Swedbank

2018

Climate Review

Content

Climate Review 2018

Climate change is one of the biggest challenges of our time. Businesses play an important role in fighting global warming. Swedbank wants to take an active part to contribute, within our sphere of influence, to reach a stable climate, and as a financial player we have an important role to play to accelerate the transitions to a low carbon economy. Swedbank has a group-wide approach to climate change and we integrate climate considerations into our customer dialogue and in our credit- and investment processes. Minimizing greenhouse gas emissions from our energy use and business travel are prioritized areas in order to reduce our direct climate impact.

Our operations impact the environment in different ways. We continously measure and follow-up on our emissions in Sweden, Estonia, Latvia, Lithuania and Norway and estimate the emissions in other countries where we operate. By monitoring and managing our emissions we are systematically reducing our climate impact over time.

The purpose with the Climate Review is to evaluate and analyze the emissions generated, primarily by our direct operations, in relation to our Group climate target and to identify relevant actions. For disclosure of our indirect climate impact, please see Swedbank Annual and Sustainability Report 2018 page 198–199. The climate target of Swedbank Group is defined herein;

Swedbank's target, in 2010–2018 was to reduce its greenhouse gas emissions by 60 per cent. Swedbank succeeded and reached a decrease with 63 per cent. This was realized due to an increased share of renewable energy, facilitated energy efficiencies and steering our traveling towards more environmentally conscious alternatives.

In addition 2018 Swedbank took several actions to prevent climate change for instance we began buying carbon offsets, mainly for air travel, and even more importantly signed the Science Based Target Initiative, pledging that the bank's future climate goals will align with the Paris Agreement. In addition to these actions Swedbank also announced its support for the TCFD recommendations during 2018. In our annual and sustainability report for 2018 Swedbank took the first step in disclosing material climate risks in line with the TCFD recommendations.

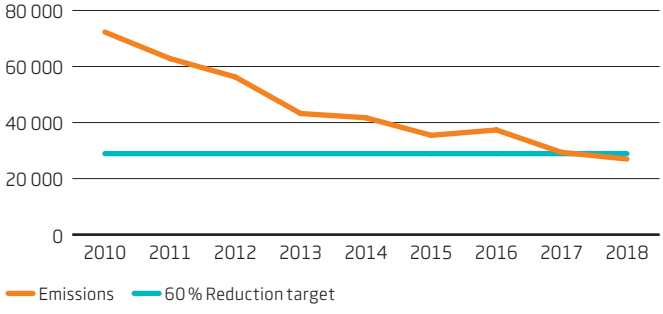
Climate reporting – a three step process

1. Data related to business travel; premises; office supplies and third-party transports are measured and analyzed.
2. The data is entered into the system Our Impact, administrated by U&We, using the Ecometrica software to calculate the emissions based on the carbon dioxide equivalent (CO_2e) received from the GHG Protocol developed by the World Resources Institute. The emission data is third-party verified by the banks audit firm Deloitte.
3. To ensure transparency on Swedbank´s direct climate impact the emissions are presented in various channels internally and externally in e.g. the Annual and Sustainability Report, CDP and Dow Jones Sustainability Index.

1. Emission reductions in the Swedbank Group 2010–2018

We have reduced our direct greenhouse emissions by more than 60 per cent since 2010, with 45 296 tonnes CO_2e. This development is equal to a decrease of 63 per cent, meaning that Swedbank Group has reached its target for 2018 (60 per cent decrease of 2010's baseline). The emission development in the Swedbank Group, along with the 60 per cent target line for 2018, is presented in the graph below.

Emission development in the Swedbank Group (tCO_2e), 2010–2018



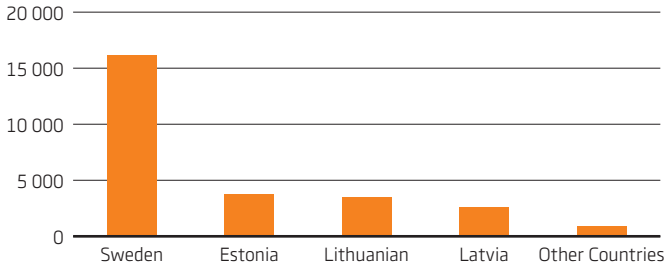
The key aspects for this emission reduction trend are as follows;

- First, large office areas (m2) have been reduced in Ukraine and Russia as the operations and premises were phased out during 2013 resulting in major emission reductions. Additionally, in previous years 2014–2017, Swedbank operations in Sweden, Estonia, Latvia and Lithuania have also undergone office space reductions, this trend has continued during 2018.
- Second, the shares of purchased renewably produced electricity have increased significantly. The use of renewable electricity was at first apparent in Swedish operations but since 2013 the share of renewable electricity has increased in the Baltic countries as well. In 2018 we bought Guarantees of Origin (GOOs) for renewable electricity for our entire Baltic operations resulting in a decrease with 13 911 tones or 97 per cent compared with 2016. The biggest impact comes from Estonia, since the energy production is more CO_2 intensive compared with our other home markets countries.

1.1 Results 2018

In 2018, CO_2e emissions spanning all company units totaled 26 983 tones, as presented in the graph below. As previous years the Swedish operations accounted for the highest emissions. Our Estonian and Lithuanian operations accounted for second highest emissions as they had very similar emission levels, due to the significant emission reductions as a result of the GOOs purchase. In 2018 the Lithuanian and Latvia emissions decreased with around 20 per cent compared with 2017.

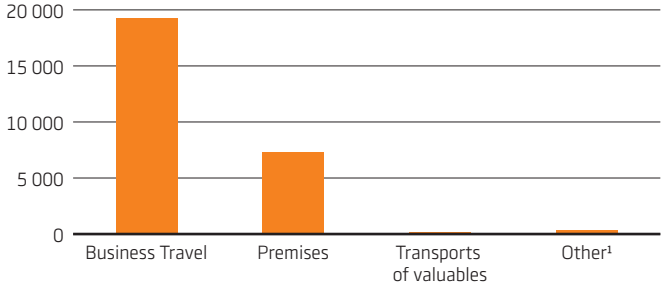
Emissions per company unit[1] (tCO_2e) in 2018



1) The number of employees (permanent contract) by region in 2018 was 8 618 in Sweden, 2 541 in Lithuania, 2 662 in Estonia, 1 788 in Latvia and Other countries 493.

The highest emitting areas in 2018 are presented below. Apparent is that there are two main areas generating greenhouse gas emissions in the Swedbank Group: our premises and our business travel, wherein business travel is significantly accounting for the highest emissions. In 2018, business travel accounted for 71 per cent of the total emissions (68 per cent in 2017) and premises for 27 per cent of the Group emissions (31 per cent in 2017). The major change in distribution can be explained by a decrease from premises foremost due to the purchase of GOOs for all Baltic operations in total a reduction with 1 806 tCO_2e.

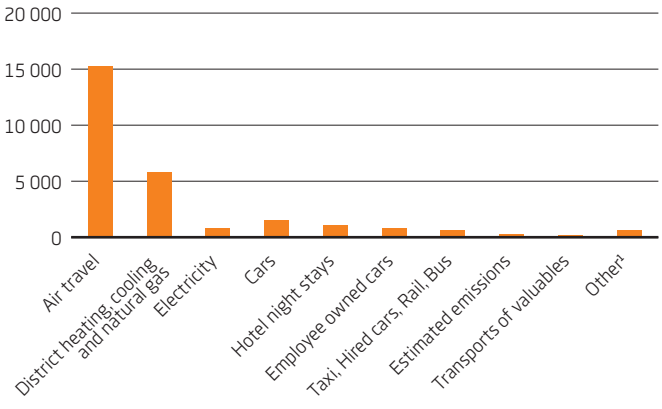
Emissions per area (tCO_2e) in 2018



1) Other includes emissions from paper use.

Assessing specific emission activities, the graph below clearly displays how air travel is the biggest emission post in 2018, summing up to 15 238 tonnes of CO_2e, representing 56 per cent of total emissions in 2018. Another important figure is that the emissions generated by the two main activities represents 78 per cent of the total emissions in 2018 which is air travel and district heating/cooling. Additional emission sources in the Group are presented in the graph below.

Emissions per activity (tCO_2e) in 2018



1) Other includes emission from landfilled waste, paper and water use.

1.2 Emissions per scope

The GHG emissions generated by the banking operation both directly and indirectly can be classified into "scopes," based on the source of the emissions.

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by Swedbank. Scope 1 can include emissions from fossil fuels burned on site, emissions from owned or leased vehicles, and other direct sources. The scope 1 emissions are generated by fuel consumption in company owned vehicles. In 2018, 4 per cent of the total emissions in the Swedbank Group were Scope 1 emissions which is almost 1 per cent bigger than the share in 2017. In absolute emission figure, an increase with 240 tCO_2e.

Scope 2 emissions are indirect emissions resulting from electricity, heating and cooling generated off-site but purchased by Swedbank. These activities accounted for 22 per cent of the total emissions in 2018 compared to 26 per cent in 2017, which is a positive emission reduction.

Scope 3 emissions include indirect emissions from sources not owned or directly controlled by Swedbank but related to Swedbank activities, such as travel and transports of valuables. The Scope 3 emissions accounted for 73 per cent of the total emissions in 2018 compared to 71 per cent in 2017. In total small changes in air travelling compared to 2017 and minor changes in other business travel related activities.

1.3 Important changes

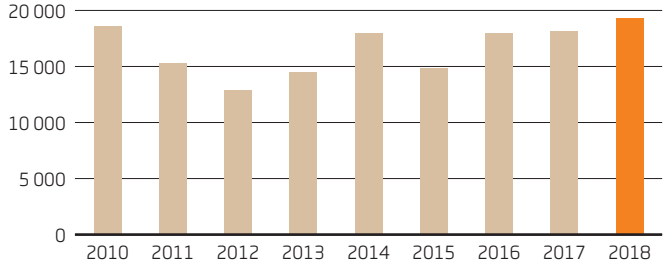
Comparing the results from 2017 with 2018, the total emissions generated by the Swedbank Group decreased by moderate 8 per cent or with 2 359 tCO_2e (compared with the change 2016–2017 that was 8 015 tCO_2e or 21,5 per cent).

1.3.1 Business travel

Business travel includes trips made by air, bus/coach, employee-owned cars, hired cars, rail and/or taxi, as well as emissions generated by hotel night stays.

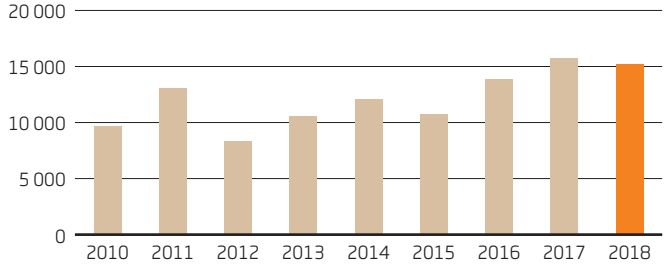
After 2010 emissions underwent a downward trend until 2013 when the trend was reversed and the emissions started to increase. This has continued to this day, except for 2015 when we had an emission decrease mainly due to a reduction of flights in the Swedish operations. The 2018's figures is an all time high level and increased with 1 120 tCO_2e and reached the emission peak in 2010. The emission trend for business travel in 2010–2018 can be seen in the graph below.

Emission development (tCO_2e) from business travel, 2010–2018



The specific emission trend for air travel, in 2010–2018 is presented in the graph below. Due to a travel free week and efforts in increasing the use of Skype the emission from only air travel curved and decreased a little. This is very positive since it has increased since 2012 with 2015 as an exception.

Emission development (tCO_2e) from air travel, 2010–2018

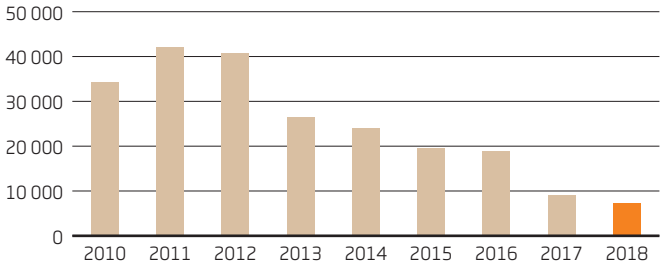


1.3.2 Premises

Premises include emissions generated by district heating/cooling, electricity, natural gas, waste and water.

The emissions generated by premises in the Group continued to decline in 2017–2018, with a decrease of 20 per cent, as seen below, which mainly can be explained by the emission reductions in the Lithuanian and Latvian premises. Focusing on the longer perspective, other significant reasons for the emission reductions in premises since 2013 are reduction of office areas (m^2) together with more energy efficient premises.

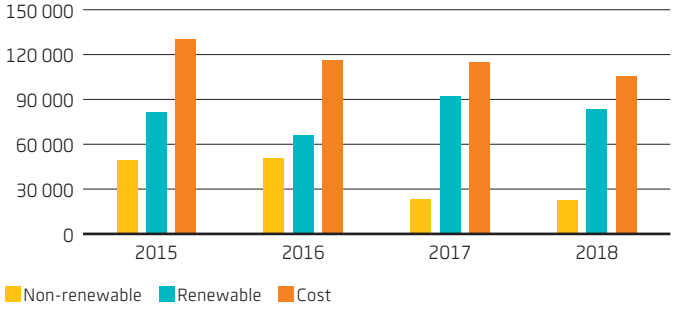
Emission development (tCO_2e) from premises, 2010–2018



1.3.3 Energy Consumption from premises

The energy consumption for our premises include energy from following sources; biomass/CHP plants, solar, wind, hydro, coal and natural gas, The total energy cost for Swedbank decreased in 2015–2018 by 19 per cent. In parallel we could also notice a decrease of the non-renewable energy in the same time period with over 50 per cent. The development is displayed in the table below.

Energy development (MWh) and Cost (tSEK) from premises, 2015–2018



1.3.4 AutoPlan

All emissions generated by the auto leasing company AutoPlan are reported separately in the table below and, consequently, are not included in total emissions for the Swedbank Group. The reason for this is to create greater comparability with other financial institutions and to comply with revised reporting requirements.

The table below shows the downward trend in GHG emissions from our own company cars and from all new company cars acquired by Swedbank AutoPlan.

Auto leasing AutoPlan	2018	2017	2016
Leasing of vehicles (tonnes CO_2e)[1]	196 497	198 120	192 143
Total number of leased cars	42 839	43 537	42 573
Average emissions, new cars CO_2 (g/km)[2]	111.9	112.5	115.5
Average emissions, total CO_2 (g/km)[2]	115.1	119.0	125.7
Average emissions, new company cars in Swedbank CO_2 (g/km)	92.3	92.9	108.3

1) Emissions based on fuel consumption and fuel type per vehicle over one year.
2) Refers to company cars administered by Swedbank AutoPlan.

2. Detailed results for Swedbank Group 2018

2.1 Swedish operations

The main results of the Swedish operations are presented below.

- Total emissions generated by Swedish operations in 2018 were 16 151 tCO_2e.
- 2017–2018 emissions generated by Swedish operations decreased by 3.5 per cent.
- The largest emitting area in 2018 was business travel, accounting for 13 393 tCO_2e or 83 per cent of total emissions.
- Emissions from air travel decreased by 194 tCO_2e or by 2 per cent in 2017–2018 compared to the year before when it was an increase with 16 per cent.
- Emissions from district heating decreased by 101 tCO_2e or by 5 per cent in 2017–2018.

2.2 Estonian operations

The main results of the Estonian operations are presented below.

- Total emissions generated by Estonian operations in 2018 were 3 797 tCO_2e.
- 2017–2018 emissions generated by Estonian operations decreased by 3.6 per cent.
- The largest emitting area in 2018 was business travel, accounting for 1 936 tCO_2e or by 51 per cent of total emissions.
- Emissions from office premises decreased by 81 tCO_2e or by 4.4 per cent.
- Emissions from air travel decreased by 120 tCO_2e or by per 8 cent in 2017–2018.

2.3 Latvian operations

The main results of the Latvian operations are presented below.

- Total emissions generated by Latvian operations in 2018 were 2 602 tCO_2e.
- 2017–2018 emissions generated by Latvian operations decreased by 21.6 per cent.
- The largest emitting area in 2018 was premises accounting for 1 386 tCO_2e or 53 per cent of total emissions.
- Emissions generated by air travel increased by 35 tCO_2e or by 6 per cent in 2017–2018.

2.4 Lithuanian operations

The main results of the Lithuanian operations are presented below.

- Total emissions generated from the Lithuanian operations in 2018 were 3 511 tCO_2e.
- 2017–2018 emissions generated by Lithuanian operations decreased by 20 per cent.
- The largest emitting area in 2018 was business travel accounting for 2 263 tCO_2e or 64 per cent of total emissions.
- Emissions generated by air travel decreased by 190 tCO_2e or by 10 per cent in 2017–2018.

2.5 Other countries operations

Other countries include Norway, China, Denmark, Luxembourg, US and Finland. The main results are presented below.

- Total emissions generated from Other countries in 2018 were 922 tCO_2e.
- In 2017–2018, emissions generated by Other countries decreased by 2.6 per cent.

3. Focus areas for Swedbank Group to enable continued emission reductions

The result of the climate review of 2018 once more identifies our two main emission sources, premises and business travel as the direct climate impact of the Swedbank Group. The following text focuses on the most important actions in how to address and minimize these two emission sources.

3.1 Premises

Our premises account for a big share of the total emission by the Swedbank Group, specifically 27 per cent (7 249 tCO_2e). However, comparing with the figures of 2017, premises accounted for 9 055 tCO_2e, meaning that 1 806 tCO_2e from premises have been reduced. This shows that we have achieved a great deal of reduction potential in this area. There are three effective ways to reduce emissions in the area of premises, which also Swedbank has acted upon already in 2017: reductions of office space, more efficient energy use and to increase the share of renewable electricity. In 2018 the work has continued in this areas and further on all our electricity consumed is either renewables from sources such as hydro, wind, or solar. The electricity for the remaining part has been covered by GOO´s.

3.1.1 Reduction of office space

The reduction of office space also implies emission reductions, as energy use from heating, cooling, gas and electricity decreases simultaneously as the office area is reduced. One main driver of office space reduction is the accelerating of digitalisation in our society. Digitalisation both alters changes in customer meetings and relations as customers more frequently seek to carry out our banking services online or via our Customer Center. This change is likely to continue and new head quarter premises are taken into use and being built. This will drive a more effective use of energy in newer buildings with less office area.

3.1.2 Energy efficiencies and renewable energy

The development of reducing the purchase of non-renewable energy is central for Swedbank Group as it has a significant impact on the total emissions volume. During 2018 all electricity used and paid for under operational control comes from renewable sources. More work still needs to be done in this area to secure operational control of the energy included in rental agreement.

Continue to work with the incentives for our tenants of choosing more carbon efficient energy solutions increases consistently in line with improved and more cost efficient alternatives, such as solar panels.

Important actions to reduce emissions from energy use in Swedbank Group are to:

- Continue to increase the share of renewable electricity in Baltic Banking, steering the focus to Latvia and Lithuania.
- Switch to and/or choose biogas over natural gas as an energy source for heating in Baltic Banking.
- Improve the energy efficiencies in our Swedish premises, to incorporate more energy-efficient and space-saving properties, and continuously encourage property owners to adopt energy conservation measures in the buildings we rent.

3.2 Business travel

Swedbank has a leading position in its home markets of Sweden, Estonia, Latvia and Lithuania, and support our customers businesses with operations in Norway, Finland, Denmark, the US, China and Luxembourg. The geographic distribution of Swedbank's branches means that many business trips are carried out consistently over the year, and the CO_2 emissions generated by flight have significantly increased since 2015.

During 2018 a travel free week was introduced and the trend was reverted and air travelling declined a little. Swedbank also continued to increase the use of alternative meeting solutions such as digital conference meetings. In 2019 the travel free week are still in place and continued work with meeting solutions will be done.

Important actions to lower emissions are to use transports, such as train and bus whenever possible and continue to establish focused activities and increase knowledge and to motivate the use of transports having low environmental impact.

Swedbank also continues to increase the use of alternative meeting solutions such as digital conference meetings. Alternative meeting solutions will also have a positive impact on emissions generated by taxi trips, hired cars and hotel night stays as these activities are clearly correlated to travel emissions. We are also confident that this will have positive feedback effects by freeing up more time and resources for our employees and reducing travel times and the impact of our business travel.

It is vital that Swedbank will continue to work toward further reductions in air travel the coming years, since air travel is one of our main emission sources.

4. New environmental targets

Swedbank has adopted new targets in the beginning of 2019 to replace the previous targets, the new targets are presented below. Efforts to implement the new targets have been initiated in order to set a successful strategy to reach them in time.

Electricity and energy targets

- 10% better energy efficiency per square meter compared with 2017 (year 2021)
- 15% better energy efficiency per square meter compared with 2017 (year 2025)

CO_2 emission target

- 20% reduction of actual direct emissions of CO_2 compared with 2017 (year 2022)
  – A decrease from 29 300 tons to 23 500 tons

The new environmental targets presented above will as a result of signing the Science Based Target Initiative be evaluated and secured to ensure that the bank's climate goals is align with the Paris Agreement.

As a signatory of Science Based Targets Swedbank will participate in road testing financial asset class methods with the Science Based Targets initiative with its main focus on reaching a feasible method for the financial sector to set climate targets that are aligned with latest science on the topic and to ensure climate risk management to support long term viability of our operations.