



**Focusing on climate and CO₂e
footprint from lending and
investment activities**

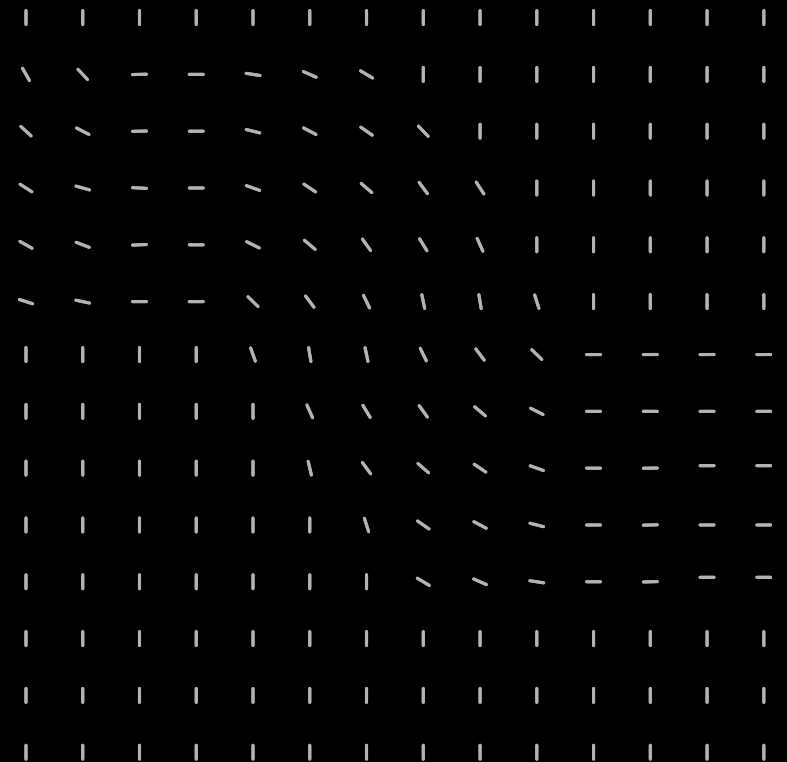
Contents

Summary3
Background.....4
 Impact Analysis – step by step4

Impact Analysis, part 15
 Spar Nord's principal activities (scope)5
 Identifying Spar Nord's business volume (scale of exposure)5
 Identifying impact areas.....6
 Context & relevance.....7

Impact Analysis, part 28
 Analysis of climate as a significant impact area.....8
 Business volume for climate as an impact area.....8
 Estimated CO2e emissions.....10
 Qualification and identification of impact areas (scale & intensity/salience of impact)15

Future focus areas16
 Data quality16
 Contact16



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 the calculation of CO₂e emissions for lending and investment activities. On the basis of the mapping of Spar Nord's business activities, we have identified the climate as a significant impact area. This Impact Analysis should be read in conjunction with the 2021 Impact Analysis.

The 2022 Impact Analysis is based on business activities of DKK 107.0 billion compared to DKK 103.4 billion in 2021. Total estimated CO₂e emissions in 2022 amounted to 646,000 tonnes compared to 716,000 tonnes in 2021, or a reduction of about 10%. In the Impact Analysis 2022, 52% of CO₂e emissions relate to lending and 48% to investment. The CO₂e emissions from financed and invested business activities should be considered as part of Spar Nord's scope 3 emissions, cf. the Greenhouse Gas Protocol.

Business lending accounts for 46% of total emissions. The principal contributors to emissions are business loans to Transport, Agriculture and Industry. Retail lending accounts for 6% of total CO₂e emissions, with car loans accounting for a larger proportion of CO₂e emissions than home loans. However, the CO₂e footprint from car loans dropped from 20.7 tonnes per DKK million in 2021 to 14.9 tonnes per DKK million in 2022. One reason for this is that Spar Nord launched dedicated loans for electric and plug-in hybrid cars in January 2022, which, based on the calculations, shifted part of the lending from fossil fuels to vehicles with lower CO₂e emissions.

Spar Nord's investment activities account for 48% of total CO₂e emissions, with especially equity and corporate bond portfolios accounting for a significant proportion of emissions. By contrast, Danish mortgage bonds, which involve fairly low CO₂e emissions, account for a relatively large proportion of the Bank's proprietary portfolio.

The Impact Analysis 2022 shows that the data currently available to the Bank does not enable a precise calculation of the full CO₂e emissions. However, based on the methods of calculation used, the estimates show an overall reduction of about 10% in CO₂e emissions and about 13% in the CO₂e footprint from 2021 to 2022. Likewise, there was a slight improvement in the data quality score from 2021 to 2022. However, there has been a slight improvement in the data quality, which reflects Spar Nord's energy-friendly car loans and that it has been possible to report data quality scores on investments.

Spar Nord monitors the effort to expand and improve the data quality and the calculation principles of the sector and regularly adapts its practice to the most recent methods. The ambition is to achieve a more appropriate estimation and calculation of Spar Nord's total 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 context. Spar Nord is therefore a signatory to the UN Principles for Responsible Banking (UN PRB), the UN Global Compact and the UN Principles for Responsible Investment (UN PRI). 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 Report on sustainability and social responsibility (ESG Report) via the template for Reporting and Self-assessment.

In connection with the presentation of the annual report, the Bank publishes an ESG report, which is available on the Bank's website at sparnord.dk/esg.

Impact Analysis – step by step

Spar Nord is an engaged bank. We therefore have a duty to contribute to 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, and both positively and negatively.

By preparing an Impact Analysis, we are able to identify and prioritise the most important impact areas related to the Bank's operations and business model. As such, the analysis provides us with insight 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 follows 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 tools¹, 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.

¹ <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-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 and is considered a systemically important bank. We carry on banking activities within the borders of Denmark.

Spar Nord caters for retail and business customers who are served by 1,628 employees and 60 local banks (branches) supported by the Bank's head office. In other words, we are both a local and a national bank.

Spar Nord offers relevant 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 is based on strong customer relations. We believe that relations and business are best created through local presence and decentralised decision-making. Therefore, the Bank bases its business on the local-bank model in which the core is local autonomy combined with an effective central control room.

The local-bank model is inspired by the franchise concept, in which strongly anchored local ownership and responsibility for own operations are the driver of customer value and business volume. The local-bank model supports local autonomy to set the team and nurture the marketplace using initiatives and marketing.

External autonomy towards customers and relations are combined with an internal effective central control room. Therefore, a uniform approach to underlying systems, processes and business procedures helps release time for customers and ensures quality in centrally managed areas such as credit, IT, money laundering and GDPR.

² <https://media.sparnord.dk/dk/omsparnord/csr/impact-analyse-2021.pdf>

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 and in connection with the Impact Analysis 2021², we used the UN's impact analysis tool³ to prepare 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 tool and calculation methods, we expect to be able to qualify our Impact Analysis further in the future, including by regularly adding more impact areas in our analysis.

³ <https://www.unepfi.org/impact/unep-fi-impact-analysis-tools/portfolio-tool>

Identifying impact areas

As described above, we have used the UN's impact analysis tool 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 tool also provides insight 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, also known as double materiality.

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 previous work with the UN's impact analysis tool⁴ for both lending and investment, we identified climate as the first significant impact area which we intend to work with and analyse further. We also identified waste as a significant negative impact area. The most significant positive impact areas were climate, waste and resources efficiency.

In 2021, we chose to work further with climate as an important negative impact area as Spar Nord's core activities involve the financing of cars, owner-occupied dwellings, residential rental units, agriculture and transport, etc., which are all activities emitting extensive volumes of CO₂e. Based on an assumption that the Bank's principal activities are unchanged from 2021 and that climate therefore remains the most significant impact area, we have decided to focus on and qualify the work with climate as an impact area in the Impact Analysis 2022. For future Impact Analyses, our ambition is to explore and analyse more significant impact areas.

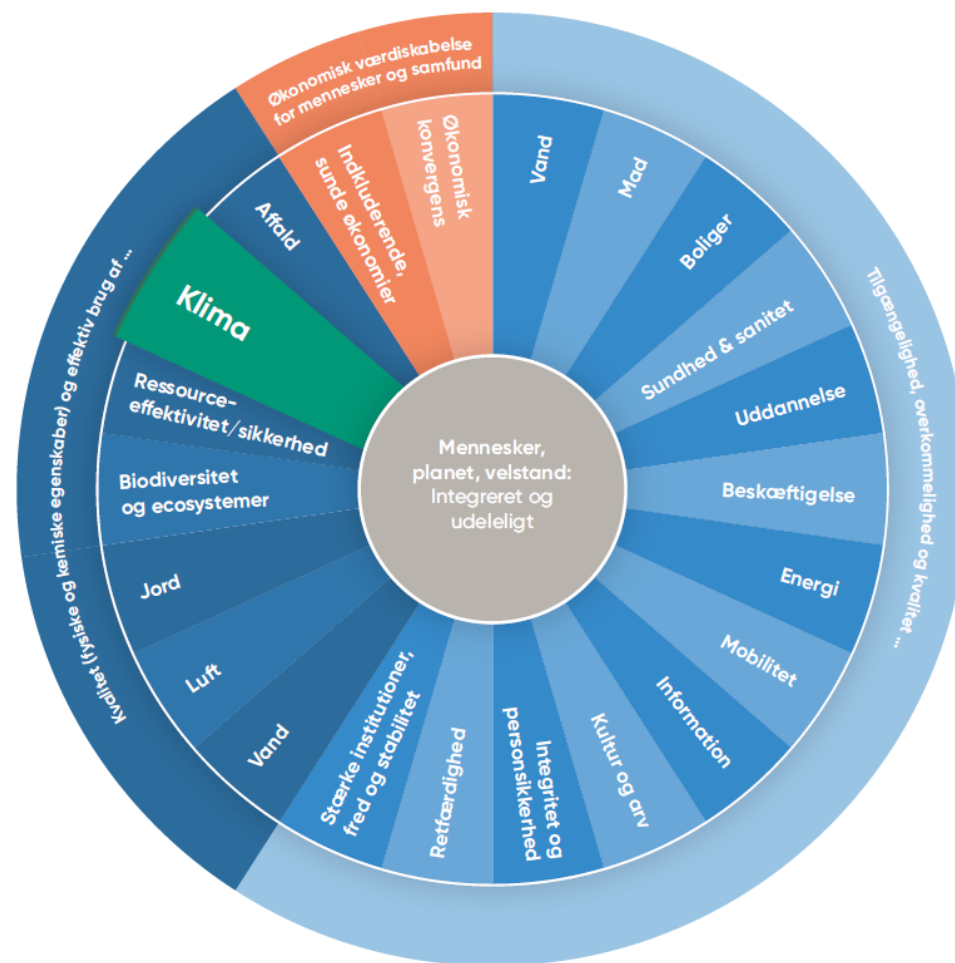


Figure 1: UNEP FI impact radar

⁴ See <https://media.sparnord.dk/dk/omsparnord/csr/impact-analyse-2021.pdf>

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 obviously have a global reach.

Spar Nord's chosen impact area is directly related to the Danish sustainability agenda thereby complying with Denmark's climate legislation targeting a 70% reduction of greenhouse gas emissions by 2030 (against 1990 levels) 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. The initiatives of the climate partnership for the financial sector include recommendations on how to establish a common method for calculating CO2e emissions⁶ as well as preparation of action plans and specific CO2e reduction targets for investments and loans.

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 analysis, which has contributed to the preparation of the Bank's action plans and CO2e reduction target.



⁵ <https://www.retsinformation.dk/eli/ta/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 activities⁷. 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 methodology⁸, 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 sector⁹, Spar Nord has played an active role in the efforts to interpret Finance Denmark's CO2 model and put it into operation. These efforts have resulted in methods and calculation models which we use in this analysis to calculate emissions from activities invested in and 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) and business customers. The principles are used for Spar Nord's Impact Analysis and are delimited to the core activities of the model, 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 end-2022¹⁰.

⁷ <https://finansdanmark.dk/media/47361/finans-danmark-co2-model.pdf>

⁸ <https://carbonaccountingfinancials.com/standard>

⁹ Including through Finance Denmark, National Banks in Denmark, BEC Financial Technologies, etc.

The business activities included are defined in accordance with Finance Denmark's CO2 model and include extracts from the balance sheet and business activities that are not normally recognised in the balance sheet, for example the proxy concept *Stjerneinvest Fri*.

Table 1:
Business activities included in the Impact Analysis

| | 2022 Billion DKK | 2022 Share in % | 2021 Billion DKK | 2021 Share in % |
|-----------------------|---------------------|--------------------|---------------------|--------------------|
| Lending | 41.9 | 39 | 38.9 | 38 |
| Retail | 12.2 | 11 | 10.8 | 10 |
| Business | 29.6 | 28 | 28.1 | 27 |
| Investment | 65.2 | 61 | 64.5 | 62 |
| Asset management | 39.8 | 37 | 42.3 | 41 |
| Proprietary portfolio | 25.4 | 24 | 22.2 | 21 |
| Total | 107.0 | 100 | 103.4 | 100 |

The business activities included in the analysis of climate as an impact area amounted to DKK 107.0 billion in 2022, with DKK 41.9 billion for lending and DKK 65.2 million for investment, as illustrated in Table 1 above¹¹. In 2021, business activities included in the Impact Analysis amounted to DKK 103.4 billion with largely the same ratio between lending and investment.

In respect of the business activities 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.

¹⁰ <https://www.sparnord.dk/aarsrapport/>

¹¹ Table 1 reflects only the business activities included in the Impact Analysis and therefore cannot be reconciled with Spar Nord's financial reports.

Spar Nord's loan and leasing activities are included in the analysis before write-downs. 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. Nor are reverse transactions part of the business activities included.

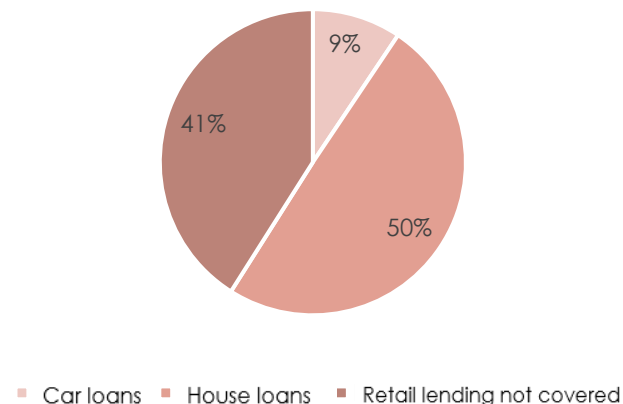
Retail lending includes car and home loans. In 2022, the business activities included for retail customers represented about 59% of the Bank's retail loan portfolio compared to about 56% in 2021. Business lending is defined as loans with a Danish industry code attached (using the nomenclature of Statistics Denmark (DB07), and calculations are made of the CO2e emissions of sectors for which Statistics Denmark provides the data required to estimate the CO2e emissions, cf. Finance Denmark CO2 model. This means that about 82% of the Bank's business loan portfolio is included in the Impact Analysis 2022 compared to about 94% in 2021. The decline reflects changes made in 2022 compared to 2021 in the model for estimating emissions for business loans.¹²

The investment element includes the entire portfolio managed by Spar Nord Asset Management and the Bank's proprietary portfolio.¹³ 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.

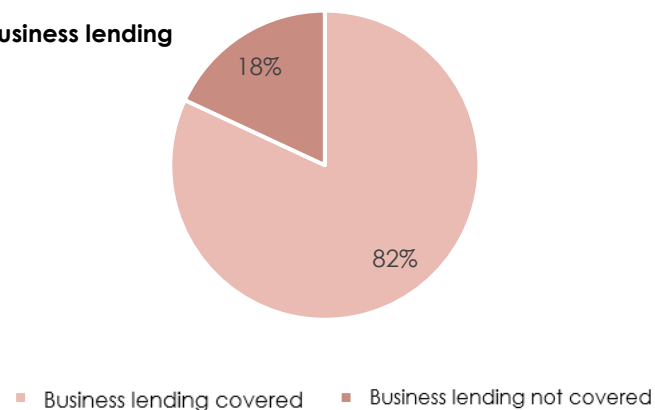
Investments in equities, corporate bonds and Danish mortgage bonds have been included. The calculation of CO2 emissions is based exclusively on securities for which CO2e emission data is available. As these securities are considered to be representative of the remaining securities without available CO2e emission data, total emissions have been estimated on the basis of total business volume.

¹² For more information, see the Business lending section on page 13

Retail lending



Business lending



¹³ According to Finance Denmark's CO2 model, emissions must be calculated exclusive of the trading portfolio.

Data from Refinitiv¹⁴ have been used to estimate emissions for equities and corporate bonds. In respect of trusts, the portfolios have been examined, and the emissions have been calculated as if Spar Nord managed the underlying investments. In cases where no business-specific data or estimated emission data from the data supplier is available, an average has been applied.

In calculating emissions for mortgage bonds, data per capital centre from the mortgage institutions has been used. In cases where no data is available for mortgage bonds, an average has been applied.

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

Estimated CO2e emissions

As appears from Table 2, Spar Nord's CO2e emissions have been estimated to amount to a total of 646,000 tonnes CO2e, broken down by 52% on lending and 48% on investment. This corresponds to a reduction of about 10% compared to CO2e emissions in 2021, which amounted to 716,000 tonnes CO2e. Similarly, the total CO2e footprint was reduced by about 13% and amounted to 6.0 tonnes CO2e per DKK million in 2022 compared to 6.9 tonnes CO2e per million Danish kroner in 2021.

As regards the investment activities, it would be relevant to focus on asset management activities as they account for the largest share of CO2e emissions. As regards lending, business loans account for the largest share of CO2e emissions.

**Table 2:
Business activities and estimated CO2e emissions for lending and investment**

| Business activities included in the Impact Analysis | 2022 Billion DKK | 2022 Share in % | 2021 Billion DKK | 2021 Share in % | Difference in Billion DKK |
|---|---------------------|--------------------|---------------------|--------------------|------------------------------|
| Lending | 41.9 | 39 | 38.9 | 38 | 3.0 |
| Retail | 12.2 | 11 | 10.8 | 10 | 1.4 |
| Business | 29.6 | 28 | 28.1 | 27 | 1.5 |
| Investment | 65.2 | 61 | 64.5 | 62 | 0.7 |
| Asset management | 39.8 | 37 | 42.3 | 41 | -2.5 |
| Proprietary portfolio* | 25.4 | 24 | 22.2 | 21 | 3.2 |
| Total | 107.0 | 100 | 103.4 | 100 | 3.6 |

| Estimated CO2e emissions | 2022 CO2e emissions 1.000 tCO2e | 2022 Share in % | 2021 CO2e emissions 1.000 tCO2e | 2021 Share in % | Difference in CO2e emissions 1.000 tCO2e |
|--------------------------|---------------------------------------|--------------------|---------------------------------------|--------------------|--|
| Lending | 334 | 52 | 367 | 51 | -33 |
| Privat | 39 | 6 | 53 | 7 | -14 |
| Erhverv | 295 | 46 | 314 | 44 | -19 |
| Investment | 312 | 48 | 349 | 49 | -37 |
| Asset management | 219 | 34 | 284 | 40 | -65 |
| Proprietary portfolio* | 93 | 14 | 66 | 9 | 27 |
| Total | 646 | 100 | 716 | 100 | -70 |

| Estimated CO2e footprint | 2022 CO2e footprint tCO2e per million DKK | 2021 CO2e footprint tCO2e per million DKK | Difference in CO2e footprint tCO2e per million DKK |
|--------------------------|---|---|--|
| Lending | 8.0 | 9.4 | -1.5 |
| Retail | 3.2 | 4.9 | -1.7 |
| Business | 10.0 | 11.2 | -1.2 |
| Investment | 4.8 | 5.4 | -0.6 |
| Asset management | 5.5 | 6.7 | -1.2 |
| Proprietary portfolio* | 3.7 | 3.0 | 0.7 |
| Total | 6.0 | 6.9 | -0.9 |

*The extent of the Bank's proprietary portfolio exclusive the trading portfolio is DKK 6.7 billion. The CO2e emission is about 22,000 tonnes and the CO2e footprint is 3.2 tonnes of CO2e per million DKK.

¹⁴ <https://www.refinitiv.com>

Investment

Table 2 shows that total CO₂e emissions related to investments managed by the Bank on behalf of customers through its asset management services amounted to 291,000 tonnes in 2022, which translates into a CO₂e footprint of 5.5 tonnes CO₂e per DKK million invested. As regards the Bank's proprietary portfolio, CO₂e emissions are estimated at 93,000 tonnes, corresponding to a CO₂e footprint of 3.7 tonnes CO₂e per DKK million invested.

The difference in CO₂e footprint between asset management and the proprietary portfolio mainly reflects the proportions of Danish mortgage bonds, equities and corporate bonds. Danish mortgage bonds make up a relatively large proportion of the Bank's proprietary portfolio and typically involve a lower CO₂e footprint than equities, which, on the other hand, account for a relatively large proportion of the Bank's asset management services.

The holding of ship mortgage bonds and government bonds in the proprietary portfolio is not included in the calculations because of a lack of data. Similarly, the holding of funds with properties is not included in the calculations because of a lack of data. Future Impact Analyses will likely show a relatively high estimated CO₂e footprint from any ship mortgage bonds as shipping companies predominantly use fossil fuels. In 2022, ship mortgage bonds amount to approx. 1.1% of the business volume in asset management and approx. 3.5% in the Bank's proprietary portfolio.



Lending

In Table 3, we take a closer look at lending, with retail customers being divided into home loans and car loans, and with business customers being divided into underlying sectors. The CO2e calculations for business lending is made on 84 sub-sectors, cf. the description under 'Business lending'. Table 3 shows the calculations at main sector level (DB07 level) for the sectors covered by the CO2e calculation.

Table 3: Business activities and estimated CO2e emissions for lending

| Business activities included in the Impact Analysen | 2022 | | 2021 | | Difference in Billion DKK |
|---|-------------|------------|-------------|------------|---------------------------|
| | Billion DKK | Share in % | Billion DKK | Share in % | |
| Retail | 12.2 | 29 | 10.8 | 28 | 1.5 |
| Home loans | 10.3 | 25 | 8.9 | 23 | 1.4 |
| Car loans | 1.9 | 5 | 1.9 | 5 | 0.0 |
| Business | 29.6 | 71 | 28.1 | 72 | 1.6 |
| Agriculture, hunting, forestry, fishing | 2.6 | 6 | 2.9 | 7 | -0.3 |
| Industry and raw material extraction | 3.2 | 8 | 2.6 | 7 | 0.6 |
| Energy supply | 2.1 | 5 | 1.7 | 5 | 0.3 |
| Construction | 2.7 | 6 | 2.5 | 6 | 0.2 |
| Trade* | 4.6 | 11 | 3.5 | 9 | 1.1 |
| Transport, hotel og restaurant* | 3.0 | 7 | 2.5 | 6 | 0.5 |
| Information and communication | 0.3 | 1 | 0.3 | 1 | 0.0 |
| Real estate | 7.4 | 18 | 5.8 | 15 | 1.6 |
| Other business sector | 3.9 | 9 | 3.2 | 8 | 0.8 |
| Financial and insurance activities** | - | - | 3.2 | 8 | - |
| Total | 41.9 | 100 | 38.8 | 100 | 3.0 |

*It should be noted that when calculating the CO2e emissions in 2021, the emissions for Trade as well as Transport, hotels and restaurants were calculated as one, and data for 2021 is therefore divided in this table in relation to the 2021 calculation.

**It should be noted that the Impact Analysis for 2021 included the industry "Financing and insurance", which is not included in the Impact Analysis for 2022 due to missing CO2e data.

| Estimated CO2e emissions | 2022 | | 2021 | | Difference in CO2e emissions 1.000 tCO2e |
|---|----------------------------|------------|----------------------------|------------|--|
| | CO2e emissions 1.000 tCO2e | Share in % | CO2e emissions 1.000 tCO2e | Share in % | |
| Retail | 39 | 12 | 53 | 14 | -14 |
| Home loans | 10 | 3 | 13 | 4 | -4 |
| Car loans | 29 | 9 | 40 | 11 | -10 |
| Business | 295 | 88 | 314 | 86 | -19 |
| Agriculture, hunting, forestry, fishing | 60 | 18 | 64 | 18 | -4 |
| Industry and raw material extraction | 35 | 10 | 20 | 5 | 15 |
| Energy supply | 7 | 2 | 3 | 1 | 3 |
| Construction | 18 | 5 | 21 | 6 | -3 |
| Trade* | 10 | 3 | 5 | 1 | 5 |
| Transport, hotel og restaurant* | 159 | 48 | 197 | 54 | -38 |
| Information and communication | 0 | 0 | 0 | 0 | 0 |
| Real estate | 1 | 0 | 1 | 0 | 0 |
| Other business sector | 6 | 2 | 2 | 0 | 5 |
| Financial and insurance activities** | - | - | 0 | 0 | - |
| Total | 334 | 100 | 367 | 100 | -33 |

| Estimated CO2e footprint | 2022 | | 2021 | | Difference in CO2e footprint tCO2e per million DKK |
|---|--------------------------------------|-------------|--------------------------------------|-------------|--|
| | CO2e footprint tCO2e per million DKK | Share in % | CO2e footprint tCO2e per million DKK | Share in % | |
| Retail | 3.2 | 3.2 | 4.9 | 3.2 | -1.7 |
| Home loans | 0.9 | 0.9 | 1.5 | 0.9 | -0.6 |
| Car loans | 14.9 | 14.9 | 20.7 | 14.9 | -5.8 |
| Business | 10.0 | 10.0 | 11.2 | 10.0 | -1.2 |
| Agriculture, hunting, forestry, fishing | 23.2 | 23.2 | 22.2 | 23.2 | 1.1 |
| Industry and raw material extraction | 11.0 | 11.0 | 7.9 | 11.0 | 3.2 |
| Energy supply | 3.2 | 3.2 | 1.9 | 3.2 | 1.2 |
| Construction | 6.7 | 6.7 | 8.4 | 6.7 | -1.7 |
| Trade* | 2.1 | 2.1 | 1.3 | 2.1 | 0.7 |
| Transport, hotel og restaurant* | 53.8 | 53.8 | 79.6 | 53.8 | -25.8 |
| Information and communication | 1.2 | 1.2 | 0.7 | 1.2 | 0.5 |
| Real estate | 0.1 | 0.1 | 0.3 | 0.1 | -0.1 |
| Other business sector | 1.6 | 1.6 | 0.5 | 1.6 | 1.1 |
| Financial and insurance activities** | - | - | 0.0 | - | - |
| Total | 8.0 | 8.0 | 9.4 | 8.0 | -1.5 |

Home loans to retail customers

Spar Nord's business activities relating to home loans to retail customers amount to DKK 10.3 billion, distributed on about 23,000 home loans and credit lines attached to properties. The estimated CO₂e emissions for home loans to retail customers amounted to about 10,000 tonnes, corresponding to a CO₂e footprint of 0.9 tonnes per DKK million. The DKK 10.3 billion granted for home loans in 2022 compared with DKK 8.9 billion in 2021. Meanwhile, CO₂e emissions dropped from 13,000 tonnes CO₂e in 2021 to 10,000 tonnes CO₂e. The CO₂e footprint in 2022 was thus considerably lower than that in the Impact Analysis 2021, which largely reflects improved data. The business activities relating to 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 home loans to retail customers are estimated to be higher than the estimated DKK 10.3 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 included. CO₂e emissions for home loans to retail customers have been estimated on the basis of the energy performance certificate of the individual home, year of construction, 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 activities relating to car loans amounted to about DKK 1.9 billion, distributed on about 13,000 car loans. Business activities relating to car loans also amounted to DKK 1.9 billion in 2021. The estimated CO₂e emissions for car loans amounted to about 29,000 tonnes in 2022, corresponding to a CO₂e footprint of 14.9 tonnes per DKK million, which is a sharp decline from the Impact Analysis 2021 in which the CO₂e footprint was estimated at 20.7 tonnes for car loans. This reflects, among other factors, that Spar Nord launched dedicated loans

for electric and plug-in hybrid cars in January 2022, which shifted part of the Bank's car financing and the relevant registration to loans for electric and plug-in hybrid cars with lower CO₂e emissions. CO₂e emissions for car loans are estimated using a calculation tool made by a joint team under the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) and National Banks in Denmark (LDB) on the basis of Finance Denmark's CO₂ model. The tool estimates CO₂e emissions on the basis of estimated fuel consumption, estimated driving distance and emission factors (Danish Center for Environment and Energy, DCE). The launch of dedicated loans for electric and plug-in hybrid cars in 2022 make it possible to calculate the CO₂e emissions for these loans based on known type of fuel. The calculation of CO₂e emissions for these loans are therefore associated with a higher level of precision (PCAF score 2) than is the case with other car loans with an unspecified fuel type (PCAF score 4).

The business activities relating to car loans included have been identified based on 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 higher than the estimated 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 lending

CO₂e emissions for business loans are estimated using a calculation tool developed by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) and National Banks in Denmark (LDB), which includes an emission intensity for 84 industries based on a Danish sector average for CO₂e emissions and accounting statistics

prepared by Statistics Denmark.¹⁵By comparison, only 11 sectors were included in the calculation tool in 2021, and the estimates in the present Impact Analysis are therefore, all else being equal, associated with a higher level of precision. The CO₂e footprint is the relationship between estimated CO₂e emissions in a given sector and the sector total.

Based on average sector emission figures, Spar Nord's financing of its extensive business lending involves estimated CO₂e emissions of about 295,000 tonnes, equal to a CO₂e footprint of 10.0 tonnes per DKK million.¹⁶The CO₂e footprint of Spar Nord's business lending is slightly lower than in the Impact Analysis 2021, which mainly reflects that the calculations are based on a lower sector level (DB07, sector) than in 2021 (DB07, main sector). By making calculations at a lower sector level, there will be sectors for which the data required for the CO₂e calculations are not available. In 2021, these sectors were included in the calculations on the basis of average calculations at a higher DB07 level. This means that while 94% of the business lending was included in the Impact Analysis 2021, only 82% of the Bank's business lending is included in the Impact Analysis 2022. By basing the calculations on more sectors, the current CO₂e calculations will, all else equal, be associated with a higher level of precision. Business lending not included in the CO₂e calculations essentially relate to 'Public administration', 'Financial and insurance activities' and 'Other business sector' (DB07, main sector).

As business lending accounts for the bulk of Spar Nord's CO₂e emissions, it is an area ideal for engaging in dialogue with customers and collaboration partners with a view to improving the Bank's total CO₂e footprint.

¹⁵ <https://www.statistikbanken.dk/DRIVHUS2> and <https://www.statistikbanken.dk/20107>

¹⁶Data for estimating CO₂e emissions for business loans are for the entire Impact Analysis based on 2020 data from Statistics Denmark.

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

Lending

The Impact Analysis in Table 3 indicates the areas of Spar Nord's loan portfolio that account for the largest CO2e emissions on average.

The calculation shows that car loans to retail customers and loans to Transport, Agriculture and Industry are the business activities that on average and statistically account for the most significant part of the Bank's CO2e emissions relating to lending.

Based on the impact areas identified, Spar Nord has prepared an action plan and CO2e reduction targets for loans, as further described in the Report on sustainability and social responsibility 2022.¹⁷

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.

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

Spar Nord has prepared an action plan and targets for reducing CO2e emissions from investments in equities and corporate bonds as part of Spar Nord's asset management activities. Both initiatives are described in detail in the Report on sustainability and social responsibility 2022.



¹⁷ For more information, see Spar Nord's Report on sustainability and social responsibility 2022 on sparnord.dk/esg.

Future focus areas

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

Selected impact areas are expected to be qualified regularly 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, CO2e emissions.

Data quality

The data quality underlying the CO2e 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 4 shows weighted data scores for the business volume on the share of lending that forms the basis of the analysis.

Overall, the data score shows that the area is still immature in terms of data but also that the data quality is improving. The improved data quality score for lending is driven by an improved data quality for CO2e emissions relating to the Bank's home loans as well as the Bank's energy-friendly car loans which provide specific knowledge about car type. As regards investment, data quality scores are now available.

It is Spar Nord's expectation and a special focus area that the data quality for both retail and business loans will improve in the years to come by increasing the proportion of activity-specific data with a view to producing more precise estimates and exact data and, as a result, a higher data quality. The data quality for investments is expected to improve as companies are forced to report CO2e emission data to a greater extent due to statutory requirements, and such data will, all else equal, be more precise than estimated data.

Table 4:
Data quality, PCAF score

| | 2022 Weighted score | 2021 Weighted score |
|--------------------|------------------------|------------------------|
| Lending | | |
| House loans | 3.5 | 3.7 |
| Car loans | 3.8 | 4.0 |
| Business lending | 5.0 | 5.0 |
| Investment* | | |
| Equities | 1.6 | - |
| Corporate bonds | 1.7 | - |
| Mortgage bonds | 4.4 | - |

* Refinitiv's data-quality model has been applied for equities and corporate bonds. Where mortgage-credit institutions publish information on data quality, the data received from mortgage-credit institutions is used. Where information on data quality is not published by a mortgage-credit institution or for mortgage bonds, the data quality score has been set at 5.

Contact

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See more about Spar Nord's ESG efforts at sparnord.dk/esg.



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