

# Guidelines for sustainability and corporate social responsibility in liquidity management and corporate governance



Subsidiary objectives: 13.2 and 16.4

## Background

SpareBank 1 Nord-Norge is a major custodian of financial instruments and the largest management environment in northern Norway. Our choices in the management of the Group's financial instruments and securities may constitute an important contribution to both the Group's ambition in relation to the UN's sustainability goals, as well as the desire for a greener financial and securities market.

The Group's business strategy and risk strategy set the course for the Group's liquidity management. Liquidity management must be assessed against our ethical guidelines and policy for sustainability and corporate social responsibility, but the Group's liquidity situation will at all times take precedence over these guidelines.

## Investment Universe

SpareBank 1 Nord-Norge has a portfolio consisting of liquid securities with high credit quality. This is a portfolio that the bank must have to fulfil mandatory requirements for liquidity management. The minimum size and composition of the portfolio are subject to Board adopted strategies and developments in the Bank's balance sheet

The liquidity portfolios of SpareBank 1 Nord-Norge consist of securities issued within the following sectors:

- State and government guaranteed
- Public sector
- Multilateral development banks
- Bonds with preferential rights with issuers within the EEA
- Norwegian industrial and power companies, as well as finance

There are limitations to exposure per counterpart, maturity and rating requirements within the various sectors, for definitions reference is made to the current Liquidity Strategy and Market Risk Strategy.

## The Environment and Climate Change

The United Nations Sustainability Goals 13.2: *Integrate climate change measures into national policies, strategies and planning*

## Objectives:

- Integrate ESG risk into investment mandates and liquidity strategy
- Contribute to a greener securities market

## Some measures

- Establish objectives for allocated capital to future-oriented industries/sectors or companies
- Conduct positive screening, with the objective of investing in SRI and ESG bonds.
- Contribute to a greener financing through a special green framework for the Group's foreign capital.

## Society

The United Nations Sustainability Goals 16.4: *By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime*

## Objectives:

- Limit negative ESG risk through negative screening.
- Support Norwegian authorities' efforts to protect private individuals and businesses from identity theft, attempted fraud and other economic crimes.

## Measures:

SpareBank 1 Nord-Norge does not make direct investments in companies that are involved in the production of tobacco, pornography, anti-personnel mines or cluster bombs, or in companies in which the development and production of key components for weapons of mass destruction represents a material part of their operations; or in companies which contribute to gross or systematic violations of human and workers' rights such as forced labour or serious environmental damage.

SpareBank 1 Nord-Norge has strict procedures for counteracting money laundering and hidden ownership, and wants to contribute to responsible corporate governance, also on the part of our business associates.

- SNN will encourage transparency and good governance models, including ownership structures, investments, transactions, tax payments, business associates, national and international lobbying, etc. SNN will also encourage the preparation of evidence of compliance.
- SNN will comply with legislative requirements and take measures aimed at combating economic crime and acts of terrorism.
- SNN will comply with legislative requirements and expectations from customers, suppliers and society. We will work actively to prevent, discover and report transactions related to the proceeds of crime or with ties to terrorism.

## **Risk assessment**

With the limitations imposed by the paragraphs above, the liquidity portfolio is considered to have a low risk for violations of the social responsibility and sustainability guidelines. The risk assessment is made for the entire investment universe, not just the current portfolio.

The Bank has assessed that the risk of policy violations is the greatest in the following areas:

- Economic crime
- Financing of controversial projects
- Environmental damage/climate risk
- Investments in controversial securities
- Human rights
- International humanitarian law

Investments within the allocated mandates involve varying degrees of risk-taking. Regulatory guidelines mean that the Bank's liquidity portfolio is dominated by securities issued by the state and guaranteed by the government, the public sector, multilateral development banks and covered bonds, primarily from Nordic Issuers. These are sectors and a geographical area which are considered by the Bank to have low risk in respect of sustainability and corporate social responsibility.

Investments in other portfolios with exposure to Norwegian financial, industrial and power companies are assessed by the Bank to have low to moderate risk in respect of sustainability and corporate social responsibility.

## **Control procedures**

Before initiating new trades, an assessment must be made as to whether they satisfy the Bank's corporate social responsibility and sustainability guidelines. The management of the liquidity reserve is done in its entirety internally by the Bank.

At least annually, a total review of the Bank's portfolios will be carried out to ensure that the guidelines are complied with.

If the control reveals violation of the guidelines, a dialogue with the issuer must be established. The Group must inform of improvement measures that will result in the securities complying with the Group's guidelines. Based on the feedback from the issuer, the Group's advice for sustainability, social responsibility and ethics should recommend the following measures:

- Discontinuation or reduction of the Group's exposure
  - o Based on the severity of the violation
  - o Based on lack of confidence in the issuer's improvement
- Retain the security
  - o Based on the feedback from and improvement measures taken on the part of the issuer