

Carbon Accounting Report 2021

The SpareBank 1 SMN Group

The purpose behind carbon accounting is to provide an overview of the organization's greenhouse gas (GHG) emissions, which is an integrated part of the Sparebank 1 SMN-group's overarching climate strategy¹. Carbon accounting is an important tool in identifying and implementing tangible actions to reduce both direct and indirect GHG emissions. An annual carbon accounting report enables the organization to benchmark GHG-emissions, including performance indicators (KPI's), and evaluate the effect of its actions over time.

The report covers the total GHG emissions of the SpareBank 1 SMN Group in 2021.

The input data used in the carbon accounting report stems from both internal and external sources, which are converted into CO₂-equivalents (CO₂e) according to the GWP-values in IPCC AR5². The report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and the GHG-protocol's scope 3-standard «The Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The GHG-protocol is the preferred reporting standard because of its wide application and international recognition, ensuring truthful, comparable and understandable reporting.

1) <https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

2) https://ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf

Consolidated Annual GHG Emissions

The group's annual GHG emissions are based on Klimakost³ combined with financial data from Eiendomsmeidler 1 Midt-Norge AS, SpareBank 1 Regnskapshuset SMN AS, SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Markets AS and SpareBank 1 SMN. The remaining subsidiaries and affiliated companies are not consolidated as they are considered immaterial, and the challenges related to providing reliable data.

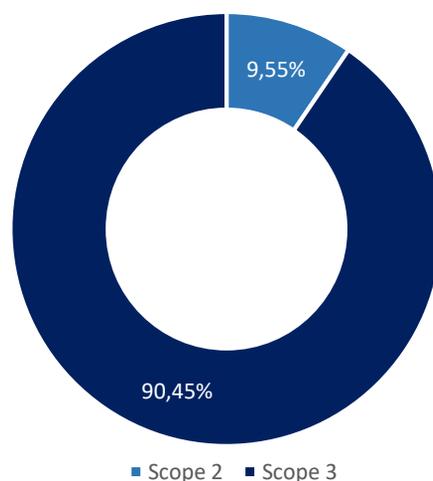
Emission source (numbers in tCO ₂ e)	2021	2020
Energy consumption	1 180,95	1 641,69
Scope 2	1 180,95	1 641,69
Purchased goods and services	9 330,04	9 061,77
Capital goods	602,84	703,65
Transportation and distribution	314,51	420,62
Waste generated in operations	28,75	6,66
Business travel ⁴	907,56	1 029,37
Upstream emissions	11 183,71	11 222,06
Scope 3	11 183,71	11 222,06
Total GHG emissions after eliminations	12 364,66	12 863,74

In the consolidated annual GHG emissions, a total of 667,11 tCO₂e is eliminated. The SpareBank 1 SMN Group's GHG emissions totaled 12 364,66 ton CO₂-equivalents (tCO₂e) in 2021. This is a reduction of 3,88 % compared to 2020.

The GHG emissions had the following distribution:

Scope 2: 9,55 % (1 180,95 tCO₂e)

Scope 3: 90,45 % (11 183,71 tCO₂e)



3) See «Explanation of the applied methodology».

4) Costs related to the group's vehicles is included in *business travel*. See «Application of the GHG protocol».

The SpareBank 1 SMN group employed 1 478 full-time equivalents during 2021. This constitutes an emission of 8,37 tCO₂e per full-time equivalent. Compared to 2020, where employment was 1 552 full-time equivalents, emissions are increased by 0,08 tCO₂e per full-time equivalent⁵.

Scope 2:

Scope 2 consists in its entirety of energy consumption, including electricity and heating, in the SpareBank 1 SMN group's offices. The emissions related to energy consumption amounted to 1 180,95 tCO₂e in 2021, a reduction of 28,07 % compared to 2020. The reduced emissions are explained by energy efficiency improvements at the group's owned and rented offices. Among other locations, the group's headquarters in Søndre Gate 4-10, rented from EC Dahls Eiendom AS, where the majority of the group's employees are located.

The GHG emissions in scope 2 are calculated based on sectoral emission data with a two-year time lag⁶, meaning emissions in 2021 are calculated based on emission data from 2019, and emissions in 2020 are based on emission data from 2018. If emissions in 2021 had been calculated based on emission data from 2018, scope 2 would have amounted to 1 198,61 tCO₂e, an increase of 1,5 %.

Scope 3:

Purchased goods and services constitutes the majority of the Sparebank 1 SMN Group's GHG emissions in 2021 (9 330,04 tCO₂e). The GHG emissions are related to marketing and branding of the group in different channels, labor costs, IT-operations and equipment, other operating agreements and rent/maintenance of the SpareBank 1 SMN Group's offices and premises. This is an increase of 2,96 % compared to 2020.

The SpareBank 1 SMN Group has *capital goods* in terms of fixed installations in its offices, properties, furniture and other types of office equipment, software and machinery. The GHG emissions related to consumption (e.g. deterioration, obsolescence) of fixed capital amounts to 602,84 tCO₂e. This is a reduction of 14,33 % compared to 2020.

5) This is the total full-time equivalents of the parent and consolidated subsidiaries.

6) <https://www.ssb.no/statbank>

GHG emissions related to *transportation and distribution* includes value-transport (transportation of cash to ATM's), as well as postage and freight of miscellaneous goods (314,51 tCO₂e). Compared to 2020 this is a reduction of 25,23 %, mainly explained by the reduction in transportation of cash.

The GHG emissions from *waste generated in operations* includes all forms of waste management (residual waste, paper, glass, plastic) in Sparebank 1 SMN's offices (28,75 tCO₂e). The major increase in emissions from waste generated in operations compared to 2020 is a result of the group's colocation-projects conducted in 2021.

Business travels includes flights and distance-based allowance to employees for work-related travel using privately owned vehicles (907,56 tCO₂e). This is a reduction of 11,83 % compared to 2020. This is a result of specific measures implemented across the Sparebank 1 SMN Group. The pandemic has proven that most tasks can be solved by employees working from home. Based on this insight, a new flexible workplace model has been introduced called «den nye arbeidshverdagen». In addition to this, an update to the group's travelling policy and the group's distinctive focus on sustainability has led to a change in the employees' travel behavior which directly affects emissions.

SpareBank 1 SMN has no GHG emissions from *employee commuting* in 2021. In 2020 the organization had a total emission of 1,17 tCO₂e from employee commuting. The emissions generated from employee commuting is included in *business travels*.

The GHG emissions in scope 3 are calculated similarly as scope 2; based on sectoral emission data with a two-year time lag. If emissions in 2021 had been calculated based on emission data from 2018, scope 2 would have amounted to 11 487,08 tCO₂e, an increase of 2,71 %.

Explanation of the applied methodology

Klimakost is a tool used to calculate the direct and indirect climate impact of organizations, companies, projects etc. This tool combines accounting information (and quantities for some inputs) with an emission model estimating total life cycle emissions associated with the various inputs and goods/services consumed.

Klimakost uses a «Environmentally Extended Input-Output Analysis» (EEIOA). EEIOA is relatively generalizing and suited for «top-down»-analysis' to determine which parts of the organization have the highest emission intensity. This enables a screening of the organization's «footprint» with a consistent methodology. The model also enables analysis of an entire nation's «footprint», including import of goods from other countries (so-called multiregional EEIO models).

Since the model include all types of economic activity, it does not suffer the same limitations as other carbon accounting methods. However, this completeness and simplicity comes at the expense of specificity, meaning the evaluation of some actions and trends might require more specific data and methods.

Klimakost has been utilized to prepare carbon accounting reports for a large number of Norwegian municipalities, companies and organizations. Multiple universities and colleges have also used the tool, and a former analysis done on behalf of NTNU has been published in an international journal. The underlying models has also been used to calculate the carbon footprint of Norwegian public procurement and the carbon footprint of Norwegian households. See klimakost.no for more detailed information about the methodology.

Application of the GHG protocol

The Greenhouse Gas Protocol (the GHG protocol) was developed by the «World Resources Institute» (WRI) and «World Business Council for Sustainable Development» (WBCSD)⁷. The carbon accounting report is prepared in accordance with «GHG Protocol Corporate Accounting and Reporting Standard» and «Corporate Value Chain (Scope 3) Accounting and Reporting Standard». The standard includes the following greenhouse gases, all converted into CO₂-equivalents: CO₂, CH₄, N₂O, SF₆, HFK and PFK. The GHG-emissions from the SpareBank 1 SMN Group constitutes solely of CO₂.

The Sparebank 1 SMN Group's annual GHG emissions has been consolidated in accordance with the «equity share»-method with the intent of displaying a complete and truthful picture of the group's GHG emissions. Using the equity share-method means that emissions from the group's parent company is included in full, while emissions from the subsidiaries are included based on the group's stake in the subsidiary.

7) <https://ghgprotocol.org/about-us>

The standard differentiates between two approaches to calculate an organization's total greenhouse gas emissions: operational control and financial control. Using the operational control-method, the organization account for 100 % of the emissions from operations over which it controls, but not necessarily owns.

As a result, emissions from sources the organization owns but does not control, will not be included in the organizations total GHG emissions (for example in a tenancy where the tenant has mandate to decide measures in the property owned by the organization). This is the case at the group's headquarters in Søndre Gate 4-10 where the parent company (SpareBank 1 SMN) decides energy efficiency improvement-measures in the property owned by EC Dahls Eiendom AS.

Using the financial control-method, the organization account for 100 % of the emissions from operations where the organization has the right to the majority of benefits from the operation, or retains the majority of the risk associated with the operation.

The annual GHG emissions of the consolidated subsidiaries is disclosed in accordance with the operational control-method. This method defines which assets is to be included in the carbon accounting report, and categorizes emissions in various scopes. This is done because a few of the group's subsidiaries own subsidiaries in which the group's subsidiaries control themselves.

The annual GHG emissions is divided into 3 scopes which consists of both direct and indirect emission sources.

Scope 1 disclosure is mandatory, and includes all emissions from assets which the organization controls. This includes combustion of all fossil fuels related to both owned, leased or rented assets. It also includes any direct process emissions from e.g. chemical processes, industrial gases, direct methane emissions etc. All emissions from the Group's vehicles are disclosed combined under scope 3. Because the Sparebank 1 SMN group's emissions from combustion of fossil fuels are considered immaterial, these emissions are not separated in scope 1.

Scope 2 disclosure is also mandatory, including all indirect emissions related to energy purchased; electricity or heating/cooling. This applies to properties the organization controls, regardless of ownership, if operational control is present.

In January 2015, the GHG Protocol released new guidelines for calculating emissions from energy consumption. Primarily two methods are used to allocate the GHG emissions created by energy consumption.

Location-based method: The location-based method is based on statistical emissions information related to energy consumption within a defined geographical boundary. Within this geographic boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, gas) result in direct GHG emissions. The emission factors used in Klimakost related to energy and electricity is based on sectoral emissions data with a two-year time lag.

Market-based method: The choice of emissions factor when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO₂e per kWh.

In practice, organizations disclosing GHG emissions must highlight both actual emissions from electricity production, as well as market-based emissions related to purchased GoOs/RECs. The purpose of this revised guideline is firstly to show the effect of energy efficiency measures, and secondly to show the effect of purchasing renewable energy through GoOs/RECs. This type of «dual reporting» highlights the effect of different measures the organization can implement related to energy consumption.

The carbon accounting report of the Sparebank 1 SMN Group discloses the energy consumption related to the location-based method in scope 2, but not the market-based method. Exclusion of the market-based method is mainly explained by the Klimakost methodology, which solely discloses the location-based method in scope 2. Klimakost was chosen as the preferred methodology because of, among other things, the group not purchasing any GoOs/RECs, and location based-method being the most relevant method to monitor and further improve the organization's energy efficiency measures.

The reasoning is further based on the group's geographical boundaries. The SpareBank 1 SMN Group's offices are located in the middle of Norway, meaning the group's offices are generally consuming electricity from the same grids and suppliers. This further proves the location-based method to be most relevant for the SpareBank 1 SMN Group.

Scope 3 disclosure is voluntary, and includes all indirect emissions from purchased goods and services. This includes emissions indirectly related to the organization's activities, not controlled by the organization. Scope 3 is further divided into two main categories: upstream and downstream emissions. Upstream emissions are indirect emissions related to purchased goods and services. Downstream emissions are indirect emissions related to selling goods and services. The SpareBank 1 SMN Group's registered scope 3-emissions are exclusively upstream. Calculation of Sparebank 1 SMN's downstream emissions is an ongoing process.

As most of the group's emissions are indirect and therefore disclosed in scope 3, the SpareBank 1 SMN Group chose to include scope 3 disclosure as a part of the consolidated annual GHG emissions, even though this is voluntary. This is done to make the carbon accounting report useful as a decision-making tool both for the group's management and external stakeholders.