

# Excerpt from the strategy and policy for managing conduct risk 2024

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<b>Last revised</b>	<i>Adopted by the Board of Directors 15/12/2023</i>
<b>Owner</b>	<i>Chief Compliance Officer</i>
<b>Person responsible</b>	<i>Chief Compliance Officer</i>

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## 1. INTRODUCTION

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This document contains a summary of the main aspects in the bank's governing document on compliance risk. The full version of the document is available for internal use by the bank only.

The bank's governing document on compliance risk is revised annually. The current version was adopted by the Board of Directors of the bank on 10/12/2021.

### 1.1 Purpose

The purpose of the conduct risk governing document is to provide guidelines for the Group's attitudes to and overall objectives for managing conduct risk.

### 1.2 Central guidelines and frameworks

The conduct risk governing document must support the Group's strategy, as well as the risk and capital management strategy and the corporate social responsibility and sustainability strategy.

The following regulations provide important guidelines and principles that must be used for good conduct risk management (non-exhaustive overview):

- The Financial Enterprises Act and regulations
- The Financial Contracts Act and regulations
- The Securities Trading Act and regulations
- The Insurance Distribution Act and related regulations
- The Marketing Control Act with regulations
- The Competition Act and regulations
- The Personal Data Act with regulations
- Anti Money-Laundering Act with regulations
- The Financial Supervision Act with regulations
- Relevant recommendations and/or guidelines provided by the Financial Supervisory Authority of Norway, the Norwegian Data Protection Authority, The Consumer Authority, EBA, ESMA and EIOPA
- Relevant sector legislation for the individual subsidiaries

### 1.3 Definitions and terms

The following are key terms in this area:

- *Operational risk*  
Risk of losses resulting from inadequate or failed internal processes or systems, human error or external events.
- *Compliance risk*  
Risk that the bank will lose licences or incur other public sanctions, penalties, other criminal sanctions, loss of reputation or financial losses as a consequence of failure to comply with laws, regulations, official guidelines and mandatory public orders. Compliance risk can be considered as a sub-category of operational risk.
- *Conduct risk*  
Risk of loss of licence, other public sanctions or criminal sanctions, loss of reputation or financial loss as a consequence of the bank's business methods or employees' conduct materially jeopardising customers' interests or the integrity of the market. Conduct risk can be regarded as partially overlapping with operational risk and compliance risk.

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Some of the Group's *direct* exposure related to sustainability factors (ESG) is linked to conduct risk, including:

- E: the risk of non-fulfilment of market expectations relating to climate and the environment
- S: the risk of non-fulfilment of market expectations relating to proper conduct, particularly consumer protection, data protection, product governance, customer's sustainability preferences in investment advice, and the risk of and "greenwashing"
- G: the risk of non-compliance with market expectations relating to governance and control, disclosures and reporting, anti-money laundering/terrorist financing, corruption, competition law, taxes and data protection

## 2. STRATEGIC OBJECTIVE AND FRAMEWORK

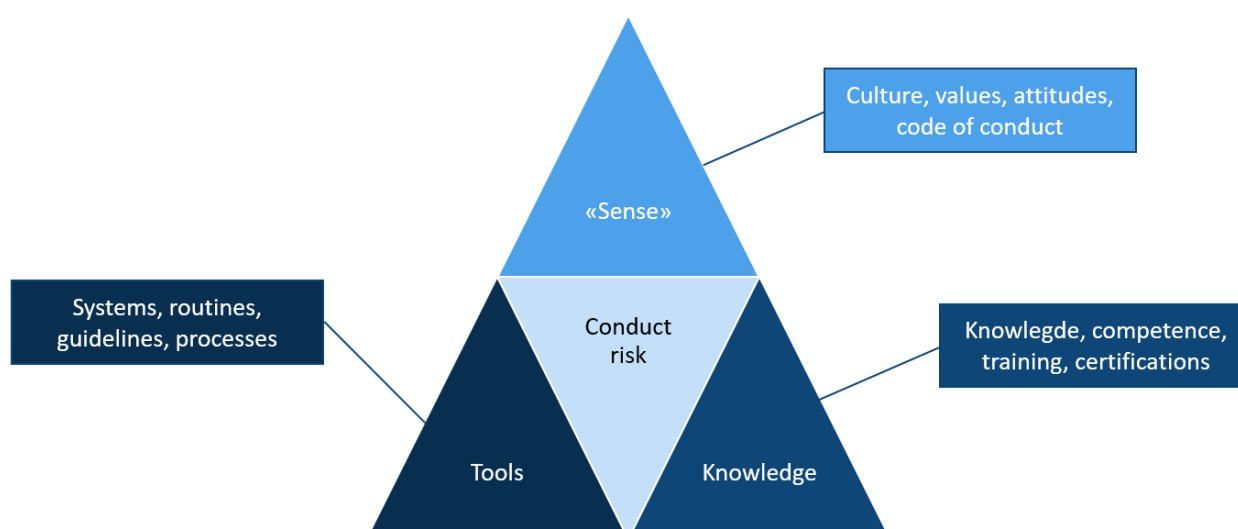
### 2.1 Objective

The group's management and control of conduct risk shall help ensure that:

- customers' needs and rights are adequately safeguarded in product development and sales processes
- the needs and interests of customers are safeguarded through sound, professional and honest customer management that ensures that the Group's customers are able to make conscious, well-informed choices
- conflicts of interest are identified at an early stage and handled in a timely and satisfactory manner
- the Group fulfils its corporate social responsibility

The following are considered key in the Group's efforts to achieve the strategic objective:

1. "Sense": Good culture and behaviour
2. "Knowledge": Good knowledge and expertise
3. "Tools": Good business management



## 3. CRITICAL SUCCESS FACTORS

The following are considered the most important critical success factors:

- The involvement of the Board and management
- Clear responsibilities in first and second line
- Well-incorporated and common understanding of conduct risk in the organisation

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- Good attitudes, good culture and appropriate values, including a satisfactory code of conduct
- Safeguarding customer interests
- Training of employees
- Appropriate reward schemes and other KPIs
- Effective and appropriate channels to raise challenges and concerns, including for reporting, follow-up and learning from undesired incidents and customer complaints
- A proper internal risk culture that fosters an environment in which employees are not afraid to report adverse events that affect customers in particular

## 4. MANAGEMENT AND SUPERVISION STRUCTURE

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### 4.1 Processes and measures

There must be processes that ensure compliance with the Group's adopted risk appetite and relevant laws, regulations as well as public orders and government regulations, so that the Group does not incur the risk of sanctions, loss of reputation or financial losses due to violations thereof. This shall be achieved by:

- Clearly defined core values and code of conduct, which have been clearly communicated and understood throughout the organisation, including an understanding of what constitutes acceptable conduct.
- The bank's employees having a sound level of knowledge, so customers are served by staff with satisfactory expertise in relation to customer expectations and needs.
- Guidelines and routines that ensure good business management, based on an agreed understanding of what conduct risk involves for our group in practice.

### 4.2 Key roles and areas of responsibility

The following roles with their subsequent description of responsibilities are key:

- The Board of Directors has overall responsibility for ensuring that the Group has a suitable framework for conduct risk and for ensuring that both legislation and internal frameworks in the area are complied with in the organisation.
- The CEO shall ensure that established frameworks are implemented and adhered to throughout the organisation and, if necessary, ensure that any serious incidents are reported to the board promptly.
- Managers are responsible for implementing and compliance with the Group's framework within their respective areas, and for conducting risk assessments and establishing appropriate and necessary internal control measures.
- All employees, if involved in sales and product development processes, are required to contribute to ensuring that customers' needs and entitlements are adequately handled, including by providing professional and honest customer services to ensure that the Group's customers can make clear and well-informed choices.
- The compliance function shall play an active role and be a driving force in the Group's work on prevention, control and evaluation of conduct risk.
- In its work following up on the Group's risk exposure, the risk management function shall also include the Group's exposure to conduct risk.