



# Sustainability Report 2020

# Sustainability

## Driving force behind the green shift

SpareBank 1 SR-Bank wants to be a driving force behind, and facilitator of, the necessary transition to a low-emission society in order to achieve the targets set out in the Paris Agreement. The group's activities should contribute to cutting greenhouse gas emissions at both a national and a global level by facilitating and setting requirements for customers, suppliers and partners.

The United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking in 2019. These are designed to ensure that the banking industry is a driving force behind achieving the SDGs and the Paris Agreement. SpareBank 1 SR-Bank signed up to the principles when they were launched and has thus committed itself to cutting its direct and indirect CO2 emissions in line with the national obligations under the Paris Agreement. The group has committed itself to carrying out and implementing measures that support the principles over 4 years from when it became a signatory and up to the end of 2023.

This involves adapting the group's strategy to fit the Paris goals, and assessing which measures have the greatest impact in achieving the goals. The group must also work with its customers and clients to contribute to more sustainable operations. Stakeholder engagement is an important principle along with corporate governance, reporting and transparency.

In 2020, SpareBank 1 SR-Bank adopted a revised sustainability strategy and a new climate strategy for the group that fit the goals of the Paris Agreement. In order to assess where the group has the greatest positive and negative impacts through its core activities, an impact analysis was carried out in line with tools prepared by UNEP FI in 2020. The analysis and results are discussed in the section on responsible finance.

The focus in 2021 will be on defining specific targets for reducing greenhouse gas emissions in line with the Paris Agreement and continuing to implement the UN Principles for Responsible Banking.

## Our stakeholders and key sustainability themes

The group strives to be specific and concise in its sustainability work and conducted a materiality analysis in 2018. The purpose of the analysis is to identify which topics within sustainability the group will prioritise. SpareBank 1 SR-Bank's sustainability work and strategy are based on this materiality analysis. The themes covered by the analysis included the environment, social conditions and governance, i.e. ESG factors. [Read more about the results from the materiality analysis on page 4 in the document "Sustainability in SpareBank 1 SR-Bank" \(PDF\).](#)

SpareBank 1 SR-Bank is constantly engaging with and gaining input from customers and other stakeholders. It is important to keep the materiality analysis up to date and understand and take into account the requirements of consumers, investors and the authorities. The engagement during the year heavily impacted by the Covid-19 situation in the country. The places where the group naturally used to meet customers had to change in 2020. SpareBank 1 SR-Bank managed, among other things, to maintain a good dialogue with employees, owners, authorities, competitors, partners, suppliers, special interest organisations, the media, rating agencies and analysts throughout the year.

[Read more about the engagement with local communities on themes within sustainability on page 5 in the document "Sustainability in SpareBank 1 SR-Bank" \(PDF\).](#)

## SpareBank 1 SR-Bank's sustainability strategy

The group's revised sustainability strategy and associated new climate strategy were adopted by the board in May 2020. The strategy's goal is for SpareBank 1 SR-Bank to be an organisation that takes a proactive approach to sustainability in all of its operations and takes responsibility for contributing to solutions to the climate and environmental challenges society faces. The climate strategy is based on a strategic evaluation of the group's exposure to climate risk and how developments in this area will affect the group in the run up to 2030.

The group wants to support the Paris Agreement in line with Norway's goal of cutting CO2 emissions by up to 50% by 2030. The group must help and require corporate customers and suppliers to each have an active plan for how they can reduce their CO2 emissions. The group will also draw up specific targets for cutting greenhouse gas emissions in line with the Paris Agreement and Norway's commitments to limit global warming to well below 2 degrees Celsius by 2050.

The sustainability strategy is integrated into the corporate strategy along with the corresponding business plan and provides direction for the group's work on sustainability. The sustainability strategy must be seen in conjunction with other governing documents, such as the code of conduct, credit strategy, and other relevant policies and standards in the group. Sustainability is included in the documentation and set of routines associated with credit and investments/management.

[See a detailed overview of governing documents concerning sustainability and how they are incorporated into the group on page 8 in the document "Sustainability in SpareBank 1 SR-Bank" \(PDF\).](#)

## UN Sustainable Development Goals

The group's sustainability work is based on the 17 UN Sustainable Development Goals (SDGs). The group has identified three SDGs where it can have the greatest impact through its core business. The SDGs the group particularly focuses on are SDG 5 Gender equality, SDG 8 Decent work and economic growth and SDG 13 Climate action. The SDGs are anchored in the sustainability strategy and targets have been drawn up with specific measures for each of these SDGs. These measures will be implemented during the defined strategy period, which lasts until the end of 2021.



[Read more about the group's targets and the work on these during 2020 on page 9 in the document "Sustainability in SpareBank 1 SR-Bank" \(PDF\).](#)

## Responsible finance

During the year, SpareBank 1 SR-Bank closely followed developments regarding the EU Sustainable Finance Action Plan, including the EU taxonomy. The EU taxonomy will be a particular area of focus in 2021 and the group is working on classifying lending activities. The focus in 2021 will also be on further developing the expertise of corporate advisers within sustainability and the climate. A targeted training programme will provide corporate advisers with the knowledge they need to maintain a good dialogue with customers about sustainability and solutions for them.

## Responsible credit

SpareBank 1 SR-Bank's credit strategy stresses that corporate customers must have a long-term perspective and their companies must be comply with applicable laws and regulations, which include environmental considerations and human rights. SpareBank 1 SR-Bank's "Standard for sustainability in the corporate market" provide guidance on the sort of customers the group wants, what is expected of customers, and the group's lending. The main points from the standard are included in the group's credit policy guidelines. SpareBank 1 SR-Bank will not finance controversial weapons, pornographic material, cryptocurrencies, coal power, coal mining or nuclear power. The extraction of tar sand, heavy crude, shale gas and/or shale oil will not be financed either. All employees who are in contact with corporate customers must be familiar with our "Standard for sustainability in the corporate market" and review them annually.

## Corporate market portfolio

The group exercises major influence through its credit portfolio, of which corporate customers make up about 40%. The group's corporate market portfolio is well-diversified. The group mainly finances small and medium-sized Norwegian enterprises, with an emphasis on commercial property.

SpareBank 1 SR-Bank aims to increase the proportion of companies contributing to the increased use of renewable energy.

In 2020, SpareBank 1 SR-Bank's green loans accounted for 1.3% of the total portfolio.

Renewable/green exposure	1.3%
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\* Only includes significant customer exposures in the corporate portfolio

\* The account managers have tried to define the exposures based on the taxonomy (without using technical criteria)

\* Estimated based on reported figures for 2020, not audited internally

The corporate market mapped its loan portfolio in 2020. The analysis was carried out on three levels: CO2 emissions, positive and negative impacts, and climate risk. An emissions analysis was conducted that estimated CO2 emissions associated with SpareBank 1 SR-Bank's loans in the corporate market, by sector. The analysis indicates that total CO2 emissions in the corporate portfolio are moderate, although there is a higher impact within two sectors in particular: energy, oil and gas, and shipping and other transport.

The corporate portfolio's climate risk (physical, transitional and liability risk) was also mapped at a sector level in 2020.

The analysis shows that more than three quarters of the bank's corporate portfolio is considered to be in industries with overall low climate risk. The analysis shows that the above industries with high and medium climate risk account for 11.6% of SpareBank 1 SR-Bank's exposure, while the exposure to industries deemed to have a slightly elevated risk is 12.1%. The remaining 76.3% of exposure is deemed to derive from industries with low climate risk.

The group has completed an impact analysis for the loan portfolios in both the corporate market and the retail market using tools developed by UNEP FI. The analysis indicates SpareBank 1 SR-Bank's current positive and negative impacts on the economy, environment and social conditions. SpareBank 1 SR-Bank's core activities stimulate a healthy and inclusive economy. The group has a positive impact by contributing to money-transfer solutions and access to housing for retail customers by stimulating economic growth and new jobs in the corporate market. The group has a negative impact in three areas: resource efficiency, the climate and biodiversity. The impact in these areas can be seen in the analysis through financing for

vehicles, mortgages and sectors generally associated with higher greenhouse gas emissions. The analysis concludes that SpareBank 1 SR-Bank has a positive impact within several social aspects, although it must continue to focus on the environmental aspects.

These analyses provide a basis for setting separate targets for the credit portfolio in 2021.

In 2020, SpareBank 1 SR-Bank signed up to the Poseidon Principles, a global framework in which banks work together to encourage their shipping customers to abide by good responsible environmental standards. SpareBank 1 SR-Bank was the 19th bank to sign up to this global framework and to achieving 50% lower greenhouse gas emissions from shipping by 2050. The group has committed itself to collecting data on its customers' emissions on an annual basis and to publishing aggregated data. A great deal of weight will be given to environmental standards when new loans are granted within the shipping industry.

Furthermore, all new credit exposures in 2020 within shipping included a RSRS clause. The Responsible Ship Recycling Standards (RSRS) are about the responsible disposal of vessels and mobile offshore units.

### ESG scoring of the corporate portfolio

The group has developed a methodological framework for assessing sustainability (ESG scores) that will be used for corporate customers with credit exposures in excess of NOK 50 million. ESG scoring includes questions related to a customer's awareness and guidelines for areas such as HSE, corruption, human rights and the environment. The assessment includes three questions that directly target a customer's climate risk: both physical risk and transitional risk. There were additional questions for selected industries like property, aquaculture, shipping and offshore, and oil and gas. Besides this, customers that calculate their CO2 emissions are encouraged to report them. ESG scoring is a long-term approach to managing and reporting industry-specific climate risk and sustainability. The scoring and assessment carried out at the customer level is used to assess the group's sustainability risk and as a tool for advisers in the dialogue with customers. The corporate market has an action plan for customers with a low ESG score, which will be followed up by an adviser.

The framework was implemented in the organisation in 2020. Corporate advisers complete a training programme that includes both e-learning and case discussions. The discussions were used for sparring with colleagues, sharing good stories and becoming confident regarding both the ESG scoring tool and dialogue. Sustainability has thus become a topic in customer meetings. In 2020, a total of 220 credit exposures were ESG scored using the assessment form.

In 2021, the priority will be to develop the assessment form further, continue implementation and develop a training programme for the staff.

### Green mortgage bonds

SpareBank 1 SR-Bank has a programme for green bonds. The programme is a framework for the loans that qualify for issuance of a green bond. SpareBank 1 SR-Bank issued its first green mortgage bond linked to a portfolio of mortgages with high energy efficiency ratings in 2019. Given the market conditions, no new bonds were issued in 2020. For more information about green bonds, see: [www.sparebank1.no/nb/sr-bank/om-oss/investor/finansiell-info/gjeldsinvestorer.html](http://www.sparebank1.no/nb/sr-bank/om-oss/investor/finansiell-info/gjeldsinvestorer.html)

### Green products and green innovation

Offering customers green products and services is an important contribution to the green shift. Green products are defined as savings and credit agreements that contain conditions concerning whether the investment object is sustainable in a climate and environmental sense.

In 2020, the group carried out extensive assessments related to green products and services. A green mortgage has been developed for the retail market. This will be launched in January 2021. The group has, via SR-Forvaltning, assessed the opportunities for green product development and will, in line with SR-Forvaltning's climate strategy, establish its own green equities fund. SpareBank 1 SR-Bank offers green car loans to retail customers. These are designed for electric car owners. The smart car insurance car app is intended to encourage greener driving behaviour. It is delivered by the insurance company Fremtind. SpareBank 1 SR-Bank also offers a green loan for agriculture, which is primarily designed for investments in solar panel systems. Given the low electricity prices and Covid-19 situation, this product was used very little in 2020.

What	Sum total product	Green products as a % of total product portfolio*
Green car loans	76,000,000	3%
Green car insurance	59,000,000	13%

\* Green car loans: Total car loan portfolio, loan volume

\* Green car insurance: of total car insurance, measured by premiums written

### Products and innovation with social aspect

SpareBank 1 SR-Bank wants to be a future-oriented relationship bank. This means that the group must look after its customers. The customer relationship must be broadly based, and the customer must come first at all stages. The impact analysis the group conducted in 2020 concludes that SpareBank 1 SR-Bank contributes positively to making money-transfer solutions available to everyone and that the group helps to make home ownership achievable for retail customers by stimulating economic growth and new jobs in the corporate market. SpareBank 1 SR-Bank gives customers the opportunity to purchase their own home by providing relevant products and services with good terms. The group's advisers spend every day looking for good bespoke solutions for customers. Among other

things, SpareBank 1 SR-Bank uses its flexibility quota on customers in the process of establishing themselves and buying their first home, as well as on existing customers who have ended up in a difficult economic situation. Loans with beneficial rates for young customers account for 30.6% of the total mortgage portfolio. SpareBank 1 SR-Bank offers LO members, through cooperation with LOfavør, advantageous terms on mortgages for young people and first-time buyers, as well as on ordinary mortgages. Together these loans account for 26% of the mortgage portfolio.

## Responsible asset management

SpareBank 1 SR-Bank's recommended savings products are administered by the group's wholly owned management company, SR-Forvaltning. In 2020, SR-Forvaltning prepared and adopted a new climate strategy and has its own "Standard for responsible investments", which conforms to SpareBank 1 SR-Bank's sustainability strategy. The standard was further developed in 2020 to provide a more detailed description of active ownership.

The three equities funds were analysed in 2020, using a tool developed by Blomberg that indicates CO2 intensity (million tonnes CO2/million NOK turnover), with the following results: SR-Bank Verden 16.86, SR-Bank Utbytte 25.54 and SR-Bank Norge 24.34. The analysis came closer to a quantification since there was an increase in the proportion of companies reporting their emissions, from 32% to 74% from 2019 to 2020.

Upcoming regulations, such as the disclosure regulations, which provide rules for the disclosure of sustainability information in the financial sector, and the classification regulations, which provide a framework for a classification system for sustainable economic activities, have been monitored closely throughout 2020. SR-Forvaltning is actively working to adapt to the new requirements. SR-Forvaltning also focused heavily on operationalising the UN Principles for Responsible Investment (PRI) in the management throughout the year.

SR-Forvaltning continuously works on responsible investment within asset management. The work has three pillars: exclusions, ESG integration and active ownership.

None of the companies SR-Forvaltning invests in may be involved in the production of controversial weapons and they must not contribute to serious human rights violations or serious climate and environmental destruction. This is checked carefully. In addition to this, SR-Forvaltning does not invest in companies that produce tobacco or pornography, or that are involved in gambling, coal production or oil sands.

ESG integration means that an analysis of the relevant ESG factors is conducted for all companies that are being considered for new investments. The relevant ESG factors depend on the company. They could be water consumption, workers' rights, board composition, corruption risk, CO2 emissions and much more. SR-Forvaltning uses data

and analysis from Sustainalytics in addition to its own analysis work.

Active ownership is important for an asset manager. As a shareholder, SR-Forvaltning has a direct impact on how the company operates. SR-Forvaltning votes for its shareholdings in general meetings and uses voting services from ISS Proxy Voting Services and their "Sustainability Proxy Voting Guidelines" as a basis for casting its votes, which take ESG factors into account. The system is set up such that votes are basically cast for all the positions in the equities funds. SR-Forvaltning cast votes in 68 out of 74 meetings (92%) in 2020. SR-Forvaltning did not cast votes in the other eight meetings due to technical challenges related to voting in some countries. SR-Forvaltning continues its dialogue with the portfolio companies if there is an elevated risk associated with an ESG factor. Given this, the initiative was taken to engage in investor dialogues with four different portfolio companies in 2020.

## Responsible investments in SpareBank 1 SR-Bank

Besides investments made via SR-Forvaltning, SpareBank 1 SR-Bank makes direct investments in shares and bonds within given limits. The "Standard for responsible investments in SpareBank 1 SR-Bank" conforms with the group's sustainability strategy and ESG factors must be assessed. Active ownership is practised where appropriate.

## Funds offered via share savings accounts

SpareBank 1 SR-Bank mainly recommends funds managed by SR-Forvaltning, although it offers funds from a number of managers through the share savings account scheme. The SpareBank 1 Alliance developed guidelines together with the Governance Group (TGG) and produced a labelling scheme for sustainability in 2020. The labelling scheme is intended to make it easier for customers to choose sustainable funds and will be launched in SpareBank 1 SR-Bank's online bank in the first quarter of 2021. The fund platform also offers several fund products with a green profile. SR-Bank Fondene (funds offered by the subsidiary SR-Forvaltning) scored a B (on a scale of A-F) based on the guidelines developed by TGG.

## Climate risk (TCFD)

Climate change and associated adaptations constitute a risk that must be managed by the board and executive management team. The group is closely monitoring political developments and will stay up to date at all times with regards to the basis on which political decisions are made. SpareBank 1 SR-Bank complies with the recommendations of the Task-Force for Climate related Financial Disclosures (TCFD) with respect to reporting on climate risk.

## SpareBank 1 SR-Bank's approach to climate risk:

SpareBank 1 SR-Bank must identify and follow up risks that could affect customers and business areas. The group conducts annual stress tests and financial representations that show that the group is well-equipped to deal with the

financial consequences of major downturns, as well as any restructuring risk related to less activity in the petro-maritime industries.

Deep and broad expertise in how climate change and climate policy might impact various sectors over time will be important when it comes to ensuring the group's loan portfolio has acceptable climate risk exposure. One important measure in 2020 was to increase the level of knowledge about climate risk among all of the group's employees. A training programme for sustainability and the climate has been designed and launched. The employees have learned about, and gained an understanding of, climate risk and how it affects the financial services industry. The advisers in the corporate market have received further training so that they can engage with customers about measures and solutions that will contribute to customers cutting their climate risk.

#### **The board and group executive management team**

Climate risk was explicitly discussed by both the board and the executive management team on several occasions throughout 2020. The revised sustainability strategy and associated new climate strategy were adopted by the board in May 2020. The sustainability strategy was integrated into the group strategy and its status is monitored regularly by both the executive management team and the board throughout the year based on established routines.

The board receives annual reports on the group's development within sustainability and the climate. Events related to sustainability and the climate are also included in the monthly report from SpareBank 1 SR-Bank's CEO to the board.

The executive management team has established a multidisciplinary sustainability team that provides advice on sustainability and climate-related cases. The sustainability strategy and matters to do with climate risk are also discussed in the executive management team's strategy subgroup. Relevant expert resources have given talks to the executive management team in order to improve their expertise in climate risk and they have also taken internal e-learning course on, among other things, climate risk.

#### **Climate strategy**

A strategic evaluation was conducted of the group's exposure to climate risk and how developments in this area will affect the group in the run up to 2030. Both a risk-based assessment and a strategic assessment have been conducted based on four scenarios that take into account the extent to which we achieve the global climate target and whether we are successful at restructuring in Norway. The risk-based assessment takes account of how the group will be affected in the various scenarios and the potential financial consequences they could have. The strategic assessment looks at which scenario the group should be working towards from a strategic and business perspective. SpareBank 1 SR-Bank will work to achieve a "Paris scenario".

For more information about the sustainability strategy and the scenarios please see the sustainability strategy here: [https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Barekraftstrategi\\_og\\_klimasstrategi\\_2020\\_040620.pdf](https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Barekraftstrategi_og_klimasstrategi_2020_040620.pdf)

Please refer to SpareBank 1 SR-Bank's CDP report for 2020, with a score of B, for specific risks and opportunities described with different time horizons. Especially chapter 2 Risks and opportunities.

#### **Risk management and measurement**

Climate risk is an integral part of the group's risk management processes. Following the group's scenario work in connection with the sustainability strategy, further work involving stress testing the portfolio in various industries in relation to the scenario work will be carried out in 2021.

SpareBank 1 SR-Bank will be indirectly exposed to climate risk with respect to the industries the group finances. SpareBank 1 SR-Bank uses a recognised method for the qualitative assessment of industry climate risk based on direct impacts, policy impacts and impacts through preference changes. Expertise in how climate change and climate policy might impact various sectors over time is required to ensure that the climate risk to which the group's loan portfolio is exposed is acceptable. This is also vital in order to engage with and provide advice to key customers on their strategies going forward.

One important job in the corporate market in 2020 was implementing ESG scores at a customer level, which is used in climate and credit risk assessments. The group has particularly prioritised following up the four business sectors assessed as having the highest risk. This work will continue in the group's corporate market division in 2021. The group is also closely following developments regarding the EU Sustainable Finance Action Plan, including the EU taxonomy. The EU taxonomy will be a particular area of focus in 2021 and the group is working on classifying lending activities.

#### **Measurement and targets**

Measures have been drawn up and prioritised that will strengthen the group's efforts towards achieving a Paris-aligned strategy. These are measures that will both reduce the group's climate risk and contribute to exploiting the business opportunities inherent in the green shift. The measures deal with financing, capital allocation and expertise.

The group reports greenhouse gas emissions in line with the GHG Protocol. In 2020, the group also conducted an analysis to estimate the CO<sub>2</sub> emissions associated with the loan portfolio in the corporate market. Total CO<sub>2</sub> emissions per industry in Norway[1] compared with how much has been loaned per industry in Norway[2]. In addition, account was taken of various capital structures and financing sources within the various industries[3] to estimate the proportion of emissions from lending activities.

## CO2 emissions in the corporate market's loan portfolio

1	2	3	4	5	6
INDUSTRY	SR-Bank's lending to industries (MNOK)	SR-Bank's share of total financing for industries	Total emissions to air per industry (1000 tonnes CO2e)	Industry's share of total emissions	Estimated emissions via corporate portfolio (1000 tonnes CO2e)
Aquaculture	2,841	1.70%	367	1%	6
Industry	2,830	0.90%	7,039	12%	61
Agriculture/forestry	5,372	3.50%	588	1%	21
Service sector	13,458	4.30%	454	1%	19
Wholesale and retail trade, hotels and restaurants	3,547	1.40%	1,129	2%	16
Energy, oil and gas	3,846	5.70%	19,454	34%	1,105
Building and construction	4,482	4.00%	1,912	3%	77
Power and water supply	1,175	0.40%	1,844	3%	8
Real estate	31,507	1.60%	103	0%	2
Shipping and other transport	13,092	4.60%	23,275	41%	1,066
Public sector and financial services	2,275	2.30%	253	0%	6
<b>Total emissions</b>	<b>84,425</b>	<b>2.10%</b>	<b>56,418</b>	<b>100%</b>	<b>2,387</b>
<b>The corporate portfolio's share of CO2 emissions</b>					<b>4.20%</b>

Column 2 figures from SpareBank 1 SR-Bank. Column 3 SpareBank 1 SR-Bank's loans categorised according to Statistics Norway table 08116 and adjusted for capital structure. Column 4 figures from Statistics Norway table 09288. Column 5 as a percentage. The calculation has been developed to provide a rough estimate and does not take account of variations in emissions within different industries, which is why inaccuracies may occur in column 6.

<sup>1</sup> Statistics Norway's table 09288 describes greenhouse gas emissions by industry

<sup>2</sup> Statistics Norway's table 08116 describes loans by industry

<sup>3</sup> Based on the report from Menon Economics (2017), 'Who finances Norway?', multiples have been developed to take account of capital structure

The emissions analysis plus the analyses discussed in the section on the "Corporate market portfolio" provide the basis for setting our targets for the credit portfolio in 2021.

## Sustainability integrated into SpareBank 1 SR-Bank's operations

### Combating money laundering and terrorist financing

Ensuring that the industry is not exploited for financial crime through the misuse of the services and products being offered is part of the financial services industry's social mission. SpareBank 1 SR-Bank prepares an annual assessment of the risk of money laundering and terrorist financing linked to its operations, along with the associated risk mitigation measures.

A wide range of key people in the group are involved in producing the risk assessment before it is considered by the board. Group guidelines for anti-money laundering and sanctions have been drawn up and are available to all employees and external parties on the group's website. Managers have to confirm on an annual basis that they take a conscious approach towards the risk associated with money laundering and terrorist financing, and that they are familiar with the guidelines and policy that is anchored in the group guidelines for anti-money laundering and sanctions. SpareBank 1 SR-Bank also has an extensive framework of guidelines intended to prevent the group being used for

money laundering, tax evasion or terrorist financing. The framework is there to ensure that the group complies with the statutory requirements in various processes through established routines, customer measures, electronic monitoring, sanctions regulations, and procedures for internal control. The group has committed to complying with the framework and guidelines in the Wolfsberg principles for combatting financial crime. The Wolfsberg principles establish requirements for, for example, transparency in customer transactions and how information on these is monitored and managed in line with the authorities' requirements.

The Financial Supervisory Authority of Norway conducted supervisory inspections of two of the bank's subsidiaries in 2020. The internal audit function conducted three audits in the group focused on money laundering in 2020. One audit of the bank's compliance with the anti-money laundering regulations and two audits of the bank's subsidiaries.

In 2021, the group will continue to prioritise compliance with the Money Laundering Act, continually adapt to any tightening of the rules by the Financial Supervisory Authority of Norway and provide required and relevant training for employees.

## Ethics and anti-corruption

SpareBank 1 SR-Bank's code of conduct and anti-corruption policy are intended to contribute to, among other things, fighting corruption, extortion, bribery, money laundering, fraud, terrorist financing, and the financing of other criminal activities. The code of conduct is intended to make people aware of the potential dilemmas and ensure that all of our employees maintain high ethical standards.

SpareBank 1 SR-Bank focuses on the board, management and employees receiving good training in our ethical framework and has established an anti-corruption e-learning course. It is vital that the board and executive management group, as well as advisers, have a good understanding of our ethical framework and this is part of the continuous work of ensuring the group develops an ethical culture and ways of doing business. SpareBank 1 SR-Bank's code of conduct can be found here: [www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Etiske\\_retningslinjer.pdf](http://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Etiske_retningslinjer.pdf).

A specific anti-corruption policy has been produced and risk analyses are conducted based on working meetings with purchasing, accounting and employees in both the retail and corporate markets. The guidelines for anti-corruption and impartiality have been incorporated into the purchasing and credit policy, and partners and suppliers are sent a sustainability appendix which includes the anti-corruption guidelines.

The group has its own ethics committee, which regularly assesses whether the code of conduct satisfies the expectations and requirements of customers, suppliers and society as a whole. The ethics committee has representatives from several business areas and two meetings were held during 2020.

All employees must sign the code of conduct every year. Annual refreshers on ethics are also provided via the authorisation scheme for financial advisers. The anti-corruption work includes ensuring new employees read and sign the code of conduct. This is also included as a topic in Ethics Week.

The group has zero tolerance of corruption and compliance assessments are conducted in relation to compliance with the anti-corruption policy. The group review specific transactions and activities, planned and existing business connections, and various categories and groups of employees. The assessments take a risk-based approach, and the inspections include financial and non-financial control actions. Reporting lines have been established and any measures are followed up in line with existing routines.

The group has whistleblowing routines for anonymous, written and verbal reports. SpareBank 1 SR-Bank has established an external notification agreement with the law firm EY in which the information will be treated confidentially by dedicated case managers in EY.

Theme	No. of	Stake
Board members of SpareBank 1 SR-Bank ASA that have been aware of the code of conduct, including anti-corruption	8	100%
Board members of SpareBank 1 SR-Bank ASA that have received training in anti-corruption	8	100%
Permanent employees who have signed the code of conduct	1,148	*
Permanent employees who have completed anti-money laundering training**	1,053	95.5%
Permanent employees who completed anti-corruption training	232	***
Corruption related incidents***		Not relevant

\* All permanent employees, except those on long-term sick leave, other leave or similar, have signed the code of conduct.

\*\* A total of eight learning modules were assigned to between 185 and 1,115 employees according to their position. The average completion rate is 95.5%

\*\*\* All managers and corporate advisers complete extended anti-corruption training.

\*\*\* Since there were no corruption related incidents, no employees were punished, no supplier agreements were terminated due to corruption, and there were no court cases related to corruption in which the company or an employee was involved.

\* ForretningsPartner is not included in permanent employees

Board members have completed a separate anti-corruption training programme and are directly involved in the work on formulating and quality assuring the group's code of conduct each year. Besides the board, managers and some key personnel take a special training course in anti-corruption.

## Personal data protection and information security

SpareBank 1 SR-Bank's security and privacy strategy is to ensure the confidentiality, integrity and availability of information between the customer and the bank. SpareBank 1 SR-Bank has a large customer base and is therefore a stakeholder that processes customer information and personal data on a large scale. The personal data rules, which consist of the EU's General Data Protection Regulation (GDPR) and Norwegian Personal Data Act, provide strong protections for privacy. The regulations give customers more rights, and routines and procedures in the quality management system have been drawn up to safeguard these rights. Furthermore, SpareBank 1 SR-Bank's privacy statement ensures individuals have a right to information about how the group processes personal information in an easily accessible manner.

SpareBank 1 SR-Bank has formalised and incorporated definitions of roles and responsibilities for information



security and privacy. A quality management system has been established with the group's governing documents for information security and privacy. Risk management processes have been established to constantly identify and monitor risks. The processes are designed to ensure compliance with internal requirements, acts and regulations and that risks are mapped and managed. These processes cover both information security and privacy risks. Risk mitigation measures are registered, followed up, and reported via a dedicated measures database.

Both proactive and reactive measures are taken to prevent, detect, investigate and manage security incidents. These include established contingency plans, regularly conducting emergency response exercises, on-call arrangements and crisis teams tasked with efficiently managing major incidents. The group has a dedicated incident response team that monitors and follows up security incidents and discrepancies relating to the use of IT systems in the group 24/7.

SpareBank 1 SR-Bank has implemented a number of technical safety barriers and puts employees through regular information security and privacy training in order to avoid unwanted incidents. These are tangible, concrete measures that are designed to prevent human and technical errors. Should unwanted incidents and discrepancies related to information security and privacy nevertheless occur, these are registered, followed up and reported via a dedicated incident database. The incident database ensures that the group learns from discrepancies and avoids repeating similar ones.

Regular audits of both our organisation and external suppliers are conducted to ensure that the group's information security and privacy requirements are being properly addressed throughout the value chain. During 2020, the group reported 19 breaches of personal data security to the Norwegian Data Protection Authority. The authority did not issue instructions or impose fines for any of these breaches in 2020. This was due to the fact that the breaches were not considered serious, that the group practises effective and robust event management, and that adequate measures were implemented to correct errors and prevent future breaches.

## Responsible information, communication and marketing

SpareBank 1 SR-Bank offers products and services that have a major impact on companies' and individuals' finances, including loan and credit agreements, savings, pensions and insurance products. This comes with a serious responsibility to help customers make informed choices when entering into agreements with the group. In line with the group's product management policy, customer segments should only be offered appropriate products and the products must be marketed in line with the requirements for good marketing practices. When determining how good marketing practices should be understood in each instance, the group refers to the special requirements for honesty and good business practices that apply to financial institutions, as well as any special disclosure obligations that apply,

for example for the marketing of credit agreements. Among other things, the products' properties and terms and conditions must be clearly stated and be understandable to the customer group at which the marketing is targeted.

Guidelines ensure customers' interests and investor protection are safeguarded when they are being sold products and services. Credit policy guidelines, routines, and guidelines for the securities firm's activities, product and distribution strategy for financial instruments have been established, and routines, processes and work descriptions have been operationalised. Training is also provided via the authorisation scheme for financial advisers (AFR), training programmes via VPF and VPF, and internal specialist days and training modules from SPAMA.

The group's product management policy requires that all new products and services, as well as material changes to these, must be risk assessed by relevant professional environments, approved by risk management and compliance, and passed by the executive management group. A standardised product, process and system scoring (PoPS) process has been established to meet this requirement, with weekly formalised case management meetings in which all relevant technical groups in the group participate. The process is intended to ensure that customer interests are adequately safeguarded in all new and changed products and services. The same risk assessment and decision-making process applies in the case of significant changes to customer-related processes, including communication and marketing. More than 150 change cases were formally processed in the group's PoPs process in 2020.

One unwanted incident was registered. This concerned a breach of paragraph 16.3 of the Financial Institutions Regulations regarding linking to Finansportalen. No other adverse events involving a failure to comply with the regulations or voluntary guidelines for product and service information, labelling and marketing were recorded in 2020.

## Environmental responsibility in own operations

As a responsible financial services group, SpareBank 1 SR-Bank takes a proactive approach to environmental and climate challenges. The group are constantly striving to be a resource-saving and environmentally efficient organisation by setting requirements for our own organisation, suppliers, and partners.

SpareBank 1 SR-Bank's move into its new head office, Finansparken, was completed in January 2020 and employees from the group's previous three head offices now work under the same roof. Finansparken has achieved BREEAM-NOR Outstanding certification and is one of Europe's largest wooden commercial buildings. The park outside has been landscaped with more than 50 species of plants, at least 30 of which are new to the area. This results in a rich fauna of insects and birdlife, both in the park and on the roof, which is covered in enriched sedum.

In 2018, SpareBank 1 SR-Bank registered energy and climate accounts based on the international "Corporate Accounting

and Reporting Standard” for the first time. This standard was developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. The climate accounts show tonnes CO<sub>2</sub>e that are direct and indirect emissions related to the group. These are greenhouse gas emissions that come from consumption due to, for example, travel, waste management, and energy use. Based on the climate accounts, the group identified which sources impact the external environment and implemented concrete measures to minimise them. In 2020, a working group carried out extensive work to assess environmental certification of the entire group with the aim of cutting its greenhouse gas emissions. This work will remain a priority in 2021.

The climate accounts for 2020 show a reduction in CO<sub>2</sub> emissions from 2019 to 2020. The group’s CO<sub>2</sub> emissions in 2019 were 701 tonnes CO<sub>2</sub>e compared with 337 tonnes CO<sub>2</sub>e in 2020. The greenhouse gas emissions were categorised as follows in 2020:

- Scope 1: 35.2 tonnes CO<sub>2</sub>e
- Scope 2: 192.7 tonnes CO<sub>2</sub>e
- Scope 3: 109.8 tonnes CO<sub>2</sub>e
- Total: 337.7 tonnes CO<sub>2</sub>e

### Annual greenhouse gas emissions

Category	2018	2019	2020	% change from previous year
<b>Transport total</b>	<b>62.5</b>	<b>69.1</b>	<b>35.2</b>	<b>-49.1%</b>
Petrol	24.7	23.0	13.8	-39.9%
Diesel (NO)	37.8	46.1	21.4	-53.7%
<b>Scope 1 total</b>	<b>62.5</b>	<b>69.1</b>	<b>35.2</b>	<b>-49.1%</b>
<b>Electricity total</b>	<b>291.7</b>	<b>183.7</b>	<b>192.5</b>	<b>4.8%</b>
Electricity Nordic mix	291.7	183.7	192.5	4.8%
<b>Electric cars total</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>-7.2%</b>
Electric cars Nordic	0.2	0.3	0.2	-7.2%
<b>Scope 2 Emissions</b>	<b>291.9</b>	<b>184.0</b>	<b>192.7</b>	<b>4.8%</b>
<b>Waste total</b>	<b>17.5</b>	<b>15.1</b>	<b>5.7</b>	<b>-62.5%</b>
Residual waste, incinerated	16.3	14.3	3.5	-72.5%
Paper waste, recycled	0.8	0.6	0.3	-54.1%
Glass waste, recycled	0.1	-	-	-27.6%
Metal waste, recycled	-	-	-	100.0%
Organic waste, recycled	0.2	0.1	0.2	70.3%
Plastic waste, recycled	-	-	-	495.0%
EE waste, recycled	-	-	-	-65.4%
Hazardous waste, recycled	-	-	-	-100.0%
Hazardous waste, incinerated	-	-	1.3	100.0%
Residual waste, recycled	-	-	0.2	100.0%
Wood waste, incinerated	-	-	-	100.0%
Cardboard waste, recycled	-	-	-	100.0%
<b>Business journeys, total</b>	<b>564.1</b>	<b>432.8</b>	<b>104.2</b>	<b>-75.9%</b>
Air travel	-	-	104.2	100.0%
Continental/Nordic, RF	564.1	432.8	-	-100.0%
<b>Scope 3 Emissions</b>	<b>581.6</b>	<b>447.9</b>	<b>109.8</b>	<b>-75.5%</b>
<b>Total</b>	<b>936.0</b>	<b>701.0</b>	<b>337.7</b>	<b>-51.8%</b>
<b>Percentage change</b>	<b>100.0%</b>	<b>-25.1%</b>	<b>-51.8%</b>	

## Key figures – energy and climate indicators

Name	Unit	2018	2019	2020	% change from the previous year
Total emissions (S1+S2+S3) (tCO <sub>2</sub> e)		936.0	701.0	337.7	-51.8%
tCO <sub>2</sub> e/turnover (S1+2+3)		0.2	0.1	0.1	-49.6%
tCO <sub>2</sub> e/FTEs (S1+S2+S3)		0.7	-	-	-
kgCO <sub>2</sub> e/heated floor space (S1+S2+S3)		20.7	17.9	9.9	-44.9%
Turnover	NOK millions	5,450.0	6,530.0	6,237.0	-4.5%
Heated floor space	m <sup>2</sup>	45,200.0	39,191.0	34,254.0	-12.6%

\* Electric Car Nordic is reported as estimated km consumption based on the agreement with the leasing company.

\* The waste figures are for the head office in Finanssparken.

\* The following offices are included in the energy consumption: Fana, Åsane, Sotra, Stord, Husnes, Kopervik, Åkrehamn, Jørpeland, Hundvåg, Mariero, Madla, Bryne, Egersund, Ålgård, Nærbø, Sandnes, Sola, Randaberg, Varhaug, Farsund, Flekkefjord, Grimstad, Kristiansand, Lyngdal, Mandal, Bergsmauet 2, Øvre Strandgate 52, Bjergsted Terrasse, Domkirkeklassen and the head office, Finanssparken.

Between 2018 and 2020, the group's greenhouse gas emissions were cut from 936 tonnes to 337.7 tonnes. Given the Covid-19 situation, estimating the reduction the group would have achieved had this situation not occurred is difficult. The reduction in greenhouse gas emissions from 2019 to 2020 was mainly due to flights. A project aimed at reducing flights taken by the group was started in 2020. This work was impacted by the Covid-19 situation and it was not appropriate to continue the work in 2020. The group has established a working group to assess which measures should be continued after the Covid-19 situation normalises. Sustainability and the climate are high on the agenda in this assessment, and it will, therefore, deal with reducing greenhouse gas emissions.

The group's head office was gathered under the same roof in 2020. Finanssparken has contributed to substantial reductions in energy consumption, although because the group still owns the old head office in Bjergsted, this reduction will not be visible in the group's climate accounts for 2020. The old head office in Bjergsted accounted for 723,291 kWh in 2020. A significant reduction in energy use is, therefore, expected once this building is sold.

Work will continue on cutting our greenhouse gas emissions through previously established working groups in 2021. Power generated by one of the power plants in Lysefjord will be purchased to ensure that the group has zero market-based emissions.

### Sustainable purchasing

Sustainable purchasing involves suppliers' awareness of their supply chain and the work they do to reduce their negative impact on the environment, social conditions and conduct throughout their company's supply chain. SpareBank 1 SR-Bank ASA's largest purchasing categories are marketing, IT systems, property operation, external consultants, and contracted personnel.

In 2020, the focus was on implementing the framework developed in 2019. The framework assesses the likelihood of negative impacts on the environment, social conditions and governance (ESG). Suppliers are required to have guidelines for sustainability, and these must be translated into action.

SpareBank 1 SR-Bank ASA and SpareBank 1 Utvikling DA, which accounts for around 80% of SpareBank 1 SR-Bank ASA's purchases, have assessed 254 suppliers based on the framework. These suppliers deliver services to the savings banks and companies. In 2020, we assessed the risk associated with the suppliers' likelihood of having a negative impact on the environment, social conditions and conduct. Based on this assessment, suppliers with an elevated risk of having a negative impact are monitored in order to ensure that they take a systematic and practical approach to their work on sustainability. This applies to both existing and new suppliers. If shortcomings are identified, the purchasing department engages with the supplier to ensure that the requirements are met.

The second phase of the assessment process was carried out in 2020 and 91 suppliers of SpareBank 1 Utvikling DA and five of SpareBank 1 SR-Bank ASA were followed up more closely. The suppliers were assessed in relation to their negatives impacts and contacted with questions regarding their guidelines for the environment, social conditions and conduct in commerce, documentation of their environmental management systems and which factors with the greatest negative impact on environmental and social conditions had been identified. 43 suppliers of SpareBank 1 Utvikling DA were flagged for further follow-up. Outside the central agreements, five of SpareBank 1 SR-Bank ASA's local agreements were assessed as having an elevated risk and were routinely followed up. All 48 suppliers responded to the questions and returned the requested information.

The suppliers identified as having an elevated risk included goods suppliers, suppliers of cleaning and canteen services, hardware, merchandising and gift items, office suppliers and larger suppliers of consulting services in countries with challenges linked to social conditions. 158 of the suppliers were assessed as having a low risk. These are not currently being followed up.

The follow-up of the suppliers will continue in 2021. Suppliers and categories that require further follow-up are identified based on the supplier monitoring. Evaluations and further developing the work on sustainable purchasing, as well as improving systems, are on the activity plan for the period up to 2023.

As in SpareBank 1 Utvikling DA, SpareBank 1 SR-Bank ASA is following up suppliers using the same framework tool and guidelines.

### Stimulating new jobs

SpareBank 1 SR-Bank is interested in innovation and creating growth in skills-based jobs. Gründerhub is one of the group's initiatives for creating the jobs of the future. A large number of applications have been received every year since its inception. Almost 300 entrepreneurs have undergone training in the Gründerhub programme since it started. They have represented companies with a good spread within technology, social entrepreneurship and sustainability. This has created around 340 new jobs through 270 companies. The group presented NOK 550,000 in awards to entrepreneurs through Sparebankstiftelsen SR-Bank as a means of encouraging entrepreneurship in 2020.

### Community support

As part of our activities, the group supports measures that are based on good living conditions, contributing to

growth and development, and a desire for enterprising people to get more back for their efforts. In 2020, the group contributed NOK 18 million in the form of grants and sponsorship agreements to various organisations, clubs and associations. SpareBank 1 SR-Bank's activities within community engagement and sponsorship are an extension of the group's day-to-day work. The aim is to start initiatives that can make a positive difference in our local areas, achieve a clearer position in the market with the group's sponsorship strategy, and to link sponsorships closely to the group's sustainability goals. In the future, the group wants to focus on gender equality in its sponsorship work. Among other things, the group has signed agreements with both Avaldsnes Elite AS and Viking FK's women's team.

SpareBank 1 SR-Bank's largest shareholder is Sparebankstiftelsen SR-Bank with its stake of 28.3%. Sparebankstiftelsen SR-Bank keeps the savings bank tradition alive. The Foundation may allocate profits, in the form of dividends from SpareBank 1 SR-Bank, for the distribution of gifts for generally beneficial purposes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities". This reinforces the bank's local presence and local engagement. In 2020, NOK 116 million was distributed to 646 recipients in Rogaland, Vestland and Agder. Together with Sparebankstiftelsen SR-Bank, the group helps talented young people develop through G9alt Talentutvikling. G9alt Talentutvikling is a foundation that distributes up to NOK 800,000 to talented young people in Rogaland, Vestland and Agder. In 2020, the full amount, NOK 800,000, was distributed.





# Our aim is to stimulate growth and development

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