

GUIDELINES AND ACTION PLAN FOR CLIMATE AND CLIMATE RISK

Last revised	<i>13th of December 2019</i>
Owner	<i>Head of sustainability</i>
Responsible	<i>Board of Directors</i>

Background

The Paris Treaty is the international climate treaty that shall ensure that countries manage to limit man-made climate change¹. Together with the UN Sustainable Development Goals, this is the world's common roadmap for sustainable development, which means, among other things, reducing global greenhouse gas emissions. Norway has set the goal of reducing emissions by at least 40 per cent by 2030, from the reference year 1990. Furthermore, Norway shall be a low-emission society in 2050, when greenhouse gas emissions will have been reduced by 80-95 per cent. This is, inter alia, regulated by the Climate Act.²

Climate change is a threat to financial stability, as illustrated in, inter alia, the Government-appointed Climate Risk Committee's 2018 report.³ The financial industry has a key role in the private sector's climate and climate risk management, and therefore also a key role in combating climate change and driving climate change adaptation.

The purpose of the guidelines and strategy

This document shows how SpareBank 1 Østlandet (SB1Ø) is working on climate and incorporates climate risk. The content provides guidelines for how this work shall be conducted in both our own business and with customers and suppliers. Most of the obligations contained in the action plan are also contained in our other governing documents and guidelines, such as:

- [Sustainability Strategy 2019-2021](#)
- [General guidelines for corporate social responsibility and sustainability](#)
- [Overall guidelines \(policy document\) on agriculture, nature and the environment](#).⁴

In addition, the following guidelines provide an overview, inter alia, of how we work on climate in our business areas:

- [Guidelines for corporate social responsibility and sustainability for the retail market](#)
- [Guidelines for corporate social responsibility and sustainability for the corporate market](#)
- [Guidelines for corporate social responsibility and sustainability in corporate governance](#)
- [Guidelines for corporate social responsibility and sustainability in liquidity management](#)
- [Guidelines for corporate social responsibility and sustainability for distribution of securities funds](#)
- [Corporate social responsibility requirements for suppliers](#)

However, we have chosen to combine our climate and climate risk commitments and strategies in this document to highlight:

- That SB1Ø as a financial institution plays a key role in the transition to a low-emission society, and will contribute to the green transition, to reduce climate risk and to climate adaptation.
- How we will work on climate and climate risk, both internally and with customers.
- How we will work on our various commitments, such as UNEP FI, TCFD and Eco-Lighthouse.

¹ The Paris Agreement. The United Nations Association of Norway. (<https://www.fn.no/Om-FN/Avtaler/Miljoe-og-klima/Parisavtalen>)

² Act relating to Norway's climate targets (Climate Change Act) <https://lovdata.no/dokument/NL/lov/2017-06-16-60>.

³ Climate risk and the Norwegian economy. NOU 2018:17.

<https://www.regjeringen.no/contentassets/c5119502a03145278c33b72d9060fbc9/no/pdfs/nou201820180017000dddpdfs.pdf>

⁴ Our guidelines can be found here: https://www.sparebank1.no/en/ostlandet/about-us/sustainability/guidelines-and-policies.html#par_title

Key concepts

Climate risk is increased risk due to physical climate change, risk related to the transition to a low-emission society, or liability risk related to claims for compensation.⁵

Climate neutrality means net zero emissions. In practice, this means that only absolutely necessary emissions are accepted. Emissions that cannot be avoided are compensated by corresponding emission reductions elsewhere⁶.

Scope 1, 2 and 3 are system limits for emissions accounting in pursuant to the **GHG protocol**⁷, where own emissions are included in scope 1, indirect emissions from own energy consumption are included in scope 2 and indirect emissions from the value chain, including suppliers and customers, are included in scope 3.

In the Bank's energy and climate accounts, the emission areas are defined as follows:

Scope 1, direct emissions	Scope 2, indirect emissions	Scope 3, indirect emissions
Includes emissions from sources owned or controlled by the Bank: <ul style="list-style-type: none"> - Fuel in company cars - Fuel in private cars used for business travel 	Emissions associated with purchased energy: <ul style="list-style-type: none"> - Energy for office operation - Electrical power - District heating - Biofuel heating 	Includes other indirect emissions related to the Bank's activities, but from sources that are not controlled by the Bank: <ul style="list-style-type: none"> - Purchase of goods and services - Business travel by air - Waste management - Customers' carbon emissions

Our commitments

As a responsible financial player, SB1Ø must be a driver and facilitator for the necessary transition to a low-emission society. We undertake to comply with all environmental legislation relevant to our business, and work actively to ensure that our business associates comply with environmental legislation relevant to their business and in their markets, even if this is outside Norway.



Picture: Stop Climate Change

SB1Ø has sustainability goal 13, to stop climate change, as one of our sustainability goals. We have signed the UN Global Compact's 10 principles. The principles for the environment state that we must support a pre-emptive approach to environmental challenges, take initiatives to promote increased environmental responsibility, and encourage the development and dissemination of environmentally friendly technology.⁸

⁵ Explanation of the three groups of climate risk: A) Physical risk: financial consequences related to physical damage as a result of climate change. For example: insurance compensation, damage to assets, etc. B) Transition risk: Costs, financial risk associated with the transition to a low-emission society. C) Liability risk: Claims for damages related to decisions or a lack of decisions that either contribute to or reduce the risk of climate change.

⁶ If it is not possible to reduce all emissions, for example due to external suppliers, then climate quotas are purchased for the remainder, so that the remaining emissions are compensated by emission cuts elsewhere.

⁷ [The Greenhouse Gas Protocol](#) is the most commonly-used climate accounting standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

⁸ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

SB1Ø was the first Norwegian bank to sign up to the UN Environment Programme's 6 principles for responsible banking⁹, and has signed the climate commitments which are part of the initiative (reproduced below). We use the Financial Stability Board's framework "Task Force on Climate-related Financial Disclosures" (TCFD) in assessing climate risk, and reported on this for the first time in the 2018 Annual Report.¹⁰

SB1Ø is also environmentally certified according to Eco-Lighthouse, and has been since 2008. Eco-Lighthouse is a recognized and effective tool for certification and environmental management. We use it to work purposefully to improve our environmental performance in the areas of working environment, waste management, energy consumption, procurement and transport.¹¹ This environmental management system provides us with good prerequisites for achieving our sustainability goals and the commitments we have made through the above frameworks. In June 2019, Eco-Lighthouse launched new banking and financial criteria to ensure that financial institutions take into account climate and environmental aspects related to:

- Lending
- Funding
- Bonds
- Savings products/placement of customers' deposits
- Management of the company's own funds

SB1Ø is working on implementing these and will report on the criteria with effect from the 2020 annual report. Our environmental certification through Eco-Lighthouse is certified via an external, independent certification body.

SB1Ø is part of the SpareBank 1 Alliance. All banks in the Alliance have established sustainability as a focus area in their own activities, and the Board of SpareBank 1 Development has decided to: "Establish a common ambition that the activities of all joint companies integrate sustainability into their operations. We shall deliver well on sustainability ratings and retain the position as the bank that consumers experience as the most sustainable¹²."

SpareBank 1 Østlandet will work together with the industry to follow up the recommendations in Roadmap for green competitiveness in the financial sector¹³, which was launched in June 2018. We have set the targets in the roadmap in our own Sustainable Action Plan for 2019-2021, and will strive to deliver on the recommendations during this strategy period, i.e. 9 years before the milestone in the road map, which is 2030. The industry-specific recommendations for the banking sector say that the Bank should:

- Measure carbon-related credit exposure.
- Include climate as part of the credit process.
- Set climate requirements in loans for housing and commercial buildings.
- Make the bond market greener.

In addition, the industry-specific investment and asset management recommendations are included in our guidelines for fund and asset management. We expect our Norwegian fund providers to:

- Stress-test the portfolio against zero emissions in 2050 and reduce climate exposure.
- Integrate climate risk into mandates, strategies, analyses and investment decisions.
- Set targets for the allocation of capital to forward-looking companies and industries.

⁹ The UN Environmental Programme's (UNEP) financial initiative. <https://www.unepfi.org/banking/bankingprinciples/>

¹⁰ TCFD (Task Force on Climate Related Financial Disclosures). Expert group appointed by the Financial Stability Board to assess the financial uncertainty associated with climate risk and propose how companies should report on climate risk. The recommendation is divided into management, strategy, risk management and goals and methods. <https://www.fsb-tcf.org/>

¹¹ <https://www.miljofyrtarn.no/>

¹² SpareBank 1 is the bank that Norwegians believe to be the most sustainable. The Sustainable Brand Index™ is Europe's largest brand sustainability survey. It measures consumers' perceptions of which actor across and within different industries is perceived as the most sustainable. SpareBank 1 was the industry winner in 2017, 2018 and 2019. <https://www.sb-index.com/>

¹³ Link to the Road map at Finance Norway: <https://www.finansnorge.no/siteassets/tema/barekraft/veikart-for-gronn-konkurrensekraft-i-finansnaringen/veikart-finansnaringen-web.pdf>

- Measure greenhouse gas emissions from the portfolio and set clear reduction targets.

The Bank has also signed up to the UNEP FI's 6 collective commitments to climate action¹⁴. Through these we undertake to:

1. Focus our efforts where we have or can have the greatest impact, i.e. focus first on the most carbon-intensive and climate-vulnerable sectors in our portfolios. These sectors are key to the transition to a low-emission economy and to building resilience in the most climate-vulnerable communities.
 - SB1Ø has, through its analysis, found that we have the greatest impact in lending in the corporate market, including in the Bank's two largest industries: real estate and agriculture. This is therefore the Bank's main focus within sustainability.
2. Have dialogue and work with our customers on the necessary changes. As banks, it is in this way that we can most effectively contribute to the changes required to achieve a low-carbon, climate-resilient economy.
 - See the Climate Action Plan: *Sustainable granting of credit and establishment of customer relationships* and the objectives of the action plan under this section, page 8.
3. Work together and support each other to develop banks' ability and methods to measure climate impact and adapt to global and local climate targets.
 - SB1Ø has chosen Sustainability Goal 17 on cooperation as a methodological goal in sustainability work. Through this, we have committed ourselves to working together to achieve all the other goals. This is described in our annual reports, see inter alia our stakeholder chart and our stakeholder dialogue.
4. Interact with authorities, scenario providers and other relevant actors on the development of clear and feasible sector-specific roadmaps to reach well below 2 and strive for 1.5 degrees of warming, for all relevant sectors and across different geographical areas.
 - In working with corporate customers, we actively use other industries' roadmaps for green restructuring in our work. Especially within our main focus in the corporate market: agriculture and real estate. See the Climate Action Plan: *Sustainable granting of credit and establishment of customer relationships*, page 8.
5. At the latest within three years of signing this commitment, set and publish sector-specific, scenario-based goals for portfolio prioritisation.
 - This goal is set as a goal in our Climate Action Plan and the Sustainability Action Plan for 2019-2021.
6. Implement measures now while working on methods and developing goals. We commit, within 12 months of signing, to begin publishing and implementing measures we will take in the Bank and together with our clients to support and accelerate the shift towards low carbon, climate-adapted technology, business models and communities.
 - The measures are published in this document, through other guidelines and in our annual report. When the measures are revised and strengthened in the future, these will be published on an ongoing basis.

¹⁴ Collective Commitment to Climate Action. UNEP FI. <https://www.unepfi.org/wordpress/wp-content/uploads/2019/09/PRB-Collective-Commitment-to-Climate-Action-18.09.19.pdf>

SpareBank 1 Østlandet Climate Action Plan for 2019-2021

In this action plan for climate and climate risk, reference is made to where this can be found in the Sustainability Strategy 2019-2021 (BS), adopted by the Board of Directors on 27.06.2019, Sustainability Strategy for 2019-2021 (BS), adopted by Group Management on 3.6.2019 (internal), the Roadmap for green competitiveness in the finance industry (VK), UNEP FI's 6 collective commitments to climate action (UNEP FI), guidelines for BM (BM guidelines) and PM (PM guidelines).

Area	Scope	Goal	Action	Department responsible	CO2 effect
Internal climate and environmental work (BS, 2.4)	1, 2	We shall work to become a climate neutral group and continually reduce the environmental impact from our own business. (BS 2.4 and goal 2.2.25 in HP)	<ul style="list-style-type: none"> • We are using the Eco-Lighthouse environmental management system. (HP, goal 2.2.26) • We are certified according to the Eco-Lighthouse standards. (HP, 2.2.26) (This is externally verified). • We use, develop and invest in technology to reduce environmental impact. (BS, 2.4) • We facilitate for employees so that environmental impact is reduced and the employees can make environmentally-friendly choices. (BS, 2.4) 	Business operations	Moderate
Internal climate and environmental work (BS, 2.4)	1, 2, 3	We shall help to raise expertise on climate, so that our employees become aware of their impact on climate and the environment, both through their own actions and through their work at the Bank. (VK #3 and BS, 2.4)	<ul style="list-style-type: none"> • We participate annually in "Arbeidslivets klimauke". (BS, 2.4) • All employees in the Bank shall have attended a sustainability workshop. (HP 2.1.1) • All employees shall have received training relevant to their own position. (HP 2.2.2) • Risk/Compliance has contributed to training in ESG risk (e.g. climate risk) and compliance (regulations, e.g. the EU Sustainable Finance package). (HP 2.1.3) 	HR, Risk/Compliance.	Moderate

Sustainable granting of credit and establishment of customer relationships (BS 2.2)	3	<p>Work continuously towards a sustainable credit portfolio. (BS, 2.2)</p> <p>Contribute to our customers having a conscious relationship with sustainability and climate risk, and expect them to take an active approach to their own practice in this field (BS, 2.2).</p>	<p><u>From our guidelines:</u></p> <ul style="list-style-type: none"> - Conduct dialogue and work with our customers on the necessary changes. (UNEP FI 2, PM and BM guidelines) - We expect our customers to have a clear awareness of climate risk and are focused on reducing their negative impact on the climate and environment. (BM guidelines) - We encourage customers to set energy efficiency goals and reduce greenhouse gases, work to reduce pollution and contribute to good waste management and recycling procedures and use renewable energy where appropriate. (BM guidelines) - We do not grant loans to enterprises that carry out extraction of or power production based on coal or tar sands, or use timber obtained from organisations that perform illegal logging, sell illegally felled timber or engage in deforestation and/or destroy tropical rainforests, remove primary forest or protected forests (High Conservation Value Forests). (BM guidelines) - We currently do not lend to businesses that engage in the production of fossil fuels. No do we have any ambition to do so. (BM guidelines) <p><u>From our Action plan:</u></p> <ul style="list-style-type: none"> - We have implemented absolute requirements, both in the establishment of customer relationships and the credit process. (HP 2.2.5 BM) - We conduct due diligence in connection with establishing customer relationships, to reduce the risk of negative impact on the environment and climate. (HP 2.2.4, BM) - We conduct due diligence on our corporate customers, to reduce the risk of negative impact on the environment and climate. (HP 2.2.1, BM) This involves certification, energy consumption, energy labelling, impact on vulnerable ecosystems such as wetlands, roadmap measures, climate adaptation and certified input factors. - We include climate as part of the credit process. (HP 2.2.2, BM and VK) - We set climate requirements for loans for housing and commercial buildings. (HP 2.2.3 BM, and VK) - We measure¹⁵ carbon-related credit exposure. (HP 2.2.7 BM and VK) - We offer several green products to corporate market customers, which stimulate sustainable change. (HP 1.2.1, BM) - We offer good advice and sell good products and solutions that result in the smallest possible environmental footprint for customers, the community 	CM, RM and Risk/Compliance	Significant
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			<p>and the Bank. (HP, 1.2.2, PM)</p> <ul style="list-style-type: none"> - At the latest by the end of 2022 (3 years after signing), we will set and publish sector-specific, scenario-based goals for portfolio prioritisation. (UNGP FI) 		
Responsible investment and ownership (BS 2.3)	3	We will be investing in sustainable companies as capabilities capable of adapting their operations to a changing world (BS 2.3).	<ul style="list-style-type: none"> • We integrate climate into our investment analyses and work to reduce our negative impact. (BS 2.3) • Climate assessment is included in the Bank's assessment of new equity investments. (HP 2.2.10) • The entire liquidity portfolio is assessed against the guidelines every year and deviations are followed up.¹⁶ (HP 2.2.11) • A clear expectation is expressed that all subsidiaries with activities within the financial group have goals for climate and the environment and report on the status in the annual business review. (HP 2.2.12)¹⁷ 	Economics and Finance (Treasury and ownership)	Moderate
Responsible investment and ownership (BS 2.3)	3	We set requirements to third-party providers of funds and capital/pension insurance that they must follow internationally-recognised principles of sustainability in their investments and document their monitoring and control of companies in relation to this. (BS 2.3)	<ul style="list-style-type: none"> • We investigate the customer's climate preferences as part of the customer suitability survey in connection with investment advice, and offer products that fit the customer's climate preferences. (HP 1.1.4) • We provide the customer with good information about the climate profile of all our funds. (HP 1.1.5) • We have arranged at least two client events on fund placement where ESG is the theme. (HP 1.1.6) • We do not wish to offer funds that invest in organisations that <ul style="list-style-type: none"> ○ perform extraction or power generation where a large proportion, more than 10 per cent, is based on coal, oil sands or palm oil production that is not sustainable. ○ use timber obtained from organisations that perform illegal logging, sell illegally felled timber or engage in deforestation and/or destroy tropical rainforests, remove primary forest or protected forests (High Conservation Value Forests). ○ Have activities that cause severe climate and environmental damage. (Asset management guidelines).¹⁸ 	Organisation and Asset Management	Moderate

¹⁵ Due to lack of information and data, estimate are a more correct term than measure.

¹⁶ For descriptions of how this is undertaken, see the corporate social responsibility and sustainability guidelines for liquidity management: https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/retningslinjer-og-rammeverk.html#par_title

¹⁷ For a description of how, see the corporate social responsibility and sustainability guidelines for corporate governance, the same link as above.

¹⁸ See the corporate social responsibility and sustainability guidelines for asset management.

<https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/retningslinjer-og-rammeverk.html>

Sustainability requirements for suppliers and partners (BS 2.5)	3	We shall make demands that our suppliers and partners have a conscious attitude to climate (BS 2.5)	<ul style="list-style-type: none"> We carry out due diligence for our procurement, which entails clear requirements for, dialogue with and follow-up of suppliers and partners. (BS 2.5) We use our self-certification from suppliers. (BS 2.5) Environmental and social requirements are set for all procurements and these are prioritised in the selection of suppliers. (HP 2.2.27) 	Business operations (procurement)	Moderate/limited
Reporting	1, 2, 3	Described in separate point			Limited

Responsibilities and governance

Our sustainability strategy and overall guidelines for corporate social responsibility and sustainability have been adopted by the Board, which has the overall responsibility for the Bank delivering on the strategy. Sustainability is also one of six goals in the Bank's main strategy for 2019-2021, also adopted by the Board.

Group management has adopted the action plan and regularly has diverse issues related to climate and sustainability on the agenda. Each Group Head is independently responsible for the goals associated with his/her area of business in the action plan, and reports on them to the rest of Group Management.

Group Management has established a Sustainability Committee, which looks at the overall sustainability commitment in the Bank and provides professional advice and input on sustainability/ESG/climate issues. The committee is led by the corporate social responsibility and sustainability manager.

Documentation and reporting

The Bank reports in accordance with the international standard GRI and has a goal of integrated reporting. Part of our GRI reporting is about climate and the environment. An overview is produced detailing which of the Bank's goals in the action plan deliver on which GRI indicators, so that we can ensure that the work is related to the reporting. These are again linked to the Bank's sustainability goals and/or sub-goals. These overviews will be found in the annual report and on the Bank's website.

The Bank prepares an energy and climate account annually in accordance with the international standard "A Corporate Accounting and Reporting Standard", which is developed by "The Greenhouse Gas Protocol Initiative" - the GHG protocol. We report according to the Eco-Lighthouse environmental certification.

We report according to TCFD.

We report on Global Compact.

We report on the principles of responsible banking.

Our annual report is externally verified.