



Climate risk – reporting in line with the Task Force on Climate Related Financial Disclosure (TCFD)

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
<p>a) Describe the board's oversight of climate-related risks and opportunities:</p> <p>The Board discussed climate risk on several occasions in 2019:</p> <ul style="list-style-type: none"> - Comprehensive ESG assessment of the Bank, including climate risk. - Climate risk assessment of the most important industries in the credit portfolio. - Description of how scenario analyses will be introduced in the Bank in order to improve the management of climate risk among customers. - The work on reporting CO₂, GHG and our environmental leadership work. - Guidelines and action plan for the climate and climate risk. 	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term:</p> <p>In 2019, the Bank conducted several overarching ESG analyses of risk and opportunity. The climate is an area where we lacked information to produce a better picture of both risk and opportunity.</p> <p>Based on the available information we have identified that we are exposed to climate risk mainly through lending to the corporate market. This is primarily in the medium and long term, but also to some extent in the shorter term.</p> <p>In our analysis of in which industries we have the greatest climate-related risk and opportunities, we have identified that we have a high risk, but also a lot of leeway for having a positive impact, in our two largest industries, real estate and agriculture.</p> <p>So far we have assessed the physical climate risk in our buildings and operations to be limited, but are focusing on climate adaptation where necessary.</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks:</p> <p>At an overarching level and operational risk: We carry out an annual overarching ESG analysis of the Bank, which includes climate risk. In 2019, all of the Bank's key business areas took part in the assessment. The potential ESG risks were identified and systematised in advance by a special working group. Areas with a high risk are subsequently followed up with measures.</p> <p>In the loan portfolio: The Risk and Compliance Department has, in cooperation with the head of sustainability, carried out an overarching risk analysis of the physical climate risk and transitional risk for the industries in our loan portfolio. The categorisation was made based on a double-digit NACE code. This has provided us with a preliminary overview of climate risk. We assess both physical climate risk and transitional risk. Within transitional risk, we assess political and legal risk, reputational risk, market risk and climate-driven technological innovation. We arrive at the climate risk by assessing likelihood, vulnerability and exposure.</p> <p>Our exposure is spread across a limited geographic area. We have used the Norwegian Centre for Climate Services' assessment of physical climate risk in the analysis.</p> <p>We have chosen to involve customer advisers in the next round of risk analyses. In connection with this, more thorough scenario analyses were made within the agriculture and real estate portfolios. This is both to disseminate knowledge to the advisers and to ensure that those with first-hand knowledge about the customer will contribute their knowledge to the analysis.</p> <p>At a customer level: The dialogue on climate risk with customers has begun, especially in the two largest industries, agriculture and real estate.</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:</p> <p>For a complete overview of our measures and goals within climate risk, see: The guidelines and action plan for climate and climate risk, under the tab <i>Corporate social responsibility and sustainability</i> under the area <i>About us</i> on our website, sb10standet.no.</p> <p>The goal of the Group is to be climate neutral in line with the Paris Agreement, and we have set Science Based Targets for this. We depend on input factors that so far so not produce zero emissions; we will become climate neutral by purchasing quotas before 2021. Quotas are not included in calculations for our Science Based Targets up to 2030 and 2050.</p> <p>We use the Eco-Lighthouse environmental management system as a tool and our environmental certification is verified externally. We will implement the banking criteria that were launched in 2019 for granting credit, financing, bonds, savings products/investing the customers' deposits and management of the organisation's own funds. We will report on these criteria from and including the annual report for 2020.</p>

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		<p>We carry out a due diligence assessment when granting loans to companies in these industries. In these we also assess the customer's climate risk, for example how the customer has prepared for stricter regulations and changes in consumer behaviour. In the fourth quarter of 2019, this work was expanded to cover all industries.</p> <p>In the assessment of the market and liquidity risk: The Bank has made a general assessment of ESG risk, and the overall risk in the portfolio is considered low. Assessments are also made to determine which issues are most relevant to the overall risk profile.</p> <p>New products/services: The Bank has implemented a policy for new and revised products, solutions and processes. The routines require assessments of ESG factors, with climate an important one, prior to the launch of new products, processes and services. This applies to both self-developed products and also products the Bank gets from SpareBank 1 Utvikling.</p>	<p>We are developing calculation methods for emissions in our loan portfolio (Scope 3). A preliminary calculation has been published in this annual report, although we recognise that the method is inadequate and that we do not have sufficient data at an industry and enterprise level to make a satisfactory calculation. We will continue to work on this in cooperation with other banks, including in working groups in UNEP FI.</p> <p>The scenario analyses that have been carried out at an industry level were created in partnership with the Centre for International Climate and Environmental Research (CICERO).</p> <p>We are also involved in the CICERO project, Sustainable Edge. The goal is to ensure that the financial services sector receives better information about climate risk in the companies in which we invest. The project is developing a practical tool for investors and lenders that enables us to analyse climate risk and the extent to which the companies we invest in are contributing to the transition to the low-emission society. The tool is close to completion.</p> <p>The cooperation with CICERO has also helped provide us with an overview of climate-related risks and opportunities in some of the industries we lend to. This is combined with our own analyses. The analysis is at the double-digit NACE code level.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities:</p> <p>Responsibility for incorporating climate risk lies with the Chief Risk Officer (CRO), in collaboration with Sustainability and Corporate Market. The executive management team has defined the overarching ambitions and is monitoring the work closely. They discussed the theme in several meetings in 2019. All board matters are discussed by the executive management group, and climate and climate risk have been part of various other cases.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning:</p> <p>One of the Sustainable Development Goals SpareBank 1 Østlandet has chosen, is Sustainable Development Goal 13 regarding climate action. The work is strategically anchored in a number of guidelines, including in the General Guidelines for Corporate Social Responsibility and Sustainability, General Guidelines for Corporate Social Responsibility and Sustainability (Policy Document) – Nature, Agriculture and the Environment and the guidelines for the specific business areas.</p> <p>In 2019, all of the commitments within climate and climate risk were collated in the guidelines and action plan for climate and climate risk. These describe how the Bank manages the climate challenge, risks and opportunities, see <i>Corporate social responsibility and sustainability/About us</i> on sb1ostlandet.no.</p>	<p>b) Describe the organisation's processes for managing climate-related risks:</p> <p>For managing credit risk: When granting loans, companies are asked industry-specific questions about how they approach climate risk, both physical and restructuring risk.</p> <p>In addition, the corporate market, in cooperation with the head of sustainability, has looked at which industries are most CO2 intensive. This overview is used to see which industries will see the biggest changes in the future and where the greatest restructuring risk exists. We will also set and publish sector-specific, scenario-based goals for portfolio prioritisation due to climate risk.</p> <p>The Bank offers green mortgages and green agriculture loans, which we believe will help mitigate risk in the current loan portfolios in the long term.</p> <p>For managing market and liquidity risk: Corporate social responsibility and sustainability guidelines have been developed for liquidity management. In addition, this is described in guidelines for investments, with ESG frameworks for the purchase of securities. Climate risk is part of both, although the theme will probably be strengthened going forward as a result of climate risk becoming more important, the information improving and our receipt of more data at the sector and business level.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:</p> <p>Scope 1, Scope 2 and Scope 3, excluding the loan and funds portfolio, as well as emissions from our suppliers: See the Bank's energy and climate accounts in the appendix: <i>Further facts about SpareBank 1 Østlandet's sustainability work</i>, page xx.</p> <p>For Scope 3, a preliminary calculation has been carried out for the loan portfolio, see the annual report page xx.</p> <p>Because we do not manage our own funds but instead act as intermediaries for funds from other providers, we have so far not calculated the emissions in our funds portfolio.</p> <p>Nor have we calculated emissions at our other providers, because this is not a particularly significant area for us.</p>

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	<p>We were the first Norwegian bank to sign up to the UN's Environment Programme's six Principles For Responsible Banking. We have also signed the UNEP FI's climate commitments as part of this initiative. In the Bank's action plan for climate and climate risk, we show how we are delivering and continuing to work on this.</p> <p>SpareBank 1 Østlandet will work together with the industry to follow up the recommendations in Roadmap for Green Competitiveness in the Financial Sector, which was launched in June 2018. We have set the targets in the roadmap in our own action plan for and will strive to deliver on the recommendations during this strategy period, i.e. 9 years before the milestone in the roadmap, which is 2030.</p> <p>A group has been established to work on climate risk with representatives from Credit, Risk Management and Sustainability.</p>	<p>Operational risk: Operational events are recorded throughout the year and followed up in the Bank's incident database to ensure lessons are learned. The Bank is a registered Eco-Lighthouse and produces its own climate accounts. Together, this means that the Bank believes it has control over its climate-related operational risk.</p> <p>Business practice risk: The Bank follows up of adverse incidents in the area of ESG each quarter as an integral part of managing business practice risk and monitoring the defined risk tolerance for business practice risk.</p>	
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:</p> <p>Work on the scenario analyses has started. So far we have used simple scenarios, one with high restructuring risk and low physical climate risk, and one with low restructuring risk and high physical climate risk, RCP 2.6 and RCP 6.</p> <p>RCP stands for Representative Concentration Pathway and is a designation used by the IPCC to specify greenhouse gas concentrations.</p> <p>RCP 2.6 has relatively high restructuring risk and relatively low climate risk. RCP 6 has relatively high physical climate risk and relatively low restructuring risk.</p> <p>Overall, our market area has relatively low physical climate risk from an international perspective. Our portfolio also has a relatively low carbon footprint.</p> <p>Our analysis tells us that, among other things, an RCP 2.6 scenario results in a high risk in our loan portfolio due to high restructuring risk in our industries. RCP 6 results in an especially high risk in the agriculture sector due to physical climate change.</p> <p>Because we have the greatest risk and the greatest potential within real estate and agriculture, more thorough scenario analyses will be conducted in these sectors. The analysis will be conducted in a collaboration between Sustainability, Credit and Risk Management and Compliance. The customer account managers will be involved in the analysis processes. The analysis will be conducted in the first quarter of 2020.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management:</p> <p>The climate has been integrated into the organisation's governing documents in the risk area and in all other relevant areas.</p> <p>Responsibility for climate risk lies with the Chief Risk Officer (CRO), in collaboration with Sustainability and Corporate Market.</p> <p>Climate is integrated into our annual overall ESG risk assessment.</p> <p>We are in a dialogue with subsidiaries and portfolios about climate risk, for example non-life insurance and funds portfolios.</p> <p>Therefore, in our opinion, the processes for identifying, assessing, and managing climate-related risks are well integrated into the organisation's overall risk management, although we will continue to focus on this going forward. We consider this to be a key area of our risk management. We are therefore focusing on the theme and dedicating resources to follow it up.</p> <p>Climate risk will be a theme in more specialist seminars for risk management and compliance in 2020.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets:</p> <p>See the guidelines and action plan for climate and climate risk, under the tab Corporate social responsibility and sustainability under the area <i>About us</i> on our website, www.sb1ostlandet.no.</p> <p>Here, we have discussed all of our goals in terms of climate and climate-related risks for all of the Bank's business areas. The goals in our most important areas are also reflected in this annual report in the appendix on <i>Responsible lending</i> under the section on: <i>SpareBank 1 Østlandet's specific goals and measures within the environment and climate for the sustainable granting of credit and establishment of customer relationships</i>.</p>