

Communication on Progress – Swedbank

Background

Swedbank is a bank firmly rooted in the Swedish savings bank history. Social responsibility and community engagement are two core elements of Swedbank's history.

Today we are a major bank and a significant part of the financial system; hence, we have an impact both locally and globally through our core business. This entails responsibility on our part. A responsibility we take by integrating social, economic and environmental consideration in to business decisions and processes. We feel 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. Therefor Swedbank has focused on integrating sustainability consideration in corporate lending, payments, supply chain and investments.

We are reporting our results, challenges and efforts in accordance with Global Reporting Initiative guidelines and more information is to be found in our annual report and on our web.

Commitment to UN Global Compacts 10 principles

Swedbank's responsibility for sustainability starts with the way we do business. We want to minimize risk and contribute to a positive development by integrating sustainability consideration in business and operations and, in collaboration with our stakeholders, identify and develop financial solutions to promote social, economic and environmental sustainability. 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, CEO Swedbank

Our sustainability strategy

Swedbank's sustainability strategy is based on the bank's vision, values and purpose and is focused on integrating social, economic and environmental consideration in our business and operations.

We are convinced that sustainability related risks and opportunities can impact our and our customer's efficiency, profitability and brand and hence must be handled within the ordinary business practices and processes. Our customers' financial needs drive our business. And it is through our customer relationships, products and services that we have the best opportunity to influence the environment around us. This is why we not only address the financial aspects of our core processes and business decisions but also the social and environmental. The work we do to promote a sound and sustainable economy is integrated in our business and operation 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. To support this, and set a direction, we have a framework for how sustainability issues such as human rights, the environment and anti-corruption shall be managed in our business relationships and operating processes.

In 2015 -2016 we will expand and give concrete form to this support by developing a sustainability platform with guidelines for sectors and products that are covered or excluded based on Swedbank's values and sustainability strategy.

Our way of working

Sustainable banking is the Swedbank way of working to integrate social, environmental and financial sustainability into our core business. Each area includes different topics such as human rights, labor standards, health and safety, gender equality, anti-corruption, transparency, climate, biodiversity, resource efficiency etcetera. To facilitate the integration of sustainability consideration in business and operations we have a group wide sustainability framework including:

- Purpose, values, vision
- Code of Conduct
- Sustainability policy
- Environmental policy
- Policy on human rights and transparency
- Anti-corruption policy
- Position paper defense equipment industry
- Supplier code of conduct

- Sector guidelines

Furthermore we offer sustainability training for employees and managers and assure tools and competence support within the area of sustainability. 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. Our fund management company, Swedbank Robur, has signed the UN's Principles for Responsible Investment (PRI) and regards sustainability risks as financial risks, which are assessed in the financial analysis. Swedbank Robur's strategy as a responsible asset manager is to be an active owner and influence companies in a sustainable direction. In addition, Swedbank 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 annual general meetings and nomination committees.

Borrow

Before approving any loan application from a small, medium-sized or large company, a risk assessment is conducted of financial, social and environmental sustainability, including human rights, corruption and 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 forwarded 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 to monitor domestic and international transactions, screen our customer database 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 of over EUR 50 000 per year as a binding part of the agreement.
2. Risk classification of existing and potential suppliers with invoicing of over EUR 50 000 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 and monitoring.

Ambitions and performance

In order to increase our relevance in sustainable development and in the best way reduce negative impacts on people, the environment and society, we continuously identify priority areas based on global trends and customer needs as well as internal challenges and opportunities.

The priorities for 2014 reflected our long-term efforts to contribute to sustainable use of limited resources, reduce greenhouse gas emissions,

actively promote human rights, diversity and equality, achieve long-term profitability, and develop relationships with customers and employees.

In recent years our sustainability work has focused on the bank's central processes. We are working continuously to integrate sustainability aspects into business decisions. In 2014 Swedbank's focus was on sustainability training, competence development and sustainability in the construction of the bank's new head office.

- We have successfully implemented new anti-money laundering training. The aim is to strengthen the competence of all employees and support the implementation of the anti-corruption policy Swedbank drafted in 2013.
- Training in sustainable banking was launched for all employees in 2014. The training strengthens competence throughout the Group and facilitates the integration of sustainability in advisory services and internal processes.
- All managers in Sweden received gender training during the year to provide insight on their personal prejudices and highlight unfavorable conditions.
- The aim of maximizing electricity consumption at 50 kWh/m² at Swedbank's new head office in Sundbyberg was reached, which led to the Sweden Green Building Council's highest certification. As result, Swedbank also received the EU Green Building Award in 2014 at the Sweden Green Building Awards.
- Our goal for 2014 was customer satisfaction of at least 75 per cent in all our home markets, which was not achieved since Swedbank reached only 64 per cent in Sweden.
- Another goal for the year was to continue to develop management systems and measurement methods to collect Group-wide sustainability data. Instead Swedbank chose to focus on internal structures to collect the data, which meant that these targets could not be achieved.

Priorities 2015

As described Swedbank's overall sustainability ambition is to promote social, economic and ecological sustainability by integrating sustainability consideration in business decisions and operations. Stakeholder dialogue, competence development and sustainability as an integral part of business and operations are our main focus areas. Based on that our sustainability priorities going forward are:

- To continue sustainability integration in to core business such as credits, investment and product and service development by

assuring a sustainability platform, common for the group which includes aspects around, for example, products and / or sectors to be regulated or excluded based on Swedbank´s values or sustainability strategy.

- To reduce carbon emissions between the years 2014-2018 by 50 % (with 2010 as a base) by way of increasing the share of renewable energy, improving energy efficiency in our buildings, work towards reduced number of transports of valuables via increased digitalization and reduced cash handling together with steering travelling towards more environmentally friendly alternatives.
- To improve our sustainability data follow up and transparency in our sustainability communication.

Michael Wolf, CEO Swedbank AB (publ)

Amanda Jackson, Group Head of Sustainability, Swedbank AB (publ)