

# Communication on Progress – Swedbank

## Background

Community engagement and social responsibility are two core elements of Swedbank's history. Swedbank's biggest benefit to society is achieved by helping our customers. 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 challenges that engage our customers and employees. Besides doing everything a full-service bank does, only better and more efficiently, the key to our identity and business strategy is to offer banking services for the many and engage in the communities where our customers live and work. We focus our engagement on areas where we have special expertise and where we, together with our customers and partners, can make a difference.

Swedbank has integrated sustainability consideration in core processes such as corporate lending, payments, supply chain and investments and we are reporting our results, progress and plans within the field of sustainability in our Sustainability report. The report is based on Global Reporting Initiative and all indicators in the report are linked to the ten Global Compact principles hence, the different aspects of the Communication on Progress are easily found in our sustainability report.

## Commitment to UN Global Compacts 10 principles

*Community engagement and social responsibility are part of Swedbank's history. We are convinced that a bank can never be stronger than the society in which it operates. Our greatest benefit to society is in being a stable bank that genuinely supports sound and sustainable growth, for customers, shareholders, employees and society in general. Swedbank's sustainability ambitions are in line with the 10 principles of the UNGC and Swedbank will continue its support of the United Nations Global Compact.*

*Michael Wolf*

## Our sustainability strategy

Swedbank's strategy for sustainable banking starts with the way we do business. Swedbank contributes to the financial infrastructure that is essential to a well-functioning society. We are and will remain a secure bank that does not jeopardize our own existence or the stability of the financial market through excessive risk taking.

The work we do to promote a sound and sustainable economy is integrated in our business model in three main areas: Financial sustainability, Social sustainability and Environmental sustainability. By integrating these areas in the bank's daily operations, we believe we can play an important role in contributing to sustainable development in the markets where we are active and in society as a whole. Sustainability is integrated in to our core processes as described below:



## Save

A critical part of our savings offering is fund management. This involves assessing the value of companies today and in the future. We regard sustainability risks as financial risks, so their assessment is an important part of every step in a long-term financial analysis. Swedbank Robur is certified by the Global Investment Performance Standard (GIPS) and has signed the UN's Principles for Responsible Investment (PRI). In addition, Robur offers a number of funds with extensive sustainability criteria.

### **Swedbank Robur integrates sustainability assessments in its asset management as follows:**

1. Risk assessment – Sustainability risks are analysed before approving an investment.
2. Exclusion – Cluster bombs, mines, chemical or biological weapons, and nuclear weapons companies.
3. Impacts – We influence companies in a sustainable direction. We participate in a large number of annual general meetings and nomination committees.

## Borrow

Before approving any corporate loan application of at least SEK 1 million (EUR 80 000 in the Baltic countries), a risk assessment is conducted of financial, social and environmental sustainability, including human rights, corruption and the environmental risks.

### **The sustainability risk assessment is done as follows:**

1. General sustainability risks are discussed with the customer based on the risk assessment model.
2. Industry-specific risks are discussed based on guidelines that specify sustainability risks and critical issues for each industry.
3. If the company is considered to have sustainability risks and/or the amount is too high for the advisor alone to approve, the case is sent to a credit committee for final decision.
4. If additional support is needed before a decision can be made, the case can be taken up by Swedbank's Sustainability and Ethics Council.

## Pay

Swedbank has processes, internal rules and support functions in place to ensure it complies with applicable laws and regulations on money laundering and terrorist financing. The key to this work is knowing our customers and understanding where their money comes from and what they want from their relationship with the bank. With this information, we can detect suspicious behaviour, including with the help of system support for monitoring domestic and international transactions, screening our customer data base against sanctions lists, etc.

### **Efforts to counter money laundering and terrorist financing are based in part on the following process:**

1. Risk assessment
2. Know the customer
3. Continuous monitoring
4. Audits
5. Reporting

## Procure

As a financial company, we have a small but complex supply chain. We make very few direct purchases of products, which limits our ability to monitor and support manufacturers. We have worked extensively to integrate sustainability into our procurement.

### **Our work comprises the following parts:**

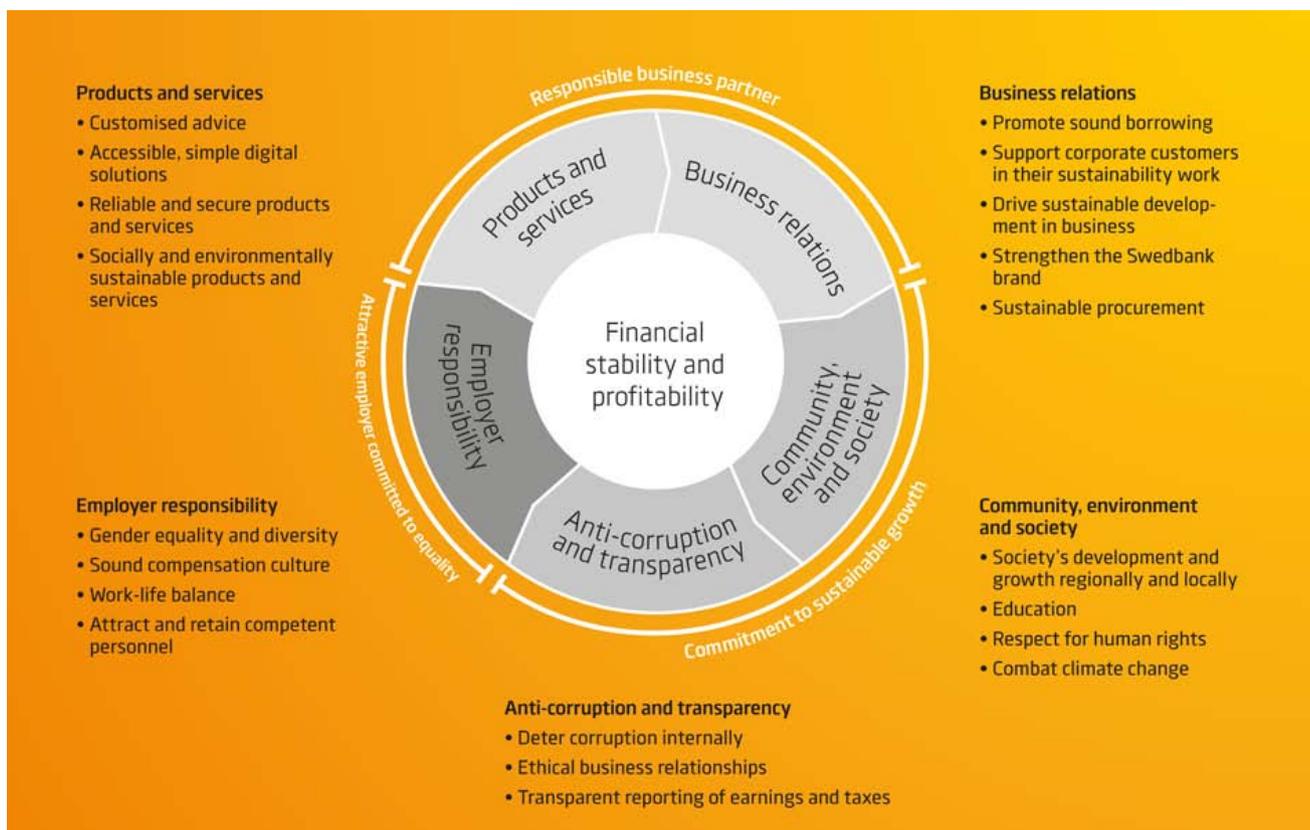
1. Code of conduct for all suppliers as a binding part of the agreement.
2. Risk classification of existing and potential suppliers with invoicing of over SEK 500 000 per year, based on country – and industry – specific risks.
3. Self-assessments by risk-classified suppliers based on our code of conduct.
4. Supplier audits.



## Our way of working and results

During 2013 we carried out a stakeholder dialogue and a materiality analysis in order to identify our focus areas within the field of sustainability. We maintain a continuous dialogue with customers, employees, investors and suppliers in this area. Decision-makers, opinion leaders and not-for-profit organizations are also stakeholders with which the bank discusses its operations and society's development. As a result of our materiality analysis we have confirmed that our way of working, since 2011, when we did put further efforts in to our sustainability integration within core processes

such as credits, purchase, investments and payments are well in line with the outcome of our materiality analysis. The result of Swedbank's materiality analysis is described below:



## Focus and progress

Our focus has been on integrating sustainability aspects in our central processes and development of a group wide framework for governance. This maintains our way of working with sustainability.

Below you can see our focus areas more in detail and also follow our progress for social, economic and environmental sustainability:

## Financial sustainability

### In focus

- Remain one of the **most strongly capitalised and stress-resilient** banks in the Nordic countries.
- Invest in products and services that **meet our customers' needs**, preferences and demands.
- While maintaining low risk, increase profitability to ensure **sustainable buffers and the scope to invest in better service** for our customers.
- Continue to refine our risk models while encouraging **openness** and transparency.
- Reach **customer satisfaction of at least 75 per cent** in all our home markets.

### Development and performance

- The Swedish Riksbank's Financial Stability Report in November 2013 shows that Swedbank is one of Europe's most strongly capitalised banks and is well prepared for future regulations.
- The return on equity was 14.7 per cent.
- The Common Equity Tier 1 capital ratio on 31 December 2013 was 18.3 per cent, according to Basel 3, including IAS 19.
- New features have been developed for several of Swedbank's digital apps. The number of Mobile Bank customers increased in 2013 by 33 per cent in Sweden, 80 in Estonia, 64 in Latvia and 114 in Lithuania.
- Risk models have been refined and understanding of the risk-adjusted return on equity has increased.
- The bank has continued to recommend loan repayment, lower debt levels and increased savings in order to reduce customer risk levels.

Goal achievement: 

- Customer satisfaction was 65 per cent in Sweden. In the Baltic countries, customer satisfaction is measured biannually by TRIM. In the latest survey from 2012, the index for Estonia rose by one point to 74, Latvia by five points to 79 and Lithuania by two points to 80.

Goal achievement: 

## Social sustainability

### In focus

- **Increase the likelihood that employees will recommend the bank** as an employer.
- Continue to **address human rights and anti-corruption** issues in the bank with emphasis on fund management, lending and procurement.
- Continue to **promote diversity and inclusiveness** in our own operations and together with customers and stakeholders in society.
- Help employees meet their expectations and those of customers and society as well as the demands on us as a bank and a **positive factor in society**.
- Enable all employees in our home markets to take online **sustainability training**.
- Starting in 2013 and on an annual basis report on the **dialogue on human rights and anti-corruption** in connection with lending and fund management.

### Development and performance

- In 2013 we reported on the dialogue in our fund management operations.
- The bank has taken measures to increase the number of female candidates for branch managers in its Swedish operations.
- The bank has met 14 500 students in Sweden to show them how to manage their personal finances. In Estonia and Lithuania, 421 lectures have been held to teach young people about the job market.
- The bank has adopted an anti-corruption policy and internal rules on business relationships with the defence industry.
- Sustainability risk analysis in our lending has been refined and updated with information from external sources such as Transparency International and Maplecroft.

Goal achievement: 

- The employee survey reported a higher willingness among employees to recommend the bank. The bank still has more to do to reach its target.
- An online sustainability training programme has been developed and will be offered to all employees in 2014.

Goal achievement: 

- Reporting on the bank's dialogue with loan customers on human rights and anti-corruption issues has not yet been completed, but is planned during 2014/2015.

Goal achievement: 

## Environmental sustainability

### In focus

- Continue to **promote resource efficiency** in all internal processes and in particular reduce climate impacts in connection with business travel and energy consumption.
- Continue to develop and apply methods to **reduce environmental impacts** in fund management, lending and procurement.
- Continue to **improve management systems** and metrics.
- **Reduce the bank's greenhouse gas emissions** by 15 per cent by year-end 2013 compared with our base year 2010.
- **Reduce the bank's greenhouse gas emissions by 30 per cent** by year-end 2015 and by 40 per cent by year-end 2018 compared with our base year 2010.

### Development and performance

- In 2013 we continued to focus on energy efficiency through strict requirements for the construction of the bank's new head office as well as real-time measurement of energy consumption.
- In 2013 we improved the quality of emissions data and independently verified the data and our Sustainability Report.
- In 2013 we reported on the dialogue in fund management.
- The bank's greenhouse gas emissions were reduced by 13 per cent in 2013 compared with 2012 and by 26.3 per cent in 2010-2013.

Goal achievement: 

- In 2013 we conducted an ISO 26000 assessment of our environmental management system.

Goal achievement: 

- Reporting on the bank's dialogue with loan customers on environmental and climate change issues has not yet been completed, but is planned during 2014/2015.

Goal achievement: 