

Communication on Progress – Swedbank

Sustainability is part of Swedbank's heritage and purpose. 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 in line with the UN's global sustainable development goals and the Paris Climate Agreement.

Background

Strong social engagement distinguishes Swedbank in Sweden and the Baltic countries. Back when the first Swedish savings bank was founded, in 1820, the objective was to give the public a way to build savings for the long term. This social commitment has also applied to the Baltic countries from the beginning, with Hansabank, which was founded in 1991 and later became part of Swedbank.

Commitment to UN Global Compacts 10 principles

“The 10 principles of United Nations Global Compact is a core pillar in the Swedbank Sustainability Framework. We will continue to support the principles and strive to promote lawful, professional and fair practices that integrate the respect for human rights, business ethics and the environment. We integrate ethical, social, environmental, risk and economic considerations in our business decisions, operations and business development.

It is important for us to enable sustainable choices for our customers and understand their impact on the conversion to a more sustainable future. We align our efforts to cut greenhouse gas emissions in line with climate science. In 2018 we implemented the Task Force on Climate-related Financial Disclosure recommendations and became the first Nordic bank who committed to Science Based Target initiative”

Birgitte Bonnesen, CEO Swedbank

Sustainability is integrated in the business

Social engagement is a part of Swedbank's sustainability work. Naturally, sustainability aspects are also integrated in the bank's four main processes: save, finance, procure and pay. It's on a daily basis that long-term financial value is built up, and there Swedbank has a big responsibility and an opportunity to contribute to the transition to a more sustainable society.

Swedbank is and will remain a profitable, well-capitalised bank with a low-risk profile. By carefully managing sustainability-related risks and opportunities, Swedbank is building a better future together with its customers. Ethical, social and environmental risks are taken into account and economic considerations are factored into Swedbank's business decisions, operations and business development. The recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and the EU's action plan on financing sustainable growth are important steps in the development of international rules, where the banks can play a role in financing efforts to achieve the goals of the Paris Agreement and the UN's global sustainable development goals.

Savings as a foundational idea

Customer engagement and interest in contributing to a more sustainable society are increasing, as is demand for savings options that focus on sustainability. Swedbank's subsidiary Swedbank Robur is one of the leading asset managers in the Nordic region, with more than SEK 1 300bn under management, of which more than SEK 600bn is in portfolios with sustainability criteria.

The environment, human rights, business ethics and anti-corruption are integrated in its investment processes and ownership work. All Swedbank Robur funds are managed under UNPRI. Swedbank Robur exercises their influence as a shareholder by participating in nomination committees and through continuous dialogue with boards and executive management.

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Swedbank Robur's goal is to be a leader in responsible investing and Robur has started implementing the TCFD Recommendations. During the year the funds had holdings in over 2 700 listed companies both in and outside Sweden, which represents a great responsibility and an opportunity to impact and drive development.

Responsible lending

For Swedbank, lending to individuals and businesses is a long-term responsibility. 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 social impact. It is important that Swedbank's customers are financially sustainable and prepared for unforeseen events with the right amortisation and debt levels.

To promote a sound financial future for customers and society, Swedbank supports its customers in being sustainable. Green mortgages, which were launched in 2018, are an example. Swedbank has begun working with positive impact finance, where loans are evaluated based on the contribution to one or more areas of sustainable development (economic, environmental and social). Swedbank sees this as the right way to address the opportunities and risks of sustainable finance. Swedbank also evaluates its loan portfolio according to the TCFD recommendations based on related climate risks and opportunities.

Swedbank continues to perform detailed sustainability risk analyses in connection with business loans of over SEK 5m in Sweden and EUR 0.8m in the Baltic countries based on social and environmental aspects. The analysis includes sustainability-related issues such as human rights, the environment and climate change, taxes and corruption. For principles and guidance, Swedbank also has Group-level policies, sector guidelines and position statements. When sustainability risks and dilemmas arise, Swedbank's Business Ethics Committee provides further recommendations.

Sustainability is an important part of procurement

Extensive improvements were made in the procurement unit during the year to be more sustainable. The supplier code of conduct is the basis for the requirements Swedbank sets and for the contracts with the suppliers. The code, which has requirements on among other things human rights, labour rights, business ethics and the environment, was updated in 2018 to clarify the bank's vision and position and to better distinguish between mandatory criteria and what it considers desirable to facilitate dialog and development with suppliers. An improved process for sustainable procurement has also been initiated to simplify Swedbank's dialogue with suppliers based on a common digital platform for sustainability-related data, analysis, follow-up and discussion. Compliance is obviously important and is monitored through site visits and inspections. Swedbank promotes strong partnership along the supply chain to speed up the transition to a sustainable society, in line with the Global Goals and the Paris Agreement.

Zero tolerance for money laundering

Swedbank is the leading bank for many households and businesses in its four home markets: Sweden, Estonia, Latvia and Lithuania. To maintain the bank's strong reputation, measures are taken continuously to combat corruption, money laundering and terrorist financing. An established "Know-Your-Customer" process, system support for monitoring transactions and reconciliations of customer databases against sanctioned lists are all in place to minimise these risks.

The fight against money laundering is global, as are the processes and systems. The bank has always had zero tolerance for money laundering in the markets where it is active and has taken action over the years when it sees any signs in its own channels and from outside partners. As a leading bank, Swedbank also has a responsibility to contribute to a continuous dialogue with supervisory authorities and regulators in order to strengthen the financial system and infrastructure. Extensive measures to fight corruption are integrated in the bank's business processes and in loan assessments, the supply chain, payment flows and investments. All employees receive mandatory online training to recognise transaction patterns, behaviors and situations that could constitute, or be associated with, money laundering and corruption.

Secure and reliable IT systems

Conversations with the bank's customers have shown that secure, reliable and available IT systems are one of the areas they consider most important. It is our highest priority to protect our customers' money and information from fraud and cyberattacks, which is also critical if they are going to trust us to manage their savings and execute transactions. We believe that a robust cyber security is vital to promote and support a sustainable economic and social development. Cyber security is a shared responsibility, shared by companies, authorities and citizens. Swedbank's goal is to take a sustainable position that contributes to a sound and secure digital environment in all the markets where it operates. This means sharing intelligence with competitors and authorities.

Swedbank works continuously to improve security and rigorously monitors new types of threats, fraud and hacking. A wide range of measures are taken to prevent and limit criminal activity as well as engagement in extensive scenario training to ensure a secure operating environment. The work is done continuously through the bank's business processes and IT systems. To prevent the bank's payment systems from being exploited for criminal activity, a set of internal rules, processes and support functions have been put into place to comply with applicable laws and regulations in the area. In addition we collaborate with other banks, the Financial Supervisory Authority and the police in this area to prevent criminal activity.

Measures to prevent climate change

The world's companies have to change their businesses and contribute to a more sustainable society. By integrating sustainability in its business, Swedbank is able to have an impact both indirectly through customers and directly through its own operations. The goal is to reduce consumption of the Earth's finite resources and promote a stable climate and energy transformation.

During the period 2010–2018 Swedbank's direct greenhouse gas emissions were reduced by approximately 60 per cent through measures to reduce travel and improve energy consumption in offices. During the year Swedbank began buying carbon offsets, mainly for air travel, and signed the Science Based Target Initiative as the first Nordic bank, pledging that the bank's future climate goals will align with the Paris Agreement.

The bank received ISO 14001 environmental certification in 2003, the first listed bank in the Nordic region to do so. Since then Swedbank has taken a structured approach to environmental work, following an Environmental Management System to reduce its impact. Environmental policies, goals and strategies provide a framework for this work and steer us toward measures that make the biggest difference. The environmental work and ISO 14001 compliance are reviewed through internal and external audits.

Responsibility for the environmental work rests with operating managers with support from a network of sustainability ambassadors around the bank who coordinate goal-setting and follow-up work. Swedbank is convinced that successful environmental work leads to a lower environmental impact while at the same time strengthening the brand and reducing financial risk.

Sustainable employees

Engaged employees are critical to the bank's future. Inclusion and clear goals are important to motivate employees and get them to do their best. Embracing collaboration between the bank's various businesses and units, where agile working is implemented on several levels, has contributed to a better work environment and higher results.

The philosophy of being a bank for the "many" also applies to Swedbank's employees. Gender equality and diversity are priorities at Swedbank and important contributors to a healthy work environment, inclusive corporate culture and more effective skills training. There is a strong conviction that diversity generates more business through a bigger network and better understanding of the individual's specific needs. Employees generally should reflect the customers in the bank's home markets in terms of gender parity, age and ethnicity, among other factors. This has been a long-term aim for many years. The goal of gender

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equality at the highest management level according to the 40/60 model was introduced back in 2014 and has since been implemented for management and senior specialist roles. The results are tracked by business area on a regular basis based on five factors: salary and benefits, recruiting, work environment and health, parenting and career development, and competence training. In 2018 a comprehensive training programme was implemented for management teams and forums to raise awareness of gender equality and diversity and integrate them in practical leadership. Swedbank was also rewarded the highest Nordic ranking of all companies with 9th place in Equileaps' global gender diversity ranking 2018.

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

To this day the heritage is alive with the savings banks and savings bank foundations as engaged owners. The foundations have as their main purpose to promote savings in Sweden and to safeguard and develop the savings bank movement's foundational ideas and values. Part of Swedbank's profit goes to the foundations in the form of dividends and is invested in various civic endeavors, mainly local and regional but also national. Swedbank remains active on these issues and works for change and development. Swedbank initiated and is involved in several constructive programmes and projects, mainly aimed at children and young adults. Financial literacy, entrepreneurship and innovation are the main areas that the bank is engaged in. This applies to all four 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](#)
- [Tax Policy](#)
- [Position Statement Defence Equipment](#)
- [Position Statement Climate Change](#)
- [Supplier Code of Conduct](#)
- [Sector Guidelines](#)
- [Exclusion list](#)
- ISO14001 – Environmental Management System (EMS)

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Focus areas

As a major financial player, we have an opportunity to contribute to the UN global sustainable development goals (SDG´s) by helping to finance sustainable innovations and services.

In 2017 Swedbank performed an analysis of its contributions to the SDG´s. The results show that the bank is contributing to all the goals, but to varying degrees. Swedbank has chosen to focus on the following goals from the perspective of where the bank can contribute the most:

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

In addition, the bank has two complementary focus areas comprised of several goals that affect Swedbank´s strategy and goal-setting:

- **Sustainable employees** (e.g. Goals 3, 5 and 10)
- **Fossil-free society** (e.g. Goals 7, 9, 11 and 13).

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.