

General Guidelines for Corporate Social Responsibility and Sustainability for the Corporate Market

Briefing to the Board of Directors, June 28, 2018

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Corporate Market Guidelines

Credit is the main sphere of activity of the bank, and corporate customers are an important element of this activity. 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 the corporate market guidelines is to:

- Provide the bank's business advisers with a framework for assessing how customers exercise their social responsibility.
- Ensuring that the bank carries out a comprehensive assessment of social responsibility and sustainability in high-risk cases.
- Concretize the guidelines listed in the document "General Guidelines for Social Responsibility and Sustainability".
- Enable the bank to 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 determine the customers we want to have, our expectations from our customers and what we lend money to.

All corporate customers should be assessed according to their compliance with legislation as well as with relevant points in these guidelines in respect of establishing customer relationships and/or when applying for financing. The document "*Guidance for assessing social responsibility and sustainability risks with corporate customers*" is to be used as a help in the assessment.

Environment

The bank aims to increase the proportion of companies that contribute to the increased use of renewable energy in the CM portfolio. The bank has great market potential in the areas of forestry and 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 that:

- Our customers have a clear awareness of climate risk and are focused on reducing their negative impact on the climate and environment.
- Businesses prevent negative consequences for local areas that are registered on the list of UNESCO's World Heritage Sites, wetlands registered in the Ramsar Convention or vulnerable natural areas/protected areas registered by the International Union for Conservation of Nature (IUCN).
- Companies that operate in areas with endangered plant- and animal species, including animal species registered on IUCN's list of endangered species, take these into account and minimise encroachment in nature.

We encourage customers to:

- Establish targets for energy efficiency and reduction of greenhouse gases.
- Work on reducing pollution and contribute to good routines for waste management and recycling.
- Use renewable energy where appropriate.

We do not grant loans to businesses that:

- Extracts, or generate power based on, coal or oil sand. Use timber obtained from illegal logging, sale of illegally chopped timber or deforestation, and/or the destruction of tropical rainforests, removal of primary forest or protected forests (High Conservation Value Forests).

We currently do not lend to businesses that operate with the production of fossil fuels. No do we have any ambition to do so.

Social affairs

We expect our customers to:

- Respect the United Nations Convention on Employee- and Human Rights and ensure that they do not contribute to violating these.
- Respect the ILO Conventions, which establish the minimum of rights to be respected in the workplace. These are divided into the following four main categories: prohibition of child labour, freedom of association, prohibition of discrimination and the prohibition of forced labour.
- Safeguard the rights of individuals in war or conflict situations.

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.
- 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 influence corporate customers to have good procedures for establishing ethical, environmental, and sustainable choices.

We expect our customers to:

- Receive information about our corporate social responsibility and sustainability guidelines and to read carefully the expectations and incentives embodied in these.
- Have zero tolerance for corruption and economic crime in its own business and the companies they interact with.
- In the event of suspected corruption, contribute to full transparency on the part of the company and assist in investigating the situation.
- 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.

We do not lend to companies that:

- Have not fulfilled our requirements to documentation of the real rights holders and the origin of funds 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 become aware that any of our customers are acting in conflict with our expectations/requirements, we will enter into a dialogue with the customer to seek to bring about improvement. Should this follow-up fail to result in improvements, we will set clear preconditions for the bank to continue its relationship with the customer. As a final consequence, we may consider terminating the customer relationship.

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

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