

# Sustainability

## SPAREBANK 1 SR-BANK'S APPROACH TO SUSTAINABILITY

### SpareBank 1 SR-Bank is a responsible corporate citizen

SpareBank 1 SR-Bank has practised a philosophy of long-term sustainability ever since the establishment of Egersund Sparebank in 1839. Sustainability remains a key part of the group's overarching strategy and is well-integrated into all parts of the group's operations. SpareBank 1 SR-Bank takes a proactive approach to sustainability and has chosen to particularly prioritise responsibility for the climate and environmental challenges society is facing.

To ensure that the group continues to develop sustainably, we systematically focus on three different areas of sustainability: the climate and environment, the economy, and social conditions. Account is taken of these areas in our products and services, advice on investment and credit decisions, marketing, purchases, corporate governance model, and group executive management team. Our internal work on HSE, ethics and environmental efficiency is also influenced by the same areas of sustainability. Extensive communication work was done during the year, via websites and external news hubs, to clarify the group's work on sustainability to customers, owners and other stakeholders. Internal communication measures were also implemented as part of the training in relevant sustainability themes.

Although SpareBank 1 SR-Bank is first and foremost a financial group for Southern Norway, the group is very conscious of how our decisions can have an impact in a global context. SpareBank 1 SR-Bank therefore supports the UN Global Compact's 10 principles for sustainability, both through annual reporting and active participation. The group's overall work on sustainability is based on the 17 UN Sustainable Development Goals and the Paris Agreement.

Many new initiatives were set in motion during the year. In addition to supporting all 17 of the UN Sustainable Development Goals, the group has chosen three goals where it believes SpareBank 1 SR-Bank can have the greatest impact. These are "Gender equality," "Decent work and economic growth" and "Climate action". Targets and specific measures have been prepared for each of these goals. The measures will be implemented during the defined strategy period, which lasts until the end of 2021.



## OUR CHOSEN UN SUSTAINABLE DEVELOPMENT GOALS

### Our targets and work on these:

#### Gender equality

1. Ensure women full and genuine participation, and equal opportunities to gain senior positions at all levels.
2. Equal pay
3. Strengthen the role of women in personal finances



#### Measures:

In 2019, the group's diversity and equal opportunities committee implemented a number of measures in line with Sustainable Development Goal No. 5 "Gender equality".

- In 2019, work started on improving the gender balance in the group. This work is being done in connection with recruitment, succession planning, and development and management programmes. It will continue in 2020.
- The minimum salary levels for various groups of positions were raised and an equal pay pot was established to equalise pay differences attributable to gender. An equal pay pot will also be set aside for the same purposes in 2020.

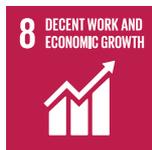
To achieve the goals the group has set itself in this area, it is important that managers have the knowledge they require to understand the challenges associated with equal opportunities. The diversity and equal opportunities committee will work to ensure this is the case in 2020.

- To strengthen the role of women in personal finances, SpareBank 1 SR-Bank will contribute to improving knowledge in this area. A number of measures were implemented in 2019 to ensure that the same information is provided to both genders in advice processes. The work started with our customers will continue and be developed further in 2020.

In 2019, SpareBank 1 SR-Bank drew up and approved “Overarching guidelines for diversity and equal opportunities”, which provide direction for the group, our customers and our partners. In 2020, the group will focus on implementing the guidelines.

## Decent work and economic growth

1. Stimulate sustainable growth and workplaces in our market area
2. Facilitate entrepreneurship, innovation and job creation
3. Promote a safe and secure working environment and fair working conditions
4. Work to make banking and financial services available to all



### Measures:

Funding requirements are an important means of stimulating sustainable growth and development. In 2019, SpareBank 1 SR-Bank focused on putting in place governing documents and guidelines, which included revising the “Guidelines for sustainability in the corporate market”. SpareBank 1 SR-Bank also signed up to the Responsible Ship Recycling Standards in 2019, which focus on the proper disposal of ships.

- Gründerhub is one of the group’s initiatives for creating the jobs of the future. Gründerhub has been established in Stavanger, Kristiansand and Bergen. More than 300 entrepreneurs have completed the 4-month programme. The companies that have participated in Gründerhub have created 325 new jobs through 200 companies. In 2019, these companies’ combined earnings were around NOK 150 million.
- FinStart Nordic is a wholly owned company that invests in developing start-up companies with a focus on FinTech. The company has invested in 11 different companies and employs more than 100 people.

## Climate action

1. SpareBank 1 SR-Bank will be a climate neutral group
2. Strengthen the group’s ability to counteract, adapt to and mitigate the consequences of climate change
3. Strengthen customers’ ability to counteract, adapt to and mitigate the consequences of climate change



### Measures:

- SpareBank 1 SR-Bank will become a climate neutral group. This will primarily be achieved by cutting CO2 emissions from its operations. Projects were started in 2019 to refine the group’s measures in order to reduce its CO2 emissions further. This will be achieved by measures such as drawing up a new travel policy that includes a needs analysis, considering eco-certification, and specific work on reducing energy use in our office premises.
- In 2019, 650 of the group’s employees moved into a new head office. The main structure is based on wood. The construction materials in Finansparken bind 3350 tonnes of CO2.

- Several of the measures under Sustainable Development Goal No. 13 “Climate action” were completed in 2019. For example, the group now reports on the proportion of renewables in its credit portfolio on a quarterly basis, investments are ESG-assessed, and a green home mortgage bond has been issued. In 2020, SpareBank 1 SR-Bank will analyse carbon footprints when investing and in the loan portfolio, as well as focus on green products and services.
- An assessment tool was developed in 2019 to assess companies’ ESG scores. The purpose of this is to assess the group’s own sustainability risk and to improve the ability of both the group and customers to counteract, adapt to and mitigate the consequences of climate change. The focus in 2020 will be on implementing the assessment tool in the advice processes.

In 2019, the group signed up to the UN Principles for Responsible Banking, UNEP Finance Initiative. This commits SpareBank 1 SR-Bank to implementing measures that support these principles over the next 4 years until the end of 2023.

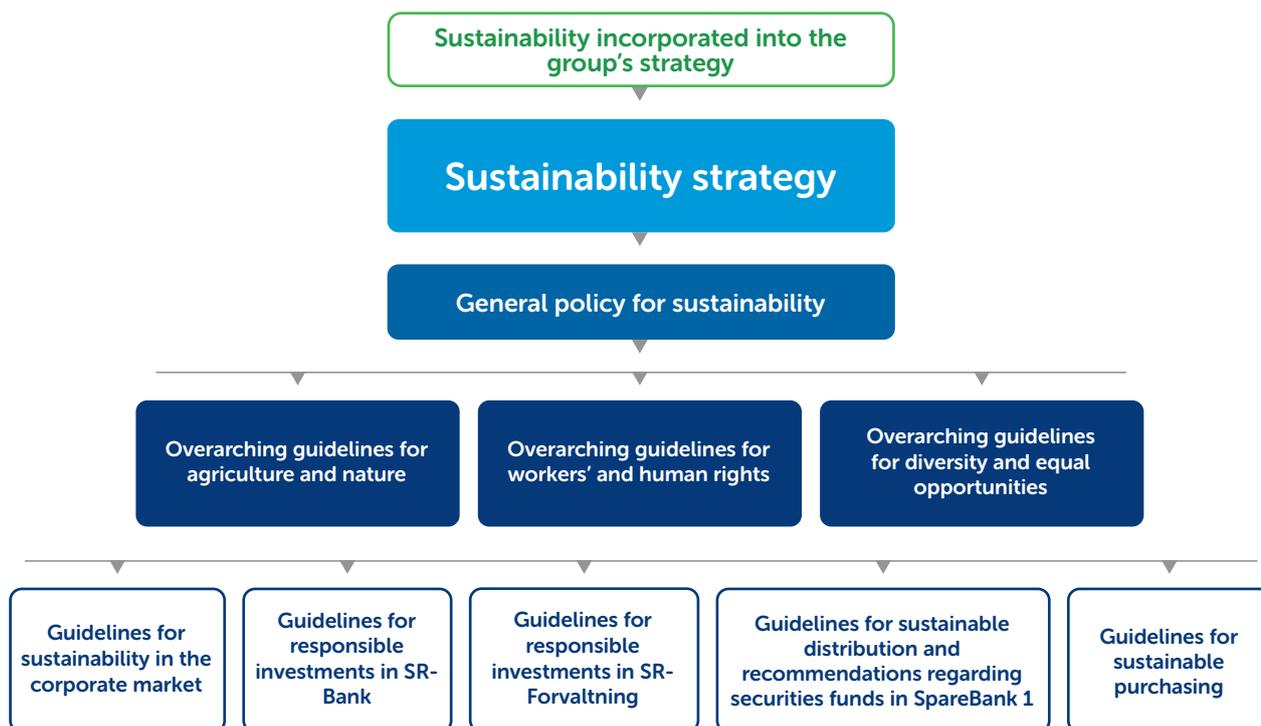
## SPAREBANK 1 SR-BANK’S SUSTAINABILITY STRATEGY

The current sustainability strategy was approved by the board at the start of 2019. Further work was done during the year to highlight the fact that the climate and environment are important components of the sustainability strategy. A broadly composed internal working group has assessed various scenarios for the sustainability strategy and has prepared a basis for revising the strategy in 2020 with the aim of clarifying how the group can contribute to mitigating both its own and society’s climate risk in the best possible manner.

The sustainability strategy provides guidance for the group’s work on sustainability. The strategy is there to clarify and support employees and managers when they make decisions and in their day-to-day work. It also clarifies to customers and investors how sustainability is integrated into SpareBank 1 SR-Bank’s activities and how it impacts the group’s decisions.

The sustainability strategy must be seen in conjunction with other governing documents and is part of the group’s strategy and associated business plan, the bank’s code of conduct, the credit strategy, and other relevant policies and guidelines in the group. The sustainability strategy and associated guidelines apply to all of the group’s operations, including subsidiaries, irrespective of customer group and organisational affiliation. Sustainability is included in the documentation and routine work associated with credit and investments/management. The guidelines are based on, among other things, the internationally recognised principles in the UN Global Compact (UNGC) and the OECD’s guidelines for multinational companies.

For a more detailed overview of sustainability in SpareBank 1 SR-Bank, see: [www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/SpareBank1SRBankBaerekraftv5.pdf](http://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/SpareBank1SRBankBaerekraftv5.pdf)

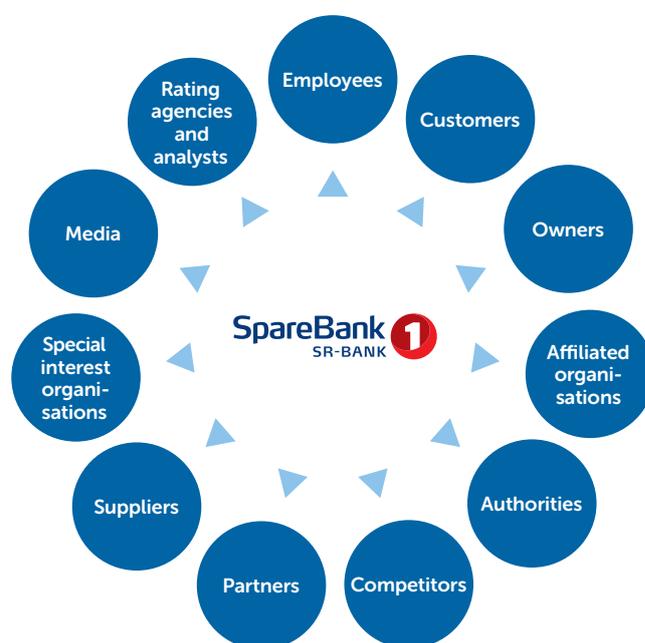


The figure shows how the governing documents have been incorporated into the group.

## OUR STAKEHOLDERS AND KEY SUSTAINABILITY THEMES

Maintaining a dialogue with society is important if we are to help it achieve the goals of the Paris Agreement and in order for the group to understand and address the requirements of consumers, investors and the authorities. SpareBank 1 SR-Bank has a good, open dialogue with customers and other stakeholders. We prioritise the areas of our business model that appear to be most important to our stakeholders based on this dialogue.

In 2019, SpareBank 1 SR-Bank arranged two events with the aim of establishing a dialogue with different groups of customers about what they expect of the group as far as sustainability is concerned. They provided specific input that was incorporated into our continued work on both the sustainability strategy and the groups' three chosen Sustainable Development Goals. Besides this, the group maintained dialogues with employees, owners, the authorities, competitors, partners, suppliers, special interest groups, the media, rating agencies, and analysts.



The figure illustrates our dialogue with local communities on themes within sustainability.

	Forums	Theme	Measures
Customers	<ul style="list-style-type: none"> <li>• Customer and market surveys in the retail and business markets</li> <li>• Digital channels (sr-bank.no, Facebook, Instagram, LinkedIn, Snapchat, Nyhetssenter, chatbot, email, SMS, online bank, and mobile bank)</li> <li>• Customer services centre for retail and corporate customers</li> <li>• Dialogue at customer events</li> </ul>	<ul style="list-style-type: none"> <li>• What customers think of the group and the group's operations</li> <li>• Responsible finance, transparency, trust, and local presence</li> <li>• UN Sustainable Development Goals</li> </ul>	<ul style="list-style-type: none"> <li>• Dialogue with customers through responses to enquiries via telephone, staffed channels, and digital channels</li> <li>• Customer feedback was incorporated into the work on the UN Sustainable Development Goals</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Annual organisational survey</li> <li>• Annual employee performance reviews</li> <li>• Cooperation with trade unions</li> <li>• Workshops and interviews in connection with risk assessments</li> <li>• Workshops in connection with the preparation of the sustainability strategy</li> <li>• Working groups in connection with the UN Sustainable Development Goals</li> <li>• Information, conversations, stands</li> </ul>	<ul style="list-style-type: none"> <li>• Working environment</li> <li>• Employee development</li> <li>• Involvement of employees in the development of the group</li> <li>• Risk assessments related to operational risk and reputation</li> <li>• Responsible finance, transparency, financial crime, ethics and production of personal data</li> <li>• Important themes within sustainability</li> <li>• UN Sustainable Development Goals</li> <li>• Collective effort to change transport patterns</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement measures in consultation with management</li> <li>• Trade unions as resources</li> <li>• Specific measures related to identified risks are followed up by the system for following up measures</li> <li>• Selected Sustainable Development Goals have been incorporated into the Group's work on sustainability</li> <li>• Leasing agreement for electric bicycles</li> </ul>
Owners	<ul style="list-style-type: none"> <li>• Regular follow-up of the company's largest owners, including Sparebankstiftelsen SR-Bank</li> <li>• General meeting:</li> <li>• Board elections for shareholders</li> <li>• Stock exchange announcements and interim reports</li> <li>• Investor presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance and Sparebankstiftelsen SR-Bank keeping the savings bank traditions alive</li> <li>• Annual financial statements and any other company actions</li> <li>• Briefing on economic cycle in Southern Norway and the company's performance and status in the financial markets</li> <li>• Annual action plan for investor relations</li> <li>• Proportion of renewables in credit portfolio</li> </ul>	
Authorities	<ul style="list-style-type: none"> <li>• Contact with control and supervisory authorities (Financial Supervisory Authority of Norway, Norwegian Data Protection Authority, etc.)</li> <li>• NAV working life centre</li> </ul>	<ul style="list-style-type: none"> <li>• Operations, security and personal data protection</li> <li>• Sick leave, healthy workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Measures for compliance and protection of personal data (GDPR)</li> <li>• Improvement measures in consultation with management</li> </ul>

	Forums	Theme	Measures
Society as a whole	<ul style="list-style-type: none"> <li>• Customer events in Finansparken and in Bjergsted.</li> <li>• Various forums as a member of Finance Norway</li> <li>• Business Barometer for Rogaland, Agder, Hordaland and Oslo</li> <li>• Cooperation with the Norwegian Confederation of Trade Unions (LO) via LOfavør</li> <li>• Extensive dialogue with clubs and associations through cooperation agreements and sponsorships (Stavanger Concert Hall, Viking Fotballklubb, Norwegian Ski Federation, Blink Festival, and Tall Ships Races)</li> <li>• Gründerhub</li> <li>• University of Stavanger</li> <li>• City of Stavanger</li> <li>• Kolumbus</li> </ul>	<ul style="list-style-type: none"> <li>• UN Sustainable Development Goals</li> <li>• Climate risk</li> <li>• Understanding the region's potential and challenges</li> <li>• Products and services for LO members</li> <li>• Responsible investment, transparency, trust, local presence, local roots, and local contributions</li> <li>• Creating new future-oriented businesses and jobs</li> <li>• Safer bicycle paths</li> <li>• Public transport, service network</li> <li>• Home-work-home</li> </ul>	<ul style="list-style-type: none"> <li>• Annual award prizes for entrepreneurs to encourage entrepreneurship</li> <li>• Swap weekends and other events</li> </ul>
Special interest organisations	<ul style="list-style-type: none"> <li>• Climate Foundation</li> <li>• Conversations with Future in our Hands</li> <li>• UN Global Compact</li> <li>• UN Global Compact Network Norway</li> <li>• Finance Sector Union of Norway</li> <li>• LO Finans</li> <li>• PRI</li> <li>• Norsif</li> <li>• Finance Norway</li> <li>• Norwegian Fund and Asset Management Association (VFF)</li> </ul>	<ul style="list-style-type: none"> <li>• Climate risk</li> <li>• Responsible finance, transparency, trust, and local presence</li> <li>• Selected sustainability themes</li> <li>• Reporting UN Global Compact</li> <li>• Board position in UN Global Compact Network Norway</li> </ul>	<ul style="list-style-type: none"> <li>• Joint events</li> <li>• Response to the ethical banking guide</li> <li>• Updating website and reviewing internal guidelines</li> </ul>
Subsidiaries	<ul style="list-style-type: none"> <li>• SR-Forvaltning</li> <li>• Fremtind</li> <li>• Regnskapshuset</li> <li>• Odin</li> </ul>	<ul style="list-style-type: none"> <li>• Climate risk</li> <li>• Responsible finance, transparency, trust, and selected sustainability themes</li> <li>• Business opportunities</li> </ul>	
Suppliers	<ul style="list-style-type: none"> <li>• Email, phone and meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers' work on climate, the environment, social conditions and ethical business practice</li> </ul>	<ul style="list-style-type: none"> <li>• Surveying and systematisation of the work in relation to suppliers</li> </ul>
SpareBank 1 Alliance and in joint committees, including purchasing and capital management/funds	<ul style="list-style-type: none"> <li>• Discussion meetings via email, physical meetings and online meetings in established sustainability forums</li> </ul>	<ul style="list-style-type: none"> <li>• Climate risk</li> <li>• Responsible finance, transparency, trust, and selected sustainability themes</li> </ul>	<ul style="list-style-type: none"> <li>• Groups in fund management, procurement</li> </ul>

SpareBank 1 SR-Bank has a responsibility to act as a positive influence in areas that are closely related to our core business. It is through our core business that the group can have the greatest impact and make the biggest contribution to developing society in a more sustainable direction. SpareBank 1 SR-Bank's core business mainly involves providing loans in the retail and corporate markets. Besides this, the group is able to exercise influence by making investments, both directly and on behalf of customers, via the group's subsidiary, SR-Forvaltning, and SpareBank 1 Gruppen's part-owned company, Odin Forvaltning.

In 2018, SpareBank 1 SR-Bank conducted a materiality analysis. The results of the analysis determined what is focused and reported on within the area of sustainability. The results showed that we should particularly focus on financial crime, ethics and anti-corruption, protecting personal data and information security, excluding companies that violate our policies, and guidelines for responsible credit. Therefore, in the current strategy period up to 2021, the emphasis will be on further developing the group's approach to sustainability in our core business and financial services. This means that, going forward, the group will ensure that it lends responsibly, raises awareness about and is in a better position to manage climate risk, continues to practise active ownership, implements the continuous positive screening of investment portfolios, and launches new green products.

For SpareBank 1 SR-Bank's materiality analysis, see: [www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/SpareBank1SRBankBaerekraftv5.pdf](http://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/SpareBank1SRBankBaerekraftv5.pdf)

## SUSTAINABILITY IN SPAREBANK 1 SR-BANK'S DAY-TO-DAY OPERATIONS

### Combating money laundering and terrorist financing

Fighting financial crime, which includes preventing the proceeds of criminal activities being laundered and terrorist financing, is demanding and important work. Ensuring that the industry is not misused for illegal activities through the group's services and products is part of the financial services industry's social mission. SpareBank 1 SR-Bank prepares an annual assessment of the risk of money laundering and terrorist financing linked to its operations, along with the associated risk mitigation measures. A wide-range of key people in the group are involved in producing the risk assessment before it is considered by the board. "Group guidelines for anti-money laundering and sanctions" have been drawn up and are available to all employees. Managers have to confirm on an annual basis that they take a conscious approach towards the risk associated with money laundering and terrorist financing, and that they are familiar with the guidelines and policy that is anchored in the "Group guidelines for anti-money laundering and sanctions".

SpareBank 1 SR-Bank also has an extensive framework of guidelines intended to prevent the group being used for money laundering, tax evasion or terrorist financing. The framework is there to ensure that we comply with the statutory requirements in various processes through guidelines, customer measures, electronic monitoring, sanctions regulations, and procedures for internal control. In 2019, the internal audit function conducted four internal audits in the group in which the focus was on anti-money laundering. Two of the audits were related to customer measures and transaction monitoring in the bank, and the other two were conducted in two of the bank's subsidiaries.

The group has committed to complying with the framework and guidelines in the Wolfsberg principles for combatting financial crime. The Wolfsberg principles establish requirements for, for example, transparency in customer transactions and how information on these is monitored and managed in line with the authorities' requirements.

In 2020, the group will focus heavily on compliance with the Money Laundering Act and continue the work with increased resources and continuous employee training.

### Ethics and anti-corruption

Corruption puts long-term value creation at risk and creates distrust in society's systems. SpareBank 1 SR-Bank's code of conduct is intended to contribute to, among other things, fighting corruption, extortion, bribery, whitewashing, fraud, terrorist financing, and the financing of other criminal activities. The code of conduct is intended to make people aware of the potential dilemmas and ensure that all of our employees maintain high ethical standards.

SpareBank 1 SR-Bank focuses on the board, management and employees receiving good training in our ethical framework and conducted an anti-corruption e-learning course in 2019. The group believes that it is important that the board and management, as well as advisers, have a good understanding of our ethical framework.

The code of conduct was revised and updated in 2019. SpareBank 1 SR-Bank's code of conduct can be found here: [www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Etiske\\_retningslinjer.pdf](http://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Etiske_retningslinjer.pdf)

An "Overarching anti-corruption policy" was drawn up in 2019 and towards the end of the year a general risk analysis was conducted based on working meetings with purchasing, accounting and employees in both the retail and the corporate market. The guidelines for anti-corruption and impartiality have been incorporated into the purchasing and credit policy, and partners and suppliers are sent the sustainability appendix which includes the anti-corruption guidelines.

The group has its own ethics committee, which regularly assesses whether the code of conduct satisfies the requirements and expectations of customers, suppliers and

society as a whole. The ethics committee includes representatives of several business areas: the EVP, Communications and Sustainability, the EVP, HR and Business Support, legal, corporate market, retail market, compliance and AML, organisation and HR, credit activities, and union representatives from the Finance Sector Union of Norway. The committee met twice in 2019.

All employees must sign the code of conduct every year. Annual refreshers on ethics are also provided via the authorisation scheme for financial advisers. The anti-corruption work includes ensuring new employees read and sign the code of conduct. This is also included as a topic in Ethics Week.

The group operates a zero tolerance policy with respect to corruption and compliance assessments are conducted in relation to the anti-corruption guidelines. The group review specific transactions and activities, planned and existing business connections, and various categories and groups of employees. The assessments take a risk-based approach and the inspections include financial and non-financial control actions. Reporting lines have been established and any measures are followed up in line with existing routines.

The group has whistleblowing routines for anonymous, written and verbal reports. The routines specify:

- that whistleblowers are protected against reprisals
- how reports should be submitted – externally anonymously or not anonymously via multiple channels, including via an application that uses an untraceable QR code
- the requirements that apply for processing reports

SpareBank 1 SR-Bank has established an external whistleblowing agreement with the law firm EY. The information will be treated confidentially by dedicated case offices in EY.

Theme	No. of	Stake
Board members of SR-Bank ASA that have been aware of the guidelines for ethics, including anti-corruption	8	100%
Board members of SR-Bank ASA that have received training in anti-corruption	8	100%
Permanent employees who have signed the code of conduct	1,142	100%*
Permanent employees who completed anti-corruption training	308	100%**
Corruption related incidents***	0	Not relevant

Regnskapshuset is not included in the permanent employee figures.

\* All permanent employees, except those on long-term sick leave, other leave or similar, have signed the code of conduct.

\*\* All managers and corporate advisers complete extended anti-corruption training.

\*\*\* Since there were no corruption related incidents, no employees were punished, no supplier agreements were terminated due to corruption, and there were no court cases related to corruption in which the company or an employee was involved.

Board members have completed a separate anti-corruption training programme, and are directly involved in the work on formulating and quality assuring the group's code of conduct each year. In 2019, the board approved the group's revised code of conduct and associated anti-corruption guidelines and rules. Besides the board, managers and some key personnel take a special training course in anti-corruption. Based on this, 308 permanent employees have completed the extended course.

### Data protection and information security

SpareBank 1 SR-Bank processes a large amount of customer information and personal data. The new personal data rules, which consist of the General Data Protection Regulation (GDPR) and Personal Data Act, provide strong protections for privacy. One of the group's most important tasks is to protect the information exchanged between the customer and the bank by ensuring the necessary confidentiality, integrity and availability. The new regulations give customers more rights, and routines and procedures have been drawn up to safeguard these rights. Furthermore, SpareBank 1 SR-Bank's privacy statement ensures individuals have a right to information about how the group processes personal information in an easily accessible manner.

SpareBank 1 SR-Bank has governing documents in the form of the information security policy, outsourcing policy and privacy policy, as well as standards, guidelines and procedures under these. This framework is intended to ensure compliance with all of the fundamental principles for security and privacy. All new or modified systems, products and services undergo careful assessment in a risk management process. This ensures security by design, privacy by design and compliance with privacy principles.

The area of privacy has its own control plan which includes risk-based internal controls, audits of governing documents and routines, assessments of systems/services, and annual risk assessments. The information security management system is reviewed by the internal audit function and is subject to annual risk assessments.

In SpareBank 1 SR-Bank's experience, more breaches of personal data security are being identified and reported than before. The increase in these numbers is a result of the employees' increased awareness and competence, and confirms that the training that has been given has been effective. In 2019, the group reported 19 breaches of personal data security to the Norwegian Data Protection Authority. The authority did not issue instructions or impose fines for any of these breaches. This was due to the fact that the breaches were not considered serious, that the group practises effective

and robust event management, and that adequate measures were implemented to correct errors and prevent future breaches.

In 2019, the bank received two formal customer complaints about its processing of personal data. Two further complaints were received from the Norwegian Data Protection Authority where the customers had complained about the bank's processing of personal data directly to the authority. All of these complaints were closed by the authority without instructions or criticism.

Greater familiarity with the privacy regulations is an important focus area for SpareBank 1 SR-Bank and all employees have completed an e-learning training course. All new employees must take classes in privacy.

### Responsible information, communication and marketing

Marketing loan and credit agreements responsibly is vital for all players who offer such products to consumers in order to ensure confidence in, and the integrity of, the financial services industry. The same applies to savings, pension and insurance products. SpareBank 1 SR-Bank is subject to strict regulations concerning product labelling and marketing, and has clear, relevant procedures in place to ensure compliance with these. The group has routines and guidelines that address the regulatory requirements, as well as industry standards and legal standards. As one of Norway's largest banks, SpareBank 1 SR-Bank has major direct and indirect impacts on society through its provision of financial products.

The group has established policies and group guidelines for granting credit, investment advice, and selling insurance products. These are specified in the group's credit policy guidelines, routines and guidelines for the investment firm's business, as well as detailed routines and procedures for the internal systems. Training is also provided via the Authorisation Scheme for Financial Advisers (AFR), training programmes via VPF and VPF, and internal specialist days and training modules from SPAMA.

SpareBank 1 SR-Bank has an independent external auditor (EY) that conducts independent evaluations. It also has a risk management function and a compliance function that conduct inspections and provide the second line of defence. In addition to this, complaints procedures have been established that safeguard the interests of customers.

No adverse events involving a failure to comply with the regulations or voluntary guidelines for product and service information, labelling and marketing were recorded in 2019.

### Environmental responsibility in own operations

As a responsible financial group, SpareBank 1 SR-Bank takes a proactive approach to environmental and climate challenges. The group has chosen to particularly prioritise Sustainable

Development Goal No. 13 "Climate action". This obligates the group to contribute to the restructuring that society must undergo. One of the ways the group will do this is by becoming climate neutral.

We are constantly striving to be a resource-saving and environmentally-efficient organisation by setting requirements for our own organisation, suppliers, and partners. We arrange for employees to reduce their environmental impact and to make environmentally friendly choices.

In 2019, SpareBank 1 SR-Bank opened its new head office, Finansparken. Finansparken was built with high ambitions in relation to sustainability and energy. It is a sustainable building with a low climate impact and low energy needs. The move into Finansparken was completed in November 2019 and the climate accounts for 2019 have therefore as yet not been noticeably affected by the new building.

In 2018, SpareBank 1 SR-Bank registered energy and climate accounts based on the international "Corporate Accounting and Reporting Standard" for the first time. This standard was developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. The climate accounts show tonnes of CO<sub>2</sub> that are direct and indirect emissions related to the group. These are greenhouse gas emissions that come from consumption due to, for example, travel, waste management, and energy use. Based on the climate accounts, the group can identify which sources impact the external environment and implement concrete measures to minimise them. The process of drawing up ambitions and goals for reducing greenhouse gas emissions in our operations started in 2019. This work will continue in 2020.

The climate accounts for 2019 show a reduction in CO<sub>2</sub> emissions from 2018 to 2019. The group's CO<sub>2</sub> emissions in 2018 were 936 tonnes compared with 701 tonnes in 2019. The greenhouse gas emissions were categorised as follows in 2019:

- Scope 1: 9.9%
- Scope 2: 26.3%
- Scope 3: 63.9%

Given that 2018 was the first year records were kept in line with the GHG Protocol, the group has no historical figures for assessments, although the reduction from 2018 was primarily in energy consumption and air travel. Part of the reduction in energy use was a result of sharing premises and thus using less floor space. The electricity consumed by electric cars also rose due to replacement in the vehicle fleet. Emissions from air travel were reduced by flying less.

The group expects further reductions in its Scope 1, 2 and 3 emissions, and will take a systematic approach to this work in 2020.

## Annual report – climate accounts (tCO<sub>2</sub>e)

Category	2018	2019	% change from the previous year
<b>Transport</b>			
Diesel (NO)	37.8	46.1	21.8%
Petrol	24.7	23.0	-6.6%
<b>Scope 1 Emissions</b>	<b>62.5</b>	<b>69.1</b>	<b>10.6%</b>
<b>Electric cars</b>			
Electric car Nordic	0.2	0.3	14.3%
<b>Electricity*</b>			
Electricity Nordic mix	291.7	183.7	-37.0%
<b>Scope 2 Emissions</b>	<b>291.9</b>	<b>184.0</b>	<b>-37.0%</b>
<b>Air travel</b>			
Continental/Nordic RF	564.1	432.8	-23.3%
<b>Waste</b>			
Glass, recovery	0.1	-	-40.0%
Hazardous waste, recovery	-	-	-
Organic waste, recycling	0.2	0.1	-36.9%
Paper waste, recycling	0.8	0.6	-32.9%
Paper waste, recycling	-	-	-
Residual, recycling	16.3	14.3	-12.3%
WEEE, recycling	-	-	-
<b>Scope 3 Emissions</b>	<b>581.6</b>	<b>447.9</b>	<b>-23%</b>
<b>Total</b>	<b>936.0</b>	<b>701.0</b>	<b>-25.1%</b>
<b>Percentage change</b>		-25.1%	

## Key figures – energy and climate indicators

Name	Unit	2018	2019	% change from the previous year
Total emissions (S1+S2+S3) (tCO <sub>2</sub> e)		936.0	701.0	-25.1%
tCO <sub>2</sub> e by turnover	NOK millions	0.2	0.1	-37.5%
kgCO <sub>2</sub> e per m <sup>2</sup>	m <sup>2</sup>	20.7	17.9	-13.6%
No. m <sup>2</sup> heated floor space		45,200.0	39,191.0	-13.3%
Gross turnover		5,450.0	6,530.0	19.8%

\* CO<sub>2</sub> emissions from air travel were updated from last year's annual report. A new calculation put the figure 15.3 tonnes higher than the figure published in 2018.

\* Electric Car Nordic is reported as estimated km consumption based on the agreement with the leasing company.

\* Plastic waste, recovery is estimated consumption based on the reported figures for 2018.

\* The waste figures are for the head office in Bjergsted Terrasse.

\* The following offices are included in the energy consumption: Bjergsted (head office), Bryne, Domkirkeplassen, Egersund, Fana, Farsund, Finnøy, Flekkefjord, Grimstad, Hundvåg, Husnes, Jørpeland, Klepp, Kristiansand, Lyngdal, Madla, Mandal, Mariero, Nærbø, Petroleumsveien 6, Randaberg, Rosendal, Sand, Sandnes, Stord, Varhaug and Åkrehamn

## Sustainable purchasing

The requirements we set for our own operations commit us to being a resource-saving and environmentally-efficient organisation. This work is continued in our dialogue and follow-up of suppliers and partners. Responsible purchasing is about suppliers' work on climate, the environment, social conditions and ethical business practice.

The largest purchasing categories are marketing, IT systems, property operation, external consultants, and contracted personnel. In 2019, SpareBank 1 Utvikling and the alliance banks carried out a major project involving the development and implementation of a new framework tool for assessing the likelihood of negative impacts on the environment or social conditions. Suppliers are required to have guidelines for sustainability and these must be translated into action.

SpareBank 1 Utvikling, which accounts for around 80% of SpareBank 1 SR-Bank's purchases, has agreements with 249 suppliers who provide services to the savings banks and companies. In 2019, we started assessing the risk associated with the suppliers' likelihood of having a negative impact on the environment, social conditions and ethical business practice. Based on this assessment, suppliers with an elevated risk of having a negative impact are monitored in order to ensure that they take a systematic and practical approach to their work on sustainability. This applies to both existing and new suppliers. If the situation is inadequate, a dialogue is started with the supplier to ensure that the requirements are met.

In 2019, 91 suppliers, 37%, were assessed as having an elevated risk of having a negative impact. These are followed up. 158 of the suppliers, 63%, were assessed as having a low risk. These are not currently being followed up.

The follow-up of the suppliers from 2019 will be completed in 2020. Suppliers and categories that require further follow-up are identified based on the supplier monitoring. Evaluations and further developing the work on sustainable purchasing, as well as improving systems, are on the activity plan for the period up to 2023.

As in SpareBank 1 Utvikling, SpareBank 1 SR-Bank is following up suppliers using the same framework tool and guidelines. The work started at the end of 2019 and because of this there are no figures concerning the number of suppliers that have been assessed as having an elevated risk of having a negative impact on the environment or social conditions.

## RESPONSIBLE FINANCE

Responsible credit/lending and responsible investments are the areas in which the group can have the greatest impact by setting requirements and steering capital in a sustainable direction. The group should be a sparring partner and positive contributor for SpareBank 1 SR-Bank's customers in the transition to a more sustainable society and business sector.

Given this, one important priority area for SpareBank 1 SR-Bank is ESG and responsible finance. The group's priority activities in 2019 were assessed and implemented. In 2020, the focus will be on implementing guidelines and developing tools that can guide the group's existing and future customers in a more sustainable direction.

**ESG** is an abbreviation for "environmental, social and governance", which is used about factors within sustainability. The English abbreviation is often also used in Norwegian texts.

### Responsible credit

Credit is one of the group's main business areas and corporate customers account for an important part of this. Therefore, it is essential that the group also sets requirements for customers' activities. SpareBank 1 SR-Bank's credit strategy stresses that corporate customers must have a long-term perspective and their companies must comply with applicable laws and regulations, which include environmental considerations and human rights. SpareBank 1 SR-Bank's "Guidelines for sustainability in the corporate market" provide guidance on the sort of customers the group wants, what is expected of customers, and the group's lending. The main points from the guidelines are included in the group's credit policy guidelines. SpareBank 1 SR-Bank will not finance pornographic material, cryptocurrencies, coal power, coal mining or nuclear power. The extraction of tar sand, heavy crude, shale gas and shale oil will not be financed either.

All employees who are in contact with corporate customers must be familiar with our "Guidelines for sustainability in the corporate market" and review them annually.

SpareBank 1 SR-Bank's corporate market portfolio is well-diversified with an emphasis on commercial property, and the group mainly finances small and medium-sized Norwegian enterprises. The group wants to be a positive contributor and sparring partner with the aim of increasing customers' awareness surrounding sustainability. In 2019, the group developed a methodological framework for assessing sustainability (ESG scores) that will be used for corporate customers with commitments in excess of NOK 50 million. This is both for assessing the group's own sustainability risk and a tool for advisers in their dialogue with customers. An action plan will be prepared for customers with a low ESG score, which will be followed up by an adviser.

ESG scoring includes questions related to a customer's awareness and guidelines for areas such as HSE, corruption, human rights and the environment.

ESG scores are based on a survey of the customer's awareness and guidelines related to areas such as HSE, corruption, human rights, and the climate and environment. ESG scoring includes three questions that directly target a customer's climate risk: both physical risk and transitional risk. Customers that calculate their own CO2 emissions are encouraged to reported these.

In 2020, SpareBank 1 SR-Bank will further develop and implement the use of ESG scoring, as well as provide training and carry out communication work aimed at ensuring the group's employees and customers are even more familiar with its "Guidelines for sustainability in the corporate market".

The work on responsible credit in 2019 also resulted in the group signing up to the Responsible Ship Recycling Standards, which focus on the proper disposal of ships.

### Green products and green innovation

Consumers in today's society are becoming increasingly eco-conscious and SpareBank 1 SR-Bank expects the demand from customers and investors for green products to grow in the coming years. Green products are defined as savings and credit agreements that contain conditions concerning whether the investment object is sustainable in a climate and environmental sense.

In 2019, the group's retail market established advantageous credit terms and conditions for green initiatives in agriculture, such as solar farms for farm buildings. Green loans for the agricultural sector were launched in November 2019 and because of this the group has not reported figures for this loan product for 2019.

SpareBank 1 SR-Bank offers retail customers green car loans aimed at electric cars and we offer a car app for smart car insurance that is intended to encourage greener driving behaviour through Fremtind.

What	Sum total product	Green products as a % of total product portfolio*
Green car loans	75,424,749	3.34%
Green car insurance	61,419,160	15%

\* Green car loans: Total car loan portfolio, loan volume

\* Green car insurance: of total car insurance, measured by premiums written

The group's sustainability strategy has boosted the development of green products, both in the retail market and the corporate market, and the group will focus on these opportunities in 2020.

## Responsible asset management

SpareBank 1 SR-Bank's recommended savings products are managed by the group's wholly owned management company, SR-Forvaltning. SR-Forvaltning has its own guidelines for responsible investments that comply with SpareBank 1 SR-Bank's sustainability strategy and sustainability guidelines. SR-Forvaltning's work on responsible investments has three pillars: exclusions, ESG integration and active ownership.

All companies are checked to ensure that, among other things, they are not involved in the production of controversial weapons and do not contribute to serious human rights violations or serious climate and environmental destruction. In addition to this, SR-Forvaltning does not invest in companies that produce tobacco or pornography, or that are involved in gambling, coal production or oil sands.

ESG integration means that an analysis of the relevant ESG factors is conducted for all companies that are being considered for new investments. The relevant ESG factors depend on the company. They could be water consumption, workers' rights, board composition, corruption risk, CO2 emissions and much more. SR-Forvaltning uses data and analysis from Sustainalytics in addition to its own analysis work.

Active ownership is important for an asset manager because owning shares lets you have a direct impact on how the company operates. As far as active ownership is concerned, SR-Forvaltning votes for its unit holders at annual general meetings. SR-Forvaltning use voting services from ISS Proxy Voting Services and their "Sustainability Proxy Voting Guidelines" as a basis for casting its votes. The system is set up such that votes are basically cast for all the positions in the equity funds. The system was put in place in the middle of the year and gave SR-Forvaltning eight voting opportunities. SR-Forvaltning cast votes in all of them. SR-Forvaltning continues its dialogue with the portfolio companies if there is an elevated risk associated with an ESG factor. Based on the risk assessments, it continued dialogues with three different portfolio companies in 2019.

SR-Forvaltning signed up to the UN Principles for Responsible Investments in spring 2019 and the focus in 2020 will be on further implementing the principles in its management.

## Responsible investments in SpareBank 1 SR-Bank

Besides investments made via SR-Forvaltning, SpareBank 1 SR-Bank makes direct investments in shares and bonds within given limits. Special guidelines that comply with the group's sustainability strategy and sustainability guidelines were drawn up for this type of investment in 2019. Among other things, the guidelines specify that the group must be conscious of ESG factors and exercise active ownership where appropriate.

## Green borrowing

In 2019, SpareBank 1 SR-Bank created a programme for green bonds. In October 2019, the group issued its first green home mortgage bond linked to a portfolio of home mortgages. The credit bond satisfies the energy efficiency requirements specified for the programme. For more information about green bonds, see: [www.sparebank1.no/nb/sr-bank/om-oss/investor/finanssiell-info/gjeldsinvestorer.html](http://www.sparebank1.no/nb/sr-bank/om-oss/investor/finanssiell-info/gjeldsinvestorer.html)

## Funds offered via share savings accounts

SpareBank 1 SR-Bank mainly recommends funds managed by SR-Forvaltning, although it offers funds from a number of managers through the share savings account scheme. Guidelines for the requirements that must be set for external managers were developed in 2019, and a process involving a labelling scheme for sustainability was started in the SpareBank 1 Alliance. The labelling scheme will make it easier for customers to choose sustainable funds.

### In 2020, we will prioritise the following activities within responsible finance:

- Operationalising and further developing the assessment form for sustainability in credit
- Incorporating the Principles for Responsible Banking in all credit and investment activities
- Continuing the green bond programme and carrying out new issues if the market conditions are right
- Implementing a process for signing up to the Poseidon Principles, an initiative in which the financial services industry is supporting cuts in emissions in the shipping industry
- Implementing the labelling scheme for sustainability in funds offered in share savings accounts
- Exploring opportunities for creating green savings products under the group's management
- Focusing on climate risk in credit and investments based on the TCFD framework with the goal of coming closer to quantification

## CLIMATE RISK

Climate change represents a risk that the board and group executive management team have to manage. It is highly probable that financing, insurance and investments will be impacted by changes in the climate and climate policy. The group is closely monitoring political developments and will stay up-to-date at all times with regards to the basis on which political decisions are made. To be a responsible market player, SpareBank 1 SR-Bank must identify and follow up risks that could affect customers and business areas. The group complies with the recommendations of the Task-Force for Climate related Financial Disclosures (TCFD) when it comes to reporting on climate risk.

## Our approach to climate risk:

SpareBank 1 SR-Bank's loan portfolio consists of around 60% retail customers with home mortgages and 40% corporate customers. The group conducts annual stress tests and financial representations that show that the group is well-equipped to deal with the financial consequences of major downturns, as well as any restructuring risk related to less activity in the petro-maritime industries. Based on this, an assessment of climate risk was conducted in 2019 in relation to both transition risk and physical risk in industries where the group has exposure.

The commitments' term to maturity and the pricing of the individual commitment are important factors in assessing climate risk for loans and credit. A sector that will be subject to transition risk in a longer-term perspective, may do fine in the short-term. Deep and broad expertise in how climate change and climate policy might impact various sectors over time will be important when it comes to ensuring the group's loan portfolio has acceptable climate risk exposure. In 2019, as part of the training in climate risk, SpareBank 1 SR-Bank arranged a breakfast meeting with the Norwegian Climate Foundation and Finance Sector Union of Norway based around the theme of financial climate risk – how do we manage it?

A strategic evaluation was also made of SpareBank 1 SR-Bank's exposure to climate risk and how developments within this area will affect the group in the years leading up to 2030. This scenario based work will continue in 2020.

### The board and group executive management team

During the year, the board and group executive management team raised climate risk to a strategic level. In 2019, climate risk was specifically discussed by the board on several occasions. The sustainability strategy with its discussion about the climate and environment was approved in 2019. A wider ranging discussion concerning the climate led to UN Sustainable Development Goal No. 13 "Climate Action" being adopted as one the three Sustainable Development Goals chosen by the group.

Climate risk was on the group executive management team's agenda all year. Among other things, the climate was included in the group's strategy with a clear focus on climate risk. During 2020, targets and measures will be defined for reductions in the group's total CO2 emissions in the period leading up to 2030.

Furthermore, individual cases concerning climate-related matters were discussed several times during the year by both the group executive management team and the board.

## Strategy

The group's sustainability strategy was adopted in 2019 and has been integrated into the group's strategy. The strategic evaluation started in 2019 will provide the basis for a climate strategy for the group in 2020. The starting point for the strategic evaluation is a scenario based representation of the period leading up to 2030. The group is basing its work on defining targets and measures on the Paris targets. The strategy will be finalised in 2020.

### Risk management and measurement

In 2019, the group included climate risk in its overarching risk management processes. In 2020, the portfolios in various industries will be stress tested in relation to the scenario work in the strategic evaluation. Weight has been given to following up four business sectors particularly closely where the group believes that customers are most exposed to climate risk. In addition to this, the ESG score that is prepared at a customer level will be used in the climate and environmental assessments. The scenario work will, throughout 2020, provide strategic guidance on reducing risk.

## SUPPORT FOR NON-PROFIT CAUSES

As part of our activities, we support measures that support good living conditions. In 2019, the group contributed NOK 20 million in the form of grants and sponsorship agreements to various organisations, clubs and associations.

In connection with the conversion to a limited liability savings bank in 2010, the primary capital was transferred to a separate foundation, Sparebankstiftelsen SR-Bank, in the form of shares in SpareBank 1 SR-Bank ASA. Today, the foundation is the largest shareholder in SpareBank 1 SR-Bank ASA with a stake of 28.3%. One of the foundation's purposes is to ensure the continuation of the savings bank tradition, which includes distributing profits, received in the form of dividends from SpareBank 1 SR-Bank, as donations to non-profit causes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities". This reinforces the bank's local presence and local engagement. In 2019, NOK 109 million was distributed to 595 recipients in Rogaland, Hordaland and Agder.

Together with Sparebankstiftelsen SR-Bank, the group helps talented young people develop through G9alt Talentutvikling. G9alt Talentutvikling is a foundation that distributes up to NOK 5 million to talented young people in Rogaland, Hordaland and Agder. NOK 850,000 was distributed in 2019.

*The annual report is designed in line with GRI Standards: Core*