

Guidelines for corporate social responsibility and sustainability in the retail market

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Owner	<i>EVP Retail Division</i>
Person responsible	<i>Regional Bank Manager Østerdalen</i>

1. General information

SpareBank 1 Østlandet is aiming to become a net zero bank (NZB) by 2050. For the Bank, this means we want to be part of a net zero emission society that fulfils the intentions of the Paris Agreement, and which were further reinforced at the climate summit in Glasgow in 2021. The goal is to limit global warming to 1.5°C, counting from pre-industrial times.

The Retail Division is one of the cornerstones of the Bank's sustainability work because we:

- actively strive to ensure that the Bank remains an Eco-Lighthouse enterprise
- continuously seek to become more expert, and use our expertise in sustainability
- contribute to responsible purchasing
- contribute to gender equality work
- contribute to sustainability being increasingly incorporated into products, processes and solutions
- contribute to communicating the Bank's efforts within sustainability

The Retail Division works according to the Group's general *Guidelines for Corporate Social Responsibility and Sustainability*¹ and the specific guidelines in this document. *Governing Document – Credit Retail Division and Corporate Division 2021* and *Credit Regulations* also provide guidance for managers and advisers. The documents set out rules, regulations and guidelines for the staff's work.

2. The Retail Division's ambitions and main priority areas

The Retail Division's overarching ambition is the same as the Bank's:

To be a clear driving force behind sustainable restructuring. The Retail Division can only achieve such an ambition via its customers. Therefore, most of the Retail Division's sustainability work must help to ensure that our customers make smarter and more responsible choices. In the years to come, our sustainability work must follow two main long-term directions. These are:

- *Energy saving homes and properties*
- *Responsible consumption*

2.1. What does energy saving homes and properties mean for the Retail Division?

Energy saving homes and properties is probably the area in which we can have the greatest and best influence on customers. The housing sector is often referred to as the 40% sector because it currently accounts for around 40% of energy consumption and 40% of harmful emissions. This is less about direct greenhouse gas emissions from homes and more about indirect greenhouse gas emissions from the industry, transport and energy sector's activities linked to homes. In other words, we are talking about the big picture – where the Retail Division contributes to parts of the 'food chain'.

The Bank has a unique opportunity to encourage customers to build or buy *new* homes with an energy rating of B, A or better. Such homes consume less energy and emit less greenhouse gases. The building sector is also in the process of reducing indirect emissions. In other words, the entire 'food chain' is contributing to reductions in both energy consumption and emissions of harmful greenhouse gases. The Retail Division's role is to provide good advice and offer attractive green products that benefit both customers and the Bank, and thereby produce a derived 'climate benefit' for society as a whole.

¹ https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/retningslinjer-og-rammeverk.html#par_title

However, it is by contributing to the upgrading of *existing* homes that the Bank can influence and contribute the very best. At the end of 2021, the Retail Division has more than 37,000 homes in its lending portfolio with energy ratings lower than a B. There is enormous potential here. Rising energy prices, higher interest rates and generally higher living costs *may* be incentives that make homeowners choose to upgrade their homes in the future. The Storting (the Norwegian parliament) has approved a goal of reducing energy consumption in existing homes by 10 TWh by 2030, compared with today's level.² The Retail Division will contribute to this national effort. The majority of capital spent on refurbishment is currently spent on surface finishes. In the coming years we must provide information and advice, and offer favourable products, that instead encourage customers to invest in lower energy consumption, lower emissions and cheaper home running costs.

2.2. What does responsible consumption mean to the Retail Division?

Responsible consumption is a broad term and includes many good measures. The root cause of around 70% of global greenhouse gas emissions is personal consumption. Therefore, we must encourage everyone to consume less. Good measures that result in lower consumption include saving more than one does today, having less unsecured debt and generally maintaining good control of one's finances. In the coming years, the Retail Division will prioritise the area of savings as a means of achieving more responsible consumption.

Saving involves reducing consumption in the short term. Saving is postponed consumption in the long term. Saving is good for a household's resilience and thus Norway's macroeconomy. Saving is necessary to ensure individual's experience a more stable financial situation over their life. Saving is good because it improves one's capacity to invest, for example in a more energy-friendly home. The Retail Division wants to help our customers save more so that their savings can be used either to upgrade an energy-intensive home or build a new, eco-friendly 'green' home.

Lending remains the Bank's main area of activity. The Retail Division's customers account for a significant share of this in terms of volume, more than 70%. As Retail Division staff, we influence the retail market through how and what we finance, and what we do *not* finance.

3. Expertise in the Retail Division, customers' access to products and ability to complain

If the Retail Division is to succeed, Retail Division staff must be experts on sustainability in general and on the Bank's products in particular. A competence wheel has been created in the Retail Division that is intended to enhance the expertise of individual advisers through courses, nano-learning, various seminars and product training.

All Retail Division staff must be familiar with the Bank's and the Retail Division's work to become a more sustainable bank. Everyone will take a sustainability workshop and training tailored to their area of responsibility. Every year, everyone must review documents about sustainability that affect their area of work.

Our products are listed on the Bank's webpages. Customers will receive further information when they are in contact with our advisers. Customer satisfaction is measured via customer feedback, which provides indications of what we must reinforce or improve. Customers who want to lodge a complaint can do so via the Bank's webpages. Customers can complain to the Bank, the insurance company or the pensions company. If a customer is dissatisfied with the relevant company's response to their complaint, they can appeal to the Norwegian Financial Services Complaints Board. All complaints are dealt with according to an approved and thorough process.

² <https://www.regjeringen.no/no/dokumentarkiv/regjeringen-solberg/aktuelt-regjeringen-solberg/kld/nyheter/2018/veikart-for-gronn-konkurranseskraft/id2604070/>

4. What we expect from our customers

4.1. The environment and climate

If the international community is going to manage to limit global warming to 1.5°C, major changes will be needed. The Retail Division expects customers to contribute to the collective effort it will take to slow global warming. We will both encourage and challenge our customers on a number of issues. Among other things, we must challenge our customers when it comes to consumption and lifestyle³ because households account, directly or indirectly, for large proportions of greenhouse gas emissions. Within the area of personal finances, transport, homes and food are among the largest sources of emissions.⁴ Earth Overshoot Day marks the date when demand in a given year exceeds the resources Earth can regenerate in that year. In 2021, that date was 29 July. That means that every day after 29 July is based on supplying ourselves from the Earth 'on credit'.

SpareBank 1 Østlandet wants to encourage green restructuring among our customers. We want to offer green products such as green mortgages, green funds and green saving and insurance solutions. Free information and training services are also being developed in the mobile bank that will better enable customers to make sustainable choices. *My climate footprint* and *The maintenance calendar* are examples of these.

The Retail Division provides personalised advice in all serviced channels and on all of the Bank's products. Sustainability will play a bigger role in guidance and advice in the years to come. This will be driven by social forces, our own increased expertise in the area and, over time, also improvements in processes and systems.

We expect our customers to:

- be aware of climate challenges and want to reduce their climate and environmental footprint
- not commit environmental crimes and respect the Bank's guidelines for corporate social responsibility and sustainability in this area⁵

We encourage our customers to:

- build sustainable new homes and/or renovate older homes so they consume less energy and thereby emit less greenhouse gases
- use the Bank's green products, which have been developed to ensure that our customers can make responsible choices

4.2. Society and social conditions

The Retail Division wants customers to have healthy personal finances and a good balance between responsible consumption and debt. We only offer financing to creditworthy customers and contribute to increasing the understanding of responsible financial solutions. We will generally do this through healthy financing for the customer, encouraging less consumption and more saving. Through our sponsorship work with teams, clubs and associations, we will also positively influence them in the direction of lower consumption.

Customers facing financial challenges and who demonstrate a genuine interest in sorting out their personal finances can, for example, get help via the 'Restart' concept or co-financing with our part-owned company

³ Climate change. United Nations Association of Norway. <https://www.fn.no/Tema/Klima-og-miljoe/Klimaendringer>

⁴ Emissions from Norwegian economic activity. Statistics Norway. <https://www.ssb.no/natur-og-miljo/statistikker/nrmiljo>

⁵ https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/retningslinjer-og-rammeverk.html#par_title

SpareBank 1 Kreditt. Reviews and appropriate measures can contribute to healthy personal finances, which benefits both the customer and society as a whole.

We expect our customers to:

- act with financial awareness and not establish debt they cannot service
- save more today and in line with their surplus liquidity, both from a short-term and a long-term perspective
- not breach acts, regulations and general human rights, and respect the Bank's guidelines for corporate social responsibility and sustainable in this area⁶

We do not lend to retail customers who:

- cannot service their credit in a proper and responsible manner

4.3. Financial crime

The Retail Division wants to encourage retail market customers to contribute to a healthy national economy. This means combating financial crime such as corruption, bribery, the shadow economy and so on.

SpareBank 1 Østlandet has guidelines against corruption and financial crime. The Bank also has guidelines and strict procedures for combatting money laundering and hidden beneficial ownership.

We expect our customers to:

- not breach acts and regulations and not be involved in financial crime of any kind, be it money laundering, corruption, bribery, undeclared work or other forms of financial crime
- respect the Bank's guidelines for corporate social responsibility and sustainability in this area⁷

We do not establish customer relationships and provide credit to retail customers who:

- we do not know the identity of
- we suspect of money laundering and/or terrorist financing

4.4. Reporting and dissemination of our expectations and challenges

Our expectations and challenges in these guidelines are disseminated to our customers. We do this by publishing them on our Bank's webpages and by providing information to customers when new customer relationships are established and/or when processing applications for financing.

Should we learn that any of our customers are acting contrary to our expectations and/or encouragement, we will enter a dialogue with the customer to clarify the reasons for the anomaly. Should this follow-up fail to produce improvements, we will set clear conditions for the Bank continuing its relationship with the customer. As a final consequence, we may consider terminating the customer relationship.

We report on our corporate social responsibility and sustainability work, as well as these guidelines, every year.

⁶ https://www.sparebank1.no/nb/ostlandet/om-oss/samfunnsansvar/retningslinjer-og-rammeverk.html#par_title

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