Guidelines for Identifying and Avoiding Conflicts of Interest

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Approved by the SB1Ø Board of Directors, 7th May 2019

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1. BACKGROUND AND LEGISLATION

In accordance with Financial Institutions Act 2015 § 16-1 (4)[1], Financial Institutions shall:

- Organise their business in such a manner that there is little risk for conflicts of interest between the institution and its clients or between the institution's clients.

- Organise their business in such a manner that there is little risk of customer treatment that conflicts with the requirements of good business practice.

- Have in place satisfactory arrangements and procedures to identify and in the event mitigate such risk factors in the various areas of the business.

2. OBJECTIVE

The objective with these guidelines is to define how SpareBank 1 Østlandet (hereafter the Bank) shall identify conflicts of interest relating to our business areas, and how such conflicts of interest can be dealt with and avoided. Below are conditions that can result in a conflict of interest, and measures that the Bank has taken to avoid such conflicts of interest.

A conflict of interest occurs when two or more parties (The Bank or the Bank´s employees or representatives on one side, and a customer or customer group on the other, or different customers or customer groups) have conflicting interests in decisions, the implementation of decisions, or the results from such decisions, for the provision of services in the Bank´s business areas.

The Bank´s interests comprise both decisions relating directly to the Bank´s business affairs, and indirectly through decisions relating to ownership of its subsidiaries.

Differing interests that are implicit in the delivery of products, e.g. where the customer desires the best possible price and conditions, are not considered conflicts of interest for the purposes of these guidelines. These guidelines do not prevent the Bank from setting conditions for its products based on general commercial principles.

3. WHO THE GUIDELINES APPLY TO

These guidelines apply to the Bank and the Bank´s employees and their elected representatives.

The Bank´s activities under the Securities Trading Act are covered by separate guidelines regulated by law under the Securities Trading Act and Securities Trading Regulations.

4. POTENTIAL CONFLICTS OF INTEREST

The Bank has identified the following conditions that may result in conflicts of interest in conjunction with the provision of the Bank´s services and products:

[1] Translation by the Finance Regulatory Authority at https://www.finanstilsynet.no/globalassets/laws-and-regulations/laws/financial-institutions-act-2015.pdf

- Employees, or relatives/close friends of employees, have their own interests regarding accepting or rejecting loan/credit applications, or regarding decisions that affect parties to the loan during the loan agreement period.

- Employees have their own interests regarding the quantity of customer agreements entered into.

- The Bank´s business competes with a customer´s business.

- There are conflicting interests regarding which products are best for the customer and which are most advantageous for the Bank, or that the Bank sells products that are not in the customer´s best interests and/or can result in unnecessary costs for the customer.

- The Bank has business and/or credit policy interests in using customer data in different situations than those for which the data was provided, or in sharing customer data with other companies owned by the Bank (wholly or partly), or companies with whom the Bank cooperates.

- A business unit in the Bank can have business or credit policy interests in forwarding data regarding a customer to another business unit, which may have a negative impact on decisions regarding that customer.

- Two competing customers apply for finance for the same project.

- Different customers/customer groups operate in the same highly-competitive market, and apply for better conditions than their competitor in order to achieve a competitive advantage.

- The Bank´s decisions regarding breach of contract or other conditions can be influenced by the Bank´s interests in other customer relations or other companies owned by the Bank (wholly or partly), or companies with whom the Bank cooperates.

The above list is not exhaustive.

5. GENERAL PRINCIPLES AND MEASURES

The following general principles apply to the Bank´s business affairs in order to prevent or minimize the risk for conflicts of interest:

The Financial Institutions Act and the Financial Contracts Act both contain provisions that indirectly contribute to preventing conflicts of interest. These provisions are incorporated into the Bank´s governing documents, guidelines, policies and regulations for handling cases, and supplement the following guidelines:

- The Financial Institutions Act includes, amongst others, provisions that apply to the enterprise, employees and their elected representatives for confidentiality, sharing customer data between enterprises in the same corporation, membership of the Board or committees of other financial or commercial enterprises, remuneration from other banks, requirements to company benefits and loans/guarantees for employees, elected employee representatives or enterprises where employees/elected employee representatives are members or responsible participants of the Board.

- The Financial Contracts Act stipulates, amongst other things, the duty to inform prior to entering into an agreement, conditions for changes to agreements, conditions for correcting errors, and the duty to advise against entering into credit agreements and guarantor agreements.

- The Personal Data Act regulates the Bank´s access to use customer data for the purposes of marketing and other activities.

The Bank shall be organised in a way that minimises the risk of interests of conflict occurring.

In all decisions, the Bank and its employees shall seek to reveal any conflicts of interest as early as possible.

Where a conflict of interest is revealed, the person responsible for the activity concerned shall ensure that the case is dealt with in accordance with these guidelines. The line manager shall be informed. The decision and all subsequent actions shall be documented.

Individual customers/customer groups shall not receive undue preferential treatment over other customers/customer groups.

Where the Bank has a vested interest over normal income generation which can be in conflict with the customer´s interests, the Bank shall provide information about such interests to the customer such that they can make an informed decision as to whether or not they wish to proceed with entering into an agreement for the provision of the service or product. Alternatively, the Bank shall refrain from offering the service or product. Where a conflict of interest is revealed after an agreement has been entered into, the customer´s interests shall always take priority over the Bank´s interests.

6. SPECIFIC MEASURES

In addition to the General Principles, the following measures shall be applied to prevent conflicts of interest:

6.1 Employees´ Own Interests and Bias in Decisions

Employees and elected representatives shall not participate in decisions where they have a vested interest that is in conflict with the customer´s interests (see also ethical guidelines, section 4).

An employee or elected representative who becomes aware of a conflict of interest between one the Bank´s companies and a customer, or between customers/customer groups, shall inform their manager immediately (see ethical guidelines, section 4).

The Bank can decline an employee the opportunity to receive waged labour from another employer, and the Bank shall approve all private business activities and Board membership in business enterprises (see also ethical guidelines, section 8).

6.2 Employee Remuneration

Remuneration, including all related benefits, is built upon the Remuneration Regulation´s main objective, which includes the prevention of conflicts of interest. All the Bank´s employees shall receive a fixed salary, without bonus arrangement, in accordance with the Bank´s Remuneration Policy, clause 3. This contributes to reducing the risk of conflicts of interest.

6.3 Customer Complaints

The Bank´s routines for handling customer complaints aim to help identify and limit conflicts of interest when handling customer complaints (see *Routine for Handling Customer Complaints* for more information).

6.4 Information Flow Between Departments

All decisions regarding credit approval shall be based on publicly available information, or information verified by the customer. In order to control the flow of non-public or non-verified data, the bank has implemented various barriers to information flow;

Our Ethical Guidelines stipulate that the duty to handle all information confidentially also applies to the internal flow of data where other employees do not have a need for such information. Furthermore, they stipulate that employees shall under no circumstances actively search for data regarding customers, suppliers or other employees where the employee does not require such data to perform their duties.

Each business area is located in a physically separate area, and have separate reporting lines.

Access to our customer management system, or parts thereof, is limited according to the data requirements of each employee´s role.

6.5 Cases Dealt with by the Credit Committee

Where relevant, case documentation shall specify whether an evaluation of potential conflicts of interest has been carried out has been evaluated. Where a conflict of interest has been identified, this shall be described, and suitable measures for dealing with the conflict of interest shall be provided.

6.6 Breach

When a customer is in breach of a credit agreement, or expects to breach a credit agreement, the Bank´s decisions regarding this customer shall not be influenced or motivated by interests other than the repayment of the loan, where possible, or to transfer the customer agreement. Decisions shall be based on objective criteria relating exclusively to a credit evaluation.

Where this decision is in conflict with the Bank´s interests in other customer relations, or interests in other companies owned by the bank (wholly or in part), or companies with whom the bank cooperates, the same principle of objective evaluation shall apply. Any differences in the way customers are treated shall be traceable to this objective credit evaluation.

6.7 Competing Enterprises

Information on customers whose business is in the same sector as the Bank´s, or another company owned by the Bank (wholly or partly), or that the Bank cooperates with, shall not be shared with the business unit/company concerned without the customer´s express consent.

Customers who compete in the same market shall be offered the same conditions as other customers with the same credit rating/score. The Bank´s decisions shall be based on objective criteria relating to commercial and credit evaluations.

6.8 Developing New Products

Potential conflicts of interest shall be evaluated in conjunction with developing new products. Where a conflict of interest is identified, the product shall not be approved before sufficient preventative measures for dealing with the conflict of interest are defined.

6.9 In-/Outsourcing

When in-/outsourcing activities to another enterprise in the corporation, or to enterprises outside of the corporation, an evaluation of conflicts of interest shall always be carried out, including how these can be prevented. Where measures for preventing conflicts of interest are not feasible, in/outsourcing shall not take place.

6.10 Consent for E-Marketing and Sharing

The Bank shall receive consent from customers using the following standard phrases for the SpareBank 1-Alliance:

- Consent shall be received for electronic marketing in accordance with the Marketing Control Act[2] § 15 in order to market products and services, provide advice and offers digitally, across and between the Bank´s enterprises and other companies owned by or product companies in the SpareBank 1 Alliance.

- Consent shall be received for sharing detailed information regarding customers and transactions between the enterprises stated above, in order to provide bespoke advice and offers.

7. RESPONSIBILITY AND ONGOING CONTROL

Each employee is responsible for adhering to these guidelines. This includes the responsibility for employees with customer responsibility to undertake an evaluation of conflicts of interest before decisions are made. Where there is a conflict of interest, the employee shall follow the prescribed process and adhere to these and other relevant guidelines.

The Bank´s CEO has responsibility for ensuring that the Bank has satisfactory routines for handling conflicts of interest. Each Company CEO/Division Director is responsible for ensuring that these guidelines are implemented and adhered to in their company/division´s daily activities.

This responsibility includes ongoing control of potential conditions that can lead to conflicts of interest, including whether these guidelines are sufficient to prevent the risk of conflicts of interest. Where these guidelines are not deemed sufficient, decisions shall be in line with good business conduct.

Compliance are responsible for conducting independent controls to verify adherence to these guidelines.

Any breach of these guidelines shall be documented in writing in the incident database.

[2] Translation provided by the Ministry for Children and Families: https://lovdata.no/dokument/NLE/lov/2009-01-09-2