

# Communication on Progress - Swedbank

## Background

Swedbank's history extends back as far as 1820 with the establishment of Sweden's first savings bank. Social responsibility and community involvement are two core elements that have been present from the very beginning.

We build our business for the long term and mitigate sustainability risks. For us sustainability means balancing social, environmental and economic considerations in business decisions and operations. This enables us to help businesses to grow in a sustainable way and contribute to the health and growth of communities.

## Commitment to UN Global Compacts 10 principles

*"Swedbank's sustainability work is rooted in the bank's purpose and values. We strive to integrate sustainability in everything we do, in all our business processes and decisions. We take economic, social and ecological aspects into account. Swedbank will continue to support the 10 principals of United Nations Global Compact and strive to promote lawful, professional and fair practices that integrate the respect for human rights, business ethics and the environment."*

*Birgitte Bonnesen, CEO Swedbank*

## Sustainability integrated in our business

The financial sector is a vital part of society and as a bank we therefore have a responsibility to act in a sustainable way. We continue our work to integrate sustainability into our core business processes, Finance, Save/Invest, Procurement and Pay and are reporting our results, challenges and efforts in accordance with the GRI guidelines. More information is to be found in our [Annual report, GRI-report](#) and on our web site [www.swedbank.com](http://www.swedbank.com).

## Finance

In our lending to both private and corporate customers we make efforts to reduce the indirect impact on people and the environment that may arise from our customers businesses.

Sustainability risks can rarely be separated from financial risks, which is why a sustainability analysis is conducted in connection with all business loan applications exceeding SEK 5m in Sweden and EUR 0,8m in the Baltic countries. In the analysis general sustainability risks are discussed with the customer based on a risk assessment model including issues on human rights, the environment and climate, taxes and corruption.

Sustainability risks are evaluated by a credit committee in the same way as the financial risks. If a company is considered to have significant sustainability risks, the case can be escalated to the bank's Sustainability and Ethics Council for further recommendation and guidance.

## Save/Invest

Swedbank's fund managers take the environment, human rights, business ethics and corruption into account in their investment processes and actions as owners. As part of the financial analysis, we identify sustainability risks and opportunities for improvement. The focus is on influencing companies in which the funds are major owners as well as companies with deficiencies in sustainability and / or corporate governance. As an owner, we can have an influence by participating in nomination committees and through continuous dialog with boards and managements.

Companies can be excluded from investment for sustainability reasons, although the main principle is to remain an owner and try to have an impact. The bank's sustainability funds invest in companies that manage environmental, social and business ethics risks in a responsible manner. They do not invest in fossil

fuels such as oil, gas and coal, and we are working to reduce investments in coal for all our funds. No investments are made in companies that generate over 30 percent of their revenue from coal production. Swedbank has zero tolerance for financial services that support nuclear weapons. Swedbank has adopted a Group-level policy on defense materiel that prohibits investment in and financing of nuclear weapons and applies to all markets where we operate. In addition, Swedbank never finances or facilitates exports of materiel or services to any country subject to the EU's or UN's sanctions.

### **Procurement**

Sustainability is an important aspect of Swedbank's procurement and is factored into contracts as well as risk assessments and supplier evaluations. The risk classification of the supplier is conducted on the basis of country and industry-specific risks. Purchases exceeding EUR 50 000 per year that are managed by the bank's central procurement unit undergo a risk classification of the supplier based on country- and industry-specific risks. The bank's code of conduct is part of a binding contract and is signed by all suppliers, whose compliance is then monitored.

### **Pay**

To ensure that Swedbank complies with laws and regulations we have to know our customers and understand where their money comes from and what the aim of their relationship with the bank is. This makes it easier to detect abnormal behavior. Through system support to monitor transactions, customer screening against sanction lists and the bank's "Know Your Customer" (KYC) process, we reduce the risk that the bank will be used for money laundering or terrorist financing. With increased digitisation and less use of cash in society, better opportunities also open up for efficient use of resources.

### **Framework and guidelines**

During the year, we developed guidelines for eleven sectors to clarify the bank's expectations and recommendations on key sustainability aspects in each industry as well as international standards and norms. We also clearly set out what we expect of companies in terms of human rights, the environment, climate change, anti-corruption and transparency.

Anti-corruption work is ingrained in the bank's business processes and integrated in loan assessments, the supply chain, payment flows and investments. Employee training is an important part of this work. We have new guidelines for gifts and events based on Swedbank's code of conduct and anti-corruption policy. In addition, we have updated our policy on conflicts of interests and developed new guidelines for moonlighting. For Swedbank it is important that fraud is detected and addressed in time. During the year we therefore improved the internal whistleblowing routine where employees can anonymously report violations of internal or external rules. The financial industry plays a central role in stopping payments for child pornography. To prevent financial systems from being exploited for such purposes, Swedbank has been collaborating with other banks since 2009 in the Financial Coalition Against Child Pornography.

### **Environmental management system**

The bank's environment management system is ISO 14001 compliant and provides a systematic way to reduce our environmental impacts. The environmental policy, goals and strategies that address our most significant environmental impacts show the way and help us to focus on where the bank can make the biggest difference. The work is guided by the environment management system and is reviewed annually through an external audit.

### **Climate Strategy**

Climate change is one the biggest challenges of our times. Businesses play an important role in fighting global warming. Swedbank works actively to reduce consumption of the earth's finite resources and to promote a stable climate and energy transformation. Since the base year 2010 we have almost cut our

greenhouse gas emissions in half. Consequently, the goal for 2018 has been revised and the new goal is to cut emissions by 60 per cent based on the 2010 level.

During the year we took important measures to address climate change in our work. We have reduced our exposure to coal in terms of both investing and financing. In addition, we have continued to encourage the companies we invest in and our corporate customers to integrate sustainability in their businesses and address climate change. We will not invest in companies that generate over 30 percent of their revenue from coal production. The reduction in the exposure to coal has been gradual, and divested companies are not eligible for new financing. We have also decided not to directly finance coal-fired power plants.

By signing the Montreal Carbon Pledge, we have committed to disclose our funds' carbon footprint. Reporting the climate impact of our funds makes it easier for customers to make sustainable choices.

### **Community involvement**

Our work with public education will contribute to increased knowledge through the school of personal finance at a basic level with a focus on children, youth and young adults. Young Economy and Guest teacher is a prioritized activity. Through collaborations in school, we want to encourage more young people to view entrepreneurship as a route to supply and to create growth in the community. We support and collaborate with Junior Achievement in Sweden, Latvia and Lithuania and with Bright Minds in Estonia. We have also entered into cooperation with Stockholm Tech and the incubator STING in Sweden and Prototron in Estonia. Our Business Economists in Sweden and Lithuania will strengthen our expertise and ambition of entrepreneurial issues.

We are positive that our employees are working with this community involvement. Estonia and Lithuania has taken this further and also donate hours to volunteering in the local community. The Private Economists are nationally important spokespeople that enhances the local public education work in schools and highlights our expertise in personal finance and housing.

### **Policies and Guidelines**

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](#)
- [Anti-corruption Policy](#)
- [Position Paper Defence Equipment](#)
- [Position Paper Climate Change](#)
- [Supplier Code of Conduct](#)
- [Sector Guidelines](#)

### **Focus areas**

Our sustainability strategy is based on further integration of sustainability into our business processes and business decisions, to monitor and report on sustainability activities in a clear and transparent manner and to continue our efforts to be an inclusive bank. We want to contribute to a society where everyone has equal opportunities to gain access to financial services.

To further contribute to a sustainable economy, Swedbank has made it a priority to finance investments in renewable energy and encourage reductions in coal extraction and coal emissions. We also want to offer our customers a wider range of sustainable financial products.