GUIDELINES FOR CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY IN LIQUIDITY MANAGEMENT

Last updated	*September 2022*
Owner	*Head of Treasury*
Responsible	*Board of Directors*

Sustainability is a core pillar in SpareBank 1 Østlandet's corporate strategy. The work is detailed in the Bank's "Sustainability Strategy" and its "General Guidelines for Corporate Social Responsibility and Sustainability". Both documents have been approved by the Board of Directors.

In addition, the "Guidelines for Corporate Social Responsibility and Sustainability in Liquidity Management Governance" are based the Bank's other guidelines within:

1. The Environment and climate (**E**nvironment)
2. Social conditions (**S**ocial)
3. Management and control (**G**overnance)
4. Specific business areas (**ESG**)

Together, these documents describe the Bank's focus on corporate social responsibility and sustainability. Should the Bank identify a breach of the guidelines in one area that may be of relevance to other areas in the Bank, it will be dealt with appropriately in all the relevant areas. Major issues will be elevated to the Group Management.

The Bank's liquidity management will also be subject to the internal documents "Policy for Liquidity Risk Management" and "Guidelines for Fixed Income Investments", as well as "Guidelines for Liquidity Risk Measurements".

Guidelines for corporate social responsibility and sustainability in liquidity management

As part of its liquidity management, SpareBank 1 Østlandet has a portfolio of liquid securities with a high credit quality. The composition and size of the portfolio corresponds to the governing documents approved by the Board for the area of liquidity and statutory requirements for liquidity management.

The guidelines for corporate social responsibility and sustainability in liquidity management aim to:

- Specify the guidelines that are listed in the documents referred to above with effect for the area of liquidity.
- Assess the risk of the Bank's liquidity portfolio conflicting with the Bank's guidelines for corporate social responsibility and sustainability.
- Minimize the risk of the liquidity portfolio conflicting with the Bank's guidelines for corporate social responsibility and sustainability.

Any employee who is involved in any way with the Bank's liquidity management must be familiar with the Bank's strategy for corporate social responsibility and sustainability and regularly review the guidelines for this area. The CFO bears overall responsibility, and the finance manager is responsible for operationalizing the Group's liquidity management.

About the portfolio

SpareBank 1 Østlandet's liquidity portfolio is composed of interest-bearing securities issued by the following types of issuers:

- The Norwegian state and issuers guaranteed by the Norwegian state
- Foreign states within the OECD area with a minimum AAA rating
- Issuers within the OECD guaranteed by the state, county authorities or municipalities
- Nordic county authorities and municipalities, or issuers guaranteed by them

- Norwegian and foreign financial institutions
- Covered bonds issued by Nordic companies
- Norwegian issuers in other sectors rated BBB- or better

Assessment of the risk of the Bank's liquidity portfolio conflicting with the Bank's guidelines for corporate social responsibility and sustainability

The Bank has carried out a general assessment of the risk of issuers in the portfolio's investment universe breaching the Group's guidelines for corporate social responsibility and sustainability. Overall, the risk of the portfolio breaching the guidelines for corporate social responsibility and sustainability is considered low. While the investment universe is diverse, most of the portfolio is classified as "low/moderate" risk. Nevertheless, the entire investment universe of current investments is subject to risk assessments, not just the actual portfolio. Assessments are also made of which topics are the most relevant in the overall risk picture associated with corporate social responsibility and sustainability. See the table below.

Different securities represent varying degrees of risk in terms of corporate social responsibility and sustainability. Generally, the Bank considers the risk associated with Nordic fixed-income securities to be lower than that associated with fixed-income securities from outside the Nordic region. Similarly, state, county authorities and municipalities represent a lower risk than private companies. The Bank's general risk assessment is based on the following categorization:

- **Low risk:** Category for securities in established, well-functioning markets, where the activities of the authorities or enterprises seldom result in controversial issues. Some OECD countries face major challenges, although experience indicates that these issues do not have enough of an impact on the analyses to rank as controversial in this context.
- **Moderate risk:** Category for securities that either operate in emerging markets or operate a type of activity in which controversial issues are commonplace.
- **High risk:** Category for securities in companies that both operate in emerging markets and are involved in activities in which controversial issues are commonplace.

Grouping of securities	General risk assessment corporate social responsibility/sustainability	Most relevant topics
Norway/Nordic states, county authorities, municipalities	Low risk	Economic crime, political treatment of controversial projects (e.g. infrastructure)
Norwegian/Nordic issuers guaranteed by the state, county authorities, municipalities	Low risk	Economic crime, financing of controversial projects (e.g. infrastructure), environmental damage/natural disaster risk/climate risk
Other OECD countries	Low risk	Economic crime, environmental damage/natural disaster risk/climate risk, human rights, international humanitarian law, controversial weapons/projects

Issuers within the OECD guaranteed by the state, county authorities or municipalities	Low risk	Economic crime, environmental damage/climate risk, human rights, international humanitarian law, controversial projects
Financial institutions (Norwegian and foreign) and issuers of covered bonds	Low/moderate risk	Economic crime, financing of controversial projects, investments in controversial securities
Loans in other sectors	Moderate/high risk	All of the topics listed in the guidelines may be relevant for this group.

Table: Type of security, risk assessment and most relevant topic within corporate social responsibility and sustainability

Liquidity management investments must be made responsibly and in accordance with above mentioned documents, by integrating ESG into our investment analyses.

Checks prior to decisions on investments

In order to minimize the risk of the Bank's investments conflicting with the Bank's guidelines for corporate social responsibility and sustainability, an assessment must be carried out prior to decisions being made concerning new investments in the moderate/high category. This is done using a special risk management tool. A more detailed description is available in "Guidelines for Fixed Income Investments"

When investments are made via external managers, the Bank must communicate the guidelines and request confirmation that the management does not conflict with the Bank's strategy and guidelines for corporate social responsibility and sustainability pursuant to the Bank's internal procedures.

Periodic checks

In order to maintain an overview of the portfolio's holdings and the enterprises' risks within corporate social responsibility and sustainability, the Bank will carry out periodic checks (at least semi-annually) of the entire portfolio.

Should such checks identify breaches of the Bank's guidelines, the investment must be assessed by the Group Management. The Group Management could involve the Bank's Sustainability Committee in this assessment. The assessment may result in:

- the Bank immediately selling the security
- the Bank entering a dialogue with the issuer concerning improvement measures and thereafter considering selling the security
  - either as a consequence of it not believing that improvement measures will be implemented and/or be sufficiently effective
  - or because the negative impact is so high that maintaining the investment would represent a serious breach of the Bank's guidelines
- the Bank holds the security because it expects improvement measures to be implemented and these are expected to be sufficiently effective. In such cases the security and issuer will nonetheless subsequently be subject to closer monitoring.