

# Policy for the Climate and the Natural Environment



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## 1 BACKGROUND

Sparebanken Sør's mission is to "create sustainable growth and development for our region".

Our work on sustainability (ESG – Environmental, Social and Governance), which encompasses the climate and the natural environment, social conditions and corporate governance, is a natural continuation of the role the Bank has played for almost 200 years. For Sparebanken Sør, sustainable development means that the Bank should contribute to positive development within ESG, while safeguarding the Bank's social responsibility in areas where the Bank operates. Our work on sustainability is intended to strengthen our competitiveness and reduce the Bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the Bank should contribute to sustainable growth and development by strengthening the positive and reducing the negative impacts on people, society, the climate and the natural environment.

Climate change and harm to nature represent a major risk for society. The Bank's commercial activities will be affected by changes in the climate and natural environment, in both the short and long term. This represents a risk to the Bank, but also offers opportunities in relation to change, restructuring and development of new business areas. Sparebanken Sør approaches climate and nature-related challenges from both an internal and external perspective. Internally, the Bank aims to reduce its own negative impact on climate- and nature-related challenges. Externally, the Bank will actively work to help reduce the negative impact of our customers and suppliers on climate- and nature-related challenges.

The UN Sustainable Development Goals represent a global plan to eradicate poverty, combat inequality and stop climate change. Together with the Paris Agreement, and the forthcoming Nature Agreement, these form a common roadmap for reducing global greenhouse gas emissions and safeguarding natural resources and biodiversity.

Through the UN Global Compact and UNEP Principles for Responsible Banking, Sparebanken Sør is committed to supporting a precautionary principle for challenges relating to the climate and the natural environment.

## 2 PURPOSE

The purpose of this policy is to meet the goals for the climate and the natural environment presented in the Bank's strategy, the UN Sustainable Development Goals, the Paris Agreement and the Nature Agreement.

The policy is further intended to ensure that the Bank has clear principles and guidelines that highlight the requirements and expectations the Bank makes of our own activities and those of our customers, suppliers and partners around climate- and nature-related challenges.

The objective is to facilitate reductions in greenhouse gas emissions and in negative impacts on the natural environment.

## 3 TARGET GROUP

The target group for this policy is the Sparebanken Sør Group and the Bank's customers, suppliers and partners.

## 4 FRAMEWORK CONDITIONS

### 4.1 Legislation and guidelines

Sparebanken Sør undertakes to comply with all legislation that is relevant to the Bank's activities. We also attach importance to ensuring that the companies the Bank is involved with conduct their activities in line with the Bank's policies and relevant legislation.

The following laws and conventions are relevant:

- UN Framework Convention on Climate Change
- UN Convention on Biological Diversity
- Task Force on Climate-related Financial Disclosures (TCFD) framework for reporting on climate-related risks
- Task Force on Nature-related Financial Disclosures (TNFD) framework for reporting on nature-related risks
- Financial Supervisory Authority of Norway's modules on risk-based supervision
- EU taxonomy

### 4.2 Governing documents

- Risk and capital strategy
- Sustainability strategy

### 4.3 Principles

Sparebanken Sør has defined the most significant risk areas relating to the climate and the natural environment as:

- risk of significant greenhouse gas emissions
- risk of significant reduction in biodiversity
- risk of encroaching on the natural environment and vulnerable areas
- risk of significant consumption of vulnerable natural resources

Sparebanken Sør will strive to:

- reduce greenhouse gas emissions and make more efficient use of natural resources in our own activities and those of our customers, suppliers and partners in accordance with the Paris Agreement
- reduce the negative impacts on the natural environment from our own activities and those of our customers, suppliers and partners
- incorporate climate- and nature-related challenges in our strategy, corporate governance, risk management, follow-up and reporting
- be transparent about risks and opportunities relating to the climate and the natural environment
- continuously measure changes in greenhouse gas emissions, and report and manage risks and opportunities relating to the climate and the natural environment
- contribute to competence development around the climate and the natural environment in our own activities and those of our customers, suppliers and partners
- communicate and cooperate with stakeholders to meet the goals for the climate and the natural environment as outlined in the Paris Agreement and the UN Sustainable Development Goals

## 4.4 Commitments

Sparebanken Sør is a member of a number of national and global organisations that work to promote sustainable development. We also expect our customers, suppliers and partners to prioritise these organisations' goals and principles in their commercial conduct.

### UN Global Compact

Sparebanken Sør has signed up to the ten principles of the UN Global Compact, where the following principles are of key importance for the climate and the natural environment:

- Principle 7: We will support a precautionary approach to environmental challenges.
- Principle 8: We will undertake initiatives to promote greater environmental responsibility.
- Principle 9: We will encourage the development and diffusion of environmentally friendly technologies.

### UNEP Principles for Responsible Banking (PRB)

Sparebanken Sør has signed up to the UNEP (UN Environment Programme) Principles for Responsible Banking (PRB), where the following principles are of key importance for the climate and the natural environment:

- Principle 2: We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risk to, people and the environment resulting from our activities, products and services.
- Principle 3: We will work responsibly with our clients and customers to encourage sustainable practices and facilitate economic activities that create shared prosperity for current and future generations.

The UN Environment Programme aims to enable the banking industry to take a leadership role in achieving the Sustainable Development Goals and fulfilling the Paris Agreement.

### UNEP Principles for Responsible Investment (PRI)

The Bank's fund partners in securities activities are expected to sign the UNEP Principles for Responsible Investment.

### The UN Sustainable Development Goals

The UN Sustainable Development Goals, which were adopted in 2015, represent a global plan to eradicate poverty, combat inequality and stop climate change.

The following Sustainable Development Goals are of key importance for the climate and the natural environment:

- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action
- SDG 14: Life below Water
- SDG 15: Life on Land

### Finance Norway's "Roadmap for Green Competitiveness in the Financial Sector"

Finance Norway has prepared a roadmap for green competitiveness in the financial sector with a vision for the financial services industry to be profitable and sustainable by 2030. Sparebanken Sør integrates these principles into our commercial activities, where the following principles are of key importance for the climate and the natural environment:

- Use digitalisation skills to scale the market for climate-smart solutions.
- Increase climate competence and capacity in the financial sector.

- Make the bond market greener.
- Include the climate as part of the lending process.
- Measure carbon-related credit exposure.

### Eco-Lighthouse

The Bank will follow up issues relating to the climate and the natural environment through an environmental management system, and is Eco-Lighthouse certified, based on the head office model and the new criteria for the financial sector.

### TCFD (Task Force on Climate-related Financial Disclosures) – reporting on the climate

Sparebanken Sør reports climate-related risks and opportunities in accordance with the TCFD principles.

### TNFD (Taskforce on Nature-related Financial Disclosures) – reporting on the natural environment

Sparebanken Sør reports nature-related risks and opportunities in accordance with the TNFD principles.

### PCAF (Partnership for Carbon Accounting Financials)

In 2021, Sparebanken Sør became a partner in PCAF, a global collaboration between financial institutions that are working together to harmonise assessments of and information on greenhouse gas emissions financed by loans and investments.

## 4.5 Requirements and expectations of customers, suppliers and partners

Sparebanken Sør expects our customers, suppliers and partners to prioritise meeting the obligations and principles that apply to Sparebanken Sør's own activities relating to the climate and the natural environment. In countries without strict legislation, Sparebanken Sør expects these companies as a minimum to respect and uphold the international standards and principles as detailed below.

Sparebanken Sør expects companies that the Bank trades with to:

- respect and uphold legislation and guidelines and international conventions in the countries in which they operate
- be conscious of greenhouse gas emissions from their own operations and from companies they partner with, and to systematically work to reduce their direct and indirect impacts on the climate and the natural environment
- be conscious of nature-related risk and work to preserve natural resources, biodiversity, ecosystems and cultural heritage and avoid other environmental harm, and to systematically work to reduce their direct and indirect impacts on the environment
- take account of climate and environmental challenges in their corporate governance, risk management and investment planning
- be transparent about, and report risks and opportunities relating to the climate and the natural environment

## 5 GUIDELINES

### 5.1 General

Climate- and nature-related challenges constitute a major risk to society. At the same time, these challenges also represent opportunities. The Bank's strategy, business models and financial development are all affected by both climate- and nature-related risks and opportunities.

To date, climate-related challenges have attracted the most attention. However, challenges relating to loss of nature, including biodiversity, resource consumption etc., are becoming more and more prominent, and will continue to do so moving forward. A new “Nature Agreement”, along similar lines as the Paris Agreement, has been adopted. The Task Force on Nature-related Financial Disclosures (TNFD) is a framework for assessing nature-related risk, along similar lines to the Task Force on Climate-related Financial Disclosures (TCFD), which is a framework for assessing climate risk.

Sparebanken Sør’s approach to climate change and the natural environment is twofold:

- direct impact from the Bank’s own activities
- indirect impact from the Bank’s business areas

Impact relates to how the Bank’s commercial activities are impacted by – and in turn impact – the climate and the natural environment.

## 5.2 Impact on the climate and the natural environment from the Bank’s own activities

The Bank’s greenhouse gas emissions and negative impact on the natural environment through its own activities are very limited. However, risks and opportunities relating to the climate and the natural environment will have a significant impact on the Bank’s activities.

The most important measures for following up negative impacts on the climate and the natural environment from the Bank’s activities are:

- using an environmental management system
- being Eco-Lighthouse certified, based on the head office model and the new criteria for the financial sector
- preparing annual environmental accounts (GHG protocol)
- being climate-neutral through the purchase of approved emission allowances
- preparing goals and measures to reduce greenhouse gas emissions to meet the goals of the Paris Agreement
- building competence in our own organisation
- implementing a framework for TCFD and TNFD

## 5.3 Impact on the climate and the natural environment from our business areas

The area where the Bank can have the greatest positive impact on the climate and the natural environment is through our business areas.

The business areas and activities where the Bank has the greatest opportunity to have a positive impact are:

- Lending: Increase the share of sustainable loans and reduce the share of loans that have a major negative impact on the climate and the natural environment. This especially applies to business customers.
- Investment: Increase the share of investments in sustainable businesses (EU taxonomy) and reduce the share of investments in businesses that negatively impact the climate and the natural environment.
- Financing: Increase the share of sustainable bonds.
- Purchasing: Make requirements of our suppliers in the field of sustainability.

Policies relating to managing the climate and the natural environment for lending, investments and purchasing are available in the Bank’s sustainability library:

<https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/barekraftsrapporter/>

Use of sustainable technology, products and services combined with screening and good exclusion criteria are important tools in the context of sustainable development.

The most important measures used to follow up the negative impacts on the climate and the natural environment are:

- establishing and implementing governing documents, policies and guidelines for relevant business areas that highlight the requirements the Bank makes of customers, suppliers and partners, and following these up
- operationalising strategies, policies and guidelines in relevant business areas
- integrating ESG into lending processes, investments, financing and purchasing
- integrating ESG risk into the Bank's overarching risk management
- implementing new national and international frameworks, methods and measurement parameters for quantification and follow-up of climate- and nature-related challenges and opportunities
- implementing the TFCF framework in relevant business areas
- implementing the TNFD framework in relevant business areas
- establishing sustainable products, services and bonds
- establishing sustainable technologies, digital services and distribution channels
- building internal expertise throughout the organisation in order to be able to adapt to a low-emission society and ensure that the Bank has the ability and willingness to adapt
- cooperation projects with other stakeholders
- complying with regulatory requirements
- establishing KPIs for the climate and natural environment and integrating overarching management objectives into the Bank's risk management framework

## 6 KPIs

Sparebanken Sør has the following goals for the climate and the natural environment:

For Sparebanken Sør:

KPI	Description	Unit	Goal	Time
KPI I2	Reduction in greenhouse-gas emissions, own activities	%	55	2030
KPI I3	Energy intensity, own activities	kWh/m <sup>2</sup>	0 (NZE)	2050

For the business areas:

KPI	Description	Unit	Goal	Time
KPI I5	Reduction in greenhouse-gas emissions, Lending	%	40	2030
KPI I6	Reduction in greenhouse-gas emissions, Lending		0 (NZE)	2050
KPI I8	Reduction in greenhouse-gas emissions, Investments	%	40	2030
KPI I9	Reduction in greenhouse-gas emissions, Investments		0 (NZE)	2050

KPI	Description	Unit	Goal	Time
KPI F1	Green home mortgages, growth	%	≥ 10	Annually
KPI F2	Green home mortgages, %	%	≥ 50	2030
KPI F3	Green loans for commercial real estate, growth	%	≥ 10	Annually
KPI F4	Green loans for commercial real estate	%	≥ 50	2030

## **7 RESPONSIBILITY, MANAGEMENT, FOLLOW-UP AND REPORTING**

You can read more about the Bank's work on the climate and the natural environment, including management, organisation and reporting, in the Bank's sustainability library.