

TCFD Report 2020



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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, 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.

The TCFD (Task Force on Climate-related Financial Disclosures) report focuses on climate and is divided into four main topics:

Governance	Strategy	Governance:	Management of climate-related risks and opportunities.
		Strategy:	Effects that e.g. climate-related risks and opportunities have on the bank’s strategy, business areas and financial planning.
Risk management	Targets and methods	Risk	Systems and processes the bank uses to management: identify, assess and manage climate-related risks.
		Targets and methods:	Calculations and targets used to assess and manage risks and opportunities.

2 GOVERNANCE

2.1 The Board’s role with regard to climate-related threats and opportunities

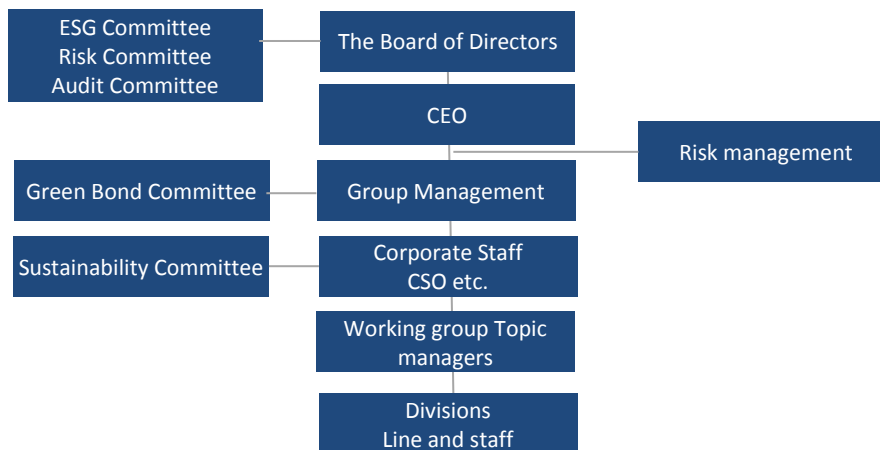
The Board has the overall responsibility for ESG, including climate. The Board adopts the bank’s strategy plan. The bank’s strategy plan includes ESG and climate, as one of the priority areas. The Board considers various governing documents, reports and action plans related to ESG and climate-related risks and opportunities. This includes e.g. Sustainability Strategy, Climate and Environment Policy, Climate Reports (GHG) and Sustainability Reports. The Board also considers major credit cases where ESG and climate are integrated into the credit processes. The Board sets overall goals and risk frameworks for climate-related risks and opportunities in the bank’s framework for risk management.

The Board’s goal is for climate risk to be integrated and operationalised in all relevant business areas.

Furthermore, the Board focuses on leveraging the opportunities afforded by the green shift. In order to safeguard business opportunities and customer needs while also contributing to reduced greenhouse gas emissions, it is important to facilitate the digitalisation of sustainable activities, products, services and financing.

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 illustrated in the figure below.



The Board of Directors:

ESG is a priority area in Sparebanken Sør’s strategy plan. The Board aims to integrate and operationalise ESG in all parts of the business. The Board actively participates and considers and approves overriding matters, TCFD report, and governing documents within ESG.

ESG Committee:

The ESG Committee is the Board’s own committee, which considers and prepares ESG matters for the Board.

CEO:

The CEO is responsible for the implementation of this strategy.

Risk management:

Risk management is responsible for monitoring and reporting the company’s ESG risk and risk management.

Division directors in Group Management:

Division directors have the overall responsibility for monitoring ESG and climate risk.

Corporate Staff Division:

The Corporate Staff Division has the professional responsibility, as well as responsibility for the organisation, coordination, communication and follow-up of work at the general level.

Working groups topic:

Several working groups have been established, with people responsible for each topic. Together with Corporate Staff, these groups work to integrate and operationalise ESG within the respective business/topic areas.

Divisions in line and staff:

The line and staff are responsible for operationalising measures and action plans and following up on them.

Green Bond Committee:

The Green Bond Committee is responsible for ensuring compliance with the obligations in the framework for green and sustainable bonds.

ESG work is firmly embedded at Board and management level.

Information on the status and development of climate-related threats and opportunities is integrated into quarterly risk reports that go to Group Management and the Board.

Management has prioritised the following business areas as most important when it comes to climate-related threats and opportunities:

1. Loans.
2. Investments.
3. Financing.
4. Increase the portfolio of sustainable products, services and distribution solutions.

3 STRATEGY

3.1 Climate-related threats and opportunities over different time horizons

Climate risk represents three types of risk:

- Transition risk: Risk of transition to a zero-emission society, which includes political and regulatory conditions, 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: Companies can be held liable for damage caused by climate change and non-compliance with regulations.

Sparebanken Sør's approach to climate is twofold:

- Direct influence from the bank's own operations.
- Indirect influence 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.

The bank's "Climate and nature policy" aims to contribute to the bank having clear principles and guidelines that show what requirements and expectations the bank has for its customers, suppliers and partners. 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:

Climate risk and time perspective	Time, years
Short term	1–10
Long term	10–30

As there is great uncertainty when assessing and quantifying forward-looking climate-related risks and opportunities in the various time horizons, we have chosen to disregard a time horizon in the medium term.

The time horizons are adapted to greenhouse gas reduction targets:

2030: Reduce greenhouse gas emissions by 55 per cent (internal targets, Norway's targets and EU targets).

2050: Zero emissions (Paris Agreement's zero emissions target).

Climate-related risks:

Risk type	Description	Potential financial impact for Sør	Impact risk	
			Short term (0–10 years)	Long term (10–30 years)
Transition risk	Regulatory risk / political risk		now	2030–2050
	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 weakened servicing capacity as a result of regulations that affect climate-intensive products, raw materials, transport and input factors. Increased costs to meet increased regulations and reporting requirements. Increased impairments of assets “stranded assets”. Increased capital requirements for “non-sustainable activity”.	Moderate	High
	Technological risk		now	2030–2050
	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, which are central to a regional bank, through digitalisation.	Moderate	Moderate
	Market risk		now	2030–2050
	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, reduced consumption. Increased costs for input factors and supply chain can lead to weakened servicing capacity and increased losses. Globalisation and increased competition due to technology, digitalisation. Too little regional access to and reduction of “sustainable activities”, increased financing costs. “Stranded assets”.	High	High
Physical risk	Reputation risk		now	2030–2050
	Negative exposure to climate risk could lead to a loss of reputation and reduced attractiveness. Stigmatisation of products and sectors.	Loss of reputation due to unwillingness or inability to convert to a low-emission society can lead to reduced market shares in deposits and loans. Weakened access to and price of financing and equity. Reduced value of equity certificates.	Moderate	Moderate
	Acute risk		now	2030–2050
	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	Moderate
	Chronic risk		now	2030–2050
	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
Liability risk	Insurance risk and legal risk		now	2030–2050
	Liability for damage caused to third parties and society.	The bank considers this risk category to represent a very low risk for us in the short term, and the bank has therefore not taken this into account in the TCFD report.	Very low	Low

Climate risk and greenhouse gas emissions from the bank’s internal operations are low, but here, too, we

have set targets for reducing greenhouse gas emissions. The potential for reducing greenhouse gas emissions is greatest in relation to energy efficiency and travel.

The bank assesses the following climate-related risks to be greatest in the following business areas:

- Loans: Increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL). Higher capital requirements for “unsustainable activities and products”.
- Investments: Repricing of assets and “stranded assets”.
- Financing: Access to and price of financing due to lack of “sustainable activities”.
- Increased competition, reduced revenues and high costs of transitioning to low-emission societies through climate-friendly technology, products and changes in consumption patterns.

For the bank, transition risk is considered to be greatest, as Norway, at least in the short term, is less exposed to physical risk due to severe climate change.

Climate-related opportunities:

Opportunity	Description	Potential financial impact for Sør	Opportunity to influence	
			Short term (0–10 years) now–2030	Long term (10–30 years) 2030–2050
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 consumption of energy, office space and other operating costs related to properties. New industries and customers due to conversion to circular economy, recycling and reuse.	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.	Very low	Very 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 on new customers, cheaper financing, reduced capital requirements due to sustainable activities. Excess return on sustainable investments and assets.	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 green projects and industries can contribute to growth and risk sharing.	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 common ambitions to achieve the targets of the Paris Agreement. Restructuring of internal resources and recruitment of new expertise.	Low	Low

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

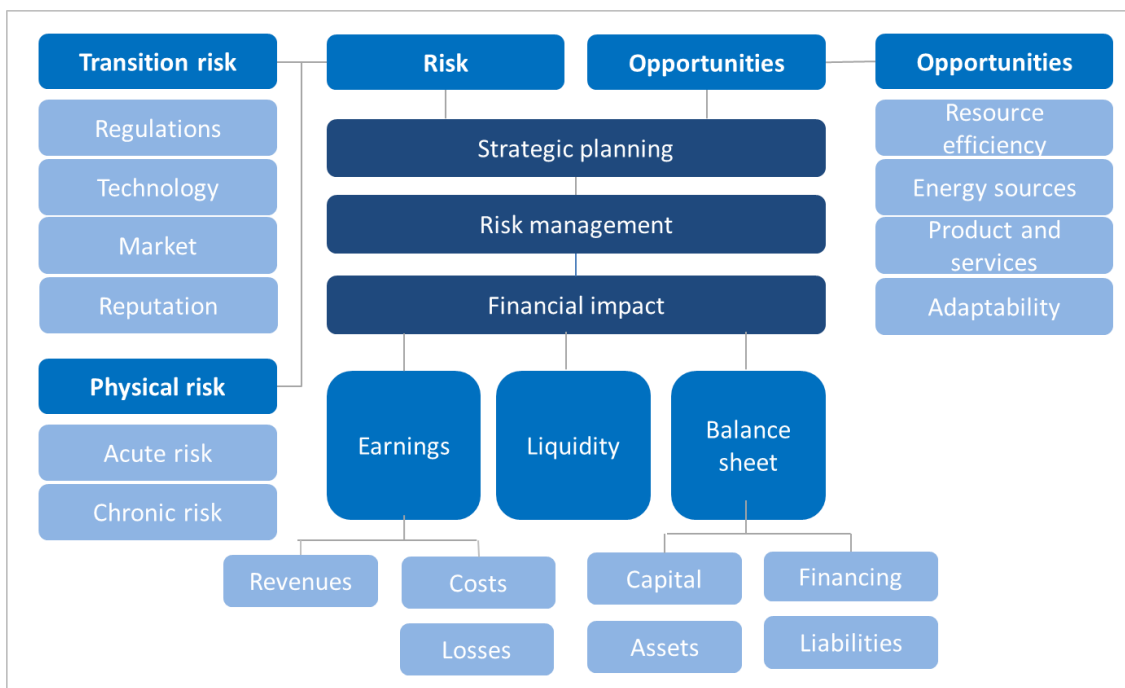
- Loans: Growth in earnings and volume from sustainable activities, new markets and industries. Reduced capital requirements for sustainable activities.
- Investment: Excess return and capital allocation for sustainable activities.
- Financing: Better access to and lower cost of financing through sustainable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

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 supplying 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 Loans (to private 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 supplies related products such as leasing, insurance, funds, real estate, etc. Most of the bank’s income is related to Loans and Financing. Investments and income from other products under our own auspices, or through subsidiaries and partners, are also important business areas for the bank, although the effects of the financial results from these are significantly smaller.

The figure below shows the connection between climate-related risks, opportunities and strategic and financial impact.



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

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

- Integrate and manage climate risk in the loan portfolio, investment and financing. In a short-term perspective of one to three years, the bank believes that the risk is relatively low both in terms of transition risk and physical risk.
- Establish good technology platforms, digital operating solutions and distribution channels.
- Establish and expand the volume of sustainable products, activities, services and bonds.
- Build internal expertise throughout the organisation in order to be able to adapt to a low-emission society and ensure that the bank has the ability and willingness to adapt.
- Ensure compliance with regulatory requirements.

A qualitative and quantitative analysis should be made in all relevant business areas to identify climate-related risks and opportunities from a short-term and long-term perspective.

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 10 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 job in terms of complexity, lack of data and models, and a long time-horizon with a lot of uncertainty about the effects of both climate-related risks and opportunities.

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 connection between climate risk and the most central risk categories is shown below.

Risk type	Transition risk	Impact risk		Physical risk	Impact risk	
		Short term (0–10 years) now–2030	Long term (10–30 years) 2030–2050		Short term (0–10 years) now–2030*	Long term (10–30 years) 2030–2050
Credit risk	Regulations and changes in customer behaviour related to climate change can trigger impaired servicing capacity (PD) and reduced pledged security (LGD) from customers and can lead to increased losses (EL).	Moderate	High	Increased losses (EL) on customers, industries and sectors that are exposed to reduced values on pledged security and assets due to climate change.	Low	Moderate
Market risk	Transition risks such as regulations, technology, products and customer behaviour can generate “stranded assets” and repricing of securities and other assets.	Moderate	High	Climate disasters can lead to rapid repricing, changes in volatility and loss of values on assets and asset items.	Low	Moderate
Operational risk	Negative effects of regulatory changes on internal processes and suppliers can lead to increased losses.	Low	Moderate	Damage from extreme weather to property, infrastructure and input factors and harm to people can result in increased losses.	Very low	Low
Liquidity risk	Lack of restructuring and a low proportion of sustainable activities affect rating, access to and price of financing. A rapid repricing of securities can reduce the value of the bank’s liquidity buffer.	Low	Moderate	Impaired servicing capacity and costs for the prevention and repair of climate-related events can affect customers’ deposits.	Very low	Low
Business risk	Reduced income due to lack of restructuring to a low-emission society. High costs due to lack of digitalisation and technology development. Increased volatility in results due to rapid changes in regulations and customer behaviour.	Low	Moderate	Physical damage to property and data and harm to people due to serious climate events can lead to increased costs and reduced income.	Very low	Low
Strategic risk	Lack of restructuring and adaptation to low-emission societies will affect profitability and the bank’s standing.	Moderate	Moderate	Risk of loss of assets exposed to serious climate events.	Very low	Low

Credit risk:

Climate risk related to credit risk is primarily associated with lending. Personal banking customers make up the largest volume with approx. 66 per cent of total loans, of which home mortgages comprise approx. 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, as well as the exclusion criteria for Sparebanken Sør which are listed in our “Responsible lending policy”, contribute to the bank in practice not having loans in industries with high greenhouse gas emissions, www.sor.no.

Based on data from Statistics Norway for lending and greenhouse gas emissions from various industries, Sparebanken Sør has made an analysis of greenhouse gas emissions for its loan portfolio. The method and data are subject to uncertainty, as the correlation between lending and greenhouse gas emissions is uncertain, and there may be large variations in emissions from customers within an industry. At a portfolio level, the calculations will still give a good indication of the extent of greenhouse gas emissions, and will provide an overview of which sectors in our loan portfolio contribute the most to greenhouse gas emissions.

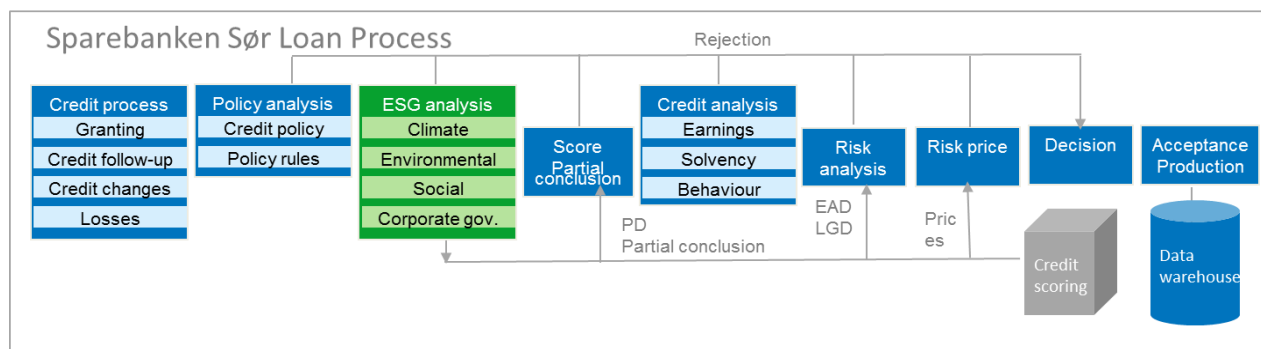
The distribution of lending and greenhouse gas emissions in markets and industries is shown in the table below:

KPI	Norway (11/2020)		Sparebanken Sør (2020)	
	Loans NOK mill.	CO 2 1000 tonn	Loans NOK mill.	CO 2 1000 tonn
Private customers (households)	3.699.110	4.917	73.662	97,9
Agriculture and related services	66.171	4.914	801	59,5
Forestry and related services	5.915	36	158	1,0
Fishing and hunting	80.501	370	313	1,4
Mining	11.151	279		
Extraction of crude oil and natural gas	15.121	15.229		
Industry	90.850	11.933	861	113,1
Electricity, gas, steam, hot water supply	49.486	1.699		
Water supply, sewage and waste	13.915	1.499		
Property development	135.751	1.301	4.104	39,3
Building and construction	66.468	637	1.623	15,6
Retail	80.914	1.104	1.395	19,0
Shipping and air transport	79.392	20.815		
Land transport	80.699	2.087	590	15,3
Hotels and restaurants	20.475	133	399	2,6
Housing associations			1.281	0,2
Sale and operation of real estate	793.389	122	19.303	3,0
Service provision and public sector	246.362	1.670	7.369	50,0
Total, Business market	1.836.560	63.828	38.197	319,9
Total, Private and Business market	5.535.670	68.745	111.859	417,8
Sør's percentage of Norway, %			2,02	0,61

Greenhouse gas emissions from Sparebanken Sør's loan portfolio are relatively low, also compared with greenhouse gas emissions from the "Norway portfolio". Sparebanken Sør's loans amount to approx. 2.0 per cent of total lending in Norway, while the bank's greenhouse gas emissions constitute 0.6 per cent of total greenhouse gas emissions. Most of the greenhouse gas emissions in the retail market come from home mortgages.

The bank is most exposed to greenhouse gas emissions through loans to the corporate market. The sectors "Agriculture, Industry, Development of real estate, Construction and Transport", have the relatively largest greenhouse gas emissions. Greenhouse gas emissions from these sectors amount to approx. 76 per cent of the total emissions in the corporate market, but only comprise approx. 22 per cent of the bank's total lending to the corporate market. The bank's lending to "Development and operation of real estate" amounts to approx. 51 per cent of total lending to the corporate market, while corresponding greenhouse gas emissions amount to only approx. 1 per cent.

Sparebanken Sør has an integrated module for ESG analysis in credit processes for the corporate 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.
- Sector: Framework for management of sectors and sector-specific assessments and requirements.
- Climate: Assessment of how physical risk and transition risk could affect the customer, the ability to pay and collateral in the case, and result in an increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL).
- Nature: Assessment of how the customer's business affects nature.
- Social conditions: Assessment of the customer's and of the customer's partners' compliance with requirements and international conventions on social conditions, labour rights 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 modules, the customer is given a risk score of low, medium or high, which provides a basis for managing processes, authorisations and pricing. Data from the ESG module will be used in connection with reporting on cases, customers and portfolios.

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 EU taxonomy.

The bank has prepared a "Policy for responsible investment and responsible securities firms".

The policy document covers:

- Own investments in ownership positions in companies.
- Placement of the bank's liquidity portfolio.
- Securities in funds that the bank distributes to customers from other fund providers. The bank does not conduct asset management under its own auspices, but we require fund providers to comply with the same requirements for ESG.

Through annual reports, the bank ensures compliance with the policy and requirements for ESG and the climate. We do not currently calculate greenhouse gas emissions in these portfolios, but assume that the fund providers do this in accordance with the legislation. The proportion of investments that are sustainable will be a key indicator when criteria with regard to EU taxonomy are in place.

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 bad investments in technology and lost assets due to extreme climate events.

Operational risk is followed up through the bank's internal control and reporting in the bank's system for unwanted incidents.

Liquidity risk:

Climate risk in relation to liquidity risk is primarily associated with access to and price of financing. Lack of volume of sustainable activities in relation to EU taxonomy can lead to reduced access to and increased cost of financing.

The proportion of sustainable loans and green bonds in relation to the EU taxonomy will be a key indicator for monitoring risk in this area. The same will apply in relation to risk weights with regard to capital requirements.

4.2 Processes for managing climate-related risks

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

In the business areas, scenario analyses, mapping of climate-related risks and climate risk measurement indicators will form the basis for the measures and follow-up that must be implemented to meet both internal goals and targets in the Paris Agreement, cf. also Section 3.3.

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 governance targets and risk tolerance is prepared quarterly. These reports are assessed by the bank's Group Management and Board, which can follow developments and ensure that the risk matches targets set for risk limits and risk tolerance. Climate risk is integrated into the bank's processes for ICAAP, Pillar 3 and Recovery Plan. Climate risk is also 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.

Climate risk management goals will be further developed. In particular, we will focus on integrating climate-related indicators for risks and opportunities from the EU taxonomy and from UNEP PRB when these are available.

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

Greenhouse gas emissions in own business:

We calculate greenhouse gas emissions in our own business annually, based on the international standard, "A Corporate Accounting and Reporting Standard", developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. Only a very limited proportion of our customers calculate their own greenhouse gas emissions. Our Scope 3 is therefore only related to our own business. The most significant greenhouse gas

emissions in Scope 3 are related to greenhouse gas emissions from the business areas where we currently do not have sufficient data or good methods for calculating.

Greenhouse gas emissions from business areas:

It is currently not possible to measure greenhouse gas emissions from the business areas, as only a very limited proportion of our customers calculate their own climate emissions.

Greenhouse gas emissions from lending activities:

Results and methodology for calculating greenhouse gas emissions from the loan portfolio are based on data from Statistics Norway and appear in Chapter 4.

Results and methodology for calculating greenhouse gas emissions from loans for residential and commercial real estate are based on energy classes and appear in Chapter 4.

Greenhouse gas emissions from investments:

Greenhouse gas emissions from investments will be calculated when satisfactory data and methods are available.

Greenhouse gas emissions from asset management:

Sparebanken Sør does not conduct asset management under its own auspices, and it is therefore not relevant to calculate greenhouse gas emissions from this business area.

Scenario analyses:

When they are available, scenario analyses will be used to assess the consequences of climate-related risks and opportunities, and to reconcile whether they are in line with the bank's strategy and risk framework.

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

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:

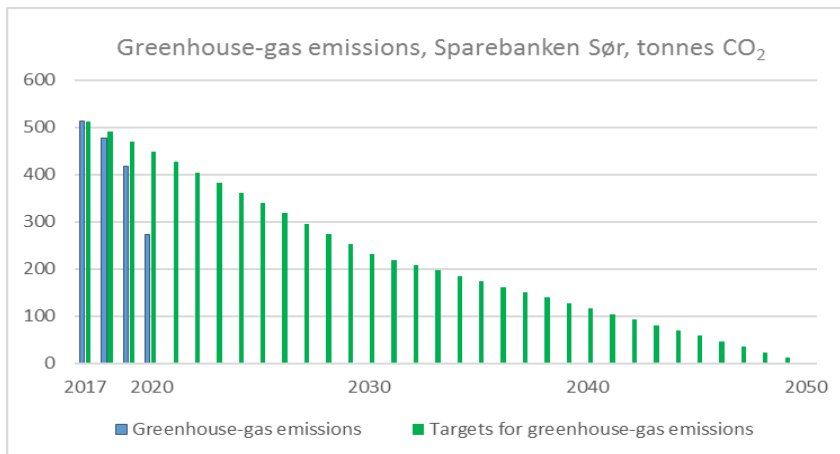
Greenhouse-gas emissions, tonnes CO ₂	2017	2018	2019	2020	2030 target: 55% red.
Greenhouse-gas emissions Scope 1	33,2	33,2	22,8	19,0	
Greenhouse-gas emissions Scope 2	333,2	293,5	195,5	181,3	
Greenhouse-gas emissions Scope 3	146,3	149,7	199,2	72,7	
Total greenhouse-gas emissions	512,7	476,4	417,5	273,0	230,7
Number of FTEs	432	434	429	442	
Emissions per FTE	1,19	1,10	0,97	0,62	
Heated area, m ²	27.498	26.893	23.964	23.004	
Energy consumption, 1,000 kWh per year	6.845	6.103	5.383	4.926	
Energy consumption, kWh per m ²	249	227	225	214	

The bank's greenhouse gas emissions are primarily related 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 good digital meeting places and requirements for travel. The bank is well on its way to being able to meet targets for greenhouse gas emissions in 2030.

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

Greenhouse gas emissions from own business:

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.



55%* REDUCTION OF GHG EMISSIONS IN 2030

*Reference year 2017

0% GHG EMISSIONS IN 2050

Greenhouse gas emissions from business areas:

The bank currently has a limited range of measurement indicators and governance targets for climate emissions from the business areas, cf. "Appendix 2, Scorecard in Sustainability Report 2020", www.sor.no.

Measurement indicators and governance targets for risk tolerance for climate risk will be further developed on an ongoing basis. In particular, the bank will focus on integrating climate-related measurement indicators for risks and opportunities from the EU taxonomy and from UNEP PRB when these are available.

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 in a short- and long-term perspective.
2. Collect data on climate risk for use in scenario analyses and quantification of physical risk and transition risk.
3. Prepare scenario analyses when satisfactory models, data and frameworks are available.
4. Build expertise on climate risk throughout the organisation.
5. Further develop methods and measurement parameters for climate risk.
6. Further develop overall governance targets and risk frameworks for climate risk and integrate these into the bank's framework for risk management and risk reports.
7. Build portfolios of green and sustainable activities, products and bonds in all relevant business areas.
8. Further develop the work of operationalising climate risk in relevant business areas.