

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 (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 will contribute to sustainable growth and development by strengthening the positive and reducing the negative impacts on people, society, climate and the natural environment.

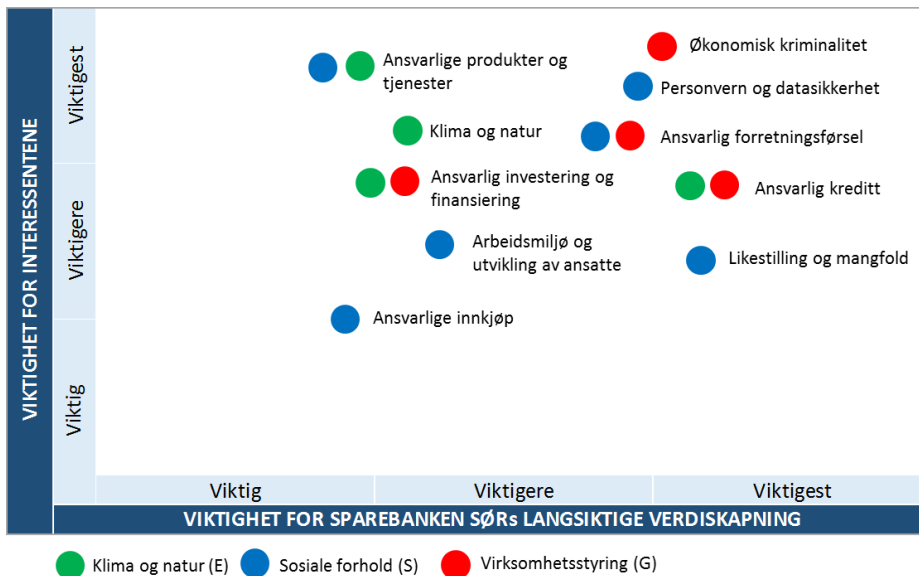
This means:

- 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 our 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 cooperation to contribute to sustainable development
- making a positive contribution to sustainable development in our region
- complying with recognised international principles and conventions for 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

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

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 Bank has selected a number of key topics based on stakeholder dialogue, importance assessments and opportunities to make a positive impact. These key topics are shown in the graphic below. The colours indicate which ESG areas correspond to the different topics.



Our “Sustainability Strategy” document applies to Sparebanken Sør’s own operations, including in subsidiaries and other companies in which the Bank invests. We also expect our customers, suppliers and partners to prioritise these areas.

2 FRAMEWORK CONDITIONS

2.1 Framework conditions

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

- Norwegian laws, including Section 3-3c of the Accounting Act, and the Working Environment Act.
- The UN’s sustainable development goals, which represent a joint programme to eradicate poverty, combat inequality and stop climate change.
- Sparebanken Sør has signed up to the UN Global Compact. The Global Compact is the world’s largest initiative for work on sustainability and corporate social responsibility.
- Sparebanken Sør has also endorsed the UN Environmental Programme (UNEP) Principles for Responsible Banking (PRB). 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.
- The UN Environmental Programme (UNEP) Principles for Responsible Investment (PRI). Sparebanken Sør does not engage in investment broking and is therefore not a member of UNEP PRI. However, the Bank requires securities traders whose products the Bank distributes to be members of and comply with the principles of UNEP PRI.
- 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 will integrate these principles into its sustainability efforts.
- Sparebanken Sør Strategic Plan.
- Other relevant national and international laws, conventions and regulations.

2.2 Governing documents

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

ESG governing documents 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
Policy board diversity	X	
Money laundering document		X
Compliance document		X
Processing of personal data		X
Policy for conflict of interests	X	
Procedure for internal whistleblowing	X	
Procedure for external whistleblowing	X	
Determined by group management		
Policy for responsible credit	X	
Policy for responsible investments and responsible securities trading	X	
Policy for climate and the environment	X	
Risk assessment of products, services, procedures, processes and systems		X
Policy for responsible procurement	X	
Guidelines for procurement – supplier declaration	X	
Policy for employee and human rights	X	
Policy for anti-corruption and bribery	X	
Green and Sustainable Bond Framework	X	
Green and Sustainable Product Framework	X	
Customer complaints procedure	X	
Policy for equality and diversity	X	
Policy for anti-money laundering and terrorist financing	X	
Policy for management systems for information security, ISMS		X
Policy for privacy	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 overarching issues and governing documents in the ESG area.

ESG Committee:

The ESG Committee is the Board's own committee, which considers and prepares ESG matters for the Board.

CEO:

The CEO is responsible for implementing this strategy.

Risk Management:

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

Division directors in Group management:

Division directors in the group management have overarching responsibility for the 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 overarching level.

Working groups topic:

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

Divisions in line and staff:

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

Green Bond Committee:

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

4 SOCIAL CONDITIONS

4.1 Equality and diversity

Equality and diversity play an important role in promoting fairness, innovation and competitiveness. Equality and diversity create 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 upholding the UN's guiding principles on business and human rights
- respecting and upholding the UN's Declaration of Human Rights
- not being complicit in violations of human or employee rights, or international law
- striving to achieve diversity among the Bank's employees
- working to ensure that no discrimination takes place based on factors such as ethnic background, religion, sexual orientation, disability, age or gender
- providing equal pay for equal work, qualifications and performance regardless of gender
- having an inclusive working environment characterised by respect and consideration, with zero tolerance for bullying and harassment

4.2 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 recruitment of new competence to build a bank for the future a high priority for Sparebanken Sør.

For Sparebanken Sør this means:

- respecting and upholding the ILO's core conventions in areas such as freedom of association, child labour, discrimination and forced labour
- 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 awareness of the Bank's responsibilities towards managers and employees within the ESG area
- reducing sickness absence by being a health-promoting workplace

4.3 Privacy 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 key priority for the Bank.

For Sparebanken Sør this means:

- protecting the integrity, availability 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 of the processing and to meet the legal obligations that apply 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

4.4 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 upholding the UN's Convention against Corruption
- having zero tolerance for financial crime in our own activities and at our trading partners
- systematically working to prevent, identify, solve and handle frauds and other criminal acts
- complying with laws and regulations through good guidelines and procedures, electronic monitoring, surveys, customer initiatives and reporting

4.5 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:

- 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

5 CORPORATE GOVERNANCE

5.1 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 legislation 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 damage or other acts that may be perceived as unethical or irresponsible.

For Sparebanken Sør this means:

- respecting and upholding OECD's Guidelines for Multinational Enterprises
- respecting and upholding OECD's Principles of Corporate Governance
- respecting and upholding the UN's Convention against Corruption
- 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 empathetic social contributor that secure rights of 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

5.2 Responsible lending

For Sparebanken Sør, responsible lending means protecting the climate and the natural environment, addressing social conditions and ensuring good corporate governance of credit lending. 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 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 damage 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:

- 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

5.3 Responsible investments 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 damage or other unethical acts. The Bank must through our own investment mandates and offers of financial instruments, including brokering of

funds and securities to customers, seek to influence the development of society in a sustainable direction. For Sparebanken Sør this means:

- 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.

5.4 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 damage or other acts that may be perceived as unethical or irresponsible.

For Sparebanken Sør this means:

- 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
- making requirements of 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

6 CLIMATE AND THE NATURAL ENVIRONMENT

6.1 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.

For Sparebanken Sør this means:

- respecting and upholding the UN’s Convention on Climate Change
- respecting and upholding the UN’s Convention on Biological Diversity
- 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 with regard to 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
- contributing to competence development around the climate and the natural environment in our own activities and at our customers, suppliers and partners
- cooperating 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

7 TARGETS AND METHODS

Measurement parameters have been set for relevant topics, which will help the Bank to follow developments within each individual topic area. The measurement parameters consist of selected GRI indicators associated with the various topics from the GRI (Global Reporting Initiative) standard, as well as separate measurement parameters.

8 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 measurement parameters are audited annually.

The Bank’s Compliance Officer follows up compliance with laws and regulations.

9 REPORTING

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