



Climate targets for Swedbank Group

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Executive summary

Swedbank is committed to the Paris Agreement's 1.5°C target and acknowledges the need for banks to help customers make required changes. To set the direction for the bank, Swedbank established 5 climate targets on financed emissions of the lending portfolio in 2022 (mortgages, commercial real estate, oil & gas, steel and power generation) and is now adding an additional target on the shipping portfolio. The bank is also committed to the Net-Zero Banking Alliance (NZBA) and Science-Based Targets initiative (SBTi), with the purpose to accelerate the transition through collaboration with other actors and ensure alignment against industry best practices.

~80% of Swedbank's lending portfolio covered by climate targets.

By adding shipping to our climate targets, the bank is now covering close to 80% of on-balance exposure.

The shipping industry represents the most energy-efficient mean of transportation and around 80% of global trade by volume is carried by sea. However, the industry's carbon footprint is significant, at 2-3% of global emissions, and it is facing increased pressure to decarbonise. Swedbank has joined Poseidon Principles – the global framework for climate alignment of ship finance – and is now further strengthening the work to decarbonise our shipping portfolio by adding it to our climate targets. **Swedbank's climate target for the shipping portfolio is to reach 0% alignment delta by 2030 against the most ambitious Poseidon Principles' trajectory.** This implies that by 2030, the portfolio should be in line with the International Maritime Organization's (IMO) "striving for" (net-zero) decarbonisation trajectory.

Based upon Swedbank's Strategic Direction, Business Strategy and Position Statement on Climate Change, we empower the many people and businesses to take climate action, by supporting a sustainable, just and inclusive transition. Swedbank will continuously work with our customers to steer towards the 1.5°C scenario, through risk management, acting on business opportunities, and providing appropriate advice, products, and services. Furthermore, Swedbank will continue to improve our internal systems to store and access the relevant data to enable efficient steering. The Group's climate targets will continuously be reviewed and revised to ensure coverage of key sectors from an exposure and carbon impact perspective, meeting evolving requirements from external stakeholders and alignment with best practices across the industry.

Introduction

Swedbank is committed to the transition towards the Paris Agreement's 1.5°C target and acknowledges the need for banks to help customers make required changes. To set the direction for the bank, Swedbank established five climate targets in 2022 and is now adding an additional target on the shipping portfolio. The bank is also committed to the Net-Zero Banking Alliance (NZBA) and Science-Based Targets initiative (SBTi) to accelerate the transition through collaboration with other actors and ensure alignment against industry best practices.

Swedbank's vision is a financially sound and sustainable society where we empower the many people and businesses to create a better future. One of the greatest challenges of our time is climate change, and the Paris Agreement sets the stage to limit global warming to 1.5°C. A major transition of society is needed, and banks have an important role to play.

"The transition towards a low-carbon economy is accelerating. Swedbank is committed to actively supporting our customers on the way, helping them become more sustainable. By setting ambitious targets on key sectors of our portfolio – covering the lion share of our lending – we intend to clearly articulate the direction in which the bank is heading."

Johanna Fager-Wettergren, Head of Group Sustainability at Swedbank



Climate targets established in 2022

In 2022, Swedbank established climate targets on the lending portfolio, covering key sectors from both an exposure and carbon impact perspective (including mortgages, commercial real estate, oil & gas, power generation and steel). This year, Swedbank has reviewed remaining corporate lending portfolio to further set relevant targets to align the portfolio with a low-carbon economy (more on that below). The aim of the targets is to set the Strategic Direction for the bank to help society transition, manage climate change-related risks and capture opportunities in the portfolios.

Swedbank's climate targets on financed emissions

Sector	Emissions scope	Target metric	Baseline (2019)	Progress (2022)	Target (2030)
Mortgages	Scope 1 & 2	Kg CO ₂ eq/m ²	9.2	8.7 (-5%)	-39%
Commercial Real Estate	Scope 1 & 2	Kg CO ₂ eq/m ²	25.1	21.0 (-16%)	-43%
Power generation	Scope 1	t CO ₂ eq/MWh	0.17	0.15 (-12%)	-59%
Oil & gas ¹	Scope 1, 2 & 3	Million t CO ₂ eq	6.4	2.9 (-55%)	-50%
Steel	Scope 1 & 2	t CO ₂ eq/t	0.89	0.84 (-6%)	-29%

See more information around the climate targets established in 2022 in the previous methodology paper *"Methodology for developing climate targets 2022"*.

Commitments

Swedbank has committed to Net-Zero Banking Alliance (NZBA) and Science-Based Targets initiative (SBTi) with the purpose to accelerate the transition through collaboration with other actors and ensure alignment of our climate actions against industry best practices.

The NZBA is an industry-led, UN-convened international association representing more than 40 per cent of global banking assets, bringing together banks that are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. Swedbank committed to the NZBA in May 2021. The signatories shall publicly disclose interim and long-term targets for high carbon-emitting sectors in line with limiting global warming to 1.5°C.

SBTi is a collaboration between CDP, the United Nations Global Compact, the World Resources Institute and the World Wide Fund for Nature to define and promote best practice in science-based target-setting. Swedbank committed to SBTi already in 2018 and acted as a testing bank for mortgages in the development of methodologies. The requirement for financial institutions is to set intermediate climate science-based targets for their own operation emissions (e.g., electricity used in offices) and lending portfolio emissions.

¹ Including exploration, production, and refining.

Additional sectors for climate target setting

Swedbank is continuously reviewing its climate targets to ensure coverage of key sectors from both an exposure and carbon impact perspective. This year, Swedbank has reviewed the remaining carbon intensive sectors listed by the NZBA to include in target setting. Based on assessment of exposure, sector homogeneity and data availability, shipping has been selected to be included in climate target setting. By adding shipping, Swedbank's climate targets on financed emissions are now covering close to 80% of total on-balance exposure.

Swedbank is continuously reviewing its climate targets to ensure coverage of key sectors from both an exposure and carbon impact perspective. As per Swedbank's commitment to the NZBA, the bank has now addressed the remaining carbon intensive sectors listed by the NZBA and required in terms of climate target setting: agriculture, aluminium, cement, coal and transport (incl. shipping, aviation, car manufacturing, 'other transport manufacturing' and road transportation). According to the NZBA, sector-level targets shall be set for all sectors where data and methodologies allow. Furthermore, sectors can be excluded if they are financially and/or environmentally immaterial for the bank.

Of sectors in question, Swedbank has exposure to all with exception from coal (which is also included in the restrictions in Swedbank's Position Statement on Climate Change).

Key principles for climate target setting

To decide upon which sectors to be included in the climate targets, four key principles have been outlined:

1. **Group level:** Targets are to be set on Group level (however, can be broken down per relevant business area for internal steering purposes)
2. **Substantial exposure:** Targets are to cover substantial part of committed exposure and most carbon intensive sectors (as listed by the NZBA)
3. **Sector homogeneity:** Targets are to be applied on homogeneous sectors, i.e., where portfolio companies have similar emission profiles that allows for common climate metric and target
4. **Data availability:** Targets are to be applied on sectors where data of quality level 1-3² is available, to allow steering of the portfolio and progress monitoring

Based on these principles, a framework was developed to assess the remaining sectors in terms of substantial exposure, sector homogeneity and data availability. Of sectors in question, shipping has been selected for climate target setting as it of significant size for

² Data quality levels according to PCAF guidelines: Level 1 - Verified emissions of the company; Level 2 - Unverified emissions calculated by company; Level 3 - Emissions calculated based on primary physical activity data of company's production.

Swedbank and as data is available enabling progress monitoring. The remaining sectors were de-selected based on:

- **Substantial exposure:** Car manufacturing, aviation, aluminium and cement were excluded due to limited exposure (these sectors jointly make up 0,3% of Swedbank's total committed exposure within corporate lending)
- **Sector homogeneity:** 'Other transport manufacturing' was excluded as portfolio consists of companies across 6 sub-segments relevant for climate target setting and would thus need to be further broken down to set relevant climate metrics and targets (each sub-segment would be too small in terms of committed exposure)
- **Data availability:** Agriculture and road transportation were excluded as both portfolios are dominated by small-sized businesses with limited emissions data available. Lack of emissions data makes the bank reliant on estimates, which in turn makes it difficult to steer the portfolio and monitor actual progress towards targets. Given the bank's exposure in these sectors, Swedbank will continue to work on improving data availability and quality (primarily through collaboration with third parties) with the intention to consider these sectors in climate target setting as better data becomes available.

Adding shipping to the climate targets, Swedbank is now covering close to 80% of on-balance exposure. Note that targets on the corporate sectors including oil & gas, power generation, steel and shipping focus on both on-balance and off-balance exposure to better reflect the commitments made towards our customers and to cover the use of products such as revolving loans or line of credit facilities.



Climate target for the shipping portfolio

The shipping industry is facing increased pressure to decarbonise. Swedbank has joined Poseidon Principles, a global framework created for financial institutions to assess and disclose climate alignment of ship finance, and is now further strengthening the work to decarbonize our portfolio by adding it to our climate targets. The target for our shipping portfolio is to reach 0% alignment delta against Poseidon Principles' most ambitious net-zero trajectory by 2030 (and any future 1.5°C aligned pathway adopted by Poseidon Principles going forward).

Sector	Emissions scope	Target metric	Baseline (2022)	Target (2030)	Pathway
Shipping	Scope 1 and scope 3 upstream (fuel and energy related)	Climate alignment delta (%)	40%	0%	IMO 'striving for' trajectory

Decarbonisation of the shipping industry

Swedbank acknowledges that the shipping industry is one of the least carbon intensive ways of transport compared to other modes. A shift towards more water-based transportation of passenger and goods will thus have positive impact on reducing GHG emissions overall.

However, emissions from the shipping industry remains significant. The global shipping industry stands for 2-3%³ of global emissions and the industry is subject to an increasing number of decarbonisation efforts. Vessels larger than 5,000 gross tonnage are included in the EU's Emissions Trading System (ETS) from 2024 and the International Maritime Organization (IMO) significantly increased the ambition level in its revised carbon reduction targets in 2023. The revised targets imply reduction of total annual GHG emissions by 20% for 'minimum' and 30% for 'striving for' trajectory by 2030 (compared to baseline 2008) and to reach net-zero emissions by or around 2050. These trajectories have been widely accepted and acknowledged across the industry; and they represent important steps on the way to a full alignment with a credible pathway to limiting global warming to 1.5°C.

To reach the net-zero pathway despite relatively slow fleet renewal (ships are designed to work for 25-30 years), the shipping industry is required to combine focus on near-term innovation (e.g., energy efficiency improvements, routes optimisation etc.) with

³ Source: IEA (2024); Poseidon Principles Technical Guidelines v.5 (2023)

accelerated adoption of new technologies and greener fuel alternatives. Swedbank is actively supporting its customers on both.

Poseidon Principles – a global framework for climate alignment of ship finance

Poseidon Principles (PP) has become the main reference for climate alignment of ship finance. It provides a framework and methodology to align portfolios against IMO's decarbonisation trajectories and to publicly disclose portfolio alignment annually. Swedbank became a signatory of PP in February 2024.

Climate alignment delta

The climate alignment delta measures difference between Annual Efficiency Ratio (AER, measured in g CO₂ eq/tonne-nautical mile) of the portfolio against IMO trajectories. The portfolio climate alignment delta is an aggregated score based on alignment per vessel towards a vessel type specific trajectory (aggregated to portfolio level based on share (%) outstanding debt). A positive alignment delta score means that the collective and exposure weighed AER of the portfolio is higher than required AER to be aligned with trajectory, i.e., the aim is for the portfolio to score 0 to be aligned with the trajectories.

In 2022, Swedbank's climate alignment delta of the portfolio was 40% above the IMO "striving for" trajectory. By 2023, the alignment delta is expected to improve given a shift in the portfolio composition between the years.

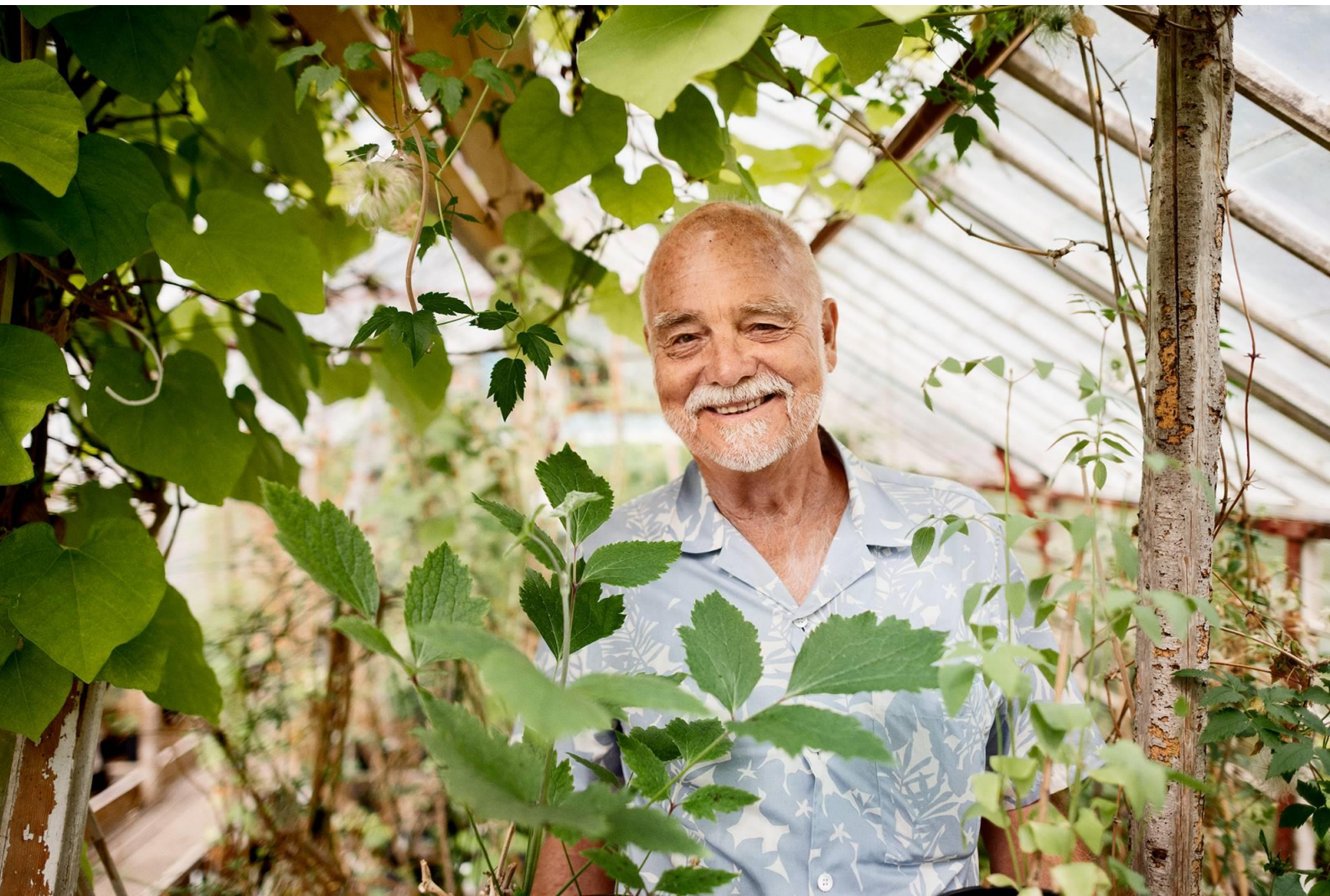
Swedbank's climate target for shipping

Swedbank's climate target for the shipping portfolio is to reach 0% alignment delta by 2030 against the most ambitious Poseidon Principles' trajectory (and any future 1.5°C aligned pathway adopted by Poseidon Principles going forward). This implies that by 2030, the portfolio should be in line with the IMO "striving for" (net-zero) decarbonisation trajectory. However, it should be noted that this trajectory is not yet considered to be fully aligned with the 1.5°C target. The bank will monitor the development of target setting methodologies and revise its targets as soon as improved pathways become available through the Poseidon Principles.

The scope of the target is aligned with required reporting under Poseidon Principles. Hence, target covers scope 1 and scope 3 upstream (fuel and energy related) emissions from vessels equal to or above 5,000 gross tonnage to start. For Swedbank, this means that target covers ~40% of shipping exposure. The alignment score is based on AER measured in g CO₂eq./tonne-nautical mile. Lifecycle emissions are included (well-to-wake approach), meaning both upstream and operational emissions are considered. Baseline is set to 2022.

Key actions to reach our target

Reaching this target by 2030 implies approximately halving the average GHG emissions intensity of the portfolio compared to baseline 2022. To achieve this, the bank needs to continue being selective and finance clients with strong transition plans and use sustainability-linked financing (both in new facilities and conversion of existing) by introducing KPIs related to e.g., energy efficiency in the loan terms. In addition, Swedbank will work with clients to renew their fleets, through acquisition of modern second-hand vessels, as well as by entering facilities to construct new, zero-emission potential vessels. The bank is already supporting our clients on above listed actions.



The way forward

Based upon Swedbank's Strategic Direction, Business Strategy and Position Statement on Climate Change, we empower the many people and businesses to take climate action, by supporting a sustainable, just, and inclusive transition. Swedbank will continuously work with our customers to steer towards the 1.5°C scenario, through risk management, acting on business opportunities, and providing appropriate advice, products, and services.

Going forward, Swedbank will continue to improve data collection with the intention to consider other sectors in climate target setting as more granular data becomes available. For agriculture, the intention is to collect farm-specific production data (livestock and area cultivated land) to estimate emissions, and to leverage third-party collaboration to quantify farm-specific emissions.

Furthermore, Swedbank will continue to develop products and advisory services that facilitate the climate transition towards our 2030 targets. We are working on improving internal systems to store and access the relevant data to enable efficient steering of the portfolios. Swedbank is also committed to improving our data quality and calculations, given that the target-setting methodology as well as climate science will evolve over time. Overall, climate sector targets will continuously be reviewed and revised to ensure covering key parts of our portfolios, meeting requirements from external stakeholders and alignment with best practices across the industry.

Limitations & dependencies

Upscaling of low carbon technologies: To reach our climate targets, Swedbank is dependent on the underlying transition to a low carbon economy throughout the society. For shipping, decarbonisation of the sector requires that low-carbon solutions become commercially available at scale, however, the timeline for this is currently very uncertain. This is particular the case for low-carbon fuels, where the cost and availability of such will highly impact the pace of the transition in the industry and our portfolio. Swedbank is encouraging its customers to focus on energy efficiency improvements and other optimisation measures in the interim, acknowledging that this will only solve parts of the emission reduction required.

Availability of 1.5°C pathway: In 2023, the International Maritime Organization (IMO) significantly increased the ambition level in terms of emission reductions for the global shipping industry by setting a target to reach net-zero GHG emissions from international shipping by or around 2050. Swedbank has chosen to align its shipping portfolio against the most ambitious trajectory developed by the IMO (“striving for” trajectory), which includes indicative checkpoints for international shipping to reach 30% reduction of absolute GHG emissions by 2030 and 80% by 2040 (compared to baseline 2008). These have been widely accepted across the industry and is used in the alignment framework developed by the Poseidon Principles. However, it should be noted that this trajectory is not yet considered to be fully aligned with the 1.5°C target. The bank will monitor the development of target setting methodologies and revise its targets as soon as improved pathways become available through the Poseidon Principles.

Scope of shipping target: The target is based on the same scope as covered by the Poseidon Principles, and thus covers ships equal to or above 5,000 gross tonnage, equalling to approximately 40% of our shipping portfolio. Any expansion of the Poseidon Principles scope to also include smaller vessels etc. will in turn lead to increased scope of our shipping target.

Continuous review of climate targets: Swedbank will continue to refine our climate targets as new information and data become available. The targets will be reviewed at least every five years, to ensure alignment with the latest climate science. Swedbank is committed to further develop and improve our calculation methods, target levels and scopes to limit global warming to 1.5 °C going forward.

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