

# Communication on Progress - Swedbank

**A strong commitment to sustainability is fundamental to Swedbank's operations. Our aim is to contribute to sound and sustainable development for customers, employees, owners and society as a whole.**

## 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

*"Sustainability is core for Swedbank. We integrate ethical, social, environment, risk and economic considerations in all business decisions, operations and business development. 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 bank has been working systematically for many years to integrate economic, environmental, ethical and social responsibilities in its business decisions and business development. Only in this way can we build sustainable financial value.

As one of the largest banks in all four of our home markets, we are an important part of the community and financial infrastructure. This means we have an opportunity but also a big responsibility to contribute to society's transformation according to the UN's global sustainable development goals.

Swedbank's aim is to promote sustainable development in society and help people and businesses make sustainable choices. For us this means how and which companies we finance and how we manage savings and pension capital. It can also mean teaching students about personal finance, promoting entrepreneurship or placing sustainability demands on the services and products we buy.

## Investment transparency

Swedbank Robur is Sweden's largest and one of the Nordic region's leading asset managers and has spent a long time working with responsible investments. The environment, human rights, business ethics and anti-corruption are integrated in its investment processes and ownership work. We exercise our influence as a shareholder by participating in nomination committees and through continuous dialogue with boards and executive management.

In this way we can encourage companies to develop in the areas of sustainability and corporate governance. We can also exclude companies from our funds for sustainability reasons, although our main principle is to remain an owner and try to have a positive impact. In a number of funds we have taken sustainability a step further. This includes our Ethica & Talenten funds, which do not invest in fossil fuels such as oil, gas or coal.

### Responsible and sustainable lending

Responsibility and sustainability also apply to lending to individuals as well as large companies. It is important that our customers are financially sustainable and prepared for unforeseen events. This is our basic assumption when granting a mortgage. In corporate lending Swedbank's credit policy requires the borrower to be sound and sustainable and the loan to be based on familiarity with the company, its business, future prospects and an assessment of its environmental impact. A sustainability risk 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 we discuss general sustainability risks with the customer based on a risk assessment model with questions on human rights, the environment and climate change, taxes and corruption. Sustainability risks are evaluated by a credit committee in the same way as financial risks. If the company is assessed to have significant sustainability risks, the case can be escalated to the Swedbank's Business Ethics Committee for further recommendation and guidance.

### Sustainability is an important part of procurement

Swedbank has a large supplier base and awards a number of contracts every year. They often involve substantial volumes, where sustainability is an important aspect and is taken into account in the contractual requirements and in risk and supplier assessments.

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 sustainability risks. The bank's code of conduct is part of a binding contract that must be signed by all suppliers and places requirements on human rights, labour rights, business ethics and the environment. Compliance is obviously important and is monitored through site visits and in-depth checks.

### Risk management in central processes

Keeping risks low is fundamental to building public trust, and to the bank's continued survival. We feel that sustainability risks cannot be separated from financial risks and are committed therefore to comprehensive risk management. In addition to stress tests of our credit portfolio and sustainability risk analysis in our lending, it is important that we minimise risks in the payments area to combat money laundering and terrorism financing.

Through the bank's Know Your Customer (KYC) process, we perform the statutory customer due diligence, and with system support we monitor transactions and screen customer databases against sanction lists. The bank's sector guidelines are another way to make all our core processes more sustainable. The purpose is to clarify our expectations and recommendations on key sustainability aspects in various industries and direct attention to the international standards and norms we have chosen to follow. We also clearly set out what we expect of companies in terms of human rights, the environment, 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. All employees receive anti-corruption training, and guidelines have been established for gifts and events based on Swedbank's code of conduct and anti-corruption policy. A register has been set up as well where events are reported using a traffic light model. The policy on conflicts of interest was updated last year, when new employee guidelines were developed on outside assignments and the approval process for second jobs was tightened. Swedbank also has an internal whistleblowing routine where employees can anonymously report violations of internal or external rules.

### Environmental management system

Swedbank's Swedish operations received ISO 14001 environmental certification back in 2003, the first listed bank in the Nordic region to do so. Since then the bank's environmental work has been steered by the environmental management system the standard requires, which has helped us in a structured way

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to reduce our environmental impact. The environmental policy, goals and strategies guide and help us to focus where the bank can make the biggest difference.

### Measures to prevent climate change

We are concerned about global warming and the serious consequence for people and nature. Melting glaciers, extreme weather and increasing refugee streams are just a few examples. As a large financial company, Swedbank is able to have an impact both indirectly through our customers and directly through our own operations, where we work actively to reduce consumption of the Earth's finite resources and promote a stable climate and energy transformation. Our goal is to reduce our own greenhouse gas emissions by 60 per cent between 2010 and 2018, mainly by reducing travel and improving energy consumption in our offices.

The bank has reduced its exposure to coal both in its investments and in new financing. We will not invest in companies that generate over 30 per cent 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. Moreover, we have continued to encourage the companies we invest in and our corporate customers to integrate sustainability in their businesses and do more to combat climate change. By signing the Montreal Carbon Pledge, we have committed to disclose our funds' carbon footprint and make it easier for customers to make sustainable choices. In addition, Swedbank has made it a priority to continue to finance investments in renewable energy and promote reductions in coal extraction and greenhouse gas emissions. In 2017 we broadened our range of sustainable financial products by launching a framework for green financing and issuing the bank's first green bond.

### Human Rights

To create greater understanding of the link between human rights and business in a globalised world and underscore our responsibility to take precautionary measures and prevent human rights violations, we have adopted a Group-wide human rights policy. In our code of conduct we also clarify that it is important for all Swedbank employees to abide by our values. On this basis, we continuously assess human rights related risks in our processes and business decisions.

Knowledge is crucial to successfully integrate sustainability aspects and work systematically with improvements. All employees of the Group receive basic sustainability training e.g. in business ethics, the environment and social aspects such as gender equality and human rights.

Diversity and gender equality are important to the bank's work environment and corporate culture. The work is based on a central diversity and gender equality plan, and every manager is graded based on diversity and equality goals as part of their performance. The Group Executive Committee has focused for several years on and accelerated development in these issues. This has also meant a stronger focus on integrating gender equality and diversity in our operations. All business areas and Group functions are involved and set goals for the area in their business plans.

### Strong commitment to social issues

Helping to solve the challenges we face as a society was a critical reason why the savings banks were founded nearly 200 years ago. Since then social engagement has been a common thread running through our business. Our company has an important impact on the communities where we do business, which gives us an opportunity but also a responsibility to address issues that contribute to sustainable growth. We promote and are involved in several constructive programmes and projects aimed at children and young adults. Personal finance, housing opportunities, entrepreneurship and innovation are the areas that the bank has mainly engaged in. This applies to all four of our home markets.

### 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 Statement Defence Equipment](#)
- [Position Statement Climate Change](#)
- [Supplier Code of Conduct](#)
- [Sector Guidelines](#)

### Focus areas

As a major financial player, we have an opportunity to contribute to the UN global sustainable development goals (Global Goals) by helping to finance sustainable innovations and services. During 2017 Swedbank performed an analysis to evaluate our contributions to the Global Goals. The results showed that we are contributing to all the goals, but to different degrees. We believe the greatest value can be generated if our work is focused on several specific areas. Based on what is most important for Swedbank's long-term business and how we can contribute to positive development, we have identified five focus areas. We see three main areas where there is a clear connection to our operations and where we have the biggest opportunity to have an impact.

- Goal 4: Quality education
- Goal 8: Decent work and economic growth
- Goal 12: Sustainable consumption and production

In addition, there are two complementary focus areas that include several goals.

- Goal 3, 5, 10: Sustainable employees
- Goal 7, 9, 11, 13: Fossil-free society

Moreover we will continue to focus 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.