

SpareBank 1 SMN  
**Climate accounts**  
Reporting year 2023



# The Group's climate efforts

## Green transition of Mid-Norway

Mid-Norway is an attractive place for both businesses and people, and it should remain so for a long time to come. Therefore, sustainable development of our region is crucial when describing our social responsibility. This means being an active and visible driver for the green transition of Mid-Norway and promoting responsible business practices.

For us, this entails more than just minimizing our own environmental impact. The financial industry has limited direct emissions, and our influence on climate through day-to-day operations mostly originates from emissions related to office operations, energy consumption, and business travel. While it is important for us to reduce our emissions from day-to-day operations, we recognise that our most significant contribution lies in how we influence our suppliers and customers in a more sustainable direction.

## Our climate ambitions

In 2022, the board adopted an ambition to achieve net-zero emissions by 2050. To help us reach net-zero, we have established transition plans for various sectors in our loan portfolios. Alongside the net-zero ambition, these transition plans will significantly impact how we finance these sectors going forward.

In 2023, we further strengthened this effort. We launched net-zero transition plans for fishery and the commercial property sector, and in August, the board decided that SpareBank 1 SMN shall develop emission reduction targets according to the Science Based Targets initiative (SBTi). SBTi is a global initiative that assists companies in setting science-based targets to reduce greenhouse gas (GHG) emissions in line with the Paris Agreement. This means that over the next two years, SpareBank 1 SMN will develop both short-term and long-term targets, along with corresponding action plans to achieve our net-zero ambition. Furthermore, we commit to publicly disclose our emission targets, reduction plans, and overall progress in line with the Paris Agreement.

A robust and transparent climate account is a crucial tool in achieving our climate ambitions. To reach our goals, it is essential to map, measure, and manage our GHG emissions. This involves calculating the impact of all our economic activities at a detailed level so that we and our stakeholders can understand our influence and what contributes to it.

It is important to emphasize that we are making progress in our GHG emission reductions, but we still have a way to go to reach our final targets. We have taken significant steps in reporting GHG emissions since we compiled our first climate accounts in 2019. In 2022, we were among the banks that included emissions from the loan portfolio – known as financed emissions. We consider these emissions crucial in our efforts towards the green transition of Mid-Norway, and in 2023, a project group was established to ensure that our ambitions and transition plans align with the Paris Agreement.

## Handling of uncertainty in the underlying data

When working with climate accounting, we face several challenges, especially related to data quality and uncertainty in the data. One area in which we have paid special attention to is the availability of reliable and up-to-date data. Most of our upstream and downstream emissions consists of secondary data. Calculation methodologies and standards are constantly evolving, which can lead to inconsistency in how emissions are calculated and reported over time. Changes in the data quality of emission factors can result in changes in reported emissions, despite no changes in economic activity. This affects the reliability of the climate accounting as a measuring tool, and it is something we prioritize highly. For the climate accounting to be an effective management tool, we must ensure that reported changes in emissions mainly reflect real climate actions and actual improvements rather than changes in methodology or external factors.

## Comparability with previous years

In 2023, we were required to revise our reported GHG inventory for the previous year (2022) and our base year (2019). Changes in methodological assumptions and underlying data in emission factors related to our upstream indirect emissions were so material that we had to recalculate previous years with updated assumptions to ensure better comparability. We are aware of these challenges and uncertainties in our climate accounting, and it is a prioritized area that we are working to improve for 2024.

## Collaborations

In 2023, we continued our collaboration with SpareBank 1 Regnskapshuset SMN AS and Asplan Viak AS in compiling the climate accounts. We believe that the combination of local expertise and familiarity with SpareBank 1 SMN, coupled with international knowledge, has positively contributed to the development of the climate accounts.



# Climate accounting principles

## General principles and organizational boundaries

The climate accounts adhere to the standards, recommendations, and guidelines provided by the GHG Protocol. This includes the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Scope 2 Guidance, and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

In line with the GHG Protocol, we categorize our GHG emissions into three overarching categories, commonly referred to as scopes. We define these as:

- **Scope 1:** Direct emissions from sources that we own or control, which release greenhouse gases into the atmosphere through combustion or direct emissions. Relevant emission sources may include emissions from owned vehicles.
- **Scope 2:** Indirect emissions from the production of purchased electricity, district heating, and cooling that we use in our offices.
- **Scope 3:** Indirect emissions occurring in our value chain that we cause through our procurement and/or sale of goods and services. This may include emissions from the production of purchased goods and services such as IT and office equipment, business travel by employees and financed emissions.

Additionally, the terms upstream and downstream are used to describe indirect emissions caused respectively before us in the value chain (procurement) and after us in the value chain (financed emissions).

### Scope and organizational boundaries

The climate accounts are prepared based on collected energy and accounting data from SpareBank 1 SMN.<sup>1</sup>

Within the boundary of the GHG Protocol, the organisation's responsibility areas for GHG emissions are defined through organisational boundaries.

These specify which emissions an organisation is accountable for and include direct emissions from sources owned or controlled by the organisation, as well as indirect emissions from sources outside the organisation's control.

The choice of organisational boundaries affects which emissions are included in the reporting and how they are reported. Companies can choose between "equity share" or differing "control methods". The equity share method includes emissions from operations that the organisation owns, regardless of whether it has operational control over them, while the control approach includes emissions from operations that the organisation either has operational or financial control over, regardless of ownership.

When compiling our climate accounts, we use operational control. This method defines which of the companies' assets and their respective emissions should be included in the climate accounting, and subsequently where they fall within the various scopes. By using this method, we include emissions from activities that SpareBank 1 has operational control over.

### Data sources and calculation methods

For the climate accounts to serve as a valuable management tool and to provide stakeholders with the best possible information about our climate efforts, we rely on a complete climate account. We use multiple data sources and various calculation methods to ensure an accurate picture of our emissions.

In line with the GHG Protocol, we rely on two main types of data: primary and secondary data. Primary data includes activity and/or emissions data collected directly from the parent, subsidiaries or the supply chain. In our climate accounts, we consider primary data as quantified data from our activities, such as fuel or energy consumption, combined with emissions factors as specific as possible.

Secondary data consists of all other estimated or calculated data. This could include estimated electricity consumption at locations where we do not have exact readings, or emission calculations based on costs.

Our climate accounts are compiled using three calculations methods:



### Primary data

Calculation using specific emission factors

- We calculate the climate impact of direct and indirect emissions by converting primary data into emissions using emission factors. For example, we collect meter readings and multiply the kilowatt-hours by an emission factor to estimate our GHG emissions associated with energy consumption.
- Primarily, this method applies to the calculation of indirect energy-related emissions in Scope 2 and the calculation of certain financed emissions in Scope 3. This is the most specific and reliable method for calculating GHG emissions.

### Spend-based method

Calculation of secondary data sources using financial data

- When we do not have access to primary data, we rely on secondary data sources. For our indirect upstream emissions, we use [Klimakost](#), a scientifically grounded emission model developed by Asplan Viak AS. The model estimates the climate footprint associated with operating costs and is particularly useful for estimating our Scope 3 emissions related to day-to-day operations.
- Klimakost, an Environmentally Extended Input-Output Analysis (EEIOA) model, uses emission statistics from various countries, industries, and sectors, as well as trade between them, to estimate the climate footprint per unit of currency spent on different goods and services. Although this method provides an overview of which types of purchases and activities have the greatest climate impact, it is not able to disaggregate emissions to individual products or suppliers.

For this reason, this method is best suited for identifying the main sources (hotspots) of our emissions, allowing us to focus on the most significant emission drivers using primary data.

### Partnership for Carbon Accounting Financials (PCAF)

Calculation of financed emissions using secondary and primary data sources

- The majority of our GHG emissions is in our downstream value chain. At the end of 2021, we became a member of the Partnership for Carbon Accounting Financials (PCAF), a global collaboration among financial institutions to harmonize estimation, measurement, and disclosure of GHG emissions associated with their loan portfolios.
- We base our estimation of GHG emissions in our loan portfolios on the PCAF methodology, as well as Finance Norway's updated guidance on PCAF and financed emissions.

<sup>1</sup> From May 1<sup>st</sup>, 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. From this date onwards, SpareBank 1 Søre Sunnmøre was also included in the data collection for SpareBank 1 SMN. GHG-emissions that occurred from January 1<sup>st</sup>, 2023, to April 30<sup>th</sup>, 2023, as well as for the entire fiscal year 2022, have been calculated on a pro forma basis. This is in line with our financial reporting and corresponding financial notes.

# Climate accounting principles

## Material changes

There are four significant changes affecting the climate accounting for 2023. These changes require a retroactive adjustment of previous years' climate accounting to ensure comparability between the base year, the previous year, and this year's reporting.

### Merger with SpareBank 1 Søre Sunnmøre

On 1<sup>st</sup> of May 2023, SpareBank 1 SMN and SpareBank 1 Søre Sunnmøre were merged. The GHG calculations from both banks are reported collectively from the 1<sup>st</sup> of May 2023.

Upstream GHG emissions from January 1<sup>st</sup>, 2023, to April 30<sup>th</sup>, 2023, and for the entire fiscal year 2022 were calculated on a pro forma basis to establish a comparison basis for emissions related to day-to-day operations. The GHG emissions presented with pro forma information can be found on the last page of the climate accounts.

The presentation of pro forma information is in line with how the financial reporting and corresponding financial notes are prepared. Downstream emissions or KPI's for SpareBank 1 Søre Sunnmøre are not included in our pro forma calculation.

### Changes in Klimakost's emissions factors (Asplan Viak AS)

In compiling this year's climate accounting, we observed a reduction in emissions compared to the climate accounts in 2022. The reduction could not be explained by reduced economic activity or more climate-efficient upstream or downstream operations. Additionally, we merged with SpareBank 1 Søre Sunnmøre, which, in isolation, could have potentially led to an increase in emissions.

We realized that the changes were due to updated emission factors for 2023<sup>1</sup>. These updates, which included several minor methodological adjustments and uncertainties in the statistical basis, resulted in a material overall change. The change of previous year's climate accounts resulted in an increase in emissions in 2023, rather than a reduction in emissions.

The change in emission factors was significant to the degree that it rendered the 2023 climate accounts incomparable to previous years without an adjustment using the new set of emissions factors.

### Changes in the PCAF method

The methodology for estimating GHG emissions from the loan portfolio has been updated this year to align with Finance Norway's updated 'Guidelines for Calculating Financed Emissions.' The emission factors were updated in the fall of 2023 to a new version of EXIOBASE, without manual adjustments or corrections of outliers. This has resulted in material changes to the emission factors.

We've consulted the updated guidance for the PCAF database and sought advice from Asplan Viak AS to evaluate the emission factors. Based on their feedback and in consultation with other banks in the SpareBank 1 Alliance, we have chosen to switch from Norwegian emission factors to EU factors and corrected some outlier values. Due to these material changes in the measurement method, we've re-estimated the figures for 2022 using the updated measurement method. This ensures the reported changes largely reflect changes in actual GHG emissions, rather than just technical adjustments in the measurement method.

### Adjustment of emission factors for electricity

Previous climate accounting utilised two different sources of electricity-related emissions. In Scope 2, a Nordic electricity mix (136g CO<sub>2</sub>e/kWh) was used to calculate location-based emissions<sup>2</sup>. Meanwhile, market-based Scope 2 emissions were calculated using a residual mix from the Norwegian Water Resources and Energy Directorate (NVE) (405g CO<sub>2</sub>e/kWh)<sup>3</sup>. Simultaneously, we employed a Norwegian consumption mix from NVE for location-based emission factors in our calculation of financed emissions, along with the same residual mix for market-based emissions as for upstream emissions.

For the climate accounting for year 2023, we have chosen to use the same factor set from NVE in Scope 2 for both upstream and downstream. This applies to both location-based and market-based electricity-related emissions, specifically the Norwegian consumption mix (19g CO<sub>2</sub>e/kWh) and the European residual mix (502g CO<sub>2</sub>e/kWh)<sup>3,4</sup>. We retroactively applied the NVE factors to the Scope 2 calculations for 2019 and 2022 to ensure comparability across reporting years.



<sup>1</sup> The updates included adjustments to the emission factors, such as revised global warming potentials (GWPs) for greenhouse gases, redistribution of emissions in some Norwegian sectors, and changes in intensities based on new economic data. Intensities for 2022 and 2023 are adjusted with the consumer price index, which entails uncertainties. There is a delay in the availability of statistics, which does not align with financial reporting years. This means that the 2023 emission factors are influenced by macroeconomic conditions from 2021, where the global pandemic likely explains deviations in reported emissions from several industry sectors.

<sup>2</sup> NS3720 - estimated average for EU mix

<sup>3</sup> Norges vassdrags- og energidirektorat (NVE): Varedeklarasjon for strømleverandører

<sup>4</sup> Norges vassdrags- og energidirektorat (NVE): Klimadeklarasjon for fysisk levert strøm

# GHG emissions (day-to-day operations)

Reporting year 2023

## About the results

Our total estimated upstream GHG emissions<sup>1</sup> amounted to 14 744 tCO<sub>2</sub>e in 2023, compared to 13 967 tCO<sub>2</sub>e in 2022. This represents an increase of 6%.

During the same period, the increase in the Group's turnover exceeded the estimated increase in emissions from day-to-day operations. Additionally, SpareBank 1 Søre Sunnmøre was merged in as of May 1<sup>st</sup>, 2023.

It is likely that the absolute increase in emissions is due to increased activity following the change of previous year's figures.

### • Scope 1

We do not report any emissions in Scope 1. Direct emissions from sources that we own, or control are limited for us to emissions from owned vehicles. Any emissions from owned vehicles are estimated based on cost and are categorized under business travel in Scope 3.

### • Scope 2

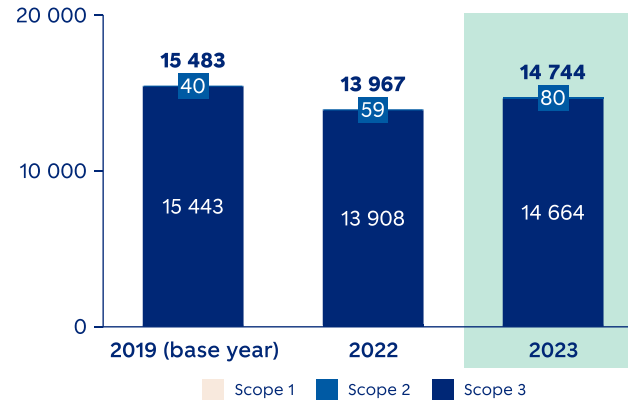
Indirect GHG emissions associated with the consumption of purchased energy, including electricity, district heating, and cooling in our office premises in Mid-Norway, Sunnmøre, and Oslo.

Our total estimated energy consumption in 2023 was 3,542 MWh. Compared to 2022, this represents an increase of 16%. This consists of a share of district heating (14%) and a share of electricity (86%).

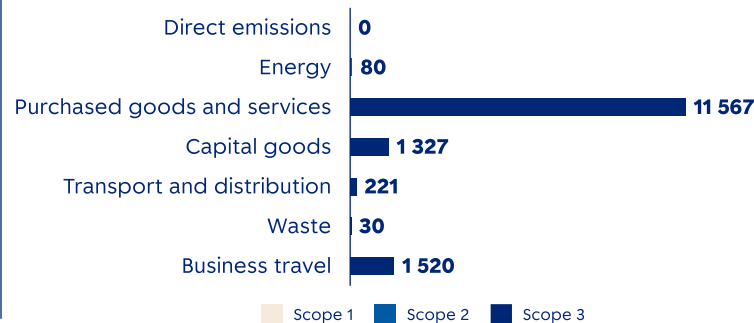
### • Scope 3

The majority (99%) of our upstream emissions are associated with indirect emissions from day-to-day operations. The largest contributors come from IT-related services, travel expenses, depreciation of capital goods, premises, marketing and media, as well as other operational agreements.

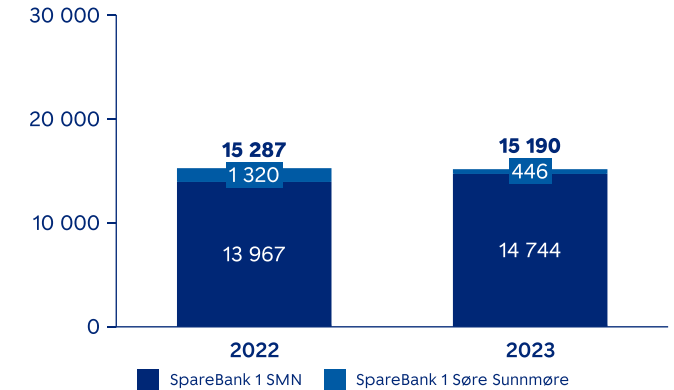
**Total GHG emissions (day-to-day operations)**  
CO<sub>2</sub>-equivalents (tonnes)



**Distribution of GHG-emissions (day-to-day operations)**  
CO<sub>2</sub>-equivalents (tonnes)



**Pro forma calculation (day-to-day operations)**  
**SpareBank 1 SMN after merger<sup>2</sup>**  
CO<sub>2</sub>-equivalents (tonnes)



<sup>1</sup> The results shows total estimated, location-based GHG emissions. Total market-based upstream GHG emissions amounted to 15 878 tCO<sub>2</sub>e in 2023, compared to 14 865 tCO<sub>2</sub>e in 2022.

<sup>2</sup> GHG emissions in SpareBank 1 Søre Sunnmøre between 01.01.23 – 30.04.23, and for the financial year 2022, is calculated on a pro forma basis.

# Financed emissions

## Reporting year 2023

### About the results

Our estimates still indicate that GHG emissions in the loan portfolio are concentrated on a small number of sectors, and account for a limited share of our loan volume.

The graph below shows that four industries contribute as much as 85% of the greenhouse gas emission, yet only account for a mere 13% of the banks loans. These industries are agriculture and forestry (60%), shipping and offshore (11%), transport and other services (8%) and fishery (7%).

GHG emissions have risen by 8%, which is less than the increase in lending. The increase in lending is attributable to the merger with SpareBank 1 Søre Sunnmøre, inflation and growth in financial assets. In the case of agriculture, activity-based emissions have increased since we have financed more of the commodities produced. For fishery, emissions are reduced due to a reduction in lending volume and fewer financed vessels.

### Fishery

For the fishery portfolio we have for several years collected data on ship fuel consumption of our largest customers. The figures are used to estimate GHG emissions of relatively good quality from the fishery portfolio. This portfolio has the best data quality in the analysis. However, the data source has a one-year time-lag, and ship fuel consumption for 2022 is used to estimate the customer's emission intensity for 2023. Where a customer's financing has risen from 2022 to 2023, estimated emissions have risen correspondingly.

### Wage earners (residential mortgage loans)

In the case of the residential mortgage portfolio, estimated GHG emissions are delivered by Eiendomsverdi AS, and prepared by Simenergi AS. GHG emissions are estimated using emission factors based on a physical production mix with an emission of 19 grammes of CO<sub>2</sub>e per kWh. We have also presented estimated greenhouse gas emissions based on a European residual mix, of 502 grammes of CO<sub>2</sub>e per kWh.

### Property management

Greenhouse gas emissions from financed commercial property are estimated by retrieving information on each individual building, i.e. property type, usable floor space and energy label, where this exists. Information about the building is then combined

with PCAF emission factors, either per square metre or per building.

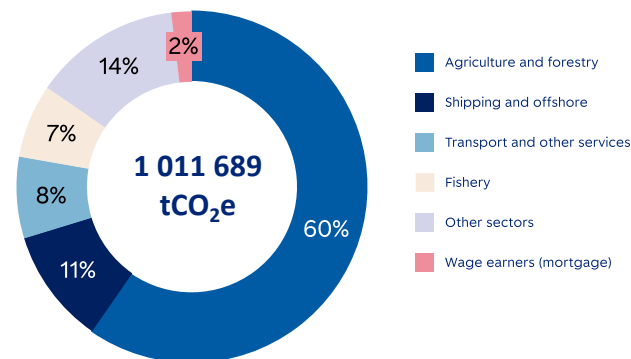
### Agriculture and forestry

In the climate accounts for 2022, estimated GHG emissions from agriculture were estimated based on emission factors from Asplan Viak which were in turn linked to information at individual farm level from the agricultural production register. The register provides an overview of livestock numbers, production and area managed.

In the present report the emission factors are replaced with numbers provided by Finance Norway's guidelines, the so-called PLATON factors. This yielded a 50 per cent increase in emissions, but the increase is compensated for by the fact that farms with no activity recorded in the agricultural production register are now estimated as "dwellings". These "dwellings" now have a lot lower emissions than they previously had based on using the factor-based method.

### Distribution of financed emissions

CO<sub>2</sub>-equivalents (tonnes)



# Results and KPI's GHG emissions

Reporting year 2023

Total GHG emissions CO <sub>2</sub> -equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
<b>Scope 1 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
<b>Scope 2 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net location based <sup>1</sup>	40	59	80	36 %	98 %
Total net market-based <sup>2</sup>	939	957	1 214	27 %	29 %
<b>Scope 3 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net upstream Scope 3	15 443	13 908	14 664	5 %	-5 %
Purchased goods and services	11 279	11 056	11 567	5 %	3 %
Capital goods	1 416	1 217	1 327	9 %	-6 %
Transport and distribution	624	248	221	-11 %	-65 %
Waste generated in operations	37	20	30	52 %	-18 %
Business travels	2 087	1 367	1 520	11 %	-27 %
Total net downstream Scope 3	-	934 982	1 011 689	8 %	-
Financed emissions	-	934 982	1 011 689	8 %	-
Agriculture and forestry	-	517 847	603 450	17 %	-
Fishery	-	96 122	69 027	-28 %	-
Aquaculture	-	17 584	13 785	-22 %	-
Manufacturing and mining	-	50 424	61 931	23 %	-
Construction, power and water supply	-	14 453	19 463	35 %	-
Wholesale and retail trade, hotels and restaurants	-	24 880	28 499	15 %	-
Shipping and offshore	-	118 228	107 439	-9 %	-
Property management	-	3 347	4 453	33 %	-
Business services	-	4 713	5 903	25 %	-
Transport and other services	-	68 844	75 896	10 %	-
Public administration	-	1	3	285 %	-
Other sectors	-	2 973	2 728	-8 %	-
Wage earners (retail loans)	-	15 566	19 113	23 %	-
<b>Total GHG emissions (tCO<sub>2</sub>e)</b>					
Total GHG emissions (location-based)	-	948 949	1 026 434	8 %	-
Total GHG emissions (market-based)	-	949 847	1 027 567	8 %	-
<b>Energy consumption (MWh)</b>					
Net consumption electricity	2 371	2 385	3 058	28 %	29 %
Net consumption heating <sup>3</sup>	-	301	484	61 %	-

<sup>1</sup> Location-based GHG emissions stemming from consumption of electricity is calculated using NVE's emissions factor for physically delivered energy (19 g CO<sub>2</sub>e/kWh).

<sup>2</sup> Market-based GHG emissions from consumption of electricity is calculated using two different emissions factors. For guarantees of origin (GoO's) we've calculated 0 g CO<sub>2</sub>e/kWh. For market-based GHG emissions where GoO's isn't used we've used NVE's factor for european residual mix (502 g CO<sub>2</sub>e/kWh).

<sup>3</sup> Emissions from consumption of heating is calculated with an emissions factor of 45,1 g CO<sub>2</sub>e/kWh. This applies to both location-based and market-based Scope 2-emissions.

Key Performance Indicators CO <sub>2</sub> -equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
<b>Total turnover (NOK 1000)</b>					
Turnover	6 339 000,0	7 650 000,0	13 131 000,0	72 %	107 %
<b>Emission intensity per turnover (NOK 1000)</b>					
kg CO <sub>2</sub> e/NOK 1000 turnover (location-based)	-	140,0	78,2	-44 %	-
kg CO <sub>2</sub> e/NOK 1000 turnover (market-based)	-	133,0	78,3	-41 %	-

# Results GHG emissions

Reporting year 2023 – including pro forma calculations of SpareBank 1 Søre Sunnmøre

Total GHG emissions CO <sub>2</sub> -equivalents (tonnes)	2019 Base year	2022 Previous year	2023 Reporting year	Change Previous year	Change Base year
<b>Scope 1 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net Scope 1 GHG emissions	-	-	-	0 %	0 %
<b>Scope 2 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net location based <sup>1</sup>	40	61	81	33 %	100 %
Total net market-based <sup>2</sup>	939	1 009	1 235	22 %	32 %
<b>Scope 3 GHG emissions (tCO<sub>2</sub>e)</b>					
Total net upstream Scope 3	15 443	15 227	15 110	-1 %	-2 %
Purchased goods and services	11 279	12 032	11 892	-1 %	5 %
Capital goods	1 416	1 365	1 365	0 %	-4 %
Transport and distribution	624	277	228	-18 %	-63 %
Waste generated in operations	37	20	30	52 %	-18 %
Business travels	2 087	1 532	1 594	4 %	-24 %
Total net downstream Scope 3	-	934 982	1 011 689	8 %	-
Financed emissions	-	934 982	1 011 689	8 %	-
Agriculture and forestry	-	517 847	603 450	17 %	-
Fishery	-	96 122	69 027	-28 %	-
Aquaculture	-	17 584	13 785	-22 %	-
Manufacturing and mining	-	50 424	61 931	23 %	-
Construction, power and water supply	-	14 453	19 463	35 %	-
Wholesale and retail trade, hotels and restaurants	-	24 880	28 499	15 %	-
Shipping and offshore	-	118 228	107 439	-9 %	-
Property management	-	3 347	4 453	33 %	-
Business services	-	4 713	5 903	25 %	-
Transport and other services	-	68 844	75 896	10 %	-
Public administration	-	1	3	285 %	-
Other sectors	-	2 973	2 728	-8 %	-
Wage earners (retail loans)	-	15 566	19 113	23 %	-
<b>Total GHG emissions (tCO<sub>2</sub>e)</b>					
Total GHG emissions (location-based)	-	950 269	1 026 880	8 %	-
Total GHG emissions (market-based)	-	951 218	1 028 034	8 %	-
<b>Energy consumption (MWh)</b>					
Net consumption electricity	2 371	2 489	3 100	25 %	31 %
Net consumption heating <sup>3</sup>	-	301	484	61 %	-

<sup>1</sup> Location-based GHG emissions stemming from consumption of electricity is calculated using NVE's emissions factor for physically delivered energy (19 g CO<sub>2</sub>e/kWh).

<sup>2</sup> Market-based GHG emissions from consumption of electricity is calculated using two different emissions factors. For guarantees of origin (GoO's) we've calculated 0 g CO<sub>2</sub>e/kWh. For market-based GHG emissions where GoO's isn't used we've used NVE's factor for european residual mix (502 g CO<sub>2</sub>e/kWh).

<sup>3</sup> Emissions from consumption of heating is calculated with an emissions factor of 45,1 g CO<sub>2</sub>e/kWh. This applies to both location-based and market-based Scope 2-emissions.