Decarbonisation targets
Banco Sabadell is delivering on its commitment to the 2030 Agenda with the establishment of decarbonisation targets

One of the major challenges currently facing the financial sector relates to the successful development of a strategy to manage and support customers that accelerates the transition towards a sustainable and low-carbon economy.

To address this situation, Banco Sabadell has made the fight against climate change one of the core pillars of its sustainability strategy and ESG action framework.
Sustainability goal

Sustainability is one of Banco Sabadell’s values and a key part of its understanding of banking. Throughout its history, the Bank has promoted business development and supported its customers, responding to the challenges of internationalisation, the incorporation of technology and digitisation, and now that of sustainable transition, with an ethical and responsible management approach that focuses on generating a positive impact on the environment in which it operates.

The Bank continues to steer its activity, organisation and processes in pursuit of its goal of resolutely contributing to sustainability and to the fight against climate change, reflecting its commitment to sustainability as a key element to drive forward companies’ transformation and generate a positive social and environmental impact on people and the environment. Sustainability is thus embedded not only in its corporate purpose and strategy but also in its structure, governing bodies and action frameworks.
Decarbonisation strategy

In the current context of climate change and in its capacity as a financial institution, the Bank believes it has a fundamental role to play in the transition towards a sustainable economy and in the achievement of the goals set out in the Paris Agreement and the 2030 Agenda. On one hand, at the entity level, the Bank must attend to all that sustainability implies in its organisation and, on the other hand, at the business level, it must be a lever for transition, supporting and funding the process undertaken by other economic players, generating opportunities and, in parallel, counteracting the risks in the system, managing sector exposures as required and minimising the impact of physical and transition risks.

To that end, the Bank has an action framework, Sabadell’s Commitment to Sustainability, which establishes future goals based on environmental, social and governance commitments and through which it prioritises four strategic pillars:

1. Progress as a sustainable institution.
2. Support customers in the transition to a sustainable economy.
3. Offer investment opportunities that contribute to sustainability.
4. Work together for a sustainable and cohesive society.

In keeping with its actions and as part of leading global climate partnerships, the Bank is a signatory of the ‘Collective Commitment to Climate Action’ (Compromiso Colectivo para la Acción Climática, CCCA), ratified in 2019 by the Spanish Banking Association (Asociación Española de Banca, AEB), Spain’s Official Credit Institute (Instituto de Crédito Oficial, ICO) and the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA) during COP25, through which it undertakes to align its portfolio with the goals set out in the Paris Agreement by 2030. In 2021, as a member of the Net-Zero Banking Alliance (NZBA), the Bank continued to make progress by pursuing more ambitious goals in terms of timelines and the level of sectoral detail, to ensure all of its credit and investment portfolios have net-zero greenhouse gas emissions by 2050 at the latest.

In addition, faced with the challenges of measuring portfolio decarbonisation, in 2022 Banco Sabadell adopted the methodology promoted by the Partnership for Carbon Accounting Financials (PCAF) and, as a member of that framework, it began to work together with other institutions to develop a global standard on accounting and reporting greenhouse gas emissions in the financial sector, to that end sharing in the goal of disclosing and harmonising the measurement of greenhouse gas emissions associated with its loans and investments.
Decarbonisation targets

The Institution has defined targets and measures to support the reduction of its carbon footprint, to that end prioritising the establishment of interim targets for the most carbon-intensive industries such as Electricity, Oil & Gas, Cement and Coal.

The activities covered by the aforesaid targets centre on the stage of each sector’s production chain where transition is most likely to reduce the overall volume of greenhouse gas emissions, namely:

- In the **Electricity** industry, businesses whose main activity is the generation of electricity.
- In the **Oil & Gas** industry, businesses associated with upstream and downstream hydrocarbons (including refining activity).
- In the **Cement** industry, companies with manufacturing activities.
- In the **Coal** industry, companies with activities related to coal mining.

These targets contribute towards the Bank’s goal of fighting climate change and they reflect its ambition to achieve an economy with net-zero emissions by 2050. With this goal in mind, its commitments have been determined taking into account the Net Zero Emissions by 2050 Scenario published by the International Energy Agency (IEA), which establishes decarbonisation pathways for different sectors that are consistent with limiting the global temperature rise to 1.5°C above pre-industrial levels.
### Decarbonisation targets

#### Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Emissions scope</th>
<th>Reference scenario</th>
<th>Metric</th>
<th>Base year 2020</th>
<th>Target 2030</th>
<th>% Total reduction 2020 - 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity 1 and 2</td>
<td>IEA Net Zero 2050</td>
<td>Kg CO$_2$e /MWh</td>
<td>61</td>
<td>85-45</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Oil &amp; Gas 1, 2 and 3</td>
<td>IEA Net Zero 2050</td>
<td>Mt CO$_2$e</td>
<td>6,3</td>
<td>4,9</td>
<td>-23%</td>
<td></td>
</tr>
<tr>
<td>Cement 1 and 2</td>
<td>IEA Net Zero 2050</td>
<td>Kg CO$_2$e /tonne cement</td>
<td>660</td>
<td>510</td>
<td>-23%</td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>n/a</td>
<td>IEA Net Zero 2050</td>
<td>Million euros (€)</td>
<td>3</td>
<td>~0</td>
<td>-100%</td>
</tr>
</tbody>
</table>

#### Notes about methodology applied:

Base year and 2030 targets data are based on the large corporations segment.

To determine industry commitments based on the reduction of emissions intensity (Electricity and Cement), average emissions intensity has been calculated based on emissions and output attributed according to the amount of financing granted.

The commitments have been determined based on the methodology of the Science-Based Targets initiative (SBTi) and the pathway indicated in the reference scenario for the Oil & Gas, Cement and Coal industries.
Identification of impacts in the establishment of targets

To set targets and identify the levers of transformation in carbon-intensive industries, it is vital to understand their origin and progression. To that end, the patterns described below have been identified for each industry.

Electricity industry

The Bank’s current starting point is 61 kg CO₂e/MWh, far below the level in the reference scenario (IEA NZE 2050) for the base year and also considerably below the 2030 target, but on a par with the level anticipated by the industry for 2036-2037. This situation is the result of the Bank’s specialisation in renewable energy that it began in the 1990s by financing and investing in renewables projects, particularly those based on wind and solar technology. Along these lines, the Bank has continued to move forward by drawing on two levers. One of these levers relates to the corporate financing to support clients in their transition and the Project Finance, where the Bank is a leading provider of finance for renewable energy plants, lending well above its natural market share, and acting as a key player in greenfield projects on the Iberian peninsula.

The other lever is Sinia Renovables, the Bank’s renewable energy and sustainability equity investment division, which has experience in all types of technology and in a variety of geographies and which offers comprehensive solutions from the moment a project kicks off until it is up and running.

Against this backdrop, the Bank aims to maintain the intensity of its CO₂ emissions at a range of between 85-45 kg CO₂e/MWh in order to ensure that it remains by the side of all its customers during their transition process. This strategy is aligned with the REPowerEU plan and the ambitious energy targets of the European Union in relation to the buildout of renewable electricity generation. The Bank will continue to take action with the same diligence it always has, undertaking to remain a standard-bearer for financing and investing in energy and technology that can serve as alternatives to fossil fuels.
Oil & Gas industry

The Bank has set itself the target of reducing total emissions associated with positions in this industry by 23%, in line with the reference scenario. It plans to achieve this reduction mainly by supporting companies in this industry as they implement their transition plans, whose main levers include producing low-carbon products (e.g. green hydrogen, e-fuels, biofuels), boosting their electricity generation business and improving the efficiency of emissions-intensive processes. These plans typically have emissions reduction targets that are generally aligned with this ambition.

Cement industry

The Bank has set itself the target of reducing the emissions intensity per tonne of cement produced by 23%, in line with the reference scenario. The measures with which it plans to achieve this reduction include, among others, supporting customers as they implement the transition plans published by organisations in their respective sectors, such as the roadmap of Spain’s association of cement manufacturers (Oficemen), which among other things considers the buildout of renewable electricity generation, the use of low-carbon fuels and the improved efficiency of current production processes as a necessary path towards the industry’s climate neutrality.

Coal industry

In line with the expectations of the Net-Zero Banking Alliance (NZBA), the Bank will have no exposure to coal mining activities in 2030.
Key levers to achieve targets

Alignment with customers

To achieve the proposed targets for a sustainable and low-carbon economy, the Bank has moved forward with its sectoral specialisation and developed specific management tools, identifying the methods by which sectors are becoming decarbonised, their key performance indicators (KPIs) and their challenges and opportunities, so as to support customers in their transition. With this goal in mind, in 2021 the Bank set itself the target of mobilising 65 billion euros in sustainable finance by 2025.

More specifically, the Bank has developed a programme to support its customers and it is using a methodology developed in-house to understand its customers’ situation and bring them closer in line with the regulatory environment, while at the same time assessing physical and transition risks as opportunities for transformation, thus helping them to define their own emissions reduction plans for their transition to a low-carbon economy.

In keeping with this activity, the Bank has specialized teams in sustainability with a sectoral focus for each client segment that allow to identify the most appropriate solutions according to the client’s needs and to offer personalized advisory to face the transition challenges.

Moreover, the Institution has implemented an ongoing customer advice programme, through which it offers advice through the Companies Hub, webinars and visits, focusing on ESG topics in which the main transition-related challenges are identified, thus ensuring achievement of the proposed targets.

Furthermore, the Bank’s lending policy follows sectoral standards designed to limit the amount of finance granted to customers and projects that the Institution considers to be contrary to the transition to a sustainable economy or to lack alignment with international regulations or best practices in the sector.
Upcoming milestones of our commitment to decarbonisation

To reinforce its commitment to the decarbonisation of the economy and to the targets of the Paris Agreement and the Net-Zero Banking Alliance (NZBA), Banco Sabadell plans to continue setting additional interim targets for other carbon-intensive industries. The Bank will also report on the progress made with the commitments it has undertaken and it will unveil an action plan to ensure it meets the aforesaid targets.

More information about the ESG framework and the actions taken in this regard is available on the corporate website, in the section entitled Commitment to Sustainability.