

January 2023

# UNEP FI: Portfolio Impact Analysis

## SpareBank 1 Nord-Norge

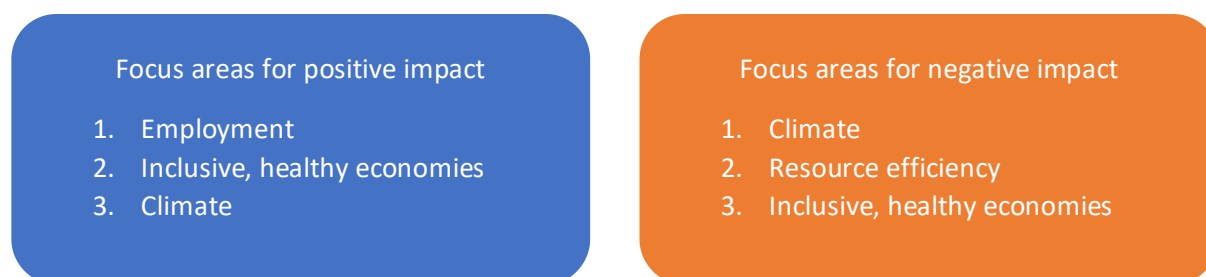


## Summary

The UN Environment Programme for the Financial Sector (UNEP FI) launched the Principles for Responsible Banking (PRB) in 2019. The principles serve as a framework for banks to align their strategy and practice with the Sustainable Development Goals and the Paris Climate Agreement. As a signatory bank, SpareBank 1 Nord-Norge is committed to follow the six principles, and UNEP FI's Portfolio Impact Analysis Tool is used to comply with Principle 2: Impact and Target Setting. Version 2.0 of the tool was used to identify the Bank's positive and negative impact areas for consumer banking and business banking, respectively. The analysis determined that the Bank could have positive and negative impacts especially in the following areas based on its geographic presence and portfolio composition:

- Inclusive, healthy economies
- Employment
- Waste
- Climate
- Health and sanitation
- Resource efficiency / security
- Biodiversity & ecosystems

The Bank has further evaluated the identified areas and their relevance to the bank's performance within each area. Through this evaluation, the following focus areas have been selected for positive and negative impact:





The selected focus areas have been used to inform of the Bank's double materiality analysis, which was updated in 2022. In the next phase, the Bank will develop and publish targets for how it will work to improve its positive and negative impact.

## Background and methodology

Through the signing of the Principles for Responsible Banking in 2018, SpareBank 1 Nord-Norge has committed itself to six principles (see figure 1). As part of fulfilling the second principle, the bank has conducted an impact analysis using the UNEP FI Portfolio Impact Analysis Tool for Banks (version 2.0).

Figure 1: The six principles for responsible banking

 <p><b>PRINCIPLE 1: ALIGNMENT</b></p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p><b>PRINCIPLE 2: IMPACT &amp; TARGET SETTING</b></p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p><b>PRINCIPLE 3: CLIENTS &amp; CUSTOMERS</b></p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
 <p><b>PRINCIPLE 4: STAKEHOLDERS</b></p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p><b>PRINCIPLE 5: GOVERNANCE &amp; CULTURE</b></p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p><b>PRINCIPLE 6: TRANSPARENCY &amp; ACCOUNTABILITY</b></p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>

The tool utilizes prepopulated data on country specific challenges related to sustainability, in combination with descriptive data on the bank's portfolio composition, to indicate where the Bank has the greatest potential for positive and negative impact. The Bank is then requested to evaluate how it is currently performing within the various impact areas to determine where it should direct its focus going forward.

Following the outlined process of the portfolio impact analysis tool, the Bank has used the following input to reach the identified impact areas:

### 1. About the business

The tool is built to support multinational banks with business in several countries, as well as different business areas. SpareBank 1 Nord-Norge operates in Norway, and its market area is Northern Norway. In the current version of the analysis, the granularity is kept on country level. In future versions it might be relevant to break down the analysis on a more regional basis, to better capture the distinct sustainability needs of Northern Norway. The analysis has been performed for the Bank's retail and corporate portfolio, which accounts for 52% and 31% of the bank's gross income, respectively.

For the corporate market, the tool allows for up to 30 sector codes to specify which sectors are the largest in the Bank's lending portfolio. SpareBank 1 has chosen to use NACE codes to specify sectors and was able to specify 98% of the portfolio volume through the 29 largest sectors. The remaining 2% was set to "other".

For the retail market, the Bank has specified the lending volumes for the five largest product and services categories. Furthermore, the Bank has categorized its retail customers in low-, middle- and high-income populations using locally applicable definitions and statistics from Statistics Norway.

## 2. Sustainability parameters and national needs

The tool is based on the 22 sustainability impact areas of the UNEP FI Impact Radar, with corresponding impact topics. These are scored on a country-specific level to highlight where banks operating within various countries can have the largest impact. For Norway, the impact topics are pre-scored in the tool. SpareBank 1 Nord-Norge has reviewed the scores and chosen to use the default values for its first impact analysis. For future impact analyses it might be relevant to modify some of the default values to better reflect the regional situation for Northern Norway.

## 3. Impact assessment

Based on the Bank's portfolio composition and the pre-populated sustainability parameter scores, the tool generates an overview of the Bank's positive and negative impact areas. However, the tool does not account for the Bank's current work within sustainability, nor the regional situation or strategic fit for the Bank to focus on the various impact areas. Part of the impact analysis is therefore to evaluate what impact areas would be suitable for the Bank to focus on going forward. The bank's sustainability team has performed several interviews with key stakeholders and conferred with external experts to inform the evaluation.

## Results and conclusion

The portfolio impact analysis yields separate results for the retail and corporate market respectively. For the retail market, the following impact areas were identified by the tool as having the greatest positive and negative impacts (see figure 2):

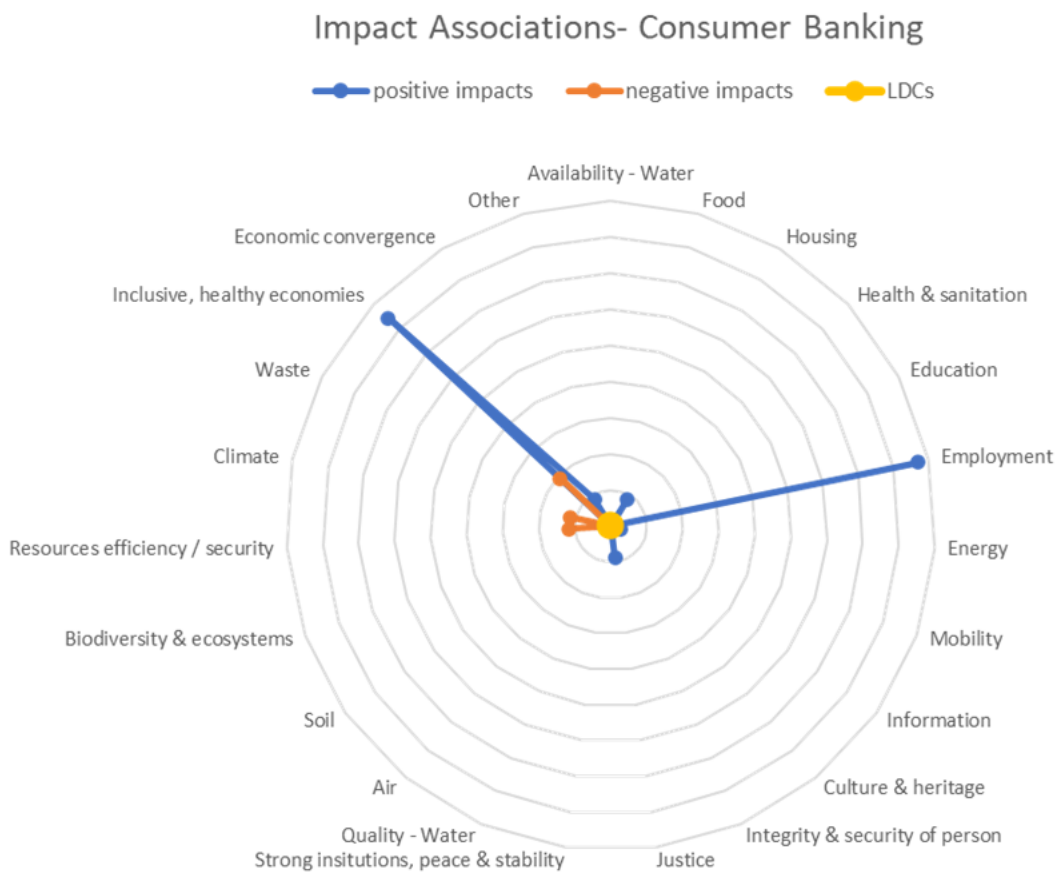
### **Identified negative impact areas for the retail market**

- Inclusive healthy economies
- Resources efficiency/security
- Climate

### **Identified positive impact areas for the retail market:**

- Employment
- Inclusive healthy economies
- Housing
- Justice
- Economic convergence
- Mobility

Figure 2: Impact associations for the Bank's retail portfolio



For the corporate market, the following impact areas were identified by the tool as having the greatest positive and negative impacts:

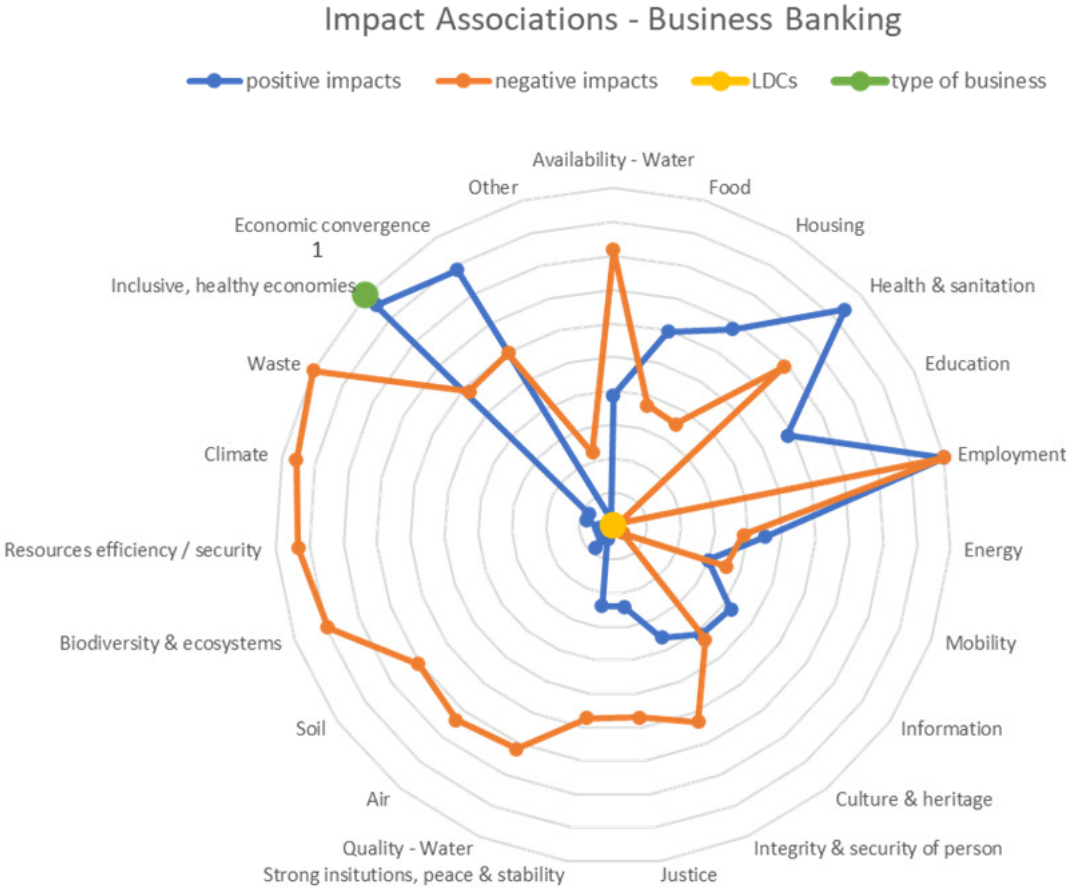
**Identified negative impact areas for the corporate market**

- Biodiversity and ecosystems
- Waste
- Resources efficiency/security
- Climate
- Culture and heritage
- Strong institutions, peace and stability

**Identified positive impact areas for the corporate market:**

- Employment
- Housing
- Health & Sanitation
- Culture and heritage
- Education
- Economic convergence
- Inclusive healthy economies
- Food

*Figure 3: Impact associations for the Bank's corporate portfolio*



The Bank has evaluated the identified impact areas. Based on these evaluations, SpareBank 1 Nord-Norge has decided to focus on three impact areas for negative and positive impact, respectively. The Bank's focus areas are:

Selected positive impact areas for SpareBank 1 Nord-Norge

1. Employment
2. Climate
3. Inclusive, healthy economies

Selected negative impact areas for SpareBank 1 Nord-Norge

1. Resource efficiency
2. Climate
3. Inclusive, healthy economies

Employment is chosen as a focus area for positive impact, to emphasize the importance the Bank plays in financing businesses and workplaces in the region. Additionally, the Bank can have significant impact on working conditions, both within the bank itself, but also with customers and suppliers through policies and requirements. Climate is selected as both a positive and negative impact area. This is done to reflect that the Bank can work not only to limit the negative climate impact of their portfolio, but also to support the green transition and to reduce transitional risk. Inclusive, healthy economies is also chosen as both a positive and negative impact area to focus on. The main reason for this is how the Bank is positioned to both work on financial inclusion through lending, but also research and development through financing and its corporate social responsibility strategy "Samfunnsløftet". Finally, resource efficiency is chosen as a negative impact area, due to Norway's low degree of circularity and the magnitude of this issue with some of the most important sectors for the Bank.

Going forward, SpareBank 1 Nord-Norge will be working to set targets to reduce or minimize negative impacts and improve or maintain positive impacts. The portfolio impact analysis is one source of knowledge that the Bank is using to inform its work with sustainability. Other sources include for instance the Bank's [Green Bond Impact Report](#), which estimates the environmental impact of the Bank's green loans. For more insight into SpareBank 1 Nord-Norge's sustainability work, please visit our [Sustainability Library](#) on our websites.