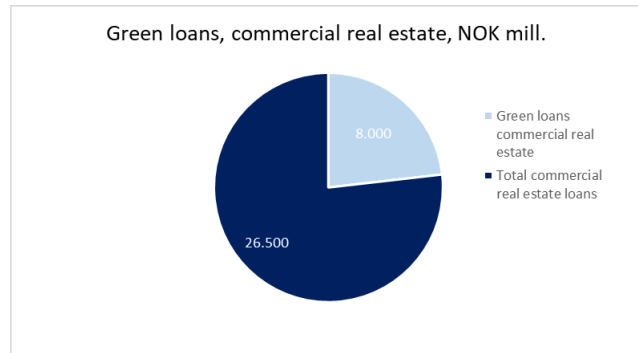
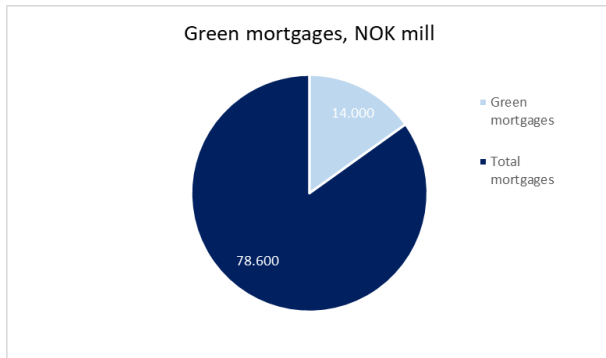
Scoring: Based on the above, the customer is given an ESG score in the category of low, medium or high risk, which provides a basis for managing processes, mandates and pricing. Data from the ESG module is used in connection with reporting on cases, customers and portfolios.

The module has been in use since April 2021, and the results so far indicate that the ESG risk, including the climate, is low to moderate.

Sustainable products and services are an important tool for helping reduce both the bank's and our customers' climate risk.

The bank has established a Green and Sustainable Bond Framework and a Green, Social and Sustainable Product Framework. The bank uses these frameworks to establish sustainable products and issue sustainable bonds.

The figures below show green mortgages and green loans for commercial property for each of the bank's frameworks.



The table below shows the lending portfolio and how the bank assesses climate risk from different time perspectives:

Climate risk Lending	31.12.2021 MNOK	tonnes of CO <sub>2</sub> /MNOK *	Transition risk			Physical risk		
			ST	MT	LT	ST	MT	LT
Mortgages	77.549	2,07						
Other loans	1.813	2,07						
Retail customers	77.549	2,07						
Agriculture and related services	861	168,6						
Forestry and related services	171	32,6						
Fishing, hunting and aquaculture	465	38,6						
Mining	51	83,4						
Industry	741	54,0						
Energy production and supply	48	2,6						
Water, wastewater and waste disposal	80	127,4						
Construction of buildings/construction act	5.358	57,0						
Retail	1.519	32,9						
Transport	594	77,2						
Hotels, restaurants and tourism	430	38,2						
Information and communication	152	11,2						
Financing and insurance	233	9,8						
Sale and operation of real estate	21.144	4,4						
Professional services	478	41,1						
Business services	343	66,5						
Public administration	2	13,8						
Instruction	1.328	10,9						
Healthcare and social services	2.055	27,3						
Cultural activities	429	37,1						
Other services	3.018	35,1						
Corporate customers	39.500	24,6						

\*Based on PCAF, cf. section 5.5.2

Low risk	
Low/moderate risk	
Moderate/high risk	
High risk	

The industries Agriculture and related services, Sale and operation of real estate, and Construction of buildings/construction activities are considered to be exposed to the largest relative transition risk in the portfolio. Although the relative greenhouse gas emissions from the Mining and Water, wastewater and waste disposal industries are high, the risk is considered low due to the composition of the portfolios. Based on an overall assessment, climate risk in the lending portfolio for the current industry composition is considered acceptable in both the short and medium term. Long-term risk is currently more difficult to

predict, and will depend on factors such as future changes in the industry composition of the portfolio. However, the bank can also manage this through efficient risk management systems.

### 4.1.2 Market risk

Climate risk in relation to market risk is primarily associated with yield and value development of assets and securities, and whether or not these qualify as sustainable activities according to the EU taxonomy.

Market risk primarily relates to:

- Own investments. These investments mainly consist of wholly owned subsidiaries and shareholdings in associates, primarily product companies.
- Placement of the bank’s liquidity portfolio. This is strictly regulated by the authorities. Discussed under Liquidity risk.
- Securities in funds that the bank distributes to customers from other fund providers. The bank does not directly conduct asset management, but we require fund providers to comply with the same requirements for ESG. This means that the bank does not bear any inherent risk on its own funds.

Climate risk Market risk	31.12.2021 MNOK	tonnes of CO <sub>2</sub> /MNOK *	Transition risk			Physical risk		
			ST	MT	LT	ST	MT	LT
Fund			N/A	N/A	N/A	N/A	N/A	N/A
Shares and shareholdings in companies	1.394							

Low risk	
Low/moderate risk	
Moderate/high risk	
High risk	

Greenhouse gas emissions from companies in which the bank has a controlling interest, which make up the most important part of the item Shares and shareholdings in companies, are consolidated in the bank’s carbon accounting.

We do not currently calculate greenhouse gas emissions for funds, but assume that the fund providers do this in accordance with the legislation. Shares and shareholdings in companies currently make up such a small proportion and represent such a low risk that climate-related risks and opportunities can be followed up through good corporate governance. All subsidiaries and companies in which we own a shareholding of 50 per cent or more are also integrated into the bank’s carbon accounting. We have set goals for reducing greenhouse gas emissions from our own operations, cf. item 5.

### 4.1.3 Operational risk

Climate risk in relation to operational risk is primarily associated with loss of reputation and market due to lack of adaptation to a low-emission society, as well as failed investments in technology and lost assets due to extreme climate events.

Operational risk is monitored through the bank’s internal control and reporting in the bank’s system for undesired incidents.

### 4.1.4 Liquidity risk

Climate risk related to liquidity risk primarily relates to stranded assets in the liquidity portfolio as well as the cost of and access to financing.

Climate risk Investment/Financing	31.12.2021 MNOK	tonnes of CO <sub>2</sub> /MNOK *	Transition risk			Physical risk		
			ST	MT	LT	ST	MT	LT
Liquidity portfolio	19.860							
Financing	60.109							

Low risk	
Low/moderate risk	
Moderate/high risk	
High risk	

The climate risk for the liquidity portfolio is considered to be low.

Lack of volume of sustainable activities in relation to the EU taxonomy could lead to reduced access to and an increased cost of financing. The proportion of and access to and cost of green bonds and issued sustainable bonds in relation to financing will be a key indicator for monitoring risk in this area.

## 4.2 Processes for managing climate-related risks

Climate risk in our own operations will be monitored through annual measurements of greenhouse gas emissions. Work has also been initiated to survey the bank's properties with regard to how the bank can adapt to the Paris Agreement and internal targets for reducing greenhouse gas emissions.

Climate risk in the business areas is monitored through KPIs, portfolio analyses of climate risk, stress tests and scenario analyses. These form the basis for the measures and follow-up required to meet internal goals, sustainability goals and goals of the Paris Agreement.

## 4.3 Processes for identifying, assessing and managing how climate-related risks are integrated into overall risk management

Sparebanken Sør has a comprehensive framework for risk appetite and risk tolerance for the various risk categories. Overall measurement indicators for ESG risk and climate are/will be integrated into this framework. A report showing the status and development of overarching management goals and risk tolerance is prepared quarterly. These reports are assessed by the bank's group management and board, who can follow developments and ensure that the risk matches targets set for risk frameworks and risk tolerance.

Climate risk is integrated into the bank's internal control system. Incidents and losses as a result of climate risk are reported in the bank's incident reporting system.

Our KPIs and management goals for climate-related risk and opportunities are continually being developed.

# 5 METHODS AND TARGETS

## 5.1 Methods and calculations to assess whether climate-related risks and opportunities are in line with strategy and risk management process

### 5.1.1 Greenhouse gas emissions from own operations

We calculate greenhouse gas emissions in our own operations annually, based on the international standard "A Corporate Accounting and Reporting Standard", developed by the Greenhouse Gas Protocol Initiative

(GHG Protocol). Our Scope 3 emissions only relate to our own operations. The most significant greenhouse gas emissions in Scope 3 relate to greenhouse gas emissions from the business areas. While further work will be done in this area in future, the lack of reliable data and methodology means that significant uncertainty attaches to these calculations, cf. the points below.

## 5.1.2 Greenhouse gas emissions from business areas

### Greenhouse gas emissions from lending activities:

Results and methodology for calculating greenhouse gas emissions from the lending portfolio are based on models and data from PCAF, and some own data. PCAF's framework is based on different methods depending on the available data. To date, we have primarily calculated greenhouse gas emissions at stage 5, which is the lowest level. We will continue to work to improve the quality of calculations of greenhouse gas emissions from lending. The goal is to establish as good a baseline as possible, in order to be able to monitor development and goals for reducing greenhouse gas emissions.

### Greenhouse gas emissions from investments:

Greenhouse gas emissions from investments (the liquidity portfolio) will also be based on PCAF's methods and data. Further work will be performed on these calculations in 2022.

## 5.1.3 Scenario analyses and stress tests

The bank will continue to work on establishing models and data for scenario analyses and stress tests for climate risk.

## 5.2 Greenhouse gases (GHG) and associated risks for Scope 1, Scope 2, Scope 3 and the related risk factors

### 5.2.1 Greenhouse gas emissions from own operations

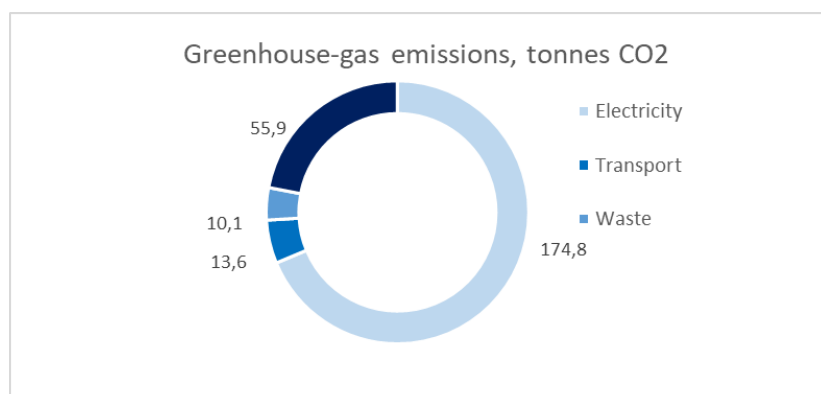
Data on the bank's status and development with regard to greenhouse gas emissions (GHG protocol) and resource consumption are shown in the table and figure below:

Greenhouse-gas emissions	2019	2020	2021
Greenhouse-gas emissions Scope 1, tonnes of CO <sub>2</sub>	22,8	19,0	13,6
Greenhouse-gas emissions Scope 2, tonnes of CO <sub>2</sub>	195,5	181,3	174,8
Greenhouse-gas emissions Scope 3, tonnes of CO <sub>2</sub>	199,2	72,7	66,0
Total greenhouse-gas emissions, tonnes of CO <sub>2</sub>	417,5	273,0	254,4
No. of employees	429	442	594
Greenhouse-gas emissions per employee	0,97	0,62	0,43
Heated area, m <sup>2</sup>	23.964	23.004	26.769
Energy consumption, 1,000 kWh per year	5.383	4.926	6.250
Energy consumption, kWh per m <sup>2</sup>	225	214	233

You can read more about greenhouse gas emissions in the bank's carbon accounting, <https://www.sor.no/globalassets/organisasjon/barekraft/carbon-accounting-2021-sparebanken-sor.pdf>

The bank's greenhouse gas emissions primarily relate to energy consumption and travel. Work has begun on mapping energy consumption in the bank's property portfolio, and analysing what measures must be implemented to meet the targets set for reducing greenhouse gas emissions. In terms of travel, this was sharply reduced in 2020 due to Covid-19, but the bank will in future reduce its travel through the use of good

digital meeting places and setting requirements for travel. The bank is well on its way to being able to meet targets for greenhouse gas emissions in 2030.



## 5.2.2 Greenhouse gas emissions from business areas

### Greenhouse gas emissions from lending activities:

Sparebanken Sør became a partner in the PCAF (Partnership for Carbon Accounting Financials) in December 2021. The bank has used PCAF's data and methodology based on the balance sheet to calculate greenhouse gas emissions from the Corporate Market. For "Residential property" in the retail market, the bank has used energy classes to calculate CO<sub>2</sub> emissions. For other loans in the retail market, which make up a very small part of loans to the retail market, the same emission factors have been used as for mortgages.

The distribution of lending and greenhouse gas emissions in markets and industries is shown in the table below:

Industry	Total lending NOK mill.	Scope 1 Tonnes CO2	Scope 2 Tonnes CO2	Scope 3 Tonnes CO2	Scope 1,2 and 3 Tonnes CO2	Tonnes CO2 per NOK mill. lending
Mortgage	75.736				156.774	2,07
Other loan and credit	1.813				3.753	2,07
<b>Private customers</b>	<b>77.549</b>				<b>160.527</b>	<b>2,07</b>
Agriculture and related services	861	113.354	112	31.709	145.175	168,61
Forestry and related services	171	2.495	13	3.067	5.576	32,60
Fishing, trapping and aquaculture	465	5.995	48	11.915	17.959	38,62
Mining	51	2.121	6	2.155	4.282	83,39
Industry	741	7.145	169	32.701	40.015	54,00
Energy production and supply	48	48	0	75	123	2,59
Water, wastewater and waste disposal	80	5.071	14	5.111	10.196	127,42
Construction of buildings / construction	5.358	13.148	288	291.899	305.335	56,99
Retail	1.519	20.646	53	29.233	49.933	32,87
Transport	594	5.283	100	40.456	45.840	77,17
Hotels, restaurants and tourism	430	4.903	153	11.361	16.417	38,18
Information and communication	152	214	10	1.473	1.697	11,19
Financing and insurance	233	836	5	1.455	2.296	9,85
Sale and operation of real estate	21.144	16.722	2.939	72.379	92.040	4,35
Professional services	478	7.131	46	12.496	19.673	41,11
Business services	343	8.919	36	13.861	22.816	66,53
Public administration	2	1	1	23	25	13,79
Education	1.328	1.021	518	12.967	14.507	10,92
Healthcare and social services	2.055	2.730	2.794	50.577	56.102	27,30
Cultural activities	429	770	192	14.959	15.920	37,09
Other services	3.018	31.994	1.941	72.035	105.970	35,11



There is currently little comparative data, but the composition of the lending portfolio and the calculations indicate that the bank's greenhouse gas emissions are low. Further work will be carried out in future to obtain better data sources for calculating greenhouse gas emissions from lending. The goal is to establish a baseline for greenhouse gas emissions in the lending portfolio during 2022.

#### Greenhouse gas emissions from investments:

No greenhouse gas emissions from investments have been calculated. The bank will use PCAF's methodology and data as a basis for calculating greenhouse gas emissions from investments, and will work to establish a baseline.

## 5.3 Measurement indicators and results for managing climate-related risks and opportunities

### 5.3.1 KPIs and greenhouse gas emissions from own operations

The figure below shows the development in greenhouse gas emissions in recent years, and how the bank is on track to meet emissions reduction targets.

KPI	Description	Unit	Goal	Time	2017 Baseline	2020	2021	Goal attainment
KPI I1	Total greenhouse-gas emissions, own activities	tonnes CO2			512,7	273,0	254,4	
KPI I2	Reduction in greenhouse-gas emissions, accumulated	%	55	2030		46,8	50,4	✓
KPI E3	Reduction in greenhouse-gas emissions		0 (NZE)	2050				

### 5.3.2 KPIs and greenhouse gas emissions from the business areas

#### Greenhouse gas emissions in lending:

KPI	Description	Unit	Goal	Time	2017	2020	2021 Baseline	Goal attainment
KPI I4	Total greenhouse-gas emissions lending	tonnes CO2						
KPI I5	Reduction in greenhouse-gas emissions lending	%	40	2030				
KPI I6	Reduction in greenhouse-gas emissions lending		0 (NZE)	2050				

The bank aims to establish a baseline in 2022 based on data as at 31 December 2021.

#### KPIs green mortgages and green loans for commercial property:

KPI	Description	Unit	Goal	Time	2019	2020	2021 Baseline	Goal attainment
KPI F1	Green home loans, growth	%	≥ 10	Annually				
KPI F2	Green home loans, %	%	≥ 50	2030			18	

KPI	Description	Unit	Goal	Time	2019	2020	2021 Baseline	Goal attainment
KPI F3	Green loans commercial real estate, growth	%	≥ 10	Annually				
KPI F4	Green loans commercial real estate	%	≥ 50	2030			30	

#### KPIs and greenhouse gas emissions from investments:

KPI	Description	Unit	Goal	Time	2017	2020	2021 Baseline	Goal attainment
KPI I4	Total greenhouse-gas emissions investments	tonnes CO2						
KPI I5	Reduction in greenhouse-gas emissions investments	%	40	2030				
KPI I6	Reduction in greenhouse-gas emissions investments		0 (NZE)	2050				

The bank aims to establish a baseline in 2022 based on data as at 31 December 2021.

### KPIs sustainability bonds in the liquidity portfolio:

KPI	Description	Unit	Goal	Time	2019	2020	2021	Goal attainment
KPI G1	Sustainable bonds liquidity portfolio	NOK mill.	2.000	2022		650	1.495	

### Financing:

KPI	Description	Unit	Goal	Time	2019	2020	2021	Goal attainment
KPI G2	Sustainable bonds issued	NOK mill.			5.100	5.103	5.102	

The bank aims to increase the share of issued sustainable bonds.

## 6 NEXT STEPS

Important tasks in connection with further development of our work on climate risk are outlined below.

1. Qualitative and quantitative analyses in all relevant business areas to identify risks and opportunities and strategy from a short- and long-term perspective.
2. Collect data on climate risk and further develop models and methods.
3. Further develop calculations of climate risk in lending and investments with the aim of establishing a baseline in 2022.
4. Further develop scenario analyses and stress tests for climate risk.
5. Build expertise on climate risk throughout the organisation.
6. Further develop KPIs, management goals and risk frameworks for climate risk and integrate these into the bank's framework for risk management and risk reports.
7. Develop additional sustainable products.
8. Build portfolios of sustainable products and bonds in relevant business areas in accordance with KPIs.
9. Consider integrating climate risk into mortgage lending processes.
10. Ensure compliance with regulatory requirements, including the EU taxonomy.