

Policy on Measures Against Financial Crime



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1 MEASURES AGAINST FINANCIAL CRIME

Money laundering, the financing of terrorism, breaches of sanctions and fraud (financial crime) is a serious social problem and a threat to individuals and society as a whole. Banking and finance make an important contribution to preventing financial crime.

Sparebanken Sør's overarching goal is to combat financial crime and to facilitate healthy economic development. The Bank has zero tolerance for all forms of financial crime and will contribute toward a healthy business community built on fair competition and legal activities.

Sparebanken Sør's efforts to combat financial crime are founded on prevailing laws and regulations, including anti-money laundering (AML) legislation. The Bank has a comprehensive framework of governing documents, plans and instructions, procedures and guidelines to ensure that the Bank complies with legal requirements to prevent financial crime.

Together with the financial industry, Sparebanken Sør has an important social mission and invest large resources into avoiding criminals to exploit products and services for illegal activities. To reduce the financial crime the bank has robust control and customer measures in addition to good internal management and control functions.

The Bank attaches great importance to the work on financial crime, and has established a dedicated team, which in addition to performing specific roles such as transaction monitoring, customer due diligence and preparation of procedures and risk assessments, also acts as a support function for the Bank's other employees.

All the Bank's employees must be familiar with the Bank's procedures for work to combat financial crime. It is important to ensure that the risk of financial crime is assessed in all decisions, both in daily contact with customers and in the development of new strategies, products and systems.

1.1 Purpose

This policy provides guidelines for the allocation of responsibilities and the order of reporting at the Sparebanken Sør group with regard to efforts to combat financial crime.

1.2 Target group

The policy applies to all employees and executives at Sparebanken Sør, including the securities investment business line and Sparebanken Sør Boligkreditt AS. The document also provides guidelines for all entities of the Sparebanken Sør group and must be adapted to each subsidiary that is subject to the reporting requirements.

2 ORGANISATION

2.1 Shared areas of responsibility

All employees must help maintain high standards and levels of vigilance in efforts against financial crime. The objective is that everyone understands the Bank's social role and what the effort put into it means and their role in this work. All executive vice presidents have executive responsibility for following up the established framework. All managers and employees are responsible for reporting non-compliances with the framework.

2.2 Board of Directors

The Board of Directors has overarching responsibility for ensuring that Sparebanken Sør establishes appropriate and effective processes for AML work in accordance with laws and regulations. This is achieved by adopting overarching governing documents, plans and instructions, and by reviewing risk assessments and ongoing reporting from the AML Compliance Officer, Compliance and Internal Audit.

2.3 Risk Committee

The Board has established a Risk Committee as a subcommittee of the Board whose mandate is to help ensure that the Group's risk and capital management activities support the Group's strategic development and goal achievement. The Risk Committee receives and evaluates governing documents, plans and instructions before they are presented to the Board, including documents that regulate the Bank's AML work.

2.4 CEO

The CEO and other members of Group management are responsible for monitoring AML work. The CEO ensures that sufficient resources and working capacity are made available to enable the Bank to comply with applicable legal requirements. The CEO also appoints a person to have special responsibility for AML work, the AML Compliance Officer.

2.5 AML Compliance Officer

In Sparebanken Sør the Legal Director has ultimate responsibility for work to prevent financial crime. The AML Compliance Officer is responsible for further developing and embedding the Bank's frameworks and processes for work to combat financial crime, including strategies, business-specific risk assessments, guidelines, organisation, processes, methods, models and systems. The AML Compliance Officer supports and advises the Board of Directors and the CEO.

The AML Compliance Officer further ensures that the Bank's AML work is conducted, followed up and documented in accordance with applicable laws, regulations and internal frameworks. The Head of AML Framework and the Operational AML Officer, who jointly head up the AML division, report to the AML Compliance Officer.

2.6 Head of AML Framework

The Head of AML Framework works exclusively within financial crime. This includes the responsibility for carrying out an annual review of business-oriented risk assessment, establishing and maintaining the Bank's frameworks, carrying out various controls and providing information to and training for the Bank's employees.

2.7 Operational AML Compliance Officer

The Operational AML Compliance Officer works exclusively within financial crime. Their responsibilities include transaction monitoring, conducting investigations in cases of suspected money laundering or financing of terrorism, reporting suspicious cases to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim), implementing various controls and further developing transaction monitoring and risk scoring of the customer portfolio. The Operational AML Compliance Officer is also responsible for further developing the Bank's technical support systems related to this area.

2.8 Managers

Managers at all levels of the organisation must continuously ensure that all employees have good knowledge of the relevant framework for the Bank's AML work. They must also contribute to the implementation of business-oriented risk assessments. Local managers are responsible for ensuring that employees have the expertise and capacity required to be able to manage this work in an effective and appropriate manner.

2.9 Employees

All employees are responsible for ensuring that they are familiar with the prevailing framework for financial crime. All employees are personally responsible for helping ensure that Sparebanken Sør complies with applicable laws, regulations and procedures. Non-compliances must be reported via line managers, the AML Compliance Officer or the incident database. All employees are responsible for their own knowledge and undertake to take further training if necessary. This must be agreed with the line manager.

2.10 First, second and third lines of defence

The first line of defence consists of the Bank's operational functions (business areas and Group support functions). The first line has direct contact with the customers, where the main principle is "Know Your Customer (KYC)". If transactions or circumstances arise whose background we cannot explain, we have a duty to investigate. We have a duty to report anything suspicious to Økokrim. The AML division is placed in first line and has, amongst others, the responsibility for conducting surveys and reporting to Økokrim (FIU).

Compliance forms the Bank's second line of defence, and is an independent control function that controls, monitors and follows up the Group's operational functions, including in relation to anti-money laundering. The main responsibility of the Compliance function is to control and report any non-compliances with laws, regulations, directives, governing documents and internal procedures.

Internal Audit is the Bank's third line of defence. Internal Audit helps prevent and detect any non-compliances through independent checks and assessments. This is a monitoring function that reports directly to the Board of Directors and is independent of the rest of the administration team. Internal Audit is a verification and advisory function intended to provide added value and improve the Group's operations.

3 RISK ASSESSMENT AND RISK-MITIAGTING MEASURES

The Anti-Money Laundering Act and regulations provide clear instructions on how the scope of customer controls, risk scoring of customers, customer due diligence, training, procedures and frameworks should be directly linked to the Bank's own business-specific risk assessments.

Risk assessment must as a minimum be linked to customer type, product, transaction, geography and distribution channels. Risk assessments of financial crime must be made before new products and services are offered and before new technology is rolled out. The risk assessment must be revised at least once a year and presented, together with risk-mitigating measures, to the Bank's Board of Directors. Risk-based approach in line with the Bank's risk assessment must be used as a basis for the implementation of customer measures. The KYC-principle must be the basis for all customers in the bank both upon establishment and during ongoing follow-up of customer relations.

4 REPORTING

The Bank reports each quarter to Group management, the Risk Committee and the Board of Directors. This is intended to ensure ongoing and timely reporting of the number of high-risk customers, number of suspicious transactions, number of ST (suspicious transactions) reports, changes in risk levels, work on risk-mitigating measures and compliance risk. The AML Compliance Officer also reports monthly to the CEO. The Head of AML Framework and the Operational AML Compliance Officer report each month to the AML Compliance Officer. In addition, the results of internal controls conducted in the first line must be reported to the AML Compliance Officer.