



Focus on climate change
mitigation and financed emissions

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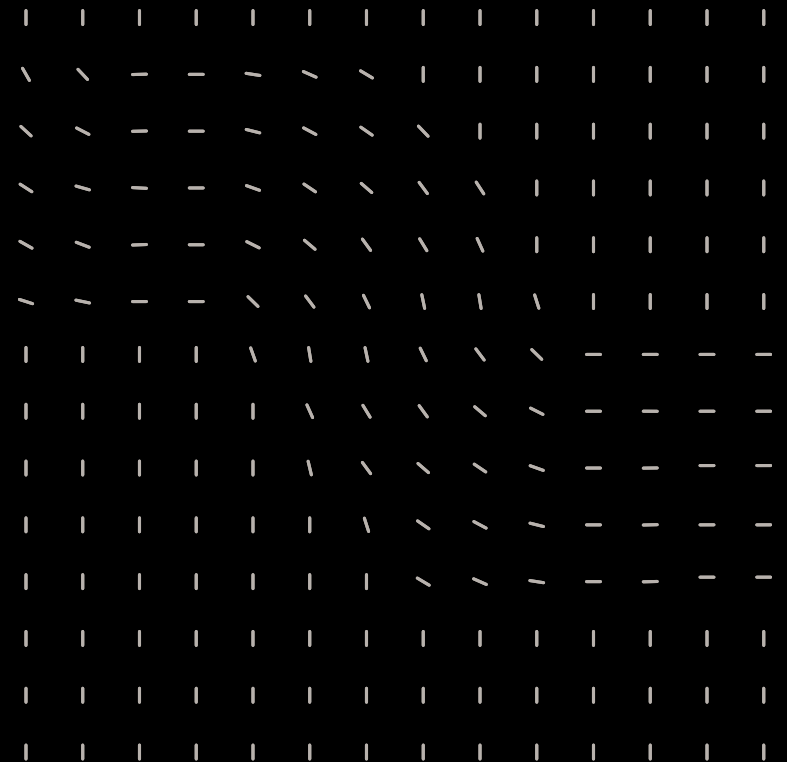
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Summary

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 calculation of financed emissions. In part 1 of the Impact Analysis, Spar Nord applied the Portfolio Impact Analysis Tools for Banks to identify climate change mitigation as the first important impact area for the Bank. Resource-efficiency and circular economy have been identified as the Bank's second important impact area. In part 2 of the Impact Analysis, we have validated the climate change mitigation impact area through calculations of financed emissions from lending and investments. In 2024, we will continue to examine and validate the resource-efficiency and circular economy impact area. This Impact Analysis should be read in conjunction with the Impact Analyses for 2021 and 2022.

The Impact Analysis of climate change mitigation 2023 includes business activities of DKK 122.1 billion compared to DKK 107.0 billion in 2022. The total carbon emissions in 2023 amounted to 735,000 tCO₂e compared to 646,000 tCO₂e in 2022, an increase of approx. 14%. The change is attributable to the increased business volume in the investment area, and that the Bank has included a large part of the investment portfolio in the calculation. In the Impact Analysis 2023, 44% of carbon emissions relate to lending and 56% to investments.

Financed emissions have been estimated at 6.0 tCO₂e per DKK million in 2023, and thus at the same level as in 2022. Financed emissions from lending and investments will be considered as part of the Spar Nord's scope 3 emissions, see the Greenhouse Gas Protocol.

Business lending accounts for 40% of total financed emissions. The principal contributors to carbon emissions are business lending to Transport, Agriculture and Industry. Loans to retail customers account for 5% of total financed emissions. Car loans account for a larger proportion of carbon emissions than home loans. Financed emissions from car loans dropped from 14.9 tCO₂e per DKK million in 2022 to 12.3 tCO₂e per DKK million in 2023. This is because the Bank has increased the percentage of energy-friendly car loans.

Investment activities at Spar Nord account for 56% of total financed emissions. Within this figure, investments made on behalf of customers, i.e. equity and corporate bond portfolios, add to carbon emissions in particular. By contrast, Danish mortgage-credit bonds, which involve fairly low carbon emissions, account for a relatively large proportion of the Bank's proprietary portfolio.

The Impact Analysis 2023 of climate change mitigation shows that the data currently available to the Bank does not make it possible to estimate total financed emissions from the Bank's entire lending and investment portfolios. Overall, the data-quality score in 2023 is at the same level as in 2022.

Spar Nord monitors efforts to expand and improve the data quality and the calculation principles in the sector, and regularly adapts its practice to the most recent methods. Our ambition is to achieve a more appropriate estimate and calculation of Spar Nord's total financed emissions.

Background for the Impact Analysis

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 are 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 use the UN principles and guidelines as the framework for our sustainability initiatives.

Regular reporting on Spar Nord's progress in implementing the UN Principles for Responsible Banking will be through Spar Nord Reporting and Self-assessment, which is published annually in connection with publication of the Bank's financial statements and will always be available on the Bank's website: sparnord.dk/esg

Spar Nord Reporting and Self-Assessment 2023 contains a report from the Bank's auditor.

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 impact and an indirect impact on the 17 UN Sustainable Development Goals, and in both a positive and a negative direction.

By preparing an Impact Analysis based on the volume of the Bank's business activity, we are able to identify and prioritise the most important

impact areas related to the Bank's operations and business model. The analysis provides us with insight into the areas in which the Bank has the most important impact and where performing sustainability-supportive activities will benefit most.

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 Portfolio Impact Analysis Tools for Banks¹, we are able to make a holistic impact assessment of Spar Nord's overall banking operations and identify areas of significant impact associated with the Bank's core activities.

Part 2) involves more detailed analysis of the climate change mitigation impact area in which we have related climate change mitigation 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 climate change mitigation (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

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 conduct banking activities within the borders of Denmark.

Spar Nord caters for retail and business customers who are served by 1,703 employees and 62 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 what we call 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 drive customer value and business volume. The local-bank model supports local autonomy to set the team and process the marketplace with initiatives and marketing.

External autonomy towards customers and relations is combined with an effective internal 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.

Spar Nord's core activities consist of:

- Full-service banking targeting retail customers 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

Holistic analysis of business volume and core activities

First in 2021, and now again in 2023, Spar Nord has applied the Portfolio Impact Analysis Tools for Banks for Consumer Banking and Institutional Banking, respectively, and the Investment Portfolio Impact Analysis Tool to prepare a holistic impact analysis with a view to identifying important areas in which the Bank has a positive or adverse impact on reaching the 17 UN Sustainable Development Goals.

Spar Nord has included the Bank's total loans and deposits as disclosed in the balance sheet for 2023. Lending has been included before impairments and excluding reverse transactions. For Consumer Banking and Institutional Banking, respectively, Spar Nord has included the Bank's total lending portfolio as at 31 March 2023. This breaks down as 37% in retail lending and 63% in business lending, and essentially all of this is located in Denmark.

Business lending breaks down as follows (DB07):

- Real estate (21%)
- Other business (15%)
- Trade (13%)
- Bank, financial, and mortgage-credit activities as well as insurance (11%)
- Industry and minerals extraction (9%)

The above main sectors (DB07) constitute a total of 68% of the Bank's portfolio. The remaining 32% is distributed over a number of other sectors.

Spar Nord has included the investment portfolio as at 30 June 2023 for which the Bank alone is entitled to decide, i.e. investments the Bank undertakes on behalf of customers through capital management services as well as the Bank's proprietary portfolio. The investment portfolio is divided into sectors, and Spar Nord has primarily invested in:

- Bank, financial, and mortgage-credit activities as well as insurance (63%) of which 2/3 constitutes mortgage-credit bonds
- Manufacturing (16%)

Together, the above investments amounted to about 79% . The remaining approx. 21% is spread over other sectors, none of which constitute more than 5%. The investments included cannot be reconciled with the balance sheet, because, portfolios via Stjerneinvest and PM agreements are included in the Portfolio Impact Analysis Tools for Banks.

While focus is often on how a business makes a positive contribution to achieving the goals, the Portfolio Impact Analysis Tools for Banks also provide insight into areas with an adverse 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 an adverse impact on the climate.

In this way, the Bank's actions in relation to an impact area may have both a positive and an adverse effect, also known as double materiality.

Identifying impact areas

With outset in the overall results of input to the Portfolio Impact Analysis Tools for Banks for Consumer Banking, Institutional Banking and Investment, respectively, in 2023 Spar Nord again concluded that the Bank's most important challenges and priorities with respect to sustainable development in Denmark are climate change mitigation, as they were in our first analysis in 2021. Besides this, the following impact areas have been identified as important for the Bank: availability, accessibility, affordability, quality of resources & services, circularity, and resource efficiency & circular economy.

Availability, accessibility, affordability, quality of resources & services has been identified as Spar Nord's largest positive social impact area. This may be because, as a bank, Spar Nord provides financing for customers, which stimulates the economy and increases welfare. On the other hand, access to financing can potentially have an adverse impact on the economy because of the risk of excessive consumption and over-borrowing.

Climate change mitigation as well as resource efficiency & circular economy are the most relevant areas for continued work by Spar Nord due to the combination of potential adverse environmental impacts of our investment and lending exposures. Both areas have high priority politically in the Bank's geographical area of Denmark. Denmark has introduced a Climate Act and published a strategy for circular economy.

Climate change mitigation

We have designated climate change mitigation as our first important impact area, and since 2021 we have calculated estimated financed emissions² from the Bank's lending and investment activities. This is also linked to the fact that Spar Nord's core activities involve the financing of cars, owner-occupied property, residential rental units, agriculture and transport, etc., which are all activities with extensive carbon emissions. Based on an assessment that the Bank's principal activities and impact areas are unchanged in 2023 compared with both 2021 and 2022, we have decided to validate work on climate change mitigation as an impact area in this analysis.

Resource efficiency and circular economy

Spar Nord has decided to focus on resource efficiency and circular economy as our second important impact area. We have done this with special focus on the Bank's lending activities, including loans to production companies, as well as financing retail customer activities in which we indirectly contribute to increasing purchases of goods and services and thus also resource consumption and waste. Furthermore, Spar Nord has sharp focus on recycling and waste separation internally, as well as on supplier behaviour with regard to this, e.g. recycling paper towels, focus on reducing food waste, reduction of printing, as well as reuse and donation of used IT equipment, etc. In 2024, Spar Nord will examine the resource-efficiency and circular economy impact area from the perspective of the Bank, the sector, investors and society. We will do this to gather knowledge and learn more about the area in general, as well as to obtain a more detailed insight into how the Bank affects the area, currently and potentially in the future. On the basis of this process, the Bank's ambition is to define a baseline in order to

² Financed emissions are the Bank's footprint calculated as tonnes CO₂e per DKK million invested and financed.

establish specific SMART goals and thereby influence the impact area in a positive direction.

Context and relevance in relation to the climate change mitigation impact area

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 supporting both the Paris Agreement and the Danish Climate Act, as well as the target of climate neutrality by 2050.³

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. Initiatives by the climate partnership for the financial sector include recommendations on how to establish a common method for calculating financed emissions,⁴ as well as preparation of specific reduction targets and supporting actions for financed emissions from investment activities and lending.

Given Denmark's and the financial sector's focus on reducing carbon emissions, it would seem an obvious choice that, in accordance with the results from input to the Portfolio Impact Analysis Tools for Banks, we address climate change mitigation as the Bank's most important impact area in this analysis. This has been incorporated in preparation of the Bank's reduction targets and supporting actions for financed emissions.

³ <https://www.retsinformation.dk/eli/ta/2021/2580>

⁴ <https://finansdanmark.dk/aktuelle-emner/finanssektorens-klimapartnerskab>

Impact Analysis, part 2

Analysis of climate change mitigation as an important impact area

Spar Nord has opted to apply Finance Denmark's model for carbon footprint for the financial sector as a guideline for calculating financed emissions from the Bank's lending and investment activities.⁵ The model describes a number of basic principles for calculating carbon emissions⁶ and financed emissions. It provides calculation methods for various types of financial activities, including for lending and investment activities. Finance Denmark's model for carbon footprint, which largely builds on the PCAF methodology⁷, was developed with a view to creating comparability and harmonising calculation principles for financial enterprises in Denmark.

Through relevant industry communities and working groups in the sector⁸, Spar Nord has played an active role in efforts to interpret Finance Denmark's model for carbon footprint and put it into operation. These efforts have resulted in methods and calculation models, which we use in this analysis to calculate carbon emissions from activities the Bank invests in and finances.

Finance Denmark's model for carbon footprint sets sector principles for estimating financed emissions for investment activities and lending activities regarding retail customers (home and car) and business customers. The principles are used for Spar Nord's Impact Analysis and are restricted to the core activities of the model, for which we currently have access to data needed to meet the objectives of the analysis.

Business volume for climate change mitigation as an impact area

The analysis of the climate change mitigation impact area was made on the basis of the Bank's business volume calculated from data from the

⁵ https://finansdanmark.dk/media/qlifnasd/co2-model_2023.pdf

⁶ Carbon emissions are estimated CO₂e emissions calculated in tonnes (tCO₂e).

⁷ <https://carbonaccountingfinancials.com/standard>

⁸ Including through Finance Denmark, National Banks in Denmark and BEC Financial Technologies.

end of 2023.⁹ The business activities included are defined pursuant to Finance Denmark's model for carbon footprint 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

	2023	2023	2022	2022	2021	2021
	Billion DKK	Share in %	Billion DKK	Share in %	Billion DKK	Share in %
Lending	43.1	35	41.9	39	38.9	38
Retail	13.5	11	12.2	11	10.8	10
Business	29.6	24	29.6	28	28.1	27
Investment	79.0	65	65.2	61	64.5	62
Asset management	43.5	36	39.8	37	42.3	41
Proprietary portfolio	35.4	29	25.4	24	22.2	21
Total	122.1	100	107.0	100	103.4	100

The business activities included in the analysis of climate change mitigation as an impact area amounted to DKK 122.1 billion in 2023, with DKK 43.1 billion for lending and DKK 79.0 billion for investment activities, as illustrated in Table 1 above¹⁰. In 2022, business activities included in the Impact Analysis amounted to DKK 107.0 billion with largely the same ratio between lending and investment activities.

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 adverse impacts and strengthen positive impacts.

⁹ <https://www.sparnord.dk/aarsrapport/>

¹⁰ 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 focus on retail lending (home and car loans) and business lending (calculated by industry codes) and investments (asset management and proprietary portfolio) is consistent with the guidelines and recommendations issued by Finance Denmark.

Spar Nord Bank's lending and leasing activities have been 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.

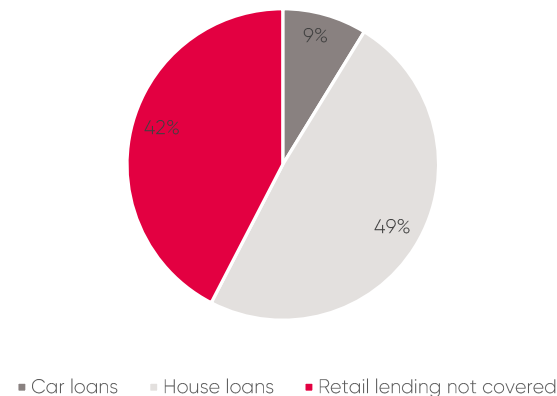
Lending to retail customers includes car and home loans. In 2023, the business activities included for retail customers represented approx. 58% of the Bank's retail loan portfolio compared to approx. 59% in 2022. Business lending is defined as loans with a Danish industry code attached (using the nomenclature of Statistics Denmark (DB07)), and carbon emissions are calculated for the sectors for which Statistics Denmark provides the data required for estimation, see Finance Denmark's model for carbon footprint. This means that about 83% of the Bank's business loan portfolio in 2023 is included in the Impact Analysis, compared to about 82% in 2022.

Investments include the total portfolio managed by Spar Nord Asset Management as well as all the Bank's proprietary portfolio.¹¹ The total portfolio managed by Spar Nord Asset Management includes funds invested through investment associations such as BankInvest and ValueInvest. Customers' own investments and investments included in Spar Nord advisory agreements are not included in the business volume.

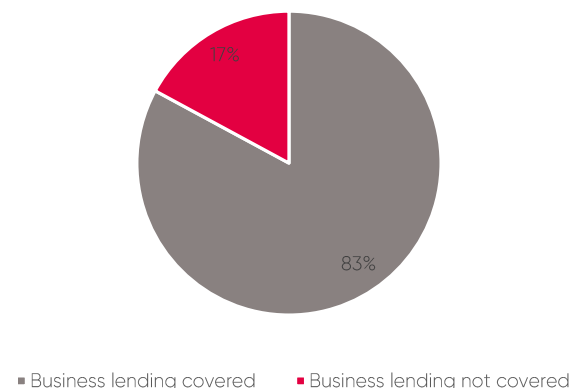
Investments in equities, corporate bonds and Danish mortgage-credit bonds have been included. The calculation of carbon emissions is based exclusively on securities for which data is available. These securities are considered to be representative of the remaining securities without available data.

¹¹ According to Finance Denmark's model for carbon footprint, however, carbon emissions must be calculated exclusive of the trading portfolio.

Retail lending



Business lending



Data from MSCI¹² has been used to estimate financed emissions for equities, corporate bonds and funds.¹³In cases where no company-specific data or estimated carbon emissions data from the data supplier is available, an average has been applied at total level, or at sector level if there is an adequate data basis. This also applies for ship mortgage-credit bonds.

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

Estimated financed emissions

As appears from Table 2, Spar Nord's total carbon emissions have been estimated to amount to 735,000 tCO₂e, broken down as 44% on lending and 56% on investments. This corresponds to an increase of approx. 14% compared to total carbon emissions in 2022, which amounted to 646,000 tCO₂e. The change is attributable to the increased business volume in the investment area, and because the Bank has included a large part of the investment portfolio in the calculation. The total financed emissions have been calculated in tCO₂e per DKK million and in have been estimated at 6.0 for 2023, which is the same as in 2022.

With respect to investment activities, asset management activities account for the largest share of carbon emissions. With respect to lending, business loans account for the largest share of carbon emissions.

Table 2:
Business activities and estimated financed emissions from lending and investment activities

Business activities included in the Impact Analysis	2023		2022		2021	
	Billion DKK	Share in %	Billion DKK	Share in %	Billion DKK	Share in %
Lending	43.1	35	41.9	39	38.9	38
Retail	13.5	11	12.2	11	10.8	10
Business	29.6	24	29.6	28	28.1	27
Investment	79.0	65	65.2	61	64.5	62
Asset management	43.5	36	39.8	37	42.3	41
Proprietary portfolio	35.4	29	25.4	24	22.2	21
Total	122.1	100	107.0	100	103.4	100

Carbon emissions	2023		2022		2021	
	1000 tCO ₂ e	Share in %	1000 tCO ₂ e	Share in %	1000 tCO ₂ e	Share in %
Lending	326	44	334	52	367	51
Retail	34	5	39	6	53	7
Business	292	40	295	46	314	44
Investment	409	56	312	48	349	49
Asset management	279	38	219	34	284	40
Proprietary portfolio	130	18	93	14	66	9
Total	735	100	646	100	716	100

Financed emissions	2023		2022		2021	
	tCO ₂ e per million DKK	tCO ₂ e per million DKK	tCO ₂ e per million DKK	tCO ₂ e per million DKK	tCO ₂ e per million DKK	tCO ₂ e per million DKK
Lending	7.6	8.0	9.4			
Retail	2.5	3.2	4.9			
Business	9.9	10.0	11.2			
Investment	5.2	4.8	5.4			
Asset management	6.4	5.5	6.7			
Proprietary portfolio	3.7	3.7	3.0			
Total	6.0	6.0	6.9			

¹² <https://www.msci.com>

¹³ The data source has been changed from Refinitiv to MSCI. We have assessed that this, combined with modified normalisation principles, means a marginal increase in the percentage of financed emissions from investments.

Investment

Table 2 shows that carbon emissions related to investments managed by the Bank on behalf of customers through its asset management services amounted to 279,000 tCO₂e in 2023. Thus, financed emissions from investment activities on behalf of customers amounted to 6.4 tCO₂e per DKK million invested. As regards the Bank's proprietary portfolio, carbon emissions are estimated at 130,000 tCO₂e, corresponding to financed emissions of 3.7 tCO₂e per DKK million invested.

The most important explanation for the increase in carbon emissions for the proprietary portfolio in 2023 compared with 2022 is greater business volume and that the Bank has included a larger percentage of the portfolio in the calculation.

The increase in financed emissions from investments on behalf of customers in 2023 compared with 2022 is because market values generally increased in 2023. The trend also shows a slight increase overall. Financed emissions from investments in equities generally fell over the period, while investments in corporate bonds show a relatively large increase in the level. The increase in financed emissions from corporate bonds is partly due to a larger percentage of high-yield and emerging-markets corporate bonds in 2023 than in 2022. Carbon emissions from these types of bonds are usually larger than for Danish mortgage-credit bonds or investment-grade corporate bonds, for example.

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

The holding of government bonds is not included in the calculations because of a lack of data. The portfolio of ship mortgage bonds is included on the basis of an average. It is expected that financed emissions from any ship mortgage bonds will probably be relatively high,

as shipping companies predominantly use fossil fuels. In 2023, ship mortgage bonds amounted to approx. 0.4% of the business volume in asset management and approx. 2.9% in the proprietary portfolio.



Lending

In Table 3, we take a closer look at lending, with retail customers divided into home loans and car loans, and with business customers divided into underlying sectors. Calculations of carbon emissions for business lending have been made on 84 sub-sectors, see the description under 'Business lending'. Table 3 shows the calculations at main sector level (DB07 level) for the sectors covered by the calculation of carbon emissions.

Table 3: Business activities and estimated financed emissions from lending

Business activities included in the Impact Analysen	2023		2022		2021	
	Billion DKK	Share in %	Billion DKK	Share in %	Billion DKK	Share in %
Retail	13.5	31	12.2	29	10.8	28
Home loans	11.4	27	10.3	25	8.9	23
Car loans	2.1	5	1.9	5	1.9	5
Business	29.6	69	29.6	71	28.1	72
Agriculture, hunting, forestry, fishing	2.4	6	2.6	6	2.9	7
Industry and raw material extraction	3.0	7	3.2	8	2.6	7
Energy supply	1.7	4	2.1	5	1.7	5
Construction	2.7	6	2.7	6	2.5	6
Trade*	4.2	10	4.6	11	3.5	9
Transport, hotel and restaurant*	3.0	7	3.0	7	2.5	6
Information and communication	0.3	1	0.3	1	0.3	1
Real estate	7.8	18	7.4	18	5.8	15
Other business sector	4.5	10	3.9	9	6.3	16
Total	43.1	100	41.9	100	38.8	100

Carbon emissions	2023		2022		2021	
	1000 tCO2e	Share in %	1000 tCO2e	Share in %	1000 tCO2e	Share in %
Retail	34	10	39	12	53	14
Home loans	9	3	10	3	13	4
Car loans	25	8	29	9	40	11
Business	292	90	295	88	314	86
Agriculture, hunting, forestry, fishing	61	19	60	18	64	18
Industry and raw material extraction	37	11	35	10	20	5
Energy supply	5	2	7	2	3	1
Construction	19	6	18	5	21	6
Trade*	9	3	10	3	5	1
Transport, hotel and restaurant*	153	47	159	48	197	54
Information and communication	0	0	0	0	0	0
Real estate	1	0	1	0	1	0
Other business sector	6	2	6	2	2	0
Total	326	100	334	100	367	100

Financed emissions	2023		2022		2021	
	tCO2e per million DKK	tCO2e per million DKK	tCO2e per million DKK	tCO2e per million DKK	tCO2e per million DKK	tCO2e per million DKK
Retail	2.5	3.2	4.9			
Home loans	0.8	0.9	1.5			
Car loans	12.3	14.9	20.7			
Business	9.9	10.0	11.2			
Agriculture, hunting, forestry, fishing	24.9	23.2	22.2			
Industry and raw material extraction	12.4	11.0	7.9			
Energy supply	3.0	3.2	1.9			
Construction	7.0	6.7	8.4			
Trade*	2.1	2.1	1.3			
Transport, hotel and restaurant*	51.7	53.8	79.6			
Information and communication	1.3	1.2	0.7			
Real estate	0.1	0.1	0.3			
Other business sector	1.4	1.6	0.3			
Total	7.6	8.0	9.4			

*Note that in the calculation of carbon emissions in 2021, emissions for Trade and Transport, hotels and restaurants, were calculated together, and data for 2021 in the table is therefore broken down in proportion to the 2021 figures.
 **Note that the Impact Analysis for 2021 included the sector Financing and insurance, which is not included in the Impact Analysis for 2023 because of a lack of CO2e data.

Home loans to retail customers

Spar Nord's business activities relating to home loans to retail customers amount to DKK 11.4 billion in 2023, spread over approx. 21,500 home loans and credit lines attached to properties. The estimated carbon emissions for home loans to retail customers amounted to approx. 8,700 tCO₂e, corresponding to financed emissions of 0.8 tCO₂e per DKK million. The DKK 11.4 billion in home loans in 2023 compares with DKK 10.3 billion in 2022. At the same time, carbon emissions dropped to 8,700 tCO₂e from 10,000 tCO₂e in 2022. Thus, financed emissions from lending in 2023 were lower than in the Impact Analysis for 2022, which largely reflects improved data. The business activities relating to home loans to retail customers have 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 11.4 billion, as home financing may take place through an ordinary overdraft facility, for example, in which case the financing is not registered as one of the home loan product types included. Carbon emissions from 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 an estimate calculated by Totalkredit.

Car loans to retail customers

Spar Nord's business activities relating to car loans amounted to approx. DKK 2.1 billion spread over about 12,400 car loans. Business activities relating to car loans amounted to DKK 1.9 billion in 2022. Carbon emissions from car loans have been estimated in 2023 at approx. 25,000 tCO₂e, corresponding to financed emissions of 12.3 tCO₂e per DKK mill. This is a significant drop in relation to the calculation in the Impact Analysis for 2022, where financed emissions from car loans amounted to 14.9 tCO₂e per DKK mill. The drop is primarily because many car loans set up in 2023 were for cars with far lower emissions than car loans for

conventional petrol and diesel cars. Furthermore, a number of car loans for either petrol or diesel cars were repaid during the period.

Carbon emissions from car loans are estimated using a calculation tool developed by a joint team under the National Banks in Denmark (LDB) on the basis of Finance Denmark's model for carbon footprint. The tool estimates carbon 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 2023 makes it possible to calculate the carbon emissions for these loans based on known types of fuel. The calculations of carbon 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 on the basis of the Bank's loans and advances recorded 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 2.1 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 included.

Business lending

Carbon emissions from business lending are estimated using a calculation tool developed by a joint team under the National Banks in Denmark (LDB) which includes data for 84 sectors based on an average of the Danish sectors for carbon emissions and accounting statistics from Statistics Denmark.¹⁴

Based on average sector emission figures, Spar Nord's financing of its extensive business lending involves estimated carbon emissions of about 292,000 tCO₂e, corresponding to financed emissions of 9.9 tCO₂e per DKK million lent.¹⁵ In 2023 approx. 83% of business lending has been

¹⁴ <https://www.statistikbanken.dk/DRIVHUS2> and <https://www.statistikbanken.dk/20107>

¹⁵ Data for estimating carbon emissions for business lending is based on 2021 data from Statistics Denmark.

included in the Impact Analysis, while in 2022, 82% of Bank's business lending was included in the Impact Analysis.

Business loans not included in the calculations are essentially related to 'Public administration', 'Financial and insurance activities' and 'Other business' (DB07).

Business lending accounts for a considerable amount of Spar Nord's financed emissions, and it is an area in which we can engage in dialogue with customers and collaboration partners to seek to reduce emissions from lending.

Qualification and identification of impact areas

Lending

The calculation in tabel 3 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 largest part of the Bank's carbon emissions relating to lending.

Spar Nord's energy-friendly car loans offers attractive interest rates on loans for electric and plug-in hybrid cars. Spar Nord's energy-friendly home loans offer an attractive rate of interest on financing energy renovation and energy optimisation in the home for retail customers, including energy-efficient heating sources.

With outset in the climate change impact area, we have also defined the following SMART target:

- By 2025, 80% of all new loans to finance cars are to be for electric or plug-in hybrid vehicles.

In general, Spar Nord has also defined the following reduction targets for lending activities:

- Reduce financed emissions from lending by 20% in 2025 compared with the 2021 baseline.

- Reduce financed emissions from lending by 45% in 2030 compared with the 2021 baseline.

Based on the impact opportunities identified, Spar Nord has prepared targets and supporting actions for reducing financed emissions from lending¹⁶. Spar Nord's climate actions can be accessed via the Bank's website at sparnord.dk/esg.

Investment

The relatively most significant contributors to carbon emissions are investments in equities and corporate bonds as part of Spar Nord's asset management services. Going forward, we will continue to focus on integrating sustainability considerations into the investment strategy by reducing carbon emissions and contributing to the objective of reducing financed emissions from investments handled by Spar Nord over time.

We expect that data insights regarding carbon 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 defined the following reduction targets for investment activities:

- Reduction of financed emissions from investments in shares and corporate bonds made on behalf of customers by 30% in 2025 and 60% in 2030 compared to the 2020 baseline.

Spar Nord has prepared targets and supporting actions for reducing financed emissions from investments in equities and corporate bonds in Spar Nord Asset Management. Spar Nord's climate actions can be accessed via the Bank's website at sparnord.dk/esg.

¹⁶ See Spar Nord's climate actions on sparnord.dk/esg.

Future focus areas

Spar Nord will regularly update and validate the Impact Analysis of climate change mitigation. In the event of major changes to the Bank's business model or adjustments of its business activities, we will prepare a new analysis of business volume based on the Portfolio Impact Analysis Tools for Banks with a view to identifying any new and relevant impact areas.

The resource-efficiency and circular economy impact area is also expected to be validated further 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, carbon emissions.

The Impact Analysis 2023 of climate change mitigation shows that the data currently available to the Bank does not make it possible to estimate total financed emissions from the Bank's entire lending and investment portfolios. Overall, the data-quality score in 2023 is at the same level as in 2022.

Spar Nord monitors efforts to expand and improve the data quality and the calculation principles in the sector, and regularly adapts its practice to the most recent methods. Our ambition is to achieve a more appropriate estimate and calculation of Spar Nord's total financed emissions.

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

Data quality

The data quality underlying the estimates calculated in this Impact Analysis for climate change mitigation has been 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 the weighted data score of the business volume for the proportion of lending that forms the basis of the analysis and similarly for investments.

Table 4:
Data quality, PCAF score

Weighted score	2023	2022	2021
Lending			
House loans	3.6	3.5	3.7
Car loans	3.5	3.8	4.0
Business lending	5.0	5.0	5.0
Investment*			
Equities	2.1	1.6	-
Corporate bonds	2.2	1.7	-
Mortgage bonds	4.3	4.4	-

* MSCI'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. If information on data quality is not published by a mortgage-credit institution, the data quality score has been set at 5.



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

The Impact Analysis has been prepared in a Danish and an English version. In case of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.