

## Policy for responsible investment and responsible securities trading



Version	Date	Document owner	Decision	Status
1.0	08.12.2020	Group Support	Finance Committee	Approved by

## Contents

1	BACKGROUND.....	3
2	PURPOSE.....	3
3	TARGET GROUP .....	3
4	PRINCIPLES AND COMMITMENTS .....	3
4.1	Commitments.....	3
4.2	Requirements for own investments, fund managers and partners .....	5
5	GUIDELINES.....	5
5.1	Corporate governance .....	5
5.2	Exclusion criteria .....	6
5.3	Investing in shareholdings in other companies .....	6
5.4	Liquidity portfolio.....	7
5.5	Fund managers and securities .....	8
6	PUBLICATION .....	9
7	RESPONSIBILITY, MANAGEMENT, FOLLOW-UP AND REPORTING .....	9

## 1 BACKGROUND

Sparebanken Sør wishes to create long-term value and contribute to sustainable regional growth and development. For Sparebanken Sør, responsibility for sustainable development means contributing to the positive future development of ESG issues (the environment, social conditions and corporate governance), as well as exercising corporate social responsibility in the areas where the Bank operates. Our sustainability efforts are intended to strengthen the Bank's competitiveness and reduce risk by making requirements of our customers and our partners.

The purpose of Sparebanken Sør's policy and guidelines is to ensure that the Bank, through its own investments and securities trading, is not complicit in abuses of human or employee rights, corruption, financing of terrorism, tax evasion, serious environmental harm or other unethical conduct. Through our own investment mandates and when offering financial instruments, the Bank must seek to make society as a whole more sustainable, including when offering funds and securities to customers.

## 2 PURPOSE

This Policy applies to the Bank's own investments, our choice of suppliers and partners in securities trading, and fund selection. The Policy is intended to ensure that Sparebanken Sør makes sustainable decisions as a responsible owner and investor. Sparebanken Sør aims to make sustainable and profitable investments and offer a competitive range of financial instruments to our customers, while allowing the Bank to meet our ESG commitments.

This Policy establishes guidelines for sustainable business operation and requirements for follow-up and control of these, to ensure that the Bank's investments and fund and securities products offered to customers are always compatible with the Bank's ESG strategy.

## 3 TARGET GROUP

This Policy applies to all employees who work with or have decision-making authority for the Bank's investments or securities trading activities. It must be applied when selecting partners for securities trading and for decisions relating to fund and securities services offered to our customers.

This Policy does not apply to companies that Sparebanken Sør has taken over or acquired for the purpose of short-term ownership. Such enterprises could, for example, have been taken over in connection with the closure of our lending business.

Employees who are involved in the Bank's investments or who give investment advice to our customers, or in any other way deal with the Bank's securities business, must be aware of and comply with the guidelines as stated in our "Policy for responsible ownership, responsible investment and responsible securities".

## 4 PRINCIPLES AND COMMITMENTS

### 4.1 Commitments

Sparebanken Sør pledges to comply with all legislation that is relevant to the Bank's operations, and in our direct investments, product offerings and fund selection, we must attach importance to ensuring that

companies that the Bank is involved with conduct their business in accordance with relevant legislation and our policy.

Sparebanken Sør is a member of national and global organisations that work to promote sustainable development, and the companies the Bank invests in and partners with or distributes financial products from are required to prioritise these organisations' goals and principles in the exercising of their business.

### **UN Global Compact**

Sparebanken Sør has signed up to the UN Global Compact. Consequently, several of this organisation's principles are of direct relevance to the Bank's investment decisions and choice of partners and funds.

### **UNEP Principles for Responsible Banking**

Sparebanken Sør has endorsed the UN's environmental programme (UNEP Principles for Responsible Banking).

The programme aims to enable the banking industry to play a leading role in achieving the UN's sustainable development goals and fulfilling the Paris Agreement.

### **UNEP Principles for Responsible Investment (PRI)**

The Bank's fund managers are expected to sign, respect and uphold the UN's principles for responsible investment. This means that the Bank's fund suppliers pledge to comply with the UN's principles:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.

Principle 6: We will each report on our activities and progress towards implementing the principles.

### **Norsif (Norwegian Forum for Responsible and Sustainable Investments)**

The Bank also encourages suppliers in the funds area to be members of Norsif, whose object is to promote knowledge and contribute to the development of this area in the finance industry and among other stakeholders.

### **The UN's Sustainable Development Goals**

The UN's 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.

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

Sparebanken Sør will, together with the rest of the industry, work on following up the recommendations in Finance Norway's Roadmap for Green Competitiveness in the Financial Sector, which was published in June 2018.

Finance Norway's Roadmap for Green Competitiveness in the Financial Sector contains recommendations on pensions and asset management. The Bank attaches importance to many of these recommendations, including measuring greenhouse-gas emissions from our investment portfolios, and integrating climate risk into our mandates, strategies, analyses and investment decisions.

## 4.2 Requirements for own investments, fund managers and partners

In countries that lack stringent legislation, Sparebanken Sør expects the companies the Bank invests in, fund managers and partners to as a minimum respect and uphold international standards and principles as detailed below:

### Climate and the environment

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 biodiversity.
- 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 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 environment.

### Social conditions

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

- respect and uphold the UN's guiding principles on business and human rights.
- respect and uphold the UN's Declaration of Human Rights.
- respect and uphold the ILO's eight core conventions in areas such as child labour, freedom of association, discrimination and forced labour.
- strive to ensure that no discrimination takes place based on factors such as ethnic background, religion, sexual orientation, disability, age or gender.

### Corporate governance

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

- respect and uphold the OECD's guidelines for multinational enterprises.
- respect and uphold the OECD's principles of corporate governance.
- respect and uphold the UN's convention against corruption.
- have zero tolerance for financial crime in its own activities and at trading partners.
- maintain high ethical standards and exercise sound corporate governance.

## 5 GUIDELINES

### 5.1 Corporate governance

One of Sparebanken Sør's core values is responsibility. This means that we are responsible for how our decisions and actions impact the environment, people, jobs and asset management, both now and in the future.

The Bank applies strict guidelines, and actively encourages companies that the Bank partners with or invests in to have guidelines that ensure ethical, environmentally aware and sustainable choices that require them to:

- receive and familiarise themselves with Sparebanken Sør's "Policy for responsible investment and responsible securities trading".

- be active owners where shareholdings permit.
- have guidelines and management systems that ensure breaches are followed up and that the business is operated in accordance with our guidelines, and applicable conventions and laws.
- make sure that service providers and partners comply with the same guidelines, conventions and laws.
- report, document and follow up breaches of our “Policy for responsible ownership, responsible investment and responsible securities trading”.
- conduct their business in an open and transparent manner, and disclose and report on their own activities, ownership, investments and ESG issues.

## 5.2 Exclusion criteria

Funds and companies will be excluded from the investment universe if they directly, or through entities that they control, operate or are involved in:

- manufacture, storage and transport of weapons in contravention of international conventions.
- production of pornographic material.
- production or distribution of tobacco.
- production of narcotics, including cannabis not intended for medical purposes.

or present an unacceptable risk of:

- serious or systematic abuses of human rights.
- serious breaches of basic employee rights.
- serious harm to the environment or nature.
- serious emissions of greenhouse gases.
- serious corruption.
- other serious breaches of basic corporate governance and ethical standards.
- serious breaches of applicable legislation and international conventions.

Sparebanken Sør must not invest in companies or distribute funds that:

- consist of government bonds from countries that are subject to UN Security Council sanctions.
- are controlled by people who are subject to UN, US or EU sanctions.

## 5.3 Investing in shareholdings in other companies

As a share and unit holder, Sparebanken Sør manages significant assets. These investments include other companies and their subsidiaries, which are strategically important for the Bank’s transaction business and financial investments.

Evaluation of ESG risk and opportunities must be an integral part of investment decisions and prioritised whenever the Bank has the opportunity to exercise ownership.

Sparebanken Sør aims to raise these companies’ awareness of and focus on ESG issues and to stimulate more sustainable development. Sustainability efforts relating to corporate governance will be prioritised in line with:

- the scope of, and opportunities to positively impact, environmental risk and opportunities.
- opportunities to influence human and employee rights and corporate governance issues.
- the size and importance of the shareholding.

The following guidelines apply to the Bank's exercising of ownership in companies where the Bank exerts actual influence:

- **Board representation:**  
Sparebanken Sør must ensure the Board of Directors has the necessary expertise, capacity and independence. Board members appointed by the Bank must have the expertise to evaluate ESG risk.
- **General Meeting:**  
Designated owner representatives from Sparebanken Sør must keep updated on and engage in issues and processes of significant importance in the field of ESG. The Bank's owner representatives must help promote the Bank's ESG guidelines.
- **Other owner meetings:**  
Sparebanken Sør must help ensure that all relevant ESG issues are discussed as separate agenda items in relevant owner meetings and ensure that the company has the appropriate organisation and capacity to perform ESG work in a satisfactory manner.

#### **Follow-up, control and measures**

If the Bank becomes aware that any of our companies are acting in contravention of the Bank's requirements or expectations, a dialogue must be established with the aim of effecting change and improvement. Otherwise, the Bank must request that the matter be reviewed by the company's Board of Directors or the General Meeting, depending on the degree of seriousness.

Ultimately, management and, if relevant, the Board of Directors of Sparebanken Sør must decide whether to continue ownership of the company.

## **5.4 Liquidity portfolio**

In managing the Group's liquidity risk, Sparebanken Sør must have a portfolio comprising liquid interest-bearing securities with a high credit rating. The composition of the portfolio is determined by statutory requirements and Board-adopted guidelines.

Sparebanken Sør's liquidity portfolio will normally, and depending on authority instructions and Board resolutions, consist of bonds from the following sectors:

- States and state-guaranteed issuers
- Public-sector issuers
- Multilateral development banks with a zero capital weighting
- Covered bonds from issuers in the EEA
- Norwegian industry and power companies
- Norwegian financial institutions

The Bank's liquidity portfolio is considered to have a low risk of breaching guidelines for social responsibility and sustainability. Investments are made in securities that are traded in established, well-functioning markets, and in issuers that are subject to official orders that meet overarching ESG requirements, including guidelines for financial crime and financing of terrorism, human and employee rights, and are domiciled in regions that attach importance to environmental, nature and climate risk.

### Follow-up, control and measures

Guidelines and mandates must be established to reduce the risk of the Bank's investments contravening our "Policy for responsible investment and responsible securities trading". The mandates are adopted by the Group's Finance Committee.

The portfolio's ESG risk must be assessed periodically, and at least once a year.

If the assessment identifies breaches of the Bank's guidelines, the reason for and the seriousness of the breach must be evaluated. Realisation of the investment may be relevant, and breaches must be reported in accordance with the adopted reporting requirements. Any decision on closure is taken by the Finance Committee, which must also recommend whether the issuer's established credit line should be withdrawn. The Bank must assess whether to establish a dialogue with the issuer and/or relevant credit analyst with regard to the matter. A thorough assessment of the underlying matters and the reason for the ESG breach must be carried out before any investment is realised.

In situations where realisation is not realistic, the Bank must endeavour to enter into dialogue with the issuer or contact the broker of the bond loan, to ensure that improvement measures are implemented.

## 5.5 Fund managers and securities

Sparebanken Sør has a dedicated procedure for approving funds and fund managers, which includes requirements and guidelines for ESG.

When selecting fund managers and approving new funds to be offered on the Bank's trading platform, Sparebanken Sør must make documentation requirements of fund managers in order to establish whether guidelines and ESG policies have been prepared and that these are upheld when selecting the companies in which the securities funds will be invested.

As a condition for distribution on our trading platform, all fund managers must confirm in writing that they are familiar with and comply with our guidelines as stated in our "Policy for responsible ownership, responsible investment and responsible securities trading".

### Follow-up, control and measures

Fund managers must report annually to Sparebanken Sør on how they follow up ESG issues relating to investments. Alternatively, Sparebanken Sør can use a partner to carry out checks on the fund managers.

If a fund manager is found to be in breach of the Bank's guidelines, the matter must be addressed with the supplier in question. The Bank must ensure that the fund manager takes the necessary measures to comply with the Bank's guidelines.

Sparebanken Sør does not have a licence to act as a fund manager, and implemented measures must be coordinated with multiple parties. If the fund manager does not adjust their routines and practices in a satisfactory manner within a reasonable time, stopping distribution of the security in question or discontinuing the partnership with the fund manager may be considered.



## **6 PUBLICATION**

Sparebanken Sør's guidelines are communicated to the Bank's associates and stakeholders through publication of our "Policy for responsible investment and responsible securities trading" on Sparebanken Sør's website, [www.sor.no](http://www.sor.no)

## **7 RESPONSIBILITY, MANAGEMENT, FOLLOW-UP AND REPORTING**

Sparebanken Sør issues an annual report on how we comply with our "Policy for responsible investment and responsible securities trading". You can read more about responsibility, management, organisation and reporting in the Bank's strategy document for sustainability, "Sustainability Strategy", on Sparebanken Sør's website, [www.sor.no](http://www.sor.no)