The real carbon footprint of Swedish banks

An assessment of the five largest banks' financed emissions and Paris-aligned transition plans

Swedish Society for Nature Conservation

FairFinanceGuide® Sverige

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1. Summary

The redirection of financial flows must drastically accelerate to avoid the worst impacts of climate change and to support adaptation. This paper looks at the financed emissions from lending for the five largest banks in Sweden: Handelsbanken, SEB, Swedbank, Nordea and Danske Bank. The results show that the banks finance almost 100 million tons of emissions per year, which is more than twice as much as Sweden's territorial emissions. This paper also concludes that none of the banks have sufficient transition plans in place to reduce the financed emissions in line with their net-zero commitments. The banks must take action to address the shortcomings by, amongst other things, adopting short- and mid-term emission reduction targets for their full lending portfolios, implementing comprehensive policies against deforestation and fossil fuel expansion, and requiring solid transition plans from all fossil fuel companies.

2. Background

Greenhouse gas emissions from the burning of fossil fuels and land use change, the latter primarily caused by deforestation, have already resulted in a global temperature rise of 1.4°C above pre-industrial levels. In 2023, greenhouse gas levels, global temperature and sea levels reached record highs and the Antarctic ice sheet underwent a record loss of mass.[1] To prevent catastrophic climate change and limit global warming in accordance with the Paris Agreement's 1.5°C temperature goal, this trend must be broken. However, according to the UN Environment Programme current pledges under the Paris Agreement will lead to a 2.5-2.9°C rise in global temperature.[2] At the same time, governments plan on more than doubling the amount of fossil fuels produced in 2030 than what would be consistent with limiting global warming to 1.5°C.[3] The urgency for ambitious climate action has never been higher.

The core of the Paris Agreement[4] consists of three interlined objectives (Article 2). Firstly, it urges a global response to hold the increase in global average temperature to well below 2°C above pre-industrial levels, and to aim for 1.5°C to reduce the risks and impacts of climate change. Secondly, it states the need to adapt to adverse impacts of climate change, build resilience and pursue low-greenhouse gas development. Finally, it states the need to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Taken together, this means that all types of investments and financing activities must align with the mitigation and adaptation goals of the Paris Agreement.

Since the adoption of the Agreement the scientific consensus has been that the negative social, environmental, and economic consequences of a 2°C scenario will be much more severe than of a 1.5°C scenario. The goal should therefore be to limit global warming to 1.5 °C with no or limited overshoot. According to the Intergovernmental Panel on Climate Change (IPCC) this requires that global emissions decline by 50 per cent by 2030, reaching net-zero by 2050 or sooner.[5]

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[1] Provisional State of the Global Climate in 2023 (wmo.int) and Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit | Copernicus

[2] https://unepccc.org/emissions-gap-report-nations-must-go-further-than-current-paris-pledges-or-face-global-warming-of-2-5-2-9c/

[3] 2023 Home - Production Gap

[4] https://unfccc.int/sites/default/files/english_paris_agreement.pdf

[5] https://www.ipcc.ch/sr15/

Further, the IPCC highlights the need for the redirection of financial flows to accelerate. Currently finance flows fall short of the levels needed to support adaptation and to meet climate mitigation goals across all sectors and regions.[6] Financial institutions and investors continue to provide significant funding for the fossil fuel sector and other high-emissions sectors. Hence, they must adjust their practices and speed up their efforts to tackle climate change by redirecting finance and investment flows from activities that contribute to climate change into sustainable activities. This includes accelerating the transition of companies and sector towards a sustainable and 1.5 °C compatible future.

Over the past years, many financial institutions have committed to align their financial activities with the 1.5 °C target by reaching net-zero emissions by no later than 2050. Financial institutions' largest climate impact stems from the activities that they own and finance through their lending and investments. These types of emissions are called "financed emissions" and are estimated to be 700 times larger than the financial institutions' direct emissions according to Carbon Disclosure Project.[7]

3. The banks' financed emissions

Financed emissions are essentially the carbon footprint of an institution's loans and investments. They include the emissions of all companies in the credit and investment portfolio, attributed to how much of these companies' activities are financed or owned by the institution.

The most used global framework for measuring and managing greenhouse gas emissions, the Greenhouse Gas Protocol, has three scopes of emissions. Scope 1 covers emissions from sources that a company owns or controls directly, and Scope 2 are emissions that a company causes indirectly generated by purchased energy.. Scope 3 are all indirect emissions, not included in Scope 2, that occur in the value chain of a company.[8] Financed emissions fall under Scope 3 for financial institutions and includes Scope 1,2 and 3 for the companies in their lending and investment portfolios.

Companies, including financial institutions, have only been required to account for and report all Scope 1 and 2 emissions. This has left out the most significant climate impacts of financial institutions where Scope 3 emissions account for almost 100 per cent.[9] However, the EU's Corporate Sustainability Reporting Directive (CSRD)[10] will make it mandatory for companies, including financial institutions to, by 2025, report and publish more detailed information on sustainability matters, including Scope 3 emissions.

Methodology

In this report, the calculation of the banks' financed emissions is limited to the banks' credit portfolios.[11] The data is collected from the banks' latest available reporting of financed emissions, published in their annual reports for 2022. The reporting period differs slightly between the banks where Nordea and Handelsbanken report data for 2022, Swedbank for 2021, and SEB and Danske Bank for 2020. All the banks, except for SEB, are members of the-industry lead Partnership for Carbon

[6] https://www.ipcc.ch/report/sixth-assessment-report-cycle/
[7] CDP-Financial-Services-Disclosure-Report-2020.pdf
[8] https://ghgprotocol.org/
[9] For example, Nordea's financed emissions in 2022 accounted for 99,9% of the bank's total carbon footprint.
[10] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464
[11] The calculation therefore only gives a partial picture of the banks' financed emissions, as their other financial activities like investments and other financing services are not included in the calculation. The inclusion of these would result in significantly larger financed emissions.

Accounting Financials (PCAF) and use its reporting framework for financed emissions.[12] This helps make results more comparable.

However, there are differences in the banks' reporting scope. Not all banks report financed emissions from all asset classes as prescribed by PCAF. Also, only some report a few high-emitting sectors' scope 3 emissions. SEB is the bank that reports Scope 3 emissions for most sectors (three) and the calculation is therefore limited to these sectors (see table 1 below).

The gaps that arise from the differences in reporting scope have been filled by using proxies from other banks' reporting. For example, Handelsbanken does not yet report financed emissions from business loans. To estimate the emissions from this asset class we have multiplied their exposure (credit amount) with the highest emission intensity from the same asset class at the other banks. The exposures in each asset class have been received from the banks in all cases except Nordea's lending to car manufacturers, which the bank has not shared. Nordea's exposure has therefore been estimated to be the same share of the corporate loan portfolio as at SEB.

Table 1: Overview of the asset classes that the banks report and where estimates have been made.

	Danske Bank	Handelsbanken	Nordea	SEB	Swedbank
Business loans (scope 1-2)	✓	Proxy	✓	✓	Proxy
Project finance	✓	✓	✓	✓	✓
Commercial real estate	✓	✓	Proxy	✓	✓
Mortgages	✓	✓	✓	✓	✓
Motor vehicle loans	Proxy	Proxy	✓	✓	Proxy
Scope 3 emissions					
Oil & Gas	✓	Proxy	✓	✓	✓
Mining	Proxy	Proxy	✓	✓	Proxy
Car manufacturing	Proxy	Proxy	Proxy	✓	Proxy

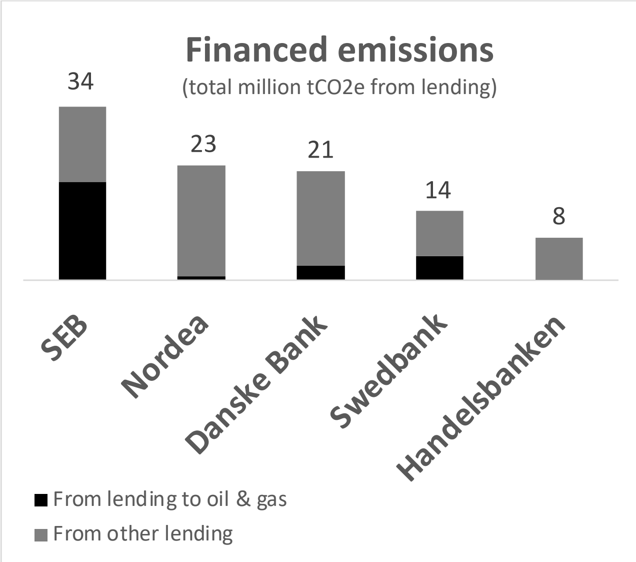
[12] carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Results

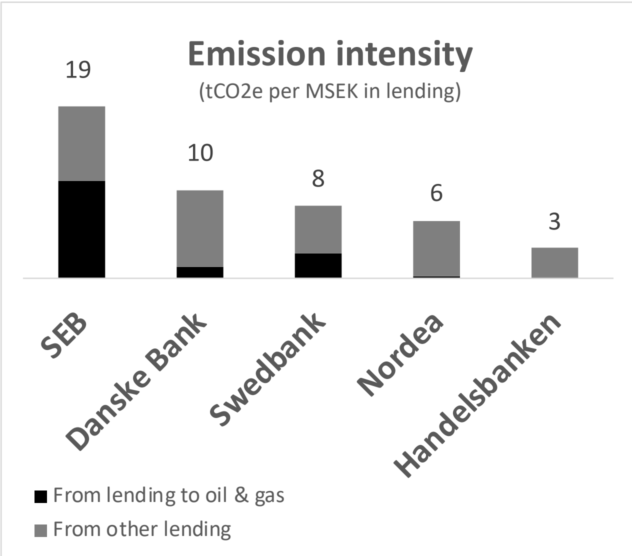
The results show that the financed emissions of the five largest banks in Sweden amount to 99.7 million tCO2e. This is more than twice as much as Sweden's territorial emissions that amounted to 45.2 million tCO2e in 2022.[13] SEB clearly has the largest total emissions with 34 million tCO2e and Handelsbanken the lowest with 8 million tCO2e.

Particularly striking is that the lending to the oil & gas sector accounts for a large share of the banks' total emissions. This is especially the case with SEB where it accounts for more than half (57 per cent) of the total financed emissions, even if the lending accounts for only 2.3 per cent of the total amount lent. It illustrates how lending to oil & gas companies is extremely emission intensive. Almost all (95 per cent) of the financed emissions from the oil & gas sector are Scope 3 emissions.[14]

When looking at the banks' emission intensity, i.e. financed emissions per million SEK in lending, the comparison is not affected by differences in the banks' lending amount. The results still show a similar pattern to the total financed emissions presented above where SEB has by far the highest emission intensity (19 tCO2e per MSEK) and Handelsbanken the lowest (3 tCO2e per MSEK). Nordea, however, has the second lowest intensity. This shows that, despite Nordea having a high absolute amount of financed emissions, its carbon footprint per MSEK is lower than many of the other banks.[15]



Graph 1: The banks' total financed emissions from lending, reported in 2023.



Graph 2: The banks' emission intensity, i.e. financed emissions per million SEK in lending, reported in 2023.

[13] Sveriges utsläpp av växthusgaser (naturvardsverket.se)
[14] The oil & gas sector's share of the banks' total emissions would sink a bit if the banks reported on Scope 3 emissions from more high-emission sectors. Still, the sector would likely account for a considerable share since the emission intensity in this sector is very high. SEB's reported emission intensity from oil & gas is 450 tCO2e per MSEK, while mining is 91 and car manufacture 57.
[15] A notable difference is that Nordea reports much lower emission intensity from its lending to oil & gas compared with the other banks, especially regarding the sector's Scope 3 emissions. If the average emission intensity reported by the other banks were used at Nordea the bank's emission intensity would increase to 7 ton per MSEK and oil & gas would account for 15 per cent of its total financed emissions. The marginal increase is partly explained by Nordea's relatively lower share of lending to oil & gas (0,21%) than for example SEB (2,34%).

4. The banks' transitions plans

All five banks have committed to align their financial activities with the 1.5 °C target by reaching net-zero emissions by 2050 at the latest. Science-based transition plans are identified as an essential tool for actors to deliver on their net-zero commitments. Despite this, it is not mandatory for companies, including financial institutions, to have such a plan in place.[16] However, in December 2023 the Council of the EU and the European Parliament reached a provisional agreement[17] on the Corporate Sustainability Due Diligence Directive (CSDDD) that would make it mandatory for EU companies to have a transition plan in place as well as implement it.[18]

Methodology

The methodology used in this report to evaluate if the banks have sufficient transitions plans in place is based on the UN High-Level Expert Group (UN-HLEG) report *Net Zero Emissions Commitments of Non-State Entities*.[19] The UN-HLEG report builds on the existing science and best-in-class voluntary efforts to create a universal definition of net-zero and includes recommendations for transition plans for financial institutions, as well as other non-state actors. For this paper we selected key recommendations as indicators to evaluate the banks' transition plans. The selected recommendations have been supplemented by IPCC's scenario analyses, the International Energy Agency's report *Net Zero by 2050 - A Roadmap for the Global Energy Sector* (IEA NZE),[20] as well as the industry-led UN-convened group Net-Zero Banking Alliance (NZBA) Guidelines for Climate Target Setting for Banks.[21]

Explanation of selected indicators:

- ***Portfolio emission targets:*** Short-, medium- and long-term absolute emission reduction targets and, if relevant, relative emission reduction targets.

Targets must account for all greenhouse gas emissions covering the entire value chain and all financial services, including underwriting, e.g. when a financial institution helps companies to issue bonds.

According to the UN-HLEG, financial institutions should make a net zero pledge representing their fair share of the globally needed mitigation effort, containing interim portfolio targets (2025 and 2030) in line with the IPCC or IEA pathways that limit warming to 1.5°C.[22]

Not all economic sectors are equal in their climate impacts, and some are more difficult to decarbonize than others. According to the NZBA, banks shall therefore initially set 2030- targets for

[16] Companies subjected to the CSRD should have 1.5 °C-aligned transition plans in place, but the reporting requirements (specified by the European Sustainability Reporting Standard (ESRS) only require companies to disclose any plan that they might have, and only in specific situations.
[17] The provisional agreement now needs to be formally approved by the Parliament and the Council before it can enter into force. Transposing the agreement into the agreed legal text will involve further detailed technical negotiation and will likely impact the specifics of how the CSDDD applies to companies. After the CSDDD is formally adopted it will need to be transposed by Member States into national legislation.
[18] Co-legislators agreed that entities within the financial sector will be "temporarily excluded" from the scope of the CSDDD's due diligence obligations, though they will have an obligation to adopt a climate transition plan.
[19] https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf
[20] https://www.iea.org/reports/net-zero-by-2050
[21] UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf (unepfi.org)
[22] https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Chapter03.pdf

the most emission-intensive sectors and then expand the scope to cover all, or a substantial majority of, the emission-intensive sectors in their portfolio.[23]

Therefore, a bank is considered to have fulfilled the indicator (yes) if it has set a target for the entire portfolio and partly fulfilled if it has set 2030-targets for emission-intensive sectors.

- ***Deforestation policy:*** A policy that clarifies that the bank does not finance activities or companies linked to deforestation.

Deforestation, mainly driven by land-use change and agriculture, contributes to around 11 per cent of annual global greenhouse gas emissions. In addition, forests play an important role in climate mitigation and deforestation is reducing the effectiveness of these sinks.[24] According to the UN, in order to limit global warming to 1.5°C, deforestation must end within a decade. UN-HLEG therefore states that financial institutions should have a policy of not investing or financing businesses linked to deforestation, independent of where it takes place.[25]

- ***Fossil fuel policy:*** A policy that clarifies the bank's contribution to the phasing out of fossil fuels is in accordance with the latest IPCC and IEA scenarios to limit warming to 1.5°C.

Fossil fuels are the largest contributor to global climate change, accounting for over 75 per cent of greenhouse gas emissions and nearly 90 per cent of all carbon dioxide emissions.[26] According to the IEA and IPCC, a global phase out of fossil fuels is needed to limit global warming in accordance with the Paris Agreement. A bank's fossil fuel policy must include the following:

(a) ***Exclude expansion:*** No financing of projects or companies that expand the extraction of fossil fuels, i.e. contribute to opening new coal mines or new oil and gas fields beyond what was approved for development before 2022, in accordance with the IEA NZE.[27]

(b) ***Require transition plans for all fossil fuel companies:*** Requirement that all corporate clients active in fossil energy have adopted science-based transition plans in accordance with the Paris Agreement's 1.5°C target and the IEA NZE, to obtain financing. Such a plan must include a halt of expansion in accordance with the above criterion.

[23] The NZBA specifies which high-emission sectors that should at least be covered. However, since the Swedish banks high-emission sectors differs from these, we have chosen not to use these as a reference, but to follow the principle that high-sectors should be covered by using the Share of financed emissions covered by sectoral policies.
[24] https://www.ipcc.ch/srccl/
[25] https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf
[26] Causes and Effects of Climate Change | United Nations
[27] https://www.iea.org/reports/net-zero-by-2050

Results

The analysis shows that four banks have committed to align their financial activities with the 1.5 °C target of the Paris Agreement by reaching net-zero emissions by 2050, and Handelsbanken by 2040. However, all five banks lack essential further targets and policies that are key to deliver on their commitments:

- Only Nordea has set a medium-term emission target for the full lending portfolio.
- None of the banks have set sector-specific targets for all high-emitting sectors. Sector targets cover currently 60-77 per cent of the banks' financed emissions.
- None of the banks have set short-term portfolio emission targets.
- None have a policy that excludes finance to companies and projects linked to deforestation, independent of where it takes place.
- Danske Bank and Handelsbanken are the only banks with policies that exclude finance to companies that expand the extraction of fossil fuels.
- None of the banks have a policy that requires Paris-aligned transition plans from all types of fossil fuel companies to receive further financing.

Table 2: Overview of the banks' transition targets and policies

		Danske Bank	Handelsbanken	Nordea	SEB	Swedbank
Portfolio emission targets	Long-term (2050)	Yes	Yes (2040)	Yes	Yes	Yes
	Medium-term (2030)	Partly	Partly	Yes	Partly	Partly
	Short-term (2025)	No	No	No	No	No
	Covers all financial services	No	No	No	No	No
Deforestation policy	Against deforestation everywhere	No	No	No	No	No
Fossil fuel policy	Excludes fossil expansion	Yes	Yes	No	No	No
	Requires transition plans for all fossil fuel companies	No	No	No	No	No

For detailed information about the banks' current targets and policies, see the Annex.

5. Recommendations

All five banks have committed to reach net-zero no later than 2050 but lack solid transition plans to deliver on these commitments. To reach their targets and become a clear part of the solution to the climate crisis, we recommend the banks to:

1. **Measure and report financed emissions for all asset classes** as prescribed by PCAF and include Scope 3 emissions from all high-emitting sectors.
2. **Measure and report 100 per cent of the financed emissions** from all financing services such as underwriting.
3. **Develop a transition plan** in line with the UN-HLEG report on the Net Zero Emissions Commitments of Non-State Entities requirements and the latest scenarios from IPCC and IEA, including:
    a. **Paris-aligned medium- and short-term reduction targets for the entire credit portfolio.**
    b. **Sectoral emission targets for all high-emitting sectors in the credit portfolio.**
    c. **Exclude deforestation.** Immediately end financing for all activities and companies linked to deforestation.
    d. **Stop financing fossil expansion**. Immediately end financing to all companies that expand or develop new coal mines or new oil and gas fields.
    e. **Stop financing fossil fuel companies that lack Paris-aligned transition plans**. Such plans should include an immediate end to fossil fuel expansion and adoption of short, medium, and long-term fossil fuel phase-out targets in line with the IEA NZE.

Annex- assessment per bank

This section provides a more detailed assessment and information about the banks' current targets and selected policies.

Danske Bank

Portfolio emission targets: Danske Bank aims to achieve net zero emissions by 2050 at the latest. The bank has not set a medium-term (2030) emission target covering the entire portfolio but has set sector-specific targets for several high-emitting sectors, covering 60 per cent of the reported financed emissions, with reduction targets ranging between 25–50 per cent. The bank has not set a short-term portfolio emission target. [28] Underwriting is not covered by the bank's targets.

Deforestation policy: No. Danke Bank expects companies it lends to in the forestry sector to prevent deforestation and protect natural forests. But the bank lacks restrictions regarding financing to companies linked to deforestation.[29]

Fossil fuel policy:

a. *Excludes expansion:* Yes. Danske Bank does not provide financial services to thermal coal mining companies and projects that expand thermal coal mining. It will not directly finance expansion of oil & gas exploration and production, and refrains from refinancing exploration and production companies that intend to expand supply of oil and gas beyond what was approved for development by 31st of December 2021.[30]

b. *Requires transition plans for all fossil fuel companies:*
Thermal coal and peat: Equivalent. Danske Bank does not finance companies engaged in mining. It will not provide financial service to companies that generate more than 5 per cent of their revenues from peat or coal-fired power generation and will phase out all peat and coal power companies by 2030. Companies that exceed the 5 per cent threshold can receive financing if it has a peat/coal phase-out plan by 2030, which is in line with the IEA NEZ.

Oil & gas: No. Do not finance oil & gas exploration and production companies that lack a transition plan in line with the Paris Agreement, this includes a commitment to not expand supply of oil and gas beyond what was approved for development by 31st of December 2021. However, there are no transition requirements for oil and gas power companies.[31]

[28] https://danskebank.com/-/media/danske-bank-com/file-cloud/2023/1/danske-banks-climate-action-plan.pdf
[29] https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/danske-bank-position-statement-forestry.pdf
[30] danske-bank-position-statement-fossil-fuels.pdf (danskebank.com)
[31] Ibid

Handelsbanken

Portfolio emission targets: Handelsbanken's long-term target is to achieve net zero emissions by 2040 at the latest. The bank has not set a medium-term (2030) emission target covering the entire credit portfolio but has set one specific sector target for its real estate portfolio, which accounts for 82 per cent of its loan portfolio. The bank has not set a short-term portfolio emission target.[32] Underwriting is not covered by the bank's targets.

Deforestation policy: No. Handelsbanken expect the companies it lends to in the forestry and agriculture sector to prevent deforestation and protect forests with high conservation value and work to preserve natural carbon sinks, but lacks restrictions regarding financing to companies linked to deforestation.[33]

Fossil fuel policy:

a. _Excludes expansion:_ Yes. Handelsbanken will not directly finance new coal mines, the expansion of existing coal mines or related infrastructure or finance companies that operate within coal mining. The bank does not initiate any new business relationships with or provide financing to companies or groups that are actively involved in the extraction of oil or gas. Exemptions from this may be made if the company is a "Transition Company", which includes a requirement to not open or to explore for new oil or gas fields, beyond what was approved for development by 31st of December 2021.[34]

b. _Requires transition plans for all fossil fuel companies:_
   Coal: Yes. Handelsbanken does not finance companies that operate within coal mining and requires power companies to have science-based transition plans, including emission reduction targets and a decommission date, in line with the 1.5°C target in place.[35]

   Oil & gas: No. Handelsbanken will not provide financing to companies that are involved in open new or explore for new oil or gas fields. Oil and gas production companies should have a science-based transition plan in place in line with the 1.5°C target. However, there are no transition requirements for oil and gas power companies.[36]

[32] handelsbanken_net-zero_transition_plan_final.pdf (alertir.com) and nzba_target_setting-first_round_of_target_setting_final.pdf (alertir.com)
[33] https://www.handelsbanken.com/tron/xgpu/info/contents/v1/document/76-97668
[34] https://www.handelsbanken.com/tron/xgpu/info/contents/v1/document/72-164377
[35] Ibid.
[36] Ibid.

Nordea

Portfolio emission targets: Nordea aims to achieve net zero emissions by 2050 at the latest. The bank has a medium-term (2030) emission target covering the entire credit portfolio and sector-specific targets for several high-emitting sectors, covering 70 per cent of the reported financed emissions, with reduction targets ranging between 30–100 per cent. The bank has not set a short-term portfolio emission target.[37] Underwriting is not covered by the bank's targets.

Deforestation policy: No. Nordea expects clients and portfolio companies to meet high standards with regards to the sustainable management of forestry assets. In addition, it expects companies to prevent the use of illegally cut and traded forestry products throughout the supply chain and refrain from involvement in forestry operations in areas protected by international conventions. However, the bank lacks restrictions regarding financing to companies linked to deforestation.[38]

Fossil fuel policy:

a. *Excludes expansion:*
   Coal & peat: Yes. Nordea does not provide project finance dedicated to thermal coal and peat mining and do not finance or re-finance companies with expansion plans for thermal coal and peat or new and pre-construction phase thermal coal and peat activities.[39]

   Oil & gas: No. Nordea does not provide project finance to expanding exploration of new oil and gas fields or to the extraction of unconventional oil and gas. The bank will not finance companies that have more than 5 percent of their revenue coming from the extraction of unconventional oil and gas and they will be phased out completely by 2026. Companies drilling in the northern part of the Arctic will be phased out by 2023. The bank has no specific restrictions regarding conventional oil and gas extraction and no specific restrictions regarding expansion, hence, does not apply an exclusion of existing customers involved in opening oil and gas fields.[40]

b. *Requires transition plans for all fossil fuel companies:*
   Sector overall: No. Nordea states that it will ensure that 90 per cent of their lending exposure to large corporative consumers in the fossil fuel-based sector is to be covered by transition plans by the end of 2025.[41] For sub-sectors the following applies:

   Coal & peat: Yes. Nordea excludes financing for companies that extract coal and peat. For power companies the bank requires transition plans in line with the Paris Agreement.[42]

   Oil & gas: No. Nordea will not expand, or refinance customers engaged in unconventional oil and gas unless it has a credible transition plan in line with the Paris Agreement. However, there is no mentioning that the plan should imply an end to expansion. The bank commits to phase out all clients in unconventional extraction by 2026. The bank has no such requirements for companies engaged in conventional oil and gas nor for power companies.[43]

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37 https://www.nordea.com/en/doc/climate-targets-and-actions-for-the-lending-portfolio.pdf
38 Nordea sector guideline for the forestry industry
39 https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-the-fossil-fuel-based-industries.pdf
40 Ibid.
41 Ibid.
42 Ibid.
43 Ibid.

SEB

Portfolio emission targets: SEB aims to achieve net zero emissions by 2050 at the latest. The bank has not set a medium-term (2030) emission target covering the entire portfolio but has set specific targets for high-emitting sectors, covering 77 per cent of the reported financed emissions, with reduction targets ranging between 29–70 per cent. The bank has not set a short-term portfolio emission target. Underwriting is not covered by the bank's targets.[44]

Deforestation policy: No. SEB will avoid business relationships with companies that are involved in deforestation of primary tropical forests but lacks restrictions regarding financing to companies linked to deforestation in all areas.

Fossil fuel policy:

a. *Excludes expansion:*
   Coal & peat: No. SEB does not provide dedicated financing to thermal coal and peat extraction and avoids entering new business relationships with companies operating thermal coal mines, nor companies where more than 5 per cent of revenues are derived from thermal peat extraction. For existing business relationships, the bank has set at 15 per cent threshold on revenues from thermal coal mining or peat extraction and will exit relationships where more than 5 per cent of the revenues are derived from these activities by 2025.[45] The bank has no specific restrictions regarding expansion, hence, does not apply an exclusion of existing customers involved in opening new coal mines.[46]

   Oil & gas: No. SEB will avoid providing dedicated financing to new projects or capacity expansion related to unconventional oil and gas and conventional oil and gas exploration. The bank avoids new relationships with companies where more than 5 per cent of revenues are derived from unconventional extraction and will phase out existing customers that exceed this threshold by 2030. Regarding conventional extraction, the bank will cap its nominal credit exposure to companies involved in this activity by 45-70 per cent by 2030, compared to 2019. There are no specific restrictions regarding expansion, hence does not apply an exclusion of existing customers involved in opening new oil and gas fields.[47]

b. *Requires transition plans for all fossil fuel companies:*
   Coal: No. SEB does not require companies involved in coal extraction to have a transition plan in place, instead it will end business relationships with companies where more than 5 per cent of the revenues is derived from coal mining by 2025. SEB will not enter new business relationships with companies where more than 5 percent of revenues are derived from coal fired power generation and will exit existing relationships with companies if they exceed the revenue threshold by 2030. In addition, the bank requires a transition plan for coal power companies.[48]

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[44] Ambitions and goals | SEB (sebgroup.com) and SEB NZBA Methodology 2022 (sebgroup.com)

[45] For Germany there is a time-limited exception to this-restriction due to Germany's Coal Phase-out Act which provides for the gradual phase-out of coal-fired power generation by 2038 at the latest.

[46] Sector Policy on Fossil Fuels (sebgroup.com)

[47] Ibid.

[48] Ibid.

Peat: No. SEB has no requirements for transitions plans for companies involved in peat extraction. However as mentioned above, it will not start new business relationships with companies where more than 5 per cent of revenues are derived from peat extraction and will exit existing relationships with clients that exceed 5 per cent in 2025. In addition, the bank does not start new business relationships with power companies where peat represents more than 5 per cent of the energy source, unless there is a plan to phase out peat to below 5 per cent by 2025, and full phase out by 2030. For existing peat power clients, the bank states that it will work with them to reduce and finally stop using peat, but no timeline is presented.[50]

Oil & gas: No. SEB has no requirements for transitions plans for companies involved in unconventional oil and gas extraction, instead it will have phased out business relationships with oil and gas companies where more than 5 per cent of revenues are derived from operations relating to unconventional oil and gas extraction by 2030. Neither does the bank require transitions plans for companies involved in conventional oil and gas extraction, instead the bank will cap its nominal credit exposure to an annual by 45-70 per cent by 2030, compared to 2019. In addition, SEB does not require power generation companies to have transition plans in place to receive financing. [49]

[49] [Sector Policy on Fossil Fuels (sebgroup.com)]

Swedbank

Portfolio emission targets: Swedbank aims to achieve net zero emissions by 2050 at the latest. The bank has not set a medium-term (2030) emission target covering the entire portfolio but has set sector-specific targets for several high-emitting sectors with reduction targets ranging between 29–59 per cent. The bank's reduction targets cover 77 per cent of the bank's on-balance loan exposure as of 2019.[50] The bank has not set a short-term portfolio emission target.[51] Underwriting is not covered by the bank's targets.

Deforestation policy: No. Swedbank want to support their business partners in their efforts of employing sustainable forest management practices and expects them to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits, but lacks restrictions regarding financing to companies linked to deforestation.[52]

Fossil fuel policy:

a. _Excludes expansion:_ No. Swedbank does not directly finance extraction of thermal coal and peat or exploration or expansion of new oil and gas fields. Swedbank aims not to provide finance to companies that derive more than 5 per cent of their revenues from these activities.[53] Since no revenue is generated from exploration or expansion activities the current threshold does not exclude finance to companies involved in these activities.

b. _Requires transition plans for all fossil fuel companies:_

   Coal & peat: No. Swedbank requires companies that derive more than 5 per cent of their revenues from extraction of thermal coal and peat or coal- or peat-power production. Exceptions are made for peat companies that have a transition plan in place.[54]

   Oil & gas: No. Swedbank requires companies that derive more than 5 per cent of their revenues from activities linked to extraction of oil and gas, refinery, and transport to have a transition plan in place. This includes commitments to not open any new oil and gas fields. However, the policy does not apply to power generation companies.[55]

[50] https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE130731852
[51] https://www.swedbank.com/sustainability/environment/environmental-targets.html
[52] https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PPE1341780
[53] https://online.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PPE1341798
[54] Ibid.
[55] Ibid.