

Policy for Climate and Nature



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1 BACKGROUND

Sparebanken Sør's mission is to "create sustainable growth and development for our region".

Our work on sustainability (ESG – Environmental, Social and Governance), which encompasses the climate and the natural environment, social conditions and corporate governance, is a natural continuation of the role the Bank has played for almost 200 years. For Sparebanken Sør, sustainable development means contributing to positive development within ESG, as well as safeguarding the Bank's social responsibility in areas where we operate. Our work on sustainability is intended to strengthen our competitiveness and reduce the Bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the Bank should contribute to sustainable growth and development by strengthening the positive and reducing the negative impacts on people, society, climate and the natural environment.

Climate change and environmental challenges represent a major risk for society. The Bank's commercial activities will be affected by changes in the climate and the natural environment, in both the short and long term. This represents a risk to the Bank, but also offers opportunities in relation to change, restructuring and development of new business areas. Sparebanken Sør approaches climate and environmental challenges from both an internal and external perspective. Internally, the Bank aims to reduce its own impact on the climate and the natural environment. Externally, the Bank will work to help reduce the impact of our customers and suppliers on the climate and the natural environment.

The UN's sustainable development goals represent a global plan to eradicate poverty, combat inequality and stop climate change. Together with the Paris Agreement, which is intended to enable countries to limit climate change caused by humans, these form a global roadmap for reducing global greenhouse gas emissions and safeguarding natural resources and biodiversity.

Through the UN Global Compact and UNEP Principles for Responsible Banking, Sparebanken Sør is committed to supporting a precautionary principle for challenges relating to the climate and the natural environment.

2 PURPOSE

The purpose of this Policy is to meet the goals for the climate and the natural environment presented in the Bank's strategy, the UN's Sustainable Development Goals and the Paris Agreement.

The Policy is further intended to ensure that the Bank has clear principles and guidelines that highlight the requirements and expectations the Bank makes of our own activities, our customers, suppliers and partners around climate and environmental challenges.

The objective is to facilitate reductions in greenhouse gas emissions and in negative impacts on the natural environment.

3 TARGET GROUP

The target group for this Policy is Sparebanken Sør and the Bank's customers, suppliers and partners.

Sparebanken Sør's approach to the climate and the natural environment is twofold:

- Direct impact from the Bank's own activities
- Indirect impact from the Bank's business areas

The Policy deals with how the Bank's business activities are impacted by – and in turn impact – the climate and the natural environment.

4 PRINCIPLES AND COMMITMENTS

4.1 Strategic guidelines

Sparebanken Sør undertakes to comply with all legislation that is relevant to the Bank's activities. We also attach importance to ensuring that the companies the Bank is involved with conduct their activities in line with the Bank's policies and relevant legislation.

Sparebanken Sør has the following strategic guidelines for the climate and the natural environment:

- respect and uphold the UN's Convention on Climate Change
- respect and uphold the UN's Convention on Biological Diversity
- work to reduce greenhouse gas emissions from our own activities and at our customers, suppliers and partners in accordance with the Paris Agreement
- strive to reduce the negative impacts on the natural environment from our own activities and at our customers, suppliers and partners
- incorporate climate and environmental challenges in our strategy, corporate governance, risk management, follow-up and reporting
- be transparent about risks and opportunities relating to the climate and the natural environment
- measure and report risks and opportunities relating to the climate and the natural environment
- contribute to competence development around the climate and the natural environment in our own activities and those of our customers, suppliers and partners
- cooperate with others to meet the goals for the climate and the natural environment as outlined in the Paris Agreement and the UN's Sustainable Development Goals

4.2 Commitments

Sparebanken Sør is a member of a number of national and global organisations that work to promote sustainable development. We also expect our customers, suppliers and partners to prioritise these organisations' goals and principles in their commercial conduct.

UN Global Compact

Sparebanken Sør has signed up to the ten principles of the UN Global Compact, where the following principles are of key importance for the climate and the natural environment:

- Principle 7: We will support a precautionary approach to environmental challenges
- Principle 8: We will undertake initiatives to promote greater environmental responsibility
- Principle 9: We will encourage the development and diffusion of environmentally friendly technologies

UNEP Principles for Responsible Banking

Sparebanken Sør has also signed up to the UN's environmental programme, the UNEP Principles for Responsible Banking (PRB), where the following principles are of key importance for the climate and the natural environment:

- Principle 2: We will continually increase our positive impacts while reducing the negative impacts on, and managing the risk to, people and the environment resulting from our activities, products and services
- Principle 3: We will work responsibly with our clients and customers to encourage sustainable practices and facilitate economic activities that create shared prosperity for current and future generations

The UN Environmental Programme aims to enable the banking industry to take a leadership role in achieving the sustainable development goals and fulfilling the Paris Agreement.

UNEP Principles for Responsible Investment (PRI)

The Bank's fund partners in securities activities are expected to sign the UN's principles for responsible investment.

The UN's Sustainable Development Goals

The UN Sustainable Development Goals, which were adopted in 2015, represent a global plan to eradicate poverty, combat inequality and stop climate change. The plan consists of 17 goals, which are referred to as the world's blueprint for sustainable development. Sparebanken Sør supports all 17 of the sustainable development goals.

The following sustainable development goals are of key importance for the climate and the natural environment:

- SDG 13: Climate Action
- SDG 14: Life Below Water
- SDG 15: Life on Land.

Finance Norway's "Roadmap for Green Competitiveness in the Financial Sector"

Finance Norway has prepared a roadmap for green competitiveness in the financial sector with a vision that the financial services industry will be profitable and sustainable by 2030. Sparebanken Sør integrates these principles into our business activities, where the following principles are of key importance for the climate and the natural environment:

- Use digitalisation skills to scale the market for climate-smart solutions
- Increase climate competence and capacity in the financial sector
- Make the bond market greener
- Include the climate as part of the lending process
- Measure carbon-related credit exposure

Eco-Lighthouse

The Bank will follow up issues for climate and the natural environment through an environmental management system, and is Eco-Lighthouse certified, based on the head office model and the new criteria for the finance sector.

4.3 Requirements and expectations of customers, suppliers and partners

Sparebanken Sør expects our customers, suppliers and partners to prioritise meeting the obligations and principles that apply to Sparebanken Sør's own activities relating to the climate and the natural environment. In countries without strict legislation, Sparebanken Sør expects these companies as a minimum to respect and uphold the international standards and principles as detailed below.

Sparebanken Sør expects companies that the Bank invests in, fund managers and partners to:

- respect and uphold the UN's Convention on Climate Change
- respect and uphold the UN's Convention on Biological Diversity
- be conscious of greenhouse gas emissions from their own operations and from companies they partner with, and to systematically work to reduce their direct and indirect impacts on the climate and the natural environment

- be conscious of environmental risk and work to preserve natural resources, biodiversity, ecosystems and cultural heritage and avoid other environmental harm, and to systematically work to reduce their direct and indirect impacts on the environment
- take account of climate and environmental challenges in their corporate governance, risk management and investment planning
- be transparent about, and report risks and opportunities relating to the climate and the natural environment

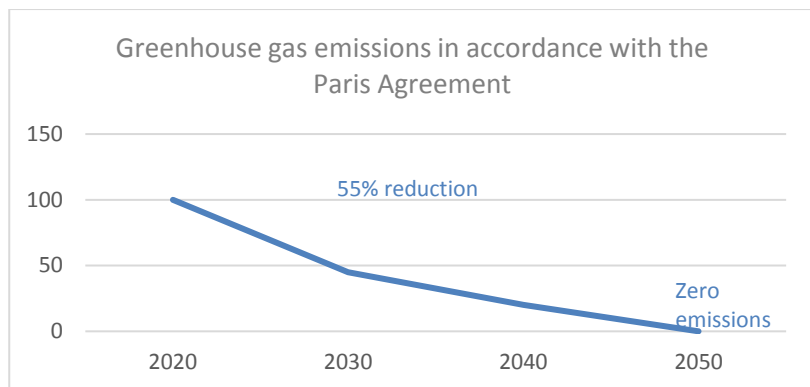
5 GUIDELINES

5.1 General

Climate and environmental challenges constitute a major risk to society. At the same time, they also represent opportunities. The Bank’s strategy, business models and financial development are affected by climate and environmental risks and opportunities.

To date, climate-related challenges have attracted the most attention. However, challenges relating to loss of biodiversity are becoming more and more prominent, and will continue to do so moving forward. A “Nature Agreement” is expected to be developed in 2021 along similar lines to the Paris Agreement. A framework for nature-based initiatives, the Task Force on Nature-related Financial Disclosures (TNFD) will also be established along similar lines to the Task Force on Climate-related Financial Disclosures (TCFD), which acts as a framework for the climate.

Sparebanken Sør’s goals for greenhouse gas emissions are consistent with the Paris Agreement and are indicated in the graph below:



Sparebanken Sør’s approach to the climate and the natural environment is twofold:

- Direct impact from the Bank’s own activities
- Indirect impact from the Bank’s business areas

Impact relates to how the Bank’s commercial activities are impacted by – and in turn impact – the climate and the natural environment.

5.2 Impact on the climate and the natural environment from the Bank’s own activities

The Bank’s greenhouse gas emissions and negative impact on the natural environment from its own activities are very limited. Nevertheless, the Bank’s activities will be strongly influenced by climate- and environmental considerations.

The most important measures used to follow up the negative impacts on the climate and the natural environment of our own activities are:

- using an environmental management system
- being Eco-Lighthouse certified, based on the head office model and the new criteria for the finance sector
- preparing annual environmental accounts (GHG protocol)
- being climate-neutral through the purchase of approved emission allowances
- preparing and meeting goals for greenhouse gas reduction to meet the goals of the Paris Agreement
- preparing and following a plan to reduce greenhouse gas emissions to meet the goals of the Paris Agreement
- building competence in our own organisation
- implementing a framework for TCFD

5.3 Impact on the climate and the natural environment from our business areas

The area where the Bank can have the greatest positive impact on the climate and the natural environment is through our business areas.

The business areas where the Bank has the greatest opportunity to have a positive impact are:

- **Lending:** Increase the share of sustainable loans and reduce the share of loans that have a major negative impact on the climate and the natural environment. This applies in particular to business customers
- **Investment:** Increase the share of investments in sustainable businesses (EU taxonomy) and reduce the share of investments in businesses that negatively impact the climate and the natural environment
- **Financing:** Increase the share of sustainable bonds
- **Purchasing:** Make requirements of our suppliers in the field of sustainability

Use of sustainable technology, products and services combined with screening and good exclusion criteria are important tools in the context of sustainable development.

The most important measures for following up negative impacts on the climate and the natural environment are:

- establishing and implementing governing documents, policies and guidelines for relevant business areas that highlight the requirements the Bank makes of customers, suppliers and partners, and following these up
- operationalising strategies, policies and guidelines in relevant business areas
- integrating ESG into lending processes for BM, investments, financing and purchasing
- integrating ESG risk into the Bank's overarching risk management
- implementing new national and international frameworks, methods and measurement parameters for qualification and follow-up of climate and environmental challenges and opportunities
- establishing and implementing the TCFD framework and scenario analyses
- establishing sustainable products, services and bonds
- establishing sustainable digital solutions and distribution channels
- building internal expertise throughout the organisation in order to be able to adapt to a low-emission society and ensure that the Bank has the ability and willingness to adapt
- complying with regulatory requirements

6 RESPONSIBILITY, MANAGEMENT, FOLLOW-UP AND REPORTING

You can read more about the Bank's work on the climate and the natural environment, including management, organisation and reporting, in the Sustainability section of the Bank's website, www.sor.no.