

# Sustainability impact analysis SpareBank 1 Østlandet 2021



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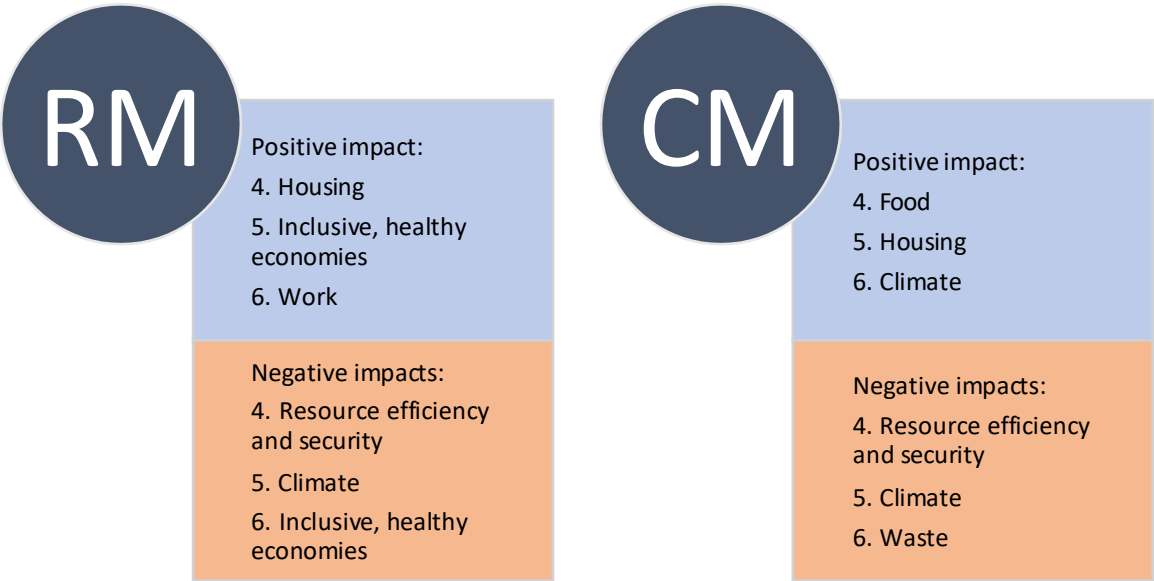
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## Summary

In 2019, the UN Environment Programme for the Financial Sector (UNEP FI) launched the [Principles for Responsible Banking](#) (PRB). The aim is for the banking sector to be a driving force towards the UN Sustainable Development Goals and the objectives of the Paris Agreement. On this basis, the Bank carried out an impact analysis through an internal working group in 2020. There was also development work on [a new version of the analysis tool](#), which was released in April 2021. This analysis is based on the new tool and provides the Bank with an updated version of the impact analysis which gives important guidance for our sustainability strategy going forward.

The Bank only operates in Norway, so the analysis has been carried out for Norway. Here we analyse two of the Bank’s business areas: the retail market (RM) and corporate market (CM). Lending is the Bank’s largest business area, supplemented by the provision of services to the retail market, and will therefore have a substantial bearing on the Bank’s impact. With figures from these business areas, as well as statistics for relevant sustainability parameters for Norway, it lays the foundations for the analysis.


The updated impact analysis provides us with the following seven sustainability areas where the Bank has the greatest scope for positive and negative impact: Food, housing, work, resource utilisation, climate, waste, and inclusive, healthy economies. The impact is spread across the business areas as shown below:



The results of the analysis will be used in the Bank’s future sustainability work, and changes to the Bank’s priority areas and targets are being assessed. We have five strategic destinations we aim to reach with our sustainability work, which are directly linked to the results of the impact analysis. These strategic destinations are: Agriculture (CM), property (CM), property (RM), responsible consumption (RM), and net zero greenhouse gas emissions by 2050.

## Background to the analysis

SpareBank 1 Østlandet wants to contribute to the banking industry’s collective global sustainability work. The UN Environment Programme (UNEP) has a partnership with the financial sector called the Finance Initiative (UNEP FI). The Principles for Responsible Banking (PRB) were officially launched by UNEP FI in September 2019. Banks that sign up to the PRB commit themselves to complying with the six principles shown in Figure 1. SpareBank 1 Østlandet was the first Norwegian bank to sign up to the PRB. The aim is for banks around the world to take a driving role in efforts to meet the UN Sustainable Development Goals and the commitments set out in the Paris Agreement.

 <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>

*Figure 1: Overview of the Principles for Responsible Banking.*

**Principle 1 - Alignment:** Banks must align their business strategy to be consistent with individuals’ needs and society’s goals, as expressed in the UN Sustainable Development Goals, the Paris Agreement, and relevant national frameworks.

**Principle 2 - Impact and target setting:** Banks must continuously increase their positive impacts and reduce their negative impacts on people, climate and the environment resulting from their activities, products, and services. To this end, banks must set and publish specific targets where they can have the greatest positive and negative impacts.

**Principle 3 - Clients and customers:** Banks must work proactively with their customers and encourage sustainable practices and enable activities that create prosperity for current and future generations.

**Principle 4 - Stakeholders:** Banks must proactively work with stakeholders to achieve society’s overarching goals.

**Principle 5 - Governance and culture:** To achieve their goals for responsible and sustainable banking operations, banks must implement effective management tools and a culture of sustainable business.

**Principle 6 - Transparency and accountability:** Banks must periodically review their individual and collective implementation of these principles and be transparent about and accountable for their positive and negative impacts on society’s overarching goals.

## About the impact analysis

By signing up to the PRB, SpareBank 1 Østlandet committed itself to conducting an impact analysis. An analysis of this kind shows where the Bank has positive and negative impacts in relation to various sustainability issues. The analysis was conducted using the *UNEP FI PORTFOLIO IMPACT ANALYSIS TOOL FOR BANKS - V 2.0 (last updated: 16 July 2021)*, developed in cooperation with member banks. The analysis was based on the tool and integrated guidance. Roughly speaking, the analysis follows these steps, which will therefore define the structure of this report:

### 1 About the business

- The first step of the analysis involves describing the Bank's operations. This means business areas, products, services and the geographical area to which they are linked.

### 2 Sustainability parameters and national needs

- In the second stage of the analysis, national needs are mapped according to the chosen geographical area. In our case, the tool maps Norway's needs and challenges within the various sustainability areas.
- The tool has a total of 22 sustainability parameters covering social, economic and environmental factors in the geographical area.

### 3 Impacts

- The analysis tool generates an overview of positive and negative effects based on the information provided in steps 1 and 2. This information is ranked based on criteria defined in the tool. It is recommended that areas where the country performs poorly (relative to other countries) should be prioritised.
- The Bank's impact is then assessed.

### 4 Results

- The tool generates an overview of key areas to be prioritised in the sustainability work based on the need in the country in which the Bank operates, the size of the portfolio and whether we are market leaders in this area.

SpareBank 1 Østlandet views the impact analysis as an important supplement to other sustainability analyses, including the materiality analysis. The result gives an indication of some of the most important topics the Bank can focus on further in its strategy as a clear driver of sustainable change. Nevertheless, it is important to note the weaknesses of the analysis. It gives only an indication of the impacts that are typical of the relevant industries the Bank finances and the products we offer. In other words, it is not a direct mapping of the impact on our customers, but an association with typical challenges related to

industries and products in our market area. It thus provides an indication of the most important impact areas for each bank. It is not a complete answer, but an attempt to explore important priority areas in our market. This means there could be other areas where the banks have major positive and negative impacts, and which require attention, but which are not identified via the analysis. It therefore needs to be supplemented with other analyses, including a good stakeholder dialogue in the materiality analysis. It is also important to note that the mapping is done on a global basis. It draws on global sources which may on occasion be perceived as less relevant to Norway. This mapping must therefore be updated over time as better data become available and the tool is developed further each year.

## Step 1 About the business

In the first step of the analysis, banks are asked to enter information about their business. It is possible to analyse multiple business areas and several different countries if the banks are global. SpareBank 1 Østlandet operates as a bank in Norway. Its market area is Eastern Norway, including Innlandet county. Loans to the retail market (RM) and the corporate market (CM) are the largest business areas, where RM accounts for around 75% and CM around 25% of the lending portfolio. Nevertheless, according to the Bank's analyses, the CM is the area in which it could have the biggest impact. The RM and CM business areas were analysed. Internal data about RM and CM were entered, as were statistics from Statistics Norway (SSB).

For the CM, we have looked at which main industries we lend money to. Here, the tool asks for the biggest industries in our CM portfolio to be entered, which represent 88% of the lending portfolio as it stood in the autumn of 2021. In the case of RM, we looked at the services the Bank offers to customers. The Bank's impact on sustainability in the market area was calculated from this. This information is input along with information from Statistics Norway about low, medium and high-income distribution among Norway's population.

## Step 2 Sustainability parameters and national needs

The second step of the analysis involves ensuring that the sustainability parameters shown in Table 1 have been input into the tool and adjusted for the countries the Bank operates in. The result from this part was that all of the parameters were assigned a score from 1 (good) to 4 (poor). This part of the analysis shows that the parameters that Norway has particular issues with are resource utilisation (score 4) where particularly high energy consumption per capita is highlighted, and food (score 3) where the increase in obesity in the population is identified as a decisive factor.

Availability, accessibility, affordability and quality of...	Quality and efficient use of...	Economic value creation for people and society
<ul style="list-style-type: none"> <li>• Water</li> <li>• Food</li> <li>• Housing</li> <li>• Health &amp; Sanitation</li> <li>• Education</li> <li>• Employment</li> <li>• Mobility</li> <li>• Information</li> </ul> <ul style="list-style-type: none"> <li>• Culture &amp; Heritage</li> <li>• Integrity &amp; security of person</li> <li>• Justice</li> <li>• Strong institutions, peace &amp; stability</li> </ul>	<ul style="list-style-type: none"> <li>• Water</li> <li>• Air</li> <li>• Soil</li> <li>• Biodiversity &amp; Ecosystems</li> <li>• Resources efficiency / security</li> <li>• Climate</li> <li>• Waste</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive, healthy economies</li> <li>• Economic convergence</li> </ul>

Table 1: Overview of the sustainability parameters in the analysis.

### Step 3 Impact

After entering the figures from our retail and corporate market portfolios into the analysis tool, we find out which sustainability parameters the Bank's portfolios have a positive and negative impact on. Figures 2 and 3 show, for RM and CM respectively, where the Bank has the greatest scope for positive and negative impact on sustainability through its portfolio. The tool also generates an overview of the areas in which Norway has the greatest need to implement sustainability measures. In total, the information from this step of the analysis is intended to provide the basis for the subsequent steps of the analysis. The further the lines extend from the centre of the chart, the greater the Bank's impact in this area. LDCs are *Least Developed Countries*, and the impact will be greater if the Bank does business in countries that have serious structural barriers to sustainable development. For the CM graph, the *type of business* is also entered to indicate the number of countries where the Bank contributes to an inclusive, healthy economy (as SpareBank 1 Østlandet only operates in Norway, this is set to 1).

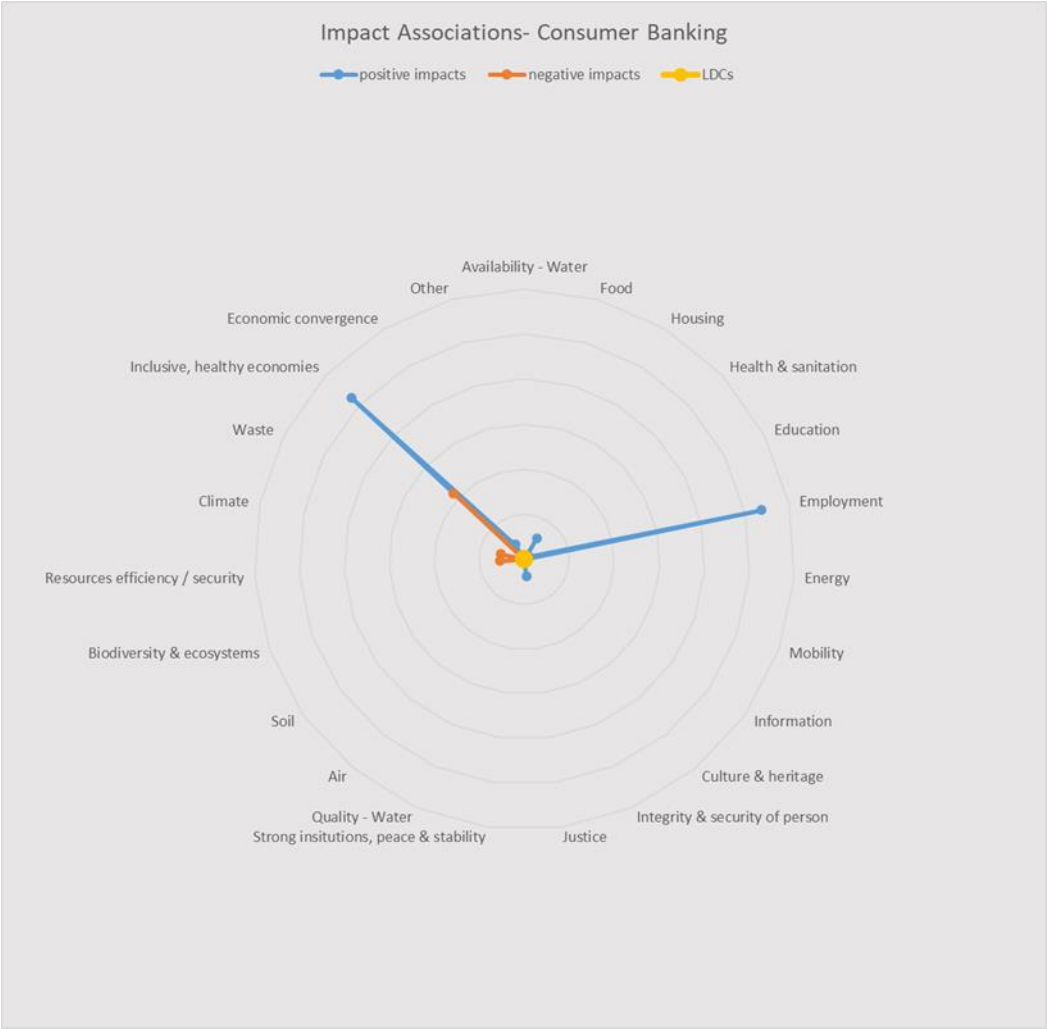


Figure 2: Positive and negative impact on sustainability parameters for the retail market.



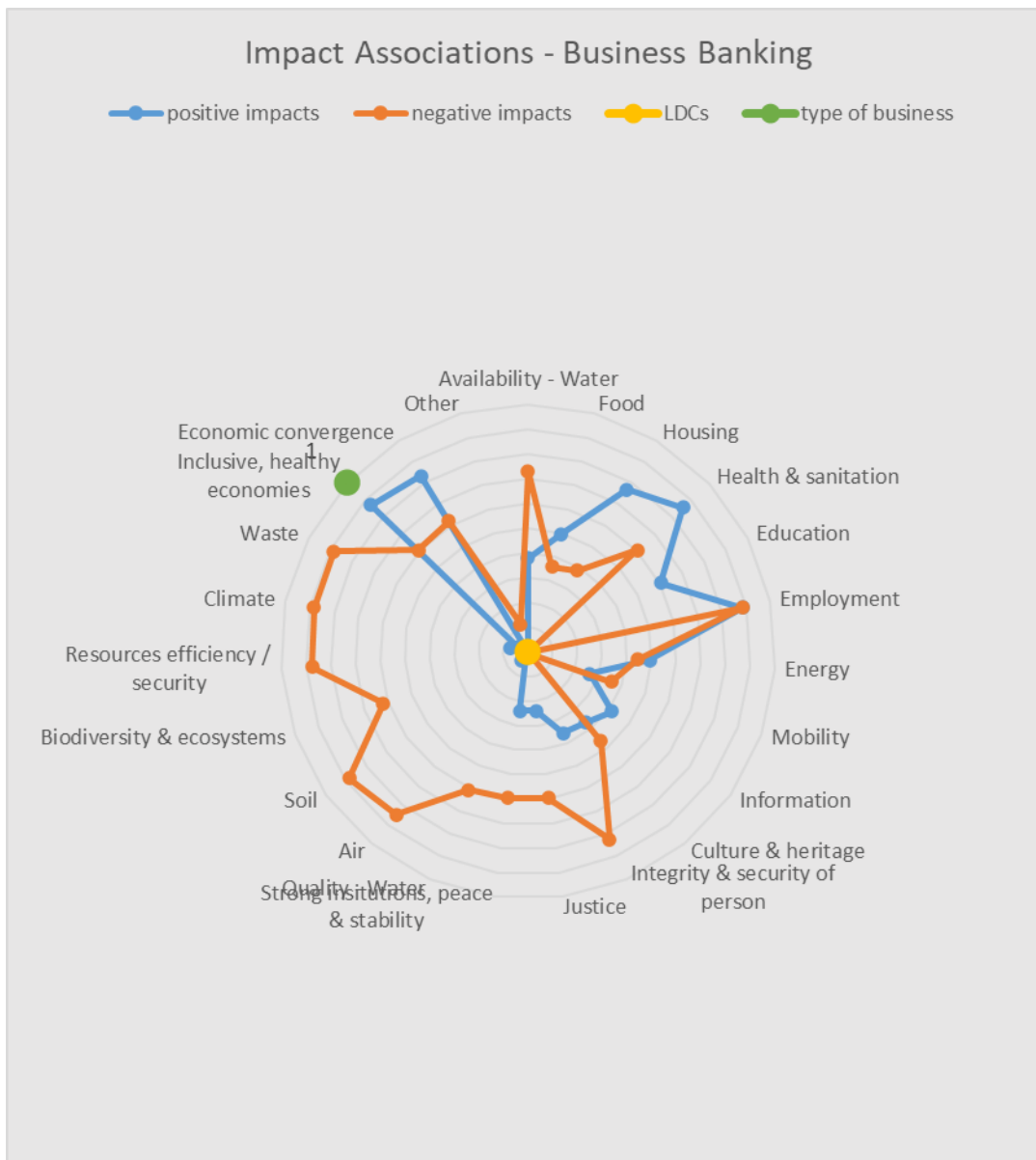


Figure 3: Positive and negative impact on sustainability parameters for the corporate market.

## Step 4 Result

Finally, the tool generates a list of results showing areas where SpareBank 1 Østlandet has the scope for a large positive and negative impact on sustainability parameters in its portfolio. We are then asked to prioritise according to the following considerations:

- Impact on areas that are most in need of change in Norway
- Impact on areas that form a large part of the Bank's portfolio
- Impact on areas where the Bank is a market leader

From these criteria, we derive seven sustainability parameters where SpareBank 1 Østlandet can have a major positive or negative impact: Food, housing, work, resource utilisation, climate, waste and inclusive, healthy economies. Table 2 below provides more detailed information about what is included in the different areas. We first choose areas with great needs in Norway. Resource utilisation is an example of this, with a score of 4 (very great need). Other national needs are also identified within climate, waste, housing and food (score 2), while work and inclusive, healthy economies (score 1) are prioritised on the basis of their prevalence in the Bank's portfolio.

	Impact area	SDGs	Description
Availability, affordability, and quality of...	<b>Food</b>	2	Good availability of healthy food at affordable prices. Prevalence of malnutrition in the population. Prevalence of obesity in the population. The degree of food security. ( <a href="https://impact.economist.com/sustainability/project/food-security-index/Index">https://impact.economist.com/sustainability/project/food-security-index/Index</a> )
	<b>Housing</b>	3, 11	Access to a sustainable housing market. Share of slum buildings, homeless people, costs related to the ownership and development of dwellings, population density of low-income households.
	<b>Work</b>	8	Access for the population to full and productive employment and decent work which provides a fair income, security in the workplace, social protection for families and entails opportunities for personal development and social integration. It also gives people the freedom to express their concerns, organise and participate in decisions that affect their lives, and get equal opportunities and fair treatment (ILO).
Quality and efficient use of...	<b>Resource utilisation</b>	6, 12, 13, 14, 15	Efficient use of limited, non-renewable and renewable natural resources in the process of exploiting nature for production and consumption purposes. (UN Glossary, IRP).
	<b>Climate</b>	13	Additional greenhouse gas emissions as a direct factor for anthropogenic climate change (IPCC).
	<b>Waste</b>	6, 12, 14, 15	Ability to handle waste, including control, monitoring and regulation of production, collection, transport, treatment and disposal of waste, and prevention of waste production through process modifications, reuse and recycling during a project lifecycle. This also includes waste reduction (UN Glossary, UNGA).
Economic value creation for people and society	<b>Inclusive, healthy economies</b>	8, 9	Development and establishment of sustainable, diverse and innovative products that add value to society and the economy. This includes full and fair access for all social groups to labour markets, finance and entrepreneurship, and more general economic opportunities. It also includes,

			but is not limited to, access to affordable, effective and secure financial services for individuals as well as small and medium-sized enterprises (UN DESA).
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Table 2: In-depth information on the various sustainability areas on which the Bank has a major impact.

This gives us a priority list of three areas for both positive and negative impact for both business areas, in line with Norway’s biggest sustainability challenges. This is shown more clearly in the table below for the retail market and corporate market:

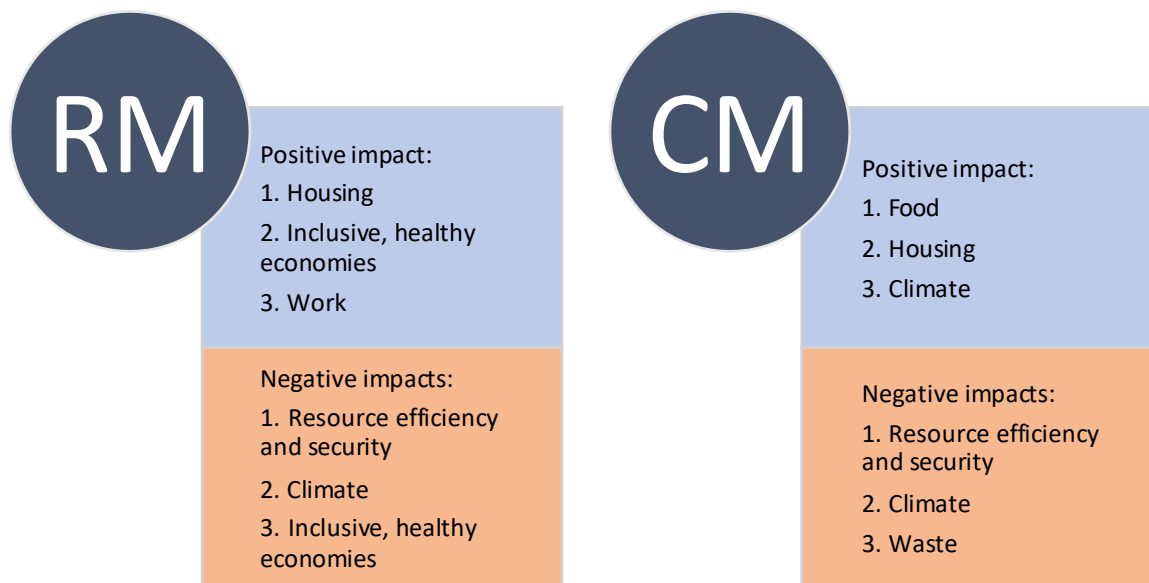


Figure 4: Priorities for RM and CM

#### Retail Market:

For the RM, the results of the analysis were closely linked to the products and services we provide for housing and other purposes. The positive impacts in the RM were primarily linked to providing people with access to housing, either through products such as residential mortgages or by offering security deposit accounts. The negative impact on the RM focuses on both greenhouse gas emissions linked to housing, and also the fact that these are resource-intensive products to produce and use.

#### Corporate Market:

The corporate market has several sustainability areas that are affected broadly as shown in the radar chart. The results here were not broken down by sector, rather they were intended to provide an overarching picture of what the analysis said the focus of our sustainability work should be on. The climate was important with respect to both positive and negative impacts. There must be, and currently is, a focus on reducing greenhouse gas emissions in the Bank’s portfolio. Furthermore, there must also be a focus on resource efficiency and transitioning to a circular economy mindset. We can see that the results for the CM are closely linked and are largely about thinking smart, consuming less resources, emitting less greenhouse gases and so producing less waste.

For the negative impacts, the analysis clearly showed that a high proportion of the portfolio had associations with major national needs such as better quality and efficient use of resources, as well as reductions in greenhouse gases and waste. These will be the most important points to improve in the years ahead for the CM. The analysis tool provides further context for some of the negative impacts that may emerge from these categories:

**Resource utilisation:**

- Potentially high energy and water consumption
- Energy consumption
- Use of energy, water, metals, minerals, chemicals, wood and land areas

**Climate:**

- Emissions of greenhouse gases linked to: production, consumers, machines, transport, warehouses, intensive agriculture, downstream heating, etc.
- Reduced CO2 capture capacity

**Waste:**

- Disposal of waste from: chemical containers, animal waste, processing waste, old machines and materials
- Packaging
- Waste management
- Waste generated by and in office facilities

On the positive associations, several factors come out very clearly, such as health and hygiene, housing, work, cultural heritage, education, and an inclusive, healthy economy. One reason why they have a big impact may be that the industry code (NACE) analysis is done at a fairly coarse level. This means that many associations, both positive and negative, are “caught in the net”, even though the Bank does not necessarily finance all the subcategories. This must be considered when their share of the portfolio is investigated further. There is still reason to believe that housing should be included as a positive impact on the CM as well. This is because of the contribution from rentals, housing related to agriculture, and new projects that cover a need for housing in Norway. The focus in the CM on investments in agriculture has a positive impact on the sustainability parameter of food, and it has a positive impact on climate through reduced greenhouse gas emissions in the lending portfolio.

## Conclusion and further action from the Bank

This gives us important insights into the Bank's strategic sustainability destinations. We will be a clear advocate for sustainable change, where our main focus will be on how we can support our customers. We set five main priorities for the Bank's portfolio:

- Agriculture CM
- Property CM
- Property RM
- Responsible consumption RM
- Net zero greenhouse gas emissions by 2050

These priorities reflect the most important impacts our portfolio has on sustainability issues in our market area. We do this by channelling capital into sustainable projects and necessary change within these strategic destinations.

The investment in the agricultural portfolio is an essential factor in the Bank's positive impact on the food sector in Norway. Through this investment, we help to finance healthy and cost-effective food for the Norwegian population, as well as a good and safe working environment for the farmer who produces the food. We focus on property in both the RM and the CM to provide for a good housing market, both in property rental and in new housing projects in the CM, and in home loans in the RM.

In line with our commitment to responsible consumption for our retail customers, these points contribute directly towards an inclusive, healthy economy where we have products that stimulate a housing market for the majority and a properly functioning labour market. Our vision of net zero greenhouse gas emissions in 2050 is also a destination that helps our customers in many different industries to lessen their impact on the climate. With credible plans for emission cuts, combined with incentives for our customers through our range of products, we are an active driver for greenhouse gas reductions in the companies and individuals that we finance.

However, the analysis shows us some challenges related to our customers which we must carry forward into the work of operationalising the strategic destinations. A greater focus on improved resource utilisation is vital to Norway's role in a more sustainable world, and a large part of the portfolio for both the RM and the CM is linked to this issue. The same applies to greenhouse gas emissions, where agriculture and property in particular are industries with high emission levels. If we are to realise the vision of a more circular-economy, zero-emission society, these are challenges that we and our customers must pay extra attention to in the future.