

Communication on Progress (COP) 2012/04 - 2013/04

Social issues and banking are indivisible for Swedbank. Our broad customer base and strong local presence means that our success depends on the development of society. We have the greatest chances of achieving results in areas where our core expertise can contribute to resolving important social problems that engage our customers and employees. Our greatest benefit to society is in being a good and stable bank that genuinely supports sound and sustainable growth, for customers, shareholders, employees and society in general. During 2012 Swedbank adopted a new group wide sustainability strategy which describes how Swedbank shall integrate human rights, the fight against corruption and climate considerations in our business. The strategy is well in line with the different aspects of the Communication on Progress and Swedbank continues its support of the United Nations Global Compact.

Camilla Robinson Seippel, Head of Sustainability, Swedbank.

Our sustainability strategy

Swedbank's responsibility for sustainable development starts with the way we do business. We are and shall continue to be a secure bank that does not jeopardise financial market stability through excessive risk taking. Swedbank contributes by being part of the financial infrastructure that is key to a well functioning society. Sustainability is integrated in our business model and consists of three main areas: Financial sustainability, Social sustainability and Environmental sustainability. We thereby assure the bank's fundamental capacity to contribute to economically, environmentally and socially sustainable development in markets where we operate and in society as a whole.

Financial Sustainability: We meet the needs of communities for loans, savings and payments and we promote a sound and sustainable financial situation that does not jeopardise the ability of future generations to meet their needs.

Social Sustainability: We support social development in a globalised world and engage in the social challenges of society as part of our business idea. The bank can never be stronger than the society in which it operates.

Environmental Sustainability: We help conserve social and natural resources. We work to reduce the use of the world's finite resources. We promote a stable climate and alternative energy sources.

Focus and progress 2012

To ensure the work we do to be a responsible and sustainable bank is as successful as possible, we need to concentrate our efforts and resources on those areas where they make the greatest difference. With the aid of a materiality analysis, we have identified the areas where we have the biggest impact. Our most important focus areas in 2012 are outlined below.

Financial Sustainability - In focus

- While continuing our low risk taking, ensure profitability for sustainable buffers and scope for investments that provide better service to our customers and a good return for shareholders.

Financial Sustainability - Development and performance

- Risk models have been fine tuned and expertise on risk adjusted return on capital increased.
- The Riksbank Financial Stability Report of November 2012 shows that Swedbank is one of the most strongly capitalised banks in Europe.
- Return on equity was 14.4. per cent.
- Common Equity Tier 1 capital ratio on 31 December 2012 was 15.4 per cent according to Basel 3, incl. IAS 19.
- The bank has recommended repayment, lower indebtedness and increased saving in order to reduce customer risk levels.

Social Sustainability - In focus

- To increase employee engagement and likelihood to recommend the bank as an employer.
- All employees in our home markets are to undertake training on the bank's impact on society.
- Customer satisfaction over 75 per cent in all home markets.
- A process for assessing risks, specifying requirements and auditing suppliers to be developed. All suppliers are to be risk assessed and classified based on general sustainability-related sector and country risks.
- Develop transparent and coherent communication related to processes, commitments and ways of working to combat corruption.

Social Sustainability - Development and performance

- Communication on our position and processes to counter corruption has been developed.
- All suppliers where invoicing exceeds SEK 500 000 per year have been risk assessed along with several others based on specific country and sector risks.
- Integrated anti-corruption measures in the bank's procurement processes and in our code of conduct for suppliers.
- Completed an analysis of the credit portfolio for exposure to high risk countries and sectors in respect of human rights.
- Employee survey indicated an engagement index of 82. Likelihood to recommend index score was 5.
- Customer Satisfaction Index score of 67 in Sweden (Corporate & Private), 74 in Estonia, 79 in Latvia and 80 in Lithuania.
- Development of an online employee training course available in five languages has begun.

Environmental Sustainability – In focus

- A process for assessing risks, specifying requirements and auditing suppliers. 100 per cent of the bank's suppliers have been risk assessed by the end of 2012 and classified based on general sustainability related sector and country risks.
- Starting 2013, and thereafter on an annual basis, we report on dialogue related to climate change when granting credit and in fund management.
- By the end of 2013, the bank's greenhouse gas emissions are to be reduced by 15 per cent compared with our base year 2010.

Environmental Sustainability - Development and performance

- All suppliers where invoicing exceeds SEK 500 000 per year have been risk assessed along with several others based on specific country and sector risks.
- Our fund management unit has started sustainability dialogues with a number of companies.
- The bank's emissions of greenhouse gases have been reduced by 9.1 per cent in 2012 against 2011 and by 22.2 per cent 2010–2012.

Priorities in 2013 and beyond

To aid goal completion, specific focus areas with clear links to the bank's business processes, have been identified. In 2013 Swedbank will present a three-year sustainability strategy.

Financial Sustainability – Goal

- To encourage a sound and sustainable financial situation by strengthening the bank's and our customers' long-term competitiveness. This will be done by avoiding large credit and operating losses, by focusing on long-term profitability, developing long-term relationships with customers and employees, and via adequate buffers on a strong balance sheet. We will also work towards open, stable and honest markets.

Financial Sustainability – Focus 2013

- To continue to be one of the most strongly capitalised and most resilient banks in Europe.
- Invest in the services our customers increasingly require. Especially digital channels and advanced advice.
- While continuing our low risk taking in our operations, increase the profitability that ensures resilient buffers and investment scope to improve service to customers.
- To continue to fine tune our risk models and work towards greater openness and transparency.

Social Sustainability - Goal

- That the bank in all its banking business – within its organisation and via the provision of loans and asset management – contributes to the development of

society. We do this by actively working for human rights, countering corruption in all its forms and by engaging in social challenges, above all in the areas of education, employment and integration.

Social Sustainability – Focus 2013

- Customer satisfaction over 75 per cent in all home markets.
- To increase employees' likelihood to recommend the bank as an employer.
- To continue our work on implementing issues related to human rights and anti-corruption in the bank with the focus on our fund management, credit processes and procurement processes.
- To continue our work to increase diversity and inclusion in society via the bank's own operations and in partnership with our customers and various stakeholders in society.
- To help our employees meet their own expectations and those of our customers and society, as well as demands on us as a bank and as a positive factor in the development of society.
- Enable all our employees in our home markets to undergo an online course in sustainable banking.
- Starting 2013, and thereafter on an annual basis, to report on dialogue related to human rights and anti-corruption when granting credit and in fund management.

Environmental Sustainability – Goal

- That the bank in all its banking business within its organisation and via the provision of loans and asset management, contributes to a reduction in the use of the earth's finite resources and to lower emissions of greenhouse gases.

Environmental Sustainability – Focus 2013

- To continue to support the more efficient use of resources in all internal processes and in particular to reduce our carbon footprint as regards business travel and energy consumption.
- To continue to develop and apply methods to reduce environmental impact in our fund management, credit processes and procurement processes.
- To develop management systems and measurement methods.
- By the end of 2015, the bank will have reduced its greenhouse gas emissions by 30 per cent, and by the end of 2018 by 40 per cent, compared with our base year 2010.