Climate and climate risk

Far more important than its own climate footprint is the way in which the Bank can influence and motivate customers and suppliers to reduce *their* climate footprint and so contribute to sustainability goal 13 and the Paris Agreement. The section headed 'A responsible banking provider' on page 17 describes how the environment and climate are becoming an increasingly large part of the Bank's dialogue with customers and suppliers. In particular, the topic of climate risk is now high on the agenda.

Task Force On Climate-Related Financial Disclosures (tcfd)

Climate change poses a risk to society, businesses and banks. In 2015, the Financial Stability Board (FSB) set up the 'Task force on climate-related financial disclosures' (TCFD). The aim was to understand how businesses can better understand and describe climate risks and opportunities, and how they can report on them. The TCFD delivered its recommendations in 2017 in four areas: Governance, strategy, risk management, goals and methods. SpareBank 1 Østlandet has started the work of documenting climate risk. In the autumn of 2018, the subject was discussed at both Group management and Board level. The aim is to implement the work on climate risk in the Bank in 2019.

Climate risk is particularly prominent in three areas where the fincial sector plays an important role:

1. **Physical risk**, costs related to physical damage caused by climate change, such as flood and subsidence damage to buildings and infrastructure, and failing crops.
2. **Transitional risk**, economic risks associated with the transition to a low-emission society, such as new laws or regulations that restrict the use of natural resources, or putting a price on pollution.
3. **Liability risk**, claims for compensation aimed for example at businesses that have failed to take the necessary decisions to reduce negative climate impact.

SpareBank 1 Østlandet has started to incorporate climate risk into the credit process. This is not just climate work, but also good banking practice. As a responsible bank, it is important to inform customers of future risks that could affect both the community and individual customers. See overview below: The Bank's status and ambitions for climate risk, incorporated into the TCFD framework.

Governance	Strategy	Risk management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses strategy, and financial planning.	Disclose how the organization identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
a) Describe the board's oversight of climate-related risks and opportunities: The Board has put climate risk on the agenda and will address the topic further in 2019.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term: The Bank started on this work in 2018. We find that we are exposed to climate risk mainly through lending to the corporate market. We have started discussions on climate risk with our two largest sectors, agriculture and real estate. The goal is to identify risks and enter into dialogue with customers on these. The aim is also to implement risk-mitigation measures and to be a driver for sustainable transformation in these industries. This will be the main focus for 2019. (See section on 'Responsible lending', p. 17 and 18)	a) Describe the organization's processes for identifying and assessing climate-related risks: SpareBank 1 Østlandet has entered into partnership with the CICERO Center for International Climate Research on a research project on climate risk assessment in companies. The project will further develop a world-leading methodology for climate risk assessment of financial products. The project starts in 2019.	a) Disclose the metrics by the organization to assess climate-related risks and opportunities, in line with it's strategy and risk management process: To be produced in 2019 and 2020.
b) Describe management's role in assessing and managing climate-related risks and opportunities: The responsibility for incorporating climate risk will lie in the Risk and Compliance department, in collaboration with the sustainability manager and the corporate market. Group management wants to be close to this work and will address the topic at several meetings in 2019.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning: This work will be started in 2019. The approach to climate risk in subsidiaries and portfolios will also be assessed and handled, e.g. non-life insurance and fund portfolios.	b) Describe the organization's processes for managing climate-related risks: Once the methodology is ready, it will be incorporated into the Bank's risk, investment and credit assessments.	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks: See the Bank's climate accounts, page 30. See also the section 'Keeping our own house in order – the Bank's environmental work', page 27
	c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy and financial planning: To be produced in 2019 and 2020.	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management: Once the methodology is ready, this will be incorporated into the Bank's risk, investment and credit assessments.	c) Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets: To be produced in 2019 and 2020.