

Fana Sparebank's Climate transition plan

September 2024



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Foreword from the CEO

Foreword from the CEO

Our journey towards net zero

Our emissions

As we already face the impacts of climate change, such as more extreme weather and record-high global temperatures, the urgency of cutting climate gas emissions and transitioning to a more sustainable society has never been clearer. Climate change is no longer a distant threat; it is a pressing reality that requires immediate action.

At Fana Sparebank, our commitment to sustainability reflects our long history of being a responsible and proactive member of our community. Since our establishment in 1878, we have been dedicated to serving the best interests of our customers and the local community. As a traditional Norwegian savings bank, owned by our depositors, we reinvest our profits back into the community through customer dividends, grants, sponsorships, and initiatives that promote social and environmental sustainability.

Our vision, "Nær – der du er" (Close – where you are), reflects our commitment to personalized service and strong customer relationships. We aim to integrate sustainable solutions into our operations, ensuring that we provide valuable and responsible financial services to our customers.



Lisbet K. Næra, CEO



Foreword from the CEO

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Our journey towards net zero

Our emissions

Our commitment to a sustainable future

Guided by the United Nations' Sustainable Development Goals (SDGs), we strive to address environmental and social challenges. As a signatory bank of the Principles for Responsible Banking (PRB), a member of the UN Environmental Program Finance Initiative (UNEP FI), the Net Zero Banking Alliance (NZBA) and Klimapartnere Vestland, we have set ambitious climate goals: achieving net-zero emissions by 2050 and halving our emissions by 2030.

Our efforts extend beyond environmental impact; we continuously work to increase our positive impact on society by supporting local businesses and organizations, promote human rights in our value chain or by fostering a diverse and inclusive workplace. The bank also aspires to the highest standards of governance, ensuring transparency, accountability, and ethical conduct in our operations.

Navigating the path to a low-carbon future

The transition to a low-carbon economy represents significant challenges and opportunities for all sectors of society. As we urgently address climate action, it is essential that we ensure a just transition—one that respects both human rights and environmental integrity. This involves balancing the immediate need to reduce greenhouse gas (GHG) emissions with the broader societal impacts, including economic stability and social equity.

Climate change and the green transition poses substantial risks for the bank and its customers, including extreme weather events and disruptions to ecosystems and economies. These risks highlight why it is necessary for the bank to work to mitigate climate impacts, but also to motivate and help our customers adapt to the changing climate.

Addressing climate change requires collective action and shared responsibility. At Fana Sparebank, we are committed to leveraging our strengths and working collaboratively with our customers, partners, and policymakers to drive the necessary systemic changes. Our dedicated employees and unique market position, make us well equipped to lead in this critical transition. I am confident that Fana Sparebank can continue to thrive as an independent and forward-thinking savings bank, contributing positively to our community and the environment.

Lisbet K. Nærø, CEO



Our journey towards net zero

Foreword from the CEO

Our journey towards net zero

Our emissions

At Fana Sparebank, our commitment to sustainability is a fundamental aspect of our identity and operations. This dedication is expressed both through our overall strategy and in our comprehensive strategy for social responsibility and ESG, which guides us in creating long-term value and positive impact.

This commitment drives us to cut emissions from our own operations, develop sustainable financial products, and support our customers on their green transition. Fana Sparebank has helped drive sustainable banking forward in Norway, introducing Norway's first green deposits for retail customers and being the first issuer of green covered bonds in Norwegian kroner. Our new Green Finance Framework is also the first in Norway to link our green portfolio to Carbon Risk Real Estate Monitor's (CRREM) 1.5-degree pathways. These innovations demonstrate our commitment to make sustainable financial solutions accessible and affordable for all.

While the bank strives to reduce its negative impacts and increase its positive contributions across all aspects of sustainability, this transition plan focuses on our efforts to achieve our net-zero emission target by 2050. While we are fully aware of the urgency of reaching net zero, we also acknowledge the need to make this a just transition, ensuring that the shift to sustainability does not disproportionately impact vulnerable communities or stakeholders.





Our journey towards net zero

Measuring our impact

To effectively measure and manage our environmental impact, we employ robust methodologies and frameworks.

Our efforts extend across both our operations and our lending portfolio. As an Eco-Lighthouse (Miljøfyrtårn) certified company, we rigorously measure emissions from our own operations to ensure continuous improvement. In our lending portfolio, we assess the carbon footprint using methodologies in line with Finans Norge's "Guidance for calculating financed emissions", which is based on the PCAF methodology.

Approximately 75 percent of our lending is mortgage lending to households. Of our corporate lending, around 70 percent is directed towards commercial real estate (CRE), excluding housing cooperatives. Over the past year, housing cooperatives has become a significant portion of our corporate lending, and currently represents around 20 percent of our corporate

loan portfolio. We are in the process of mapping in more detail the emissions from these clients and aim to include housing cooperatives as a significant sector in a future update of our transition plan.

Given the composition of our lending portfolio, this transition plan primarily addresses mortgages and CRE, excluding housing cooperatives. As a result, the goals set out in this plan cover more than 90 percent of our total lending portfolio.

We use science-based targets and align our goals with scenarios that are consistent with a 1.5°C pathway, specifically these are the 1.5°C scenarios of the Carbon Risk Real Estate Monitor (CRREM) and the "Net Zero 2050" scenario from the Network for Greening the Financial System (NGFS), see table 1 on page 8. This ensures that our targets are aligned with the latest climate science and international standards. Our sector-specific goals will be described in more detail in the next chapter.

The bank's Green Finance Framework, based on ICMA's Green Bond Principles, underscores our commitment to sustainability. This framework defines our ambitious approach to identifying green assets and enables us to issue green bonds, directing funds towards green buildings and sustainable activities.





Our journey towards net zero

Sustainability governance at Fana Sparebank

Sustainability has been fully integrated into our governance framework. The Board sets guidelines and strategies, directing the bank's sustainability work and holding overall responsibility, while the management group, led by the CEO, is responsible for executing the strategy and reporting to the Board. Additionally, the bank has formed a dedicated Sustainability Group to champion and coordinate sustainability initiatives throughout the organization. The success of our sustainability efforts relies on the active engagement of all employees, as it is their work, in collaboration with our customers, that will enable us to achieve our goals.

Engaging with stakeholders and collaboration

Engagement with stakeholders is a key element of our transition efforts. We aim to work closely with our customers, providing guidance and

support to help them reduce their environmental impact. Our employees are essential to our success, and we must ensure that they are knowledgeable and engaged in our sustainability efforts. Additionally, we are committed to supporting our local communities by investing in projects that promote sustainability and social well-being.

Reaching our targets depends significantly on external factors. Governments play a crucial role in this transition. We need them to strengthen and accelerate their climate policies, preferably implementing measures that make it more costly to emit greenhouse gases, but also to enforce stricter regulations and to provide incentives for green technologies.

Collaboration is essential to achieving our sustainability goals. Our partnerships extend beyond the financial sector, involving collaborations with various organizations and initiatives that share our commitment to sustainability, see figure 1 for an overview. These commitments provide guidelines, knowledge, and expertise that helps us meet our objectives.

- Eco-Lighthouse**
Certified Eco-Lighthouse since 2015. Covers the areas of work environment, waste management, energy use, procurement, and transport.
- Future Proof**
Bergen Chamber of Commerce and Rafto Foundation's collaboration platform for business and human rights.
- UN Environment Program | Finance Initiative**
Fana Sparebank is a founding member of UNEP FI. The bank has committed to adhering to the six Principles for Responsible Banking. Fana Sparebank has also joined the Net-Zero Banking Alliance (NZBA), committing to aligning its operations with a 1.5-degree scenario.
- Guide Against Greenwashing**
The bank has signed the guide, consisting of ten principles for responsible marketing of sustainability work.
- UN Global Compact**
A global business initiative with more than 22,000 companies across 160 countries. Commitments are tied to ten principles across four areas: human rights, labor standards, environment, and anti-corruption.
- Klimapartnere Vestland**
A network of private and public actors in Vestland region sharing knowledge and initiatives related to sustainability.

Figure 1: Organizations and partnerships



Our journey towards net zero

A collective responsibility

This transition plan is developed as part of our Strategy for Societal Responsibility and ESG, building on our existing sustainability initiatives. The plan will be implemented in close collaboration with our stakeholders, including customers, employees, and the local community.

Our transition plan is dynamic and will adapt to the latest developments in sustainability science, regulations, and technologies. We will regularly review and update our targets and strategies to ensure they remain relevant and effective. Our Annual Report provides detailed insights into our efforts and progress towards our goals. We look forward to sharing our progress and working with our stakeholders to support the green transition.

Sector	Baseline	Metric	Baseline year	2030 target	Scope	Methodology
Own operations	125	tCO2e	2022	62 (50% reduction)	1, 2 and 3 upstream	NGFS Net Zero 2050 ¹⁾
Mortgages ²⁾	3,47	kgCO2e / m ² / year	2023	2,08 (40% reduction)	1, 2	CRREM 1,5°C-scenario
Commercial real estate ³⁾	3,71	kgCO2e / m ² / year	2023	3,65 (2% reduction)	1, 2	CRREM 1,5°C-scenario

Table 1: Fana Sparebank's climate targets

1) Metric: CO2-emissions. Model: REMIND-MAgPIE. Region: OECD & EU.

2) Weighted average of single-family and multi-family housing.

3) Here we show the values for office space in our portfolio. Current estimates suggest that we are below the CRREM-pathway for office buildings in our CRE-portfolio, and therefore show a low reduction target for 2030. See chapter "Our emissions" for more information on how we work with the CRE-portfolio.

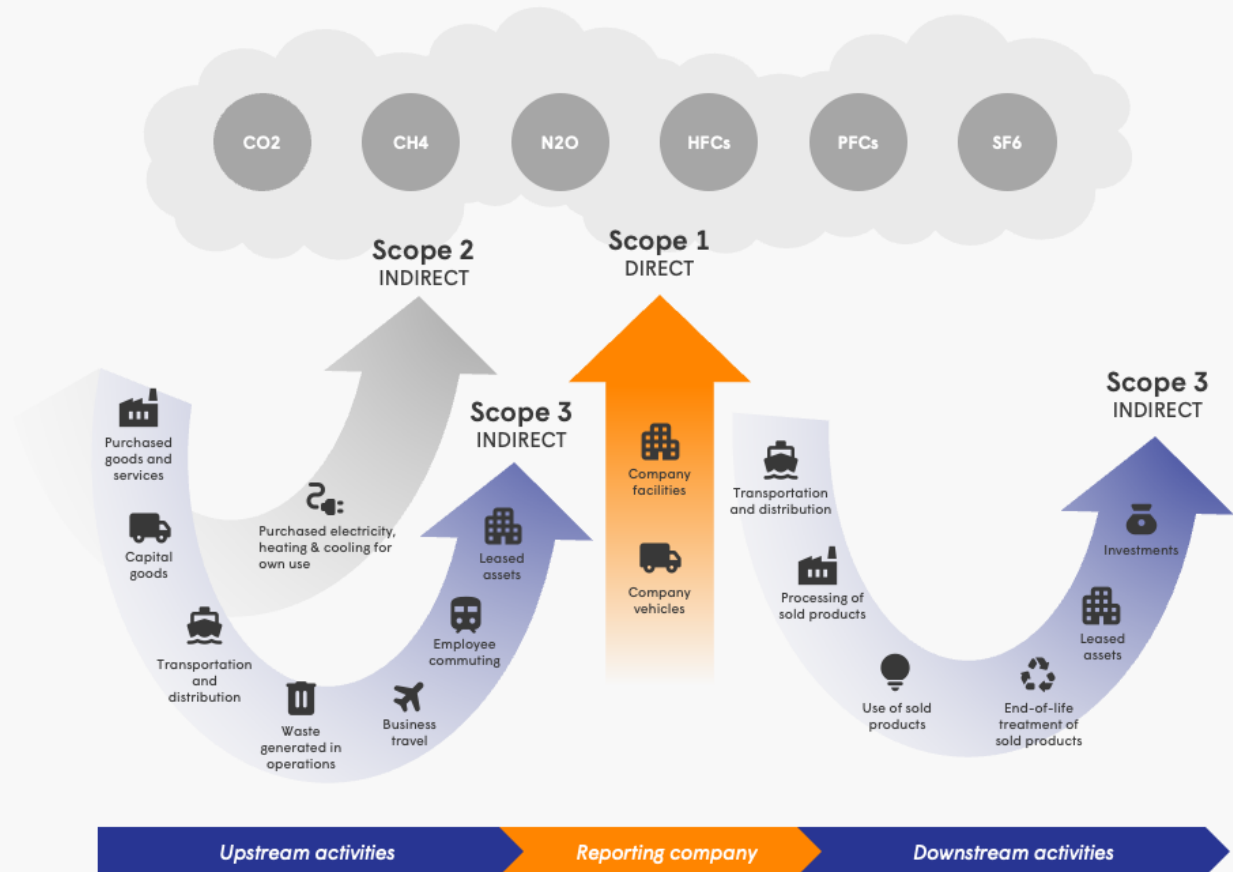


Our emissions

Fana Sparebank is committed to reducing its greenhouse gas emissions as part of our sustainability strategy. We adhere to the Greenhouse Gas (GHG) Protocol standards to calculate and report our emissions, categorized into three main scopes: Scope 1, which includes direct emissions from owned or controlled sources; Scope 2, which accounts for indirect emissions from the generation of purchased electricity; and Scope 3, which covers all other indirect emissions that occur across our value chain, see figure 2.

Our GHG emissions reporting is an integral part of our annual report, ensuring transparency about our environmental impact and allowing us to systematically track our progress towards our reduction targets. We utilize the Eco-Lighthouse standard to measure emissions from our own operations. Financed emissions are measured in line with Finans Norge's "Guidance for calculating financed emissions", which is based on the PCAF methodology.

While most of our emissions come from financed activities, we also take responsibility for reducing emissions from our own operations.



Source: Greenhouse Gas Protocol ([GHG Protocol](#)).

Figure 2: Greenhouse gas accounting



Our emissions

Our loan portfolio primarily consists of mortgages to households (approximately 75 percent) with the remaining 25 percent consisting of corporate lending, mainly directed towards commercial real estate. We have no direct exposure to other high-emitting sectors such as shipping, oil and gas, transportation, heavy industries or agriculture. This focus allows us to set targeted goals for our most important sectors, mortgages and commercial real estate.

The real estate sector in Norway accounts for 40 percent of Norway's total energy consumption¹⁾. As an energy-intensive sector, it is crucial to reduce emissions within real estate if Norway is to reach its climate targets. Emissions within real estate is mostly from the energy used in operating the building, or from the construction and the materials used in the building process.

Measuring the bank's greenhouse gas emissions is complex, particularly for financed emissions, and the estimates carry a degree of uncertainty. We will continuously refine our methodologies to follow best practices. As we gather more accurate data and deepen our understanding, our estimates and this transition plan will be updated to reflect ongoing improvements.

When setting our climate targets, Fana Sparebank is committed to aligning with the goal of limiting global warming to 1.5°C. We have adopted internationally recognized methodologies and frameworks to ensure our goals are science-based and reflect best practices.



1) Source: Statistics Norway: [Produksjon og forbruk av energi, energibalanse og energiregnskap](#).



Our emissions

The bank's operations

Fana Sparebank measures its greenhouse gas emissions from operations in accordance with the Eco-Lighthouse standard and the Greenhouse Gas (GHG) Protocol. We define emissions from the bank's operations as Scope 1, 2 and 3 upstream. Figure 3 shows emissions from the bank's operations in 2023.

Since 2022, we have successfully eliminated our Scope 1 emissions. Scope 2 emissions refer to indirect emissions from purchased energy, which in our case primarily includes the electricity used in our offices and for our electric vehicles.

Upstream Scope 3 emissions cover other indirect emissions related to our value chain, such as business travel, IT equipment, waste management, and supply chain activities. While not all emissions can be measured yet, our goal is to capture all significant sources, adding new categories as data improves. Notably, we are

aware of unquantified emissions, such as energy use from data storage, which we aim to include in future estimates.

Data and methodology

The carbon footprint of Fana Sparebank's operations is primarily estimated using the Eco-Lighthouse methodology. By collecting data on energy consumption, waste, and travel activity, we calculate the associated emissions. Additionally, we have included estimates of emissions from IT equipment purchases and employee commuting. The emission estimates in this transition plan are calculated using the location-based method.

What we do

At Fana Sparebank, we are committed to reducing emissions through initiatives targeting energy efficiency, waste reduction, sustainable travel, and resource management. These efforts have led to significant reductions in Scope 1 and Scope 2 emissions, thanks to the adoption of

electric vehicles and a shift toward renewable energy. However, our measured Scope 3 emissions have increased in recent years, partly due to the inclusion of new emission categories. Additionally, the rise in air travel following the lifting of Covid-19 restrictions has contributed to higher emissions, making it an area of focus moving forward.

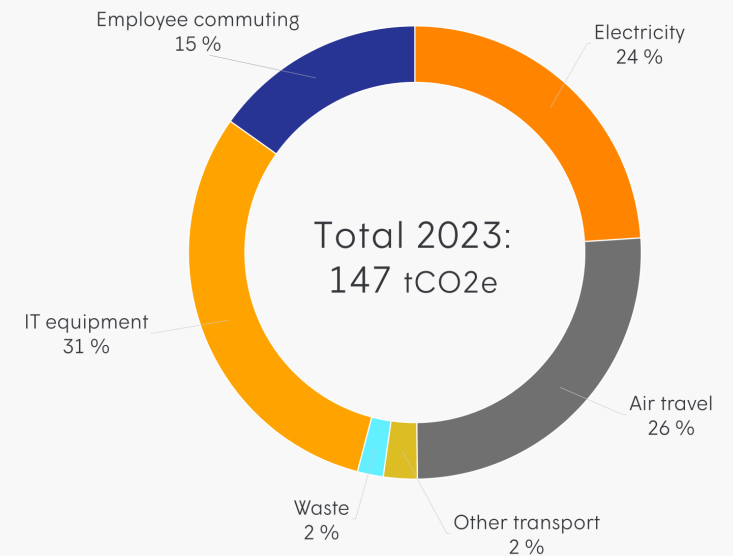


Figure 3: Emissions from the bank's operations in 2023



Our emissions

To further address greenhouse gas emissions from our operations, we have implemented several key measures:

- **Competence building among our employees:** All employees must complete training on sustainability.
- **Transition to electric vehicles:** We have fully transitioned from gasoline and diesel vehicles to an all-electric fleet.
- **We purchase Guarantees of origin to make sure that our electricity comes from renewable resources.**
- **Sustainable travel policy:** Our travel policy prioritizes alternatives to flying whenever possible.
- **Enhanced waste management:** We have introduced a comprehensive waste sorting and recycling system, currently using 9 fractions.
- **IT equipment recycling:** By recycling IT

equipment through Atea's Goitloop-program, we reduce associated CO2 emissions.

- **IT equipment reuse:** IT hardware, mainly PCs, are donated to an orphanage in Kenya, helping extend the lifespan of the equipment.
- **Meat-free day:** We have introduced a weekly meat-free day in our cafeteria to promote sustainable eating habits.
- **Free city bike subscription:** We provide our employees with a free city bike subscription to encourage cycling to work.

Although we have come a long way, we recognize that much work remains. In the future, we will continue to strengthen existing measures and add new ones. We will continue to improve the energy efficiency of our buildings, specifically, in the near future, we will upgrade our ventilation system at our head office.

We acknowledge that we will not be able to reach our goals alone. We will continue to

collaborate with our customers, suppliers, and our community. At the same time, we are dependent on external factors, such as technological advancements, investments in renewable energy, and governments to keep our goals within reach.

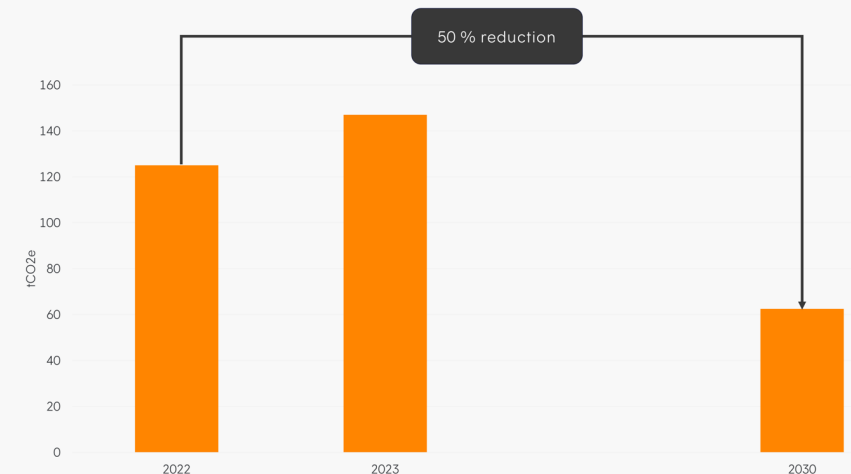


Figure 4: Emissions target for the bank's operations



Our emissions

Mortgages

Fana Sparebank’s lending to the retail segment accounts for about NOK 21 billion and 75 percent of Fana Sparebank’s total loan portfolio in 2023, and thus represents a significant source of our indirect emissions. These emissions primarily originate from the energy consumption of the financed homes. While the construction of buildings also represents a significant portion of emissions from a building’s life cycle, we currently lack the data and methodology to measure such “embodied emissions”.

Data and methodology

To calculate emissions from the mortgage portfolio, we leverage data from Eiendomsverdi. Eiendomsverdi is the leading supplier of data on the Norwegian real estate and offers a comprehensive database. In collaboration with Simien, a leading technology company for energy calculation of residential and commercial buildings, Eiendomsverdi has developed an advanced statistical model to estimate the energy efficiency of Norwegian

homes that lack official energy labels (EPCs). With this model, they can assess the energy consumption and efficiency of homes across Norway. The model accounts for various factors, including location, construction year, housing type and size, and it adjusts for additional elements such as heated space and energy sources. From this model, we use the location-based estimates of GHG emissions from each house in our loan portfolio. The bank’s share of the emissions is then calculated based on the loan-to-value (LTV) ratio of the mortgage, based on drawn exposure. The estimates from Eiendomsverdi includes scope 1 and 2 and represent a PCAF-quality score of 4.

To align our climate goals for our mortgage-portfolio with a 1.5-degree scenario, we use the risk assessment tool from the carbon risk real estate monitor (CRREM). The CRREM tool consists of emission trajectories consistent with the 1.5-degree target of the Paris Agreement, providing us with figures for energy efficiency and CO2 emissions per square meter for the homes.

From our baseline year of 2023, we have 3,47 kgCO₂e/m²/year, which is below the CRREM pathway. In 2030 the goal is to be aligned with the CRREM pathway, at 2,08 kgCO₂e/m²/year, a reduction of 40% from baseline.

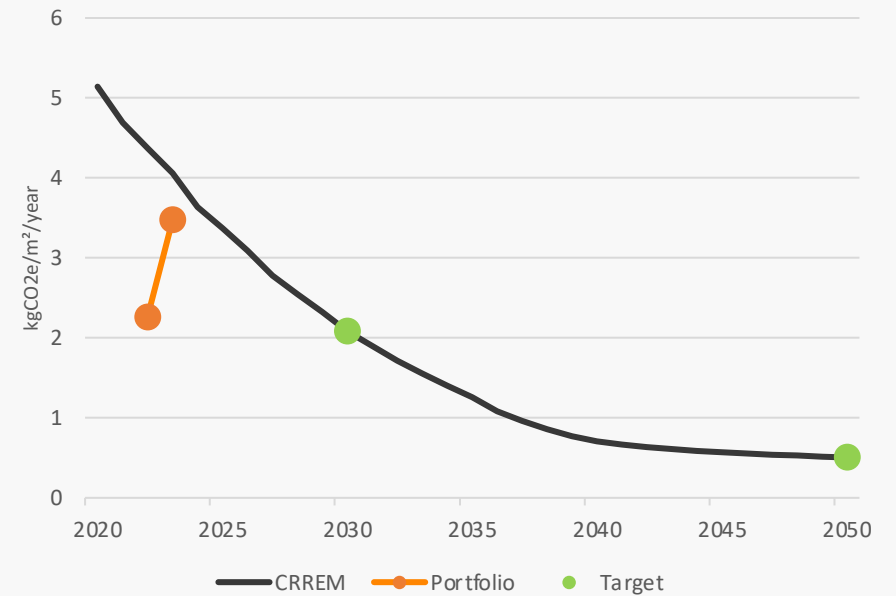


Figure 5: Emissions targets mortgages



Our emissions

Foreword from the CEO

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Our emissions

What we do

To reduce emissions associated with our mortgage portfolio, we have implemented two key strategies: the development of green products and enhancing our advisory services.

Fana Sparebank has already introduced initiatives to lower emissions from our mortgage portfolio. We offer green mortgages with favorable terms for homes that achieve high energy ratings. Our green financing framework supports the issuance of green bonds, which finance sustainable housing projects and renewable energy. Additionally, by the end of 2024, we will launch a Green energy loan, to incentivize customers to enhance the energy efficiency of their homes, reducing both their energy costs and associated greenhouse gas emissions.

We recognize the importance of being trusted advisors to our customers, which is why we have initiated mandatory training programs to equip our customer advisors with the knowledge necessary to provide guidance on sustainability and our range of green products. Sustainability should be a part of our customer consultations, ensuring that customers are well-informed about the benefits and options available to them for improving their homes' energy efficiency.

To further reduce emissions from the mortgage portfolio, we will keep enhancing the competence of our customer advisors so that they can better guide customers on energy efficiency and green loan products. We will also expand the range of green financial products to meet the increasing demand for sustainable solutions. For example, we are exploring the possibility of offering an energy efficiency

calculator to our customers. When implemented, we expect this to become a valuable tool for identifying the most energy efficient measures for homeowners.

Through these measures, Fana Sparebank is taking active steps to reduce GHG emissions from the mortgage portfolio and contribute to a more sustainable future for our customers and communities. These efforts will not only help us reduce our financed emissions but will help our customers meet the growing demands for energy efficiency.



Our emissions

Commercial real estate

Fana Sparebank's lending to the corporate segment accounts for around NOK 6.5 billion. Of this, around 70 percent is related to commercial real estate (CRE), excluding housing cooperatives. As CRE represents a significant portion of Fana Sparebank's lending portfolio and given the high energy usage typically associated with these properties, it is a substantial source of our indirect emissions. This segment provides a critical opportunity for Fana Sparebank to support our customers in transitioning to a low-emissions future while reducing the bank's financed emissions.

Data and methodology

Our CRE portfolio consists of loans secured by properties used for various commercial purposes, including office buildings, retail spaces, and residential properties for lease. Most of these properties are in or near Bergen. Currently, our GHG emissions estimates include Scope 1 and 2 emissions. Due to data limitations,

Scope 3 emissions are not yet accounted for. As for mortgages, estimated emissions are mainly related to the energy consumption of the financed buildings.

To estimate the emissions intensity of our CRE portfolio, we adhere to the PCAF methodology. This involves utilizing available data for each building, such as energy performance certificates (EPCs), building type, size and construction year. Based on these inputs, our emissions estimates currently have a PCAF data quality score of 4.3.

To ensure that our CRE portfolio aligns with a 1.5-degree Celsius scenario, we follow the CRREM pathways for Norway. For office space, the emissions intensity of our portfolio was estimated at 3,71 kg CO₂e/m²/year, in 2023. This is close to the CRREM target for 2030 at 3,65 kg CO₂e/m²/year.

Compared to our mortgage portfolio, the data available for commercial properties is less

structured, making estimations more challenging. Going forward, we will work to improve the data quality, and as a result, emissions estimates are likely to change as new information becomes available. While current estimates suggest we are ahead of the CRREM pathway, we will continue striving to reduce financed emissions from the CRE portfolio.

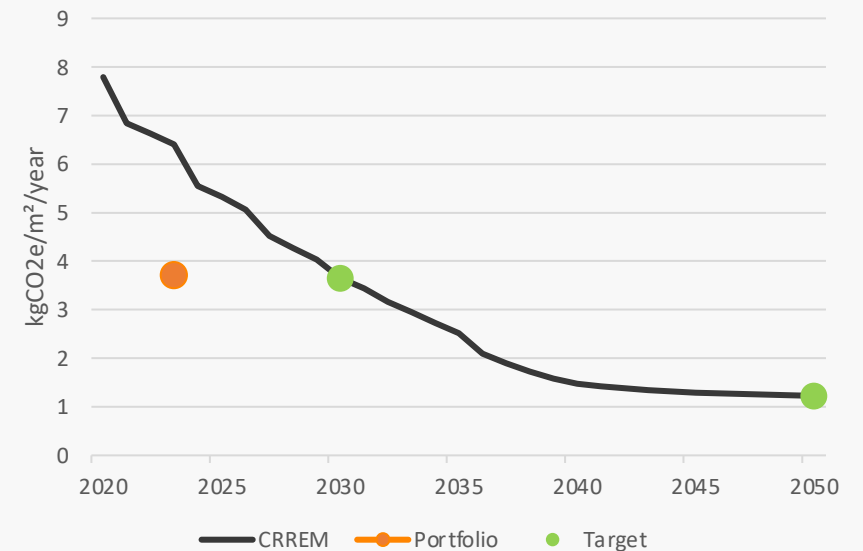


Figure 6: Emissions targets CRE office space



Our emissions

What we do

To achieve our climate goals in the CRE portfolio, we actively engage with our corporate clients, including sustainability in our ongoing dialogues. As part of this commitment, we have an ESG Risk Module that all credit customers are required to complete. This enables us to assess their sustainability efforts and tailor our financial services accordingly.

While we do not currently offer explicit green products for commercial lending, we provide more favorable financing terms to clients who demonstrate a commitment to improving their sustainability practices.

Employee training is key to our strategy. All staff undergo mandatory sustainability training. Going forward, we will offer specialized training for customer advisors that focuses on real estate-specific sustainability challenges, enabling them to offer more informed and relevant guidance to our clients.

We are also increasing our efforts to gather accurate and comprehensive data from our CRE customers. For instance, we now require all commercial real estate clients to provide energy performance certificates (EPCs) for properties where this is mandated. This data is critical for improving the quality of our emissions estimates, ensuring they are based on the best available information. As we obtain better data, the accuracy of our emissions estimates will improve, potentially leading to adjustments in our reported figures. We will transparently communicate any such changes to ensure that our stakeholders are informed about our progress.

Looking ahead, we anticipate that several factors will drive increased energy efficiency among our CRE customers. Market dynamics are likely to play a role, as buildings with superior energy performance become increasingly attractive to tenants, investors, and financial institutions. This trend is expected to drive demand for energy

improvements. Regulatory pressures will also give incentives to property owners to enhance energy efficiency, while technologies, such as energy control systems, smart ventilation, and -lighting, as well as the installation of solar panels, offer substantial opportunities to enhance the energy efficiency of commercial properties.

Fana Sparebank is committed to supporting our CRE customers through this transition. We will continue to offer financing to clients who demonstrate a commitment to sustainability, focusing on energy-efficient buildings, refurbishments, and energy improvements. Additionally, we will work to enhance our advisory services, providing guidance on sustainable practices and financial products aligned with these goals.

