

# SPAREBANK 1 NORD-NORGE

SUSTAINABILITY 2019

# Sustainability

**As the regional bank, SpareBank 1 Nord-Norge's vision is: For Northern Norway. The Group's business model as a savings bank is based on contributing to sustainable development in the region.**

The Group's ambition for its sustainability work is: *SpareBank1 Nord-Norge has a sustainable business conduct that will contribute to reaching the UN's Sustainable Development Goals*

## **SUSTAINABILITY NATIONALLY AND INTERNATIONALLY**

As the world's northernmost financial group, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. The Group can thus be a catalyst for a more sustainable future in the North. At the national level, it sees a key role for the finance industry in the way the private sector handles climate risk and the sustainability challenges facing the world. Internationally, a number of initiatives have been launched to commit the business community to work more systematically on this issue.

The UN's 17 Sustainable Development Goals are the world's shared work plan to eradicate poverty, combat inequalities and stop climate change. In 2019, SpareBank 1 Nord-Norge set out its ambition, together with its largest owner, the Northern Norwegian society, to help to achieve all of the UN's 17 Sustainable Development Goals. This means that the Group's strategy for distributing community dividends, Samfunnsløftet, is dedicated to projects that can describe how they are working towards one or more of the Sustainable Development Goals.

Sustainability is now also integrated into the Group's core processes, such as financing (credit), liquidity and corporate governance, and distribution of mutual funds, procurement and policies for our employees. The Group's work on sustainability is an endorsement of the Global Compact with its 10 principles for responsible business. A separate report on the Group's work on the UN Sustainable Development Goals can be found at [snn.no](http://snn.no).

The Group has chosen to base its reporting on the Global Reporting Initiative (GRI), to provide a better internal overview and transparency for external stakeholders. This sustainability report will be built around a combination of what the Group's stakeholders are concerned about and what the Group itself sees as key issues for sustainability.

*"Sustainability must be integrated into all of our activities. A good balance between growth and protection will form the basis for future value creation, especially for those of us who live in what is one of the world's most vulnerable areas. SpareBank 1 Nord-Norge will take its share of the responsibility for combating climate change, by integrating sustainability into all of our activities. We believe in the business advantage this focus can provide. For SpareBank 1 Nord-Norge and for Northern Norway."*

Liv Bortne Ulriksen, Acting CEO

## **RESPONSIBLE FINANCIAL INSTITUTION**

The Group's work on sustainability is driven by the Board of Directors and Group Management, and was discussed at three Board meetings in 2019. The Group can extend its influence far beyond its own organisation via good guidelines and procedures for responsible banking. In this way, the Group can contribute to a more sustainable Northern Norway and more sustainable financial markets. Sustainability has become an integral part of the Group's operations in 2019. This is implemented through the Group's risk strategy and in a separate policy on sustainability and corporate social responsibility, with associated procedures. This is a task that will continue to take a high priority in the year ahead. In particular, the Group will focus on developing green products and good practices for assessing the environmental, social and governance (ESG) aspects of financing and investment processes.



**OBJECTIVE**

In 2020, SpareBank 1 Nord-Norge will focus especially on the following UN Sustainable Development Goals:



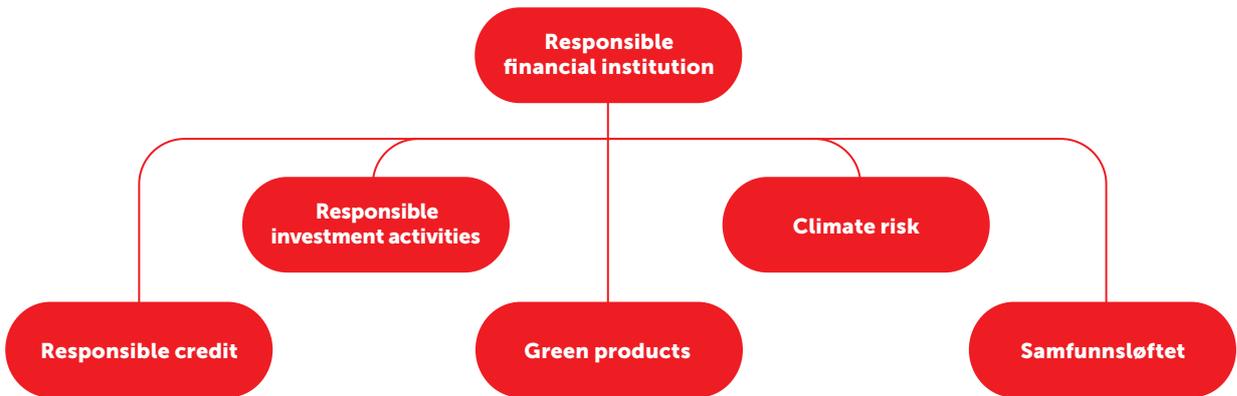
"Take urgent action to combat climate change and its impacts"  
Subsidiary objective 13.2



"Conserve and sustainably use the oceans and marine resources for sustainable development" Targets 14.1 and 14.3



"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" Target 8.6



**MATERIALITY ANALYSIS**

In 2018, the Group conducted a materiality analysis to see which sustainability topics were important to employees of SpareBank 1 Nord-Norge compared with external stakeholders. This analysis has been an important starting point for the Group’s continued work on sustainability and corporate social responsibility.

It identifies the key topics set out below:

<ul style="list-style-type: none"> <li>Negative screening and exclusion</li> <li>Requirements for financial providers</li> <li>Responsible credit policy</li> </ul>	<ul style="list-style-type: none"> <li>Ethics and anti-corruption</li> <li>Data protection and information security</li> <li>Local business development</li> <li>Green products and innovation</li> <li>Climate risk</li> </ul>
<ul style="list-style-type: none"> <li>Supply chain monitoring</li> <li>Marketing products and services</li> </ul>	<ul style="list-style-type: none"> <li>Banking practice</li> <li>Development of employees</li> <li>Support to local communities</li> </ul>

The topics that ended up at the bottom left have been taken out of the matrix. The topics that remain are judged to be the most important and will be covered in the GRI index, where the box at the top right is the most important.

**THE GROUP’S KEY STAKEHOLDERS**

SpareBank 1 Nord-Norge has a number of stakeholders who are involved in and influence the Group’s work on sustainability. The key stakeholders are summarised in the following model. SpareBank 1 Nord-Norge maintains extensive dialogue with its stakeholders. The table on the next spread shows the relevant meeting places, together with the main topics for each stakeholder group.



Stakeholders	Meeting place for dialogue	Key topics	Measures related to topics
<b>Customers</b>	<p>Customer and market surveys in the retail and corporate markets</p> <p>Position survey</p> <p>Customer communication and feedback via online banking and social media</p> <p>Customer communication in branches and via chat, phone or e-mail.</p> <p>Customer events</p>	<p>These stakeholders are interested in how the Group's activities are perceived by our customers.</p> <p>Sustainability, presence via local branches and cash machines, response to marketing.</p> <p>Customers want help in their initial contact with the bank, whatever channel they use.</p> <p>Events tailored to the customer's life situation or needs.</p>	<p>Development of business strategy. Dialogue with customers via responses to enquiries over the phone and social media, and in the media.</p> <p>More reporting on sustainability</p>
<b>Employees</b>	<p>Employee survey twice a year</p> <p>Working environment committees in all companies in the Group.</p> <p>Monthly meetings between elected representatives and the Group's HR department.</p> <p>Employee privacy policy</p> <p>Recruitment policy focusing on diversity and gender equality.</p>	<p>Health and safety, skills development, gender equality, involvement in processes and projects.</p>	<p>Involvement of employees in the development of the Group</p>
<b>Equity certificate holders</b>	<p>Supervisory Board meeting and election for equity certificate holders</p> <p>Stock exchange announcements and quarterly reports</p> <p>Investor presentations</p>	<p>Annual accounts and allocation of profit, plus other company actions. Election of members of the Board of Directors.</p> <p>Briefing on trends in the northern Norwegian economy, as well as developments in the Group and financial markets</p> <p>Income statement and goal achievement, return, briefing on trends in the northern Norwegian economy</p> <p>Performance and sustainability/ESG</p>	
<b>Authorities</b>	<p>Contact with control and regulatory authorities (Police, Financial Supervisory Authority of Norway etc.) throughout the year.</p> <p>Obtaining and checking proof of identity from customers to meet the requirements in the Norwegian Anti-Money Laundering Act has been a major focus in 2019.</p>	<p>Operations, security and data protection</p> <p>Identification and personal data</p>	<p>Increased focus on compliance with laws and regulations, and protection of personal data</p>
<b>Northern Norwegian society</b>	<p>Extensive dialogue with clubs and associations throughout the region via cooperation agreements and sponsorships.</p> <p>Collaboration with "Ungt entreprenørskap" in lower and upper secondary schools</p> <p>Agenda Nord-Norge conference organised each year. At this year's conference, a summary report was presented, based on input from 100 young voices aged between 18 and 34</p> <p>Kunnskapsbanken, kbnn.no</p>	<p>Insight into the challenges faced by clubs and associations in the region</p> <p>Share knowledge of personal finance</p> <p>Meeting place for business, the public sector and academia in the region. The summary report provided a unique insight into young people's thoughts on the challenges and opportunities associated with settling in the North.</p> <p>Share knowledge of macro developments, globally, in the Norwegian economy and in Northern Norway</p>	<p>Support through Samfunnsløftet, sponsorships and banking services</p> <p>Establishment of a youth panel to follow up and disseminate the insights from the young people</p> <p>Dialogue with the government on the report from the northern region and the establishment of a separate youth panel</p> <p>Development of kbnn.no</p>
<b>Stakeholder organisations</b>	<p>Discussions with "Framtiden i våre hender" ("The future in our hands") and the Norwegian Consumer Council on the Ethical Bank Guide at least once a year in connection with data collection for the Guide</p> <p>Collaboration with the Norwegian Confederation of Trade Unions (LO) through LOfavør and various projects in the region throughout the year.</p>	<p>Using SpareBank 1 Nord-Norge's position and influence as a shareholder to make the investment market more sustainable</p> <p>Responsible investments, credit activities, transparency, trust, local presence</p>	<p>More comprehensive communication about own corporate social responsibility</p> <p>New guidelines for third-party funds</p>

## CLIMATE RISK

The world faces big climate-related changes that will affect financial stability. One of these is the fact that the climate is changing. The other is the commitments made by the global community through the Paris Agreement. Norway aims to be part of the transition to a low-emission society. This will also affect SpareBank 1 Nord-Norge. The Group is therefore both directly and

indirectly exposed to climate risk. In light of this, the topic has been given a separate chapter in the Group's sustainability report. Climate risk is defined as the risk of events that affect society due to changes in the climate and climate policy. The term covers physical risk, policy risk and liability risk. For more information on climate risk, see Note 6 to the annual accounts.

## WORK ON CLIMATE RISK IN SPAREBANK 1 NORD-NORGE

SpareBank 1 Nord-Norge has progressed further with integrating climate risk into the governance and control framework in 2019. Through assessments of climate risk in our own activities and in industries that the Group finances, SpareBank 1 Nord-Norge aims to help achieve the UN Sustainable Development Goals. This is especially true of target 13.3, "Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning". Assessments related to climate risk are made through financing, liquidity and corporate governance, procurement and in the distribution of mutual funds.

For 2019, SpareBank 1 Nord-Norge is reporting for the first time on climate risk using the template from the Task Force on Climate-related Financial Disclosures (TCFD).

## CORPORATE GOVERNANCE

### *The Board's knowledge of climate-related risks and opportunities*

The Board is well aware of climate-related risks and opportunities through strategic discussions and its approval of governing documents where climate risk is mentioned. The Board also receives various quarterly and annual reports that include assessments of the Group's exposure to climate risk. The Group's risk strategy is defined and determined by the Group's risk appetite in different risk areas. The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for the Group's operations.

### *Management's role in assessing and managing climate-related risks and opportunities*

In 2019, the management expanded its understanding of climate-related risks and opportunities through strategic and operational discussions, and by producing governing documents that cover climate risk. The management also receives various quarterly and

annual reports that include assessments of the Group's exposure to climate risk. Clear roles and responsibilities have been established in the administration related to the risk exposure in this area, and the relevant people report to Group Management within their defined area. The overall responsibility for this area rests with the Executive Vice President Credit and Risk Management.

## Strategy

### *Climate-related risks and opportunities identified by the Group in the short, medium and long term*

The Group regards climate risk as an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk. Both risks and opportunities, in the short, medium and long term, are thus associated with lending, borrowing and investment in the capital markets etc. The issues to be considered include:

- which industries the Group should or should not finance.
- which objects the Group should or should not finance.
- which products the Group should or should not offer.
- which markets the Group should or should not be exposed to.

### *Description of the impact of climate-related risks and opportunities on business operations, strategy and financial planning*

The Group's operations, strategy and financial planning are affected by both external and internal factors. Climate risk is a key external factor that the Group takes into account both in defining its strategy and in its operational activities. A priority in 2020 will be to raise the level of knowledge in the Group and among our customers on climate risks and opportunities and the challenges related to these.

**Potential impact of different scenarios on business operations, strategy and financial planning, including a 2°C scenario**

The annual ICAAP report is used to assess the Group's overall risk exposure and capital needs. From 2019 onwards, climate risk has also been included in this assessment. The ICAAP also includes stress tests related to negative trends both externally and internally, looking at how these could affect the Group's financial position. The stress tests do not include an explicit 'top-down' assessment of climate risk. Nevertheless, the financial implications found in the stress tests give a picture of the possible impact of external factors such as climate risk.

In 2020, the goal is to map climate risk in the key industries. This will be the start of efforts to analyse the impact of different climate scenarios on the Group and its financial position.

**Risk management**

**The company's processes for identifying, assessing and managing climate-related risks**

Climate risks are identified, assessed and managed at different levels and by different methods, including:

- at the overall level, through the ICAAP, risk strategy, governing documents etc.
- at the detailed level, through assessments made when granting credit, investment decisions, product development etc.
- ongoing monitoring and reporting from the administration to the Board of Directors and senior management.

SpareBank 1 Nord-Norge contributes to national work on industry standards for climate-related risk, including:

- Sustainable Edge (CICERO)
- Finance Norway's working group on climate risk

SpareBank 1 Nord-Norge plans to carry out the following work in this area in 2020:

- Developing a methodology to measure carbon-related exposure in the lending portfolio.
- Establishing a temporary methodology for assessing ESG risk in the credit portfolio, to be used until an industry standard has been established in this area.

**How processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management**

Climate risk is an integral part of the Group's risk and capital management. For a more detailed description of the Group's risk and capital management, please refer to the annual report.

**Target**

**Targets and indicators used by the business to assess climate-related risks and opportunities, in line with the strategy and risk management processes**

The Group's appetite for climate risk is low to moderate, in line with overall risk appetite for the Group's operations. This defines the level of risk the Group is willing to take in the area. This is implemented through underlying governing documents and day-to-day operations. The issues to be considered include:

- SpareBank 1 Nord-Norge does not finance businesses or activities which carry a high risk of serious damage to the environment.
- ESG risk has to be included in the credit assessment before granting a loan.
- The Group will increase its own knowledge of sustainability and climate risks related to relevant industries, particularly the marine sector and property.
- The Group will help customers take a conscious position on sustainability and climate risk, and expects them to take an active approach in their own practice in this field.
- The Group will integrate ESG risk into investment mandates and liquidity strategy.

The climate accounts report on greenhouse gas emissions from our own operations, broken down into Scope 1, Scope 2 and Scope 3. See separate section on the environment in this chapter. The Group has a target of a 5% reduction in greenhouse gas emissions each year from 2016-2026.

**Facts**

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Responsible area in the Group: Risk management

Measurement parameter: GRI 201-2

Governing documents:

- Risk strategy
- Guidelines for sustainability in liquidity management and corporate governance
- Guidelines for sustainable financing

Link to UN Sustainability Goals: 13.3

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## ETHICS AND ANTI-CORRUPTION

SpareBank 1 Nord-Norge will not provide advice or services to customers seeking to evade tax, launder money, finance terrorism, or commit other types of financial crime. Both givers and receivers of such benefits may be punished. Employees should display high ethical standards. They must act in an honest and fair manner that inspires confidence and comply with the norms, regulations and laws that apply in society. The Group's own ethics manual, the SNN Code, describes how employees should conduct themselves in this context. This applies to all of the Group, including its subsidiaries, and all employees and members of boards, committees and the Supervisory Board. All employees have been trained in the Group's procedures through introductory courses for new employees and mandatory e-learning. This also applies to the Board of Directors of the Group. Measures against financial crime are followed up in all business relationships. An annual report is presented to the Board which covers the status of this work.

Courses given in this area in 2019:

- eLearning course "Ethics and Good Practice" (27% completed in 2019)
- eLearning course: "Anti-money laundering" (degree of completion 95%)
- The e-learning course "GDPR and personal data" and Training Cards (14% completed in 2019)
- Security programme "PassOpp"; 6 courses (degree of completion not documented)
- Management webinars on financial crime, ethics and anti-corruption
- Training of new employees in trust, legal matters and ethical dilemmas (completed by 100% of new employees)
- Training for the Board of Directors on anti-corruption and anti-money laundering (100% completed)

### Status:

- obtaining and checking proof of identity from customers to meet the requirements in the Norwegian Anti-Money Laundering Act has been a major focus in 2019.
- establishment of a joint IRT (incident response team) for SpareBank 1-alliansen

## Facts

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Responsible area in the Group: Compliance

Measurement parameter: GRI 205-2, 205-3

Governing documents:

- Policy for anti-money laundering and terrorist financing
- The SNN Code
- Whistleblowing and nonconformance policy

Link to UN Sustainability Goals: 16.4

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## DATA PROTECTION AND INFORMATION SECURITY

SpareBank 1 Nord-Norge processes a lot of personal data that must not fall into wrong hands or be misused. The Group carries out a number of training measures aimed at ensuring that employees have the necessary knowledge and skills within data protection. The status of the Group's compliance with the regulations, including any non-conformities, is reported to the Board of Directors and Group Management every quarter. The Group did not receive any complaints regarding breaches of privacy from the supervisory authorities in 2019.

### Status:

- 44 customer complaints were received, of 3 of which concerned breaches of privacy.

## Facts

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Responsible area in the Group: Data protection officer

Measurement parameter: GRI 418-1

Governing documents:

- Privacy policy
- Employee privacy policy

Link to UN Sustainability Goals: 16.4

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## LOCAL COMMUNITIES AND LOCAL BUSINESS DEVELOPMENT

Samfunnsløftet is the Group's strategy for distributing community dividends to society.

The strategy for Samfunnsløftet is divided into: lokal-samfunnsløftet (for the local community), arenaløftet (for arenas), ungdomsløftet (for youth), innovasjonsløftet (for innovation), kunnskapsløftet (for knowledge), and a separate campaign, plastløftet, which focused on plastic pollution in 2019.

### Innovasjonsløftet

National analyses show that Northern Norway needs 25,000 new jobs and up to 30% more entrepreneurs

by 2040. "Innovasjonsløftet" aims to stimulate greater innovation and fresh ideas and raise the pace of innovation in existing businesses. The funding will be distributed to pure entrepreneurial and innovation projects, and to actors who facilitate and promote innovation in promising Northern Norwegian companies with the potential for growth. NOK 13.6 million was allocated to this in 2019.

### LAB Nord-Norge

Lab Nord-Norge is a new start-up organised as a not-for-profit company. Different institutions in the region are associated with the project based on the technological challenges being prioritised. Microsoft and UiT Arctic University of Norway were two major contributors in 2019. The solutions being developed will benefit the region; they will be open and will be shared. Lab Nord-Norge is owned by SpareBank 1 Nord-Norge. NOK 100 million has been set aside over five years to develop the company, which has one employee.

### "Plastløftet" of NOK 15 million

Through Samfunnsløftet, SpareBank 1 Nord-Norge has partnered with the Norwegian Football Federation to limit the spread of plastic granules from artificial grass pitches. This includes awareness-raising in football clubs in the region, and support for measures to collect the granules. In 2019, Samfunnsløftet spent NOK 9 million on this work.

SpareBank 1 Nord-Norge has also invited other players to assist in measures to reduce plastic pollution. The largest of these grants have gone to voluntary collection and influencing work. A research collaboration under the auspices of "In the Same Boat" resulted in 200 tonnes of plastic waste being collected from around the coast of Northern Norway. NOK 15 million was allocated to "Plastløftet" in 2018, to cover 2018 and 2019.

### Sami areas

SpareBank 1 Nord-Norge's market area is part of the Sápmi/Sami regions. The Group wants to have a presence in local Sami communities and be a good business partner for Sami businesses and Sami retail customers. The telephone bank and advice are available to customers in the Northern Sami language. Information is also available in Northern Sami on the Group's website at [snn.no](http://snn.no). For more information, see chapter on Samfunnsløftet in the annual report.

### Status:

- Establishment of Lab Nord-Norge
  - Grants have been made for 49 artificial grass pitches in the region to limit the spread of plastic granules
  - Collaboration with "In the Same Boat" has collected 200 tonnes of plastic from the sea in Northern Norway
  - 18 innovation projects in the region received support through "Innovasjonsløftet" in 2019
- NOK 1 million from Samfunnsløftet set aside to mark the UN's International Year of Indigenous Languages

### Facts

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Responsible area in the Group: Communication

Measurement parameter: GRI 201-1

Governing documents:

- Sustainability guidelines in Samfunnsløftet

Link to UN Sustainability Goals: 14.1, 7, 8, 9, 12

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## RESPONSIBLE FINANCING OF COMPANIES

SpareBank 1 Nord-Norge mainly finances companies that work in and for Northern Norway and has an important social role to play in contributing to sustainable development of the economy in the North. Financing is one of the Group's key areas of business and an area that is exposed to climate risk. Assessments of sustainability and ESG issues were included in the customer dialogue and financing process for the first time in 2019. Operationalisation and training in the Group in this area will be prioritised in 2020.

### Status:

- Simplify the financing process for small and medium-sized enterprises
- ESG assessments were included in the financing process in 2019 (new sustainability guidelines)

### Facts

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Governing documents:

- Credit policy, corporate market
- Guidelines for sustainable financing

Link to UN Sustainability Goals: 8.3, 13.3, 14.1, 16.4

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## GREEN PRODUCTS AND GREEN INNOVATION

By developing green financial products, the Group can help to push capital flows in a more sustainable direction. In 2020, it will launch green products and services to make it easy for customers to make sustainable choices.

The work on green products is closely linked to the way in which the Group obtains its capital markets funding. In 2018, SpareBank 1 Boligkreditt (Spabol) issued the first green covered bond from a Norwegian covered bond institution. The bond was for EUR 1 billion and has a duration of seven years. Spabol is alliansen's jointly owned issuer of covered bonds and The Group held a 18.65% stake in the company at the end of 2019. At the end of the year, the bank had NOK 25.6 billion (41.5%) outstanding in capital markets funding, while loans transferred to Spabol amounted to NOK 36 billion (58.5%), for a total of NOK 61.6 billion.

The loans transferred to Spabol constitute a volume equivalent to approximately 58.5% of SpareBank 1 Nord-Norge's total borrowing from the capital markets. In 2018, SpareBank 1 Nord-Norge and the Nordic Investment Bank (NIB) signed a loan agreement for a total of NOK 1 billion. The funds are reserved for small and medium-sized enterprises, as well as environmental projects in Northern Norway. A total of NOK 100 million in loans based on the NIB agreement have been granted to environmental projects so far. This amounts to just over 0.1% of the total lending portfolio.

### Status:

- Through our collaboration with the Nordic Investment Bank (NIB), the Group has offered financing of green projects.
- At the end of the year, the bank had NOK 25.6 billion (41.5%) outstanding in capital markets funding, while loans transferred to Spabol amounted to NOK 36 billion (58.5%), for a total of NOK 61.6 billion
- Green bonds accounted for just under 4% of the bank's total liquidity portfolio in 2019 (compared to 1% in 2018)

### Facts

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Responsible area in the Group: Treasury Concepts

Measurement parameter: GRI FS8

Governing documents:

- Market risk strategy
- Guidelines for sustainability in liquidity management and corporate governance

Link to UN Sustainability Goals: 13.3 and 16.4

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## RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

Investments by SpareBank 1 Nord-Norge are mainly in the Norwegian and European bond markets, primarily the bond markets. In 2019, the Group developed new guidelines for sustainability in liquidity management and corporate governance with the aim of integrating ESG risk into investment mandates and liquidity strategy and contributing to a greener securities market.

The Group does not carry out its own fund management but distributes mutual funds from other investment managers. In 2019, SpareBank 1-alliansen developed new guidelines for sustainability in mutual funds to ensure that the fund offering reflects SpareBank 1's sustainability goals. A comprehensive ESG review of all fund providers was conducted in 2019. Based on this survey, closer ESG monitoring of fund managers and clearer information to customers through ESG labelling will be launched in 2020.

### Active ownership/follow-up of subsidiaries

SpareBank 1 Nord-Norge's policies and guidelines also apply to the Group's wholly owned subsidiaries, EiendomsMegler 1 Nord-Norge, SpareBank 1 Regnskapshuset Nord-Norge, and SpareBank 1 Finans Nord-Norge. Group Management is represented on the boards of all of the subsidiaries, and the companies are managed according to the guidelines that apply to the rest of the Group.

In collaboration with the other alliance members in SparBank 1-alliance the Group has ownership in several joint ventures. These are held together with other alliance banks. SpareBank 1 Nord-Norge also owns an insurance company, Fremtind, together with other alliance banks and DNB.

Sustainability is high on the agenda for all companies in SpareBank 1-alliansen, with this ambition: We will score well in sustainability ratings and maintain our position among consumers as the banks that seen as the are most sustainable. SpareBank 1 was named "most sustainable bank" by the Sustainable Brand Index in 2019, a position it will strive to retain in 2020.

ODIN Forvalting is a provider of mutual funds and a subsidiary of SpareBank 1 Gruppen. The company has a comprehensive sustainability policy for its investment targets, and they have participated in the work on sustainability in 2019.

### Status:

- SpareBank 1 Nord-Norge invests parts of the liquidity portfolio in multilateral development banks. These investments accounted for 12.4% of the liquidity portfolio in 2019.
- A common sustainability goal has been established for SpareBank 1-alliansen
- Review of the ESG profile of 291 mutual funds.

### Facts

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Responsible area in the Group: Treasury, Investment firm, Savings and investment committee  
Measurement parameters: GRI FS11, FS10

Governing documents:

- Market risk strategy
- Guidelines for sustainability in liquidity management and corporate governance
- Guidelines for sustainability in the distribution and recommendation of mutual funds.

Link to UN Sustainable Goals: 8, 13.3 and 16.4

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### SUPPLIER MONITORING

SpareBank 1 Nord-Norge accounts for a significant volume of procurement in a Norwegian and regional context and will use this volume to influence suppliers in their work on sustainability.

The bulk of the purchasing comes from SpareBank 1 Utvikling. The company has agreements with 249 suppliers which provide services to the SpareBank 1 banks and companies. In 2019, tools were prepared for assessing the risk of suppliers' negative impact on the environment, social conditions and ethical business practice, along with new guidelines for follow-up. Based on this assessment, suppliers with an increased risk of negative impact are monitored to ensure that they work systematically and practically on sustainability. These are requirements that apply to all purchases made by SpareBank 1 Nord-Norge, as well as purchases made through SpareBank 1-alliansen.

SpareBank 1 Nord-Norge made purchases totalling NOK 739 million from 1,885 different suppliers. Among the largest procurement categories are joint spending on systems in the alliance and new technology.

### Status

- New guidelines and procedures for risk assessment of sustainability in purchasing
- 249 of SpareBank 1's suppliers have been risk assessed by the new procedure, and 37% of these will be actively monitored in 2020

### Facts

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Responsible area in the Group:  
Purchasing in SpareBank 1 Utvikling  
Facilities management in SpareBank 1 Nord-Norge

Measurement parameter: GRI 102-9

- Governing documents:
- Guidelines for sustainability in suppliers

Link to UN Sustainability Goals: 13.3 and 16.4

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### ENVIRONMENT AND GREENHOUSE GAS EMISSIONS

SpareBank 1 Nord-Norge continued its efforts to be even more efficient with respect to the environment and saving resources in 2019. All employees in the Group should give conscious thought to consumption, travel, waste management and energy consumption in general, and understand that a focus on sustainability is also a personal responsibility at work. The Group's internal goal is to reduce its own greenhouse gas emissions by 5% per year in the period 2016-2026, inline with the commitments made in the Paris Agreement for a 40% reduction by 2030.

SpareBank 1 Nord-Norge produces its own energy and climate accounts. These accounts comply with the international standards set out in the Greenhouse Gas Protocol and ISO 14064-1. The energy and climate accounts for 2019 show that SpareBank 1 Nord-Norge produced total greenhouse gas emissions totalling 829 tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e). This represents a total reduction of 5% in terms of tCO<sub>2</sub>e and is in line with the Group's goal of reducing GHG emissions.

### Status

- New target for reductions in greenhouse gas emissions was set in 2019
- Purchases of electricity with a guarantee of origin started in 2019

### Facts

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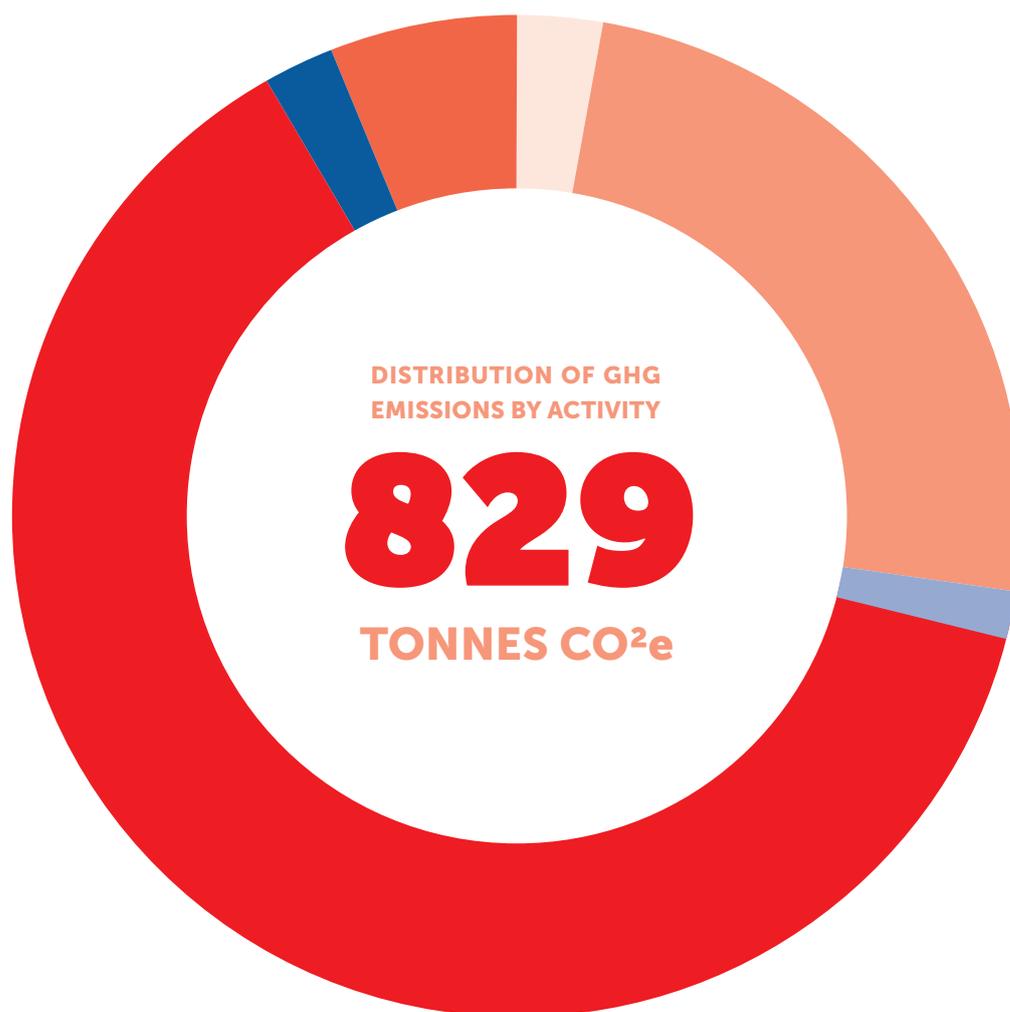
Responsible area in the Group: Facilities management, HR

Governing documents:

- Policy for sustainability and corporate social responsibility

Link to UN Sustainability Goals: 13.3

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● Air travel ● Waste ● Business travel ● Transportation ● Electricity ● DH Nordic locations

## ENERGY AND CLIMATE ACCOUNTING

	Category	2019
<b>Scope 1</b>	Transport (Diesel and bensin)	
	<b>Scope 1 emissions</b>	<b>22,9</b>
<b>Scope 2</b>	Electricity	
	Electricity Nordic mix	207
	DH Nordic locations Total	11,8
	<b>Scope 2 emissions</b>	<b>218,8</b>
<b>Scope 3</b>	Travel and waste	
	Air travel total	520,9
	Mileage all. car (NO)	52,6
	Waste total	13,5
	Scope 3 emissions	587
	<b>Total emissions</b>	<b>829</b>

### Comments to the accounting

#### Scope 1:

2,8% (22,9 tCO<sub>2</sub>e) Transport: Actual consumption of fossil fuels by the Group's vehicles (owned, rented and leased). Use of diesel (B5) and petrol accounted for emissions totalling 23 tCO<sub>2</sub>e in 2019. This is roughly the same as in 2018.

#### Scope 2:

26,4% (218,8 tCO<sub>2</sub>e) Measured consumption of electricity in own or leased premises/buildings. Emissions from electricity use decreased by 4% compared with 2018. The use of district heating increased by 79,2% from 2018. A key reason for the increased consumption of district heating was that a new building was commissioned in 2019 which uses district heating. SpareBank 1 Nord-Norge purchased guarantees of origin (OG/REC) for all of its electricity consumption in 2019.

#### Scope 3:

70% (587 tCO<sub>2</sub>e) Air travel and mileage allowance: Flights account for 62,9% of total greenhouse gas emissions in the parent bank. Measured person-kilometres (pkm) travelled per region. Emissions from air travel amounted to 520,9 tCO<sub>2</sub>e and accounted for 62,9% of total emissions in 2019. This is a reduction in emissions from air travel of 5,9%. In 2019, mileage allowance payments were made for 367,000 km. This results in emissions of 52,6 tCO<sub>2</sub>e, and is roughly the same as the previous year.

Waste: Waste accounted for total emissions of 13,5 tCO<sub>2</sub>e in 2019, a reduction of 30,8% on figures from 2018. The reduction is due to the construction and renovation of the head office in Tromsø which started in 2017 and was completed in January 2020. Emptying of the premises resulted in exceptional waste in 2018.

## SOCIAL ACCOUNTS

Finance	
Consolidated profit before tax (NOK millions)	2,473
Consolidated total assets (NOK millions)	111,524
Consolidated return on equity after tax	15.9
Consolidated core Tier 1 capital ratio	17.22
Strategy	
Business strategy and risk strategy	Strategy implemented in accordance with plan
Policy for sustainability and corporate social responsibility	Adopted by Group Management and the Board of Directors
Employees	
No. of FTEs, incl. subsidiaries	904
No. of FTEs, Parent Bank	584
Absence due to illness	3.98%
Proportion of women	53%
Proportion of women in senior positions	38%
Average age	43
Average period of service	10
Number recruited internally	14
Number recruited externally	136
Turnover	7.7%
Apprentices and internships	4
Employee satisfaction survey	2
Samfunnsløftet 2018	
Knowledge (NOK millions)	25
Innovation + Lab Nord-Norge (NOK millions)	55
Youth (NOK millions)	25
Local communities (NOK millions)	60
Arenas (NOK millions)	85
Theme: plastics (NOK millions)	5
Administration (NOK millions)	10
Total, Samfunnsløftet	265
Sparebankstiftelsen SpareBank 1 Nord-Norge	
Samfunnseierskap	NOK 200 million



**Global Compact:** SpareBank 1 Nord-Norge has signed up to the UN Global Compact, which is the world's largest initiative for sustainability in business.



**Miljøfyrtårn:** SpareBank 1 Nord-Norge is Eco-Lighthouse certified and complies with the certification scheme's obligations.



**UNEP FI:** SpareBank 1 Nord-Norge has signed in the UN Principles for Responsible Banking



**Klimapartner:** SpareBank 1 Nord-Norge is a member of Climate Partner Troms (Klimapartner Troms) together with 15 other partner companies

# Samfunnsløftet

53.6 per cent of SpareBank 1 Nord-Norge is owned by the community in Northern Norway. This then receives its dividend in the same way as private shareholders through their equity certificates. This community dividend is used to support the aims of Samfunnsløftet which aims to boost Northern Norway. Good results in 2018 made it possible to increase the dividend to the community. Through the first full year of Samfunnsløftet, we have seen good results from the dividends paid out.

A total of NOK 215 million was allocated in 2019 to the underlying pillars of Samfunnsløftet: Ungdomsløftet (for the youth – NOK 23 million), Kunnskapsløftet (knowledge – NOK 23 million), Innovasjonsløftet (innovation – NOK 13.8 million), Arenaløftet (arenas – NOK 78.2 million), Lokalsamfunnsløftet (the local community – NOK 60 million) and Plastløftet (plastic pollution – NOK 5 million). During 2019, 2009 applications were made to Samfunnsløftet. A total of 1.361 projects both large and small in Northern Norway were awarded almost NOK 300 million. Samfunnsløftet contributes to value creation and development of the region, and within the awards the northern Norwegian community has worked towards all of the UN Sustainable Development Goals. A more systematic approach to achieving the goals will be a priority in 2020.

Ever since the launch of Samfunnsløftet, dedicated resources have worked to coordinate projects and organisations across the region. In 2019, even more emphasis was placed on working proactively. This means, among other things, initiating projects based on knowledge and familiarity with the region. It also means actively looking for people who want to help realise such projects. Outreach efforts and detailed discussions with associations, teams, clubs and organisations have opened many people's eyes to the possibility of funding which is reflected in the large number of applicants.

The organisation of Samfunnsløftet ensures that all applications are treated equally. Most applications are handled by a panel of employees. Applications exceeding NOK 1 million are decided on by the CEO, while applications over NOK 10 million have to be approved by the Board of Directors. In 2019 the Board

decided to allocate NOK 50 million to the project Bodø 2024. Having Bodø as a European Capital of Culture will give a huge lift to northern norwegian culture and voluntary work. In particular, it will prompt people across the region to work closely together in the coming years. The dividend benefits several of the pillars of Samfunnsløftet, and will be crystallised in a series of projects out to 2024.

Another major project from 2019 is 'Nye stemmer'. 100 young people from the north were asked what was important to them if Northern Norway is to remain an attractive place to live. The discussions between young people resulted in a summary report presented at Agenda Nord-Norge in Narvik in November 2019. The project received considerable attention, including from Prime Minister Erna Solberg, and will continue in 2020.

In March 2019, Kunnskapsbanken, the Knowledge Bank, was also launched ([www.kbnn.no](http://www.kbnn.no)). As an integral part of Kunnskapsløftet (knowledge), the Knowledge Bank, has great ambitions: to establish a common northern Norwegian knowledge base in order to define common issues and find common solutions. On the website there are reports, statistics, expectation barometers and the podcast "Northern Norway in the world". And of course, Konjunkturbarometer for Northern Norway, the Business Barometer for Northern Norway.

After the first full year of operation, it is clear that Samfunnsløftet has contributed to projects that have brought pleasure and happiness to people living in Northern Norway. During the year, Samfunnsløftet has featured in a number of editorial articles in the northern Norwegian media, which helps to raise awareness of the ownership model. People can see the difference between SpareBank 1 Nord-Norge's ownership model – where large portions of the profits are distributed to the region – and the banks owned exclusively by professional investors. This makes more and more people want to be customers of the bank they co-own.

This in turn offers a greater benefit to the community, and more funding for good projects in Northern Norway.





Strategy and analysis			
102-14	Statement from the CEO	From the CEO (6 og 213)	
Ethics and integrity			
102-16	The organisation's values, principles, standards and norms of behaviour	Strategic compass, pages 10 and 11 Corporate Social Responsibility – Sustainability in SpareBank 1 Nord-Norge (213)	The 10 principles in the Global Compact's guide the Group's work on sustainability
Governance			
102-18	The organisation's management structure, including the highest authority and committees who are responsible for decision-making on financial, environmental and social topics	Corporate governance, page 160. Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (213)	
Stakeholder engagement			
102-40	Stakeholder groups that the organisation is in dialogue with	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (211 og 212)	
102-41	Percentage of employees who are covered by collective bargaining agreements		100% in the parent bank, 100% in the group
102-42	Description of how the organisation chooses relevant stakeholders	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (214 og 215)	In the process of improving the Group's work on sustainability, a survey of the most important stakeholders and their views on ethics and sustainability was conducted in 2018. The stakeholder map is also applicable for 2019.
102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (216)	
102-44	Key topics and concerns raised through stakeholder dialogue and the organisation's response	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (216)	
Reporting practices			
102-45	Overview of all entities included the organisation's annual financial statements or similar documents	Annual report from the Board (22)	
102-46	Description of the process for defining the report's content and topic boundaries, and the implementation of the reporting principles	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (212)	The sustainability report should convey correct and understandable information, in a way that enables stakeholders to make decisions. Both positive and negative aspects of the Group's impact on society and the environment should be reported and be of high quality and relevance.
102-47	List of all the topics that have been identified as material	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (214)	
102-48	Change of historical data from earlier reports		None
102-49	Significant changes from the previous report with regard to the scope of the content, distinctions made in the report or the measurement methods.		None
102-50	Reporting period		01.01.19-31.12.19
102-51	Date of publication for the previous report		This is SpareBank 1 Nord-Norge's second GRI report.
102-52	Reporting frequency		Annual

102-53	Contact person for questions about the report or its content		Ragnhild Dalheim Eriksen
102-54	Reporting level		<i>This report has been prepared in accordance with the GRI Standards: Core option</i>
102-55	GRI index	Annual report (226)	
102-56	Current practices for external assurance of the report		The report is not externally verified.

## SPECIFIC INFORMATION

GRI indicator	Description	Location in the report	Reporting directly in the index
<b>Financial performance</b>			
103-1	Description and demarcation of material topic(s)	Annual report from the Board (35-42)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
201-1	Economic value generated and distributed	Annual accounts 2019 (54)	Income: MNOK 5,595 Personnel costs: MNOK 580 Other operating costs: MNOK 651 Interest costs: MNOK 1,260 Fees and commissions payable: 92 Losses: -2 Tax: MNOK 355 Dividends: MNOK 866  Retained earnings: MNOK 1,793
201-2	Financial implications, risks and opportunities due to climate change	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (217-218)	
<b>Anti-corruption</b>			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
205-2	Communication and training about anti-corruption policies and procedures	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
205-3	Confirmed incidents of corruption and actions taken		No confirmed cases in 2019
<b>Training and education</b>			
103-1	Description and demarcation of material topic(s)	Organisation and HR (204)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
404-1	Average hours of training per year per employee by position category		Partially reported. Retail market (40 hours). Corporate market and technical departments (10 hours). See information about courses p. 212)
404-2	Programmes for personal development and lifelong learning that develop the employee's value in the labour market	Organisation and HR (205)	The annual appraisal meeting covers this topic. Everyone over the age of 60 is enrolled in the pension association.
404-3	Percentage of employees receiving regular performance and career development reviews		All employees have an annual appraisal. Some 30% are also offered quarterly meetings.



Privacy			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
418-1	Incidents of discrimination and corrective actions taken	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (219)	44 customer complaints. 3 concerns privacy

Responsible credit policy			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (220)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (220)	

Responsible investments and requirements for financial services providers			
103-1	Description and demarcation of material topic(s)	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (221)	
103-2	Description of the management system that covers material topic(s)		
103-3	Evaluation of the management system		
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (221)	SpareBank 1 Nord-Norge's policies and guidelines apply to and are communicated to the Group's wholly-owned subsidiaries.
FS11	Percentage of assets subject to positive and negative environmental or social screening	Corporate social responsibility – Sustainability in SpareBank 1 Nord-Norge (217)	Fund investments: 100% From 2020, ESG risk will also be assessed in credit processes and the liquidity portfolio

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