

Sustainability Strategy



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1 INTRODUCTION

1.1 Overarching goals and principles

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

Our work on sustainability, which encompasses the climate and the natural environment, social conditions and corporate governance (ESG), is a natural continuation of the role the Bank has played for almost 200 years. For Sparebanken Sør, sustainable development means the Bank should contribute to positive development within the field of ESG, while fulfilling its social responsibility in the areas in which it operates. Our work on sustainability should 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 effects and reducing the negative impacts on people, society, climate and the environment.

This means:

- ensuring that the Bank has an ESG strategy that takes account of both risks and opportunities
- supporting socially beneficial causes and upholding important social values in our region
- mapping and helping reduce the negative and increase the positive impacts of the Bank's commercial activities in the ESG area
- operationalising ESG in relevant business areas
- promoting activities and operations that facilitate sustainable growth and development
- supporting and participating in local, national and international initiatives and partnerships to contribute to sustainable development
- making a positive contribution to sustainable development in our region
- complying with recognised international principles and conventions relating to the climate and the natural environment, social conditions and corporate governance
- complying with recognised international classification criteria for what can be defined as sustainable
- engaging in transparent communication and open dialogue with stakeholders and society as a whole

Based on a double materiality assessment, i.e. of how Sparebanken Sør affects society, and how Sparebanken Sør's financial development is affected by sustainability topics, the Bank has selected the following material topics.

Material topics
Climate and nature
Responsible products and services
Financial crime
Labour and human rights
Data protection and information security
Responsible and ethical business conduct
Responsible lending
Responsible investment and financing
Responsible procurement

1.2 Target group

Our "Sustainability Strategy" document applies to Sparebanken Sør's own operations, including in subsidiaries and other companies in which the Bank invests. It is expected that customers, suppliers and

business partners also attach importance to compliance with the requirements and principles set out in this document.

1.3 Document management

The Board has overarching responsibility for the Sustainability Strategy. The policy document is managed by the Group Staff division, proposed by Group Management and adopted by the Board. The document is revised annually.

2 FRAMEWORK CONDITIONS

2.1 Framework conditions

As the region's largest and leading finance group, the Bank has adopted a global perspective that will direct the realisation of the Bank's vision of contributing to sustainable growth and development in our region.

The Bank's sustainability strategy is based on the following framework conditions and voluntary commitments:

- Sparebanken Sør Strategic Plan
- Norwegian laws, including Section 3-3c of the Accounting Act, the Working Environment Act and the Transparency Act
- OECD Guidelines for Multinational Enterprises
- OECD Principles of Corporate Governance
- UN Guiding Principles on Business and Human Rights, including ILO's eight core conventions (Nos. 29, 87, 98, 100, 105, 111, 138, 182)
- International Human Rights Law (Universal Declaration of Human Rights; International Covenant on Civil and Political Rights (ICCPR); International Covenant on Economic, Social and Cultural Rights (ICESCR))
- UN Convention against Corruption
- UN Framework Convention on Climate Change
- UN Convention on Biological Diversity
- Financial Supervisory Authority of Norway's modules on risk-based supervision
- EU taxonomy
- Sparebanken Sør is a signatory to the UN Global Compact. The Global Compact is the world's largest initiative in support of the UN Sustainable Development Goals (SDGs), which form a global plan to eradicate poverty, combat inequality and halt climate change.
- Sparebanken Sør has also endorsed the UN Environment Programme (UNEP) Principles for Responsible Banking (PRB). The UN Environment Programme aims to enable the banking industry to take a leadership role in achieving the SDGs and fulfilling the Paris Agreement.
- The UN Environment Programme (UNEP) Principles for Responsible Investment (PRI). Sparebanken Sør does not engage in investment broking and has not signed up to UNEP PRI. However, the Bank requires securities traders whose products the Bank distributes to sign up to and comply with the principles of UNEP PRI.
- Finance Norway has prepared a roadmap for green competitiveness in the financial sector, whose vision is for a financial services industry that is both profitable and sustainable in 2030.

2.2 Governing documents

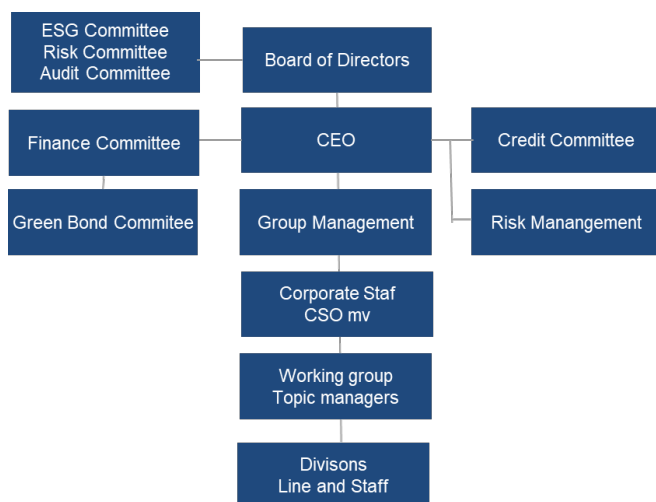
The graphic below shows the most relevant governing documents for the ESG area.

ESG governing document and policy	Document status	
	Public	Internal
Determined by the Board		
Strategic plan		X
Sustainability strategy	X	
Ethics document	X	
Corporate Governance	X	
Risk and Capital Strategy		X
Organisation of risks and capital management		X
Board Diversity Policy	X	
Anti-money laundering document		X
Compliance document		X
Processing of personal data		X
Policy for conflict of interests	X	
Procedure for internal and external whistleblowing	X	
Policy for responsible lending	X	
Determined by group management		
Policy for responsible investments and responsible securities trading	X	
Policy for climate and the environment	X	
Policy for responsible procurement	X	
Guidelines for Responsible Purchasing	X	
Policy for Anti-Corruption and Bribery	X	
Green and Sustainable Bond Framework	X	
Green, Social and Sustainable Product Framework	X	
Customer complaints procedure	X	
Policy for Employee and Human Rights	X	
Guidelines on Employee and Human Rights	X	
Anti-Money Laundering and Anti-Terrorism Financing Policy	X	
Policy for Management Systems for information security, ISMS		X
Data protection	X	
Policy for New and Amended Products, Services, Processes and Systems	X	
Policy for marketing and product information	X	
Risk assessment of products, services, procedures, processes and systems		X
Procedures for internal control and event database		X

Governing documents are regularly reviewed and updated, and decisions are made by the relevant body. The document owner is responsible for ongoing maintenance of the governing documents, as well as for implementing the governing documents in the organisation.

3 ORGANISATION AND RESPONSIBILITY

The graphic below shows the governance structure in the area of sustainability.



The Board of Directors:

ESG is a priority area in Sparebanken Sør's strategy plan. The Board aims to integrate and operationalise ESG in all parts of the business. The Board actively participates in and considers and approves overriding matters and governing documents within ESG.

ESG Committee:

The Risk Committee also serves as the Board's ESG Committee, which considers and prepares ESG matters for the Board.

CEO:

The CEO is responsible for implementing this strategy.

Credit Committee:

The Credit Committee has overarching responsibility for following up ESG in the credit area.

Finance Committee:

The Finance Committee has overarching responsibility for following up ESG in the finance area.

Risk Management:

Risk Management monitors and reports the company's corporate ESG risk and risk management.

Division directors in group management:

Division directors in group management have overarching responsibility for their respective topics/areas.

Group Support:

The Group Support Division has technical responsibility, as well as responsibility for the organisation, coordination, communication and follow-up of work on ESG at the overarching level.

Topic working groups:

Several topic-specific working groups have been established. Together with Group Support, these groups work to integrate and operationalise ESG within the respective business/topic areas.

Line divisions and corporate staff:

The line and staff are responsible for operationalising measures and action plans and following them up.

Green Bond Committee:

The Green Bond Committee is responsible for ensuring compliance with the obligations in the framework for green and sustainable bonds.

4 BUSINESS AREAS AND STRATEGIC GUIDELINES

Our sustainability strategy sets out the guidelines for the Bank's commercial activities and is intended to ensure that the Bank meets its overarching objectives for sustainable development and that these objectives are integrated in all relevant business areas.

The business areas Lending and Investment account for the bulk of Sparebanken Sør's assets and revenues. Other important areas are the financing of operations through deposits and financing in the market.

The overarching strategic goals for sustainability in these areas are:

Area	Strategic guidelines
Internally at Sparebanken Sør	<ol style="list-style-type: none">1. Safeguard employment and human rights2. Increased equality and diversity3. Increased competence and employee development4. Reduce climate emissions in line with targets
Lending, investments and financing	<ol style="list-style-type: none">1. Take care of requirements for social relations and business management2. Reduce climate emissions and limit damage to nature and biodiversity through measures and sustainable businesses, products, and services according to targets3. Limit damage to nature and biodiversity4. Stimulate reduced resource consumption and increased reuse and circular economy
Suppliers and partners	<ol style="list-style-type: none">1. Set requirements for and communicate with suppliers and collaboration partners on sustainability, to contribute to sustainable purchases, products and services
Responsible business conduct	<ol style="list-style-type: none">1. Comply relevant laws and international conventions2. Contribute to limiting financial crime3. Contribute to privacy and information security4. Participate in local, national and international cooperation on sustainability4. Contribute to sustainable development in the region

5 SOCIAL CONDITIONS

5.1 Employee and Human Rights

Employee and human rights are an important pillar for promoting justice, innovation and competitiveness, and creating equal rights and opportunities for everyone to participate in the employment market and to contribute to the development of society.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- not being complicit in violations of human or employee rights, or internationally recognised conventions
- complying with the requirements of the Norwegian Transparency Act
- striving to achieve gender equality, including equal pay for equal work of equal value
- striving to achieve diversity among the Bank's employees
- working to ensure that no discrimination takes place on grounds such as ethnic background, religion, sexual orientation, disability, age or gender
- the right to social security
- having an inclusive working environment characterised by respect and consideration, with zero tolerance for bullying and harassment

Goals:

KPI	Description	Unit	Goal	Time
KPI A1	Discrimination	Cases	0	
KPI A2	Percentage of female managers	%	40–60	2025
KPI A3	Women's average pay compared to men	%	90–110	2025

5.2 Working environment and employee development

Sparebanken Sør will be an attractive and inclusive workplace for all employees.

Technological developments, regulatory changes and changes in customer behaviour are forcing the Bank to adapt to and prepare for a new reality. The ability to attract, retain and develop the skills that the Bank needs going forward is one of our most important competitive advantages. This makes restructuring, employee development and the recruitment of new competence to build a bank for the future a high priority for Sparebanken Sør.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- good and safe working conditions, health, safety and the environment in the workplace
- working to ensure that all the Bank's employees have equal opportunities for skills development and personal and professional development
- adapting needs for new knowledge to the changes that are taking place in banking/finance and society in general
- contributing to skills development and culture building, and raising managers' and employees' awareness of the Bank's responsibilities within the ESG area
- reducing sickness absence by being a health-promoting workplace

Goals:

KPI	Description	Unit	Goal	Time
KPI A4	Violations of labour and human rights, internal	Number		
KPI A5	Sick leave absence, total, %	%	≤ 4.0	
KPI A6	Employee satisfaction	%	≥ 80	

5.3 Data protection and information security

Sparebanken Sør is dependent on the confidence of its customers, public authorities and other stakeholders. This makes it critical that the Bank handles customer data securely. Sparebanken Sør processes personal data and safeguards information security in accordance with applicable laws, regulations and procedures, and makes the same requirements of our suppliers and partners.

The Bank processes high volumes of personal data in its operations. This makes safeguarding key privacy principles and ensuring that customer information is handled securely a high priority for the Bank.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- protecting the integrity, accessibility and confidentiality of personal data
- processing personal data in accordance with the prevailing privacy regulations, including the GDPR and the Norwegian Personal Data Act
- not storing personal data for longer than is necessary to fulfil the purpose for which it is processed and to meet the legal obligations applicable to us
- deleting personal data if someone requests it, unless there is a statutory obligation or other legal basis to continue storing the personal data

- having good security procedures that protect against cyber attacks and other incidents that could disrupt the safe and stable operation of the Bank's services
- ensuring that our platforms and services are secure

Goals:

KPI	Description	Unit	Goal	Time
KPI B1	Orders, fines related to privacy by the Norwegian Data Protection Agency (DPA)	Number	0	
KPI B2	Uptime customer solutions, SLA, %	%	≥ 99.70	

5.4 Financial crime

Financial crime is a serious problem and a threat to individuals and society.

Sparebanken Sør is committed to working to reduce financial crime such as money laundering, financing of terrorism and corruption. The Bank has zero tolerance for all types of financial crime, and needs to have robust control and customer due diligence measures in place, as well as good internal management and monitoring systems.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- having zero tolerance for financial crime in our own activities and at our trading partners
- systematically working to prevent, identify and deal with fraud and other criminal acts
- complying with laws and regulations through good guidelines and procedures, electronic monitoring, surveys, customer initiatives and reporting

Goals:

KPI	Description	Unit	Goal	Time
KPI C1	Internal corruption cases	Number	0	
KPI C2	Internal fraud cases	Number	0	
KPI C3	Suspicious of money laundering flagged	Number		

5.5 Responsible products and services

Digitalisation and rapid technological development will streamline the way we serve our customers. Together with the development and sale of sustainable products and services, this will contribute to the sustainable development of the banking and finance sector.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- developing user-friendly, transparent and sustainable products and services
- requiring third-party suppliers of fund products to follow internationally recognised principles for sustainability in their investments and to document their follow-up and control of the companies
- developing sustainable digital solutions and distribution channels
- seeking partnerships and suppliers that promote the development of sustainable technology, products and services

Goals:

KPI	Description	Unit	Goal	Time
KPI D1	Lost cases, breach of product/service information	Number	0	
KPI D2	Lost cases, breach of marketing communications	Number	0	

6 CORPORATE GOVERNANCE

6.1 Responsible and ethical business conduct

Sparebanken Sør will conduct itself with openness, honesty and transparency. All activities at Sparebanken Sør must be carried out in accordance with applicable laws and regulations. The Bank requires its customers, suppliers and partners to follow relevant laws and international conventions in the countries in which they operate.

Corporate governance must be exercised so that the Bank is not complicit in violations of human or employee rights and does not contribute to corruption, unacceptable greenhouse gas emissions, serious environmental harm or other acts that may be perceived as unethical or irresponsible.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- maintaining high ethical standards and exercising sound corporate governance
- having zero tolerance for financial crime in our own activities and at our trading partners
- maintaining open, honest and clear communication with all target groups
- being an active and responsive corporate citizen that safeguards the right to effective notification and appeal for affected parties through reasonable processes
- integrating ESG in corporate governance
- keeping our own house in order with regard to the environment, social conditions and corporate governance and acts that could be perceived as unethical
- being active owners of the companies the Bank invests in, and working to ensure that these companies have the same strict requirements for ESG as the Bank

Goals:

KPI	Description	Unit	Goal	Time
KPI E1	Customer satisfaction indicator, retail market	Place no.	≤ 3	
KPI E2	Customer satisfaction indicator, corporate market	Place no.	≤ 3	
KPI E3	Complaint cases lost at the Norwegian Financial Services Complaints Board (FinKN)	Number	0	
KPI E4	Whistleblowing cases internal and external	Number	0	
KPI E5	ESG Rating Sustainalytics, Low risk 10 ≥ 20 points	Points	20	

6.2 Responsible lending

For Sparebanken Sør, responsible lending means protecting the climate and the natural environment, addressing social conditions and ensuring good corporate governance in the provision of credit. The main objective is to achieve a good long-term return with an acceptable level of risk and to contribute to sustainable development. Our lending operations must be carried out in such a way that the Bank is not complicit in violations of human or employee rights and does not contribute to corruption, unacceptable greenhouse gas emissions, serious environmental harm or other acts that may be perceived as unethical or irresponsible. Assessments of risk and opportunities in the ESG area must be integrated in lending procedures.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- integrating ESG in lending processes
- including ESG in the customer conversation, to make the customer aware of ESG and build competence
- striving to increase the positive and reduce the negative impacts in the ESG area
- continuously working to establish a more sustainable credit portfolio

- not financing businesses that do not comply with the Bank’s policies, national laws or international conventions
- not financing businesses that violate recognised national/international norms, or perform acts that may be perceived as unethical and/or irresponsible
- measuring the greenhouse gas emissions from our credit portfolio when relevant frameworks and systems for measurement are available

Goals:

KPI	Description	Unit	Goal	Time
KPI F1	Green home mortgages, annual growth in per cent	%	≥ 10	Annual
KPI F2	Green home mortgages, percentage	%	≥ 50	2030
KPI F3	Green loans for commercial real estate, annual growth in per cent	%	≥ 10	Annual
KPI F4	Green loans for commercial real estate, percentage	%	≥ 50	2030

6.3 Responsible investment and financing

Responsible investment and financing means safeguarding the climate and the natural environment and addressing social conditions and exercising sound corporate governance in the funding of the Bank. Sparebanken Sør’s policy and guidelines for responsible investment and financing should ensure that the Bank, through our investments and securities trading, is not complicit in violations of human or employee rights, and does not contribute to corruption, financing of terrorism, tax evasion, serious environmental harm or other unethical acts.

Through our own investment mandates and offers of financial instruments, including the brokering of funds and securities to customers, the Bank must seek to influence the development of society in a sustainable direction.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- working to establish a more sustainable investment portfolio
- integrating ESG in investment analyses
- striving to increase the positive and reduce the negative impacts in the ESG area
- establishing financing that can be allocated to sustainable lending purposes
- investing in companies that have a positive impact on the climate
- being an active and responsible owner of companies in which the Bank invests
- not conducting business with companies that do not comply with the Bank’s policies, national laws or international conventions
- not conducting business with companies that violate recognised national/international norms, or perform acts that may be perceived as unethical and/or irresponsible
- measuring the greenhouse gas emissions from our portfolios when relevant frameworks and systems for measurement are available
- setting requirements for ESG for suppliers whose products and services the Bank distributes

Goals:

KPI	Description	Unit	Goal	Time
KPI G1	Sustainable bonds, liquidity portfolio	NOK mill.	2.000	2022

6.4 Responsible purchasing

Responsible purchasing means setting requirements for the climate, the natural environment and social conditions and exercising efficient corporate governance in all our purchases. The Bank’s suppliers must not be complicit in violations of human or employee rights, and must not contribute to corruption, unacceptable

greenhouse gas emissions, serious environmental harm or other acts that may be perceived as unethical or irresponsible.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- complying with the requirements on human and employee rights in the Norwegian Transparency Act
- setting requirements for ESG for suppliers and subcontractors that the Bank uses in procurement processes, and following these up
- integrating ESG in procurement processes and in the follow-up of suppliers
- striving to increase the positive and reduce the negative impacts in the ESG area
- not using suppliers that do not comply with the Bank's policies, national laws or international conventions
- not using suppliers that violate recognised national/international norms, or perform acts that may be perceived as unethical and/or irresponsible
- setting requirements for our suppliers with regard to environmental certification
- performing due diligence on our purchasing by setting clear requirements for, entering into dialogue with and following up suppliers

Goals:

Targets relating to the Norwegian Transparency Act will be established.

7 CLIMATE AND THE NATURAL ENVIRONMENT

7.1 Climate and the 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 the 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.

For Sparebanken Sør this means:

- respecting and complying with relevant Norwegian laws and international conventions
- working to reduce greenhouse gas emissions from our own activities and at our customers, suppliers and partners in accordance with the Paris Agreement
- striving to reduce the negative impacts on the natural environment, including vulnerable areas, biodiversity and ecosystems, from our own activities and at our customers, suppliers and partners
- incorporating climate and environmental challenges in our strategy, corporate governance, risk management, follow-up and reporting
- being transparent about, measuring and reporting risks and opportunities relating to the climate and the natural environment
- helping to increase competence relating to climate and the natural environment in our own activities and at our customers, suppliers and partners
- cooperating with others to meet the goals relating to climate and the natural environment outlined in the Paris Agreement, the Nature Agreement and the UN Sustainable Development Goals

Goals:

Own business:

KPI	Description	Unit	Goal	Time
KPI I1	Greenhouse-gas emissions, own activities	tonnes CO2		
KPI I2	Reduction in greenhouse-gas emissions, own activities	%	55	2030
KPI I3	Energy intensity, own activities	kWh/m ²	0 (NZE)	2050

Lending:

KPI	Description	Unit	Goal	Time
KPI I4	Total greenhouse-gas emissions, Lending	tonnes CO2		
KPI I5	Reduction in greenhouse-gas emissions, Lending	%	40	2030
KPI I6	Reduction in greenhouse-gas emissions, Lending		0 (NZE)	2050

Investments:

KPI	Description	Unit	Goal	Time
KPI I7	Total greenhouse-gas emissions, Investments	tonnes CO2		
KPI I8	Reduction in greenhouse-gas emissions, Investments	%	40	2030
KPI I9	Reduction in greenhouse-gas emissions, Investments		0 (NZE)	2050

8 TARGETS AND METHODS

Performance indicators have been set for relevant topics, which will help the Bank to monitor developments within each individual topic area. The performance indicators are based on a selection of those set out for various topics by the Global Reporting Initiative (GRI), as well as in-house KPIs.

9 CONTROL AND FOLLOW-UP

ESG is integrated in the Bank's internal control, and undesired incidents are registered in the Bank's incident database. Governing documents, measurement methods and performance indicators are audited annually. The Bank's Compliance Officer follows up compliance with laws and regulations.

10 REPORTING

The Bank's work on sustainability is reported annually on www.sor.no.