

## **Guidelines for Corporate Social Responsibility and Sustainability for the Corporate Market**

<b>Date</b>	<b>Description</b>	<b>Approved</b>
12 April 2018	Guidelines for Corporate Social Responsibility and Sustainability for the Corporate Market	Approved by Head of Corporate Banking and Chief Executive Officer
23 September 2020	Revisions to the Guidelines for Corporate Social Responsibility and Sustainability for the Corporate Market	Approved by Head of Corporate Banking and Chief Executive Officer

## Corporate market guidelines

Credit is the bank's most important business activity and corporate customers are an important component of this. Our main banking function is to offer financing to small- and medium-sized Norwegian businesses. Our aim is to act as a positive contributor and good sparring partner with the aim of increasing business awareness of, and improving practices in the areas of the environment, ethics, sustainability and corporate governance.

The purpose of these corporate market guidelines is to:

- provide the bank's business advisers with a framework for assessing how customers exercise their social responsibility
- ensure that the bank carries out a comprehensive assessment of social responsibility and sustainability in high-risk cases
- concretise the guidelines listed on the first page
- help the bank improve its green credit business, including green bonds.

All employees who have dealings with our corporate customers should be familiar with our principles and review the guidelines on a yearly basis. They set out the types of customers we want, what we expect from customers and for what we lend money.

All corporate customers must be assessed in relation to their compliance with legislation, as well as in relation to the relevant points in these guidelines when customer relationships are established and/or when applying for financing. The document "*Guidance for assessing social responsibility and sustainability risks with corporate customers*" shall be used as an aid in such assessments.

## The environment

The bank's goal is to increase the proportion of companies contributing to the increased use of renewable energy in the CM portfolio. The bank has great market potential in the areas of forestry and the wood-manufacturing industry. The conditions are right for adopting a national position on environmentally-friendly and sustainable building in wood. The bank wants to encourage this through green business development.

We expect:

- our customers to take a conscious approach to climate risk and focus on reducing their negative impact on the climate and environment.
- companies to prevent negative impacts on local areas registered in the list of [UNESCO's World Heritage Sites](http://whc.unesco.org/en/list/),<sup>1</sup> wetlands registered in the [Ramsar Convention](https://www.ramsar.org/)<sup>2</sup> and [vulnerable habitats/protected areas registered by the International Union for Conservation of Nature \(IUCN\)](https://www.iucn.org/theme/protected-areas/about/protected-area-categories)<sup>3</sup>
- companies that operate in areas with endangered plant and animal species, including animal species registered in the [IUCN's red list of endangered species](https://www.iucnredlist.org/)<sup>4</sup>, to take these into account and minimise interventions in the natural world

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<sup>1</sup> <http://whc.unesco.org/en/list/>

<sup>2</sup> <https://www.ramsar.org/>

<sup>3</sup> <https://www.iucn.org/theme/protected-areas/about/protected-area-categories>

<sup>4</sup> <https://www.iucnredlist.org/>

We encourage customers to:

- set targets for improving energy efficiency and reducing their direct and indirect emissions of hazardous substances and greenhouse gases, including particles, nitrogen oxide and ammonia.
- work on reducing pollution and contribute to good routines for waste management and recycling
- state their direct and indirect greenhouse gas emissions; this also forms part of our sustainability assessment for credit applications.
- replace fossil fuels with renewable energy sources where appropriate
- set binding climate criteria for their suppliers and subcontractors
- compensate for their CO<sub>2</sub> emissions through climate quotas approved by the UN (CER) or by the Gold Standard (VER) system.<sup>5</sup>

We do not lend to businesses:

- engaged in the extraction of, or energy production based on, coal or tar sands
- engaged in mining operations
- that use timber obtained from organisations that perform illegal logging, sell illegally felled timber or engage in deforestation and/or destroy tropical rainforests, remove primary forest or protected forests ([High Conservation Value Forests](#))
- carry out lobbying activities aimed at weakening the required restructuring to a low-emission society in line with Norway's goals through the Climate Act and the world's goals through the Paris Agreement.
- engage in the production of fossil fuels.

## **Society**

We expect our customers to:

- respect the UN conventions on human and labour rights and ensure that they do not contribute to breaches of these, including safeguarding individuals' rights in war or conflict situations
- actively strive not to contribute to rights violations, for example through due diligence assessments, and seek to remedy breaches when they are identified.<sup>6</sup>
- respect the [ILO's eight fundamental conventions](#), which establish the minimum rights that must be respected in the workplace. These are divided into the following four main categories: banning child labour, freedom of association, banning discrimination and banning forced labour.
- have good notification systems for reporting breaches of expectations, norms, laws and conventions.

We do not lend to companies that:

- are involved in any way in the development, testing, production, storage or transportation of controversial weapons, or components intended exclusively for controversial weapons, including cluster bombs, anti-personnel mines, nuclear weapons, chemical weapons and biological weapons

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<sup>5</sup> [https://www.miljodirektoratet.no/ansvarsomrader/klima/klimakvoter/Kvalitetssystemet ISO 14064-3: 2006, "Specification with guidance for the validation and verification of greenhouse gas assertions" should be used.](https://www.miljodirektoratet.no/ansvarsomrader/klima/klimakvoter/Kvalitetssystemet%20ISO%2014064-3%202006%20Specification%20with%20guidance%20for%20the%20validation%20and%20verification%20of%20greenhouse%20gas%20assertions%20should%20be%20used)

<sup>6</sup> See the national action plan for following up the UN's Guiding Principles on Business and Human Rights. <https://www.regjeringen.no/no/dokumenter/hplan-naering-mr/id2457944/>

- manufacture tobacco products or components explicitly intended for such products produce pornographic material

### **Corporate governance**

The bank has strict procedures for preventing money laundering and hidden ownership. The bank also wants to encourage corporate customers to have good procedures for making ethical, environmental, and sustainable choices.

We expect our customers to:

- receive information about our corporate social responsibility and sustainability guidelines and familiarise themselves with the expectations and incentives embodied in these.
- practise zero tolerance for corruption and all forms of economic crime in their own business and in the companies with which they interact.
- contribute to full transparency on the part of the company and assist with investigating situations in which corruption is suspected.
- institute active corporate governance where they have proprietary positions.
- document that they follow up on issues that are in conflict with the expectations and requirements of our corporate social responsibility and sustainability guidelines
- have guidelines and management systems that ensure that their operations comply with norms, conventions and laws, with a particular focus on those areas where there is a high risk of breaches in their own industry, and include these in contracts with subcontractors and business partners.
- have good procedures for ensuring that internal and external parties can speak up and report wrongdoing and breaches of norms, guidelines, conventions and laws.

We do not lend to companies that:

- have not met our documentation requirements in relation to real beneficial owners and origins of funds in the documentation necessary for establishing a customer relationship.

### **Our follow-up of expectations/incentives/guidelines for not granting loans**

The expectations and incentives in our guidelines are imparted to our customers by posting on the bank's web site and by information to customers in connection with the establishment of new customer relationships and/or when processing financing applications.

Should we learn that any of our customers are acting contrary to our expectations/requirements, we will enter into a dialogue with the customer in attempt to remedy the situation. Should this follow-up not result in improvements, we may consider ending the customer relationship.

As regards guidance on not giving loans, this is specifically followed up in the assessment of credit applications.

The document *"Guidance for assessing social responsibility and sustainability risks with corporate customers"* provides a more detailed description of our follow-up.