

# Climate transition plan

Version 1.1

Emissions reductions targets and  
transition plans by industry  
in our lending portfolio



SpareBank 1 SR-Bank plays an important societal role in a changing world.

Our ambition is:

**We take responsibility to be a part of the solution and a proactive ally to our clients in the transition to a more sustainable society.**



# Our role in the transition

Side 1/2

Climate change is increasingly affecting our world and making our future uncertain. This is one of the greatest challenges of our time for humanity and not least for nature as we know it. It cannot be solved by individual actors, countries or institutions, we must find solutions globally and collectively.

In addition, each actor must figure out how they will contribute, what is their role. As a savings bank headquartered in southwestern Norway, we have an important role to play in the transition. The corporate structure in the region is characterized by emission-intensive activities and this will have consequences. Much is uncertain, but there is no doubt that we will go through a significant transition in the coming years. SpareBank 1 SR-Bank wants to be an actor that stands by our customers' side, even in challenging times like this transition will be for many.

Global agreements such as the Paris Agreement and the UN's Sustainable Development Goals have set the direction. COP28 UAE Declaration, which was put in place at the end of 2023, helped clarify the direction. We must adapt our strategy to the plans that are on the global agenda. It's not just easy. We, as a Norwegian actor, must acknowledge the important role fossil energy still plays, but we must also dare to imagine what will happen in 10-15 years. This is sound risk management.

SpareBank 1 SR-Bank has set a goal that we will have net-zero emissions from the portfolio by 2050. The purpose of the transition plan is to say something about how we get there and not least with sub-goals for 2030. What expectations do we have for our customers in the coming years? What adjustments do we see are necessary to be in line with societal development and lead to our customers being positioned to meet the future?



A handwritten signature in black ink, appearing to read 'B. Fasmer', with a long horizontal line extending to the right.

Benedicte Schilbred Fasmer  
CEO, SpareBank 1 SR-Bank

Specifically, the plan addresses five of the industries we finance with the highest greenhouse gas emissions and energy consumption, which are; shipping, oil/gas, commercial real estate and agriculture. These together account for 80% of the loan portfolio and about half of the greenhouse gas emissions.

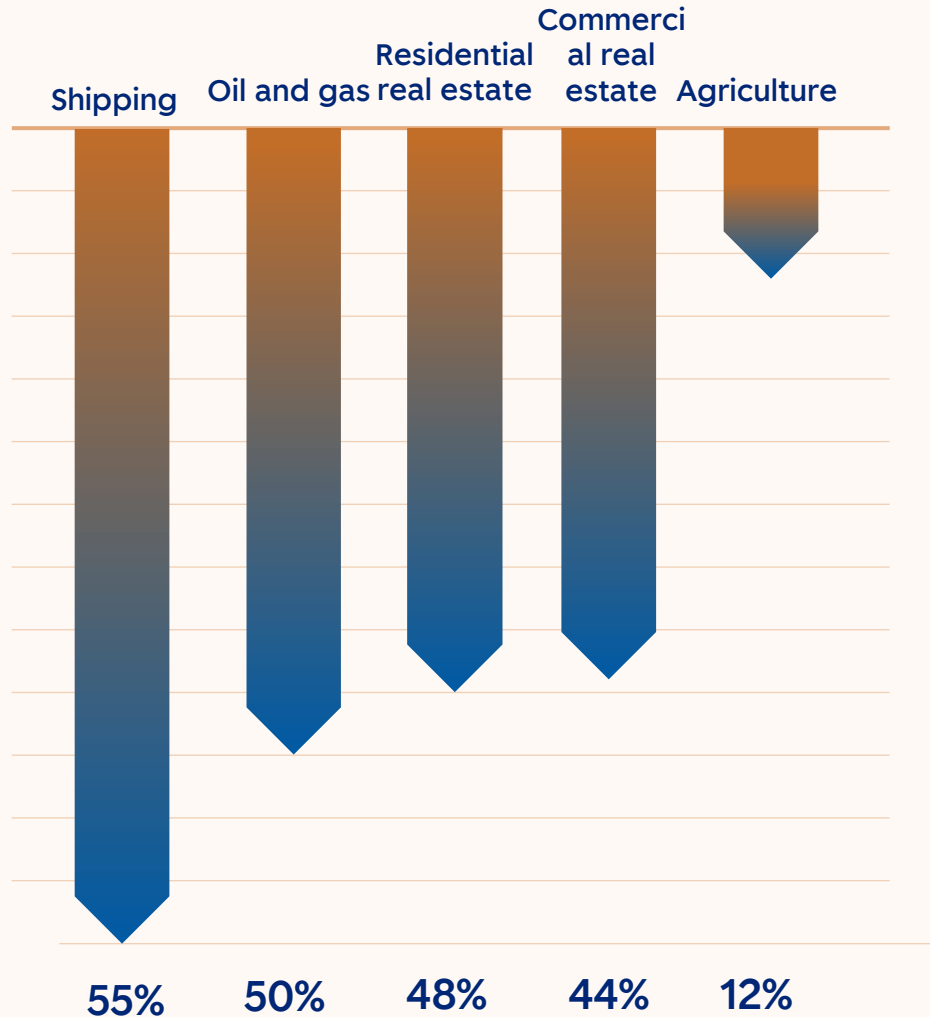
We know that this is challenging. Transition has long been something we talk about in headlines, something we acknowledge, but have not really taken in the seriousness of it. The transition plan forces us to be more specific. But this is also beneficial. If we are to position our portfolio to meet the future, choices must be made. Making choices for the future is not new, neither for us nor for our customers. What is also new is that we must let sustainability and climate considerations influence these choices.

The plan we are presenting here is version 1.1. It is based on what we know today, and the only thing that is certain is that we will know more tomorrow. There will be updated versions in the years to come, there is no doubt about that.

It is uncomfortable to set goals that are highly uncertain, and which depend on many external factors that we cannot influence ourselves. But that does not mean that we should not do it. Because imposing this obligation on ourselves will hopefully lead to others gaining the confidence to do the same, and together we create change.

**We know this will not be easy, but we must do it anyway. And we must acknowledge it to move forward. The time for low-hanging fruit is over. From now on it will cost, but it will also mean a lot for our future.**

# Overview of our interim targets for 2030

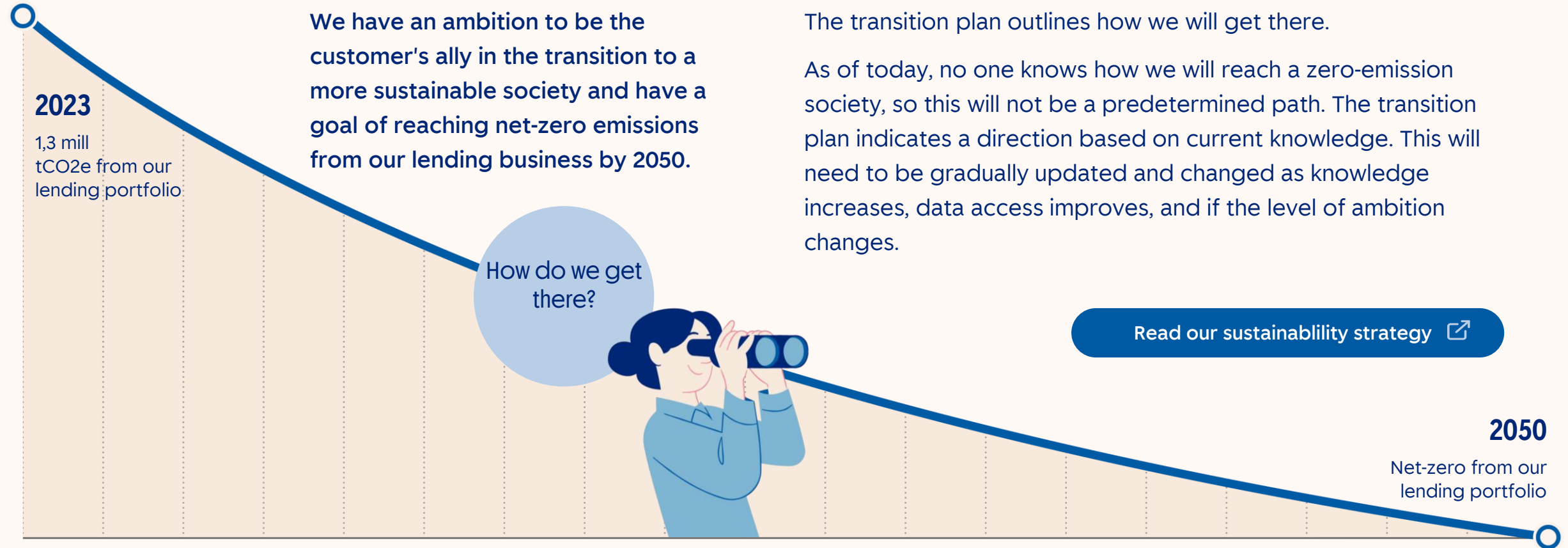


Industry	Goal 2030	Goal trajectory/ reference
Shipping	55-65% from 2008-level*	Poseidon Principles
Oil and gas	50% from 2005-level	Offshore Norge / Norwegian gov.
Residential real estate	48% from 2021-level**	CRREM
Commercial real estate	44% from 2021-level**	CRREM
Agriculture	11,5% from 2020-level	Agricultural climate plan of Norway

For details on each industry, please refer to the back/section 2 of the plan.

- \*The minimum target for the pathway is 55%, with an ambition in line with 1.5°C being 65%
- \*\*There are different targets based on building categories, and here are the specific targets for office properties and single housing

# The transition plan as part of the sustainability strategy



In addition to being part of the strategy, there are regulatory requirements to set goals and report on transition plans for larger companies. This is among the requirements in the new EU

Corporate Sustainability Reporting Directive (CSRD), which SpareBank1 SR-Bank will be subject to report under from 2024. Developing a robust and credible transition plan

not only assures our stakeholders, but also reinforces the resilience of our business model, positioning us for enduring success in the future.

# Governance and organisation

## **Responsibility**

The responsibility for the transition plan is distributed in the same way as other sustainability work in the group. The board has the ultimate responsibility and has delegated the operational responsibility to the administration and the CEO. Furthermore, the Group Executive Vice President for People, Communication and Sustainability manages this responsibility in interaction with the business. The responsibility for meeting the European Central Bank (ECB)'s expectations for climate risk management lies with the Group Executive Vice President for Risk Management.

## **Alignment with the core business operations**

It is important that the responsibility lies with the top management and that the work is anchored here. At the same time, it is important that the work is carried out close to the business, so that we achieve integration of sustainability and climate in the daily work. The sustainability department includes two business partner roles responsible for working towards large corporates, SMEs and agriculture, as well as the retail market. The business partner is a strategic advisor and ensures implementation of sustainability initiatives and measures. The business partners

have been actively involved in the work with the transition plan, which has also been prepared in consultation with the bank's industry experts to ensure that the goals are in line with the group's other strategic goals.

## **Sustainability department**

The group operates with a centralized sustainability department that orchestrates and propels our sustainability initiatives daily. This department, functioning as the group's center for sustainability, collaborates continuously with all business divisions and subsidiaries across the group. Elevating our competency in sustainability is a pivotal focus area for us, serving as a cornerstone in our transition journey.

## **Strategic Resource Group sustainability**

A cross-disciplinary strategic resource group for sustainability has been established, where each business area and the major subsidiaries are represented. The group meets regularly to discuss topics relevant to the whole group, as well as ensure coordination and consistent communication both internally and externally.





We take responsibility  
to be part of the  
solution and a proactive  
ally to our clients in the  
transition to a more  
sustainable society

By 2025, our customers  
will notice our expertise  
in, and commitment to,  
sustainability through  
our customer relations  
and services



# Sustainability goals for SpareBank 1 SR-Bank

A proactive ally to our clients in the transition to a more sustainable society.

## Emission reduction

- **Climate neutrality** in own operations from the end of 2022
- **Net-Zero emissions** in our financing and investment activities by 2050
- **Transition plan** with targets for the most relevant industries

## Transition finance

- Financing and facilitation of **50 billion in sustainable activities** by the end of 2030
- Financing of **NOK 15 billion in green properties** by the end of 2025
- Facilitating **new jobs** through entrepreneurship and innovation

## Equality and diversity

- **Gender balance** (40/60) on all management levels and material positions in the company by 2025
- **Equal pay** for genders – equal pay for equal work
- Through our advisory, products and service we will **strengthen economic equality**

## Combat financial crime

- Have **zero-tolerance** for all forms of financial crime
- **Safeguard human rights** by contributing to transparency in supply
- Be known for a **high ethical standards**

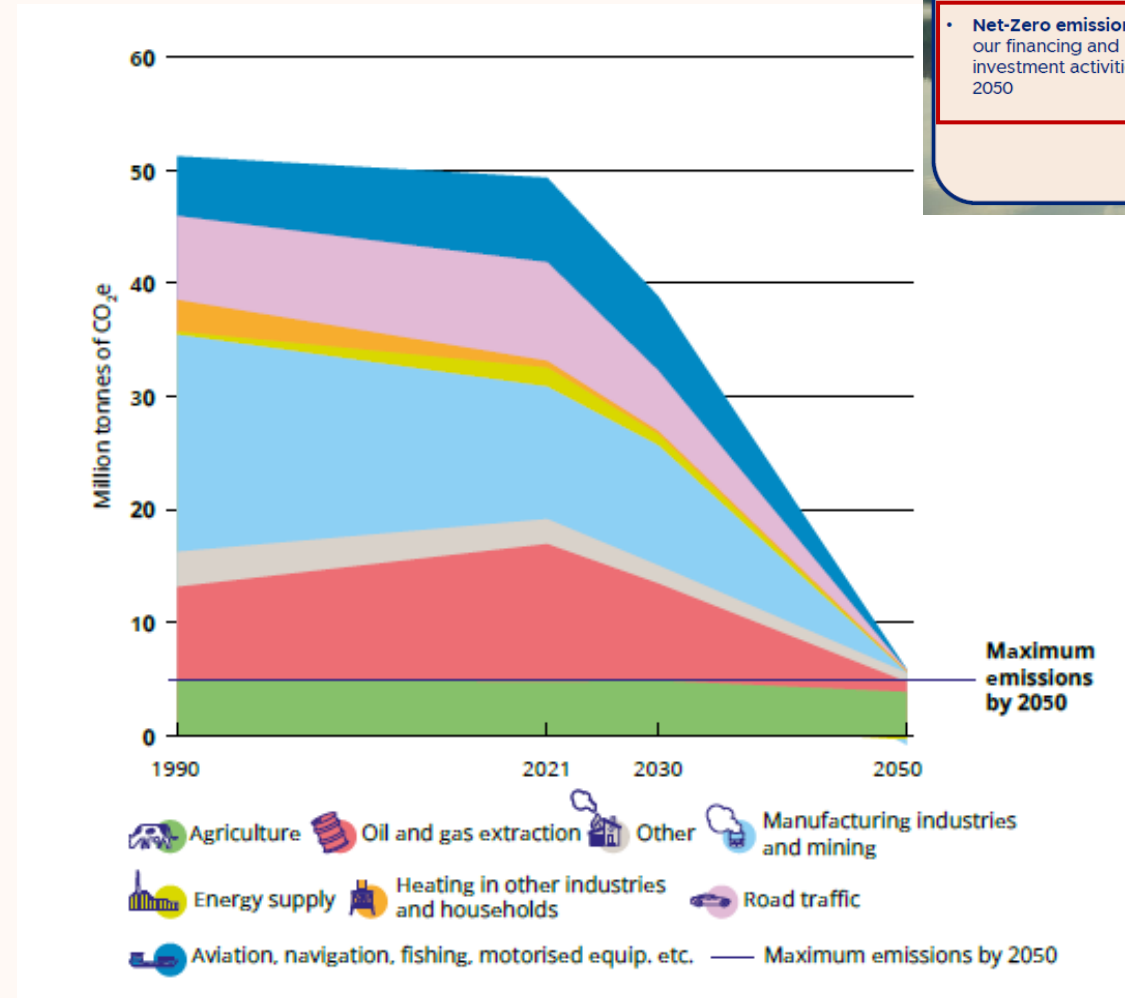
There is a clear regulatory trend towards **requiring** larger companies to have transition plans in line with the Paris Agreement

# Why decarbonization?

**This transition plan primarily focuses on the decarbonization of the bank's lending portfolio. This is one of the most significant contributions a bank like SpareBank 1 SR-Bank can make in the transition.**

To limit climate change, emissions must be reduced as quickly as possible. The report from the Norwegian Climate Panel concludes that Norway must cut 95% of emissions by 2050. Practically only emissions from agriculture can remain. 2050 is a long way off, and there is much uncertainty about how we as a society will achieve this. But there is little doubt that we must drastically reduce emissions of CO<sub>2</sub> and other greenhouse gases.

Against this backdrop, we are now presenting a transition plan that includes goals for the most significant industries in our loan portfolio; shipping, oil and gas, commercial real estate, and agriculture. These have been selected based on emission intensity, energy consumption, and volume in the portfolio. More information about the industries and why they have been chosen follows later in the plan.



[Norwegian Official Report \(NOU\): 2023: 25](#)



# Global development and dilemmas in green transition



Guro Elgheim Sivertsen  
Sustainability director, SpareBank 1 SR-Bank

**The world must have a solution to the climate crisis.** We all agree on this. But there is a distance between words and action; for nations, companies, and individuals. Because we are not doing enough, not by a long shot. There are many obstacles on the path to a zero-emission society. But as long as we agree that we must get there, we do have a chance to reach the goals. It is getting urgent, but it is not too late, and a lot of good things are already happening. There has never been built more renewable energy than in 2023, and the latest IEA report (Renewables 2023) confirms that it is realistic to achieve the goal set at COP-28 of tripling renewable energy by 2030.

The energy transition is a major shift and a great market opportunity for everyone. Norway, as an energy nation, has the opportunity to take the lead here and become an (even larger) provider of sustainable clean energy. But it requires bold choices from today's decision-makers, as we must venture into uncertain waters. We know there will be a need for Norwegian oil and gas for several years to come, and that Norway has become an even more important supplier after Russia's invasion of Ukraine and the geopolitically tense situation in Europe.

SpareBank 1 SR-Bank, as a leading financial player in Southern Norway, has many customers who operate within the value chain of the oil and gas industry, and we see it as part of our role to support this industry, which is still very important for Norway. However, we also know that demand will decrease, and we must change the industrial structure to maintain the level of value creation in Norway.

The responsibility for this to happen rests with all of us, but some must lead and show the way. Politicians have a great responsibility, but also business leaders across the country must ensure that the right choices are made. **This requires courage, leadership, and a belief that the choices we make now will stand in the long run.**

# Dependencies

**In order for us to achieve the goals in the transition plan, we are dependent on a number of factors, which we often have limited ability to influence.**

**Politics and regulation** - Success in this work greatly depends on developments in the regulatory and political landscape, both nationally and internationally. We need incentives for transition for businesses and individuals, both in the form of carrots and sticks. In addition, we must not forget to facilitate a just transition. If climate actions contribute to creating greater social inequalities, we will not succeed.

**Technology and knowledge** - To reach the goals, we are dependent on the development of new technology and new knowledge. This is especially true in the energy sector, but also in industry and other sectors where processes need to be energy-efficient and with a new focus on material and resource use.

**Geopolitical development** - The need for energy security is extremely important for geopolitical balance and people's welfare all over the world. Unrest in the world will affect the energy transition, and the effect can be both acceleration and braking. Globally, we also see increasing conflict conditions and human flight as a result of climate change and natural disasters.

**Cooperation** - The climate crisis is a global challenge that needs to be solved across countries, industries, and institutions. We need to cooperate with actors we have not worked with before in order to produce solutions that stand for the future. This is an important aspect; we cannot solve it in isolation.

**Time perspective** - Even though we now see concrete challenges in the short term, the climate crisis is a long-term problem. Democracies and capital markets are essentially not rigged to solve problems on a 50–100-year basis. This makes it extra demanding to sort out how climate considerations should influence the choices we make today. In business, we must be able to look beyond the quarterly pursuit in the capital markets, as some of these solutions will not be profitable in the short term. We must dare to trust that it will pay off in the long run, and investors and owners must give leaders room to make these choices without punishing them. Even if we increase the effort, we will still experience that emissions fluctuate. It will be important to keep up the pressure and not be fooled by statistics. Again, we must challenge ourselves to have the long-term perspective.





# Responsibility to collaborate

**In this transition plan, we are clear that this group cannot achieve the goals in isolation.**

Commitments by government and industry are needed for us to be able to achieve these goals. But then we should also commit ourselves to actively work with authorities and industries to get this in place.

SpareBank 1 SR-Bank takes this opportunity to **urge Norwegian authorities to be much clearer and more forward-looking** in their climate plans. The business community has a great need for a guide to dare to make the difficult choices we face.

Those who dare to be the early mover takes a greater risk that they are betting on the wrong solution. In such a large change as we are facing, it is inevitable that mistakes will be made. Clear prioritization and good framework conditions from the authorities will give us a much greater chance that we can pull things in the right direction, together.





# How we will reach our targets

**We will work purposefully to further develop our work to be the customer's ally in the sustainability transition. The transition plan is crucial to our work because it concretizes the direction. The work with the transition plans can be divided into five categories**

## Communication and customer dialogue

- We should have clear expectations for transition plans from customers, especially in emission-intensive and other transition-exposed industries
- We should be constructive and predictable in how we set our requirements and work to facilitate for customers so that they can meet our expectations
- We must be aware of our role when we set requirements, also when it comes to sustainability

## Competence

- We will work to raise our internal competence so that customer advisers and other employees can be good allies for our customers
- Customer advisers must have sufficient knowledge to understand the customer's situation and thus give good advice that stands for the future.
- We will contribute with relevant knowledge to the customers where it is relevant.

## Portfolio management and capital allocation

- The sustainability strategy and transition plan will have an impact on which customers we want to prioritize
- Sustainability and climate considerations will to a greater extent be integrated into credit processes, which will further affect terms and decisions
- We have a goal of contributing with 50 billion NOK in sustainable financing by 2030

## Products and services

- We will make available products and services that support customers in making more sustainable choices, such as green loans and sustainability-linked loans
- We will explore new opportunities for how the group can use its product and service offering to be an ally in the transition

## Collaboration

- We will collaborate with other industry actors to come up with solutions that are for our common good, for example when it comes to capturing and managing data
- We will actively work with authorities on framework conditions that enable green transition

*When it comes to action plans for each industry, these will be developed based on the transition plans*

# Reporting and the way ahead

**This is our first transition plan, call it version 1.0. The work with climate transition is dynamic and there will be a need for continuous updates to keep the plan current and relevant. We are launching a plan that has transition pathways for four industries, and a plan to include housing by the end of the second quarter of 2024.**

The dependencies described earlier in this document will affect how our transition plan evolves. New technology, for example, may allow us to be more ambitious, while challenging macro economic conditions could challenge progress. We will continuously monitor the conditions and update the plan regularly and at least once a year.

Progress reporting will take place on an annual basis. Here we must acknowledge that there are major challenges related to data availability and quality, and an important part of progress is to work to improve this. We envision that the quality of, for example, emission data from the loan portfolio will improve in the coming years. This will give us the opportunity to follow up the work with transition and emission reduction more closely and better.

Reporting on progress under the transition plan will be part of the Group's CSRD reporting, which is carried out for the first time for 2024.



# Industry-specific transition plans and target paths



# Transition plans and pathways

**The transition pathways for the different industries have been chosen based on being the best available target at the present time. There are several paths to net zero 2050 and we may experience weaknesses with all target paths.**

In a way, this is pioneering work and the transition pathways that are used often extend further than nationally and internationally adopted politics. It is therefore a best effort attempt to outline how the different industries must develop towards 2050 for the Paris Agreement's goal of limiting global warming to 1.5C is be adhered to.

An annual revision of the transition plans and, if necessary, the target pathways with associated sub-goals is necessary if more information is available then. We as a bank cannot carry out this transition alone and we will depend on a number of external factors, whether it is technological development, politics, or market changes.

We will contribute to the transition of our customers by giving good advice and offering financing.



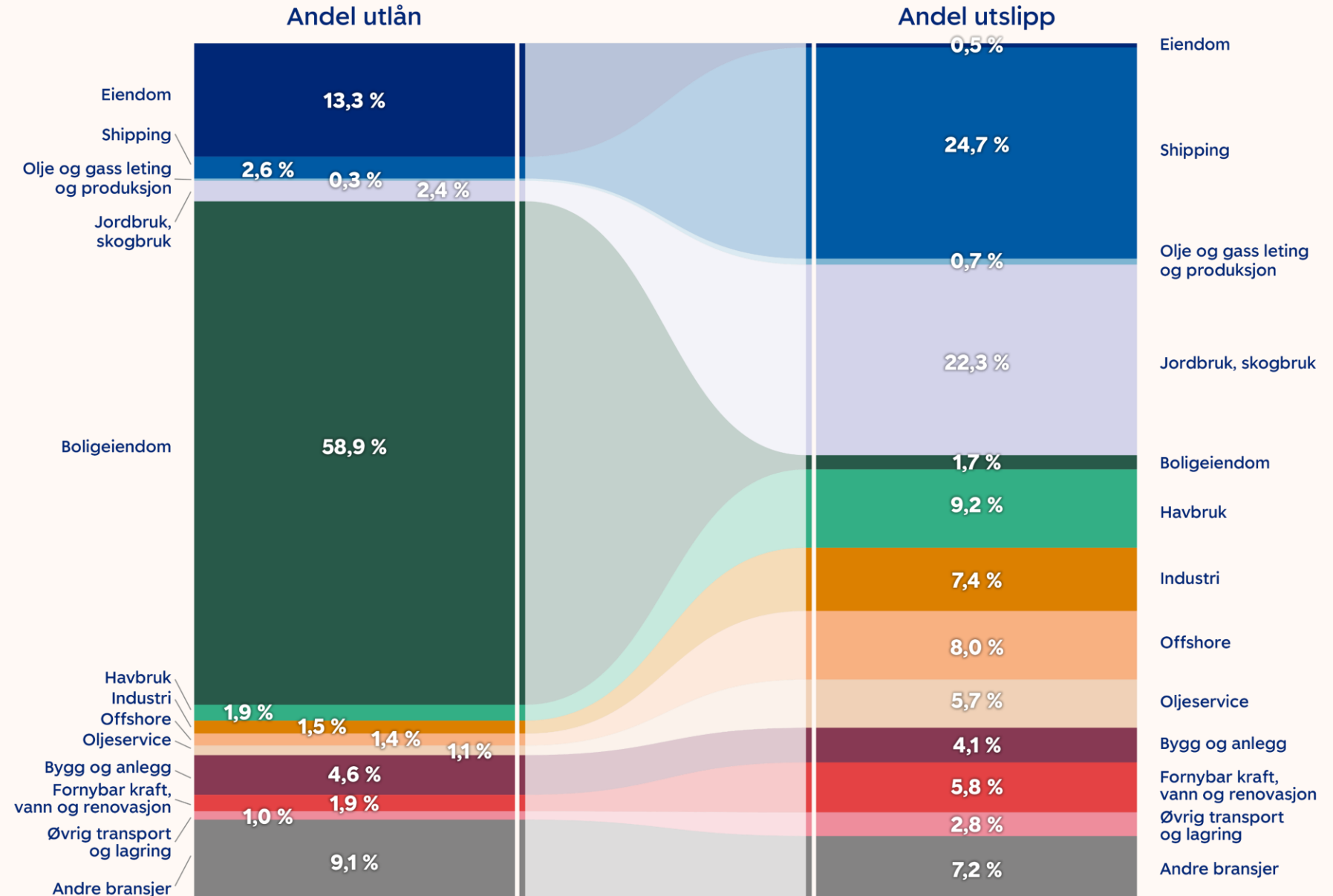
# Emission accounting for the lending portfolio

## We have industry-specific transition goals for these industries:

- Real Estate - Commercial
- Shipping (those who report according to the Poseidon Principles)
- Oil and gas E&P
- Residential real estate
- Agriculture/forestry

These collectively constitute to approx. 80% of total lending volume and about half of calculated emissions.

Work will be done to expand the transition plans to a larger part of the portfolio by including other vessels. If this is expanded to the industries' other vessels and offshore, the transition plan will collectively constitute over 80% of the loan portfolio and 70% of the calculated emissions.



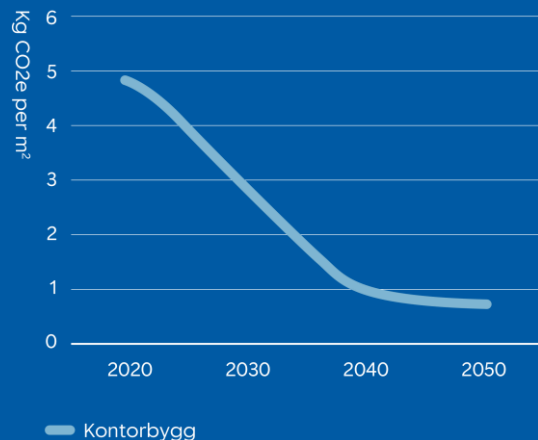
# Commercial real estate

## Why this industry is significant

Commercial real estate accounts for about 15% of the total loan portfolio and thus the largest industry in corporate market lending. The emissions associated with energy consumption (Scope 2) are 0.5% of the emissions in the portfolio.

Although emissions from energy use in buildings are relatively low in Norway as it is mainly renewable energy, it is important to reduce consumption from a climate perspective. This is to free up renewable energy for the decarbonization of other industries.

Illustrated goal trajectory for office buildings



## Explaining our target

The goal trajectory is given in kg CO<sub>2</sub>e per m<sup>2</sup> and based on CRREM (Carbon risk real estate monitor), an EU-funded project that has developed pathways for different building categories for each country. The figure above shows the goal trajectory for office buildings as an example where emissions are to be reduced by 44% from 2020 levels by 2030.

The goal trajectories are in line with the Paris Agreement and take into account both a reduction in energy consumption, which this transition plan focuses on, as well as defined goals for the emission intensity of the energy consumed.

There are emissions associated with both energy consumption in buildings (Scope 1 and 2) and indirectly from materials etc. during construction and maintenance. Currently, only emissions related to energy consumption in buildings are covered by the goal. With better data and changed market practice, this could change in the future to also include indirect emissions (Scope 3).

Even though the supported goal trajectory is based on energy consumption per m<sup>2</sup>, SpareBank 1 SR-Bank will also have a major focus on improving the existing building stock. We believe it will be unsustainable to stimulate the demolition of older buildings in favor for construction of new energy-efficient ones. Renovation where only the bearing structure remains can also result in large indirect emissions even if energy efficiency is achieved in the end.

To achieve the goals in a larger context, it is important that the desired trend is achieved through refining existing properties. It doesn't make sense to take an approach where the goals are attempted to be achieved by replacing old buildings with new ones in the portfolio. To assess whether the bank is achieving its goals, it is the change and trend that should form the basis for the conclusion. It is not the change in the

bank's portfolio at a reference point and the bank's portfolio at the target point that is emphasized, but how the portfolio of properties at the target point compares with the same properties at the reference point, regardless of how they were financed at the reference point. In other words, the historical target pathway will change as the bank's portfolio changes.

SpareBank1 SR-Bank will thus have an approach where work is actively done to reduce energy consumption in the building mass in a sustainable way, also economically.

## How we will reach our target

All new engagements over 10 million undergo an ESG risk assessment where both physical and transition risk are mapped in addition to social conditions such as human rights and governance. There is also a requirement for an energy certificate and that it should be registered, which will be essential to improve the data quality of the portfolio. For buildings with high energy consumption, an energy mapping must be done to find potential for improvements. Financing of energy efficiency measures and upgrades, in addition to sustainability-linked loans that encourage improvement, will be important tools.

We will also ensure proper advisory services and build our knowledge within the industry to further contribute to our clients' success in the transition

## Dilemmas and dependencies

The target pathway that SpareBank 1 SR-Bank will work for is ambitious and depends on a number of external factors such as regulatory requirements from authorities, energy cost, incentives/support schemes, etc. to be achieved. We will provide financing to transition customers' properties and be a driver for customers to transition their properties in line with national goals in order to fulfill the Paris Agreement. However, it will still have to be done in a sustainable way where profitability is also maintained.

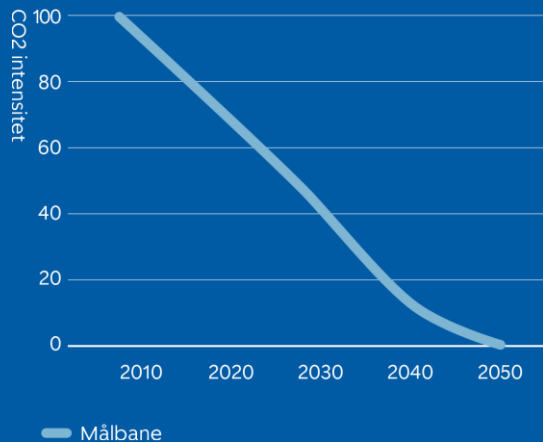
# Shipping

## Why this industry is significant

Shipping accounts for about 80% of the transport of world trade and is the most effective transport method over longer distances. For SpareBank 1 SR-Bank, it accounts for less than 3% of the lending volume, but at the same time accounts for 25% of the total emissions from the portfolio.

Even though it is an efficient form of transport for goods over longer distances, it is an emission-intensive industry that needs to transition for the global emission targets to be reached.

Illustrated goal trajectory for shipping



## Explaining our target

The goal trajectory for shipping is based on the Poseidon Principles, which SpareBank 1 SR-Bank joined in 2020, and has reported in accordance with since 2021. The Poseidon Principles is a global collaboration between banks to measure and disclose emissions related to the financed shipping portfolios. The Poseidon Principles are in line with IMO's new target, set in 2023, that emissions from shipping should be net zero by 2050. This implies a reduction of at least 55% from 2008 levels by 2030 in emission intensity.

Fuel consumption and sailed distance are reported annually for each vessel. Then the vessels' CO2 emissions per nautical mile are calculated. Vessels covered by the Poseidon Principles reporting are those over 5000 gross tons in international shipping. This accounts for over half of our shipping portfolio. For the reporting year 2023, the portfolio is within the original goal trajectory from 2018. Measured against the new reinforced target, the emission intensity is 8.1% above the pathway for the reporting year 2023. After the previous one, the portfolio is 4.8% below.

Work will be done in 2024 and 2025 to establish targets and methodology for a larger portion of the shipping fleet.

## How we will reach our target

We will work actively with our customers with the aim of reducing emissions and increasing efficiency. An ESG risk analysis is carried out for all new engagements focusing on the vessels' climate and environmental impact, other social conditions, and governance. Sustainability-linked loans that encourage emission reduction will be an important tool.

## Dilemmas and dependencies

The Poseidon Principles' new target pathway is in line with the Paris Agreement and net zero by 2050. This is very ambitious and to achieve it will require technological development and regulations from authorities.

We will also ensure good advisory services and build our expertise within the industry to further contribute to the success of our customers in the transition.

Currently, the technology that could decarbonize the ship fleet that travels over longer distances is not available. There is great uncertainty about what will be the future propulsion systems and investing in the wrong technology can be a major risk for customers. There will also be a need for regulations that will make investments in new technology, which is currently expected to be far more expensive than traditional propulsion systems.



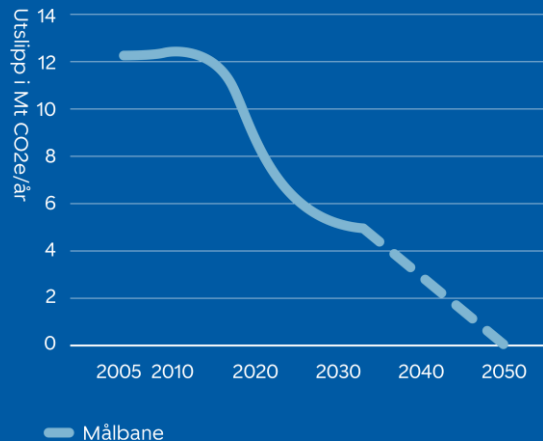
# Oil and gas

## Why this industry is significant

The oil and gas industry is important in the global energy system as it accounts for about 50% of the world's energy consumption. The combustion of oil and gas is at the same time one of the biggest drivers of CO<sub>2</sub> emissions with the ensuing global warming. Although the largest emissions are associated with combustion, there are also significant emissions from production and extraction on the Norwegian continental shelf. The emissions from the oil and gas industry on the Norwegian continental shelf amount to 13 million tons of CO<sub>2</sub>e a year or a quarter of Norway's total emissions.

SpareBank 1 SR-Bank's portfolio with production companies is relatively small and accounts for a small share of the total emissions from the loan portfolio of less than 1%, but still an important sector to transition.

Illustrated goal trajectory for oil and gas



## Explaining our target

SR-Bank recognizes the need for oil and gas, also in the future energy system even though demand is expected to decrease. The oil and gas industry on the Norwegian continental shelf accounts for about a quarter of Norway's total CO<sub>2</sub> emissions. There is great potential to reduce the emissions associated with production and we have a goal of a 50% reduction from the 2005 level by 2030, a goal the government is also working towards. The industry has further set a goal of a 90-95% reduction by 2050, also here with 2005 as the reference year, a goal we also support.

Emissions from end-use will not be covered by this goal at the present time as the world currently has a large need for fossil energy, especially natural gas. The goal to be developed is emissions per unit produced (e.g. kg CO<sub>2</sub>e per barrel etc.). The main focus will initially be on scope 1 and scope 2 emissions with an extension to scope 3 (upstream) when data quality improves.

## How we will reach our target

We will work actively with our customers with the aim of reducing emissions and increase efficiency. An ESG risk analysis is carried out for all new engagements focusing on the companies' climate and environmental impact, other social conditions, and governance.

We will require climate accounts from our customers and that they set goals that are in line with net zero emissions by 2050.

We will also provide good advice and our accumulated knowledge within the industry to our customers so that they succeed in the transition.

## Dilemmas and dependencies

Norway is a large and very important supplier of energy to especially Europe in a geopolitically uncertain time. Although oil and gas, when burned without CCS (carbon capture and storage), contribute to large CO<sub>2</sub> emissions in the atmosphere, emissions from electricity production from natural gas are far lower than coal. In the long term, the world will have to reduce its consumption of fossil fuels and/or that facilities are installed with CCS.

In order for the target pathway to be reached and emissions from the Norwegian continental shelf to be halved by 2030, it will require the implementation of planned measures, including the electrification of the Norwegian continental shelf and technological development.

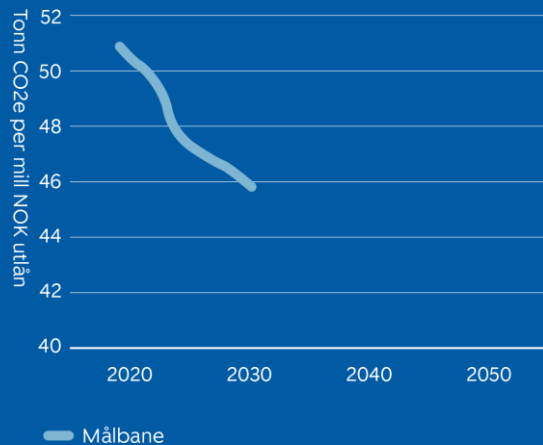
# Agriculture

## Why this industry is significant

Agriculture is greenhouse gas-intensive and is one of the industries with the highest emissions in Norway with 7.2 million tons of CO<sub>2</sub>e. The industry has entered into a climate agreement with the government on the reduction of greenhouse gas emissions where the industry commits to reducing agriculture's total greenhouse gas emissions by 5 million tons of CO<sub>2</sub>e in the period 2021-2030. This means a reduction of 11.5% per year in 2030 compared to 2020.

For SpareBank 1 SR-Bank, the lending business to our agricultural customers constitutes a smaller proportion of the total lending volume, but over 22% of the total emissions from the portfolio.

Illustrated goal trajectory for agriculture



## Explaining our target

The emission reduction targets set for the agricultural portfolio are in line with the targets set in the Agriculture Climate Plan, and in line with the goals in the climate agreement. If the level of ambition is strengthened, the plan will be updated.

The industry is strongly influenced by politics and the state's framework conditions, and the goals set for the industry are an agreement between the industry and the government.

SpareBank 1 SR-Bank has a strategy to be the customer's ally in the transition, and as a major player in agriculture in the bank's core area, it is natural to follow the goals set between the industry and the government.

The Agriculture Climate Agreement involves an 11.5% reduction from 2020 to 2030.

## How we will reach our target

Both through our physical and digital presence in our customers' day to day operations, we will contribute to giving them knowledge and solutions, to enable them to make agriculture more sustainable. Already today, SpareBank 1 SR-Bank offers green financing products that help agricultural customers to transition to more sustainable agriculture.

To achieve the goal, there will be a number of steps such as contributing to the use of the climate calculator by customers for increased awareness, contributing to increased knowledge both among the advisors in the bank and our customers, development of services and products to finance the transition, and collaboration with stakeholders.

## Dilemmas and dependencies

The Agriculture Climate Plan that we will work for depends on a number of external factors such as public support schemes and framework conditions, as well as technological development. While emissions from agriculture need to be reduced, this will have to be seen in connection with the overarching framework for the agriculture climate agreement:

- Food security and preparedness
- Agriculture throughout the country
- Increased value creation
- A sustainable agriculture with lower greenhouse gas emissions.

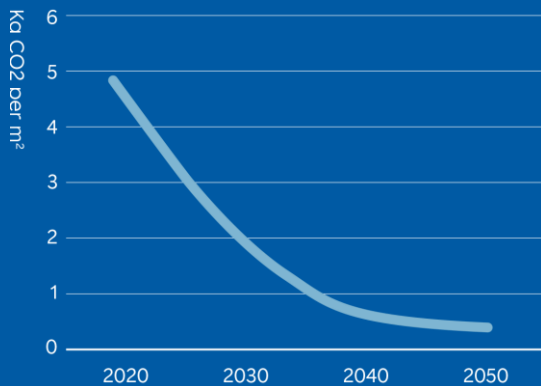
# Residential

## Why this industry is significant

Norwegian households are estimated to account for 20-30% of energy consumption in Norway. NVE estimates the energy efficiency potential for houses to be 3 TWh and for apartment buildings to be 1 TWh.

For SR-Bank, financing residential properties accounts for approximately 60% of the total lending activities. By contributing to the increased energy efficiency of the properties we have provided mortgages for, we will help reduce the carbon emissions from the mortgage portfolio, while also freeing up electricity that can be used for the necessary transition in other parts of society.

Illustrated goal trajectory for houses



Målbane

## Explaining our target

The goal is to significantly reduce the amount of CO2 emissions per square meter from the homes of our customers. The CRREM (Carbon Risk Real Estate Monitor) pathway for residential real estate shows how in Norway we need to reduce carbon emissions from homes in order to meet the targets of the Paris Agreement.

Through energy efficiency measures, transition to renewable energy sources, and other actions, the carbon footprint of residential properties can be reduced over time leading up to 2050.

The figure shows that emissions from residential properties must be reduced by 48% from the 2023 level by 2030 to align with the CRREM pathway. This emission reduction will represent a significant transition for Norwegian homeowners. For comparison, the current interpretation of the Building Energy Directive is a reduction in kWh per m2 by 16% by 2030 and 20% - 22% by 2035

## How we will reach our target

A transition in line with the CRREM pathway will primarily require significant financial investments for homeowners. As a bank, we have an ambition to support our customers in the sustainability transition. Through clear communication, competent advice, and a strong customer offering, we will help empower our customers to transition their homes to become more energy-efficient.

We will take a holistic approach, which will take care of the environment, society, and economic development. This includes making existing homes more energy-efficient, ensuring a fair transition that considers social aspects so that all our customers have the opportunity to be part of the transition, and ensuring that our measures do not lead to increased labor market crime.

It is a prerequisite for the sustainable transition of the mortgage portfolio that our customers manage their homes well. Therefore, we will help our customers manage their homes in terms of energy efficiency and energy consumption, maintenance, physical climate risk, and climate adaptation.

- Further develop our financing products that contribute to the energy efficiency of homes
- Contribute to increased knowledge among our customers about topics such as
  - Management and further development of homes
  - Support schemes, new regulations, etc.
  - How changes in behavior can reduce electricity consumption.
- Actively increase the proportion of energy labels in the portfolio
- Further develop our overall customer offering in products and services that help homeowners make decisions related to energy efficiency and management of their own homes
- Build expertise among our advisors to enable them to assist customers in the transition

## Dilemmas and dependencies

In order for us as a society to achieve the goals set by CRREM for Norwegian homeowners, there are several dependencies that we as a bank have limited ability to directly influence:

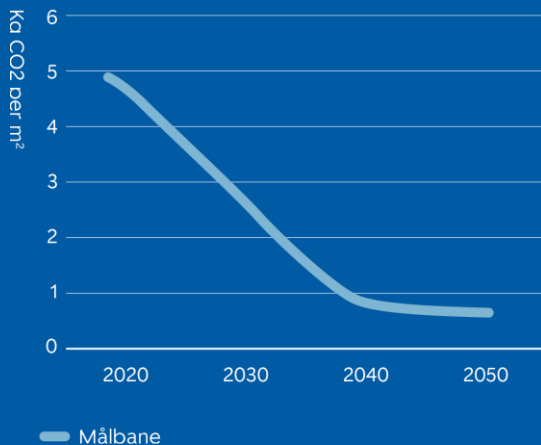
- Public incentives/support schemes necessary to alleviate homeowners financially
- Future energy mix delivered to Norwegian households affecting CO2 emissions per kWh
- Regulatory requirements for homeowners from authorities, including the level and implementation of the Building Energy Directive in Norwegian law
- The electricity price that Norwegian homeowners pay as an incentive for reducing electricity consumption
- Homeowners' financial capacity to manage the cost of upgrading their own homes in line with the CRREM pathway
- Sufficient access to qualified labor and materials to carry out necessary energy efficiency measures in Norwegian homes
- Access to correct and relevant data
- Technological or building technical development and innovation contributing to energy efficiency of homes
- Active and inclusive dialogue with relevant industries and authorities

# Own operations

SpareBank 1 SR-Bank follows a holistic approach to net-zero emissions. This encompasses emissions from our own operations (Scope 1 and 2); supply chain (Scope 3, categories 1-14); and emissions arising from financing our customers' transition to net-zero emissions (Scope 3, category 15).

To be a credible partner for our customers' transition to net-zero emissions, we aim to lead by example. We have set targets for 2030 to reduce the carbon footprint in our own operations (Scope 1 and 2). SpareBank 1 SR-Bank will actively manage carbon emissions across our supply chain and will work over the next year to set targets for Scope 3 (categories 1-14)

Illustrated goal trajectory for own buildings



## Explaining our target

SpareBank 1 SR-Bank has set targets for Scope 1 and 2 that align with our climate goals and commitments in the Paris Agreement.

Scope 1: 100% reduction by 2028

Scope 2: Reduction in accordance with the CRREM pathway

The goal trajectory for Scope 2 is specified in kWh per m<sup>2</sup> and is derived from CRREM (Carbon Risk Real Estate Monitor), an EU-funded project that has developed pathways for different building categories for each country. The figure illustrates the pathway for office buildings as an example where emissions are to be reduced.

The bank's initial transition plan only covers emissions related to energy use in owned and leased buildings (Scope 1 and 2). However, with improved data collection and changes in market practices, it may be possible to include indirect emissions (Scope 3) in the future goals.

Although we still have much work ahead to achieve net-zero emissions, we seek transparency about our progress toward net-zero emissions. We will adapt as we progress and in Q4, we will present a more ambitious target for Scope 2.

## How we will reach our target

To achieve the goal for Scope 1, we will electrify the vehicle fleet by 2028.

The action plan developed to achieve Scope 2 primarily focuses on energy management. We monitor energy usage in buildings and optimize where possible. When entering into new lease agreements, we set requirements for energy classification. For buildings with high energy consumption, it will be necessary to conduct an energy assessment to identify opportunities for improvements.

## Dilemmas and dependencies

The target plan is ambitious and is influenced by several external factors such as dependencies like regulatory requirements from authorities, energy costs, incentives/support schemes etc.



# Appendix

# Our goals

## Method

The goals and target path are based on the best available practice and the bank's own industry knowledge.

*Emissions are divided into three main categories according to the GHG Protocol:*

- Scope 1: Direct emissions, e.g., from the combustion of fossil fuels
- Scope 2: Indirect emissions related to energy consumption, e.g., emissions from electricity produced by a gas power plant.
- Scope 3: Indirect emissions, both upstream, which means goods and services consumed, and downstream, which are emissions from a customer's consumption of the product produced.

his transition plan focuses on Scope 1 and Scope 2 emissions where the best data foundation exists. There are significant emissions associated with Scope 3, but good information is lacking and it is relatively immature at present. However, it may be appropriate to include it in the goal in the future.

The calculation of emissions from the portfolio is based on the methodology of the Partnership for Carbon Accounting Financials (PCAF). SpareBank 1 SR-Bank started in the fall of 2021 with analyses of emission levels from loans to businesses, based on the methodology of the Partnership for Carbon Accounting Financials (PCAF). The foundation of the analysis is calculated income- or balance-based emission factors per industry code, or per quantity (for example, produced number of tons,

property mass area). These are used to calculate greenhouse gas emissions per business, then to calculate the financial institution's share based on the current loan-to-value ratio. The norm in the PCAF methodology is the loan-to-value ratio at the origin of the loan, but due to lack of data access, the current loan-to-value ratio has been chosen instead.

The goal is eventually to replace the calculated emissions with actual reported emissions. Ideally, emissions should be verified by a third party, from as many businesses and industries as possible, to improve the quality of the analysis. In this analysis, reported emissions have been collected for the shipping portfolio associated with Poseidon Principles reporting, for the entire offshore drilling portfolio, for significant parts of the offshore portfolio, and for some individual customers elsewhere.

The scale goes from 1-5, where 1 is the best. With a score of 1, the data basis is based on reported figures from the customer and verified by a third party.

With a score of 4 and 5, the data basis is based on the use of emission factors as described above.

Based on the analysis methodology and the use of estimates, the results presented are uncertain and should be considered a starting point. Therefore, significant variation in emission measurements should be expected going forward as the group gains increased access to actual emission data.