



Global Alliance for
Banking on Values

2021 Partnership for Carbon Accounting Financials (PCAF) Disclosure Report



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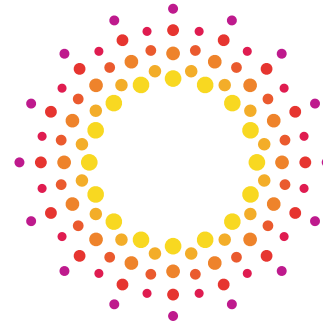
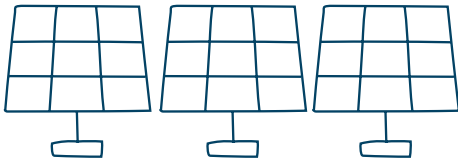
Promise to Our Planet

Sunrise Banks is committed to prioritizing solutions that mitigate climate change.

Sunrise recognizes the integral role banks have in creating a more sustainable future. With power over their investments, banks can choose to support – or not support – a greener planet. This is why Sunrise Banks is releasing its second **Partnership for Carbon Accounting Financials (PCAF)** emissions disclosure report. The report demonstrates how other banks can track their carbon emissions and join the movement to slow down climate change.

Company-wide, Sunrise recognizes its Promise to Our Planet: a phrase encompassing Sunrise’s climate commitment and environmental sustainability. This promise has inspired Sunrise to initiate a variety of sustainability initiatives to decrease Sunrise’s dependence on fossil fuels and reduce energy and water usage, including:

- Solar panel installation
- Low-flow faucets and toilets
- Programmable thermostats
- Motion sensor lights
- Recycling programs



In Sunrise’s operations, Sunrise has:

- Partnered with **MinnPACE**, offering loans to specifically finance green energy projects in Commercial Real Estate
- Funded three innovative multi-family sustainable construction projects
- Funded a multi-family sustainable construction project following guidelines to become a Passive House: a very-low-energy building with a reduced ecological footprint, boasting energy savings of up to 90% and a 30% or more reduction in the emissions associated with all phases of construction (more commonly known as embodied carbon)
- Created a new ESG (Environmental, Social, and Governance) Data Analyst position to report on carbon emissions and support sustainability initiatives

Current climate projections show us moving toward a warming of 3° Celsius (5.4° Fahrenheit) over the next 75 years. To reduce the devastating impacts on society and the environment, Sunrise is stepping up as a leader in the financial industry. In an industry which has traditionally been an underrepresented sphere of environmental influence, Sunrise aspires to set an example for other financial institutions.

Sunrise Banks Commits to Net-Zero Emissions by 2050

Through the Global Alliance for Banking on Values' Climate Change Commitment (GABV's 3C Initiative), Sunrise is reporting annual carbon emissions through the PCAF framework to reach net-zero emissions by 2050.

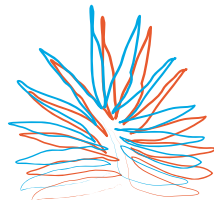
GABV

- Founded 2009
- Emphasizes values-based banking
- Over 70 members in 45 countries
- Creates transparency around Environmental Social Governance (ESG)
- David Reiling, Sunrise's CEO, is the Chair

PCAF

- Created 2015
- Establishes industry-standard methodology for calculating emissions associated with financial activities
- Over 360 institutions in 40 countries
- 88 trillion USD in assets (as of March 2023)

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Sunrise Banks' 2021 PCAF Results

In alignment with the PCAF Global Standard principles, Sunrise promises accuracy, completeness, consistency, relevance, and transparency in its reporting. More information regarding PCAF methodology can be found at <https://carbonaccountingfinancials.com/en/>.

Accuracy

- PCAF uses the [Scope 1, 2, and 3](#) categorizations for emissions. Scope 1 emissions are direct operational emissions by the reporting company. Scope 2 emissions are indirect emissions from purchased or acquired energy consumed by the reporting company. Scope 3 emissions are also indirect and encompass all other value chain emissions, which can be further divided into upstream emissions (for example, production or extraction of purchased materials) or downstream emissions due to the use of the organization's products or services.
- For this report, Scopes 1 and 2 are combined for financed emissions, while Scope 3 is separate. Business loans are the only data that include Scope 3.
- PCAF assigns data different scores based on data quality. A data quality score of 1 represents the highest quality, and 5 is the lowest.
- Sunrise's data quality for 2021 is a weighted average of 4.16
 - Residential Mortgages scored 4
 - Commercial Real Estate scored 4
 - Motor Vehicle loans scored 3
 - Business Loans scored 5
- Comparably, Sunrise's data quality score across the financed emissions was 5 in 2020.

Completeness

- PCAF includes six asset class categorizations for loans. Sunrise Banks' loan portfolio includes five of the six asset classes.
- Only four asset classes are included in the report: Residential Mortgages, Commercial Real Estate, Motor Vehicles, and Business Loans. Consumer Loans are excluded from the report due to a lack of PCAF methodology.

Project Finance loans are excluded due to a lack of loans within the portfolio.

- Consumer Loans make up \$31 million of the \$1.01 billion loan portfolio.
- All four asset classes are covered 100%, except for Motor Vehicle Loans at 99.7% coverage.

Consistency

Sunrise will comply with PCAF methodology for this and future reports.

Relevance

The second annual release of the PCAF report allows for comparability across emissions reporting.

Transparency

Sunrise uses the PCAF Global Standard methodology with a few variations and the following assumptions

- To determine attribution for Commercial Real Estate and Residential Mortgages, Sunrise uses the loan collateral value to represent the "value of the property at origination." For a small percentage of both asset classes, Sunrise utilized 100% attribution when the collateral value was not available to prevent underestimating emissions.
- The data quality score for Business Loans is 5 because Sunrise does not have access to business revenues for each loan. Sunrise instead calculated a weighted average emission factor of metric tons of carbon dioxide equivalent per million USD (tCO_{2e}/million \$). tCO_{2e} is a standardized approach to measuring emissions, where each type of greenhouse gas is converted to a carbon dioxide equivalent based on its potency. Methane, for example, is 25 times more potent than carbon dioxide, so 1 unit of methane equals 25 units of carbon dioxide.



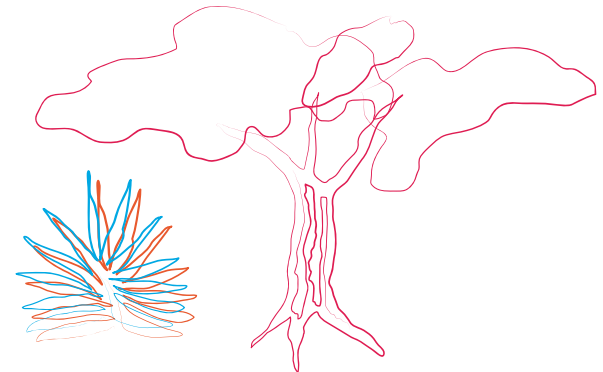
Our Goal

“To continue establishing an understanding of the bank’s financed emissions, which will inform what actions must be taken to improve data quality and reduce overall emissions to meet our net-zero goal.”



Key Findings

- Total operational emissions at Sunrise Banks have been reduced by 24.7% since 2018, with 5% occurring from 2020 to 2021. Since 2018, the largest changes in emissions have come from a reduction in air travel, with consistent decreases across the board in heating and purchased electricity. This could be attributed to COVID and the transition to work from home among most Sunrise employees.
- Scope 1 and 2 financed emissions in the four asset classes have decreased by 9.3% from 2020 to 2021, but the total tCO_{2e} has reduced by 37.6%. On the other hand, Scope 3 financed emissions decreased by 51.5%, while tCO_{2e} has declined by 60.2%. This could be attributed to 2020’s accounting of Paycheck Protection Program (PPP) loans, many of which have been forgiven in 2021.
- Data quality has increased in every category except Business Loans, and total emissions have decreased. The change in emission data could correlate to Sunrise’s access to more accurate data.
- Commercial Real Estate makes up 66% of Sunrise’s loan portfolio dollar amount and 80% of Scope 1 and 2 total tCO_{2e}.



Sunrise's 2021 PCAF Data



Table 1. 2021 Financed Emissions (Scope 1+2)

Asset Class	Total \$ in Asset Class (M\$)	Total Outstanding Loans Covered (M\$)	% Coverage	Total tCO ₂ e	Emission Intensity (tCO ₂ e/M\$)	Data Quality Score*
Business Loans	164	164	100	5,686	34.71	5
Residential Mortgages	156	156	100	3,167	20.35	4
Commercial Real Estate	649	649	100	44,069	67.90	4
Motor Vehicle Loans	11	11	99.7	1,944	180.14	3
Consumer Loans	31	N/A	N/A	N/A	N/A	N/A
Project Finance	N/A	N/A	N/A	N/A	N/A	N/A
Total	1011	979	97%	54,865	56.03	4.16

*Data Quality Score (1 = High Quality, 5 = Low Quality)

Table 2. 2021 Financed Emissions (Scope 3)

Asset Class	Total \$ in Asset Class	Total Outstanding Loans Covered (M\$)	% Coverage	Total tCO ₂ e	Emission Intensity (tCO ₂ e/M\$)	Data Quality Score*
Business Loans	164	164	100	19,228	117.39	5

*Data Quality Score (1 = High Quality, 5 = Low Quality)

Sunrise's 2021 PCAF Data



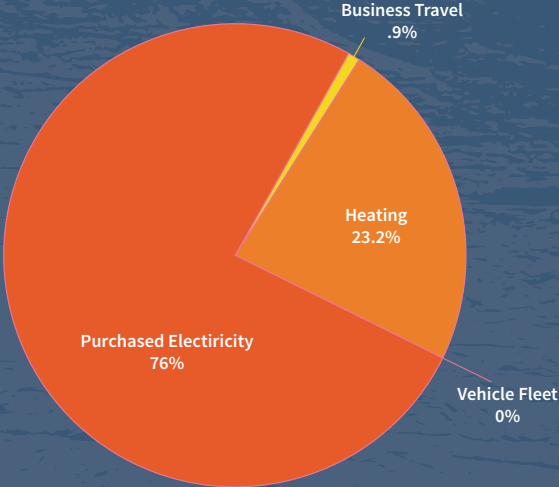
Table 3: Operational Emissions (2018, 2019, 2020, and 2021)

		Annual Emissions (tCO ₂ e)			
	Activity	2018	2019	2020	2021
Scope 1	Heating	305	295	257	218
Scope 2	Purchased electricity	885	849	723	714
Scope 3	Vehicle fleet	0	0	0	0
Scope 3	Business travel (airplane and car rental)	59	58	8	8
Scope 1, 2, and 3	Total Operational Emissions (tCO ₂ e)	1249	1202	988	940

Sunrise's 2021 PCAF Data

Graph 1.

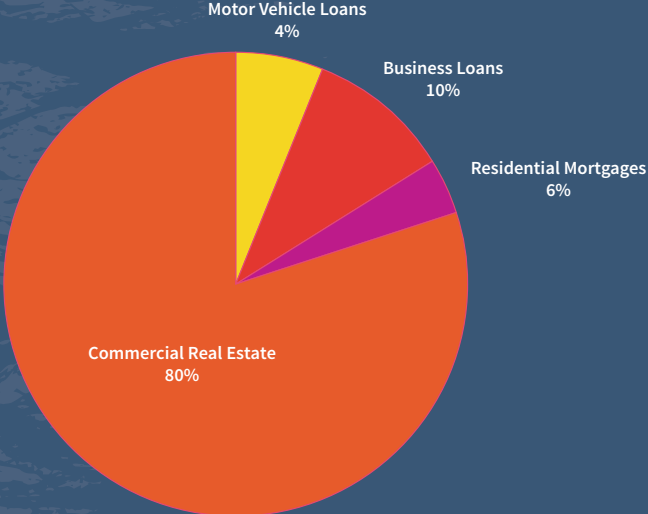
PURCHASED ELECTRICITY COMPRISES OVER 99% OF SUNRISE BANKS' TOTAL OPERATIONAL EMISSIONS



Total Operational Emissions in 2021: 940 tCO₂e

Graph 2.

COMMERCIAL REAL ESTATE REPRESENTS 80% OF SUNRISES' SCOPE 1 & 2 FINANCED EMISSIONS



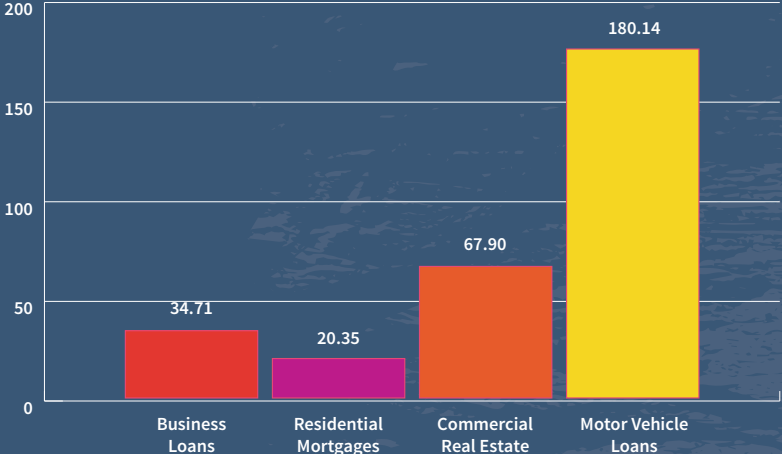
Total Financed Emissions in 2021 Loan Portfolio: 54,865 tCO₂e



Sunrise's 2021 PCAF Data

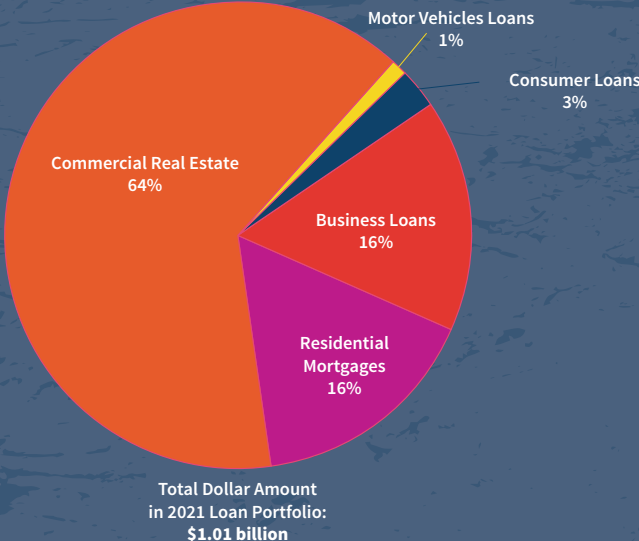
Graph 3.

MOTOR VEHICLE LOANS HAVE THE HIGHEST EMISSION INTENSITY (tCO₂e/Million \$) OF SUNRISE BANKS' ASSET CLASSES



Graph 4.

97% OF LOANS IN SUNRISE BANKS' PORTFOLIO ARE COVERED IN THIS REPORT



Sunrise's Ongoing Climate Initiatives

One Tree Planted

Sunrise Banks donated 15,000 trees to One Tree Planted to support the Orca Whale Project and Chippewa National Forest. These donations support habitat preservation and biodiversity, as well as preserving historical and cultural areas. Trees and forests also act as carbon sinks to sequester carbon dioxide from the atmosphere, but the possible carbon offset from the donated trees will not be considered in the final tCO_{2e} calculations.

Environment & Sustainability Committee

Sunrise Banks created its first committee focused solely on the environment and sustainability. Made up of members across the bank with diverse backgrounds, the committee will guide Sunrise in sustainable endeavors and functions as a consultant to Sunrise's leadership team regarding climate-related decisions.

Sustainability and Climate Risk Certification

Sunrise Banks is enabling employees to pursue a Sustainability and Climate Risk certification through the Global Association for Risk Professionals (GARP). This certification is considered a best practice and embraced by PCAF, the GABV, and other GABV members.



Glossary

CARBON FOOTPRINT: The total greenhouse gases emitted by human activity.

CLIMATE CHANGE: As defined by the United Nations, climate change is “long-term shifts in temperature and weather patterns. These shifts may be natural, such as through variations in the solar cycle. But since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil, and gas.”

EMBODIED CARBON: The greenhouse gases emitted during the lifecycle of a construction project, from manufacturing to disposal. Embodied carbon is responsible for a substantial percentage of global building emissions.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG): A framework that measures environmental, social, and governance metrics to evaluate the sustainable performance of a company. Examples of ESG metrics include the carbon footprint of a business, diversity and inclusion efforts within an organization, and compliance with the law.

FINANCED EMISSIONS: Greenhouse gas emissions emitted by a loan portfolio and a financial institution’s customer.

GLOBAL ALLIANCE FOR BANKING ON VALUES (GABV): An international coalition of financial institutions focused on corporate social responsibility and sustainable banking. Sunrise has been a member since 2013, with Sunrise’s CEO the chair of the GABV.

GREENHOUSE GASES: The gases that absorb heat when in the atmosphere. Includes carbon dioxide, methane, nitrous oxide, water vapor, and fluorinated gases.

NET-ZERO: The ongoing goal to reduce greenhouse gas emissions to the lowest levels possible and to ensure any unavoidable emissions are removed to create a “net-zero” balance.

OPERATIONAL EMISSIONS: Greenhouse gas emissions emitted by an entity via everyday activities, includes emissions that result from transportation and utilities.

PROPERTY ASSESSED CLEAN ENERGY (PACE) LENDING: Provides financial support for commercial property owners throughout the state to “invest in energy efficiency upgrades and renewable energy installations” (MinnPACE).

PARIS AGREEMENT: Defined by the United Nations as “a legally binding international treaty on climate change... Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared with pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate-neutral world by mid-century.”

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF): A global partnership of financial institutions to create a methodology by which banks can calculate and track their carbon emissions.

PASSIVE HOUSE: A design standard focused on energy efficiency. Passive houses come with large reductions in energy usage and embodied carbon. They focus on utilizing renewable energy and minimizing a building’s ecological impact.

PROMISE TO OUR PLANET: Sunrise Banks’ pledge for environmental stewardship, focused on reducing environmental impact through the reduction of carbon emissions from the loan portfolio and facilities, offsetting unavoidable carbon emissions, educating, and engaging with staff on the topics of sustainability, and creating an internal climate change committee.

SCOPE 1 EMISSIONS: The “direct greenhouse gas emissions from sources that are owned or controlled by the reporting company” (PCAF, 2020).

SCOPE 2 EMISSIONS: The “indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating, or cooling that is consumed by the reporting company” (PCAF, 2020).

SCOPE 3 EMISSIONS: “All other indirect greenhouse gas emissions that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) or downstream emissions that occur because of using organization’s products or services” (PCAF, 2020.)

SUSTAINABILITY: The ability to create and maintain conditions by which humanity and nature can harmoniously coexist to support the current and future generations (EPA).

TCO2E (METRIC TONS OF CARBON DIOXIDE EQUIVALENT): A standardized approach to measure emissions, where all greenhouse gases are converted to a carbon dioxide equivalent, based on their potency. Methane, for example, is 25 times more potent than carbon dioxide, so 1 unit of methane equals 25 units of carbon dioxide. Where t = tons, CO₂ = carbon dioxide, and e = equivalent.



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