



# Climate Report 2021

SPAREBANK 1 ØSTLANDET



*The Bank has signed up to the Net Zero Banking Alliance (NZBA) and is working to achieve net zero greenhouse gas emissions by 2050 from our operations, lending and investments.*

*In this report we explain how we are working towards achieving our zero emissions ambitions. This includes the data we base our emissions on, as well as how we calculate emissions on our pathway towards zero by 2050 for our operations and loan portfolio.*



<b><u>STRATEGIC ANCHORING, FRAMEWORKS AND COMMITMENTS.....</u></b>	<b>3</b>
<b>STRATEGIC ANCHORING.....</b>	<b>4</b>
<b>GOAL 13, THE PARIS AGREEMENT AND THE PLANETARY BOUNDARIES.....</b>	<b>4</b>
<b>INITIATIVES AND FRAMEWORKS.....</b>	<b>5</b>
COLLECTIVE COMMITMENT TO CLIMATE ACTION (CCCA) .....	5
NET ZERO BANKING ALLIANCE (NZBA).....	5
ECO-LIGHTHOUSE .....	5
PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF) .....	6
SCIENCE BASED TARGETS INITIATIVE (SBTi).....	6
CDP.....	6
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD).....	6
EU TAXONOMY .....	6
EUROPEAN CLIMATE PACT.....	6
<b><u>THE BANK'S TOTAL GREENHOUSE GAS EMISSIONS .....</u></b>	<b>7</b>
<b><u>OWN OPERATIONS, SCOPES 1, 2 AND 3 .....</u></b>	<b>8</b>
GREENHOUSE GAS EMISSIONS.....	8
SCIENCE-BASED ZERO EMISSIONS TARGET .....	9
<b><u>LENDING, SCOPE 3.....</u></b>	<b>11</b>
<b>MORTGAGE PORTFOLIO .....</b>	<b>11</b>
GREENHOUSE GAS EMISSIONS.....	11
SCIENCE-BASED ZERO EMISSIONS TARGET .....	11
GREEN LOAN PRODUCTS AND EMISSIONS FROM CUSTOMERS' CONSUMPTION .....	12
<b>THE CORPORATE MARKET PORTFOLIO .....</b>	<b>13</b>
GREENHOUSE GAS EMISSIONS.....	13
SCIENCE-BASED ZERO EMISSIONS TARGET .....	15
GREEN LOAN PRODUCTS .....	20
<b><u>GREEN BOND FRAMEWORK.....</u></b>	<b>22</b>
<b>RETAIL MARKET AND RESIDENTIAL MORTGAGE PORTFOLIO.....</b>	<b>22</b>
<b>THE CORPORATE MARKET PORTFOLIO .....</b>	<b>23</b>
<b><u>FURTHER WORK .....</u></b>	<b>23</b>

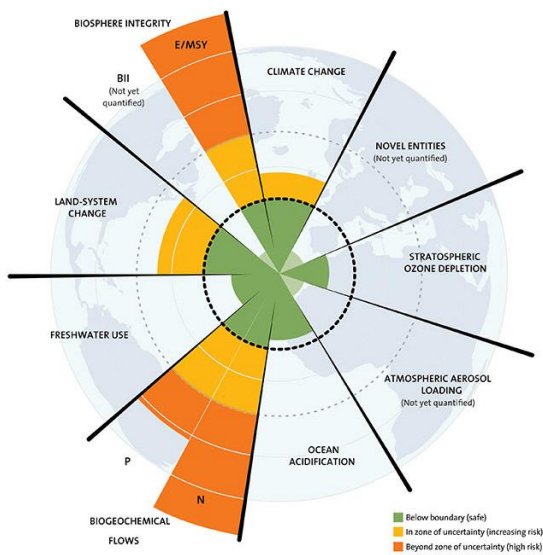
## Strategic anchoring, frameworks and commitments

## Strategic anchoring

SpareBank 1 Østlandet has, through a number of global initiatives and frameworks, committed to doing our share to address the climate crisis the world is facing. From 2022, sustainability has been elevated in the Bank's main strategy to one of the four main goals for the period up to 2025. Specifically, the goal is to *be a clear driving force behind sustainable restructuring*. This entails, for example, channelling capital into sustainable projects and towards the necessary transition to a sustainable and climate-neutral society. We also ensure that sustainability is an integral part of the Bank's operations and that we are actively contributing to achieving the UN Sustainable Development Goals, both in customer-oriented work and internal operations, including in our supply chains.

The impact analysis we have conducted (UNEP FI Impact analysis)<sup>1</sup> indicates that we have negative and positive impacts on the climate in our lending to both the retail market and the corporate market. Our climate work is, therefore, a key part of the Bank's sustainability work. The strategy defines various strategic initiatives, with 'Zero Emissions 2050' as an overarching strategic initiative in the area of sustainability. Within this strategic initiative, we will work towards net zero emissions by cutting CO2 emissions from our operations and in our lending and investment portfolios.

## Goal 13, the Paris Agreement and the planetary boundaries.



We use a number of frameworks and commitments to support our climate work. We have selected eight goals from the UN Sustainable Development *Results of the Impact Analysis 2021*

Goals that we regard as essential for our bank, one of which is goal 13 Climate Action. Together with the Paris Agreement, this provides the basis for our climate work. The Bank has also decided to adopt a research-based starting point for our sustainability work in the current strategy period. Specifically, this means the research on planetary boundaries.<sup>2</sup> As the diagram shows, climate is one of the planetary boundaries that is 'In zone of uncertainty (increasing risk)'. In short, this means that in our work we will not just focus solely on climate, but also look at the links to the other planetary

boundaries.

*The nine planetary boundaries - from the Stockholm Resilience Centre*

Success in combating climate challenges will require us to collaborate with other stakeholders in the financial services industry, nationally and internationally. Below, we have set out the initiatives we have signed up to in this work and how we make use of them.

<sup>1</sup> <https://www.sparebank1.no/en/ostlandet/about-us/sustainability.html>

<sup>2</sup> <https://www.jus.uio.no/forskning/omrader/selskaper/aktuelle-saker/fns-bekreftsmal-april-2018.html> (Link in Norwegian only)

## Initiatives and frameworks

### Collective Commitment to Climate Action (CCCA)

This initiative was launched by the UNEP FI in September 2019.<sup>3</sup> The Bank signed up to these climate commitments for banks that same autumn, and this entails taking clear steps towards adapting operations to the international climate goals. These are the commitments:

1. Focus our efforts where we have or can have the greatest impact, i.e. focus first on the most carbon-intensive and climate-vulnerable sectors in our lending portfolios.
2. Conduct a dialogue and work with our customers on the necessary changes.
3. Work together and support each other to develop banks' ability and methods to measure climate impact and adapt to global and local climate targets.
4. Interact with authorities, scenario providers and other relevant actors on the development of clear and feasible sector-specific roadmaps to achieve well below 2°C and strive for 1.5°C of warming, for all relevant sectors and across different geographical areas.
5. No later than 3 years after signing this commitment, set and publish sector-specific, scenario-based goals for portfolio prioritisation.
6. Implement measures now while working on methods and developing goals. We commit, within 12 months of signing, to begin publishing and implementing measures we will take in the Bank and together with our clients to support and accelerate the transition to low carbon, climate-adapted technology, business models and communities.

The Bank submitted a status report in September 2020 and contributed to a joint report from CCCA in 2021. For more information, see our website.<sup>4</sup> Some of the CCCA work has been transferred to the initiative below.

### Net Zero Banking Alliance (NZBA)

The UNEP FI's net zero initiative for banks was launched in April 2021 as part of the work in the lead up to the climate summit in Glasgow that same year. The Bank signed up to the initiative from the start and 1 year after its inception is still one of just two Norwegian banks that have signed up to the climate initiative.<sup>5</sup> One key part of the work involves developing methods and guides for the work on zero emissions and the Bank actively participates in several working groups. NZBA has a 'Commitment Statement' that, among other things, obliges us to:

- Adapt emissions from our operations, lending and investment portfolios to align with pathways to net zero by 2050.
- Within 18 months, set a 2030 target and a 2050 target, with intermediary targets to be set every 5 years from 2030 onwards.
- The 2030 target will focus on priority sectors where the Bank can have the most significant impact, i.e. the most greenhouse gas-intensive sectors.
- Annually publish absolute emissions and emissions intensity in line with best practice and within a year of setting targets, disclose progress against given criteria.
- Take a robust approach to the role of offsets in transition plans.<sup>6</sup>  
See the Bank's reporting to NZBA on our website.

### Eco-Lighthouse

The Bank has been using this environmental management system (EMS) to gain environmental certification since 2008. We also use it to report on our direct (Scope 1) and indirect (Scopes 2 and 3)

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<sup>3</sup> <https://www.unepfi.org/banking/bankingprinciples/commitments/ccca/>

<sup>4</sup> <https://www.sparebank1.no/en/ostlandet/about-us/sustainability/support-to-global-initiatives.html>

<sup>5</sup> <https://www.unepfi.org/net-zero-banking/>

<sup>6</sup> <https://www.unepfi.org/banking/bankingprinciples/commitments/ccca/>

greenhouse gas emissions. The figures on our emissions presented in this report are taken from the Eco-Lighthouse report.

#### Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership between financial institutions that is working to gain access to data about, and report on, greenhouse gas emissions. The Bank signed up in 2020 and uses the method actively to estimate emissions from the loan portfolio. The charts on emissions from the lending portfolio presented in this report were arrived at using PCAF.

#### Science Based Targets initiative (SBTi)

The Bank has implemented science-based targets to reduce greenhouse gas emissions within Scopes 1, 2 and 3 (including in the lending portfolio). These are shown throughout the report.

#### CDP

In recent years, the Bank has reported on its climate work via the internationally recognised non-profit climate organisation CDP. We scored a grade A in 2020 and an A- in 2021.<sup>7</sup>

#### Task Force on Climate-related Financial Disclosures (TCFD)

TCFD is used in assessing climate risk, and the Bank has reported in line with TCFD every year since 2018 via our annual report.<sup>8</sup>

#### EU Taxonomy

The EU classification system (taxonomy) for sustainable activities will be incorporated into Norwegian law in 2022. The Bank is working on classifying its portfolio in line with the EU classification system and the Act relating to the disclosure of sustainability information and has disclosed taxonomy-related information in its Annual Report 2021.

#### European Climate Pact

In 2021, the Bank joined the European Climate Pact, which obliges us to taking concrete action on climate change and the environment. The Climate Pact is part of the EU's Green Deal.<sup>9</sup>

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<sup>7</sup> <https://www.cdp.net/en/companies/companies-scores>

<sup>8</sup> <https://www.sparebank1.no/en/ostlandet/about-us/investor/annual-report-2021.html>

<sup>9</sup> <https://www.sparebank1.no/en/ostlandet/about-us/sustainability/support-to-global-initiatives.html>

## The Bank's total greenhouse gas emissions

The total greenhouse gas emissions for 2021 from the Bank's operations and lending portfolios are shown below:

	Our business operations	Mortgage portfolio retail market	Lending portfolio, corporate market	Fund portfolio
Direct emissions, Scope 1 <sup>10</sup>	4.63	N/A	N/A	N/A
Indirect emissions, Scope 2 <sup>11</sup>	562.86	N/A	N/A	N/A
Indirect emissions, Scope 3 <sup>12</sup>	123.83	253 000	678 000	Only the carbon intensity of ODIN's fund is available. <sup>13</sup>

*The Bank's emissions in tonnes CO2 equivalents (tCO2e)*

The Bank reports on its own operations in relation to both on direct and indirect emissions. Within indirect emissions (Scope 3) we also report estimated greenhouse gas emissions from the Bank's customers (loans). Since the Bank is a signatory to the UN Collective Commitment on Climate Action (CCCA), we comply with the four guidelines issued in UNEP FI's *Guidelines for Climate Target Setting for Banks*:

- 1) Set and report on long-term and intermediate targets to fulfil the Paris Agreement.
- 2) Establish an emissions baseline in the portfolio with annual measurements.
- 3) Use science-based decarbonisation scenarios that are aligned with the Paris Agreement.
- 4) Regularly review targets to ensure consistency with current climate science.

### *Methods for calculating emissions*

We use Eco-Lighthouse's methods and calculation to calculate emissions from our business operations. For more information, see the section on 'Own operations'. As far as the loan portfolio is concerned, Cemasy and Multiconsult helped the Bank calculate emissions in the residential mortgage portfolio, while PCAF's method was used for the corporate market portfolio. For more information, see the section on 'Lending'. However, the fact that the various initiatives and frameworks use different conversion factors to calculate emissions is a challenge. This makes it difficult to compare figures. At the same time, the Bank relies on the use of external initiatives to ensure the quality and credibility of greenhouse gas emissions reporting.

### *Method for setting science-based zero emissions target*

The goals for business operations, mortgages and the corporate portfolio are based on the Science Based Targets initiative's method for setting science-based targets. The Bank has been assisted with this work by Cemasy. For more information, see the individual sections.

<sup>10</sup> Direct emissions, Scope 1, include the Bank's emissions from our operations where the Bank owns or controls the equipment.

<sup>11</sup> Indirect emissions, Scope 2, include emissions from purchased energy, such as electricity, district heating, district cooling and steam. The calculation can be done in two ways: location-based and market-based. The figure here is:

<sup>12</sup> Including other indirect emissions, Scope 3, is often voluntary, although on the other hand they often contain the greatest greenhouse gas emissions. Scope 3 contains both emissions from the production and processing of goods and services that the Bank purchases from others, as well as downstream emissions from the use and processing of goods and services that the Bank offers customers, e.g. loans.

<sup>13</sup> For more information, see the section on 'Greenhouse gas emissions in funds' in the Annual Report 2021.

## Own operations, Scopes 1, 2 and 3

### Methods for calculating emissions

SpareBank 1 Østlandet has been Eco-Lighthouse certified since 2008, and we are always exploring ways to cut our greenhouse gas emissions and climate impact. Eco-Lighthouse is a recognised and effective environmental management system. The analysis is based on the international standard, 'A Corporate Accounting and Reporting Standard', which was developed by the Greenhouse Gas Protocol Initiative – the GHG protocol.



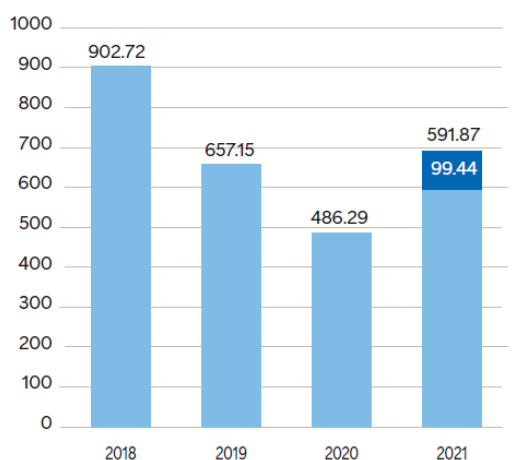
Eco-Lighthouse changed several of its emissions factors in 2021. The most significant changes were made in relation to energy consumption. The factor for district heating was increased from 0.116 to 0.187 kg of CO<sub>2</sub>e/kWh, while the factor for electricity was reduced from 0.119 to 0.04 kg of CO<sub>2</sub>e/kWh. The previous factor for electricity related to the Nordic production mix while the new factor relates to the Norwegian production mix. Mileage allowance is a new activity from 2021 that has not previously been included in the climate report.

New and updated conversion factors have been added and the historical figures have therefore been recalculated and updated.

### Greenhouse gas emissions

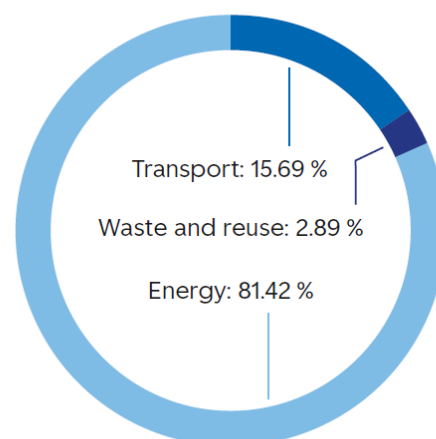
The Bank's total greenhouse gas emissions (Scopes 1, 2 and 3) amounted to 691.31 tCO<sub>2</sub>e in 2021. The report covers all of the Bank's registered emissions. The Bank has significantly reduced its emissions in the period 2013-2020. Emissions rose slightly in 2020-2021 due to more activity in the branches following the Covid-19 pandemic and the higher number of indicator types to report on. In 2021, the Bank bought EUA Carbon Emission Allowance Futures and guarantees of origin to offset for our emissions. The charts and tables below illustrate the total emissions and how these are distributed in the climate report.

Total tCO<sub>2</sub>e emissions 2018-2021



- New activities included in climate accounts from 2021
- Activities included in the climate accounts all years

Percentage distribution of CO<sub>2</sub> emissions





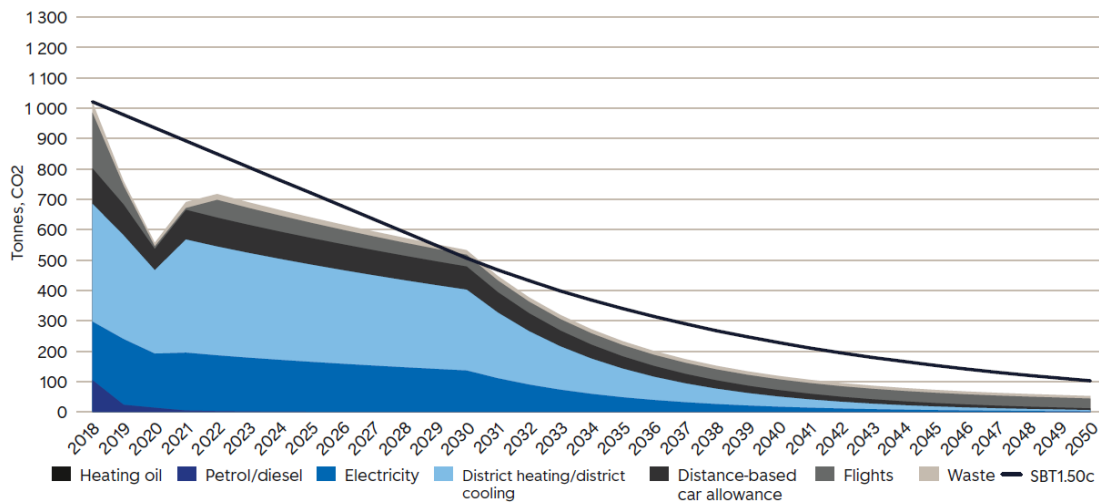
Emission source	Consumption	Emission factor	Emissions in CO2 equivalents
<b>Scope 1</b>			
Petrol (company cars)	1 601 litres	2.89 kgCO <sub>2</sub> e/litre	4.63 tCO <sub>2</sub> e
<b>Total Scope 1:</b>			<b>4.63 tCO<sub>2</sub>e</b>
<b>Scope 2</b>			
Remote cooling	27 404 kWh	0.026 kg of CO <sub>2</sub> e/kWh	0.71 tCO <sub>2</sub> e
District heating	1 987 251 kWh	0.187 kg of CO <sub>2</sub> e/kWh	371.62 tCO <sub>2</sub> e
Electricity	4 763 127 kWh	0.04 kg of CO <sub>2</sub> e/kWh	190.53 tCO <sub>2</sub> e
<b>Total Scope 2:</b>			<b>562.86 tCO<sub>2</sub>e</b>
<b>Scope 3</b>			
Residual waste	48 562 kg	0.38 kg of CO <sub>2</sub> e/kg	18.45 tCO <sub>2</sub> e
Residual waste, source separated	30 198 kg	0.36 kg of CO <sub>2</sub> e/kg	1.49 tCO <sub>2</sub> e
Air travel Nordic countries	57 journeys (one way)	104 kg of CO <sub>2</sub> e/journey	5.93 tCO <sub>2</sub> e
Mileage allowance <sup>1)</sup>	362 761 km	0.27 kg of CO <sub>2</sub> e/kg	97.95 tCO <sub>2</sub> e
<b>Total scope 3:</b>			<b>123.83 tCO<sub>2</sub>e</b>
<b>TOTAL CO2 EMISSIONS</b>			<b>691.31 TCO<sub>2</sub>E</b>

1) 10 183 km were driven by electric car

### Science-based zero emissions target

As mentioned, we have set a target for how we will cut our emissions in line with the Paris Agreement, a so-called Science Based Target (SBT). In line with SBTi, we have adopted both short-term and long-term goals for the period up to 2050, as well as associated measures. The Bank's plans for cutting emissions in the period up to 2050 can be seen in the chart below.

Projections Business Operations and HR



The table below explains the goals we have set for cutting our greenhouse gas emissions in line with this plan.

Goals and goal attainment

<b>Scope 1: Company cars, fuel</b>	The Bank's company vehicles will be replaced with electric vehicles by 2030. Emissions from company cars will therefore be 0 tCO <sub>2</sub> e from 2030 onwards. In 2021, the Bank's employees had one electric car and two leased petrol-driven cars at their disposal.
<b>Scope 2: Electricity and district heating</b>	The Bank has cut its electricity consumption significantly over the past 13 years. Our goal is to reduce consumption continuously in the period up to 2030 and thereafter up to 2050. In 2022, the interior of the Bank's office building in Kongsvinger will be totally refurbished. The old panel radiators will be replaced modern radiators heated by waterborne district heating. A central operations monitoring system will be installed with water and sewage management in order to monitor the temperature and air flow in each individual room in the building. The building's energy rating is expected to improve following completion of the refurbishment. From 2020 to 2021, energy consumption increased by 831,800 kWh (+12.2 per cent) due to increased occupancy in the Bank's branches after most branches were partially closed throughout 2020.
<b>Scope 3: Flights</b>	The Bank sets clear restrictions in its travel regulations meaning that all travel must be justified by a clear need and that other options such as telephone, Skype or video meetings must be considered as alternatives to travel. Both 2020 and 2021 were special years because of the Covid-19 situation. We took 57 flights in 2021 and 23 in 2020. In 2019, a 'normal' year, we took 227 flights. In 2022, we will revise our travel policy and assess further measures and new targets for cutting our emissions.
<b>Scope 3: Distance-based car allowance</b>	The Bank encourages employees to reduce travel using their own car wherever possible. At the same time, they are encouraged to use alternative public transport, such as trains and buses. The Bank offers green car loans to customers and employees who purchase electric cars. In 2021, we drove a total of 362,761 km. The corresponding figure for 2020 was 408,897 km. From 2021, emissions from mileage allowances are also included in the climate report, which considerably increases our total CO <sub>2</sub> emissions.
<b>Scope 3: Waste</b>	The Bank aims to reduce emissions from waste by 50 per cent in the period 2018-2050. We have been a member of Grønt Punkt Norge ('Green Dot Norway') since 2011 and comply with its reporting and rules. All of the Bank's branches source separate waste and focus on residual waste, which is also in line with our Eco-Lighthouse certification. Further measures that are taken to reduce waste quantities include setting requirements for suppliers with respect to their use of packaging to limit the amount of waste collected from our

branches. In line with Eco-Lighthouse's guidelines, disposable packaging must also be eliminated in the future.

In 2021, we reduced our total waste quantity by 2,196 kg (-2.7 per cent) in spite of the increased activity at the branches after the shutdown in 2020.

## Lending, Scope 3

The Bank's long-term ambition is to be climate neutral by 2050, including in relation to its loan portfolios. The Bank is, therefore working, to cut greenhouse gas emissions in both the retail market and the corporate market portfolios. This entails steadily increasing the proportion of the portfolio that is viewed as having low greenhouse gas emissions and that can, therefore, be considered 'greener'. In 2021, the Bank developed a green bond framework in which parts of the loan portfolio is defined as light, medium or dark green based on various criteria. The framework was subject to third-party verification by Cicero Shades of Green, which rated the general framework 'medium green' with "Excellent" governance. For more information, see the section 'Green bond framework'.

### *Methods for calculating emissions*

Cemasys and Multiconsult helped the Bank calculate lending portfolio emissions, especially in relation to the mortgage portfolio. We are a member of PCAF and use its method for calculations for loans in the corporate market.

### *Method for setting science-based zero emissions target*

We also use SBTi's method to set a science-based target, assisted by Cemasys. The calculations were not submitted to SBTi for approval because the Bank's lending portfolio almost only contains small and medium sized enterprises. SBTi's method has still not been properly adapted for such enterprises. Much of SBTi's method is about getting the Bank's customers to prepare and submit their own calculations of their emissions and produce science-based targets. This is currently difficult for small and medium-sized enterprises, although it is something we are working on through the sustainability assessments in the Corporate Division (see more information in the chapter 'Responsible lending to the corporate market' in the Annual Report 2021).

## Residential mortgage portfolio

### Greenhouse gas emissions

Total emissions in the residential mortgage portfolio are estimated at 253,000 tCO<sub>2</sub>e by Multiconsult and Cemasys. The calculations of greenhouse gas emissions linked to the portfolio are based on total m<sup>2</sup>, Multiconsult's estimated emissions linked to 'green' and 'not green' portfolios and the actual distribution between 'green' and 'not green' buildings in 2020 and 2021.

### Science-based zero emissions target

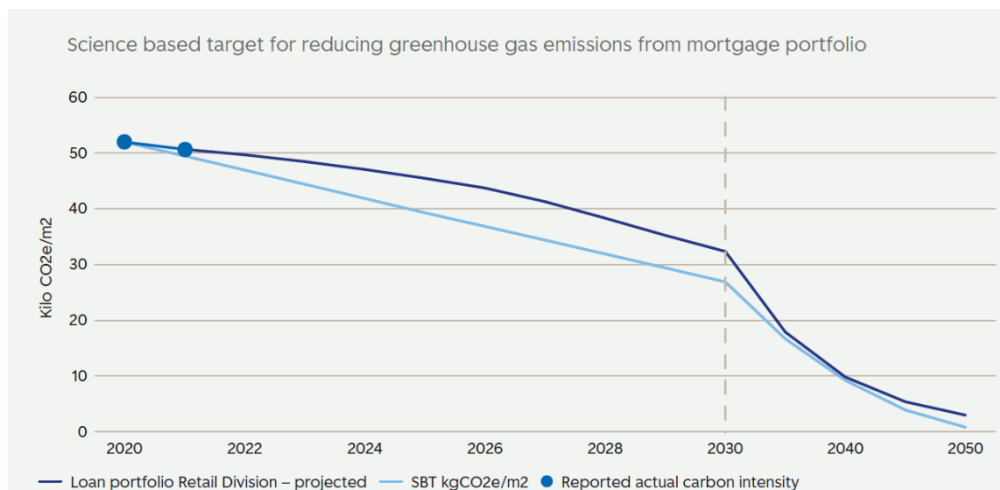
In the chart below, the emissions from the Bank's residential mortgage portfolio are projected forward in time to 2050. This is based on the Retail Division's goals for 2025 and 2030. The goal was based on SBTi's method, although this is a 'well below 2°C curve' because SBTi has not developed a 1.5°C curve for homes yet.

It was based on future annual growth of 1.2 %. The figures for 2022 up to and including 2050 assume two of the Bank's adopted targets for the mortgage portfolio, as well as third-party projection of the EU's electricity mix:

- The first internal target is about upgrading the 'not green' portion of the mortgage portfolio. The ambition is to upgrade 40 per cent of these homes by 30 per cent more by 2050.

- The second internal target indicates that 40 per cent of new mortgages should be in line with the EU taxonomy in 2030, and 100 per cent by 2050.

As the chart shows, the reductions are relatively small in the first few years before the emissions are reduced more quickly from around 2030. This means that the Bank has not completely followed SBTi's ambitions during the first few years, while the CO2 reduction from the residential mortgage portfolio increases all the more from 2030 onwards. The planned measures show that the lending portfolio is still 2.99 kgCO2e/m<sup>2</sup> off the target of zero emissions. This means that we have to keep working on strengthening the customer-related measures in order to cut emissions related to homes.



### Green loan products and emissions from customers' consumption

In order to stimulate an increase in the green proportion of the lending portfolio, and thereby the green transition of our customers, we currently offer two different loans to retail customers. Green energy loans can be granted for eco-friendly upgrades to existing homes or holiday homes. This will be one of the Retail Division's most important products and could make a big difference to the climate. A revitalised version of green mortgages was also launched in 2021. These loans are granted with collateral in homes with an energy label of A or B. Our green lending products offer more favourable interest rates than ordinary mortgages. The relaunch of green mortgages resulted in a significant increase in the total volume of green housing mortgages in 2021 compared with 2020.

In addition to restructuring the residential mortgage portfolio in a green direction, the Retail Division arranges green car loans for customers who want to buy electric cars. The loan is subject to a very competitive interest rate. The maximum repayment period has been set at 8 years, although the customer gets even better terms with faster repayment.

In order to raise our customers' awareness of their own climate footprint, we have launched a solution called 'My climate footprint' together with others in the SpareBank 1 Alliance. This allows customers to log in to the online bank or mobile bank and see the estimated greenhouse gas emissions generated by their consumption. This is designed to help customers see how they can reduce their greenhouse gas emissions. The service was launched 15 November 2021 and 6,338 customers used 'My climate footprint' in 2021. The Bank is following this up with webinars, articles and cases in social media concerning how individual people can live in a more climate-friendly way and consume more responsibly.

## The corporate market portfolio

### Greenhouse gas emissions

The Bank is not exposed to carbon-intensive industries such as oil and gas extraction, oil refining, metal production, shipping or aviation, and therefore has a relatively low carbon-intensive loan portfolio in the corporate market. The Bank has been reporting on greenhouse gas emissions in its loan portfolio since 2019 and has also set a science-based target for the credit portfolio. Emissions in the Corporate Division's portfolio were at 678,000 tCO<sub>2</sub>e in 2021 and carbon intensity at 17.7 tCO<sub>2</sub>e per NOK million (customers' Scope 1 and 2 emissions, to avoid double reporting).

Annual carbon sequestration in the Bank's forestry portfolio is higher than the annual carbon emissions in the rest of the portfolio, so viewed in relation to each other one could say that the Bank's corporate market portfolio has a net positive carbon footprint. However, the Bank is striving, in line with the methods in SBTi and PCAF, for net zero emissions in all sectors, irrespective of each other, so a total, calculated greenhouse gas report for all of the sectors we finance is provided below.

Industry	Total emissions (tCO <sub>2</sub> e)		Carbon intensity (tCO <sub>2</sub> e per NOK million of lending)	
	Scopes 1 and 2	Scope 3	Scopes 1 and 2	Scopes 1, 2 and 3
Agriculture and associated services	606 005	218 649	111.5	151.7
Forestry and associated services	21 380	26 143	15.7	<b>35.0</b>
Commercial services	8 694	14 954	9.2	25.0
Wholesale and retail trade	7 843	12 143	9.0	22.8
Sale and operation of property	7 881	28 978	0.4	2.0
Manufacturing	6 273	43 396	4.3	46.6
Construction of buildings	5 135	104 160	1.0	21.0
Transport and storage	3 293	13 839	12.5	65.0
Professional and financial services	1 981	4 329	1.0	3.3
Hotels, restaurants and tourism	1 817	4 202	3.7	12.3
Energy production and supply	1 721	517	2.6	3.4
Public sector	942	9 839	1.4	15.5
Others	4 975	7 016	9.3	22.5
<b>Total</b>	<b>677 941</b>	<b>488 164</b>	<b>17.7</b>	<b>30.7</b>

### Method

The Bank uses the Partnership for Carbon Accounting Financials (PCAF) and the Global GHG Accounting and Reporting Standard for the Financial Industry to estimate greenhouse gas emissions in its loan portfolio.

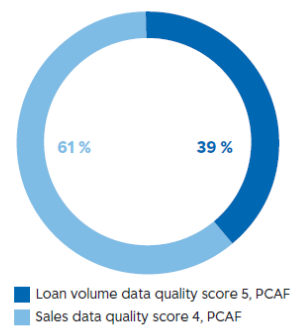
### Assumptions

The analysis is based on Norwegian emission factors at an industry group level (NACE code). For limited companies, we use emission factors based on turnover adjusted for the Bank’s proportion of total financing, which corresponds to a PCAF data quality rating of 4 on a scale of 1-5 where 1 is the best. For sole proprietorships and the self-employed we use emission factors based on lending volume, which corresponds to a PCAF rating of 5. The calculation method used for limited companies and sole proprietorships differs due to the availability of data. The method differentiates between direct emissions (Scopes 1 and 2) and emissions upstream in the value chain, for example through the production of raw materials (Scope 3).

When total greenhouse gas emissions are calculated in the portfolio, we limit ourselves to Scopes 1 and 2, since adding to this would involve a large degree of double counting because one company’s direct emissions are another company’s indirect emissions.

Nevertheless, we want to indicate indirect emissions in the industry overview since some industries, including building construction, have relatively little direct emissions in relation to indirect emissions.

FIGURE: Loans by data quality



### Limitations

The method has a number of weaknesses and some of them are pointed out here:

- Errors can occur in the source data in that individual customers may be assigned an industry code that does not reflect the enterprise’s actual operations, and which therefore results in a misleading emission factor.
- The emission factors used for the calculations are rough estimates that do not provide information about emissions at a customer level. This method for surveying emissions is most suitable and, therefore, mainly used for looking at where we should direct the focus of our work on sustainability.
- Over time, as the data quality in our calculations improves, we will set increasingly more concrete goals and provide clearer incentives for specific industries and customers.
- We must expect relatively significant variation in emission measurements going forward since there will be steadily more updated information and the data quality will improve.

### Results

#### Total emissions

The analysis shows that the agriculture and associated services sector has the greatest direct emissions in our portfolio. This matches previous calculations. Agriculture is our second largest industry after the sale and operation of real estate, and given our geographical location and industry mix, it is natural that agriculture scores high here. Norwegian agriculture focuses heavily on sustainability and significant resources are allocated to mapping and cutting greenhouse gas emissions in the industry. At the same time our agricultural customers have significant resources in forests. Active agriculture ensures the maintenance of forests and can contribute to sustainable forest production. Agriculture will continue to be a priority area for the Bank, and we will support and create incentives to cut greenhouse gas emissions in the industry.

The analysis shows that, for example, the construction of buildings involves significant indirect emissions (Scope 3). These are emissions that typically come from the production and transport of

materials, and they will therefore be shown as Scope 1 emissions in the manufacturing and transport sector in similar analyses.

### **Carbon intensity**

It is more appropriate to look at carbon intensity than total emissions because here emissions are calculated per unit or NOK and, therefore, provide a more comparable figure than total emissions. The analysis shows that agriculture is also the most emission-intensive industry with respect to carbon intensity, if we look at Scope 1 and 2 emissions. If we include upstream emissions in the value chain (Scope 3), transport and storage are the most emission-intensive industry based on the Bank's lending, followed by agriculture and manufacturing. The direct emissions in the manufacturing portfolio are relatively low, although the Scope 3 emissions are high.

### **Development**

The Bank published greenhouse gas emissions from the loan portfolio in the corporate market for the first time in the 2019 annual report and reported in line with the PCAF framework for the first time in 2020. Since this is an area that has not been fully developed and is constantly being refined, including through constant improvements in methodology, the calculations are comparable from year to year. We have therefore recalculated the emission figures for 2020 using this year's method in order to better keep up with developments.

Corrected direct emissions for 2020 were estimated at 624,000 tCO<sub>2</sub>e. The estimated emissions in 2021 were 678,000 tCO<sub>2</sub>e. This results in an increase in direct emissions of 8.7 per cent. The main explanatory factor for the increase is major growth in lending to agriculture customers, an industry that accounts for a total 89 per cent of the direct emissions. Carbon intensity has been reduced, both in agriculture and for the loan portfolio as a whole.

### **Science-based zero emissions target**

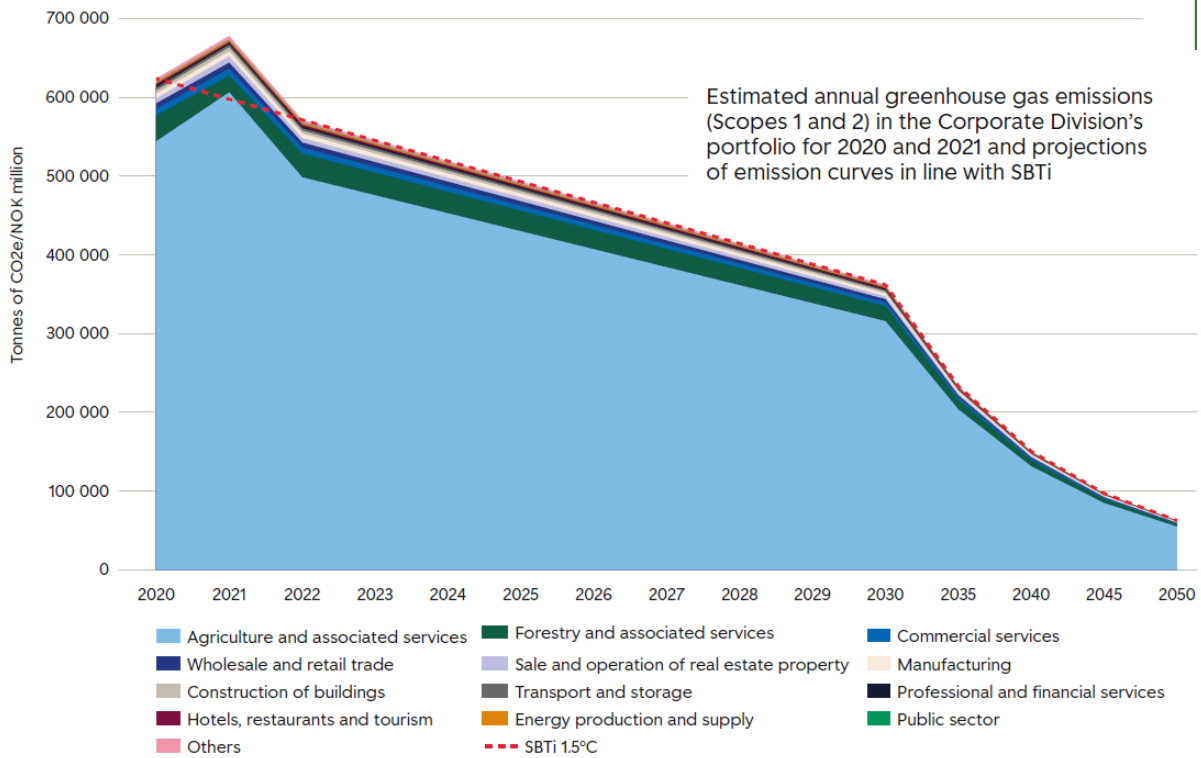
SpareBank 1 Østlandet wants to be a driving force for climate work in the financial sector. The Bank set a climate target for reducing greenhouse gas emissions associated with its own operations as early as 2019. The Bank is continuously working towards a sustainable credit portfolio and the work is anchored in climate goals that are in line with the goals set in the Paris Agreement and by the UN Intergovernmental Panel on Climate Change. The Bank is continuing its ambitious climate work and will use its influence be a significant driving force behind the green transition. The Bank has, therefore, set a science-based target for its credit portfolio to cut greenhouse gas emissions in the Corporate Division.

### **Science-based Climate Targets**

For our credit portfolio within the Corporate Division, we have set a goal that from 2020 to 2030 there must be a minimum 42 per cent cut in the portfolio's total emissions. This corresponds to an annual reduction of 4.2 per cent and is in line with the level of ambition of the Science Based Targets Initiative (SBTi) of reducing emissions to 1.5°C. Furthermore, we also support and strive to realise the government's climate target for the period 2021-2030, where the goal is to cut emissions by at a minimum of 50 per cent, and up to 55 per cent, by 2030 compared to the level in 1990.

Projections of total emission curves for the Corporate Division by industry can be seen in the chart below. The overview shows an increase from 2020 to 2021. The increase is mainly attributable to high lending growth to agriculture, which accounts for about 89 per cent of the total emissions (Scopes 1 and 2) in the Corporate Division's portfolio.

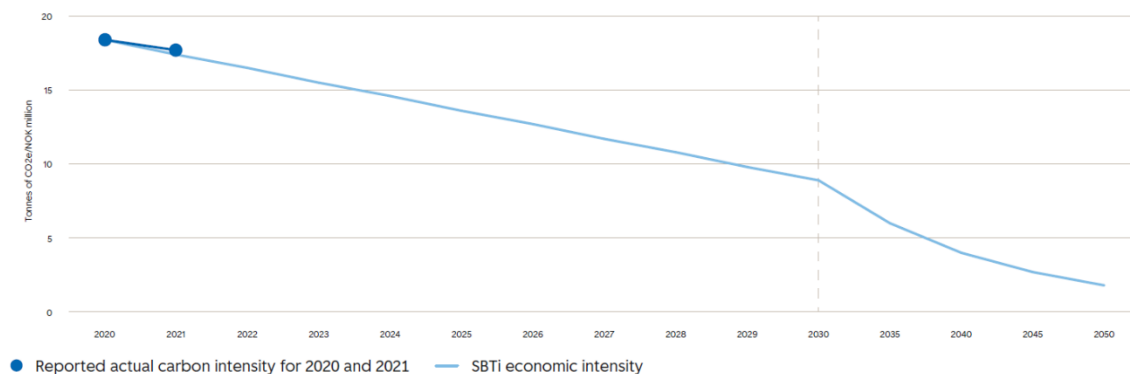
Projections of emission paths (Corporate Division)



Science-based carbon intensity reduction targets

The Bank has increased its focus on measuring carbon intensity. We believe that this provides a clearer representation of emissions in relation to activities and more accurately reflects our work on reducing greenhouse gas emissions since it is not directly affected by lending growth in the portfolio as is the case with total emissions. Our target is a reduction of at least 50 per cent in emission intensity from 2020 to 2030, an annual reduction of 5 per cent on the 2020 level. Calculations show a carbon intensity of 17.7 tCO<sub>2</sub>e per NOK 1 million in lending. This is a reduction of 3.9 per cent from 2020, which is slightly below the target of 5 per cent.

Science-based targets for greenhouse gas reduction for the corporate market portfolio



Industry-specific information



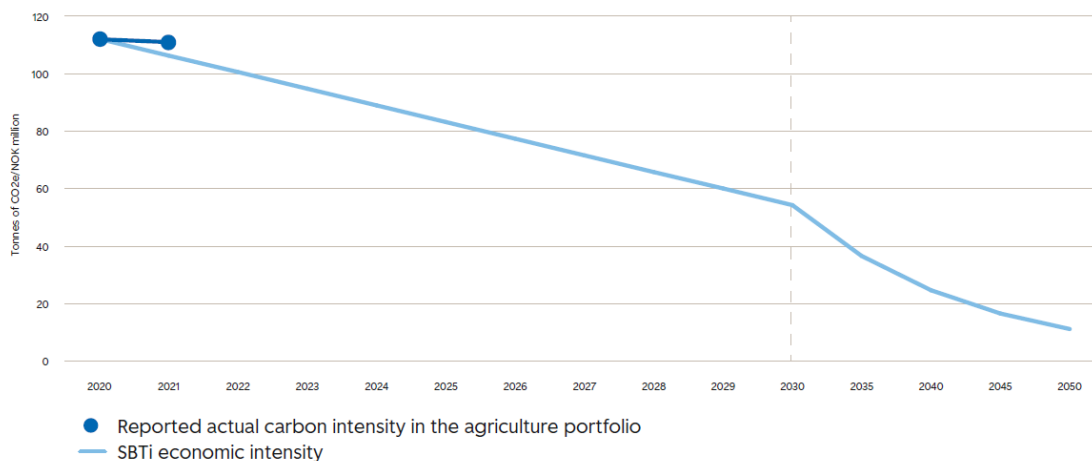
### The agricultural portfolio

For the Bank, 'agriculture and associated services' is by far the sector with the highest absolute emissions (from own Scopes 1 and 2). See the chart of the projections of total emission curves for the Corporate Division above.

We have prepared figures for emission intensity to prevent emissions rising when lending to the sector increases. Emission intensity for agriculture was reduced from 112 to 111 tCO<sub>2</sub>e/NOK million from 2020 to 2021. The figure is therefore above the reduction target in SBTi.

Agriculture accounts for 9.1 per cent of greenhouse gas emissions in Norway.<sup>14</sup> The Bank must cooperate with the sector itself to cut emissions from agriculture. The sector has ambitious goals. In 2019, the sector and the government commenced a partnership for the period 2021-2030 aimed at cutting greenhouse gas emissions from the sector and increasing the uptake of carbon from the soil. The commitment to the agricultural sector involves contributing to a total reduction in greenhouse gases of 5 million tCO<sub>2</sub>e in the period 2021-2030.

Carbon intensity agriculture



Emissions from agriculture depend heavily on the sort of operations on the farm. One of the measures the sector has developed itself is the Climate Calculator. This is a digital tool that provides farmers with an overview of their own greenhouse gas emissions. It also shows the opportunities for both cutting emissions and sequestering carbon at a farm level. The sector is aiming to get as many Norwegian farmers to use the calculator as possible.<sup>15</sup> The Bank views the Climate Calculator as a crucial tool for calculating emissions per farm and finding the best measures for cutting emissions for a specific farm. Therefore, the Bank's targets in agriculture are largely linked to the Climate Calculator.

The targets for agriculture in the period up to 2025 are:

- 80 per cent of our agricultural customers<sup>16</sup> have used the Climate Calculator.

<sup>14</sup> <https://miljostatus.miljodirektoratet.no/tema/klima/norske-utslipp-av-klimagasser/klimagassutslipp-fra-jordbruk/> (Website in Norwegian only.)

<sup>15</sup> <https://klimasmartlandbruk.no/klimakalkulatoren/>

<sup>16</sup> with exposures of more than NOK 2 million

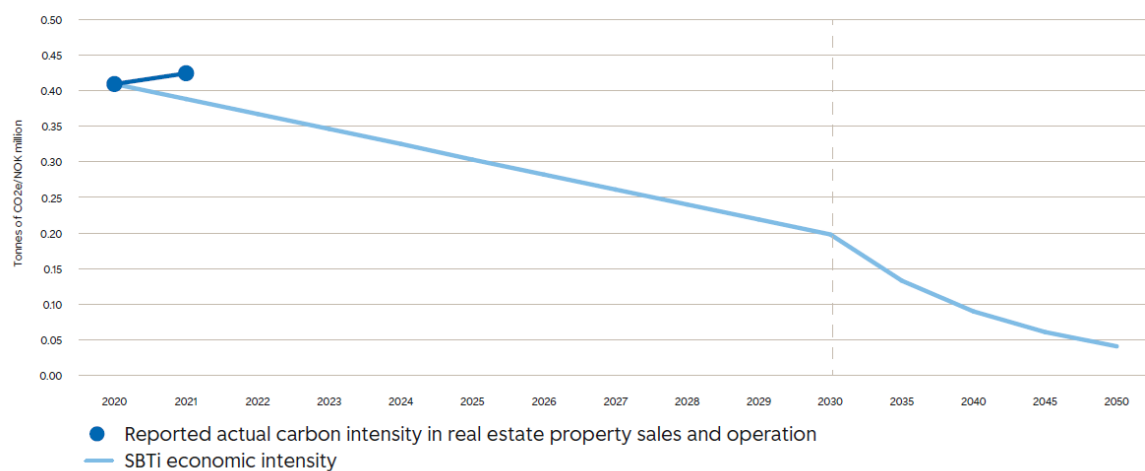
- 80 per cent of our agriculture customers<sup>17</sup> have received climate advice and established a climate action plan for their farm.
- 25 per cent of our agriculture customers who have established a climate action plan have implemented measures in line with the action plan that was drawn up.
- By the end of 2025, the Bank should have granted and paid out green agriculture loans to 100 customers.

During the strategy period, the targets will be revised and refined to adapt to a sector undergoing a major transition towards more sustainable food production in Norway.

### Commercial property portfolio

Commercial property is also a portfolio that has a major environmental impact. Emission intensity in the Bank's real estate property sales and operation portfolio increased from 0.41 tCO<sub>2</sub>e in 2020 to 0.42 tCO<sub>2</sub>e per NOK million in 2021.

Carbon intensity for real estate property sales and operation



Building and real estate is often called the 40 per cent sector because buildings consume 40 per cent of the energy in society and 40 per cent of material resources. Buildings also consume large amounts of energy through heating the buildings. The greenhouse gas emissions related to heating buildings will depend on whether Norwegian, Nordic or European energy mix is used for the calculation. However, the construction industry is also responsible for emissions from other sectors (indirect emissions). If emissions related to the production and transport of materials used in building and construction work are included, we can see that the building, construction and real estate sector accounts for 16 per cent of Norway's total greenhouse gas emissions.<sup>18</sup>

The sector has set comprehensive targets for cutting its emissions. One example of this being the Real Estate Sector's Roadmap towards 2050, which was produced in 2016.<sup>19</sup> Together with the sector and public authorities' approved emission reduction strategies, we have set the following targets for reducing greenhouse gases in our portfolio:

<sup>17</sup> with exposures of more than NOK 2 million

<sup>18</sup> <https://byggalliansen.no/kunnskapscenter/publikasjoner/infopakkeklimakjempen/#1610543721156-39143120-001d> (In Norwegian.)

<sup>19</sup> <https://www.norskeiendom.org/portfolio-items/eiendomssektorens-veikart-mot-2050/>

**Target for 2030:**

- At least 50 per cent of the loans for commercial buildings for rent in our portfolio must be green in line with our green bond framework.

**Target for 2025:**

**Commercial properties (property rental):**

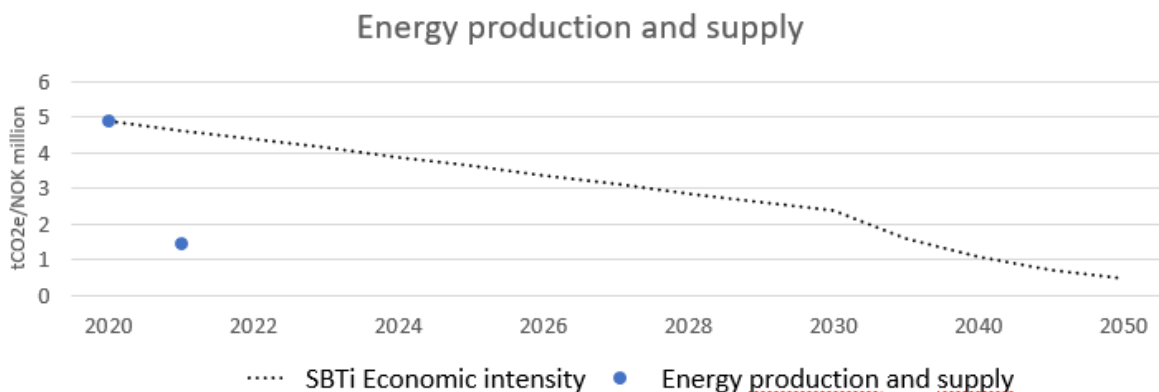
- At least 40 per cent of the lending for commercial properties for rent<sup>20</sup> must be green in line with our green bond framework.
- At least 10 per cent of the lending for commercial buildings for rent<sup>21</sup> are for existing commercial buildings<sup>22</sup> defined as green in line with our green bond framework (upgraded building requirement).

**Construction projects (residential or commercial properties)**

- No later than by the start of 2025, a greenhouse gas report must be presented for emissions from materials<sup>23</sup> for all construction projects<sup>24</sup> that we finance in the Corporate Division.
- By no later than the beginning of 2025, we must require a 20 per cent reduction in greenhouse gas emissions<sup>25</sup> from materials in construction projects that we finance.

*Energy portfolio*

The Bank has an ‘energy production and supply’ portfolio. This largely contains hydropower, as well as some bioenergy, district heating and wind power.



In this portfolio, emission intensity has decreased sharply, from 4.9 in 2020 to 1.5 in 2021. The decrease was due to a large increase in the proportion of wind power, which has a low emission factor, and reductions in district and bioheating, which have higher emission factors. The goals for renewable energy going forward are to:

- Increase the proportion of lending to the renewable energy industry (small-scale hydro, solar, wind and geothermal power) by 50 per cent measured against the same proportion of the Corporate Division’s loan portfolio as at Year End 2021.

<sup>20</sup> Loans in excess of NOK 10 million per building

<sup>21</sup> Loans in excess of NOK 10 million per building

<sup>22</sup> Constructed before TEK 17

<sup>23</sup> Executed in line with recognised regulations

<sup>24</sup> For which the law stipulates that such a report must be prepared

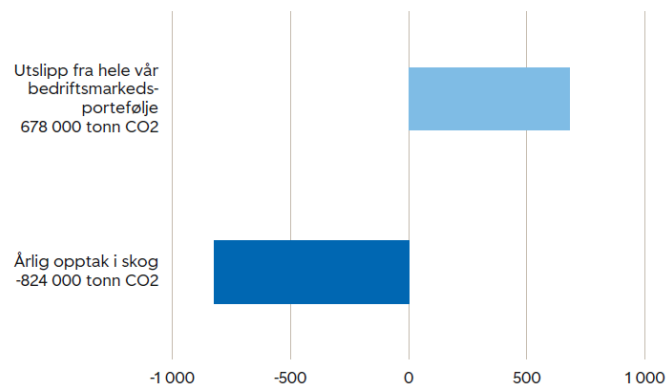
<sup>25</sup>In relation to the average building in 2021

### Forestry portfolio

In Norway, forests and land use absorb greenhouse gases equivalent to around 37 per cent of our total emissions, and from 1991 to 2019, net sequestration by forests and land use increased by 56 per cent. The increase is primarily a result of active forest management after World War II. More than 60 million trees were planted annually in the period 1955-1992. In recent decades, increased felling, less forest management and an increasing proportion of old forest (which absorbs less CO<sub>2</sub> than younger forest with strong growth) mean that annual sequestration has decreased.<sup>26</sup> At the same time, the nature index for Norway from 2020 shows that the forest index is low. This means that the state of biodiversity in forests has deteriorated compared with how the condition would have been without human impacts.<sup>27</sup>

#### Forest in the Bank's portfolio

SpareBank 1 Østlandet is proud to finance one of Norway's largest bank-financed forest portfolios covering a total of around 2,550 km<sup>2</sup> of productive forests, or 3 per cent of Norway's productive forest. The Bank assumes that in addition to the productive forest we finance, we also have a representative proportion (29 per cent of the total area of forest) of unproductive forest, which absorbs little CO<sub>2</sub>. The Bank assumes that the forest in our portfolio is representative of Norway's overall forest area as far as yield power and CO<sub>2</sub> sequestration are concerned. Based on the Norwegian Environment Agency's total calculations, the forest in our portfolio sequesters around 824,000 tCO<sub>2</sub>e per year.



In our green bond framework, NOK 819 million of the lending is in the forestry category. This is linked to approximately 1,300 km<sup>2</sup> of our forest portfolio. The bond framework has currently limited forestry to the associated industry group (NACE code) and does not include forest areas belonging to loan customers in other industry groups. This explains the difference related to the area in the figure above. Multiconsult, which produces our Impact Report for our green bond framework, also uses different conversion factors to those used by the Norwegian Environment Agency when calculating annual CO<sub>2</sub> sequestration per km<sup>2</sup> of forest, which explains the difference in estimated sequestration.

#### Green deposit products

We launched two new green deposit products in the Corporate Division in 2021 to help our corporate customers transition:

- Green fixed-rate deposits 12 months
- Green investment account+

<sup>26</sup> <https://miljostatus.miljodirektoratet.no/tema/klima/norske-utslipp-av-klimagasser/utslipp-og-opptak-fra-skog-og-arealbruk/> (In Norwegian)

<sup>27</sup> <https://miljostatus.miljodirektoratet.no/tema/naturomrader-pa-land/skog/>



Our customers are increasingly requesting products like this and the Bank guarantees that the funds invested in them are used for sustainable green loans according to our green bond framework.

In autumn 2021, we decided to establish a green product designed to incentivise energy efficiency measures in commercial properties for rent that are already in our loan portfolio. The product is expected to be ready for use in January 2022 and we have set a target for how many such loans we want to grant in 2022. We will continuously work to increase the number of loans granted.

Through our green agricultural loans, we financed the construction of 12 solar farms on actual farms to the tune of NOK 3.6 million in 2021. This corresponds to around 146 tonnes of CO<sub>2</sub>e emissions avoided per year. At the end of 2021, we had 41 green agricultural loans with a total lending volume of NOK 8.5 million. SpareBank 1 Østlandet's power and energy production portfolio accounts for around 2 per cent of our total loan portfolio. The Bank mainly lends money for small-scale hydropower projects and most of the customers are in our market region. The greenhouse gas emissions in our energy portfolio are low, both because of the size of the portfolio and because we do not lend money for fossil energy, mining or large-scale dam projects.

## Green bond framework

In order to better define what we mean by ‘green’, prior to the full implementation of the taxonomy in Norway and Europe, we established a green bond framework in 2021 for the issuance of green bonds. The framework was prepared in line with the ICMA Green Bond Principles, based on best market practice and, at the same time, supports the UN Sustainable Development Goals. An assessment has been made of whether the individual criteria are in line with the taxonomy.

The green bond framework was established in line with the Bank’s general sustainability strategy and general guidelines for corporate social responsibility and sustainability. It provides a clear thematic definition of what is green and is used as a basis for mapping the Bank’s loan portfolio. Green bond issues are used to finance or refinance green projects within the following categories:

- Green buildings.
- Farming.
- Forestry.
- Renewable energy.
- Clean transport.

A more detailed presentation of our green bond framework can be found on our website.<sup>28</sup>

Below, we explain the classification system for the residential mortgage portfolio, as well as for the corporate market portfolio, and how this is linked to our green loans.

### Retail market and residential mortgage portfolio

As described above, the Bank is working to increase the green mortgage portfolio in order to reduce emissions from this portfolio. Cicero Shades of Green defines parts of our mortgage portfolio as ‘light green’. In their second-party opinion, which is available on our website, one can also see that the requirements are in line with the technical requirements for reducing greenhouse gases in the EU’s classification scheme (taxonomy). These had not received final approval when the Bank’s framework was drawn up, so an assessment was conducted based on what was proposed at that time.

The following requirements must be met to be considered ‘light green’ in our portfolio:

#### Existing homes

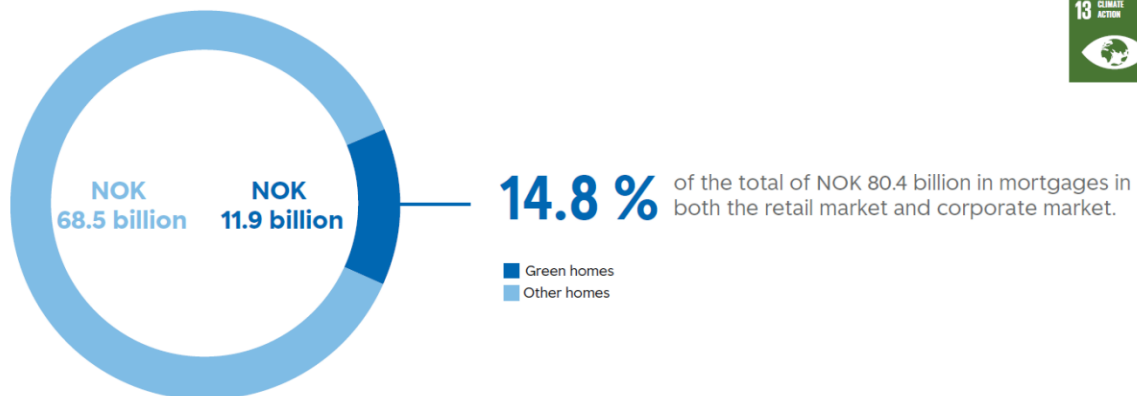
- Homes built prior to 2012 and that therefore comply with building codes older than TEK10 must have an energy rating of ‘A’ or ‘B’.
- Homes built between 2012 and 2021 must be TEK10 and TEK17, which also entails an energy rating of ‘A’ or ‘B’.
- Homes that have seen a 30 per cent gain in energy efficiency and that have risen by at least two energy classes.

#### New homes

- Homes built after 2021 must be at least 20 per cent more energy efficient than the regulatory figure at the time of construction.

Based on these assumptions, 14.8 per cent of the portfolio was green at the end of 2021. Figures for the proportion of green homes are not comparable with figures reported for the previous year since loans transferred to SpareBank 1 Boligkreditt have been excluded from this year’s version. Houses are distributed as shown in the chart below:

<https://www.sparebank1.no/en/ostlandet/about-us/sustainability/green-bond-framework.html>



### The corporate market portfolio

The green bond framework also defines what are viewed as green activities in the corporate market portfolio, including in relation to commercial properties. Cicero Shades of Green has assessed these commercial buildings as being ‘light green’:

#### Existing commercial properties

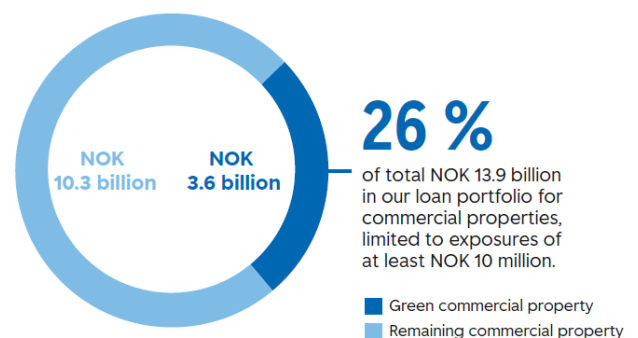
- Commercial properties that are among the 15 per cent most energy efficient in Norway. This includes TEK10 and TEK17 (or later), energy rating ‘A’ or ‘B’, BREEAM or BREEAM-NOR Excellent or LEED Gold or Nordic Swan Ecolabel building.

#### Green commercial properties

- Commercial properties from and including 2021 must have 20 per cent better energy efficiency than the applicable regulations, which are currently TEK17.
- Commercial properties that have seen a 30 per cent gain in energy efficiency or that have risen by at least two energy classes.

See our green bond framework on our website and in the annual report for more detailed information, including the extent to which this is in line with the EU classification scheme (taxonomy).

Given these assumptions, 26.0 per cent of the commercial property portfolio is green. The loan volume is distributed as shown in the chart.



### Further work

The Bank will continue to publish climate information in our annual reports and, increasingly, in our quarterly reports. We will also supplement this information with an annual climate report such as this one. Otherwise, the work will consist of following up the targets that are described throughout this report. In addition, we will continue to work on improving access to data and methods, mainly through the initiatives we are part of, like



Eco-Lighthouse, PCAF and NZBA. The green bond framework will also be updated in the period 2022-2023.