

# Guidelines for the Responsible Distribution of Securities Funds in SpareBank 1

- Updated November 2022

## Introduction

Every bank in the SpareBank 1 Alliance has made sustainability a focus area in its operations, and the Board of SpareBank 1 Utvikling has adopted the following sustainability goals:

*Sustainability will be an integral part of all Alliance companies' operations.*

*We will achieve high sustainability ratings<sup>1</sup> and retain our position as the bank that consumers view as the most sustainable.*

SpareBank 1 will always comply with Norwegian law. Our work is guided by clear principles and high expectations within the area of sustainability. SpareBank 1 has comprehensive procedures for combating money laundering and hidden ownership, and wants to contribute to responsible corporate governance, including among our business associates.

Every employee that advises customers or who is involved in fund management in some other way must be familiar with our principles and review the guidelines every year.

## The purpose of the guidelines

The guidelines are intended to:

- Provide guidance for the work the SpareBank 1 Alliance banks do to ensure the responsible distribution of securities funds.
- Ensure that the funds offered comply with SpareBank 1's sustainability goals.
- Provide guidance for product approval processes and product governance, including periodic product audits, which in addition to covering financial criteria also include environmental, social and governance criteria, so-called ESG criteria.
- Enable SpareBank 1 to label funds based on ESG criteria. The labelling must be clear to the customer and provide good information about how funds approach ESG. Such labelling is based on data collected, via a comprehensive questionnaire, from all fund managers whose funds are distributed on SpareBank 1's trading platform. The labelling must be updated annually.
- Help SpareBank 1 offer funds that contribute to positive ESG changes for customers. We must strive to provide information about the degree to which the fund contributes to positive change. The labelling scheme will guide which

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<sup>1</sup> For example: Sustainable Brand Index (<https://www.sb-index.com/>)

funds SpareBank 1 should recommend to customers. The guidelines will enable SpareBank 1 to communicate with customers better via the funds' ESG profile.

- Help ensure that when they provide financial advice, SpareBank 1 Alliance banks are complying with Norwegian legislation related to EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (Disclosure Regulation) and EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation).

### **Requirements, expectations and recommendations for providers of securities funds distributed by SpareBank 1**

As a condition for distribution via our channels, all securities fund managers must confirm, in writing, that they are familiar, and comply, with our guidelines. SpareBank 1 requires transparency in relation to how sustainability risks are managed as part of fund management, ref. also the Disclosure Regulation.<sup>2</sup> SpareBank 1 recommends that all fund managers with whom we have a distribution agreement complete the European Environmental, Social, and Governance Template (EET)<sup>3</sup> for all of the products SpareBank 1 distributes.

Managers must update SpareBank 1 on how investments are monitored in relation to ESG based on the reported data that provides a basis for the labelling scheme. This must be done as quickly as possible after a change is discovered, and at least annually.

In these guidelines, SpareBank 1 distinguishes between the following requirements, expectations and recommendations for external fund managers with funds that are distributed via SpareBank 1's trading platform:

- Requirements: Based on the process described in the section on roles and responsibilities, SpareBank 1 will halt new sales of funds that do not meet these requirements.
- Expectations: These expectations provide a basis for the labelling scheme and SpareBank 1's list of recommended funds.
- Recommendations: These recommendations do not form part of the basis for the labelling scheme today, but SpareBank 1 will seek to include them at some later date.

Weight will be given to ESG factors in combination with financial criteria when the SpareBank 1 banks prepare their list of recommended funds.

### **The environment**

SpareBank 1 expects fund managers with whom we have a distribution agreement:

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<sup>2</sup> EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (Disclosure Regulation)

<sup>3</sup> [FinDatEx](#)

- Not to invest in mining companies and energy producers that generate a significant part<sup>4</sup> of their earnings from thermal coal or that base a significant part of their operations on thermal coal.
- Not to invest in companies that damage [UNESCO world heritage sites](#), contribute to the loss of globally endangered species and loss of important ecosystems, contribute to deforestation, contribute to serious pollution or that contribute to serious environmental harm in some other way.
- Not to invest in companies whose actions or omissions on an aggregated company level cause unacceptable levels of greenhouse gases.<sup>5</sup>
- Climate-related funds state whether they comply with an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark index<sup>6</sup>

SpareBank 1 recommends that fund managers with whom we have a distribution agreement:

- Take a systematic approach to reducing their impact on the climate and environment in line with the Paris Agreement, preferably by setting measurable targets for reducing emissions in their portfolio.
- Not invest in companies that have significant negative impacts on wetlands registered in the [Ramsar Convention](#) or [vulnerable nature areas/protected areas registered by the International Union for Conservation of Nature \(IUCN\)](#).
- Not invest in companies that harm endangered plant and animal species, including animal species registered on [IUCN's red list of endangered species](#), take them into consideration and minimise interventions in nature.
- Not invest in companies that breach international guidelines<sup>7</sup> for biodiversity and genetic engineering.
- Set goals for capital allocated to investments in businesses that contribute to achieving the objectives of the Paris Agreement.

## Society

SpareBank 1 requires fund managers with whom we have a distribution agreement:

- Not to invest in companies that themselves, or through entities they control, invest in controversial weapons as defined in the rules for the Government Pension Fund Global. The portfolios of the funds must be screened against the Government Pension Fund Global's list of companies excluded based on the criteria of the production of nuclear weapons and the government bond exemption. The review must be conducted at least once a year during product audits and as part of the approval process for new products.

<sup>4</sup> Reference is made here to the definitions set out by NBIM:

<https://www.nbim.no/no/organiseringen/styringsmodellen/retningslinjer-for-observasjon-og-utelukkelse-fra-statens-pensjonsfond-utland/>

<sup>5</sup> Such companies must have significantly higher emissions, and significantly higher emissions per produced unit, than comparable companies. They must also lack concrete, credible plans with specified dates for reducing emissions faster and more sharply than comparable companies in order to get emissions down to the levels of comparable companies. If it can be documented that a company is actively lobbying against climate regulations, this will also be taken into account in an overall assessment.

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016R1011-20220101&qid=1665051810035>

<sup>7</sup> For example, the UN Convention on Biological Diversity and the associated Bonn Guidelines or Nagoya Protocol

SpareBank 1 expects fund managers with whom we have a distribution agreement:

- Not to invest in companies involved in serious breaches of human rights, labour rights or the Geneva Conventions, and have this enshrined in their own guidelines.
- Not to invest in companies that produce tobacco or tobacco products.
- Not to invest in companies that contribute to, or are responsible for, serious violations of people's rights in war or conflict situations.
- Not to invest in companies that sell weapons to states involved in armed conflicts that use weapons in ways that constitute serious and systematic breaches of international law.

SpareBank 1 recommends that fund managers with whom we have a distribution agreement:

- Not invest in companies that produce pornography.
- Not invest in companies that do not respect land rights and/or use natural resources without respecting the rights of local and indigenous people, for example in relation to giving free, prior and informed consent (FIPC).
- Conduct [due diligence assessments](#) to avoid becoming involved in the above and to remedy situations if breaches are identified and encourage business associates to do the same.

## **Corporate governance**

SpareBank 1 expects fund managers with whom we have a distribution agreement:

- To be a signatory to the UN Principles for Responsible Investment and report on compliance.
- To practise active corporate governance.
- To have zero tolerance for corruption, economic crime and tax evasion in their own activities and companies they work with or invest in and have good procedures for identifying and following this up. Encourage business associates to do the same.
- In the event of suspected corruption, contribute to full transparency on the part of the company and assist in investigating the situation.

SpareBank 1 recommends that fund managers with whom we have a distribution agreement:

- Strive for openness and transparency about their own activities, including ownership, investments, financial information about tax payments, business connections, national and international lobbying, etc.
- Document their follow up of situations that breach our requirements, expectations and suggestions in these guidelines.

## **Roles, responsibilities, documentation and reporting**

SpareBank 1's expectations and recommendations in these guidelines are communicated to securities fund managers through publication on the websites of SpareBank 1 and the relevant Alliance banks, and by providing information to fund managers.

If SpareBank 1, through questionnaires for the labelling scheme, annual audit process or in some other way, discovers that fund managers are in breach of requirements in these guidelines, the matter will be first raised with the relevant fund manager. Next, SpareBank 1 will follow up and ensure that the fund manager takes appropriate measures to bring the matter into line with these guidelines. Since the SpareBank 1 banks are not fund managers themselves, this will often take place through collaborations between multiple actors. In those cases where SpareBank 1 deems that a fund manager has not taken satisfactory steps within a reasonable period of time, the bank will halt new sales of the relevant fund. Each bank is responsible for monitoring compliance with the guidelines. The fund managers are responsible for updating SpareBank 1 on any changes to the information provided in the questionnaire. This must be done as quickly as possible after a change is discovered, and at least annually. The information the fund manager provides in this questionnaire is used for ESG assessments of fund managers and for the labelling scheme that is available to SpareBank 1's customers. Fund managers are therefore responsible for ensuring that SpareBank 1's customers have the correct sustainability information about the manager's funds at all times.