

# Impact analysis for Sparebanken Møre 2023



## Summary

In 2019, the United Nations Environment Programme for the Financial Sector (UNEP-FI) launched the Principles for Responsible Banking (PRB). Sparebanken Møre endorsed the principles in October 2019 and works purposefully to integrate sustainability in all its business areas. In line with PRB, Sparebanken Møre has conducted an impact analysis based on data as of 31.12.2022 using UNEP FI's "Portfolio Impact Analysis Tool" version 3 with the aim of revealing its positive and negative influences.

The analysis showed that Sparebanken Møre can have a positive and negative impact in the following areas:

- Access to financial products and services (Financial inclusion)
- Circularity
- Climatic stability
- Biodiversity and ecosystems
- Socio-economic differences

The results are in line with the impact revealed in other analyses conducted by the Bank and will be incorporated into the Bank's further sustainability strategy work. Climate and Financial inclusion are regarded as areas where the Bank has a significant influence and will be discussed in particular in the analysis.

## Introduction (purpose and purpose)

Sparebanken Møre is a regional savings bank with jurisdiction in Norway, mainly in Northwestern Norway. The Group is a total supplier of financial services in the areas of financing, deposits and investments, payment services, financial advice, asset management, insurance intermediation and real estate. Sparebanken Møre is available to its customers through both digital channels and physical local offices. Our largest business areas are lending to the private and corporate sectors, as well as financing and investments.

The United Nations Environment Programme (UNEP) has a partnership with the financial sector called the United Nations Environment Programme – Finance Initiative (UNEP – FI). The programme consists of six principles (Principles of Responsible Banking, PRB) that aim to enable the banking industry to take a leadership role on the path towards achieving the Sustainable Development Goals and fulfilling the Paris Agreement. The six principles are briefly summarized:

**Principle 1 - Adaptation:** The Bank's business strategy must be adapted so that it is consistent with the needs of individuals and society's overall goals, in line with the UN Sustainable Development Goals, the Paris Agreement and relevant national frameworks.

**Principle 2 - Impact and objective:** The Bank shall work to increase its positive impact and reduce its negative impact on people, climate and the environment as a result of its activities, products and services. To achieve this, the Bank must set and publish concrete targets in the areas that have the greatest positive and negative impact.

**Principle 3 - Customers:** Banks must encourage their customers to make sustainable choices and enable activities that create prosperity for both current and future generations.

**Principle 4 - Stakeholders:** The Bank must proactively collaborate with stakeholders to achieve society's overall goals.

**Principle 5 - Governance and culture:** To achieve its goals for responsible and sustainable banking, the bank must implement effective governance tools and a culture of sustainable business.

**Principle 6 - Transparency and accountability:** The Bank must periodically review its individual and joint implementation of these six principles and account for its positive and negative impact on society's overall goals.

Sparebanken Møre endorsed UNEP-FI's "Principles for Responsible Banking" in October 2019. By endorsing the principles, the Bank also undertakes to perform specific tasks that contribute to continuous improvement of the Bank's impact.

One of the tasks is to conduct an impact analysis. The impact analysis helps us identify the positive and negative impacts the bank has on the UN's 17 sustainability goals through its chosen business model.

This is Sparebanken Møre's first report from its impact analysis. Lending to the private and corporate sectors constitutes the largest part of Sparebanken Møre's business model and forms the basis for the analysis.

The results of this impact analysis, as well as our stakeholder dialogue and materiality analysis, help shape the bank's sustainability strategy.

## Conducting the analysis

### Tool

The impact analysis was conducted using UNEP-FI's module-based analysis tool for banks' portfolios, version 3.

The tool is divided into three parts, where the Bank's scope is first mapped with regard to geography, products and services. An overview of the portfolio composition for retail markets and businesses is then provided, and the tool identifies related positive and negative influences to the portfolio composition. When the Bank's most significant areas of influence have been defined, the last part of the analysis is an assessment of the Bank's practices in the areas of influence. The assessment provides a basis for setting targets and action plans to ensure reduction of negative impact and reinforcement of the bank's positive impact based on the country in which we operate and the size of the portfolio for the various products and services covered by the analysis. Use of the tool is optional, and Sparebanken Møre has used module 1 "Context" and module 2 "Identification" in its work.

The analysis tool has some weaknesses that affect the result and is therefore commented on here. The tool provides a general assessment of typical impacts for the industries and customer groups within which the Bank finances and offers products. It is not a detailed mapping of our customers. This may mean that there are areas where the Bank has more positive/negative influence, but which are not reflected in this analysis. We therefore view the results of this analysis as a supplement to our stakeholder dialogue and materiality analysis to cover a wider range of the Bank's influences.

The tool is a global tool with global sources, and parts of the tool are therefore not tailored to Norwegian conditions and must be worked on accordingly.

### Extent

We believe that our lending activity is where the bank has the greatest influence and is where we can influence most in a positive direction. Lending activity to the retail market and the business sector is therefore included in the analysis.

Table 1: The size of the business areas measured in balance sheet volume as of 31.12.2022.

	Included in the analysis		Excluded from the analysis		Second Cash, derivatives etc
	Personmarked	Business	Liquidity portfolio	Investment portfolio	
Assets, %	56,8 %	28,6 %	12,3 %	0,3 %	2,0 %
<b>Total assets, %</b>	85,4 %		14,6 %		

Investments and other minor items on the balance sheet are not included in the analysis. Investments in the liquidity portfolio are strictly regulated, and the Bank has little opportunity to control these influences. The remaining investment portfolio and other balance sheet items constitute a small part of the business volume and are therefore excluded from the impact analysis. Based on assets, 85.4% of business volume is included in the analysis, and based on the bank's total gross revenue, 91.3% is included in the analysis.

### Industry codes and loan types

In the analysis, NACE codes have been used for categorisation of loans.

For loans to the retail market, we have divided the loan portfolio into the following categories:

Table 2: Categories of retail lending

<b>Sparebanken Møre 2022</b>	
<b>Market</b>	<b>Lending, %</b>
Mortgage PM	98,2
Other loans and credits, PM	1,8
<b>Total retail customers</b>	<b>100</b>

For loans to businesses, lending is categorised at NACE codes level 2.

Table 3: Categories of lending Industries, specified for the industries that make up >2% of the portfolio

<b>Sparebanken Møre 2022</b>	
<b>Market and industry</b>	<b>Lending, %</b>
Agriculture, forestry and related services	2
Fisheries and aquaculture	19
Production of fish, meat and poultry products	5
Electricity, gas, steam and hot water supply	4
Furniture production	2
Construction, development and sale of construction projects	4
Shipping with freight and passengers	13
Property management, rental and sale	36
Other industries	15
<b>Total corporate market</b>	<b>100,0</b>

## Results of the impact analysis

### Impact based on geographical scope

A key data basis in the analysis is sustainability parameters. Sparebanken Møre operates only in Norway and our results reflect the areas where the analysis states that Norway have the greatest challenges and need for influence. The sustainability parameters are scored 1-4, where 1 is the best. Scores 3-4 indicate a great need for more positive influence and should be prioritized nationally.

The results show that Norway generally have good scores, but that the nation has challenges with the social parameters availability of housing for all, as well as the climate parameters resource utilization, climatic stability and conservation of natural habitats.

Table 4: An excerpt from the table showing all the sustainability parameters Norway have been scored on. The excerpt shows the four themes where Norway score poorly, and sub-themes that contribute most strongly to poor scores are marked in green.

Availability, accessibility, affordability & quality of resources and services		Climate Stability		Biodiversity & Healthy Ecosystems		Circularity	
Water	SDG 6	Climate stability	SDG 13	Waterbodies	SDGs 6, 14	Resource intensity	SDG 12
Food	SDG 2			Air	SDGs 11, 12	Waste	SDGs 11, 12
Energy	<b>SDG 7</b>			Soil	SDGs 15, 12		
Housing	SDG 11			Species	SDGs 14, 15		
Healthcare & sanitation	SDGs 3, 6			Habitat	SDGs 14, 15		
Education	SDG 4						
Mobility	SDGs 9, 11						
Information	SDG 16						
Connectivity	SDG 9						
Culture & heritage	SDG 11						
Finance	SDGs 8.9						

**Business area impact**

Data for included business areas Retail market and business are plotted in the analysis tool, and based on this, the tool indicates which sustainability topics Sparebanken Møre has positive and negative impact on based on 12 predefined overarching sustainability themes in PRB Impact Radar:



Figure 1: Principles of Responsible Banking (PRB) Impact Radar. Impact Radar is a compilation of areas of influence and associated themes across the three sustainability pillars of Social, Economic and Environmental.

The analysis shows that Sparebanken Møre's positive and negative influence is distributed in the following areas for the retail market:

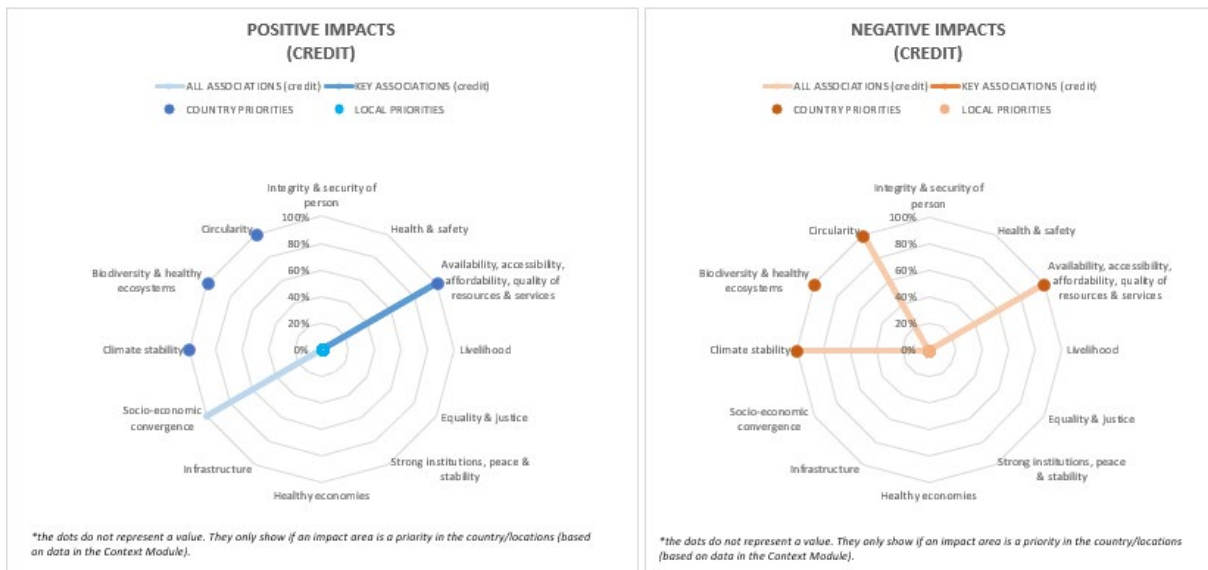


Figure 2: Spider-chart from module 2 automatically generated by UNEP-FI's tool for impact analysis, based on Sparebanken Møre's portfolio composition in the retail market.

The table below presents the underlying factors that generate the bank's positive and negative influences in the retail market:

Consumer Banking (Personmarked)	
Positive impact	Negative impact
Equal availability and quality of resources and services (Equal Access)	Equal availability and quality of resources and services (Equal Access)
Smoothing socio-economic differences	Circularity
	Climatic stability

The analysis shows that Sparebanken Møre's positive and negative influence is distributed in the following areas for the business sector:

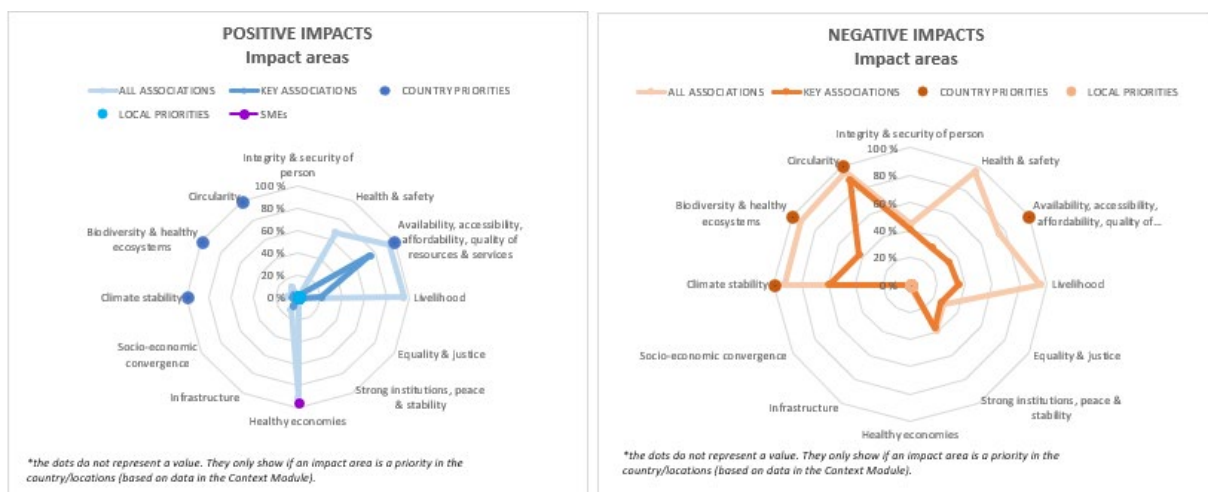


Figure 3: Spider-chart from module 2 automatically generated by UNEP-FI's tool for impact analysis, based on Sparebanken Møre's portfolio composition of the business sector.



The table below presents the underlying factors that generate the Bank's positive and negative influences within the Business sector, based on both industry and our geographical reach:

<b>Business Banking (Business)</b>	
<b>Positive impact</b>	<b>Negative impact</b>
Equal availability and quality of resources and services (Equal Access)	Circularity
Circularity	Climatic stability
Climatic stability	Biodiversity and ecosystems

Sparebanken Møre scores high on both positive and negative impact based on the industry composition of its portfolio of "Livelihoods" and "Health and Safety". This is mainly based on the industries fisheries and aquaculture, industry and transport. Based on significant sustainability themes nationally, these two are not considered priority areas, and we assume this is because this is governed by laws, regulations and supervision in Norway. Companies in Norway are strictly regulated in terms of both HSE and payroll, employment conditions and the possibility of unionisation, and we do not consider that these are areas where Sparebanken Møre has significant additional influence beyond Norwegian legislation.

Healthy economies also appear as the positive influence of banks. This is because our portfolio consists mainly of small and medium-sized companies. This analysis is regarded as an advantage and a great opportunity for positive influence because the Bank then has closer contact and follow-up than we would have had with large companies in the portfolio. We recognise that the close contact Sparebanken Møre has with its corporate customers is an opportunity for a positive impact and we are conscious of our role. Companies in Norway are largely small and medium-sized, and the composition of companies in the portfolio reflects this. We do not choose this topic directly as our main focus, but will take with us our opportunity to influence when we work with our two chosen influence themes.

### Assessment of Sparebanken Møre's impact analysis

The results of the impact analysis were used as one of several tools to understand Sparebanken Møre's existing influence and opportunities for further influence in a positive direction. The impact areas in the analysis were ranked based on which areas we have a real impact on and where we can adjust our impact was prioritized. We proceed in this analysis with the areas:

1. Financial inclusion
2. Climate

The overarching theme is "Availability, affordability and quality of resources and services" and implies that everyone should have equal access to water, food, housing and financial services etc. of good quality and at an affordable price. Access to housing stands out as a field where we can have both positive and negative influence via lending to the retail market and the real estate industry. We have chosen the sub-topic Financial inclusion as a focus, as the analysis shows that the Bank has a great opportunity to influence both access to housing via mortgage products and property building/management, and access and quality of financial services in general.

#### The Bank's positive impact

The bank's positive impact on the social sustainability theme of housing is in line with our portfolio, where we have a large part of our corporate customer base in real estate operations and by far the

largest part of lending to retail customers is mortgages, and we offer a deposit account scheme for rental housing.

The bank has a positive impact on access to financial products and the opportunity for further positive influence by offering customized products and services. Sparebanken Møre has local offices located throughout its region to be close to the customers. Every client, both on business and retail customers, has a personal advisor specialized in personal finance or the relevant business industry, and this provides close follow-up. The bank offers several products adapted to different socio-economic groups, such as favourable mortgage terms for young people in the start-up phase and students.

This is a continuous effort in Sparebanken Møre to ensure financial inclusion, and as a local bank this is an important point we will take further when we set new strategic goals for the bank. The Bank's potential for influencing access to financial products and services also coincides with the analysis showing that we have a positive impact on smoothing out socio-economic differences.

#### The bank's negative impact

Sparebanken Møre also has a negative impact on financial services and resources by offering consumer loans and credit cards to the retail market. In 2019, the Norwegian Debt Register was used to provide a picture of customers' total debt so that banks can make a thorough and comprehensive assessment of customers' borrowing capacity to avoid a bank loan putting customers in a debt situation that is not manageable based on income level. In general, we follow our loan customers closely, and if we see that there are customers who have challenges managing their loans, we have a follow-up program to help them on the right track. This is a work we have intensified over the past year and will continue our work to reduce our negative impact.

#### Climate

The impact analysis shows that Sparebanken Møre has both positive and negative influence on several topics that we have gathered under the theme Climate. Circularity, biodiversity and climate stability all have an impact on the impact analysis.

#### The Bank's positive impact

Sparebanken Møre has the opportunity to influence climate change in a positive direction through its close contact with customers in both the business sector and the retail market. Competent advisors who can help clients see opportunities, as well as by offering products linked to sustainable goals. The bank works to offer sustainability-linked loans where loan terms depend on the company's goal attainment on set sustainability goals.

Other products and services that can have a positive impact on limiting climate change are loans for renovation and energy efficiency of existing buildings, favourable loan terms for energy-efficient new buildings and cars that run on non-fossil fuels.

Sparebanken Møre prepares an annual energy and climate account based on the international standard A Corporate Accounting and Reporting Standard, in line with the Green House Gas protocol. Concrete targets have been established for reducing greenhouse gas emissions in our own operations, and as part of the work to reduce greenhouse gas emissions in its own operations, Sparebanken Møre is Eco-Lighthouse certified. In the period 2019-2022, the Group achieved a reduction in CO2 emissions of 42%.

#### The bank's negative impact

The Bank's negative impact on climate is more evident than our current positive impact. In the retail market, we have a negative impact through lending to homes and cars, which corresponds with

negative impact based on our geographical catchment area.

Norway is considered one of the countries in the world with the highest consumption, enormous resource extraction and only 2.4% circularity, and the analysis shows that the bank can have a negative impact on circularity, climate stability and biodiversity through its portfolio in both the business and retail markets.

The Bank's negative impact on the business portfolio is based on both resource use and waste generation. These are areas where we as a bank have the opportunity to turn our influence in a more positive direction by developing financial products that promote the transition to more circular business models.

Sustainability is one of five main topics in the bank's strategy, and climate risk (ESG risk) has been incorporated into Sparebanken Møre's risk management systems. The Bank's management of ESG risks and opportunities is discussed regularly by management in connection with the Bank's ongoing strategy follow-up.

## Conclusion/Summary

The result of this impact analysis helps shape the bank's sustainability work and implementation of the six principles for responsible banking (PRB).

The results of the analysis correspond well with the bank's already chosen main sustainability goals.



Financial inclusion, and access to housing, is linked to SDGs 8, 9 and 11.

Circularity and waste management are linked to SDGs 11 and 12. Both of these are already chosen sustainability goals for Sparebanken Møre, and the impact analysis confirms that these are areas it is important that we work on going forward.

In general, the impact analysis shows that Sparebanken Møre has a major influence on climate, with a particularly negative impact on climate stability, biodiversity and circularity. Based on this, sustainability goal no. 13 is also considered important for Sparebanken Møre and will be discussed in order to be raised from sub-goal to main goal at the next revision of the bank's strategy.

During the first half of 2024, Sparebanken Møre will conduct a new double materiality analysis in line with CSRD, which together with the result of the impact analysis and our stakeholder dialogue will form the basis for the preparation of a new strategy.