Spar Nord Impact Analysis 2021

Focusing on the CO2e footprint from lending and investment

Contents

Summary

This analysis was performed as part of Spar Nord's implementation of the UN Principles for Responsible Banking (UN PRB) and contributes to meeting the recommendations of the Forum for Sustainable Finance focusing on CO2e emissions.

The analysis led us to conclude that climate is a key impact area for Spar Nord. Estimated CO2e emissions or a business volume of DKK 103 billion, amount to 716,000 tonnes, of which 51% relates to lending and 49% to investment.

Business loans account for 44% of total emissions. The principal contributors to emissions are business loans to Trade and transport, Building and construction, Agriculture, Forestry and fishing and Manufacturing (Industry). Retail customer loans account for 7% of total emissions. In this segment, car loans involve relatively higher emissions than home loans do.

Asset management on behalf of Spar Nord's customers accounts for 40% of total emissions. In this area, equity and corporate bond portfolios account for a significant share of emissions. On the other hand, Danish mortgage bonds, which involve relatively low CO2e emissions, make up a relatively large proportion of the Bank's proprietary portfolio.

This first Impact Analysis has shown that the Bank currently does not have sufficient data to estimate total CO2e emissions. Going forward, the Bank will therefore work to expand and improve the quality of data and its calculation principles, which will contribute to a more accurate estimate of the Bank's CO2e emissions.

Background

Being a reputable and responsible bank is a strategic goal for Spar Nord. This applies not only in relation to our shareholders, customers, employees and suppliers, but also in a social and global perspective. We therefore became a signatory to the UN Principles for Responsible Banking (UN PRB) on 3 March 2021 after signing up to the UN Global Compact and the UN Principles for Responsible Investment (UN PRI) in 2020.

As a bank and a corporate citizen, we want to apply the UN principles and guidelines as a benchmark for our sustainability initiatives.

Ongoing reporting on Spar Nord's progress in relation to the implementation of UN PRB will be a permanent feature of the Bank's environmental, social and governance reporting (ESG Report) provided in the Reporting and Self-Assessment Template.

In connection with the presentation of its annual reports, the Bank publishes an ESG report, which can always be accessed on the Bank's website (sparnord.dk/esg).

Impact Analysis – step by step

As one of Denmark's systemically important banks, we have a duty to contribute to a positive and sustainable economic development in the many local communities in which we operate. We are also aware that our lending and investment activities have both a direct and indirect impact on the 17 UN Sustainable Development Goals, in both a positive and a negative direction.

By preparing an Impact Analysis, we are able to identify and prioritise the most important impact areas attaching to the Bank's operations and business model. As such, the analysis provides us with insights into the areas in which the Bank has the most significant impact and where it will benefit the most from performing sustainability-supportive activities.

Spar Nord folllows the guidelines for implementing the UN Principles for Responsible Banking (UN PRB). Accordingly, the Bank's analysis efforts are based on four key elements; scope, scale of exposure, context & relevance and scale & intensity/salience.

For the purpose of clarity and transparency, we have divided the Impact Analysis into two parts:

Part 1) involves mapping the Bank's principal activities (scope) and total business volume as well as its core activities (scale of exposure).

By entering data from this mapping in the UN's impact tools[1], we are able to make a holistic impact analysis of Spar Nord's overall banking operations and identify areas of significant impact associated with our core activities.

Part 2) concerns the further efforts of selecting and making a more detailed analysis of one of the identified impact areas. In this regard, we have related a significant impact area to the Bank's geographic context (Context & Relevance) and prepared an analysis based on relevant, selected models and calculation methods. Finally, we have defined and qualified significant impact areas (Scale & intensity/salience) with a view to identifying future focus areas for the Bank's sustainability initiatives.

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[1] Portfolio Impact Analysis Tool for Banks https://www.unepfi.org/publications/positive-impact-publications/portfolio-impact-tool-for-banks/ and Investment Portfolio Impact Analysis Tool https://www.unepfi.org/positive-impact/unep-fi-impact-analysis-tools/investment-portfolio-impact-analysis-tool/

Impact Analysis, part 1

Spar Nord's principal activities (scope)

Spar Nord dates back to 1824, and as part of our business model we have close relations with our customers and engage with the local communities in which we operate. Spar Nord is currently the 5th largest Danish bank. We carry on banking activities in Denmark.

Spar Nord has 395,000 retail customers and 34,000 business customers served by 1,608 employees and 58 local banks (branches), which are supported by the Bank's head office. In other words, we are both a local and a nationwide bank.

Spar Nord offers all types of financial services, consultancy and products, focusing its business on retail customers and small and medium-sized enterprises (SMEs) in the local areas in which the Bank is represented.

Spar Nord's business model is inspired by the franchise concept, in which strongly anchored local ownership is the driver of customer relations and business volume. Our business model thus supports setting up local teams that locally determine the market approach in the form of customer groups, initiatives and marketing. The business model builds on decentralised decision-making powers with a high degree of local autonomy.

The decentralised model allows local banks to focus on customer proximity, while our head office deals with highly specialised tasks in areas such as credit, IT, compliance, risk management and AML.

Spar Nord's core activities consist of:

- Full-service banking targeting retail and small and medium-sized business customers
- Trading and investment activities targeting retail and business customers
- Leasing and financing activities targeting equipment for the business community
- Management of the Bank's proprietary funds

Identifying Spar Nord's business volume (scale of exposure)

Spar Nord follows the UN guidelines for preparing a holistic impact analysis [2]. This means we have fed the UN impact analysis tools [3] with data from the Bank's full business volume as calculated at the end of Q3 2021, cf. our Quarterly Report 2021 [4]. The data was sourced from the Finance Department, the Credit Department and the Trading Division. The analysis is based on two tools; Portfolio Impact Analysis Tool for Banks, which is a dedicated analysis of the lending activities of a bank, and Investment Portfolio Impact Analysis Tool, which is a dedicated analysis of the investment activities of a bank.

This is the first time Spar Nord has used the UN impact analysis tools. During the process, we have thus gained initial insights into making a holistic impact analysis with a view to identifying significant impact areas. As we develop our approach to the method and as the UN develops its impact analysis tools and calculation methods, we expect to be able to qualify our Impact Analysis further, including by adding more impact areas.

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[2] https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/Guide-to-Holisitic-Impact-Analysis-Apr-21.pdf
[3] Portfolio Impact Analysis Tool for Banks
https://www.unepfi.org/publications/positive-impact-publications/portfolio-impact-tool-for-banks/
og Investment Portfolio Impact Analysis Tool
https://www.unepfi.org/positive-impact/unep-fi-impact-analysis-tools/investment-portfolio-impact-analysis-tool/
[4] https://media.sparnord.dk/com/investor/finansiel_kommunikation/regnskaber/2021/Q3-2021.pdf

Identifying impact areas

As described above, we have applied the UN's impact analysis tools to identify the most significant areas where the Bank has a positive or negative impact on achieving the 17 UN Sustainable Development Goals.

While focus is often on how a business makes a positive contribution to achieving the goals, the Impact Analysis also provides insights as to areas with a negative impact. In other words, areas in which the Bank would benefit from making improvements. For example, as a bank we may be financing sectors that support the green transition, but also sectors that have a negative impact on the climate.

In this way, the Bank's actions in relation to an impact area may have both a positive and a negative effect.

The Portfolio Impact Analysis Tool for Banks operates with 22 impact areas relating directly to the 17 UN Sustainable Development Goals, as illustrated in figure 1.
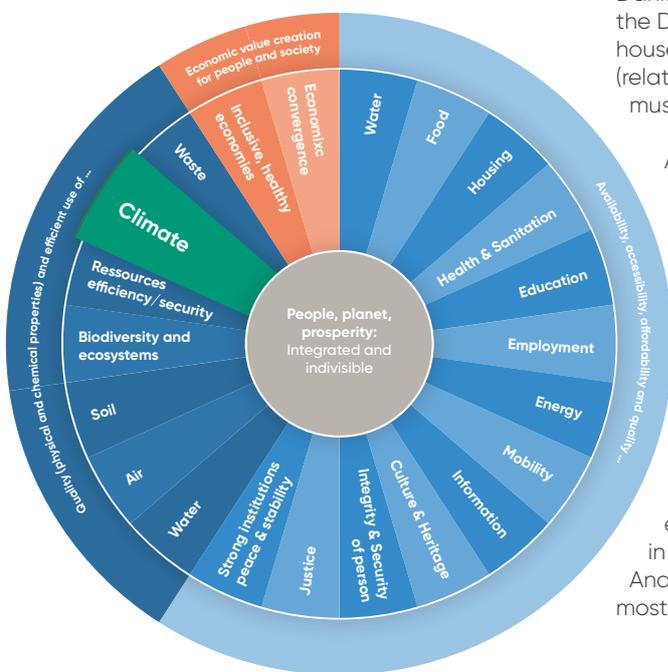
Based on our work with the UN's impact analysis tools for both lending and investment, we have identified climate as the first significant impact area which we intend to work with and analyse further. We have also identified waste as a significant negative impact area. The most significant positive impact areas are climate, waste and resources efficiency.

The background for choosing to work with climate as a significant negative impact area is primarily that one of the Bank's core activities is the financing of owner-occupied dwellings, residential rental units, agriculture and transport, which are all activities emitting extensive volumes of CO_2.

For future Impact Analyses, our ambition is to explore and analyse more significant impact areas.

Context & relevance

Spar Nord is a Danish bank operating within the borders of Denmark. Yet, we also provide loans to customers outside Denmark, and our investment assets have a global reach.

Spar Nord's impact areas relate directly to the Danish sustainability agenda and thus support the Danish climate ambition of reducing greenhouse gas (GHG) emissions by 70% by 2030 (relative to the level in 1990) and that Denmark must be a climate-neutral society by 2050 [5].

As part of Denmark's climate ambitions, the government has set up 13 climate partnerships, including the climate partnership for the financial sector, in which Spar Nord's CEO Lasse Nyby participates as a consultant. Among other things, the initiatives of the climate partnership for the financial sector have resulted in 11 recommendations on how to establish a common method for calculating CO2e emissions [6].

Given Denmark's and the financial sector's focus on reducing greenhouse gas emissions, it would seem an obvious choice, in accordance with the results of the Impact Analysis Tool, to address climate as the Bank's most significant impact area in this first analysis.

Figure 1: UNEP FI impact radar

[5] https://www.retsinformation.dk/eli/lta/2020/965
[6] https://finansdanmark.dk/aktuelle-emner/finanssektorens-klimapartnerskab

Impact Analysis, part 2

Analysis of climate as a significant impact area

Spar Nord has opted to apply Finance Denmark's CO2 model for the financial sector as a guideline for calculating CO2e emissions from the Bank's lending and investment activities[7]. The model describes a number of basic principles for calculating CO2e emissions. It provides calculation methods for various types of financial activities, including for lending and investment. Finance Denmark's CO2 model, which largely builds on the PCAF methodology[8], was developed, among other things, with a view to creating comparability and harmonising calculation principles for financial enterprises in Denmark.

Through relevant industry communities and working groups in the sector[9], Spar Nord has played an active role in the efforts to interpret Finance Denmark's CO2 model and put it into effect. These efforts have resulted in methods and calculation models, which we use in this analysis to qualify the calculation of emissions from activities financed by the Bank.

Finance Denmark's CO2 model exclusively provides principles for estimating CO2e emissions for investment activities and lending activities directed at retail (home and car loans) and business customers. This first Impact Analysis from Spar Nord is therefore delimited to these core activities, for which we currently have access to data needed to set out the CO2e emissions objective of the analysis.

Business volume for climate as an impact area

The analysis of the climate impact area was made on the basis of the Bank's business volume, calculated on the basis of data from Q3 2021, cf. our Quarterly Report 2021[11]. However, the business volume applied for the analysis is not reconcilable with Spar Nord's financial statements for the third quarter of 2021. The business volume applied is defined pursuant to Finance Denmark's CO2 model and includes extracts from the balance sheet and business volume that are not normally recognised in the balance sheet, for example the proxy concept Stjerneinvest Fri.

Table 1:
Business volume comprised by the Impact Analysis

	DKKm	Share
Lending	**38,848**	**38%**
Retail customers	10,758	10%
Business customers	28,090	28%
Investment	**64,512**	**62%**
Asset management	42,316	41%
Proprietary portfolio	22,196	21%
Total	**103,360**	**100%**

The business volume applied in the analysis of climate as an impact area amounts to DKK 38.9 billion for lending and DKK 65.3 billion for investment, as illustrated in table 1 above[10].

In relation to the business volume included, we have looked at areas in which the Bank is able to exercise direct influence and thus reduce negative impacts and strengthen positive impacts.

The analysis includes Spar Nord's lending and leasing activities before impairment. Spar Nord does not include arranged loans where the loans are recognised in the balance sheet of a collaborating bank such as Totalkredit and DLR Kredit.

Lending to retail customers includes car and home loans. The business volume included for retail customers represents around 56% of the Bank's retail loan portfolio. Lending to business customers includes Spar Nord's entire loan portfolio with a Danish industry code attached (using the nomenclature of Statistics Denmark (DB07)), and where Statistics Denmark provides the data required to estimate CO2e emissions. This means some 94% of the Bank's business loan portfolio is included in the analysis.

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[7] https://finansdanmark.dk/media/47361/finans-danmark-co2-model.pdf

[8] https://carbonaccountingfinancials.com/standard

[9] Including National Banks in Denmark and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark.

[10] Table 1 reflects only the business volume included in the Impact Analysis and is therefore not reconcilable with Spar Nord's financial reports.

[11] https://media.sparnord.dk/com/investor/finansiel_kommunikation/regnskaber/2021/Q3-2021.pdf

**Breakdown of business volume,
retail customers**
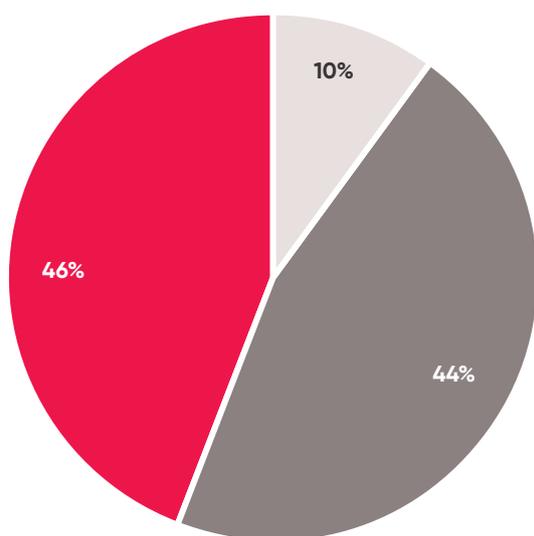
Car loans | Home loans | Not comprised by retail lending

**Breakdown of business volume,
business customers**
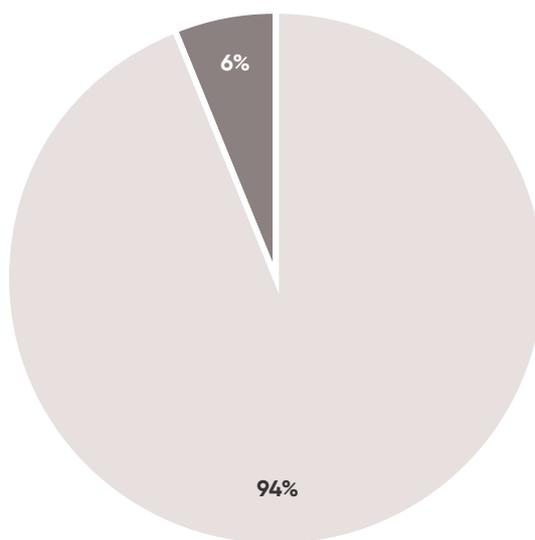
Business loans comprised | Business loans not comprised

The investment element includes the entire portfolio managed by Spar Nord Asset Management and the Bank's proprietary portfolio (not including the trading book). Also included are funds invested through unit trusts and which are included in the investments managed by Spar Nord Asset Management, such as BankInvest and ValueInvest. Customers' own investments and investments included in Spar Nord advisory agreements are not included in the business volume.

The business volume includes investments in shares, corporate bonds and Danish mortgage bonds. The calculation of emission intensity is based exclusively on securities for which CO_2e emission numbers are available. As these securities are considered to be representative of the remaining securities without accessible CO_2e emission numbers, total emissions have been calculated on the basis of total business volume.

Data from Refinitiv [12] have been used to estimate emissions for equities and corporate bonds. Portfolios in funds have been examined, and the intensity has been calculated as if Spar Nord managed the underlying investments. For mortgage bonds, we have applied calculated data from the individual institutions computed according to the LTV method.

If there are no available data from a specific institution, emissions have been calculated as an average of calculated emissions from other issuers.

Spar Nord's focus on lending to retail customers (home and car loans) and lending to business customers (calculated by industry codes) and investment (asset management and proprietary portfolio) in consistent with the guidelines and recommendations issued by Finance Denmark.

[12] https://www.refinitiv.com

Estimated CO2e emissions

In the table below, the Bank's CO2e emissions have been estimated at 716,000 tonnes of CO2e, with lending accounting for 51% and investment for 49%.

It is worth noting that the financed CO2e emissions measured in tonnes are more or less the same for both lending and investment. However, the lending calculations are estimated on the basis of a business volume of 38%, against 62% for investment. This means the emission intensity for lending is a good deal higher than for investments.

For the investment activities, it would be relevant to focus on asset management activities as they account for the largest single part of CO2e emissions related to investment. For the lending element, business customers account for the bulk of CO2e emissions, which makes it an area ideal for engaging in dialogue with customers and collaboration partners with a view to improving the Bank's emission intensity.

Table 2:
Business volume and estimated CO2e emissions for lending and investment

	Business volume (DKKm)	Share	Emissions (1,000 tonnes CO2e)	Share	Emission intensity (tonnes CO2e per million kroner)
Lending	**38,848**	**38%**	**367**	**51%**	**9.4**
Retail customers	10,758	10%	53	7%	4.9
Business customers	28,090	28%	314	44%	11.2
Investment	**64,512**	**62%**	**349**	**49%**	**5.4**
Asset management	42,316	41%	284	40%	6.7
Proprietary portfolio	22,196	21%	66	9%	3.0
Total	**103,360**	**100%**	**716**	**100%**	**6.9**

Lending

In the table below, we take a closer look at lending, with retail customers being divided into home loans and car loans, and with business being divided into underlying industry groups. It is worth noting that the Trade and transport industry group accounts for the bulk of the Bank's total CO2e emissions from lending.

Table 3:
Business volume and estimated CO2e emissions for lending

	Business volume (DKKm)	Share	Emissions (1,000 tonnes CO2e)	Share	Emission intensity (tonnes CO2e per million kroner)
Retail customers	**10,758**	**28%**	**53**	**14%**	**4.9**
Home loans	8,851	23%	13	4%	1.5
Car loans	1,907	5%	40	11%	20.7
Business market	**28,090**	**72%**	**314**	**86%**	**11.2**
Agriculture, forestry and fishing	2,898	7%	64	18%	22.2
Raw materials extraction	73	0%	1	0%	12.2
Industry	2,488	6%	19	5%	7.7
Utilities	1,749	5%	3	1%	1.9
Building and construction	2,467	6%	21	6%	8.4
Trade and transport etc.	5,965	15%	202	55%	33.9
Information and communication	281	1%	0	0%	0.7
Financing and insurance	3,181	8%	0	0%	0.0
Real estate/ letting of commercial property	1,564	4%	0	0%	0.1
Residential	4,273	11%	1	0%	0.3
Business services	3,150	8%	2	0%	0.5
Total loans and advances	**38,848**	**100%**	**367**	**100%**	**9.4**

Home loans to retail customers

Spar Nord's business volume for home loans to retail customers amounts to DKK 8.9 billion, distributed on some 24,000 home loans and credits attached to the property. The estimated CO2e emissions for retail loans are 13,000 tonnes, equal to an emission intensity of 1.5 tonne per DKKm. The business volume for home loans to retail customers has been identified on the basis of the Bank's loans and advances registered as home financing, and where a home is registered for the customer in question.

The Bank's actual financing of retail customer home loans is estimated to be higher than the DKK 8.9 billion, as home financing may for example take place through an ordinary overdraft facility, in which case the financing is not registered as one of the home loan product types comprised. CO2e emissions for home loans to retail customers have been estimated on the basis of the individual energy performance certificate, year constructed, usage code and primary source of heating, which combined form the basis of the CO2e emissions estimated by Totalkredit.

Car loans to retail customers

Spar Nord's business volume for car loans amounts to approximately DKK 1.9 billion, distributed on some 14,000 car loans. The estimated CO2e emissions for car loans are 40.000 tonnes, equal to an emission intensity of 20.7 tonne per DKKm.
The calculation of CO2e emissions for car loans are based on calculation tools prepared by a joint team under the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark and National Banks in Denmark, based on Finance Denmark's CO2 model. The tool estimates CO2e emissions on the basis of estimated fuel consumption (data from Worldwide Harmonized Vehicle Test Procedure, WLTP), estimated driving distance (data from the Danish Centre for Environment and Energy, DCE) and emission factors (based on the annual release by the Danish Energy Agency[13]).

The business volume included for car loans has been identified on the basis of the Bank's loans and advances registered as car financing. As for home loans for retail customers, Spar Nord's actual car loans for retail customers are estimated to be greater than the calculated DKK 1.9 billion. The

reason is that car financing may be based on an ordinary overdraft facility or other product types, which means such financing may not necessarily be registered as one of the car loan product types comprised.

Business customer loans

CO2e emissions for business loans are estimated using a calculation tool prepared by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark and National Banks in Denmark, which includes an emission intensity for 11 industries based on a Danish sector average for CO2e emissions and accounting statistics prepared by Statistics Denmark[14][15]. The emission intensity is the relationship between estimated CO2e emissions in a given industry and the total industry balance.

Based on average industry emission figures, Spar Nord's financing of business loans involves estimated CO2e emissions of 314,000 tonnes, equal to an emission intensity of 11.2 tonnes per million kroner financed.[16] Each industry comprises several underlying groups emitting different average volumes of CO2e. Therefore, we have opted to specify Spar Nord's lending in the section "Qualification and identification of opportunities (scale & intensity/salience of impact)", where we elaborate on the Bank's emissions within selected industry groups; Trade and transport and Building and construction.

Investment

As can be seen in the table below, total CO2e emissions related to investment handled by the

Table 4:
Business volume and estimated CO2e emissions for investment

	Business volume (DKKm)	Share	Emissions (1,000 tonnes CO2e)	Share	Emission intensity (tonnes CO2e per million kroner)
Asset management	42,316	66%	284	81%	6.7
Equity portfolio	22,196	34%	66	19%	3.0
Total	**64,512**	**100%**	**349**	**100%**	**5.4**

13) https://ens.dk/sites/ens.dk/files/CO2/standardfaktorer_for_2020.pdf

14) https://www.statistikbanken.dk/DRIVHUS2

15) https://www.statistikbanken.dk/20107

16) Data for estimating CO2e emissions for business loans are for the entire Impact Analysis based on 2019 data from Statistics Denmark. For the industries "Property trading/letting of commercial property" and "Housing", the calculation tool from the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark and National Banks in Denmark has been supplemented with own extracts from Statistics Denmark with respect to accounting data, but a similar method as for other industries has been applied.

Bank on behalf of customers through asset management services amounted to 284,000 tonnes in 2021, which translates into emission intensity of 6.7 tonne per million kroner invested. The corresponding numbers for the Bank's proprietary portfolio (excluding the trading book) are CO_2e emissions of 66,000 tonnes, equalling an emission intensity of 3,0 tonne per million kroner invested.

The difference in emission intensity between asset management and the proprietary portfolio is mainly explained by the relative proportions of Danish mortgage bonds and the types of corporate bonds. Danish mortgage bonds make up a relatively large proportion of the Bank's proprietary portfolio and typically involve lower intensity than equities, which make up a relatively large share of asset management services. Furthermore, the types of corporate bonds included in the proprietary portfolio are notably different from the types of corporate bonds in asset management. Financial institution, which account for a large proportion of the proprietary portfolio, typically contribute a low emission intensity. In asset management, the portfolio of corporate bonds is more diversified by sectors and therefore involve much higher CO_2e emissions.

The portfolio of ship mortgage bonds in the proprietary portfolio is not included in the calculation because of a lack of data. We expect to be able to include these data in our next Impact Analysis. We expect that future Impact Analyses will show relatively high calculated CO_2e emission intensity from any ship mortgage bonds included.

Qualification and identification of opportunities (scale & intensity/salience of impact)

Lending
With a view to qualifying the CO_2e emissions numbers shown in table 3 above, we have taken a closer look at two of the industries in Spar Nord's loan portfolio that on average involve the highest CO_2e emissions[17].

In fact, a further breakdown of the underlying data appears to indicate that the financing provided by Spar Nord to its business customers involve lower average CO_2e emissions than the average for the aggregated industries. However, this may change in both a positive and a negative direction as we gradually gain more insights into business customers' actual emissions numbers to replace average figures.

Trade and transport
For example, Spar Nord's highest emitting industry group, Trade and transport, may be divided into the sub-industries Wholesale and retail trade; Repair of motor vehicles and motorcycles; Transportation and storage and Accommodation and food service activities.

Table 5:
Breakdown of the industry "Trade and transport, total"

Trade and transport, total	Business volume (DKKm)	Share of business volume	Emission intensity (tonnes per million kroner)	Emissions Spar Nord (1,000 tonnes CO_2e)
Wholesale and retail trade and repair of motor vehicles and motorcycles	3,484	58%	1.3	5
Transport and storage	1,840	31%	91.7	169
Accommodation and food service activities	641	11%	2.0	1
Total	**5,965**	**100%**	**29.3**	**175**

Close to 70% of the Bank's financing within the entire Trade and transport industry group concerns sub-industries other than Transportation and storage, which overall is the sub-industry with the most CO_2e emissions. If we estimate emission intensity for the Transportation and storage sub-industry using the same methods as for the industry groups[18], Spar Nords total emissions will decrease from about 200,000 tonnes to about 175,000 tonnes, and the emission intensity will drop by just under 4 tonnes per million kroner to around 29 tonnes per million kroner for the industry as a whole. In addition, Spar Nord only provides financing for shipping to a limited extent and does not provide financing for aviation, both of which are areas involving heavy emissions. This example would indicate that calculating emission intensity based on the overall industry group results in relatively higher calculated CO_2e emissions for Spar Nord than if the industry groups were broken down into sub-industries.

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[17] Based on Statistics Denmark's Greenhouse Gas Accounts 'DRIVHUS2' (data updated on 17.09.2021) and accounting statistics from Statistics Denmark. The breakdown into sub-industries is consistent with the industry hierarchy of Statistics Denmark.

[18] The emission intensity for each individual sub-industry has been calculated in the same way as for the industry groups in table 3, i.e., showing the relationship between the estimated CO_2e emissions in a given sub-industry and the total balance of the sub-industry.

Building and construction
The same applies to the Building and construction industry, in which Spar Nord's overall emissions (see table 3) have been estimated at 21,000 tonnes. Here, the emissions drop to about 19,000 tonnes when estimated on a more granulated basis by breaking down Building and construction into Newbuild, Construction, and Repair and maintenance.

Table 6:
Breakdown of the industry "Building and construction, total"

Building and construction, total	Business volume (DKKm)	Share of business volume	Emission intensity (tonnes per million kroner)	Emissions Spar Nord (1,000 tonnes CO2e)
Newbuild	982	40%	5.8	6
Construction	349	14%	7.7	3
Repair and maintenance	1,136	46%	9.0	10
Total	**2,467**	**100%**	**7.6**	**19**

On the basis of observed average CO2e emissions figures on the Bank's loan portfolio and our efforts to qualify emissions on the two selected industry groups, we will continue to identify opportunities for supporting our business customers in their transition to sustainability. As part of these efforts, we will place special emphasis on qualifying data for the industries and sub-industries in our loan portfolio with the highest CO2e emissions.

Investment
The relatively most significant contributors to CO2e emissions are investments in equities and corporate bonds as part of Spar Nord's asset management activities. Going forward, the continuing focus area in terms of integrating sustainability considerations in the investment strategy, not least the aim of reducing CO2e emissions, must contribute to the goal of reducing emission intensity from investments managed by Spar Nord over time.

We will henceforth focus on sustainability in our customer advisory services. In compliance with legislation, we will be able to identify, by August 2022, our customers' sustainability preferences in terms of investment when we provide face-to-face or digital investment advice.

Furthermore, we expect that data insights regarding CO2e emissions relating to the investment area will be improved in coming years, which would enable the Bank to better target its initiatives in areas that yield the greatest effect in terms of reducing emissions.

Future focus areas

Spar Nord will regularly carry out Impact Analyses with a view to identifying relevant impact areas. In case of major changes to the Bank's business model or business volume adjustments, we will prepare/conduct a new analysis.

We expect new impact areas to be qualified as the Bank's data basis is gradually refined and in step with the development of methods and calculation models to include other aspects than climate and, specifically, CO_2e emissions.

Data quality

The data quality underlying the CO_2e estimates calculated in this Impact Analysis is assessed on the basis of a PCAF data quality score, with score 1 expressing high data quality on the basis of exact data, while score 5 expresses estimates calculated on the basis of statistical data. Table 7 shows weighted data scores for the business volume on the share of lending that forms the basis of the analysis.

Table 7:
Data quality, PCAF score

Data quality	Score 1	Score 2	Score 3	Score 4	Score 5	Weighted score
Home loans	0%	0%	50%	35%	15%	3.7
Car loans	0%	0%	0%	100%	0%	4
Business market	0%	0%	0%	0%	100%	5

Overall, the data score shows that the area is immature in terms of data. The data score for investment is not currently available, but we expect to be able to provide a data score for both lending and investment in connection with the next Impact Analysis.

In this first Impact Analysis, we have focused on creating insights and transparency in order to identify our improvement potential. Going forward, Spar Nord will therefore place special emphasis on increasing the share of company-specific data with a view to producing more precise estimates and, by extension, higher data quality.

Contact

For further information about Spar Nords' Impact Analysis, please contact ESG Officer Ninna Holch on ntr@sparnord.dk.

For more details on Spar Nord's ESG work go to sparnord.dk/esg.