



Human rights and decent work: **Our responsibility**

The SpareBank 1 SR-Bank Group's statement on
due diligence in line with the Transparency Act.

(Norwegian Act relating to enterprises' transparency and work on
fundamental human rights and decent working conditions.)

STATEMENT FOR 2023

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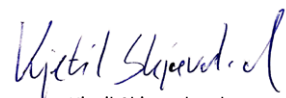
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CEO's foreword

This year's report is the second in the series. We have gained experience from internal processes and a growing awareness of the potential impact – both positive and negative – of our portfolio. We have also had several external discussions.

Practising human rights due diligence in accordance with international standards means making the organisation more aware than ever and calling for procedures and systems that highlight specific areas where red flags related to possible negative effects on human rights and decent work may be raised.

We will continue to challenge ourselves to identify blind spots and risks of human rights abuses. We recognise that there are many dilemmas in this area and that it is a journey where we never “arrive” but where the annual statement on due diligence remains an important tool for staying focused – a message that we also emphasise in discussions with our corporate clients.

Benedicte Schilbred Fasmer
CEO

1. Introduction

1.1 About SpareBank 1 SR-Bank

SpareBank 1 SR-Bank ASA is a financial services group for the whole of Norway which has developed over the years into an extensive corporation with subsidiaries and product companies that complement the bank's range of services. SpareBank 1 SR-Bank has a national distribution network and has for many years been the second largest Norwegian-owned bank. The Group has branches in Rogaland (head office in Stavanger), Vestland, Agder and Oslo.

The Group offers a varied range of traditional banking services such as loans, insurance and savings products, securities trading, accounting and estate agency services for both retail and corporate clients. The Group's main business areas are traditional banking services aimed at the retail, corporate and public sector markets.

Including subsidiaries, there are around 1,500 employees in SpareBank 1 SR-Bank.

In the autumn of 2023, merger plans were announced between SpareBank 1 SR-Bank and SpareBank 1 Sør-Øst Norge. The new group will be called SpareBank 1 Sør-Norge and the plan is for the merger to take place in 2024.

1.2 About this report

This report constitutes the annual public account by the SpareBank 1 SR-Bank Group on due diligence in accordance with the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (the Transparency Act) for 2023. The main focus of the report is a description of the human rights due diligence carried out in the SpareBank 1 SR-Bank ASA Group to identify and address any actual or potential negative impact on fundamental human rights and decent working conditions arising out of the Group's activities and value chain.

In addition to the parent company SpareBank 1 SR-Bank ASA, the report covers:

- EiendomsMegler 1 SR-Eiendom AS, which has 32 offices in southwest Norway and Oslo providing residential and other real estate brokerage services, with special expertise in projects, business and residential letting.
- SpareBank 1 SR-Bank BusinessPartner AS, which provides accounting services and advice for companies in the areas of HR, payroll, consulting, CFO services and sustainability/ESG.
- Other wholly-owned subsidiaries in the SpareBank 1 SR-Bank Group.

The report is published on our website, where it can be easily accessed.¹ As well as meeting the annual disclosure requirement in the Transparency Act, the report complements the annual sustainability report² and describes our efforts to meet our obligations related to international standards for human rights and decent work.

A key part of the disclosure requirement has to do with how the company manages risks related to human rights and decent work in the context of procurement (the "supply chain"). As a large proportion of purchases in SpareBank 1 SR-Bank are managed through the SpareBank 1 Alliance's joint procurement function in the jointly owned company SpareBank 1 Utvikling, the description in this report of due diligence relating to purchases and suppliers of goods and services is based on the work in SpareBank 1 Utvikling.

Overview of how the present report covers the minimum disclosure requirement in the Norwegian Transparency Act – see box 1:

Box 1

A general description of the enterprise's structure and area of operations	See section 1.1
A general description of policies and procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions	See section 2
Information concerning actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence	See section 2.2
Information concerning measures the enterprise has implemented or plans to implement to put an end to actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results of these measures	See section 3

¹ Available at <https://www.sparebank1.no/nb/sr-bank/om-oss/baerekraft/Aapenhetsloven.html>

² Available at <https://www.sparebank1.no/nb/sr-bank/om-oss/baerekraft/Aapenhetsloven.html>

1.3 What is new in the 2023 report?

Our first statement on human rights due diligence, which we published in June 2023, had a dual purpose: In addition to meeting the disclosure requirement in the Transparency Act, the statement provided an opportunity for a detailed description of our approach to due diligence and how this had been built up over time (see box 2).

Box 2

The 2022 report covers in detail:

- Our commitment to fundamental human rights and how this relates to our strategy and other efforts related to a sustainable transition
- The Group's overall system of due diligence and compliance with international standards laid down in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidance for Responsible Business
- Specific due diligence considerations for a financial services group, and how compliance with UN and OECD policies requires a focus on the whole value chain, including the downstream part (where the Transparency Act limits the scope to our own operations and supply chain)
- The most prominent risk areas for human rights and decent work associated with our operations and value chain



The focus of the 2023 report is on measures taken during the year, which included the seven focus areas summarised here. These concerned both cross-cutting measures and measures related to several of the most prominent human rights issues for the Group, both in its own business and in the value chain:

- Skills development
- Supporting whistleblowing and safeguarding employees
- Equality and diversity
- Customer data protection
- Risk of unintended discrimination through digital solutions and artificial intelligence (AI)
- Constant focus on industries in the portfolio with greater social risk and exposure to financial crime
- Fund products' alignment with international human rights standards and possible links to the Occupied Palestinian Territory
- Ongoing due diligence in a procurement context

2. Respect for human rights in own business and our value chain

2.1 Respect for human rights integrated into strategy and policies

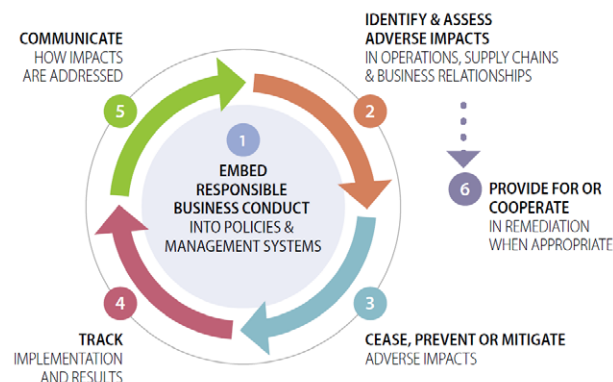
SpareBank 1 SR-Bank is committed to adhering to international standards for human rights and decent work. This commitment is embedded in the Group's general sustainability strategy and sustainability policy. It is a key component of our vision of being a responsible and sustainable financial services group and an integral part of our work on contributing to a sustainable transition.

In 2023, we developed a dedicated corporate standard which sets out the international standards on which the Group's commitment is based, what that commitment entails and how it relates to the Group's policies, guidelines and standards. The Group's due diligence processes, which are designed to identify, avoid and manage adverse impacts on human rights and decent working conditions, are a key part of this work. Our approach to due diligence strives for full compliance with the UNGPs and OECD Guidance.³

The approach follows the six steps in the UNGPs and the OECD's due diligence model – which the Transparency Act also refers to (see figure below):

1. Embed accountability into the company's policies
2. Identify and assess actual and potential adverse impacts on fundamental human rights and decent working conditions that the enterprise has either caused or contributed to, or that are directly related to the enterprise's operations, products or services through its commercial relationships (the value chain)
3. Establish appropriate processes, procedures and measures to stop, prevent or mitigate adverse impacts based on the enterprise's priorities and assessments
4. Monitor the implementation and results of processes and measures
5. Communicate publicly about due diligence and, in particular, inform affected stakeholders and rights holders how any negative impacts are being addressed
6. Ensure or cooperate in remediation where this is required

The six steps in the OECD due diligence model



Source: OECD, Norway's OECD contact point for responsible business conduct

The assessments are closely linked to the Group's efforts to analyse sustainability risk and its own sustainability impacts, and to the materiality assessments relating to its strategy work and sustainability reporting. However, the key concern for human rights due diligence is the likelihood of adverse impact on human rights and working conditions – and not the risk to the Group, which is the focus of traditional due diligence and risk management.

The duty to respect human rights and avoid involvement in violations through business relationships is embedded in the:

- Corporate Sustainability Strategy
- Sustainability Policy
- Compliance Policy
- Standard for Human Rights and Due Diligence
- Guidelines for Responsible Investments and Ownership
- Procurement Policy
- Standard for Sustainability in Procurement
- Standard for Sustainability in the Distribution and Recommendation of Mutual Funds
- Standard for Sustainability in the Corporate Market
- Standard for Sustainability in Agriculture and Nature
- Privacy Statement (PDF)
- Framework for Sustainable Financing

Our commitment to our employees, plus the roles and responsibilities of employees, have been incorporated into the:

- Standard for Diversity, Inclusion and Belonging
- Code of Conduct

³ The Group Standard for Human Rights and Due Diligence can be found at: <https://www.sparebank1.no/nb/sr-bank/om-oss/baerekraft.html>

2.2 Our mechanisms for reporting matters of concern

The UNGPs and the OECD Guidelines emphasise that addressing actual adverse impacts is part of an enterprise's responsibility to respect fundamental human rights. Where a business enterprise has itself caused or contributed to adverse impacts, remediation or contributing to remediation is key. If the business enterprise has not caused or contributed to an adverse impact, the responsibility for remediation lies with the entity that is directly responsible. However, the business enterprise can still make a positive contribution by trying to stop and mitigate the harm and by using its influence over those directly responsible to promote remediation.

Remediation is not part of due diligence itself, but it is closely related. One important function of due diligence is precisely to identify adverse impacts, which must then be followed up. Promoting remediation can also strengthen due diligence in the long term. Mechanisms for reporting concerns or complaints, along with remediation processes, can provide information about how operations and business relationships impact individuals, which in turn can help improve systems and avoid adverse impacts and serious risks.

SpareBank 1 SR-Bank is conscious of this dimension of responsible business conduct, which in practice requires us to have ways in which complaints and concerns can be reported. The Group has various channels for reporting concerns and complaints, which also include potential cases of a human rights nature or concerns in relation to decent working conditions. These include both internal and external situations. When it comes to our own operations, one important aspect is the right of employees to report internally and externally pursuant to the Working Environment Act.

Our internal mechanisms include:

- Whistleblowing procedure in line with the Working Environment Act
- The Group's system for reporting undesirable incidents
- Procedures for reporting potential breaches of privacy
- Trade unions

SpareBank 1 SR-Bank also has its own mechanisms for handling reports from external stakeholders on potential causes for concern that might be associated with the Group. We also have an online contact form on our web page for enquiries related to our human rights due diligence, in accordance with the duty to provide information introduced by the Transparency Act.

SpareBank 1 SR-Bank also has its own channel for customer complaints.

2.3 Due diligence assessments at SpareBank 1 SR-Bank

Most of our own activities and those of our corporate clients are concentrated in Norway. Here, the risk of

getting involved in breaches of human rights and decent work standards is generally low, but that does not mean the issue is irrelevant to us. Links to such violations and serious risks can arise both internally and in the companies' supply chains. Involvement in or links to possible negative impacts on human rights and decent work can manifest themselves in various ways through the Group's roles as employer, corporate lender, financial service provider for retail customers, distributor of fund products and procurer. This section describes how key risk areas related to each of these "roles" or contexts are managed.

2.3.1 Employer

Our own employees are the Group's most important resource, and a core responsibility for SpareBank 1 SR-Bank and its subsidiaries is to safeguard the fundamental rights of its own employees. In practice, this takes the form of extensive work in key areas such as:

- Equality, anti-discrimination, inclusion and diversity (including the Group's compliance with the activity and disclosure requirements under the Norwegian Equality and Discrimination Act)
- Working environment
- Cooperation with employee representatives and trade unions
- Employee data protection
- Employees' ability to raise and report matters of concern

2.3.2 Corporate lender

Norwegian banks rarely cause human rights and decent work abuses, but they may have corporate client relationships where links to human rights abuses may be identified. As a responsible financial services group, our financing should not contribute to any adverse impact on human rights and decent work, and we do our utmost to avoid any connection to abuses committed by others. The most important tool for SpareBank 1 SR-Bank in this context is to provide for robust risk management and due diligence as part of the anti-money laundering (AML) and credit process. The latter includes the establishment of customer relationships.

All customers of SR-Bank are required to comply with applicable laws and regulations, which include the Transparency Act for companies in scope, in addition to SpareBank 1 SR-Bank's Standard for Sustainability in the Corporate Market, which was updated in January 2024. This emphasises that we expect our customers to "treat people in accordance with recognised international norms", including international human rights and the ILO rights in the workplace, and to safeguard human rights in war and conflict situations. It also states that we expect those of our customers who are required to do so, to carry out their own due diligence in line with the Transparency Act. We do not grant loans to customers involved in arms trading, tobacco production or pornography.

We also conduct extended ESG (environmental, social and governance) assessments for credit engagements over NOK 10 million, using a standardised ESG framework which

also takes account of industry-specific risk. The social criteria assessed in this context include whether the corporate client:

- is aware of the risk of abuses of human rights and decent working conditions in its own operations and supply chain
- has policies that cover this type of risk
- has communicated guidelines and expectations to its suppliers
- carries out its own due diligence and has taken steps to manage any risk of abuses
- works systematically on gender equality and diversity

The assessment results in an ESG score, which is part of the credit committee's basis for processing loan applications. In the case of a low score, which could indicate a heightened risk and uncertainty about the corporate client's risk management, an action plan must be prepared. For sectors with inherently higher ESG-related risk (including social risk), the requirements for scrutiny, policies and procedures will be higher for customers to achieve a satisfactory score.

Engagements below NOK 10 million are not currently covered by the ESG assessment framework, but are covered by the anti-money laundering and "know your customer" processes, as well as the Standard for Sustainability in the Corporate Market

SpareBank 1 SR-Bank also makes use of frameworks that address specific issues for individual industries, such as our commitment to support a sustainable maritime sector. In this context, the principles of the Responsible Ship Recycling Standards (RSRS) form part of our dialogue with shipping companies that wish to become, or already are, clients of SpareBank 1 SR-Bank. Among other requirements, shipping companies must commit to use shipyards that can document decent working conditions and HSE, including the absence of child labour and modern slavery in their value chain. The RSRS principles are an integral part of our loan agreements and other terms for shipping companies.

2.3.3 Financial service provider to the retail market

The Group assists retail customers in important decisions and investments by offering loans, savings opportunities, insurance and other financial services and advice. This also includes the activities of our subsidiaries, such as real estate brokerage.

The role of financial service provider also comes with a fundamental responsibility to avoid any unintended negative impact on individuals. Focus areas in this context are:

- safeguarding personal data
- gender equality
- avoiding discriminatory practices, particularly with respect to groups that may be more exposed to discrimination in society at large.

Anti-money laundering and combating financial crime are also integrated into risk management for the retail market.

2.3.4 Distributor of fund products

We set clear requirements and expectations for the managers of the funds that we offer, who must adhere to responsible investment principles and international human rights standards. SpareBank 1 SR-Bank does not have its own equity and fund management, but distributes fund products in the marketplace. SpareBank 1 SR-Bank is also co-owner of SpareBank 1 Forvaltning, which is the joint savings arm of the SpareBank 1 Alliance banks, and also owns ODIN Fund Management. Through our fund platform, we recommend and distribute SpareBank 1 funds and ODIN funds, and we also distribute funds from other providers, such as Alfred Berg, Holberg, Storebrand and DNB.

As a prerequisite for distribution in our channels, SpareBank 1 SR-Bank's Standard for Responsible Distribution of Mutual Funds stipulates that all external fund managers must confirm in writing that they are familiar with and comply with our guidelines. SpareBank 1 SR-Bank requires transparency about the way in which sustainability risk is handled in fund management – which is also a requirement in the Sustainable Finance Act which implements the EU Sustainable Finance Disclosure Regulation (SFDR). The fund managers must update SpareBank 1 SR-Bank on their ESG monitoring of investments by reporting on the data that forms the basis for labelling fund products. This should be done as soon as possible after changes are detected, and at least once a year.

The guidelines for asset managers with whom SpareBank 1 SR-Bank has a distribution agreement set a clear expectation that they will not invest in companies involved in serious abuses of human rights and labour rights standards or breaches of the Geneva Conventions, and that this commitment will be reflected in their own guidelines.

2.3.5 Procurer

In the procurement area, there is close cooperation between the banks in the SpareBank 1 Alliance, where the jointly owned SpareBank 1 Utvikling plays a central role in the work on sustainable procurement. 90 per cent of SpareBank 1 SR-Bank's procurements are handled through SpareBank 1 Utvikling; the rest are handled locally within SpareBank 1 SR-Bank. All new suppliers are assessed for any risk of negative impact on the environment, social conditions (including fundamental human rights and decent working conditions), and ethical business practice. All suppliers must accept an appendix on sustainability in procurement when entering into a contract..

The SpareBank 1 banks' Standard for Sustainable Procurement clearly states that we expect suppliers and business partners to respect basic requirements concerning the environment, social conditions and ethical business practice. This standard (in the form of a so-called contract appendix) was revised in 2023 and now contains explicit requirements for compliance with the Transparency Act, as well as expectations for greenhouse gas accounting and transition plans.

3. Selection of focal areas for the 2023 due diligence: Findings, actions and expected results

Assessments and measures related to salient risk areas were carried out within all the different “roles” during 2023.

General measures: Training

During 2023, the Group’s work on training for all employees continued to take a high priority. Along with a focus on climate and the environment, the social dimension of sustainability is one of the pillars of the training. A separate mandatory human rights training module was launched, focusing on knowledge of fundamental human rights and the issues of business and human rights and the role of the financial sector. Corporate market advisors have also received specific training on the Transparency Act and human rights due diligence based on the UN and OECD guidelines. This has helped to increase understanding of how our company is covered, and also what it means for our corporate clients.

3.1 Employer

Safeguarding employees

In 2023, a new and improved whistleblowing procedure was established, along with a special review group made up of representatives from HR, Risk Management and Group Legal. This will ensure that employees have access to a mechanism for reporting matters of concern which is even more secure and easily accessible. The incidents database has also been further improved, helping to strengthen employee protection and whistleblowing channels. The database is constantly monitored, with an in-depth review every 14 days in an interdisciplinary forum (the HSE forum).

Among the incidents raised, three cases were reported in the “psychosocial working environment” category and six in the “physical working environment” sub-category, along with four near-misses and hazardous situations, three accidents and personal injuries, and five other HSE-related incidents. All of these incidents have been handled in line

with procedures, and we consider that those involved have been well looked after. Work on the psychosocial working environment is a high priority and the Group uses Winningtemp, which is a tool for organisational research. This has been in use in the Group since the autumn of 2022. Using this tool, frequent short surveys are sent out asking employees how they are doing at work and the results are available to both managers and employees in real time. The questions range over topics such as work situation, stress, leadership, autonomy and commitment. The Group also takes a systematic approach to health, safety and the environment, primarily via the HSE forum, an interdisciplinary team that deals with issues such as reported adverse incidents. The HSE forum includes representatives from the safety service, and the Security, Facility Management and People and Organisation sections. The HSE forum runs safety and security courses which include training in how to handle challenging customer behaviour in bank branches.

There has also been an increase in incidents relating to threatening customer behaviour. 48 cases were raised in 2023. Threatening customer behaviour has increased significantly, and poses a serious threat to employee well-being and integrity. Measures that have been and are being taken involve various actions (termination of customer relationships, reporting to the police, warning letters), psychological safeguarding of the employee through conversations and possibly professional help, and a focus on training through mandatory courses, emergency response training, game-based learning and scenario exercises. In 2023, the outcome of actions targeted at threatening customer conduct was: four warning letters, one report to the police and one customer termination.

Gender equality and diversity

In 2023, a Diversity, Inclusion and Belonging working group was established with contributors from across the Group. The purpose of this group is to raise the company’s maturity level in this area and to highlight the Group’s efforts both internally and externally. A new Standard for Diversity, Inclusion and Belonging has been established and work is ongoing on action plans and an annual cycle for 2024.

3.2 Corporate lender

ESG assessments: a key part of due diligence for the corporate portfolio

In 2023, 572 corporate clients with engagements over NOK 10 million were assessed according to the ESG risk framework, where the sub-score relating to social conditions is the dimension with the greatest spread in risk category from low to high. Figure 1 below shows a distribution of all of the customer engagements in the corporate market assessed by SpareBank 1 SR-Bank broken down by risk categories: high (red, 1-2), medium (orange, 3-4) and low (green, 5-6). The breakdown in Figure 1 only shows social factors that are part of the overall ESG assessment.

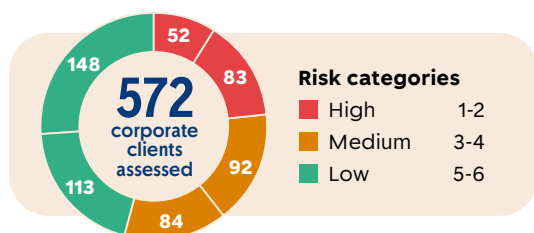


Fig 1: Number of customer engagements across the different risk categories in the “social conditions” category.

Because of the high inherent risk associated with working conditions and labour rights for industries with extensive use of contract and/or foreign labour, some of these corporate clients are classified as medium or high risk. In our portfolio, these are industries such as agriculture (with hired labour), engineering and building contractors, property projects, offshore (oil and gas) and shipping. This is in line with risk assessments carried out over time and known issues related to human rights and decent work in the lending portfolio.

A summary breakdown of the industries that are most often reviewed shows that engineering and building contractors, property projects, offshore (oil and gas), shipping, and other industries are all heavily represented in our portfolio. As these are sectors with great inherent risk, we have reason to monitor these industries more closely. See Figure 2.

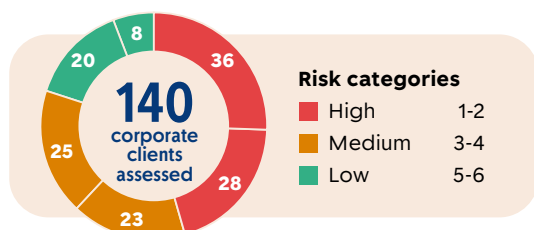


Fig 2: Number of customer engagements broken down by the different risk categories under “social conditions” for the industries: agriculture (with hired labour), engineering and building contractors, property projects, offshore (oil and gas) and shipping. The total number of engagements here is 140.

The ESG assessments carried out in 2023 did not identify any indicators relating to human rights and decent work abuse among corporate clients covered by the framework.

Spotlight on industries with high social risk in the supply chain: Building/property projects and shipping

In 2023, the Sustainability department and the advisors of large corporate clients in the Building and Property and Shipping sections ran focus groups on the assessments related to identified risk areas in the supply chains for these industries.

For property projects and engineering and building contractors (etc.), a rather variable level of maturity and awareness was identified when it came to documentation and measures related to social responsibility. This has been documented through the standardised ESG ratings and further conversations with customers. Despite these challenges, the view today is that the industry-specific risk related to social dumping and workplace crime, particularly in subcontractor relationships, is broadly captured (on a par with other sectors within the bank) in the AML and due diligence processes that SpareBank 1 SR-Bank carries out when entering into new customer relationships. This process is crucial to uncovering money laundering in property upgrades, which often go hand-in-hand with workplace-related crime. SpareBank 1 SR-Bank has mainly larger customers within the construction and property segment who generally use well-established suppliers who have committed to promoting a serious construction industry and combating workplace crime. The expectation is that the “ripple effect” of demands for decent employment terms and working conditions from the large customers down the supply chain is having a positive impact.

Within shipping, there has long been a focus on the risk of breaches of international standards for human rights and decent work throughout the value chain, from construction and operation through to recycling of ships. In the construction phase, there is an increased focus on requirements and expectations as to the choice of shipyards and the fact that the construction process now requires larger “site teams”. Among Norwegian shipping companies, requirements and guidelines for shipyards have been tightened over time, with close monitoring to prevent and address abuses of human rights and labour and environmental standards. On the operating side, there has been an increasing focus on crew members’ rights, and provision for diversity at sea. As an RSRS bank, we set clear requirements for shipping clients who must commit to responsible dismantling and recycling of ships, in accordance with the Hong Kong Convention and EU Regulations which emphasise protection of fundamental labour rights. SpareBank 1 SR-Bank monitors its shipping clients closely in this area.

3.3 Financial service provider to the retail market

Efforts against digital exclusion and discrimination

At the end of 2023, a project started up in the SpareBank 1 Alliance, initiated and led by SpareBank 1 SR-Bank. The project aims to prevent digital exclusion and avoid discrimination and unfair treatment in the transition to new uses of BankID. The social entrepreneur Kakadu is involved in this effort.

In 2023, a new Financial Contracts Act came into effect, whereby there is no longer a main borrower and a co-borrower, but both parties are called co-debtors (e.g. co-debtor A and co-debtor B). This is a step in the right direction which SpareBank 1 SR-Bank is following up through compliance with the regulations and efforts to make customers aware of the change. In 2023, the Group (along with several other banking groups) received a complaint via Finance Norway where SpareBank 1 SR-Bank was asked to respond to suspicions of discriminatory practices towards customers. These allegations were refuted and the handling these concerns accounted for in a written reply to Finance Norway with references to banks' procedures and principles.

Customer data protection

The Group has a large customer base and therefore processes customer information and personal data on a large scale. The privacy rules, enshrined in the Norwegian Personal Data Act and the EU's General Data Protection Regulation (GDPR) provide very strong safeguards. The regulations give customers a number of rights, and routines and procedures in the quality management systems have been drawn up to safeguard these rights. SpareBank 1 SR-Bank's privacy statement safeguards the individual's right to information about the Group's processing of personal data in an easily accessible manner. Data protection is an ongoing concern for the Group, and involves training, notification procedures and "focus days".

In 2023, more than 80 incidents with potential breach of privacy were reported. Most incidents are down to human error affecting a small number of customers. However, more serious incidents are also reported, all of them followed up to safeguard the privacy of customers and the employees involved. The number of non-conformances detected by SpareBank 1 Utvikling and affecting all of the SpareBank 1 banks is at the same level as in 2022. Recurrent sources of problems in SpareBank 1 Utvikling are deficiencies in access control, deficient testing of the solution and human error.

The number of non-conformances reported to the Norwegian Data Protection Authority was somewhat lower than previous years. This is because the threshold for reporting non-conformances has been raised in response to guidance and notices from the Norwegian Data Protection Authority, and less serious deviations are handled internally only. A total of 6 non-conformances were reported to the Norwegian Data Protection Authority, 5 of them by the data processor on behalf of the bank.

Risk of unintended discrimination through digital solutions and artificial intelligence (AI)

In our first statement on human rights due diligence, social risks associated with AI solutions were among the "newer" challenges we mentioned, which the financial sector needs to be aware of. In 2023, we highlighted further unintended discrimination that could arise through digital solutions and AI. As the a responsible financial services group, we have

expressed our views on this issue in debates and public statements. We have taken steps to maintain a strong focus on responsible technology development and to comply with new regulatory requirements. Among other things, the Group's head of data management and artificial intelligence has led efforts to develop a specific framework for responsible AI in SpareBank 1 SR-Bank, with ethical guidelines relating to data protection, security, fairness, accountability and transparency.

3.4 Distributor of fund products

SpareBank 1 SR-Bank distributes fund products on behalf of a wide range of asset management companies. Our Standard for Sustainability in the Distribution and Recommendation of Mutual Funds forms the basis for selecting funds and fund managers, and places requirements on the individual provider concerning responsible investments in accordance with international human rights standards.

The tragic situation in the Middle East sharpened the focus on investments with links to the Occupied Palestinian Territory, and a campaign initiated by Norwegian People's Aid and the Norwegian Union of Municipal and General Employees (Fagforbundet) enabled bank customers to check whether their respective banks were distributing funds invested in companies with operations connected to the Occupied Palestinian Territory. The stated goal of the campaign was to "shed light on how our savings may be aiding the occupation and what you can do about it." The campaign was based on a survey conducted by the Who Profits Research Center, which looked at companies' possible links to the occupation. Norwegian People's Aid and Fagforbundet had reviewed the funds offered by Norwegian banks to investigate whether they contained investments in companies with activities in the Occupied Palestinian Territory as identified by Who Profits. The campaign allowed Norwegian bank customers to send an automatically generated notice to their bank based on the results. In the period from November 2023 to January 2024, SpareBank 1 SR-Bank received 530 such automated inquiries, and one direct inquiry from a customer on the issue. SpareBank 1 SR-Bank does not have its own asset management, but as a distributor of funds that were identified by Norwegian People's Aid and Fagforbundet, carried out investigations to ensure that there was no breach of our guidelines for responsible distribution.

Together with other SpareBank 1 banks, we followed up the information with investigations and requests for information from the relevant fund managers. ODIN Management, which is owned by SpareBank 1 Forvaltning (jointly owned by the SpareBank 1 banks) and manages the SpareBank 1 funds, coordinated the follow-up on these. The investigations confirmed that some funds contained one of the identified companies with potential business relationships with activities in the Occupied Palestinian Territory, but none of these were listed in the UN database (UN Office of the High Commissioner for Human Rights) of businesses potentially responsible for or linked to human rights abuses. The

identified companies were also not on the exclusion list for the Norwegian Government Pension Fund Global (NBIM). The guidelines for responsible investments of ODIN and SpareBank 1 Forvaltning formed the basis for the assessments, which included the following key criteria:

- The companies invested in should act in line with the 10 principles of the UN Global Compact
- The companies should adhere to the UN Guiding Principles on Business and Human Rights
- The companies should follow the OECD Guidelines for Multinational Enterprises
- The investments are screened against the NBIM's exclusion list, which is based on recommendations from the Independent Council on Ethics established by the Ministry of Finance
- If the portfolio is found to contain companies in breach of any of these principles, these will be followed up (either directly or indirectly if the direct ownership is via external fund managers) and we will consider divestment if we do not get a satisfactory answer.

The managers of the fund containing the identified company also made themselves available for discussions with Fellesforbundet and Norwegian People's Aid. The fund managers will keep continue dialogue with the companies, and we will continue to follow the situation closely.

3.5 Procurer

The work on systematic mapping and monitoring of

sustainability risk in the SpareBank 1 Alliance's joint procurement function started in 2019. This focused on three procurement categories where the risk of environmental and human impact is particularly prominent: administrative purchases, IT-related purchases and the largest suppliers. The main risk areas with respect to the environment, social conditions and ethical business conduct were identified for each of the procurement categories.

There has also been a focus on due diligence in relation to the supply chain for promotional items, an area that may generally carry an elevated risk with respect to safeguarding fundamental labour rights in producer countries, many of them in Asia. The SpareBank 1 Alliance calls for sustainable promotional items in its standard contracts. The main supplier of promotional items, takes a systematic approach to traceability and due diligence for its supply chain with regard to risks to human rights and negative environmental impacts, based on guidance from the Ethical Trade Norway initiative, among others.

The sustainability risk is generally low for our own local procurement handled by SpareBank 1 SR-Bank and subsidiaries. In recent years, we have focused especially on industries where employees of suppliers and subcontractors are typically exposed to a higher risk of breaches of labour standards, such as cleaning and canteen services, and on building projects.

Identified risk areas in joint procurement based on risk-based due diligence assessments in 2019-2022

The salient risk areas with regard to the environment, social conditions and ethical business practice identified for the prioritised procurement categories (see table below; areas of risk related to human rights and decent work are highlighted).

Prioritised main category	Identified risk areas for these categories that are followed up in the procurement process
Furniture and fixtures (prioritised category within administrative purchases)	<ul style="list-style-type: none"> • Environmentally harmful materials and chemicals • Climate footprint • Waste management • Circular economy • Risk of human and labour rights abuses in supply chains • Compliance with the Transparency Act and due diligence
IT hardware (priority category within IT-related procurement)	<ul style="list-style-type: none"> • Links to conflict minerals at the raw material level • Environmentally harmful materials and chemicals • Waste management • Circular economy • Risk of human and labour rights abuses in supply chains • Compliance with the Transparency Act and due diligence
Largest suppliers (volume) to core business: IT systems and consultants	<ul style="list-style-type: none"> • Climate footprint, particularly in relation to: <ul style="list-style-type: none"> - <i>Energy consumption linked to cloud services/servers</i> - <i>Travel</i> • Circular economy • Social conditions and ethical business conduct in supply chains, including the risk of human and labour rights abuses • Compliance with the Transparency Act and due diligence

Due diligence and sustainable procurement in 2023

*The SpareBank 1 Alliance*⁴

The due diligence in 2023 was a further follow-up on the 12 suppliers examined in 2022. All 12 suppliers have explained their due diligence procedures. The follow-up of the reports shows that the suppliers place the greatest emphasis on the general description of the company's organisation, area of operations and policies. There is less information on actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence

The focus in 2023 was therefore on further risk-based due diligence, where two of the suppliers – a major IT equipment supplier and a large IT service provider – were followed up further. In its dialogue with the suppliers, the assessment by Alliance procurement emphasised that the reports did not provide sufficient information about actual negative consequences and significant risk of negative consequences; cf. Sections 5b and 5c of the Transparency Act. They were asked for further feedback on this. The IT equipment company was also asked to report on investigations of one of its suppliers of electronic components in China.

- **The IT equipment supplier** provided more specific information on actual findings in 2022 from six suppliers in Asia which revealed non-conformances related to indicators of modern slavery in their recruitment, travel, medical treatment and accommodation costs. There was one case of a withheld passport and salary and one case of forced overtime. The supplier, in collaboration with the Responsible Business Alliance (RBA), demanded that the sub-suppliers stop these illegal practices and is following up with local audits. Approx. USD 0.8 million was repaid to 200 employees in 2022. At the subcontractor in China there were "issues with overtime working, housing support and social security contributions. This indicates systemic errors in control processes and is under surveillance."
- **The IT service provider** has not made the disclosure readily available on its website as required by the Transparency Act, but instead refers to its annual report. We do not consider this sufficient. The supplier's response is that "it is relevant to view the report together with other content in our sustainability report, where several other areas are also involved in our work on fundamental human rights and decent work. Please refer e.g. to the sections on "responsible sourcing", "employee experience", "diversity and inclusion" and "cybersecurity and privacy". Although the supplier's general sustainability work is considered to be good, Alliance procurement has stressed that is not a substitute for a statement on human rights due diligence, which should be made available on the supplier's website.

Alliance procurement had no direct discussions with

potentially affected parties (employees of suppliers and sub-suppliers) or their representatives (trade unions). No contracts handled by the Alliance procurement section were terminated because of sustainability issues in 2023.

At a general level, the Alliance procurement section continued its efforts to raise the level of awareness, skills and compliance with sustainability standards in purchasing in cooperation with the sustainability and procurement functions in the SpareBank 1 banks and product companies. Internal practical guides were prepared on sustainable procurement and due diligence to support the work of procurement managers. The aim is to ensure that sustainability assessments are conducted as early as possible in procurement processes and integrated into the procurement work. The standard contract appendix on sustainability used by Alliance procurement was also revised to include explicit requirements for compliance with the Transparency Act and the expectation that suppliers should keep greenhouse gas accounts and refer to their own net zero transition plan. The appendix is used when new contracts are entered into. No contracts handled by the Alliance procurement section were terminated because of sustainability issues in 2023.

Own purchases in the Group

During 2023, all "local" supplier agreements (i.e. not covered by joint contract management through SpareBank 1 Utvikling) for SpareBank 1 SR-Bank and the wholly-owned subsidiaries EM1 SR-Eiendom and SpareBank 1 SR-Bank ForretningsPartner were risk-assessed and categorised based on a risk-based approach. In all, 211 suppliers with contracts for more than NOK 100,000 were assessed:

- Parent company SR-Bank: 50 suppliers
- SpareBank 1 SR-Bank ForretningsPartner: 86 suppliers
- EM1 SR Eiendom: 175 suppliers (including 15 managed by the EM1 Alliance)

For the procurement contracts held by both SpareBank 1 SR-Bank and its subsidiaries, risks relating to possible human rights and decent work abuses are low. During 2023, no actual breaches (including issues related to the working environment, gender equality and employee rights) by suppliers were uncovered. SpareBank 1 SR-Bank has previously followed up specifically on providers of cleaning and canteen services.

A large part of the volume purchased by Sparebank 1 SR-Bank from its suppliers relates to goods and services used to manage property. This includes items such as rent, Facilities Management (FM) services and skilled tradesmen. Other major areas are service purchases, such as consultancy services, courses and training.

None of these suppliers have been categorised as "high risk".

Three suppliers were selected for in-depth review, all of which were considered to have a medium to high risk of

⁴ Based on the annual report and due diligence assessments from SpareBank 1 Utvikling.

adverse impact on social conditions. The selected suppliers belong to the following industries: furniture and fixtures, IT equipment, and cleaning and canteen services. The criterion for a satisfactory response is that the documentation should be easily accessible and understandable. If the suppliers are covered by the Transparency Act, they were required to have carried out due diligence of their own.

EiendomsMegler 1 SR-Eiendom and SpareBank 1 SR-Bank ForretningsPartner strengthened their procurement processes by incorporating the Group's common policies and procedures for sustainable procurement, which include expectations relating to human rights and decent work and supply chain due diligence.

In the second quarter of 2023, EiendomsMegler 1 SR-Eiendom assessed its own suppliers (i.e. those that are not shared with SpareBank 1 SR-Bank). A risk assessment of the company's suppliers was carried out, and the contracts they had with the photographers were classified as medium risk. The action taken was to draw up contracts in line with new requirements and guidelines. The assessment also identified a need for tighter procedures for new contracts, and a need for training in this area. This will be a priority for 2024.

SpareBank 1 SR-Bank ForretningsPartner has also been reviewing its own suppliers and will continue this analysis into 2024. As part of its due diligence, SR-Bank ForretningsPartner decided to follow up on one of its suppliers, with support from the corporate sustainability and compliance functions. This was a Norwegian provider of billing services, where bookkeeping tasks on the accounting platform were performed by a subcontractor

in Myanmar. Myanmar is associated with a very high risk of corruption and systematic human rights violations, including workers' rights, a situation that has been further exacerbated since the 2021 military coup and ongoing armed conflicts. Such situations require enhanced due diligence, and follow-up was initiated as a top priority to obtain documentation from the supplier to show that risks related to compliance with international standards had been addressed. No details of actual abuses or serious risks were uncovered, and there was no indication that matters specific to this subcontractor pointed to an increased risk. However, after repeated follow-up with the supplier, the conclusion was that there was insufficient documentation of due diligence in accordance with the OECD Guidelines and the UN Guiding Principles, and the contract was terminated. The annual cost of the contract was NOK 200,000, but follow-up was prioritised on the basis of the high-risk environment in which the subcontractor operated. Because of the complex situation in Myanmar and the value of the contract, direct follow-up of potentially affected stakeholders was neither realistic nor proportionate.

Other wholly owned subsidiaries: The SpareBank 1 SR-Bank companies SR-Boligkreditt AS and Finstart Nordic AS (the Group's investment and innovation company within fintech). Monio AS (which is licensed as a payment company and is a registered loan intermediary) until the end of 2023, after which the company was sold to Folkeinvest. The Group's common guidelines and procedures for ensuring sustainable procurement apply to its subsidiaries (including Monio AS up to the end of 2023). For SR-Boligkreditt AS and Finstart Nordic AS, procurement is handled through SpareBank 1 SR-Bank.

4. Information requests

In May 2022, SpareBank 1 SR-Bank established a system for receiving information requests related to our duty to provide information in line with the Transparency Act. This included a procedure which describes a process for receiving requests, responsibility, the basis for responding in line with the Act, and templates for handling replies. In June 2023, SpareBank 1 SR-Bank received a request from a journalist from FinansWatch. Among other things, this included a request for access to a list of sub-contract providers of our

banking services. The request was reviewed in accordance with the procedure, in which all functions from the bank were represented. The outcome of the review was that the journalist was referred to the Group's public due diligence statement, but told that we were unable to disclose lists of our subcontractors as this is commercially sensitive information, in accordance with the exception in Section 6 of the Transparency Act.

5. The way forward

5.1 Continued focus on new challenges

The 2022 statement pointed to a number of “new” challenges that will require closer attention from the financial sector in the time ahead:

- Risk of unintended discrimination through digital solutions and artificial intelligence (AI)
- The link between man-made climate change and negative impacts on individuals hit hardest by climate change today and on future generations.
- The social risk in the value chains of green energy and technology, where there are credible reports of situations involving serious human rights abuses both at production tiers (e.g. suppliers of components for solar cells) and in raw materials extraction (many of the critical “transition minerals” are mined in regions where the risk of adverse human rights impacts on both workers and communities is high).
- The need to consider the social dimension of the green transition, which also implies a “just transition”, where due diligence is an important tool for identifying and assessing risks to e.g. workers in connection with new energy solutions and the rights of communities in connection with renewable energy development.

These challenges will be a key feature of the coming years and will grow in importance for both economic and business policy and the financial sector. Geopolitical tensions, conflicts and scarcity of resources will also affect the green transition and have implications for several of these challenges. Questions around climate change and a sustainable transition are finding their way more and more often into the centre of political division lines. This makes the challenges of tackling climate change, nature loss and various forms of inequality even more complicated, but it is nevertheless important to maintain a steady course. Socially fair transition at different levels will be crucial in this context. Among other topics that are gaining in importance are issues affecting individuals, such as the importance of mental health and social interaction both in the workplace and in customer relationships.

5.2 Further measures and plans

Key actions in the coming years include:

- **Training**
We will maintain our focus on training and skills development, both at a general level, for all our employees, but especially for employees in customer-facing positions such as business advisers. We need to pay special attention to customer engagements that are not large enough to require mapping according to the ESG framework. It is just as important to consider these customers in terms of the social aspects.
- **Continuous improvement of ESG mapping tools**
In collaboration with the SpareBank 1 Alliance and across our professional communities, modifications and enhancements to the ESG framework will be an important tool to further improve our methods for picking up matters of concern among our corporate clients. This also involves further follow-up of customers who have been instructed to create an action plan on the basis of low ‘S’ score in the ESG mapping.

Going forward, we will also prioritise:

- Respect for human rights in the green transition.
- Due diligence as part of SpareBank 1 SR-Bank ForretningsPartner’s ESG advice.
- Collaboration with the SpareBank 1 Alliance on sustainable supply chains and further development of ESG assessments in a credit context.
- Dialogue with both business and other actors on solutions and dilemmas for human rights due diligence, including our participation in the FUTURE-PROOF initiative under the auspices of the Rafto Foundation and the Bergen Chamber of Commerce. Here we want to help persuade other companies to mobilise further in this field, leading by example and talking about the challenges and paths to improvement.
- Coordinating, organising and developing the sustainability work in the new SpareBank 1 Sør-Norge Group, including work on human rights and due diligence.

Developments in Norway, Europe and the rest of the world through 2023 show us that our work on human rights and decent work in the value chain need to stay high on the agenda, as a key part of efforts by the Group and the society around us towards a sustainable transition.