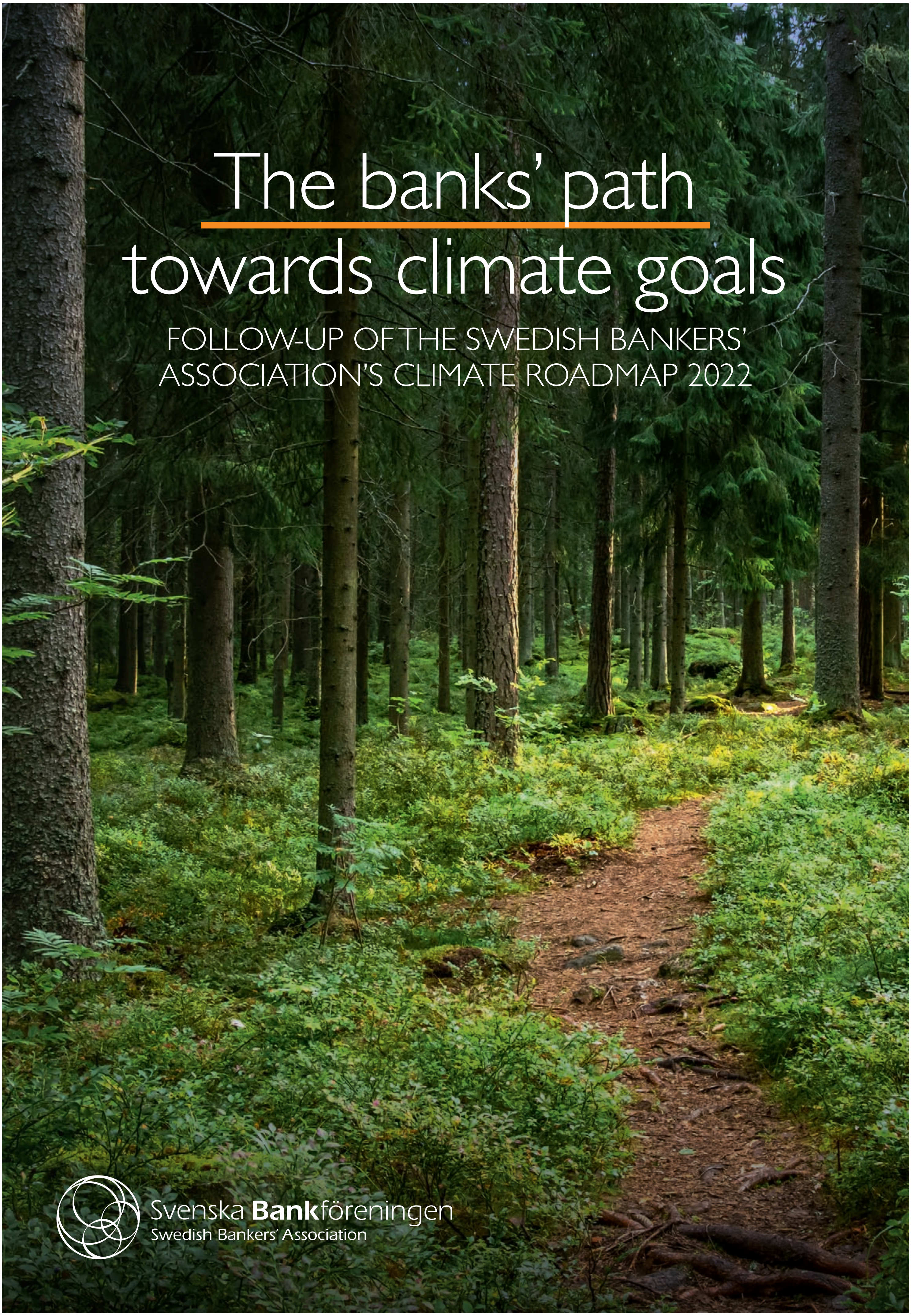
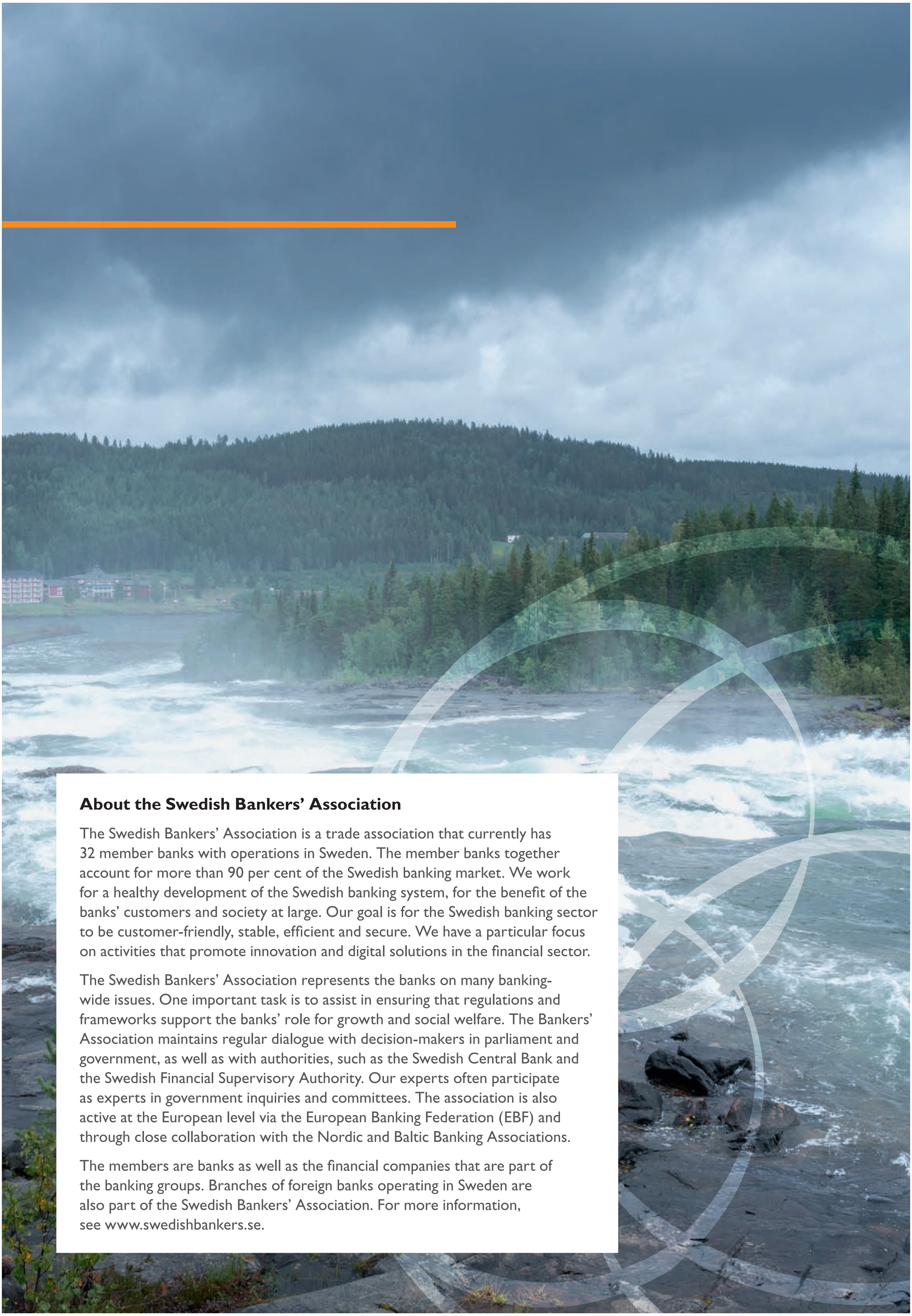
The banks' path towards climate goals

FOLLOW-UP OF THE SWEDISH BANKERS' ASSOCIATION'S CLIMATE ROADMAP 2022



Svenska Bankföreningen
Swedish Bankers' Association



About the Swedish Bankers’ Association

The Swedish Bankers’ Association is a trade association that currently has 32 member banks with operations in Sweden. The member banks together account for more than 90 per cent of the Swedish banking market. We work for a healthy development of the Swedish banking system, for the benefit of the banks’ customers and society at large. Our goal is for the Swedish banking sector to be customer-friendly, stable, efficient and secure. We have a particular focus on activities that promote innovation and digital solutions in the financial sector.

The Swedish Bankers’ Association represents the banks on many banking-wide issues. One important task is to assist in ensuring that regulations and frameworks support the banks’ role for growth and social welfare. The Bankers’ Association maintains regular dialogue with decision-makers in parliament and government, as well as with authorities, such as the Swedish Central Bank and the Swedish Financial Supervisory Authority. Our experts often participate as experts in government inquiries and committees. The association is also active at the European level via the European Banking Federation (EBF) and through close collaboration with the Nordic and Baltic Banking Associations.

The members are banks as well as the financial companies that are part of the banking groups. Branches of foreign banks operating in Sweden are also part of the Swedish Bankers’ Association. For more information, see www.swedishbankers.se.

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1. Introduction

Global warming is the greatest and most urgent challenge of our time. Transitioning in line with the goals of the Paris Agreement involves a major structural change in the whole of society.[1] The main responsibility lies with the political system and is mainly about putting a price on greenhouse gas emissions, for example with taxes or emissions trading. It is also about bringing about the necessary technological development and facilitating and supporting behavioural change in different parts of society.

Commitments in the Bankers' Association's Climate Roadmap 2021

1	**Business operations consistent with the 2045 net zero emissions climate goal** The Swedish Bankers' Association and the banks sign the Principles for Responsible Banking.		
2	**1) 2021–2022:** The banks identify their own most significant positive and negative impacts on society, the economy and the environment.		
	2) 2021–2024: The banks undertake to measure the carbon footprint of their relevant financing and investment activities up to scope 3.		
	3) 2023–2026: The banks ensure that strategies and goals for the Swedish operations help to achieve Sweden's adopted goal of net zero emissions by 2045.		
3	**Lending activities include sustainability aspects** The taxonomy is taken into account in the banks' lending.	**Climate-related risks and opportunities are applied in strategy and risk management** The guidelines in TCFD are implemented.	
4	**Interpretation of regulations** Interpretation of common regulations, climate-related definitions, standards and initiatives.	**Facilitate the gathering of climate data** Facilitate the collection and development of models and standards.	**Collaborate with other stakeholders** Such as the public sector and business and industry.

Banks have an important role to play in the transition. Through their risk management and business operations, they can help redirect capital and push to help customers in the transition to sustainable solutions.

In spring 2021, the Swedish Bankers' Association produced a joint Climate Roadmap for the Swedish banking industry. The Climate Roadmap is a common framework for the industry's climate transition.

In the roadmap, the members of the Bankers' Association undertook to adapt their business operations in line with the climate target of net zero emissions. The Bankers' Association undertook to continuously monitor how far the banks have progressed in their commitments.

This report follows up on the Climate Roadmap for 2022

The report provides an overall description of the banking industry's common path towards the climate goals so far. It is primarily based on a survey conducted for 2022 by the Swedish Bankers' Association among its members. In the follow-up, members have also been encouraged to give examples that illustrate their climate work.

The report covers the following:

- The banks' work to identify their impact and to set intermediate goals for the journey of transition to the climate target of net zero emissions (section 2)
- The role of the banks in driving the transition in interaction with customers through their risk management and business operations (section 3)
- The banks' efforts to start measuring and publishing greenhouse gas emissions and a first summary of the banking industry's climate impact in figures (section 4)
- What the banks do together through the Bankers' Association (section 5)

The survey on which the report is based

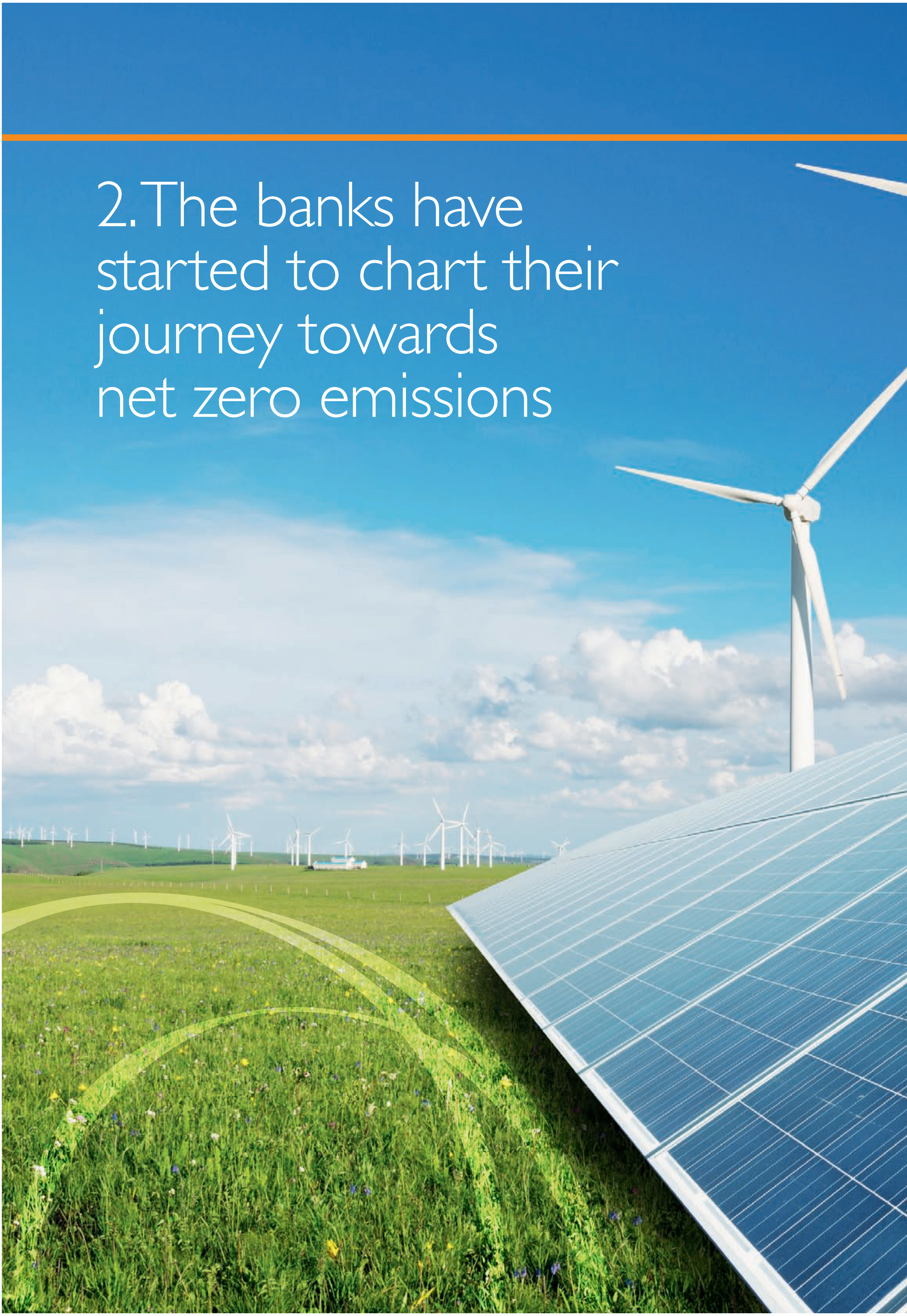
The report is based on a survey that was answered in spring 2023 by Swedish and Nordic members of the Swedish Bankers' Association. Responses were submitted by 22 banks, corresponding to a market share of 94 per cent.[2]

Some of the responses:

- 15 of the banks are signatories to the UN Principles for Responsible Banking.
- 20 of the banks have identified their individually most significant positive and negative impacts on society, the economy and the environment.
- 13 of the banks have started to set and publish climate goals for the areas with the greatest impact.
- 13 of the banks perform forward-looking climate scenario analyses to identify climate risks.
- 14 of the banks offer green loans to private individuals based on, for example, good energy or emission performance.
- 8 of the banks offer sustainability-linked loans or other green loans to corporate customers.
- 12 of the banks state that it is part of their sustainability strategy to finance a transition for corporate customers who currently have high emissions.
- 20 of the banks have started measuring and publishing parts of their emissions.

In the report, the responses are usually divided between larger banks (9) and other banks (13), where larger banks have a balance sheet total greater than SEK 100 billion. In some cases, graded questions have been asked that contribute to a more detailed picture.

2. The banks have started to chart their journey towards net zero emissions



In the Climate Roadmap, banks have supported reaching net zero emissions in line with the Paris Agreement and national targets.[3] Globally and for the EU, the goal of net zero emissions is to be met by 2050. For Sweden, Riksdagen (Parliament) has decided on national goals aimed at 2045.

1) 2021–2022: The banks identify their own most significant positive and negative impacts on society, the economy and the environment.

According to the Climate Roadmap, Swedish banks' business operations must be in line with the climate target of net zero emissions by 2045. In order to achieve this goal, the banks need to map out their journey and formulate intermediate goals for the transition.

In this section, we follow up on whether the banks have fulfilled the commitment in the Climate Roadmap to identify their most important climate impacts. We illustrate how far the banks have come in formulating interim goals for the transition to provide steering towards the climate goal of net zero emissions.

The great majority of banks have identified their most important impacts

The Climate Roadmap includes a commitment that is to be fulfilled by 2022. The banks should have identified their individually most significant positive and negative impacts on society, the economy and the environment. This is about identifying the present situation in order to know where the bank stands.

All of the nine major banks state in the follow-up that they have identified their most significant positive and negative impacts. Most of the other banks have also done so. Overall, 91 per cent of the banks have fulfilled this commitment.

Identifying their impact is the first step in formulating their journey of transition according to the UN Principles for Responsible Banking (PRB). PRB is a voluntary international framework based on the UN Sustainable Development Goals. To comply with the PRB, banks' operations should be in line not only with the Paris Agreement but also with other sustainability goals such as human rights and sustainable social development. The Climate Roadmap encourages banks to sign PRB, which 15 out of 22 banks have done so far.

The banks have begun to chart their journey towards net zero emissions

After identifying its most significant impact, each bank will formulate concrete interim goals for its transition. The interim goals should reflect the bank's strategy and the transition among customers.

One of the commitments of the Climate Roadmap is that the banks are to ensure that strategies and targets for Swedish operations contribute to achieving the net zero goal. This is to be done during 2023–2026. However, many banks have already started doing this. Of the larger banks, seven out of nine state that they have started to set and publish climate goals for the areas that have the greatest impact. Almost half of the other banks have done the same. Several of the banks that have not yet begun this work plan to do so in the coming year.

The Swedish banking industry has thus taken on the task of starting to formulate what the transition will look like, but much work remains to be done in order for the goals to fully provide the governance needed for the transition. It is normal for the goals to be set in one or more areas that the bank has deemed to be a priority.

Higher ambitions for the journey of transition through the Net Zero Banking Alliance

Shortly before the publication of the Climate Roadmap, the Net Zero Banking Alliance, NZBA was launched (in April 2021). This is an alliance in which affiliated banks commit to having higher ambitions for setting climate-related goals and reporting progress towards these.[4] Some of the banks were involved in developing the guidelines on which the NZBA is based.[5]

At present, six banks have joined. Other banks have chosen to formulate their journey of transition without joining the NZBA.

Banks that join the NZBA undertake, among other things, to formulate interim goals for their emission reductions by 2030 based on guidelines that must be robust and scientifically endorsed. An important part is to include emissions that are generated in the operations of customers that the bank finances, so-called financed emissions.

Snapshot of the sectoral goals formulated so far by the four largest banks in Sweden according to the NZBA

SEB

- Oil and gas (exploration, production and refining): reduce absolute financed emissions by 55 per cent from 2020 to 2030.
- Power generation: reduce the financed emission intensity[6] by 43 per cent from 2020 to 2030.
- Steel: reduce the financed emission intensity by 30 per cent from 2020 to 2030.
- Car manufacturing: reduce the financed emission intensity by 60 per cent from 2020 to 2030.
- Swedish household mortgages: reduce the financed emission intensity by 30 per cent from 2020 to 2030.

HANDELSBANKEN

- Real estate financing: reduce emissions by 36 per cent from 2021 to 2030, measured as carbon dioxide equivalents (CO_2e) per square metre.

SWEDBANK

- Mortgages: reduce the financed emission intensity by 39 per cent from 2019 to 2030.
- Commercial real estate: reduce the financed emission intensity by 43 per cent from 2019 to 2030.
- Oil and gas (exploration, production and refining): reduce absolute financed emissions by 50 per cent from 2019 to 2030.
- Power generation: reduce the financed emission intensity by 59 per cent from 2019 to 2030.
- Steel: reduce the financed emission intensity by 29 per cent from 2019 to 2030.

NORDEA

- Shipping (vessels): reduce the emission intensity by 30 per cent from 2019 to 2030.
- Residential real estate (private individuals and housing associations): reduce emission intensity by 40–50 per cent from 2019 to 2030.
- Oil and gas (exploration and production): reduce absolute emissions by 55 per cent from 2019 to 2030.
- Offshore (certain subsectors): reduce lending by 100 per cent by 2025.
- Mining (thermal peat and thermal coal): reduce lending by 100 per cent by 2025.

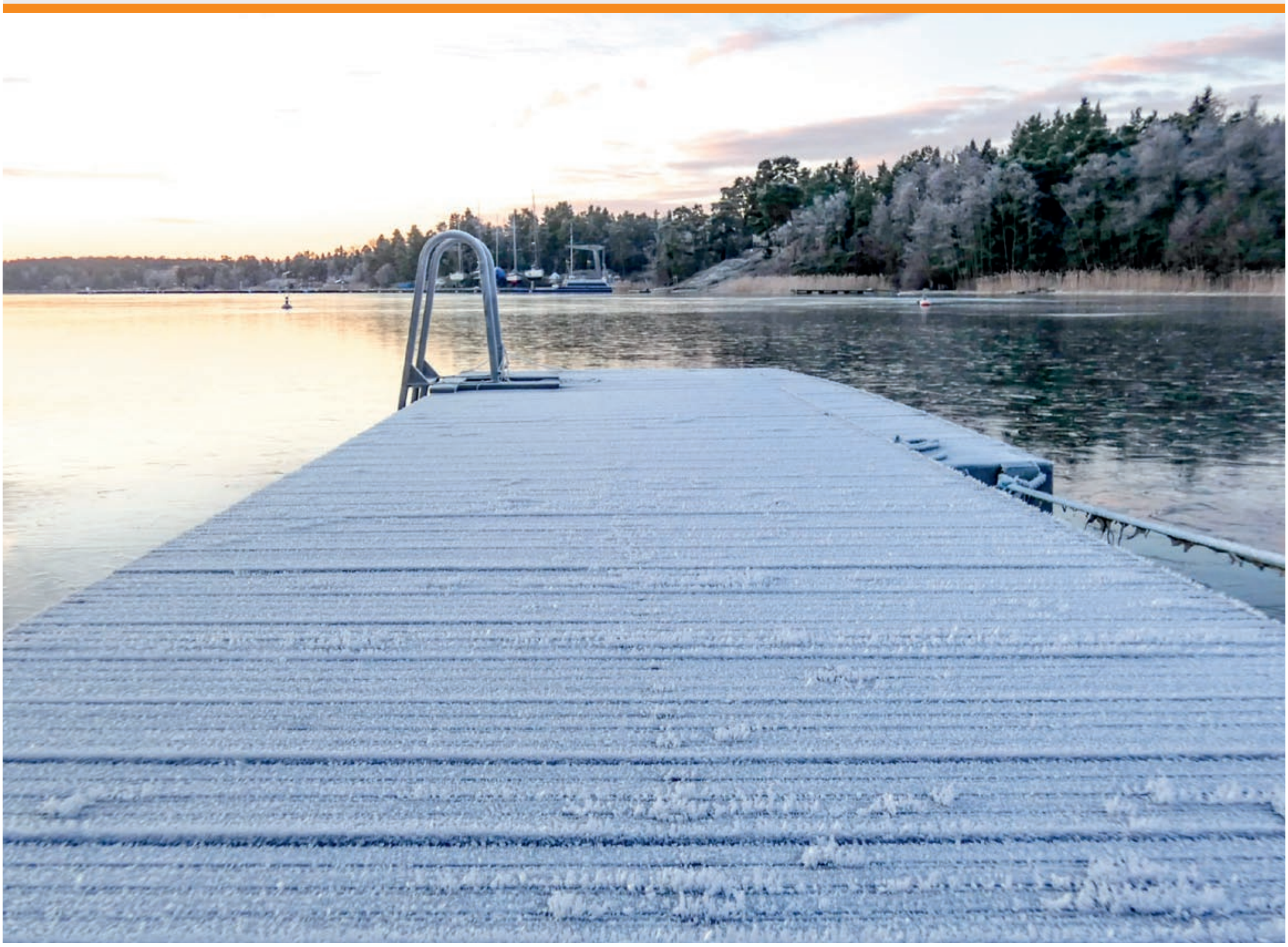
Work is underway to have the goals scientifically validated

One part of raising the quality of the work of formulating a journey of transition is to ensure that the goals set are science-based in line with the Paris Agreement. For banks that have joined the NZBA, this is a requirement. The goals then need to be reviewed and updated as research on climate change advances.

The follow-up shows that a number of banks have taken on the task of ensuring that the transition goals are scientifically based. Some banks have also chosen to apply to have the targets scientifically validated. The Science Based Targets initiative (SBTi) offers a review procedure for non-financial and financial companies, including banks. The purpose is to obtain confirmation that the objectives are scientifically based through validation.

The voluntary work will be met by requirements in future regulations

Much of the work that the banks have done is based on voluntary initiatives to accelerate the climate transition. In the future, many parts of the voluntary work will become mandatory through legislation. Both banks and other companies will need to report transition plans in accordance with the new EU Corporate Sustainability Reporting Directive (CSRD). There are also proposals to include requirements for transition plans in the capital adequacy regulation for banks.[7] For the banking industry, it is important that legislative initiatives are well coordinated and build on the voluntary transition work already underway.



3. The banks' risk management and business operations are crucial

A bank can both be affected by climate change – in terms of risks and opportunities – and influence its environment through its operations. In the climate area, risks, opportunities and impacts are in many ways linked through the crucial role that customers have for the banks.

The Climate Roadmap emphasises that banks should play a central role in the transition by:

- integrating climate-related risks and opportunities into lending and other operations, and
- being a driving force to help customers in the transition to sustainable solutions

In this section, the focus is on the banks' risk management and business operations. We follow up on how far the banks have come in integrating climate-related risks, which is important both for their own operations to be stable and from a societal perspective.[8] We also describe how the banks, in interaction with customers, are driving the transition through their business operations, for example through green products and advice. The banks work in the climate field in competition with each other.

The banks' risk management is important both for customers and for society

The banks are exposed to climate-related risks

The climate-related risks to which banks are exposed can be divided into physical risks and transition risks. Physical risks arise as a consequence of global warming, such as extreme weather, rising sea levels and similar events. The risks can lead to damage to assets that the bank has financed and which constitute collaterals for the bank. They can also lead to negative impact on companies in which the banks invest.

Transition risks are the risks arising from, for example, political decisions, changes in demand for products and services, changes in customer behaviour or technological and structural changes resulting from the transition to net zero emissions. Transition risks may also imply that assets financed by the bank lose value or that corporate customers cannot continue with their operations in the same way. Some assets can completely lose their value, so-called stranded assets. This can mean direct losses for a bank, or that collateral taken by the bank for loans becomes worthless.

The banks' exposure to climate-related risks varies depending on the direction of their business operations. Some banks have greater lending to companies, while others have greater lending to households through mortgages. One way to identify exposure is to see which lending the banks have broken down at sector level. Some sectors are generally associated with higher emissions than others. To measure transition risks in banks' credit portfolios, there is, among other things, the PACTA method (Paris Agreement Capital Transition Assessment).[9] It comprises the sectors – oil and gas, coal, energy, automotive, steel, cement and aviation – that have the greatest climate impact in terms of carbon dioxide emissions. These sectors are estimated to account for more than 75 per cent of global emissions.

One aspect that makes climate risks more complex than many other risks is that they can lead to losses in the short, medium and long term. So far, they are also difficult to quantify reliably.[10]

Most banks consider climate aspects in their strategy and risk management

Part of the core activity of banking is to carry out risk assessments and to accept risks only at a level that is appropriate to the bank's strategy. When banks carry out balanced risk assessments, customers are protected from taking excessive risks. For example, it may be that the bank, in a credit assessment, sees that the operations are associated with a greater climate-related risk for the financing than the bank considers to be sound. When climate risks are taken into account in the granting of credit it also means that pricing becomes more differentiated, which is of socio-economic significance because it contributes to capital flows that support the transition from climate-damaging (so-called brown) activities to activities in line with climate goals (green).

More details about climate-related risks

Banks may be exposed to climate risks through their lending to companies in industries affected by the transition. In the future, larger companies will be required to report their transition plans (according to the new EU Corporate Sustainability Reporting Directive). This increases transparency about customers' transition risks and, together with other information from customers, it provides better conditions for banks to support customers in the transition work required, instead of denying a customer financing.

Example Nordea's corporate lending strategy is to support customers in their transition. The bank has collected a lot of data on the greenhouse gas emissions of large corporate customers and their climate goals. The bank has also engaged in advocacy work towards customers in high-emission sectors and offers assistance in financing its customers' transition plans with the aim of reducing carbon dioxide emissions in the real economy. Around 58 per cent of Nordea's lending to large corporate customers in sectors with high climate-related risk is covered by a goal of reducing greenhouse gas emissions. The bank aims to ensure that 90 per cent of exposure to large corporate customers in sectors with high climate-related risk will be covered by transition plans by the end of 2025.[11]

Example In 2022, SEB continued its efforts to launch specific analyses of climate transition risks for customers in its credit portfolio. The focus is on customers' exposure to transition risks, their strategy to reduce them and the economic consequences of implementing their climate strategy. In 2022, the bank completed a transition risk analysis of approximately 135 customers with a credit exposure of approximately SEK 189 billion. As transition risks are only part of climate-related risks, in 2022 the bank launched a pilot physical climate risk analysis project to investigate customers who may be particularly vulnerable to floods, droughts or other physical risks, mainly in the agriculture, forestry and textile sectors. In the analysis of transition risks and physical risks, the ultimate goal is to understand the possible consequences for the credit risk and the risk class assigned to the customer by the bank.[12]

Example Landshypotek Bank has, together with SMHI (the Swedish Meteorological and Hydrological Institute), identified climate and environment-related risks and opportunities, so as to map and see their effect on the bank's credit risk in the short and long term. The risks and opportunities that have been identified have a primary impact on the bank's credit risk in agriculture and forestry, which are also the segments in which the bank has its largest exposure. The indicators that SMHI considers most relevant for agriculture and forestry are temperature, length of growing season, heat wave, precipitation, total 10-year runoff, soil moisture, snow cover, sea level, fire risk and high winds. The bank has assessed that the physical risks related to temperature, length of the growing season, heat wave, precipitation and fire risk are the indicators with the greatest impact on the bank's exposure.[13]

The banking industry in Sweden generally has a large amount of lending to Swedish households. This is stable at just over half of total lending.[14] In order to finance home purchases, households often take out mortgages where the home is collateral for the loan. Banks are thus exposed to residential real estate. If these properties have poor energy efficiency and heat sources that are not fossil-free, such as oil and gas, this can give rise to transition risks as the cost of energy efficiency and replacing heat sources can be high. The banks' lending may also involve exposure to physical risks. As long as the properties are insured against extreme weather, losses for Swedish households can be kept down. If assets are uninsured, the risk for individuals increases, which can also have negative consequences for the banks.

At the time of writing, the possibility of introducing so-called climate resilience declarations that show how much climate risk is linked to a property is being investigated. The aim is to help property owners reduce their vulnerability, and to give banks and insurance companies better conditions to assess climate risks.[15] Properties can also be affected by sea level rise, which also needs to be identified and addressed in good time.

The great majority of the banks state that they take climate aspects into account in their strategy and risk management (19 out of 22). The larger banks have come further and take climate aspects into account to a greater extent than the other banks. For example, 13 banks are now taking into account the energy efficiency of buildings in their lending. An equal number of banks take into account the risk that properties may be affected by flooding or other physical risk. Many banks also ask to inspect customers' climate transition plans in connection with lending to companies.

Banks precede EU regulation on sustainability reporting

In the Climate Roadmap, banks commit to following the recommendations of the global initiative Task Force on Climate-related Financial Disclosures (TCFD). The recommendations are about how companies should disclose their climate-related risks and opportunities as well as their strategies for managing the risks.[16] This requires internal work to be intensified, so as to identify relevant climate issues in operations.

Of the nine larger banks, eight state that they report in accordance with TCFD's recommendations. Among the other 13 banks, two report in accordance with the recommendations.

The nine larger banks apply TCFD's recommendations to a relatively high extent in their strategy and risk management, while the other banks apply them to a lesser extent.

Several banks have thus voluntarily started to report climate-related risks and opportunities in good time before the new EU Corporate Sustainability Reporting Directive (CSRD) starts to apply in 2025 (for financial year 2024). With the introduction of the new EU regulation, TCFD's recommendations will in practice become mandatory and the current requirements for companies' sustainability reporting will be tightened and become more comprehensive.

Climate scenarios are an important element of the larger banks' risk analysis

For risk management, the global initiative TCFD recommends that companies use climate scenario analysis.[17] By conducting a scenario analysis with a focus on the climate, a bank can forecast how the income statement and balance sheet will develop. The scenario analysis is based on assumptions about the future of such things as changes in temperature or political decisions. All nine of the larger banks and four of the others carry out such forward-looking climate scenario analyses.

The banks' work on climate scenario analyses

Example To understand how future developments in different sectors can potentially affect Swedbank's lending portfolios, Swedbank has conducted scenario analyses. The aim is to identify climate-related risks and opportunities in different sectors. Two scenarios have been analysed: (i) the Sustainable Development Scenario (SDS, less than 2 degrees temperature increase) and (ii) the Stated Policies Scenario (SPS, approximately 3 degrees temperature increase). The scenarios are taken from the International Energy Association (IEA).[18] In both scenarios, the risks increase. The Sustainable Development Scenario mainly involves transition risks in the short to medium term, while the Stated Policies Scenario mainly involves physical risks in the longer term. Swedbank will build a sustainable loan portfolio by managing these risks together with its customers and at the same time supporting them in their climate transition.[19]

Example Since 2018, Länsförsäkringar Bank has continuously conducted scenario analyses based on TCFD Recommendations. The bank's scenario analysis 2022 of the mortgage portfolio is based on scenarios from SMHI and the Swedish Civil Contingencies Agency (MSB) for climate change, floods and sea level rise. These in turn are based on the UN Intergovernmental Panel on Climate Change (IPCC) long-term scenarios up to 2100 and have been developed in cooperation with the Länsförsäkringar group´s natural damage specialists. The purpose of the analysis has been to investigate how future sea level rise may affect the market value of properties and thus the value of the collateral that has been provided to the bank. Assumptions have been made about how climate change and floods affect the costs of operation and maintenance and thus the value of properties and together with the increased cost of living, households' ability to repay. [20] The analyses have shown a certain increase in the risk that mortgage customers will have problems paying their interest and amortization and that the credit losses that the bank may then experience will be greater as the effects of climate change become greater.

The banks are driving the transition forward through their business

Climate change becomes part of banks' business operations

The banks' common view is that financing is an important driving force in the climate transition. At the same time, banks compete with each other in this area, which accelerates the development of products and services. The banks contribute to the climate transition by offering advice, products and services that can help customers to adapt.

Training employees who work on sustainability with customers is a fundamental element of the banks' sustainability work. At present, 20 out of 22 banks offer training in sustainability to affected staff to varying extents. The larger banks offer training to a very great extent, reflecting the increasing strategic importance of sustainability issues for banks.

Green loans to private individuals are an important product at many banks

Green loans are a tool for financing sustainable projects and reducing climate impact. By offering more favourable interest rates and terms, green loans can encourage customers to invest in energy-efficient solutions and other sustainable projects.

Many banks offer green mortgages, green car loans and energy loans to private customers. Eight of the nine larger banks offer loans to private customers based on good energy or emission performance, as do six of the others.

Banks usually provide green mortgages to those living in houses or apartments that meet certain requirements for energy efficiency. The requirements vary between banks. Most commonly, the building must reach energy class A or B. But some banks also offer green mortgages for buildings in energy class C depending on the year of construction.[21] One of the larger banks, for example, has green mortgages that amount to 1.9 per cent of that bank's Swedish mortgages. Depending on, among other things, which energy classes are included, the corresponding figure may be higher for other banks.

The banks also offer loans for energy-improving measures such as the installation of solar cells, geothermal heating or other forms of heat pumps. Eight of the nine larger banks and three of the other 13 offer green loans to private individuals that are aimed at energy efficiency.

Banks want to push ahead by financing energy efficiency improvements for buildings

According to the EU Green Taxonomy, the 15 per cent of buildings that are most energy efficient can be counted as sustainable.[22] Banks could thus provide green mortgages for those buildings according to the taxonomy's requirements. However, lack of access to data is an obstacle. At present, only just over 20 per cent of single-family houses in Sweden are energy declared. The banks also lack good access to data on which these are, which makes it difficult for banks to identify the 15 per cent most energy-efficient buildings. The lack of information also makes it difficult to identify the least energy-efficient buildings, which have the greatest need for energy-saving measures.[23]

Green loans

Example SBAB Bank has posted on its website tips and videos that show examples of measures that customers can take to reduce their energy consumption based on their conditions, depending on how old a house they have and what condition it is in. The customer is informed about the possibility of borrowing for energy-saving investments such as geothermal heating, solar cells or charging posts and about the possibility of obtaining green mortgages.

Example In 2022, SEB launched a pilot project aimed at enabling customers to obtain a better understanding of their energy consumption in the home. By offering customers a digital energy analysis the bank allows them to identify possible energy savings and renovation measures, such as the installation of solar panels or heat pumps, as well as to obtain financing for, for example, loans for solar panels.

The EU Energy Performance of Buildings Directive

In December 2021, the European Commission presented a legislative proposal aimed at improving the energy performance of buildings and reducing emissions from buildings. In the EU, buildings account for 40 per cent of the energy used and 36 per cent of energy-related emissions. The proposal includes amendments to the EU Energy Performance of Buildings Directive (EPBD), which forms the basis for, among other things, energy performance certificates and improvement of the energy performance of buildings.

The Commission proposes that existing buildings should be renovated on the basis of the worst energy performance in different countries. There are also requirements for new buildings, which from 2030 will be so-called zero emission buildings, for which high standards are set for energy efficiency.[24] According to the proposal, existing buildings have to be zero emission buildings by 2050. The Commission is also proposing requirements for national renovation plans to include targets such as energy use, annual renovation rates and emission reductions. Financing and policy instruments will also be included. It also proposes changes to the way energy classes for buildings are to be determined.

The proposal is currently being negotiated in the EU and will then be incorporated into Swedish law. Depending on how it is implemented, it may have a major effect for many property owners

Many banks express that they are keen to contribute as early as possible to financing the energy efficiency of buildings that will be necessary in the future to achieve climate goals and manage electricity supply, among other things as a result of political decisions.

For the banking industry, it is important that requirements for energy efficiency are set in a well-balanced manner and that banks and customers are given the right tools to be able to transition efficiently. This requires good access to information, including on the energy performance of buildings.

It is part of many banks' strategy to finance the transition for corporate customers

Providing responsible lending with high standards for repayment capacity and good quality of collateral is important for the banks. Climate aspects can affect both a company's repayment capacity and the quality of collateral pledged to secure a loan. Climate is therefore included as an integral part of the credit assessment.

The banks that have corporate customers in sectors with a large negative climate impact support their customers in the transition where possible. But it also happens that customers are denied financing or that certain customer relationships are terminated if the bank considers that the company does not have a credible transition plan. About half of the banks state that it is part of their sustainability strategy to finance a transition for corporate customers who currently have high emissions. Among the larger banks that lend to companies, this is included to a great extent.

Green loans with different designs contribute to corporate customers' transition

In order to contribute to the transition, lending to companies in brown sectors needs to decrease, while lending to companies that invest in green operations needs to increase. Through green loans and advice, banks can help companies in their climate transition and contribute to reducing their emissions. Most of the larger banks offer green loans to corporate customers. One of the other banks does the same. Examples of green loans are sustainability-linked loans and loans aligned with the taxonomy.

Sustainability-linked loans are working capital funding that is linked to the borrower's sustainability goals. The borrower and the bank often decide the goals in dialogue with each other. The loans are usually used to promote borrowers' efforts to transform their business towards becoming climate neutral. If the goals are achieved, the borrower receives a lower interest rate. Unlike green loans where the amounts are earmarked for specific projects, this type of loan is linked to the goals for the company's activities. This may, for example, involve reducing energy use in production facilities or transport.

Loans aligned with the taxonomy are given to businesses that meet the requirements of the EU green taxonomy. Often, the loans are earmarked for specific projects. This may include investments in renewable energy, energy efficiency or environmentally friendly transport. One example is the Swedish property company Fabege, which signed a taxonomy loan in June 2021 for an environmentally smart property in Solna.

In order to take out the loan, Fabege conducted an analysis of so-called material climate resilience risks for the property concerned, i.e. risks of the property being affected by floods, soil erosion, heat loads, severe weather phenomena or storms.

In the Climate Roadmap, the banks have committed to taking into account the EU green taxonomy in their lending, which aims to increase financing for taxonomy green activities. Of the nine larger banks, seven state that they have started to take the EU green taxonomy into account in their lending. Among the other banks, a few have begun to consider the taxonomy in lending. It can be noted that companies will start reporting according on the taxonomy in 2023. The taxonomy is an evolving tool and does not fully capture all aspects of the transition.

The banks issue green bonds to finance green projects and assets

To finance projects and assets that support the climate transition, banks can issue green bonds.[28] Half of the banks have an outstanding green bond. Of the nine larger banks, all have at least one green bond outstanding. Seven banks also help corporate clients issue green bonds.

In order for the projects and assets to be approved for financing, they must meet the criteria in the bank's framework for green bonds. The criteria

Transition financing

Example In 2022, Danske Bank has developed a new method for assessing its corporate customers' transition plans. The assessments cover customers' current performance and their short, medium and long-term plans to meet their emissions goals. The assessments also assess the risk that customers will not be able to implement their strategies due to external factors that affect their ability to transition, such as access to technology or government support. The result will be an assessment of customers' transition plans in four categories: transitioned, in transition, at the start of a transition and transition backlog. In the absence of a reliable transition plan, this may result in a corporate customer being denied financing.[25]

Example 32 per cent of SEB's credit exposure to corporate and real estate customers is to sectors with a significant carbon footprint. The transition in these sectors plays an important role in the global reduction of carbon dioxide emissions and for SEB to meet its own long-term goals under the Paris Agreement. SEB has developed the Customer Sustainability Classification (CSC) tool, which has been used for several years in the dialogue with customers about their transition work for reduced carbon dioxide emissions. The tool uses, among other things, information collected from customers in various industries. The tool supports in-depth customer dialogues on investment needs, opportunities and risks related to the implementation of their plans. Companies classified as brown according to the tool are not considered to be in transition. SEB aims to reduce credit exposure to fossil fuels or the brown by 45–60 per cent by 2030 compared to the baseline in 2019, and at the same time increase credit exposure to the green by 6–8 times by 2030 compared to 2021.[26]

Example In 2022, Handelsbanken updated its guidelines for environmental and climate change. Among other things, the bank requires that corporate customers engaged in the extraction of oil or gas (so-called transition companies) follow a clearly defined transition plan with the goal of reducing carbon dioxide emissions in line with the Paris Agreement's 1.5 degree target.[27]

may, for example, relate to good energy performance, renewable energy, energy efficiency measures, sustainable transport solutions and electric vehicles. Within the EU, there will soon be a European (voluntary) standard for what is a European green bond.[29] According to this, the funds raised by a bank through issuing European green bonds should, in principle, be invested exclusively in economic activities that comply with the EU taxonomy.

Green bonds bring together investors who want to invest in the climate transition and companies or individuals who need loans for green investments. As green bonds are attractive to investors looking for green investments, they can contribute to more favourable financing of green mortgages and green corporate loans.

A number of banks offer green mutual funds that have sustainability as their goal

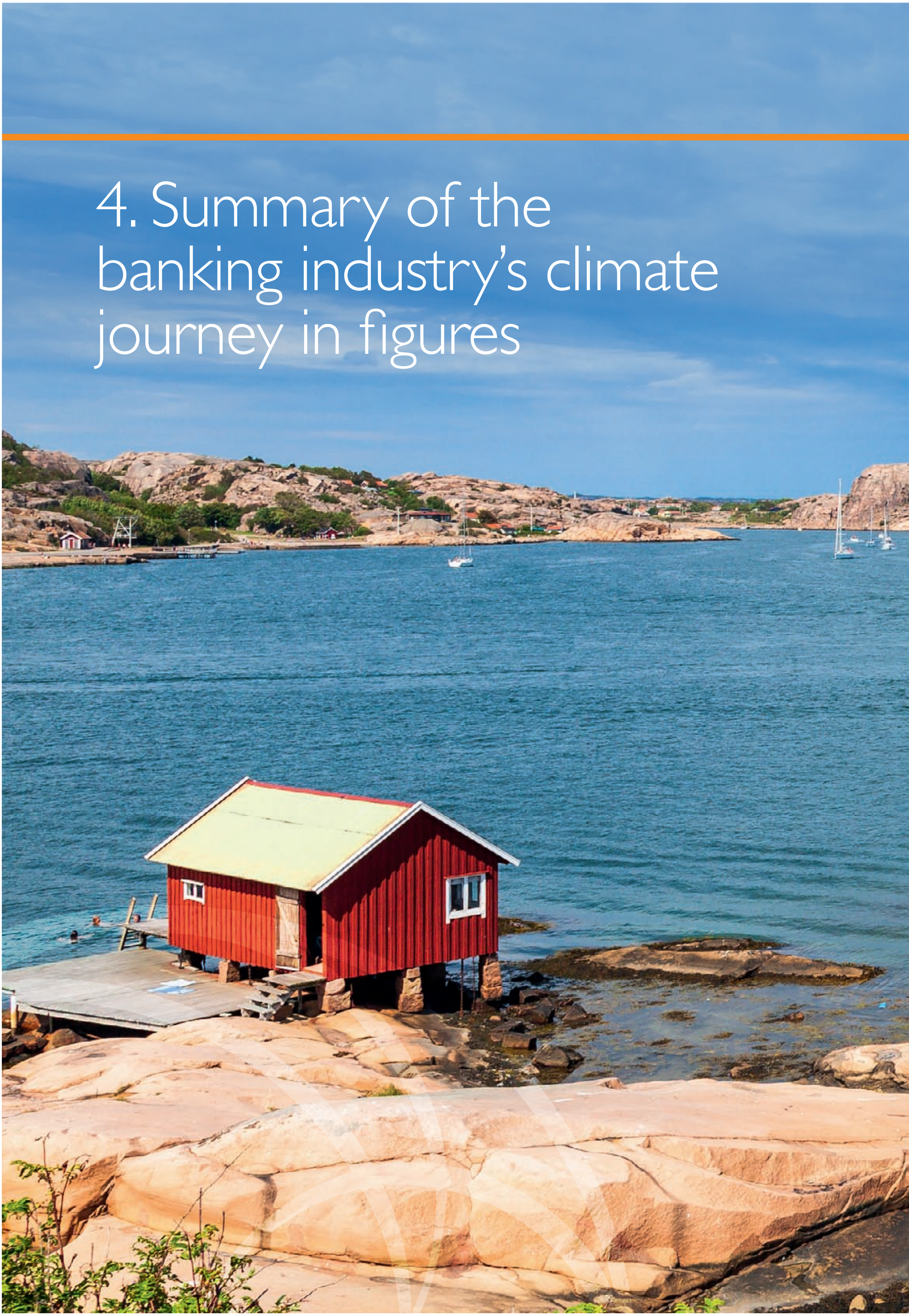
For a complete picture of the banking industry's climate work, one also needs to look at the investments that banks make, not least by offering customers the opportunity to invest through mutual funds.[31] The banks offer a large number of financial products, including mutual funds, that aim to provide good returns while contributing positively to the climate transition in accordance with the Paris Agreement.

The EU Sustainable Finance Disclosures Regulation (SFDR) requires financial market actors to be transparent on how ambitious their financial products are in terms of sustainability. Of the nine larger banks, six offer financial products that have sustainability as their objective in accordance with Article 9 of the EU Regulation, which reflects a higher level of ambition. Such products are also offered by four of the 13 other banks.

Green bonds

Example In 2022, Handelsbanken updated and expanded its framework for green bonds. The new financing framework is partly aligned with the EU taxonomy and gives the bank increased possibilities to finance projects that lead to climate adaptation and higher energy efficiency. The new green framework will contribute to the goal that 20 per cent of the bank's financing to customers by 2025 should consist of green financing, social financing or financing that contributes to a sustainable and measurable transition on the part of the borrower.[30]

4. Summary of the banking industry's climate journey in figures



In the Climate Roadmap, the Swedish Bankers' Association committed to summarising how the banking industry succeeds in achieving the common goals.

This section describes the work and challenges of measuring and reporting banks' greenhouse gas emissions in their own operations and in the operations of customers that the bank finances. Some examples are given of how banks report emissions. We also illustrate certain key figures on climate risks that banks have begun to include in their reports with information on risk exposures, so-called Pillar 3 reports.[32]

Reported greenhouse gas emissions in the bank's own and customers' operations

Sweden's climate goal of net zero emissions by 2045 is to be met in the future. As described in section 2, banks and other companies need to set goals for how emissions are to be reduced. Banks and other companies also need to start measuring, reporting and following up their progress towards defined goals.

To measure and report greenhouse gas emissions, there is the so-called GHG protocol (Greenhouse Gas Protocol). Emissions are divided into the three categories scope 1–3.[33] The purpose of the classification is to clarify the origin of emissions so that the organisation can take action to reduce them.

One of the interim goals in the Climate Roadmap is that in 2021–2024 the banks undertake to measure the carbon footprint in their relevant financing and investment activities for their own and indirect emissions. So far, there are no clear requirements to report emissions, but several banks have started. All of the nine larger banks have started measuring and publishing according to scope 1 and 2. Eight of the banks have done so according to scope 3. Of the 13 other banks, 11 have started measuring and publishing according to scope 1 and 2. Six of them have done so according to scope 3.

Lack of credible data that fully covers the emissions of customers is a major challenge. Although the banks have started work on this, it is not yet worthwhile to summarise their total reported emissions, but below is a summary of some of the banks' disclosures for 2022.

Work is underway to develop a common basis for measuring financed emissions

Globally, work is underway in the banking industry to develop a common basis for measuring the emissions that arise among the banks' customers, so-called financed emissions. The Partnership for Carbon Accounting Financials (PCAF) is an international collaboration to develop a standard for measuring and reporting emissions.[35] By mid-June 2023, more than 400 banks and investors worldwide have signed the initiative.

Reporting of greenhouse gas emissions under the GHG Protocol

Scope 1	Scope 2	Scope 3[34]
Direct emissions that occur in the organisation's own operations, for example from fuel combustion and from vehicles that the organisation owns or controls.	Indirect emissions from purchased electricity, steam, heating and cooling.	Other indirect emissions: from purchased materials, product use, waste management, business travel etc. that the organisation does not own or control.

The four major banks' reported greenhouse gas emissions in 2022

Utsläpp av växthusgaser 2022, ton koldioxidekvivalenter (CO_2e)

	Scope 1 and 2	Scope 3	Total Scope 1, 2 and 3
Swedbank	5,687	8,872	14,559
SEB	1,560	9,539	11,098
Handelsbanken	3,138	6,621	9,759
Nordea	5,465	12,690	18,155

The emission figures above only show the banks' own emissions and do not include the emissions of customers. The figures therefore do not fully reflect the emissions.

Eight banks in Sweden have so far joined PCAF and have in varying degrees begun to measure their emissions based on common methods and data.

The Swedish Bankers' Association has a working group for measuring financed emissions of greenhouse gases, whose work is based on global standards from PCAF. The aim is to find a common basis for measuring financed emissions based on methods and data sources that are suitable for Swedish market conditions. This would allow for greater comparability of the banks' emission figures. Since November 2022, there has also been a collaboration between PCAF and the Nordic banks that have joined, which aims to capture Nordic conditions. The work of the Swedish Bankers' Association will contribute to Nordic co-operation. Banking associations in other Nordic countries also work on the measurement of financed emissions and contribute to Nordic co-operation.

There will be legal requirements for banks and other companies to report emissions data

Starting in 2025 (for the financial year 2024), new European standards for sustainability reporting will be applied (called European Sustainability Reporting Standards, ESRS). Initially, this will apply to companies that currently need to submit a sustainability report. The new standards have been developed in accordance with the EU Corporate Sustainability Reporting Directive (CSRD).

As the proposal stands at the time of writing, it will be mandatory in the coming years for companies covered by CSRD to report, among other things, their greenhouse gas emissions according to scope 1–3.[38] This contributes to improved access to emissions data and other sustainability-related data from companies, i.e. the banks' customers. In parallel with the European sustainability reporting standards, global standards are also being developed.[39] In the future, access to data will therefore be improved, which among other things facilitates the banks' reporting of their indirect emissions.

Measurement of financed emissions for buildings

A number of banks have set emission goals for their financed emissions, for example under commitments in the Net Zero Banking Alliance (NZBA), see section 2. To measure their progress towards defined goals, some banks have started to calculate and report their financed emissions based on methods and data from PCAF. The work will evolve in line with better methods and access to data.

Example For Handelsbanken, real estate lending accounts for just over 80 per cent of the bank's total lending. The goal is to reduce emissions for real estate lending by 36 per cent per square metre by 2030 compared to the base year 2021. Handelsbanken calculates its financed emissions based on methods and data from PCAF. The bank's calculations show that the financed emissions for real estate in 2022 amounted to 843,613 tonnes of carbon dioxide equivalents (CO_2e). This is a decrease of 7.4 per cent compared with the base year 2021, which is partly explained by improved energy efficiency in the portfolio.[36]

Example SBAB Bank's overall goal by 2038 is to reduce emissions from lending to private customers, housing cooperatives and corporate customers by a total of approximately 50 per cent from the base year 2022. The climate targets are based on intensity and kilograms of CO_2e per square metre. The goals have been set using methods that are scientifically based and will be validated by the Science Based Targets Initiative (SBTi). SBAB Bank, like Handelsbanken, has started to calculate its financed emissions based on methods and data from PCAF. In 2022, SBAB Bank's total financed emissions amounted to 124,098 tonnes of CO_2e.[37]

To calculate emissions from properties where there is no energy declaration available, both Handelsbanken and SBAB have calculated energy performance and emissions using methods, typical examples and data from PCAF. Data for the actual area of the building is multiplied by data on average emission intensity per square metre provided by PCAF for different building types, see below. If data on the actual area of the building is not available, average building areas from PCAF are used.

Example PCAF

	Detached houses	Apartment buildings	Premises
Energy intensity (kWh/m^2)	191	187	267
Emission intensity ($kgCO_2e/m^2$)	9	8	22
Average building area (m^2)	127	1,092	356

Methods from PCAF do not currently include a method for calculating emissions for housing associations and their apartments, which is a common form of housing in Sweden.

To avoid double counting of emissions, Handelsbanken and SBAB have, in their calculations of financed emissions for 2022, applied an allocation factor of 0.29 for housing associations and an allocation factor of 0.71 for housing association apartments. This means, for example, that if the bank has financed the housing association as a whole but none of the housing association apartments, the bank has financed 29 per cent of the property's emissions.

Correspondingly, this means that if the bank has not financed the housing association but has fully financed the housing association apartments, the bank has financed 71 per cent of the property's emissions. In addition to this allocation factor, the calculation is carried out in accordance with PCAF. Using the same method increases comparability between different banks' financed emission figures.

Standards and requirements for climate-related reporting

Standard setter	Task Force on ClimateRelated Financial Disclosures (TCFD)	International Sustainability Standards Board (ISSB)	EU, through the Corporate Sustainability Reporting Directive (CSRD)	EU, through the Capital Requirements Regulation (CRR)
Geographical scope	Global recom-mendations for reporting on climate risks	Global standards for sustainability reporting	European standards for sustainability reporting	European requirements for reporting on climate risks (Pillar 3 report)
Mandatory reporting	No (voluntary)	Yes (for those countries that adopt the standard)	Yes	Yes
Implementation	2017. A deadline of five years applies to the commitment of an individual company.	Planned to be ready in mid-2023, and will enter into force on 1 January 2024. Implementation takes place thereafter.	Phased implementation based on the size of the companies. First reporting in 2025 (for the financial year 2024).	Phased implementation of the various reporting requirements. First reporting in 2023.

The Swedish Bankers' Association summarises certain key figures on climate risks

In this section, we summarise certain key figures on climate risks that banks have begun to include in their reports with information on risk exposures, so-called Pillar 3 reports.[40]

The information published so far includes:

(i) The banks' exposure to transition risks in different sectors

(ii) Energy efficiency of the banks' property collateral

(iii) Exposure to the 20 most carbon emitting companies globally

(iv) Exposure to physical risks

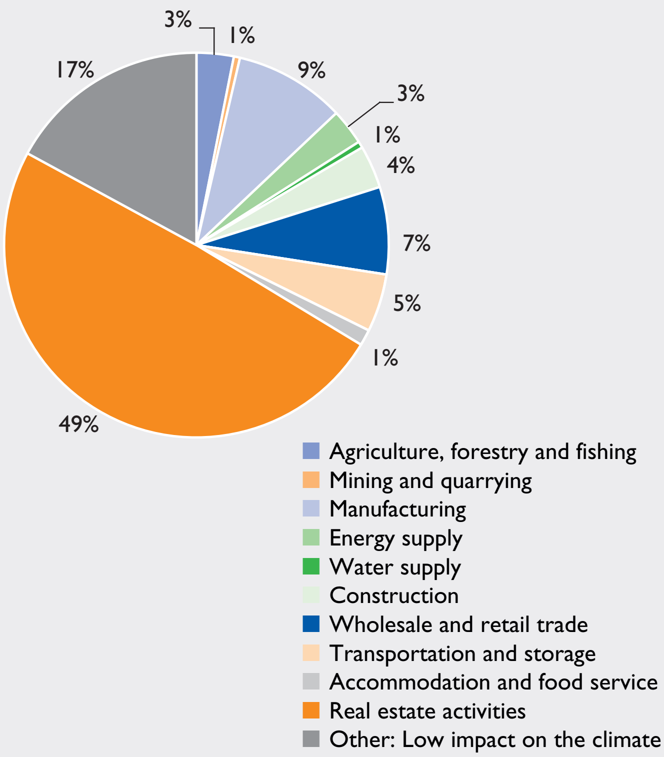
With effect from June 2024, reporting greenhouse gas emissions (scope 1–3) in the banks' Pillar 3 reports will be mandatory. It is voluntary at present and was only reported by a few of the banks in the latest Pillar 3 reporting.

The Swedish Bankers' Association has compiled the banks' reported data for 2022 in the following diagram.[41]

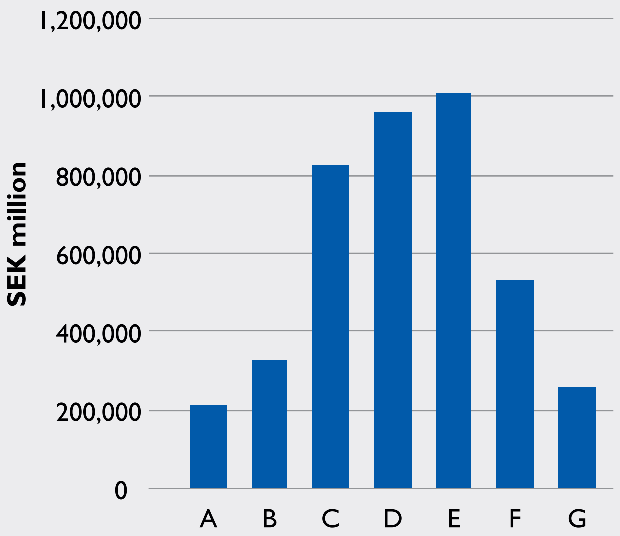
(i) The banks have a large exposure to real estate activities

Information on the banks' exposure to sectors with high emissions provides an indication of the transition risks to which they are exposed. The Swedish banking industry's exposure to sectors that have a small impact on the climate account for 17 per cent, while the remaining 83 per cent is to sectors that have a major impact. Among the exposure with a high impact, the real estate sector is the single largest and amounts to 49 per cent.

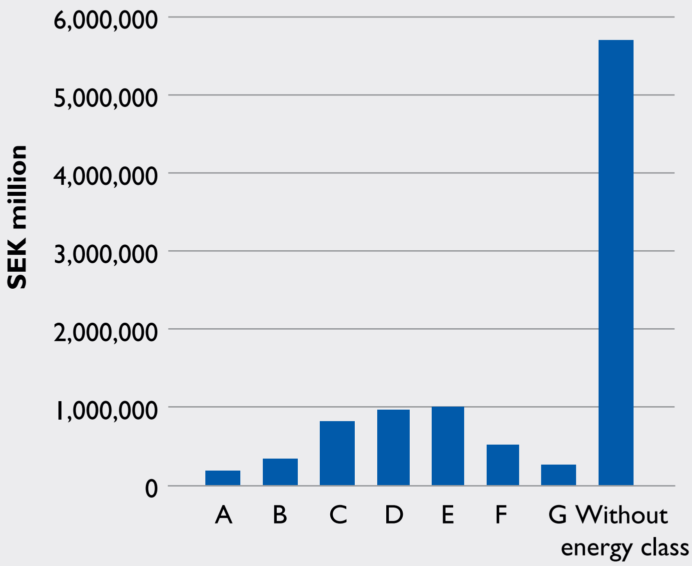
The banks' exposure to different sectors



Energy efficiency of loans with collateral in properties (energy classes A to G)



Energy efficiency of loans with collateral in properties (total)



(ii) The energy efficiency of the banks' collateral in property is difficult to capture due to lack of access to data

The vast majority of the banks' collateral in property relates to buildings with energy classes C to E. As much as 72 per cent of lending is to properties with buildings that do not have a valid energy declaration. The energy classes of Swedish buildings cannot be compared with those of other EU countries because the system for energy classes is not harmonised within the EU but is determined at national level.

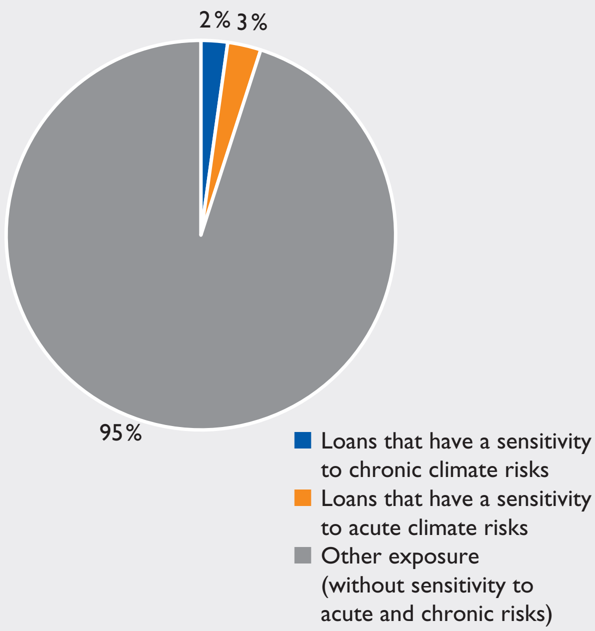
(iii) The banks' aggregate exposure to the 20 most carbon emitting companies in the world is negligible

Another indicator of transition risk is the banks' exposure to the companies that emit the most in the world. The banking industry in Sweden generally has a very small exposure to the 20 most emitting companies globally. The total exposures amount to SEK 13.5 million, which corresponds to 0.000199 per cent of the total gross carrying amount.

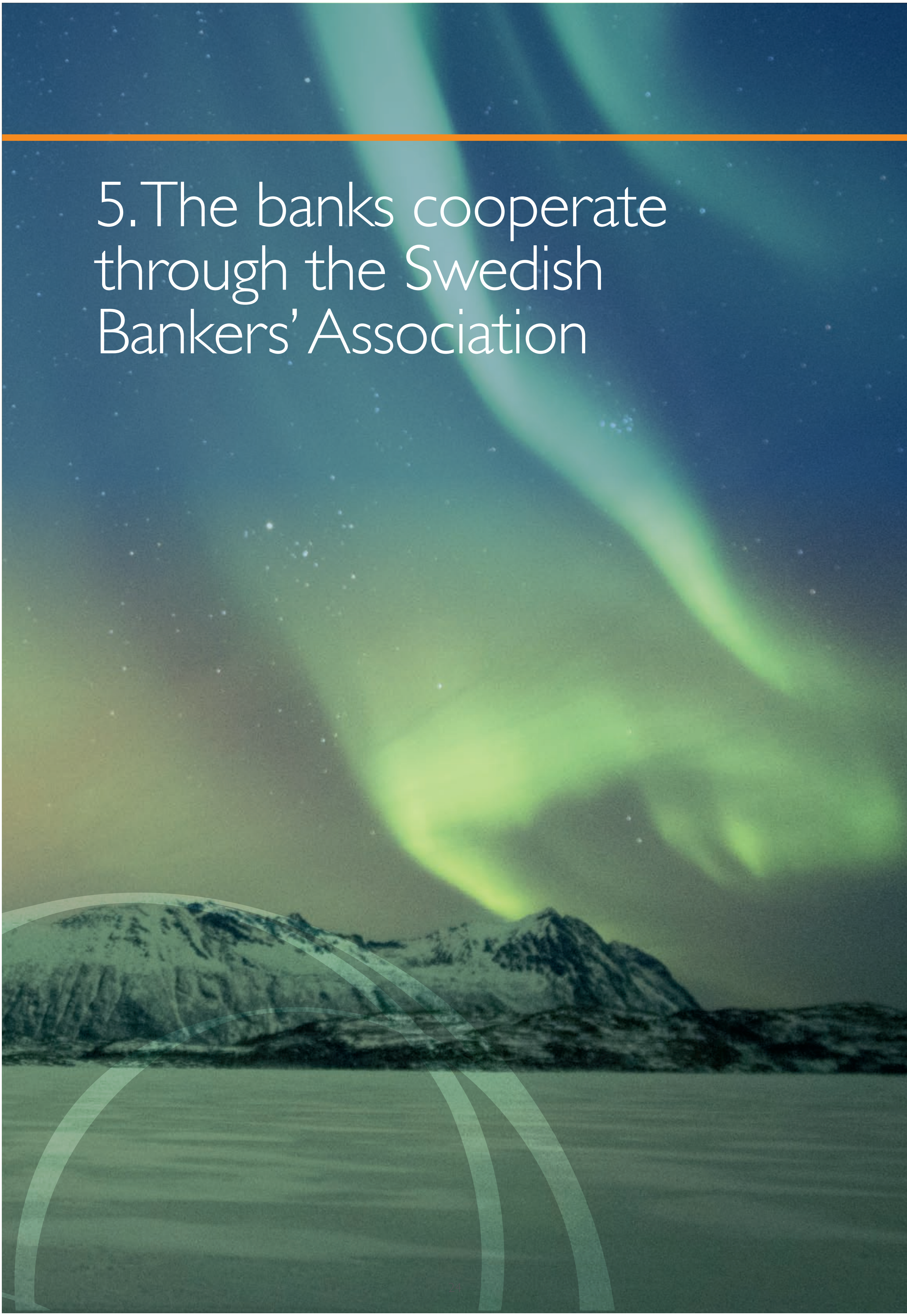
(iv) Banks' exposure to physical risks is most significant in real estate activities

The banks report their exposure to physical risks in different sectors and broken down into chronic risks and acute risks.[42] The Swedish banking industry has, according to the latest Pillar 3 reporting the greatest exposure to physical risks in the property sector. The exposure to acute risks is estimated to be slightly greater than the chronic risks, see chart below, which only covers the real estate sector (residential and commercial properties).

The banks' exposure to physical risks in real estate activities[43]



5. The banks cooperate through the Swedish Bankers' Association



With this report, the Swedish Bankers' Association fulfils one of its commitments under the Climate Roadmap, namely to summarise the work of the banking industry. The idea is to regularly follow up the industry's sustainability work.

The roadmap creates a common framework for the banks to compete within. However, there are areas that benefit from the banks' cooperation, namely interpretation of regulations and climate data. Cooperation with other parties is also important.

The banks help each other to understand new regulation

The Swedish Bankers' Association assists members in monitoring and commenting on initiatives for new regulation and in interpreting new rules in the area of sustainability and climate.

As regards climate issues, a large number of initiatives for new regulation have been taken in a short period of time, notably as part of the EU Action Plan on Sustainable Finance.[44] In the joint work, a major focus in 2022 has therefore been on monitoring the initiatives and helping each other to understand what the new rules mean.

In the climate area, the following new regulations have been relevant in 2022:

- The new European standards for sustainability reporting developed under the EU Corporate Sustainability Reporting Directive (CSRD).
- The reporting requirements according to the EU Green Taxonomy.
- The reporting requirements on climate risks in the banks' Pillar 3 reports.
- Proposed amendments to the EU Energy Performance of Buildings Directive (EPBD).

The banks cooperate to some extent when it comes to climate data

Something that has gained momentum since the Climate Roadmap was presented is the number of suppliers providing climate data. Nevertheless, it is a challenge for banks to access the data needed to meet the new regulatory requirements. The banks are working to meet the need in different ways.

In 2022, the Swedish Bankers' Association has worked to ensure that authorities provide relevant information, such as energy data for buildings. The Swedish Bankers' Association has been in dialogue with the National Board of Housing, Building and Planning and the Government Offices of Sweden to bring about a solution that can facilitate banks' access to energy data.

As described in section 4, the Swedish Bankers' Association participates in the work to develop standards for measuring and reporting climate-related information, for example for banks' financed emissions.

Cooperation with other stakeholders remains a key factor

In order to monitor and interpret new regulations and assist with implementation, the Swedish Bankers' Association maintains a dialogue with relevant government representatives and bodies as well as with other industry organisations. An increasing proportion of the relevant regulations is determined at EU level. In 2022, the Swedish Bankers' Association has strengthened its presence in Brussels and its work within the European Banking Federation (EBF), among others. But there is still reason to monitor the national agenda in order to create good conditions for the banks to contribute to the transition.

6. Summary of progress and the way forward

Progress in 2022 can be summarised as follows:

- The vast majority of banks have lived up to the commitment in the Climate Roadmap to identify their most important impacts. Most have begun to map out their journey of transition through interim goals where the focus is on making the goals sufficiently robust, including through scientific endorsement.
- The banks continue to contribute to the climate transition by integrating climate-related risks and opportunities into their operations and by the banks being a driving force to help customers in their transition.
- Intensive work is underway to measure and publish information on emissions that includes the banks' customers. The banks publish certain key figures on climate risks under new EU regulations. The key figures point out, among other things, the importance of the energy efficiency of buildings.

Key factors and challenges to monitor going forward related to the Climate Roadmap:

- In the coming years, all the banks will set strategies and targets that are of high quality and contribute to achieving the climate target of net zero emissions.
- In the future, new EU regulations will mean higher minimum requirements when it comes to integrating climate-related risks and opportunities. In many cases, it is crucial for the banks to be able to assess the credibility of customers' transition plans. Green products and advice to customers continue to increase in scope as the transition continues. A major focus for the banks is on the energy efficiency of buildings, but also on other exposures to high-emission sectors that needs to be reduced.
- The banks are required to report reliable information on financed emissions involving customers, which requires better access to data.

Abbreviations used in the report

CSRD, Corporate Sustainability Reporting Directive	New EU directive on corporate sustainability reporting
ESRS, European Sustainability Reporting Standards	European standards for sustainability reporting
GHG protocol, greenhouse gas protocol	International framework for measuring and classifying greenhouse gas emissions
ISSB, International Sustainability Standards Board	International standard-setter in sustainability reporting under the IFRS Foundation
NZBA, Net Zero Banking Alliance	International initiative led by the banking sector to reduce emissions
PACTA, Paris Agreement Capital Transition Assessment	Method used to measure transition risks in banks' credit portfolios
PCAF, Partnership for Carbon Accounting Financials	Global collaboration between financial firms to develop methods for measuring and reporting financed emissions
Pillar 3 report	Report that banks publish on their risk exposure, which must include, among other things, information on climate risks
PRB, Principles for Responsible Banking	The UN's principles for responsible banking activities
SBTi, Scienced Based Targets initiative	Cooperation between, among others, the UN and the World Wide Fund for Nature (WWF) for the validation of emission reduction goals
SDFR, Sustainable Finance Disclosures Regulation	EU Regulation on sustainability-related disclosures
TCFD, Task Force on Climate-Related Financial Disclosures	International private sector-led initiative with recommendations for reporting climate-related risks and opportunities

Footnotes

[1] *The Paris Agreement states that the global temperature increase shall be kept well below 2°C and that efforts should be made to limit it to 1.5°C.*

[2] *Share of the banks' lending to the Swedish public (households and non-financial corporations) according to statistics from Statistics Sweden for 2022.*

[3] *In the Climate Roadmap, the banks commit to net zero emissions by following the UN Principles for Responsible Banking (PRB). PRB refers to the Paris Agreement and to national climate policy frameworks, such as the national climate goal of net zero emissions by 2045 decided by Riksdagen (Parliament). Read more: Principles for Responsible Banking – United Nations Environment – Finance Initiative (www.unepfi.org/banking/bankingprinciples).*

[4] *Read more on the website of the United Nations Environment Programme: Net-Zero Banking Alliance – United Nations Environment – Finance Initiative (www.unepfi.org/net-zero-banking)*

[5] *Important work towards the NZBA was carried out in the context of the UN Environment Programme's work Collective Commitment to Climate Action, launched in 2019 and now replaced by the NZBA. More information: Commitment to Climate Action – United Nations Environment – Finance Initiative (www.unepfi.org/banking/commitments/ccca).*

[6] *Emission intensity generally refers to emissions in relation to an economic measure such as sales turnover. Sometimes the term emissions refers to a physical quantity such as a surface measurement. See the banks' reporting under the NZBA for more information on the definitions used by each bank.*

[7] *Addressed in the so-called Banking Package presented by the European Commission in 2021.*

[8] *From a societal perspective, there is, among other things, a link to the goal of financial stability, see the Swedish Financial Supervisory Authority's Roadmap for a sustainable financial market of December 2022.*

[9] *See Finansinspektionen and the Riksbank, Transition risks in banks' loan portfolios– an application of PACTA, 8 April 2022.*

[10] *See, for example, the EBA Discussion Paper on the role of environmental risk in the prudential framework, May 2022.*

[11] *See Nordea Annual Report 2022 (www.nordea.com/sv/doc/arsredovisning-nordea-bank-abp-2022-0.pdf)*

[12] *See SEB Annual and Sustainability Report 2022 (https://webapp.sebgroup.com/mb/mblib.nsf/alldocsbyunid/E102D15B7DB0A57FC12589600049IE31/$FILE/arsredovisning_2022.pdf)*

[13] *See Landshypotek Bank Sustainability Report 2022 (www.landshypotek.se/globalassets/dokument/hallbarhet/hallbarhetsrapport-2022-landshypotek-bank.pdf)*

[14] *See Finansinspektionen, Bank Barometer, 29 March 2023.*

[15] *See Niklas Thidevall, Peter Lidén and Brita Stenvall, Climate Resilience Declarations - a standardised assessment of climate risks in property, RISE Report 2023:5.*

[16] *See Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017, and updates through Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021.*

[17] *The UN Intergovernmental Panel on Climate Change (IPCC) has developed Representative Concentration Pathway scenarios (RCPs) that banks and other companies can choose to use. The Network for Greening the Financial System (NGFS) has also developed scenarios for climate change and economic development.*

[18] *The International Energy Agency (IEA) is the OECD countries' cooperation body for energy issues and has 30 member countries. The European Commission is also involved in the IEA work.*

[19] *See Swedbank Annual and Sustainability Report 2022 (https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE141711784)*

[20] *See Länsförsäkringar AB Annual Report 2022 (https://mb.cision.com/Main/152/3736299/1924180.pdf)*

[21] *According to the National Board of Housing, Building and Planning's energy classification from 1 January 2014.*

[22] *The EU taxonomy aims to identify and compare environmentally sustainable investments through a common classification system for environmentally sustainable economic activities. For buildings built before 31 December 2020, energy class A is required or that the building belongs to the 15 per cent most energy-efficient of the national or regional stock.*

[23] *Access to the National Board of Housing, Building and Planning's Gripen database is restricted for the banks.*

[24] A zero-emission building is defined under the proposal as a building with very good energy performance and very low energy demand, where the low amount of energy required shall come from on-site renewable energy production, renewable energy from a local energy community or from locally produced renewable district heating/cooling.

[25] See Danske Bank Annual Report 2022 (https://danskebank.com/-/media/danske-bank-com/file-cloud/2023/2/danske-bank-annual-report-2022.pdf?rev=a9438da13b994c459e75e85e26162607&hash=CE8B815A54C84F6E353A5B727B7C3970)

[26] See SEB Annual and Sustainability Report 2022 (https://webapp.sebgroup.com/mb/mblib.nsf/alldocsbyunid/E102D15B7DB0A57FC12589600491E31/$FILE/arsredovisning_2022.pdf)

[27] See Environment and Climate Change – Handelsbanken's Guidelines, 25 May 2022 (https://www.handelsbanken.com/tron/xgpu/info/contents/v1/document/76-97671)

[28] There are international principles for defining green bonds, such as the Green Bond Principles (GBP).

[29] New EU regulation on European green bonds.

[30] See Handelsbanken Green Bond Framework, August 2022. See also Handelsbanken Annual and Sustainability Report 2022 (https://www.handelsbanken.com/tron/xgpu/info/contents/v1/document/76-169033)

[31] As regards sustainable investments through funds, see for example the report on climate work by the Swedish Investment Fund Association' , April 2022 (https://www.fondbolagen.se/globalassets/faktaindex/studier-o-undersokningar/hallbart-fondsparande/fondbolagens-klimatarbete-2022_low.pdf).

[32] It follows from the EU Supervisory Regulation that major banks are required to publish reports containing information on risk exposures known as Pillar 3 reports. The reports must now also include information on ESG risks (Article 449a). The European Commission has decided on detailed requirements (see Implementing Regulation (EU) 2022/2453, which entered into force on 8 January 2023).

[33] The GHG Protocol covers seven greenhouse gases: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), fluorinated hydrocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3).

[34] Scope 3 shall cover a company's value chain, i.e. the activities that take place in a company that create value. For a bank, scope 3 is intended to cover the emissions generated by the companies to which the bank lends money and invests, as well as the emissions generated by the assets that the bank has as collateral for its loans.

[35] See Financed Emissions, The Global GHG Accounting and Reporting Standard, Part A, Second edition, December 2022, Partnership for Carbon Accounting Financials.

[36] For a full description, see Handelsbanken's climate change progress report 2022 (https://www.handelsbanken.com/tron/xgpu/info/contents/v1/document/76-169050).

[37] For a full description, see SBAB Bank's Climate Report 2022 (https://www.sbab.se/download/18.3dd4193a1867e1c48471a83/1679601678817/SV%20-%20SBAB_climate_analysis_2022_v4.pdf).

[38] The proposal is expected to be adopted by the European Commission in summer 2023.

[39] Draft global sustainability accounting standards have been developed by the International Sustainability Standards Board (ISSB), an independent standard-setting body of the IFRS Foundation.

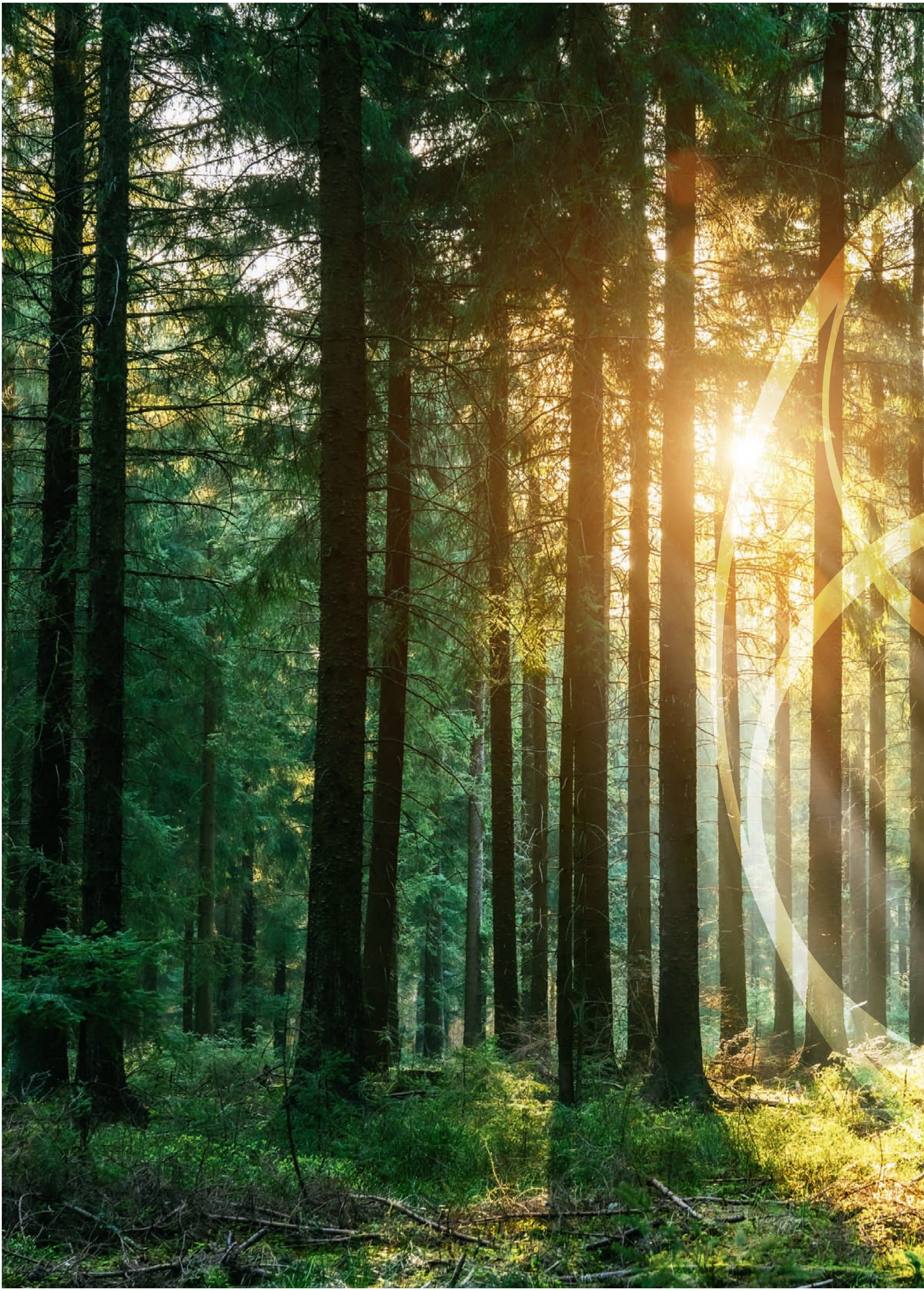
[40] See footnote 32.

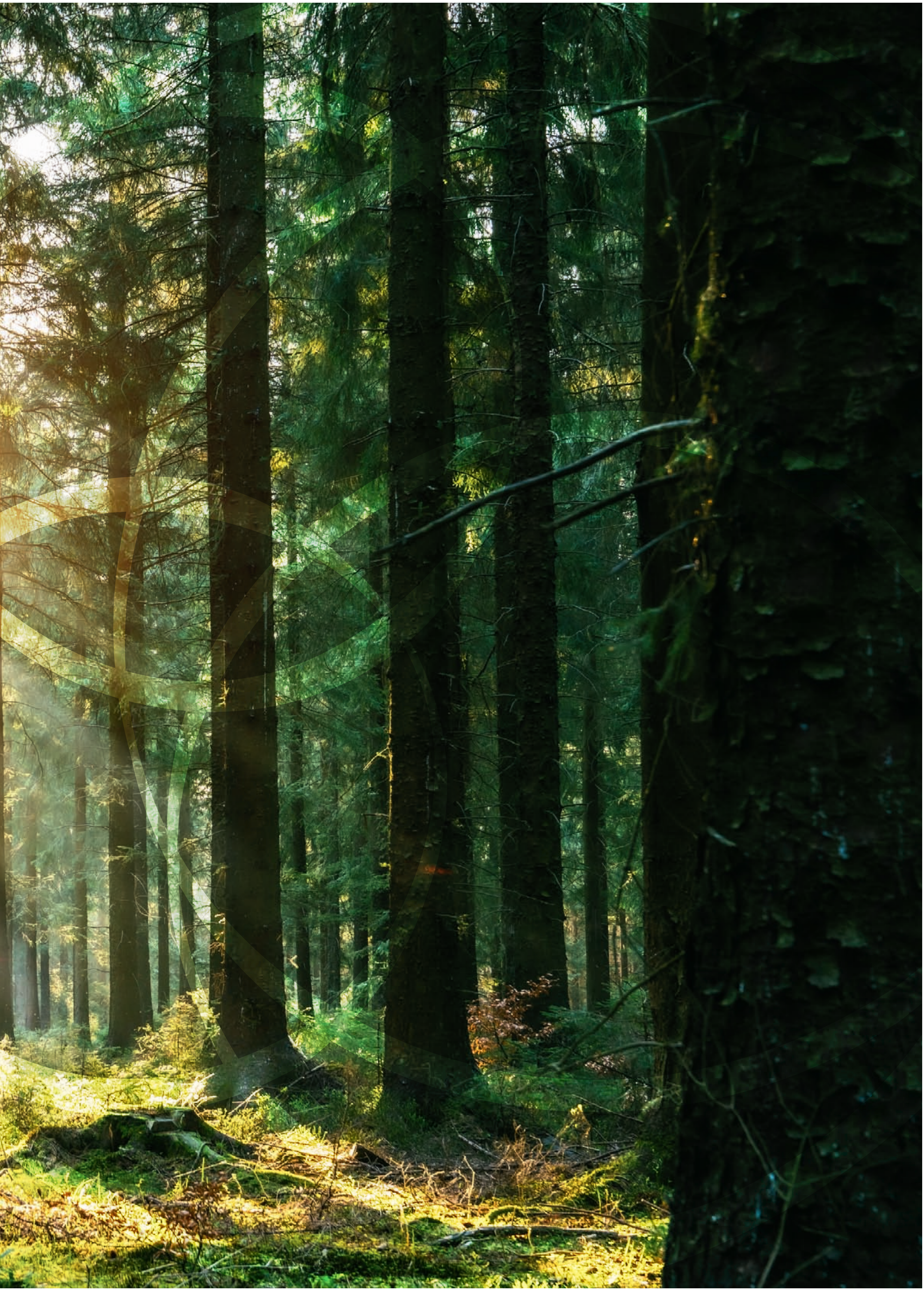
[41] The banks that have reported are Handelsbanken, Nordea, Swedbank, SEB, Länsförsäkringar Bank, SBAB and Danske Bank. The reports refer to information as of 31 December 2022.

[42] Acute risks include weather phenomena-related risks such as floods, forest fires, heat waves, extreme cold, torrential rain, landslides or hurricanes. Chronic risks include long-term climate change such as soil degradation, water scarcity, sea level rise, biodiversity loss and coastal erosion.

[43] The banks included are SEB, Swedbank, Handelsbanken, Danske Bank and SBAB Bank.

[44] See EU Action Plan on Financing Sustainable Growth adopted by the European Commission in 2018. The plan was updated in 2021. There is also a policy area for transforming the real economy called the European Green Deal. Within this framework a European climate law has been adopted.





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