



CSR Report 2020

Corporate social responsibility report

Sydbank Group

Sydbank

Preface

Raising the bar

By Karen Frøsig, CEO of Sydbank

We take our responsibility seriously at Sydbank – and that's why we will take action now and we will do it properly. This is how last year's report started and in many respects these promises provided the framework for the year's sustainability agenda at Sydbank.

When I say we will do it properly it means that Sydbank's ambition is to focus on sustainability as an embedded part of our business. Our sustainability efforts will continue to focus on the challenges in society that are closest to our core business. This is where we have the greatest responsibility and where we can make the biggest difference.

In order to live up to our promise we stepped up our ambitions and actions in 2020. This should hopefully be clear when you have read the CSR report but I would still like to highlight the initiatives I am particularly proud of having achieved in 2020.

The UN Global Compact and the UN Principles for Responsible Banking

If we are to ensure a sustainable future for the next generations we must pull together nationally as well as internationally. That is why Sydbank signed the UN Global Compact and the UN Principles for Responsible Banking in 2020 – 2 major endorsements that strengthen our sustainability efforts and social responsibility efforts and help us to embed sustainability into the Bank's core business.


Green milestones

Last summer our new solar cell system was put into operation and since 1 November we have purchased power generated by Danish wind turbines to offset the carbon emissions we are unable to reduce at this point in time. In addition new green products have been added to our product offering to help our retail clients make sustainable decisions, we have added electric cars to our fleet, and employees, customers and business partners can now charge their electric cars at one of our 10 new charging points at the Bank's head office. These are all large and small initiatives to minimise Sydbank's carbon footprint and make a difference to our climate.

Forerunner in equality

In 2020 Sydbank took part in a survey of women's opportunities to move into management positions in the financial sector that was conducted on behalf of the Employers' Association for the Financial Sector and the Financial Services Union in Denmark. Here Sydbank stood out in a positive way compared to the rest of the sector – in fact we came out on top in terms of employees' perception of equality in management positions. The fact that men and women at Sydbank feel that their opportunities for promotion are equal is an outstanding result in itself. However regardless of this impressive result we have not reached the finish line yet. 29.3% of management positions were held by women in 2020. This is why we have set a target that women will account for 35% of all managers at the Bank in 2025. We have also introduced a quota regarding Sydbank's management talent programme so that from 2020 there must be an equal gender balance among participants.

In this report you can read much more about our sustainability efforts and how we take our social responsibility seriously.


Karen Frøsig
CEO



About this report

This report covers Sydbank's sustainability efforts during the period 1 January – 31 December 2020 and meets the current requirements regarding CSR reporting pursuant to section 135b of the Danish executive order on financial reporting of credit institutions and brokerage firms etc. This applies in particular with regard to the 5 mandatory reporting areas: social issues, climate issues, environmental issues, human rights and anti-corruption measures.

The report also meets the requirements of the UN Global Compact concerning the submission of a Communication on Progress (CoP). Sydbank's CoP must describe and provide documentation of Sydbank's efforts to support and uphold the 10 UN Global Compact principles and possibly also the 17 SDGs.

Explanation of terms

This report uses many terms all of which are related to the umbrella term "sustainability".

Sustainability encompasses several elements: social, economic and environmental sustainability.

A common definition of sustainability is found in the Brundtland report (Our Common Future) from 1987. The report describes sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

Therefore when sustainability is used in this report it is a broad term covering several aspects to ensure a balance in our basis of existence without endangering the basis of existence of future generations.

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The CSR Report for 2020 is available in Danish at sydbank.dk and in English at sydbank.com.
In case of doubt the Danish version applies.





1

Creating value

1. Creating value

Role in society

Sydbank is one of Denmark's largest banks and given its SIFI label our role in society involves a special responsibility to make a positive contribution to developments. The financial sector's infrastructure helps to ensure that payments and money transfers can be carried out efficiently and securely. At the same time the advice we provide contributes to improving big and small financial decisions by companies and private persons. By providing finance to companies and private persons we help companies to grow and contribute to economic activity in terms of the housing market and other consumer spending.

Our stakeholders

Sydbank's growth and existence depend on dialogue and interaction with our stakeholders in our own organisation, in the marketplace and in society at large.

Our organisation

In our own organisation the most important stakeholders are our employees. The dialogue with employees is formalised in a number of employee forums focusing on working conditions and the work environment.

Marketplace

In the marketplace the Bank's principal stakeholders are its customers, shareholders, suppliers and business partners.

High priority is placed on being close to our customers and nurturing the relationship by offering advice and responsible products and by local engagement. Sydbank's customers are divided into 3 segments: Corporate, Retail and Private Banking.

Society at large

Sydbank's key stakeholders in society at large are supervisory authorities, policymakers, interest organisations as well as the media and press.

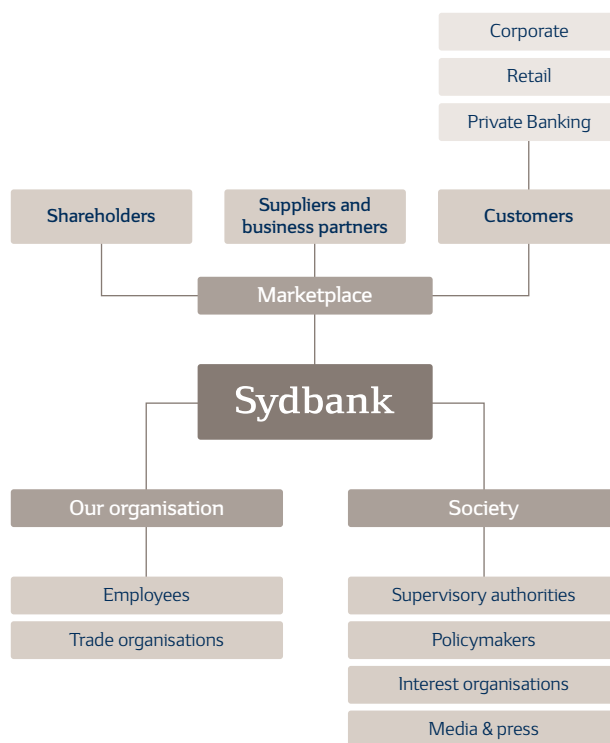
Common regulation of the banking sector is necessary to ensure security, transparency and stability.

To help ensure that regulations can be handled effectively in practice, Sydbank is a member of the following interest organisations that are in dialogue with supervisory authorities and legislators on behalf of the entire financial sector or parts of the financial sector: Finance Denmark, National Banks in Denmark and the Employers' Association for the Financial Sector.

Business model – "Banking – pure and simple"

The classic business model for banks is fundamentally concerned with optimising risk management when short-term deposits are converted to long-term loans. This remains the cornerstone of Sydbank's business model.

Our stakeholders



Sydbank focuses on what is important – banking and sound business. We call it "Banking – pure and simple".

In addition to deposit and loan products produced in-house, the Bank's business model includes activities within payment services, securities trading and asset management as well as arranging mortgage credit products, investment management products and insurance products via business partners. Backed by the best business partners our competitive strength is increased.

Sydbank is a nationwide bank and its business volume is evenly distributed across 12 Danish regions as well as Northern Germany, where the Bank has 3 branches.

The Bank's business model is available at sydbank.com.

Business strategy 2019-2021

Sydbank's business strategy for 2019-2021 is called "A stronger bank". We will build a stronger bank with the purpose of enhancing Sydbank's market position. Our customers must receive greater value, our employees must have even simpler processes and Sydbank must be more visible to the Bank's key stakeholders by means of a stronger profile.

Focusing on decency and responsibility the Bank's business model is based on its customers, its fundamental values and the digital structure that is a part of the Bank's engine room.

Satisfied customers

Our customers must trust that we provide value-adding advice. We do not take this trust for granted but strive to earn it. Customer satisfaction within the corporate and retail segments is measured every year. Customer satisfaction is measured to help us identify how we can become an even better bank for our customers. The surveys are conducted in collaboration with EPSI and Aalund and they enable us to compare our results with the rest of the financial sector.

In 2020 Sydbank kept its excellent second place among the 5 largest banks in terms of overall customer satisfaction in the corporate and retail segments – despite the fact that customer satisfaction in the financial sector has generally fallen compared to 2019.

Sydbank's second place in the retail segment was driven in particular by Sydbank's high score on image, which concerns the Bank's reputation and customer focus. Sydbank outperformed the financial sector in all parameters.

According to the Aalund survey we can call ourselves Denmark's third largest corporate bank – and we are also the preferred bank when corporate clients look for a new bank.

Local sponsorships and fund donations

At Sydbank we set great store by being close to customers. This is why having a strong presence in local communities is a central element in terms of our activities regarding sponsorships and fund donations.

In order to protect our local roots the local branches manage a significant share of Sydbank's sponsorships. Sydbank seeks to contribute to open and active local communities throughout the country and therefore one of the aims of the sponsorships is to establish and maintain social relationships.

In 2020 our sponsorships were affected by the coronavirus pandemic, which is why we implemented alternative initiatives such as a printed advertising campaign to support regional and local media in times of difficulty and cinema drive-in events to gather local communities in an alternative way. In addition we extended our partnership agreement with the Danish Football Association/ Divisionsforeningen regarding the Sydbank Cup until 2024.

The funds donated DKK 10,623,626 in 2020. Our sponsorships totalled DKK 11,403,717, of which local sponsorships accounted for DKK 8,797,978.

Spreading Cup magic

The Sydbank Cup is not just for elite players. It is a nationwide tournament and is played by all divisions and leagues. This means that more than 800 teams take part. Sydbank wants to give all local teams the feeling of being the stars of the tournament and we review on an ongoing basis how the Cup magic can be brought closer to local clubs.

We have previously collaborated with Veo regarding recording and broadcasting all Cup matches to bring the small clubs into the limelight.

In 2020 Sydbank was the initiator of the series "The forgotten Cup heroes" with tales from the Sydbank Cup and highlighting the small clubs. Our planned initiatives for 2020 were impacted by the coronavirus pandemic. Consequently we attempted to carry out alternative activities such as a television broadcast of the Sydbank Cup quiz on Ascension Day (the planned Cup final day) where members from the 4 semi final teams were tested on their knowledge of football and in other challenges.

In 2021 we will launch the Sydbank Cup – Lorry. The lorry runs on HVO biodiesel and has a variety of experiences and activities to help create a festive atmosphere in connection with local tournament matches.

Customer satisfaction

Corporate



Retail



Profit for the year

799

DKKm

Bank loans and advances: **DKK 60.2bn**

Deposits: **DKK 95.9bn**

Number of staff (FTE): **2,021**

Funds under management: **DKK 109bn**

Market share – Retail: **6%**

Market share – Corporate: **12%**

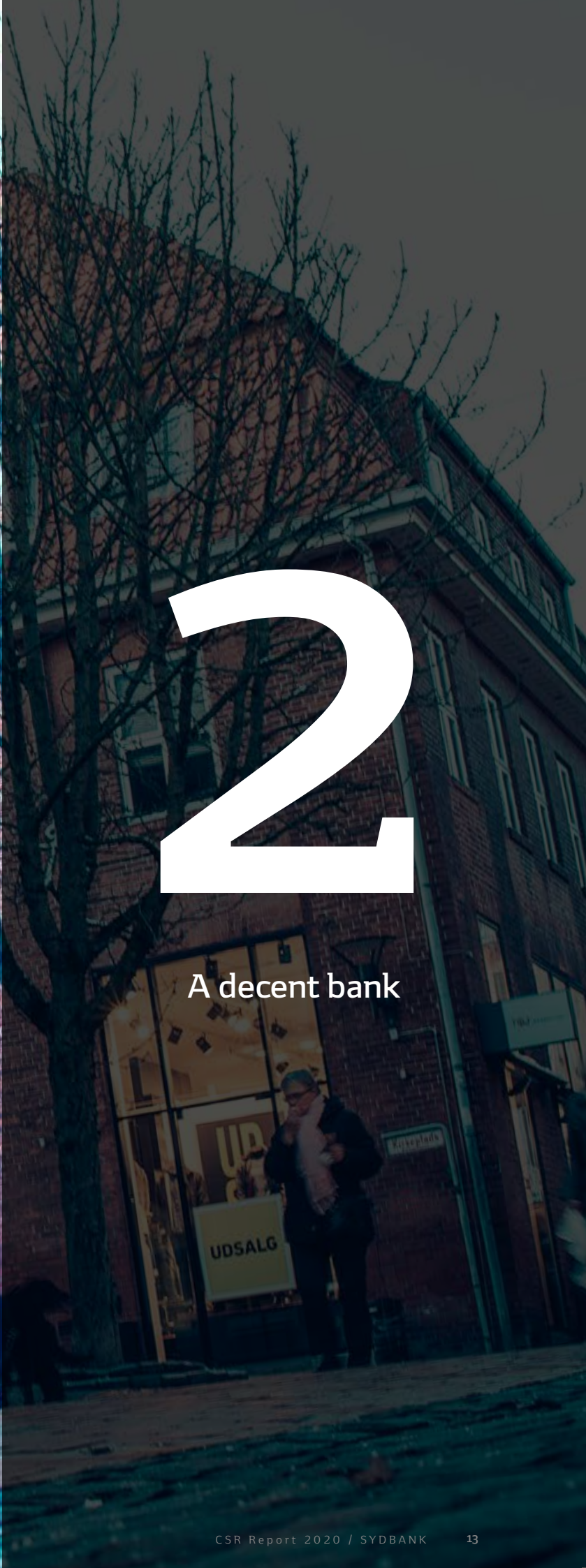
Corporation tax: **DKK 222m**

Profit for the year: **DKK 799m**

ROE: **6.6%**

Customer satisfaction **Number 2** (retail and corporate)
(among the 5 largest banks)





2

A decent bank

2. A decent bank

Trust in the financial sector is essential for growth in society. The overall level of satisfaction with the banking sector is declining and Sydbank must differentiate itself from the many negative bank cases by continuing to run a decent bank.

Consumer protection and product approval procedures

Sydbank strives to ensure that its customers make their decisions on an informed basis and are afforded the protection they are entitled to as consumers. These elements are incorporated in the Bank's procedures and guidelines.

Sydbank is subject to MiFID II's product governance rules. This means that all the Bank's investment products must have a target market whose needs, characteristics and investment objectives are compatible with the product. The Bank's ongoing internal controls aim to ensure that the product matches the target market and continues to meet customers' requirements.

The Bank has control mechanisms to make sure that rules and guidelines are observed. Compliance ensures that the controls are performed and that any errors and omissions reported are corrected.

Taxation

Sydbank's tax policy determines the framework for Sydbank's conduct in the area of taxation in relation to its own tax affairs as well as those of its customers and business partners. Sydbank's Board of Directors is responsible for the tax policy, which is available at sydbank.com.

We take our responsibility as regards tax reporting and payments seriously as tax payments represent the foundation of our welfare society and this area is of great significance to the Bank's stakeholders and its business. It is important for Sydbank that it can explain and defend its tax-related transactions in terms of its stakeholders. This is why for instance Sydbank has no activities in countries included on the EU's list or the OECD's list of tax havens.

Sydbank collaborates and has an ongoing dialogue with the Danish Tax Agency via for instance Tax Governance to ensure that the Bank's work related to taxation is carried out in an orderly manner.

Data processing and information security

Data protection – confidentiality comes with strings

Ongoing efforts are made to ensure that we comply with applicable legislation on data security. Our customers must be able to trust that their data is processed in a confidential, secure and safe manner.

Sydbank has a dedicated GDPR department tasked with helping the Bank's Data Protection Officer (DPO) to oversee and analyse the Bank's processing activities so as to continuously improve and optimise data processing and thereby eliminate errors.

Furthermore all Sydbank's employees receive mandatory training in the correct processing of personal data. Twice a year Human Resources submits a report to the Bank's Head of Compliance and the Bank's DPO on the number of employees who have completed the training. Human Resources has a follow-up procedure for employees who have not completed the training. Together with the employee's immediate superior the reason for not completing the training is found. If it proves difficult to find the cause and it is not due to for instance leave of absence or illness the matter is reported to Compliance and the DPO.

Information on how the Bank's personal data policy is put into practice as regards customers is available at Sydbank's website: sydbank.dk/privat/kontakt/persondata (in Danish only).

Data ethics policy

Sydbank's data ethics policy must ensure that we comply with legislation in force, monitor developments and are perceived as a respected, competent and decent business partner. As yet financial undertakings are not required by law to have a policy on data ethics but for Sydbank it is essential that our customers and the surrounding world have every confidence in our ability to process and store their data. This is why we have set out our position on data ethics in a policy.

Sydbank's data ethics policy concerns the Bank's work related to data ethics, including ethical deliberations in connection with the use of new technologies and increased volumes of data.

We are responsible for ensuring that data processing is carried out in an ethical, responsible and transparent manner. As a result we strive to improve our data processing on an ongoing basis and influence developments in the data area and we also collaborate with relevant authorities in this area.

Information security

Cyber attacks are a threat to our business and the stability of society. A growing trend exists where hacker groups attack banks' systems to gain access to banks' transaction patterns and other insider knowledge.

Sydbank's approach to information security is an approach ensuring that we comply with legislation and implement recommended measures. Furthermore operational security is strengthened on an ongoing basis where focus is on making it difficult for hostile persons to access our systems and preventing them from doing so.

It is important that all employees contribute to maintaining a high level of security. Consequently all employees completed a course in information security in 2020. The training course was based on the most common methods criminals use to attempt to gain access to information through employees. The course also included information on how employees should respond in case of a security breach.

It is important that we are able to perform critical tasks at all times – also during a contingency situation where security has been breached. This is why Sydbank has an operational contingency plan in place including guidelines for recovery of lost data and accessibility.

Sydbank's information security department is responsible for implementing commercial impact assessments of the Bank's IT systems that test the security of the Bank's systems. In addition Sydbank takes part in the Danish central bank's Threat Intelligence Based Ethical Red Teaming (TIBER-DK), which is a programme to test the critical parts of the financial infrastructure. TIBER-DK aims to increase the cyber resilience of the financial sector and promote financial stability. Participation in the programme includes a red team attack that will reveal the infrastructure's strengths and weaknesses.

Unfortunately IT fraudsters exploit every opportunity to trick money out of customers. In 2020 they took advantage of the extraordinary coronavirus situation where many customers were waiting for parcels to be delivered or their extra holiday money to be paid out. The fraudsters attempted to trick holiday money out of customers, attempted to get customers to pay a fake delivery fee and phoned customers posing as Sydbank advisors and asking them to transfer their money to a "protected" account.

As a result considerable focus is on protecting customers from fraudsters. In various media and on our own digital channels and platforms such as sydbank.dk, information on fraud is provided on an ongoing basis and advice is offered on how to avoid fraud.

Efforts to fight crime and corruption

Combating money laundering and terrorist financing

At Sydbank we are mindful of the risk of the Bank being used for money laundering and terrorist financing and as a result efforts are made on a continuing basis to strengthen preventive measures.

Our efforts are based on the principle that we must be able to stand up to scrutiny – especially when our customers enquire about the Bank's measures to combat money laundering but also when business partners and authorities seek information about our contingency plans. Consequently we set up a dedicated page

on Sydbank's website in 2020 with information on our efforts to combat money laundering.

In 2020 we also strengthened the Bank's controls regarding obtaining necessary information in connection with the establishment of new customer relationships. This means that the establishment of new retail and corporate client relationships is monitored centrally in order to comply with the Danish Anti-Money Laundering Act. Furthermore the Bank's transaction monitoring is extended on an ongoing basis whenever new risks are identified.

Sydbank has an AML committee that is tasked with helping to identify and assess risks and ensure that the Bank is kept updated on the newest trends and the newest measures. The committee consists of relevant group executive vice presidents and is chaired by Sydbank's AML Executive (Group Executive Management member).

The AML Risk Management department reports to the Group Executive Management and the Board of Directors on a quarterly basis on efforts made to combat money laundering and also reports on a regular basis on the risk scenario within this area.

Sydbank was a member of Finance Denmark's anti-money laundering taskforce (dissolved in 2019), which submitted 25 recommendations in 2019 to strengthen efforts to combat money laundering and terrorist financing. In 2020 we focused on the most important of the 25 recommendations and they have been incorporated, directly or indirectly, into day-to-day operations at Sydbank. The Bank has also been a member of several working groups set up by Finance Denmark and taken an active part in efforts to establish a collaboration among Danish banks to combat money laundering and terrorist financing.

Finance Denmark's anti-money laundering taskforce recommended that banks comply with 6 principles of conduct to ensure a healthy corporate culture with regard to preventing money laundering and terrorist financing and thereby help to boost efforts in this area. Sydbank complies with the 6 principles.

Bribery

Sydbank disapproves of any form of corruption and bribery and does not tolerate its existence.

Sydbank takes an active part in preventing market abuse. Vast amounts are traded on securities markets and it is important that markets are protected against abuse. Sydbank has measures in place to ensure the correct handling of inside information within the Bank, by management and employees as well as measures relating to customers' use of the Bank.





3

Sustainability efforts

3. Sustainability efforts

High ambitions

As one of Denmark's largest banks, Sydbank has a special responsibility to make a positive contribution to developments in society so that together we can ensure a sustainable future for the next generations – we take this responsibility seriously. This is one of the reasons why in 2020 we stepped up our ambitions as regards sustainability by becoming a signatory to new significant international principles and guidelines and implementing organisational changes.

4 strategic focus areas

For Sydbank sustainability is about doing something because it is the right thing to do and because it can be integrated naturally in the Bank's business. In other words we must focus on the challenges in society that are closest to our core business and primary areas of impact.

As a result we have decided to focus on 4 areas where we believe we can make a significant difference: responsible finance, responsible investment, responsible employer and responsible climate footprint. Consequently these areas play a prominent part in this report and are discussed and reviewed separately in chapters 4-7. Each chapter sets out what we have achieved in 2020, our goals for 2021, special risks and focus areas, relevant policies and standards as well as our overall objective in each strategic area.

Human rights and workers' rights are a component of several of the focus areas and therefore actual and potential impacts on these rights are integrated in the following chapters.

Sustainable governance foundation

Sustainability is embedded in many parts of Sydbank. Consequently sustainability and social responsibility also form part of Sydbank's governance foundation, which includes:

- Sydbank's code of conduct
- Sydbank's management code of conduct
- CSR policy
- Conflicts of interest policy
- Policy for prevention of money laundering, terrorist financing and sanctions breaches
- Responsible investment and active ownership policy
- Sydbank's tax policy
- Remuneration policy
- Policy for the underrepresented gender
- Policy for healthy corporate culture
- Data ethics policy.

Sydbank's Code of Conduct was updated in 2020 and now it also makes demands on the sustainability and social responsibility of suppliers and business partners.

Organisation and management

CSR forum

Sydbank's CSR forum evaluates and decides upon concrete CSR and sustainable initiatives. The members of the forum include Sydbank's CEO and relevant group executive vice presidents.

The forum is formalised by means of terms of reference setting out its tasks and powers. For instance Sydbank's CSR forum made 2 strategic and significant decisions in 2020 regarding the Bank becoming a signatory to the UN Global Compact and the UN Principles for Responsible Banking. These endorsements will be elaborated on below. Furthermore the forum decided to purchase green electricity to carbon offset the part of Sydbank's consumption that does not come from renewable energy sources.

Sydbank's CSR forum also operates on a more tactical level by evaluating on an ongoing basis the trends in society that Sydbank should incorporate to best contribute to a sustainable development. In addition the forum reviews relevant proposals sent by employees via a special email address to improve the Bank's sustainability efforts.

Organisational change

In line with Sydbank's elevated ambitions we implemented an organisational change in 2020 aimed at bringing our sustainability efforts closer to the Group Executive Management and strategic decisions so that sustainability may be further embedded in the business.

Sydbank's CSR forum continues to have the overall responsibility for defining the Bank's strategic direction for sustainability and social responsibility. However Communications & Marketing no longer serves as the secretariat for the CSR forum. This responsibility has been transferred to Secretariat, digitization & strategy. Sydbank's mandatory reporting on corporate social responsibility is also managed by Secretariat, digitization & strategy.

Sustainable endorsements and levers

In order to strengthen Sydbank's sustainability and CSR efforts the Bank complies with a number of international and national initiatives, principles and guidelines. A few of these are described below.

UN SDGs

Sydbank greatly respects the UN's efforts to establish a global partnership to work for a sustainable future. We work continuously to develop and implement measures that help to support the SDGs. Sydbank's sustainability efforts are related to 7 SDGs where our activities can make a difference and we consider on

a regular basis whether our activities can make a difference in relation to additional SDGs.

UN Global Compact

Sydbank joined the UN Global Compact in 2020 and as a result we have become a part of a movement where more than 10,000 companies from 166 countries work for a better world. The UN Global Compact is a voluntary initiative where we as a company undertake to adhere to 10 principles. The principles focus on a company's social responsibility and are based on international conventions and agreements. Our participation also requires us to report on how we comply with the principles and work for a better world. As a signatory Sydbank has the possibility to boost its CSR and sustainability efforts while at the same time send a clear message to the surrounding world that we take sustainability and social responsibility seriously.

UN Principles for Responsible Banking

Sydbank signed the UN Principles for Responsible Banking at the end of 2020. This step will have considerable implications for Sydbank as the incorporation of the principles will define new strategic and targeted efforts to embed sustainability into the Bank's core business to a still greater extent.

In addition to the new endorsements in 2020 Sydbank continues to follow and support the UN Principles for Responsible Investment, the Paris Agreement, the OECD Guidelines for Multinational Enterprises and ILO conventions on dignity of workers.

In 2020 Karen Frøsig, CEO, signed the UN Principles for Responsible Banking on behalf of the Bank.



SDG 5 – Gender equality

Sydbank contributes to gender equality by continuously measuring gender diversity and by making sure that target figures as regards the underrepresented gender are set. For instance in 2020 the Board of Directors adopted a new target for the underrepresented gender on Sydbank's Board of Directors and the target has increased from 25% to 30%.



SDG 7 – Affordable and clean energy

Sydbank contributes to the scaling up of sustainable energy by using sustainable energy and by investing in sustainable wind energy. For instance in 2020 we installed a solar cell system at the head office.



SDG 8 – Decent work and economic growth

Sydbank contributes to growth in society by guaranteeing a financial infrastructure and by making financing available. In addition in our code of conduct we demand that our suppliers and business partners do not contribute to forced labour.



SDG 9 – Industry, innovation and infrastructure

Sydbank contributes through finance to our innovative corporate clients via the EU-backed growth programme InnovFin.



SDG 11 – Sustainable cities and communities

Sydbank contributes via our locally embedded sponsorships, our investment and our finance.



SDG 13 – Climate action

Sydbank contributes to the climate initiatives by complying with national and international climate control efforts. Through our products, competences and business partners we can advise our customers about sustainable initiatives, for instance energy-saving renovations.



SDG 16 – Peace, justice and strong institutions

Sydbank contributes by supporting and following institutions that work for peace and justice. We have a Tax Governance collaboration with the Danish Tax Agency, we have risk management to combat money laundering and terrorist financing and we eliminate countries from our investment universe of government bonds if for instance they are subject to international sanctions or are unable to sufficiently support security and welfare for their citizens.





4

Responsible finance

4. Responsible finance

Achieved in 2020

- We have continued to ensure a strong financial foundation by maintaining our cautious approach to credit risk.
- Green home package consisting of the energy cost calculator Energiberegneren, professional energy advice from BetterHome and Sydbank Energilån (energy loans).
- The possibility of financing for corporate clients via EU funds has been maintained.
- ESG issues have been incorporated in Sydbank's credit policy.

Goals for 2021

- To continue to have a sensible and cautious approach as regards lending and a high credit quality.
- To continue our work on integrating ESG risks in risk management and capital planning.
- To initiate relevant and structured data collection for ESG credit risk management.
- To make sure that the creditworthiness assessment of the Bank's customers continues to ensure that they can afford to

take out a requested loan and are not placed in an unacceptable financial situation due to money owed to Sydbank.

Special risks and focus areas

- Our approach as regards lending means that focus is on being in a strong financial position and ensuring that we do not put customers in an unacceptable financial situation.
- Sydbank must advise customers in difficult financial situations and be a responsible financial partner.
- Sydbank is a SIFI (systemically important financial institution), which means that the Bank is subject to special legislation.
- In the assessment of the Danish central bank, banks are well equipped to manage risks associated with the green transition but a drastic transition during which large impairment charges are recorded over a short time frame may result in a capital shortfall.

Relevant policies and standards

- Sydbank's credit policy.

Overall objective

Through decency and systematic procedures we will ensure that Sydbank is an efficient, well-run and solid bank with a responsible approach to financing and lending to the Bank's customers.

Risk – responsibility and balance

Sydbank's credit policy must ensure responsible lending so we will remain a solid bank also going forward where risks are reasonably balanced as regards the Bank, customers as well as society.

Creditworthiness is decisive when granting loans to private persons. Our assessment of a customer's creditworthiness is not just about assessing whether the Bank can get its money back. The Bank's decision to approve a loan application or not is based on a customer's financial circumstances. So when we grant a loan we assess that the customer will not be put in an unacceptable situation due to money owed to Sydbank.

We are not looking for quick-fix solutions but sound, clear agreements with a realistic level of risk. Sydbank achieves these objectives by striving to be among the absolute top performers in Denmark in terms of operating a bank and providing advisory services to customers based on their specific situation. The current interest rate environment challenges the Bank's business model but Sydbank does not compromise on its risk profile or business standards.

Sustainable transition represented in lending

There are no quick and easy solutions if sustainability is to be embedded in our banking business and have an impact in the long term. This is why we will ensure that sustainability is integrated properly. It will be integrated for instance in our lending, which together with capital management is a large strategic focus area.

We are working on integrating ESG risks in the Bank's risk management and capital planning and our objective is that over time we will be able to report the CO₂ footprint of our loans. We took the first steps in 2020 and we will continue to build on this in 2021.

However reporting the carbon footprint of our loans and including ESG risks in the basis for decision-making are not without problems as the calculations and analyses require a greater volume of data. In terms of loans to retail clients, knowledge of customers' ESG issues requires that Sydbank knows about energy labelling of properties and cars. In terms of loans to corporate clients, knowledge of ESG issues requires that clients possess a certain volume of data. Not all clients have the relevant data and therefore access to data poses a significant challenge.

With regard to the carbon footprint of our loans we are working on a recently launched CO₂ model from Finance Denmark that has been developed for the financial sector to measure the carbon footprint of loans and investments. However the model

20 recommendations for sustainable finance

In 2019 Finance Denmark's "Forum for Sustainable Finance" introduced 20 recommendations on how the financial sector can contribute to a sustainable transition of society. The recommendations include a recommendation for Finance Denmark's members to use a common method to calculate their carbon footprint of the activities they help to finance or invest in. As Sydbank is a member of Finance Denmark, it is our ambition to comply with the 20 recommendations from the Forum for Sustainable Finance.

is an example of the data challenge as it is based for instance on sector-specific average data since company-specific emission data is not available.

Updating of Sydbank's credit policy

Sydbank's credit policy was updated in 2020 and the policy now emphasises that Sydbank should have a cautious approach to customers whose assets, business models or future earnings are particularly exposed to ESG risks. Consequently we must collect relevant data on ESG issues to be included when making decisions. The collection of data is an activity under development.

Sydbank has decided that some ESG issues are so serious that it will not grant credit to companies that:

- do not have measures in place to ensure safe handling of hazardous waste
- do not have the necessary licences for activities requiring environmental permits
- do not observe human rights in accordance with the Universal Declaration of Human Rights
- use child labour in violation of the UN Convention on the Rights of the Child.

Green home package – contribution to the green transition for retail clients

We have a shared responsibility to create a more sustainable future and this is why we introduced several measures in 2020 aimed at our retail clients in order to contribute to the green transition.

Totalkredit's Energiberegner, an energy cost calculator, which is available on Sydbank's website, provides information on energy improvements and motivates customers to make their homes more energy efficient. The energy cost calculator offers custom-

ers a fast and easy way to find out if they can save money by making an energy improvement, which will also make a difference for the climate. The calculator proposes improvements, shows annual savings, how much the improvement will cost as well as the CO₂ saving.

We would like to help customers finish their energy improvement projects. Therefore we are eager to make customers aware of the possibility of receiving professional energy advice from BetterHome, which will help customers make the most of their energy investments. BetterHome is 100% financed by Danfoss, Grundfos and ROCKWOLL, which means that energy advice is free of charge for Sydbank's customers.

In 2020 we introduced Sydbank Energilån, ie loans to make it attractive for retail clients to make their homes energy efficient in order to save money and reduce CO₂ emissions. Sydbank Energilån has been made attractive by significantly reducing the establishment charge compared to ordinary home loans.

Challenges in a coronavirus-hit economy

At Sydbank we help our customers in good times and bad. We believe in long-term customer relationships based on value creation and trust. We are doing everything in our power to help customers through a difficult coronavirus pandemic and we evaluate on a specific basis whether we can lend an extra hand. Furthermore corporate clients are offered Covid-19 financing solutions from export credit agency EKF and government investment fund Vækstfonden.

Financing to innovative corporate clients through InnovFin

In 2020 Sydbank continued to offer financing to innovative corporate clients through the EU-backed growth programme InnovFin, which is managed by the European Investment Fund (EIF).

The collaboration with the EIF makes it possible for the Bank to offer corporate clients loans carrying a lower interest rate and the EIF provides a guarantee for 50% of the loan. In spring 2020 the InnovFin programme was extended in response to the coronavirus crisis, which meant that Sydbank was able to finance innovative investments by the Bank's corporate clients with a guarantee of up to 80% from the EIF.

Financing through InnovFin can be loans to growth and innovation companies or loans for specific projects involving more innovative processes. Corporate clients comprised by this programme must continue to adhere to Sydbank's credit evaluation.

During 2020 Sydbank used all the Bank's funds in the InnovFin programme, which ended at year-end 2020. We expect that the EIF will initiate a new scheme in 2021 where focus will shift from innovation to green and digital initiatives.





5

Responsible investment

5. Responsible investment

Achieved in 2020

- 1,183 companies have been monitored on an ongoing basis with regard to violations of international norms. In connection with non-sustainable conduct we have visited or held meetings with companies 71 times.
- We have worked on strengthening our analysis of ESG risks and our ambitions are far-reaching. More ESG data substantiating our decisions is included today. In the future our analysis will to a greater extent include companies' CO₂ emissions.
- We have integrated independent quantitative and qualitative ESG data in our decision-making and investment processes. The data provides us with new possibilities to tackle risks in companies that are due to eg weak processes by management to address ESG matters.
- We have widened our range of products with an ethical and ESG responsible profile in all relevant asset classes within several customer groups.

Goals for 2021

- To offer customers investment products with the Nordic Swan Ecolabel and in 2021 to launch as a minimum one global equity product with the Nordic Swan Ecolabel.
- To focus on the contribution of equity investments to reach the goals regarding carbon emissions of the 2015 UN Climate Change Conference (the Paris Agreement). In this connection a new policy for responsible investment and active ownership will be formulated. Looking ahead it is our ambition that the companies we invest in can and will contribute to the necessary climate transition.
- By means of increased reporting to state more clearly how sustainability is embedded in our investment process. At the same time we wish to communicate openly about our results and the many unavoidable dilemmas associated with responsible investment.

Overall objective

Sydbank will make investments in a responsible and sustainable manner. Our decisions will be made on a solid and updated basis where we analyse ESG issues in terms of financial and business risks. We will be active owners in a constructive dialogue with the companies we invest in.

In 2021 Sydbank will continue to focus on sustainability. New legislation in the form of an EU taxonomy for sustainable activities will give us the first common standards for sustainability in financial products. We will contribute constructively with new climate targets and increased information on ESG issues with our customers.

Special risks and focus areas

- At present very few companies publish the data we need to comply with forthcoming EU legislation on reporting on sustainable financial activities. Consequently we are currently dependent on external business partners and ESG data is based on a mixture of companies' own data and subjective estimates by business partners' analysts.
- There is a risk that companies may purport to be more environmentally sustainable than they actually are – so-called greenwashing. On the other hand there is a risk that green companies may appear to be "non-sustainable" if we have insufficient data to provide documentation of the sustainability requirements under the EU taxonomy.
- It is a very difficult balancing act between the ambition of aligning our products with the overall climate goals already today and making adaptations over a longer period of time. If too much focus is on investing in environmentally sound companies we may miss out on the attractive investment opportunities of the green transition. However there is a risk associated with investing in the green transition as there is no guarantee that companies will live up to their green ambitions and reduce their emissions sufficiently in accordance with the Paris Agreement. So the path to reaching the climate goals is heavily dependent on actual developments in global CO₂ emissions.

Relevant policies and standards

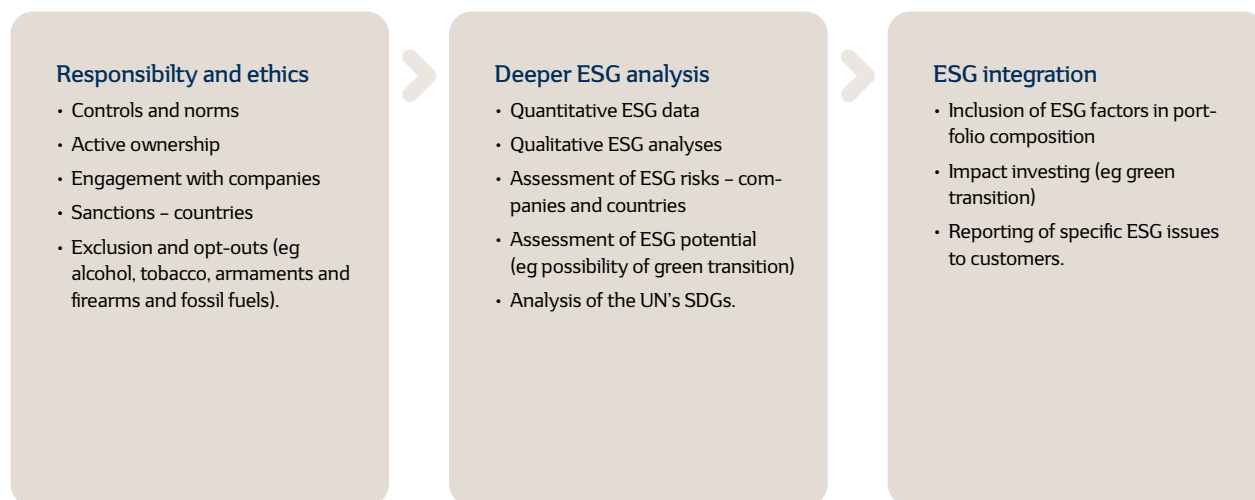
- Responsible Investment and Active Ownership Policy
- Sydbank's Conflicts of Interest Policy
- International norms and conventions
- UN PRI.

Ambition to increase ESG integration

In 2010 the Bank signed the UN Principles for Responsible Investment and as a result we are obligated to incorporate ESG factors into our investment analysis and decision-making process.

In 2020 targeted efforts were made to increase focus on the integration of ESG factors in our investment processes as we hope that this will enable us to a greater extent to actively select an investment – not just opt out. In 2020 Sydbank's portfolio managers received considerably greater access to independent ESG data and company analyses from our business partner Sustainalytics. This data and these analyses will help Sydbank's portfolio managers to include ESG factors in their concrete analyses and decisions to an even greater extent.

Sydbank's ESG efforts – investments



Climate targets for investments 2021–2030

It is Sydbank's wish that over time investments are made in compliance with the goals of the Paris Agreement. The overall goal of the agreement is to limit global warming.

At Sydbank we will actively address the Paris Agreement by setting concrete goals. We will begin by setting specific targets for share portfolios. Other types of investments will be added as soon as data and methods improve.

We wish to offer our customers an actual choice between 2 overall product strategies, both of which invest in a responsible manner. The common long-term target is a 75% carbon reduction from 2021 to 2030 compared to global equity index MSCI All Country World Index. The 2 product strategies vary in the method used to reach the target.

One group of products will allow a gradual average CO₂ reduction and the products will invest in companies transitioning from fossil fuels to renewable energy sources. In this context our sustainability efforts will involve reaping returns through expected future climate gains of companies' green transition activities.

Another group of products will implement an immediate adaptation to the CO₂ target via a reduction of around 50% in 2021 and a further 25% over the next 10 years until 2030. The reduction will initially be achieved by opting out of sectors involved in fossil fuels. In the longer term reductions will be achieved by means of a targeted selection of companies reporting low CO₂ emissions.

Sustainability and responsibility – not 2 sides of the same coin

Acting responsibly in the way one does business does not necessarily mean that business is carried out in a sustainable manner – or vice versa. A company that focuses exclusively on generating electricity from wind turbines may act irresponsibly if for instance the wind turbines are erected on land where a sensitive biodiversity exists.

In other words important dilemmas are in play in terms of sustainability. These dilemmas become key when we wish to offer sustainable investment products to a wide range of customers, all of whom have different requirements.

We must find ways to reduce CO₂ emissions but frequently CO₂ emissions are also linked to activities on which we rely heavily. We know that most companies will need to make substantial investments to adapt to a sustainable and responsible business model in the future. This is particularly true of industries such as steel, cement and energy supplies. By investing in these companies we can help to support the necessary financing of the green transition in some of the most climate challenged industries.

Dilemmas are unavoidable in our work with sustainable investment products. Our customers will have different views and tolerance levels as to how little or how much they are willing to invest in activities involving fossil fuels. We are conscious of this at Sydbank.

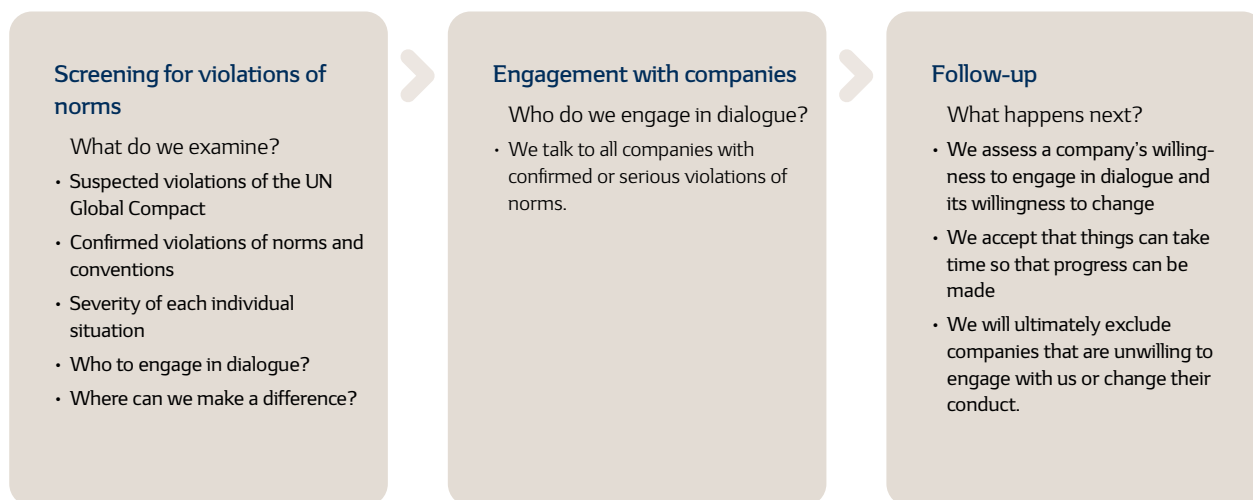
Forthcoming common EU standards in the form of a taxonomy for sustainability will help us to address this type of dilemma. The EU's solution to solve dilemmas is to take into consideration whether companies' sustainable activities risk having a negative impact on the environment in some other manner. The EU taxonomy provides us with a common method to link sustainability and responsibility.

Sustainability in retrospect

A sound investment decision implies that an optimal basis for decision-making exists. This requires current data on the actual circumstances combined with an informed assessment of realistic future circumstances.

In its analysis of sustainability Sydbank uses a number of quantitative and qualitative tools that to a certain extent are based on information from external data providers rather than direct information from the companies themselves. At the time of analysis

Sydbank's process – engagement with companies



the data from companies' financial statements can be more than 1 year old and far from all financial statements include data required by the new EU regulation on sustainable activities. This is why Sydbank collaborates with Sustainalytics among others to "plug the gaps" to create a better basis for our analysis and reporting.

However the underlying data presents a considerable challenge at present. The majority of large companies provide CO₂ data on an annual basis but often it will be at least 1 or 2 years old. In addition the data is only historical data and does not say anything about where a company is right now or where it expects to be in 5 years.

We would like to offer our customers a variety of options regarding investment opportunities and data is critically evaluated. Common to our investment products will always be a solid integration of ESG issues in the investment process – because sustainability is more than CO₂.

Responsible investment in shares and corporate bonds

The foundation for all Sydbank's investments is active ownership. Being an active owner means for instance ensuring that continuous monitoring is carried out regarding violations of norms in our portfolio companies.

We can also perform screening for involvement in various products and activities that are unacceptable in some investment strategies, eg tobacco, alcohol and the extraction or production of fossil fuels.

One crucial element in active ownership is constructive dialogue or engagement with a company's management. When we purchase shares we can express our position by voting at a company's general meetings. When we buy corporate bonds we decide whether we wish to support the financing of the company or not but we have no voting rights. In both cases dialogue is considered the central element in order to achieve the desired changes. Companies are only excluded in advance if special circumstances exist, for instance if a company manufactures nuclear weapons or cluster bombs.

Screening for violations of norms in companies

Sydbank collaborates with Sustainalytics with regard to monitoring, verifying and addressing violations of norms.

The first step in the screening process consists of identifying companies where possible or identified violations of norms exist. We would prefer that all companies complied with internationally recognised norms and conventions but unfortunately it is not uncommon for cases to arise. Assessing violations of norms requires very detailed knowledge of the case itself as well as a company's processes for tackling ESG issues. Each case is categorised according to severity where the scale goes from less controversial to very severe. The scale determines the strategy for future action with regard to the company. If the violations of norms are very severe or significant Sustainalytics will engage in dialogue with the company. This process is usually carried out in collaboration with other major investors so that there is considerable weight behind our constructive criticism and call for change.

There may be several cases in the same company where the need for follow-up varies. In 2020 we were involved in 80 cases and held meetings with companies 71 times. At the end of 2020 there were 45 pending cases.

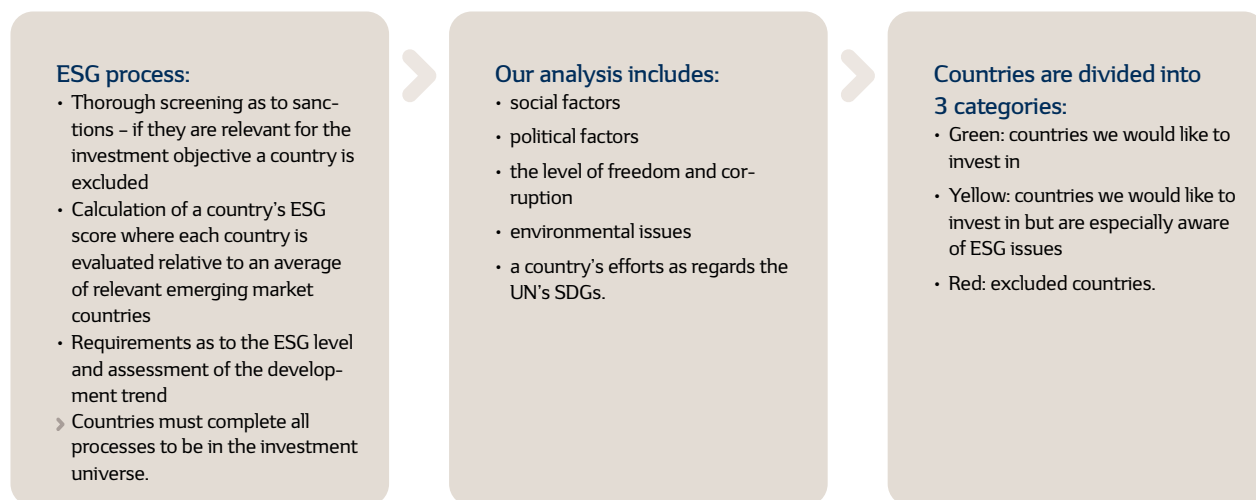
Given knowledge of violations of norms Sydbank and Sustainalytics plan the engagement process and a possible exclusion. A total of 75 companies were excluded from investment in all portfolios in 2020 – most of them because they manufacture unethical or controversial weapons.

Investments in government bonds

Screening and analysis of investments in government bonds

Sydbank conducts screenings on a global level but focuses in particular on countries that issue government bonds and especially developing countries – the so-called emerging market countries.

ESG process – government bonds



Since 2012 Sydbank has used a special ESG screening that identifies conditions in currently 198 countries. The screening includes an analysis of the importance of international sanctions with regard to government bonds as well as political, social and environmental factors and ends with an overall assessment. In this regard we review countries' ESG levels and the current trend in their ESG scores. Our goal is to eliminate countries with weak developments and a poor potential. In practice this means that some emerging market countries are eliminated. The reason for this could be that the countries are subject to international sanctions but it could also be due to a very weak or sharply declining level of development where the countries' governments are not fully able to support the security and welfare of their citizens.

Sydbank has developed a product in the category emerging market government bonds focusing especially on the integration of ESG. In addition to criteria for countries' efforts to reach the UN's SDGs, the product also excludes direct investments in fossil fuels via state owned companies. We seek to include as many ESG factors as possible in our selection of assets, including investment in green government bonds.

Government bonds with dilemmas

We do not have the same opportunities to directly influence the leaders of countries as we would have in a direct dialogue with the management of a company. Changes at a country level are slow feeding through and the political climate in a country can change rapidly.

The possibilities for developing countries to promote responsible ESG conduct vary considerably. As a result our analysis must to a certain extent be adapted to their reality.

For the most part the countries have signed the Universal Declaration of Human Rights but human rights violations are still a risk

to a greater or lesser extent. Violations could also occur in bonds in portfolios setting especially high requirements as to a country's ESG level and development.

Our ESG analysis is comprehensive and many individual factors influence the overall picture. Therefore a single factor such as political lack of freedom or the infringement of a minority's rights can be accepted because the country performs positively as regards other factors.

Collaboration and knowledge sharing

Sydbank is a member of Dansif – a network forum for professional investors, consultancy firms and others who engage in responsible investment. Sydbank is also a member of the task group for responsible investment within the trade association Investering Danmark.





6

Responsible employer

6. Responsible employer

Achieved in 2020

- Continued high level of employee engagement – now higher than in 2019.
- Adjustment of the target figure for the underrepresented gender on the Board of Directors – the target has been increased from 25% to 30%.
- Quota regarding the management talent programme “Talent for ledelse”. From 2020 there must be an equal gender balance among participants.

Goals for 2021

- To maintain the high level of employee engagement.
- To continue to ensure equality, including equal opportunities for management positions.
- To continue to ensure diversity.

Special risks and focus areas

- The coronavirus pandemic has created new focus areas. We must focus particular attention on distance management,

satisfaction surveys regarding furloughs and social initiatives to keep job satisfaction levels high.

- Discrimination, bullying and harassment are not tolerated at Sydbank. Our staff manual and a booklet on our intranet state that discrimination, bullying and harassment are not tolerated and the booklet specifies how we can prevent unacceptable behaviour and tackle such behaviour should it occur. The possibility remains that unacceptable behaviour can occur – we must be aware of how we tackle this behaviour.
- We have a stress management procedure in place to best help the person affected return to work. Unfortunately in some cases this proves unsuccessful.

Relevant policies and standards

- Training policy
- Health policy
- Policy for healthy corporate culture
- Sydbank's Policy for the Underrepresented Gender
- Staff manual.

Employee engagement

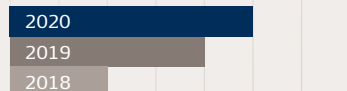
Job motivation



Satisfaction with Sydbank as workplace



Job satisfaction



Assessment on a scale from 1 to 100

Overall objective

We will provide a healthy and attractive work environment for our employees that allows for professional skills development and further training.

Excellent and committed employees are our most valuable asset

We want to be a bank with excellent and committed employees. Employee engagement is strong at Sydbank and we want it to stay that way. Therefore it is important for us to know which factors affect employees' job satisfaction as this will help us learn what should be changed so that employees feel passionate about their jobs at Sydbank.

Employee engagement survey – excellent result for 2020

An employee engagement survey is carried out every other year. The Bank's employee engagement survey is conducted by Ennova, which enables us to compare ourselves with other Danish banks and companies in the financial sector.

The comparison in the diagram on the left is based on the latest engagement survey from September 2020, the average of the 2 smaller surveys in 2019 and the engagement survey from 2018.

Important education and training – 2020

Theme	Background and purpose	Employee group	Course	Completion rate
Compliance	The training is prepared on the basis of the Bank's strategy where decency, including proper conduct, is one of the main themes. The purpose is to introduce all employees to selected topics forming part of the cornerstones that help to guarantee decency at the Bank.	All relevant employees	30-minute online course	99.5
Prevention of money laundering and terrorist financing	The purpose is to strengthen efforts to prevent the Bank from being used for money laundering by criminals.	All relevant employees	4-hour online course	98.70
Processing of personal data	The EU GDPR provides the framework for a training course on the processing of customers' personal data.	All relevant employees	1-2-hour online course	98.70
Information security	Requirements regarding SWIFT CSP and appendix 5 of the Danish executive order on management. The training is to ensure that employees have a general understanding of themes within information security and to strengthen the Bank's cyber resilience.	All relevant employees	30-minute online course	99.10
Investment advice in yellow and green products as well as MiFID	The training forms the basis of advice about investments in yellow and green investment products.	All relevant employees	6-8-hour online course	100.00
Property advice (mortgage credit directive)	Tests providing documentation that an employee has the necessary qualifications to offer responsible advice on buying and selling property.	Account managers Managers Heads of credit Selected central functions	Completion of 1-hour tests	100.00

The engagement survey shows an excellent result in 2020 with a very high response rate of 95. Job satisfaction and loyalty among Sydbank's employees have risen in general. Employees would recommend Sydbank as a workplace and employees feel there is a strong local management. The job profile is the primary driving force for employees' engagement and therefore we must make sure that employees continue to feel that their jobs are interesting and challenging.

Even though the results of the survey are impressive our ambition is always to do better. In our customer facing functions there is a wish for greater authority to make necessary decisions in their work. We hope that the more decentralised organisation can help to shift responsibility to the regions – responsibility that will ultimately spread to customer facing functions.

Education – for the benefit of customers and employees

Education and training have high priority at Sydbank – as a result of stricter statutory requirements, customers' expectations and employees' wish for professional development.

Most of the compulsory training courses are digital via the platform VidenBarometer. The system is a platform that facilitates the courses and stores related data so that we comply with the statutory documentation requirement regarding education and training.

Continuous skills development

Development reviews are important in order to ensure employees' professional, personal and social skills.



A personal development review (PDR) meeting between an employee and his/her immediate superior is held annually and forms the basis for the employee's plans regarding education and development. The meeting looks back on the past year and forms the basis for development in the year ahead. The aim of the review is to help employees perform their work in a competent and committed manner.

Combating discrimination

Sydbank acknowledges the principles of the UN Global Compact, including to respect and observe international human rights and to combat discrimination in all its forms.

Consequently, when recruiting new employees, we ensure there is always an open and unbiased selection process without any form of discrimination and that the organisation aptly reflects the labour market's composition in terms of diversity. Our in-house policies must ensure that discrimination and harassment does not occur and, should it happen all the same, that the matter is handled appropriately.

Our employee engagement survey for 2020 shows that Sydbank focuses on non-discrimination and openness. One of the questions in the survey was whether Sydbank treats its employees equally and fairly regardless of gender, gender identity, age, ethnic background, sexual orientation, religion, disability etc. The employees gave Sydbank a score of 94 out of 100.

No pay discrimination

We work constantly to ensure that the salary that has been agreed with an employee is fair and appropriate according to the work to be performed and the qualifications of the employee. Salaries at Sydbank are analysed on an ongoing basis and salaries according to gender are also compared.

There are many different professional groups at the Bank where one gender is overrepresented. In terms of individual professional groups there are instances where the median salary for women is equivalent to or higher than the median salary for men but the overall picture is that the median salary for men is higher. The gender balance in the various professional groups and positions affects the pay gap at Sydbank. The median salary for men was 1.2 times higher than the median salary for women in 2020.

Forerunner in equality

In 2020 Sydbank participated in a survey by the Employers' Association for the Financial Sector and the Financial Services Union in Denmark exploring women's path to management positions in the financial sector. Sydbank is a success story – and we are happy about that.

New target figure for gender diversity on Sydbank's Board of Directors

The target that the underrepresented gender would account for 25% of the Board of Directors was achieved in 2018. Therefore in 2020 it was time to set a new ambitious goal.

The policy for gender diversity on the Board of Directors is reviewed annually and in 2020 the target for gender diversity on the Board of Directors was for the underrepresented gender to account for 30%.

Sydbank's Board of Directors consists of 8 shareholder-elected members and 4 members elected by the employees. 37.5% of shareholder-elected members on Sydbank's Board of Directors are women and therefore the target has been achieved as regards shareholder-elected board members. The 4 board members elected by the employees are all men.

According to the report Sydbank's culture makes both male and female employees feel included. This observation coincides well with the results of the employee engagement survey in which the diversity and inclusion score totalled 92 out of 100.

Sydbank's employees aspire to management and both women and men at Sydbank indicated overall that anyone – regardless of background – has an equal opportunity of being promoted. The report also showed that employees' positive view of their career prospects is for instance related to day-to-day management involving itself in career dialogues. The employee engagement survey supports the findings in the report from the Employers' Association for the Financial Sector and the Financial Services Union in Denmark. In the employee engagement survey Sydbank's score on equality was 90 out of 100.

However at present there are far more women than men in administrative positions whereas there is a preponderance of men in Sydbank's management. We would welcome more women in Sydbank's management and the report from the Employers' Association for the Financial Sector and the Financial Services Union in Denmark does in fact point out that Sydbank may very well be

one of the first financial undertakings to achieve gender balance at management level. The introduction of a quota regarding the management talent programme "Talent for ledelse" will hopefully help us to move forward in a positive direction. From 2020 there must be an equal gender balance among participants.

Today 29.3% of management positions at Sydbank are held by women. Our target for 2025 is that 35% of management positions at Sydbank are held by women.

Organisational composition	
Number of employees (FTEs)	2,021
Number of employees in flex jobs	20
Employees in management positions (%)	13.0
Absence due to illness (%)	3.3
Employee turnover rate (%)	8.0
Women board members (%)	37.5
Women in management positions (%)	29.3
Gender balance (M/F) among employees (%)	50/50
Pay gap between CEO and employees (times)	12.6
Pay gap between women and men across Sydbank (times)	1.2

Sexism has no place in Sydbank

Sydbank builds on relationships between people – human decency and mutual respect reflect the way we act, both internally and externally. Therefore sexism and offensive acts have no place in Sydbank. Employees must feel safe going to work.

We focus on preventing offensive actions. Offensive actions are dealt with in accordance with the Bank's booklet on this topic and the relevant section in the staff manual. All matters concerning offensive acts will always be dealt with seriously and appropriately by the Group Executive Vice President, Human Resources, and the employee in question will be afforded the necessary protection.

Safety and security for our employees

Nowadays banking tasks can be carried out anywhere from a computer or telephone. This also means that the nature of crimes has changed and bank robberies are fortunately more seldom.

Sydbank has a comprehensive security set-up to prevent crimes against the Bank and its employees. For instance all our premises are equipped with video surveillance systems, alarm systems and access control systems and there are limited cash handling services in the Bank's branches.

Nevertheless conflicts and unpleasant confrontations still occur between the Bank's employees and customers whose expectations have unfortunately not been met. These situations can affect employees' physical and emotional well-being – in some instances so severely that the consequences are considered a work-related injury.

At Sydbank there is no requirement that an employee is absent from work for an injury to be reported as a work-related injury. The assessment of whether an injury is reported as a work-related injury and whether an incident is reported as an unpleasant customer confrontation is made in consultation with the employee concerned, the branch management and the head of security.

The Bank reported 7 work-related injuries and 6 unpleasant customer confrontations in 2020.

Our goal is for there to be no work-related injuries but we would rather report one too many than one too few.

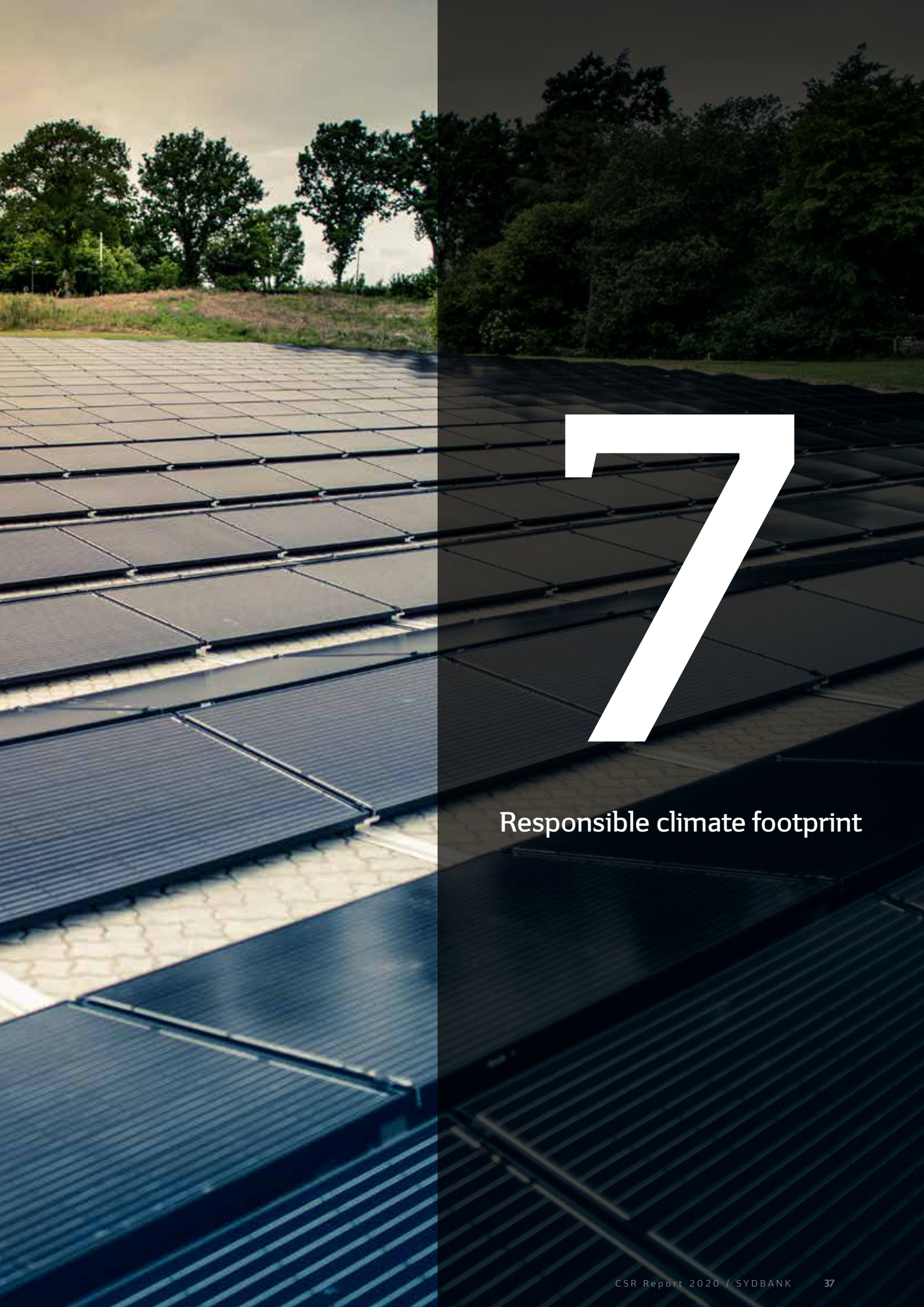
Good health requires commitment and action

The success of health-promoting initiatives requires a concerted and active effort as well as a positive attitude on a day-to-day basis by employees, the working environment organisation and the Bank.

Sydbank offers its employees a variety of wellness programmes to keep them healthy during the working day. Sydbank's head office has a gym and for instance we have an agreement with FysioFilm that gives employees access to short videos with exercises to prevent and relieve pain and boost energy levels.

Once a year a whole week is dedicated to promoting health. In 2020 the health week – as many other things – was impacted by the coronavirus pandemic. The health week took place in May when many employees were working from home so it was necessary to find alternatives to the joint activities that were not possible due to distance requirements. Several departments came up with great solutions to incorporate physical activity during the working day, eg counting steps and yoga.





7

Responsible climate footprint

7. Responsible climate footprint

Achieved in 2020

- CO₂ emissions reduced by 11% compared to 2019.
- Solar cell system set up at the head office.
- 3 electric cars added to the fleet.
- Charging points for electric cars set up at the head office car park and the regional head office in Sønderborg.
- Section included in Sydbank's Code of Conduct particularly aimed at suppliers and business partners.
- Light sources covering an area of more than 10,000m² replaced with more sustainable sensor activated LED lighting.
- Less transport by private car, attributable however to the coronavirus pandemic.

Goals for 2021

- To adjust the Bank's company car policy so that cars in energy class B or better will be purchased in future and to include electric and hybrid cars in the company car policy.
- To continue efforts to reduce CO₂ emissions and to carbon offset the part of our electricity consumption that does not come from renewable energy sources by purchasing electricity generated by Danish wind turbines. One ambition in 2021 is to replace an additional 8,000m² of our existing lighting with sensor activated LED lighting and we also expect to set up a solar cell system at our regional head office in Esbjerg if the necessary permits are obtained.

- To continue to report carbon emissions according to the Greenhouse Gas (GHG) Protocol and to commence work regarding reporting of selected scope 3 emissions.
- To continue to search for new and better waste separation solutions.

Special risks and focus areas

- The criteria for sustainability are under continuous development. Consequently sustainability may be defined in one way today and in a different way tomorrow. This places heavy demands on society to stay updated on new sustainable solutions.
- Our code of conduct stipulates what we expect from our business partners and suppliers in terms of responsibility and sustainability. It is not possible to guarantee that our suppliers and business partners will live up to our expectations of their responsible or sustainable conduct.

Relevant policies and standards

- Company car policy
- Purchasing policy
- Sydbank's Code of Conduct
- Greenhouse Gas Protocol.

Consumption – key figures 2018-2020

Electricity (kWh/m²)

2020	53.8
2019	58.1
2018	62.7

Heat (kWh/m²)

2020	73.4
2019	74.1
2018	76.6

Water (m³/m²)

2020	0.12
2019	0.12
2018	0.13

Overall objective

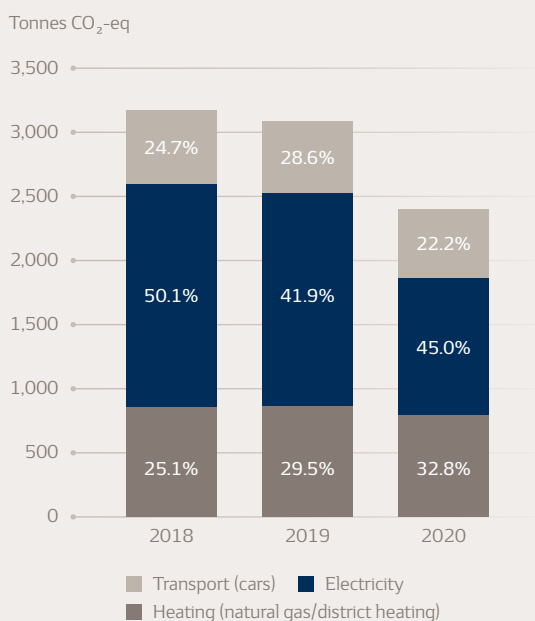
Sydbank will be respectful of the environment in all aspects of its business and make a positive difference in order to reach its own, national and global climate targets. We optimise energy efficiency on an ongoing basis to reduce the Bank's energy consumption and high priority is given to ensuring transparent reporting of our consumption.

Credible CO₂ accounts

– ambitions to include additional data

In 2020 as well as going forward focus will be on CO₂ emissions. We are conscious of this at Sydbank and as a result in 2020 we continued our collaboration with engineering consultancy company NIRAS, which has assisted us in preparing the CO₂ accounts. The accounts are based on the Greenhouse Gas (GHG) Protocol and are consistent with the method of calculation recommended by FSR – Danish Auditors, Nasdaq Copenhagen and CFA Society Denmark in their guidance on ESG key figures.

CO₂ emissions by consumption 2018-2020



Updated with updated emission factors compared to the CSR report for 2019

In 2020 we reported scope 1 and scope 2 emissions. Scope 1 emissions comprise direct emissions from sources owned or controlled by Sydbank, ie emissions from transportation and burning of natural gas for heating. Scope 2 emissions consist of indirect emissions from energy purchased by Sydbank from a third party for its own consumption, ie electricity and district heating.

In 2021 we aim to work on including selected scope 3 emissions in our CO₂ accounts. Scope 3 emissions comprise indirect emissions not deriving from sources owned directly by Sydbank but deriving from our activities and it is our expectation that scope 3 emissions will represent the main part of Sydbank's emissions, including in particular via our financing of activities and our capital management function. Scope 3 emissions may also be emissions from air travel, train travel, waste management and processing as well as embedded CO₂ in purchases of machinery, equipment etc. The inclusion of scope 3 in the CO₂ accounts will help to shed light on whether we can reduce our carbon emissions further.

Transport by car – a major item in the CO₂ accounts

Sydbank has a fleet of cars available to all employees who require transport for business purposes.

Transport by car is a significant item in Sydbank's CO₂ accounts, which is why we purchased 3 electric cars in 2020 to reduce our carbon footprint. 2 cars are at the head office in Aabenraa and the third car is at our regional head office in Sønderborg. Our company car policy will be changed in 2021 so that in future we will buy cars in energy class B or better and electric and hybrid cars will be included in the policy. The inclusion of electric and hybrid cars in the company car policy is related to our endorsement of the government's road transport agreement, which aims to increase the number of electric and hybrid cars in Denmark.

In 2020 the Bank's employees drove 1,576,042 kilometres in their private cars for business purposes. This is 1,333,845 kilometres less than in 2019. To this must be added transport using the Bank's cars. Due to coronavirus restrictions the Bank's need for transportation was significantly lower in 2020 than in 2019, which is reflected in the number of kilometres driven. We expect that the Bank's need for transportation will increase when the coronavirus restrictions are lifted.

Monitoring of energy consumption

Sydbank has its own energy management which ensures that energy efficiency is always a consideration in connection with relevant activities and efforts are made on a daily basis to lower the Bank's consumption. With very few exceptions the Bank's use of electricity has declined since 2012. Part of our lower electricity consumption is attributable to new technology that gives us energy efficient screens, light sources, cooling systems etc.

Energy consumption as regards 90% of the Bank's building stock is monitored on an hourly basis via the system App.KeepFocus. The system gives us an overview of energy used and sends a warning if there are variations in readings. More than 1,100 alarms are linked to the system and we receive energy consumption warnings of eg a constantly high consumption or technical warnings in case of insufficient data. The system is set up so that data can be calculated according to the GHG Protocol.

The head office in Aabenraa accounts for around 40% of the Bank's total electricity consumption. This is primarily attributable to the significant need to cool servers etc. However the head office also has the lowest heat consumption, which is due in part to the heat recovery in our ventilation system.

Focus on energy optimisation

In all the Bank's local branches we optimise energy efficiency on an ongoing basis and enjoy a close collaboration with relevant local players who can help to promote a more sustainable use of energy.



The standard concept for our machinery, equipment etc is energy efficient. This means that our inventory consists of energy efficient monitors and light sources. In 2020 light sources covering an area of more than 10,000m² were replaced with sensor activated LED lighting. One ambition in 2021 is to replace an additional 8,000m² of our existing lighting with sensor activated LED lighting.

Focus on renewable energy sources

A solar cell system was set up at the head office in 2020. It is our ambition that the solar cell system will cover part of our standby electricity at the head office and therefore we project that the system will produce 370,000-400,000 kWh of electricity per year.

Despite ongoing energy optimisation and focus on the use of renewable energy sources we still need electricity generated by conventional energy.

At Sydbank we will take responsibility by carbon offsetting our use of conventional energy. Consequently we decided that from 1 November 2020 we would buy electricity generated by Danish wind turbines to offset the unavoidable CO₂ emissions. We buy renewable wind energy containing individual declarations as proof that the electricity purchased is generated by Danish wind turbines and offsets Sydbank's CO₂ emissions as regards electricity. Furthermore the declarations specify that the electricity purchased comes from Danish wind turbines that are between 2 and 10 years old. By setting an age requirement for the wind turbines it is hoped that Sydbank can help to promote the use of renewable wind energy.

However climate compensation is not our first choice or a carte blanche for CO₂ emissions. First and foremost we strive to reduce our emissions as much as possible by means of measures such as purchasing electric cars and energy renovation. Consequently carbon offsetting is not a long-term solution but a current alternative tool.

Responsible suppliers and business partners

Sydbank strives to be a responsible financial services provider. If we are to ensure that our way of banking is responsible it is necessary that our suppliers and business partners also assume responsibility and make sure that their way of doing business is responsible.

Therefore Sydbank's Code of Conduct was updated in 2020 and now it includes a section on responsible business activities particularly aimed at our suppliers and business partners.

New waste separation solutions

Ongoing efforts are made at Sydbank to improve waste separation. From 1 July 2021 common rules for waste separation will be introduced in all of Denmark's municipalities and in this context we will look into whether waste can be separated to an even higher degree.

In 2021 we will implement new solutions for waste separation. Our regional head office in Kolding will be the first location to test a new separation solution but it is expected that the solution will be rolled out to all our Danish branches during 2021.

A bio fuel system was installed at Sydbank's head office in 2013. The system can be used for food waste, for instance peelings. In 2021 we will introduce waste separation at the coffee machines at the head office making it easier for employees to separate waste.

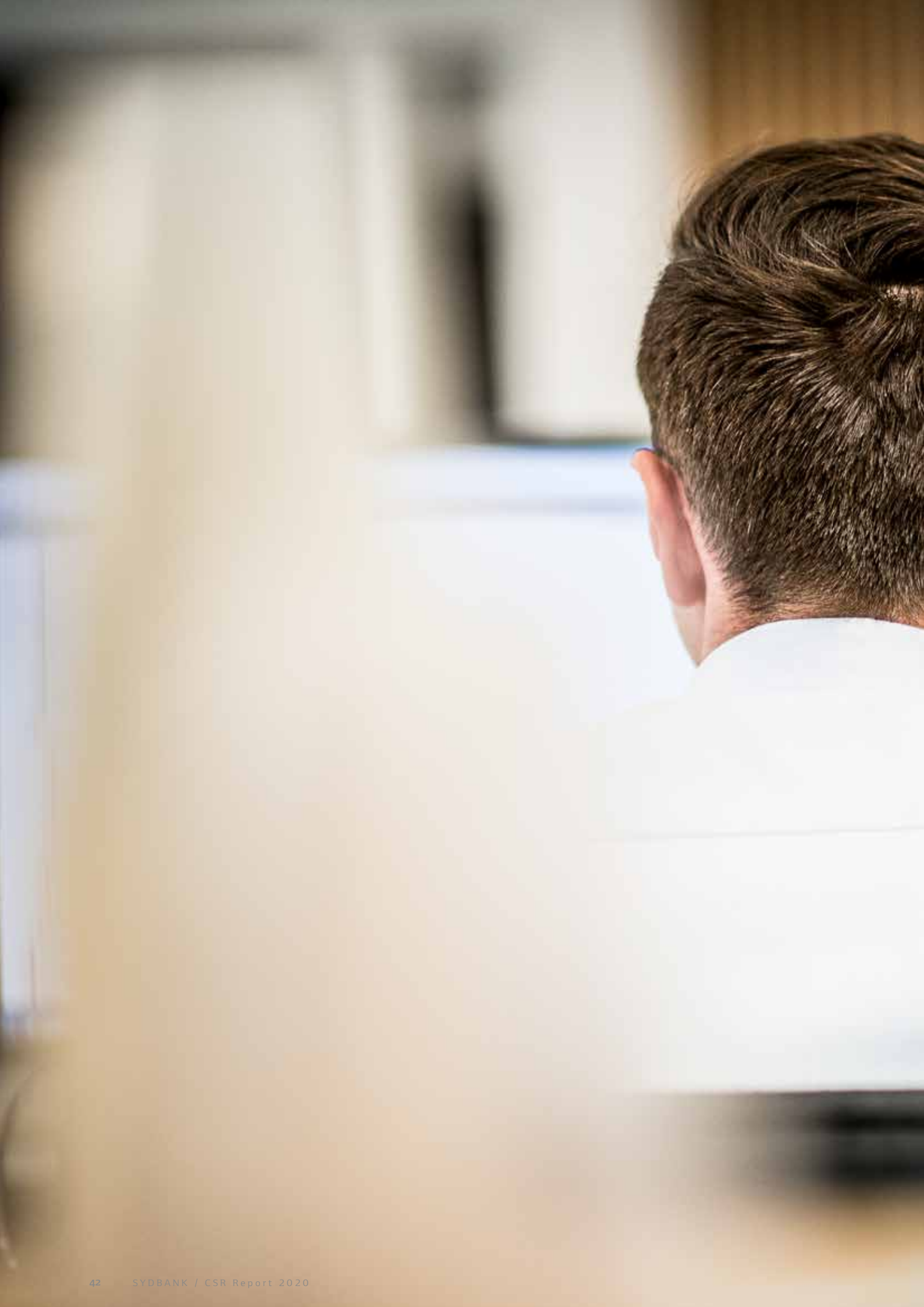
Reuse of IT hardware

Sydbank collaborates with IT company Codeex to minimise the disposal of IT hardware and ensure that resources and products are used more effectively. In 2020 782 units were sent to be reused.

At Codeex all data is wiped from the units and they are cleaned ready for redistribution at schools and institutions in Europe and in third world countries.

Local networks focusing on sustainability

It is important for us to take part in sustainability networks to keep updated on issues related to climate change but in no small part also to influence developments where we can. The group executive vice president in Kolding is a member of the CO₂ club, which aims to reduce the CO₂ level in Kolding. Businesses share their sustainable solutions with the group so that as many as possible can benefit from them. Sydbank has told the club about for instance App.KeepFocus, which helps the Bank to monitor consumption on an hourly basis.



A person with short dark hair, seen from the back and side, wearing a white shirt. They are looking at a computer monitor which displays a blurred image of a city skyline. The background is dark and out of focus.

8

Data and data processing

8. Data and data processing

Data collection

Sydbank uses a wide variety of systems to collect data used in the CSR report. The systems ensure correct and consistent data collection to enable data to be compared from year to year. In the investment area we use external business partners when considered relevant and necessary.

As a rule data on sustainability and corporate social responsibility is collected once a year whereas internal reporting on many of the individual data areas occurs on an ongoing basis.

Sydbank's acquisition of Alm. Brand Bank was finalised on 30 November 2020. However the transfer did not take place until 30 December 2020 and Alm. Brand Bank will not be transferred to Sydbank's IT systems before September 2021. We have therefore decided that data from Alm. Brand Bank will not be included in this report.

Overview of data

The below provides an overview of the data included in the CSR report. The overview follows the thematic structure of the report. For each theme data is included for the relevant years or the years for which comparable data is available.

Creating value	2020	2019	2018
Financial highlights			
Bank loans and advances (DKKbn)	60.2	60.6	61
Deposits (DKKbn)	95.9	84.3	86.3
Number of employees (FTEs)	2,021	2,107	2,130
Funds under management (DKKbn)	109	94	87
Market share – Retail (%)	6	6	6
Market share – Corporate (%)	12	12	12
Corporation tax (DKKkm)	222	228	264
Profit for the year (DKKkm)	799	853	1,156
Return on equity (%)	6.6	7.5	10.2
Satisfied customers			
Retail (ranking)	2	2	3
Corporate (ranking)	2	2	3
Local sponsorships and fund donations (DKKkm)			
National sponsorships	2.6	2.9	3.9
Regional/local sponsorships	8.8	8.3	7.7
Sydbank Fonden	7.5	13	13.6
Trelleborg Fonden	2.5	2.5	3.2
Study travel grants	0.6	0.6	0.6

Responsible investment	2020	2019	2018
Active ownership activities			
Number of companies in portfolio	1,183	983	-
Engagement with companies based on serious and critical violations			
Number of pending cases at year-end	45	57	-
Number of visits/meetings with companies	71	45	-
Assessment of effect of engagement on companies (number)*			
Good performance	21	53	-
Average performance	29	33	-
Poor performance	2	4	-
No measurement (eg new cases)	27	23	-
Exclusion list - companies in mature markets			
Number of excluded companies	75	68	-
Number of reasons for exclusion - same company may have several issues			
Production of nuclear weapons	32	29	-
Production of cluster bombs	29	25	-
Production of land mines	4	4	-
Violation of workers' rights	3	3	-
Violation of human rights	1	1	-
Environmental violations	6	5	-
Activities on the West Bank	5	5	-
Destruction of natural resources in Western Sahara	1	2	-
Exclusion list - countries			
Afghanistan	x	x	-
Burundi	x	x	-
Central African Republic	x	x	-
Chad	x	x	-
Democratic Republic of the Congo	x	x	-
Eritrea		x	-
Guinea-Bissau	x	x	-
Haiti		x	-
Iraq		x	-
Libya	x	x	-
Mali	x		-
North Korea	x	x	-
Somalia	x	x	-
South Sudan	x	x	-
Sudan	x	x	-
Syria	x	x	-
Venezuela	x	x	-
West Bank and Gaza	x	x	-
Yemen	x	x	-

* Reference is made to the section on responsible investment (pp 48-49) under data and data processing immediately below.

Responsible employer	2020	2019	2018
Employee engagement (scale 1-100)			
Job satisfaction	81	80	78
Satisfaction with Sydbank as workplace	83	82	79
Job motivation	83	82	80
Education and training at Sydbank (completion rate)			
Prevention of money laundering and terrorist financing	98.7	99.03	-
Processing of personal data	98.7	99.08	-
Information security	99.1	-	-
Investment advice – yellow and green products as well as MiFID	100	99.02	-
Property advice (mortgage credit directive)	100	98.69	-
Compliance at Sydbank	99.5	-	-
Organisational composition			
Employees (FTEs)	2,021	2,107	2,130
Employees in flex jobs	20	20	18
Employees in management positions (%)	13	13.3	14.1
Absence due to illness (%)	3.3	3.1	2.8
Employee turnover rate (%)	8	12	9.1
Women board members (%)	37.5	50.0	28.6
Women in management positions (%)	29.3	30	30
Gender balance (M/F) among employees (%)	50/50	48/52	49/51
Pay gap between CEO and employees (times)	12.6	12.6	12.6
Pay gap between men and women across Sydbank (times)	1.2	1.2	1.2
Reported incidents			
Work-related injuries	7	11	10
Unpleasant customer confrontations	6	8	9

Responsible climate footprint	2020	2019	2018
Scope 1 CO₂ emissions (tonnes)			
Transport in Sydbank's cars (petrol)	36	43	31
Transport in Sydbank's cars (diesel)	300	363	372
Danish branches: owned, leased and discontinued (natural gas)	46	48	53
Total scope 1 CO₂ emissions	382	454	457
Scope 2 CO₂ emissions (tonnes)			
Sydbank's head office (electricity)	406	586	613
Danish branches: owned, leased and discontinued (electricity)	551	780	862
Branches in Germany (electricity)	128	146	152
Sydbank's electric cars (electricity)	0.4	-	-
Sydbank's head office (district heating)	126	127*	117*
Branches in Denmark (district heating)	515	514*	542*
Branch in Hamburg (district heating)	18	17	17
Branches in Flensburg and Kiel (district heating)	86	89	87
Total scope 2 CO₂ emissions	1,830.4	2,258	2,388
Scope 3 CO₂ emissions (tonnes)			
Transport by private car (petrol, diesel)	199	367	398
Total scope 1, scope 2 and scope 3 CO₂ emissions	2,411.4	3,079	3,243
Scope 1 and scope 2 CO₂ emissions by consumption (tonnes)			
Transport (cars)	535	773	801
Electricity	1,085.4	1,512	1,627
Heat (natural gas and district heating)	791	795*	816*
Transport by car			
Number of kilometres driven in private cars for business purposes	1,576,042	2,909,877	3,161,828
Consumption of diesel (L) in Sydbank's cars	112,964	136,698	140,277
Consumption of petrol (L) in Sydbank's cars	14,943	18,074	12,933
Consumption of electricity (kWh) in Sydbank's cars	2,806	-	-
Consumption – natural gas (m³)			
Total consumption – all branches	17,838	19,192	21,090
Consumption – electricity (kWh)			
Sydbank's head office	2,596,850	2,763,782	2,889,161
Owned branches in Denmark	3,109,987	2,445,577	2,672,629
Leased branches in Denmark	395,410	1,216,532	1,267,131
Discontinued branches in Denmark	17,134	12,782	123,578
Branches in Northern Germany	319,721	307,585	319,771
Electric cars	2,806	-	-
Total consumption – electricity	6,441,908	6,746,458	7,272,271
Consumption – district heating (kWh)			
Sydbank's head office	1,308,597	1,377,095	1,285,027
Owned branches in Denmark	4,591,426	4,275,458	4,478,711
Leased branches in Denmark	659,570	1,276,728	1,269,088
Discontinued branches in Denmark	103,670	13,385	181,727
Branches in Kiel and Flensburg	324,436	349,426	345,956
Branch in Hamburg	73,118	73,118	73,118
Total consumption – district heating	7,060,817	7,365,210	7,633,627

* Recalculated compared to data published in the CSR report for 2019. For further details see "Responsible climate footprint" under "Definitions" on page 50.

Definitions

The data included in the CSR report is defined below.

Creating value

Financial highlights

All data is available in the Sydbank Group's annual reports for 2020, 2019 and 2018.

Satisfied customers

Customer satisfaction among retail clients is measured by EPSI. The result for 2020 is from data collected from 1 August 2020 to 7 September 2020. The customer segments Sydbank Favorit, 18/29 and Private Banking are included in the survey.

Customer satisfaction among corporate clients is measured by Aalund. The result for 2020 is from surveys conducted during the period from November 2019 to July 2020.

In both instances Sydbank's scores are compared to the scores of Denmark's 5 largest banks. The results shown are Sydbank's ranking in this context.

Local sponsorships and fund donations

Nationwide sponsorships are agreed centrally and are activated throughout the country. Local/regional sponsorships are agreed at a decentralised level (locally in the Bank's branches) and are activated locally.

All sponsorships are registered in Sydbank's financial management system. The figures do not include the Bank's sponsorship activation costs.

In 2019 we changed the method of calculation for sponsorships. Therefore the figures in previous reports are not comparable.

Amounts donated by funds are based on data extraction from Sydbank's financial management system. The financial statements of the funds are prepared after the publication of the CSR report. The fund donations disclosed are therefore subject to a small degree of uncertainty.

Responsible investment

Engagement with companies

The engagement process is carried out by Sustainalytics on behalf of Sydbank. The process is based on the results of systematic screening of companies' compliance with well established international conventions and guidelines such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as human rights conventions and environment and climate

conventions. The process is supplemented by a more detailed screening with regard to controversial ESG issues.

An engagement case typically lasts several years because it takes time to confirm, discuss and if possible find a solution. Everything must occur in an active and constructive collaboration with the companies involved, which is not always unproblematic.

Engagement cases normally arise if there is suspicion of a serious violation of international conventions and guidelines. The suspicion emerges as an observation detected in Sustainalytics' ongoing and very comprehensive screening of company news and data. Observations of a company's possible violation of norms and the registration of controversial ESG issues are categorised according to severity. The scale goes from 0 (none), 1 (less controversial), 2 (moderately controversial), 3 (significant issue), 4 (severe issue) to 5 (very severe issue).

Assessment of effect of engagement efforts

Sustainalytics assesses the effect of engagement according to 3 categories of performance: good, average and poor. Input to measure performance comes from quantitative and qualitative data collected during the engagement process where the engagement manager responsible evaluates the response from the company and the active participation by the company. A protracted period of time is needed to measure performance, which is why the number of companies whose performance is measured does not correspond to the total number of engagement cases in a calendar year. Sydbank uses performance measures to assess the overall effect and strategy of active ownership as well as to assess specific investment cases at a company level.

When Sustainalytics assesses that a case has been examined and clarified sufficiently, it is registered as closed and filed. In this way it can be used as background material in any other cases with the company in the future.

In other instances a case may be closed without a satisfactory solution being reached. Sustainalytics accepts a 12-month period with no contact on the part of the company. After this a 24-month assessment period commences where attempts to establish contact with the company continue. If contact is successful the engagement process will begin and efforts will be made to solve the case within 24 months. Alternatively at the end of the period Sustainalytics will register that no contact has been made and Sydbank's Responsible Investment Committee will decide whether the company will be included in Sydbank's portfolios.

1,183 companies were screened during 2020.

In 2019 data on the effect of engagement efforts included an additional engagement programme that is no longer used by Sydbank. As a result the data from 2019 is not directly comparable with the data for 2020.

Exclusion list

The procedure for excluding companies with shares and corporate bonds begins where the engagement process ends. Every quarter Sydbank's Responsible Investment Committee reviews Sustainalytics' list of companies that should not be included in the investment universe due to non-compliance with the principles of the Bank's responsible investment and active ownership policy.

Certain companies are excluded on a permanent basis and without engagement. This applies to all companies with activities within the production of nuclear weapons, land mines and cluster bombs as well as chemical and biological weapons. The exclusion refers to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as well as their underlying conventions.

Responsible employer Employee engagement

Sydbank uses Ennova to measure employee engagement. A comprehensive engagement survey involving 50 questions is conducted every other year. The results for 2020 are from the latest employee engagement survey carried out in September 2020. The survey can be compared with data from 2018 and comparable data from a small engagement survey – a so-called pulse survey – conducted in 2019 has also been included.

The survey does not include employees in temporary positions, persons employed as caretakers, employees paid on an hourly basis, employees on long-term sick leave, employees on leave or employees released from the duty to work.

Education and training at Sydbank

The CSR report contains information on which mandatory training courses employees take and the percentage of employees who finish the training course as scheduled. The Bank's Human Resources has a follow-up procedure for employees who have not completed a course on time. Together with the employee's immediate superior the reason for this is found and a new completion date is agreed. The data is extracted from the system VidenBarometer, which is the digital platform where the training courses are taken and data is stored. Data is extracted twice a year and the data included in this report is from 12 November 2020.

Organisational composition

All data regarding the organisational composition is made up at 31 December 2020.

The number of employees is the average number of staff translated into full-time staff. Data does not include employees released from the duty to work, employees on leave without pay, compensated overtime, employees paid on an hourly basis and parliamentary committees. Data includes student assistants, maternity leave replacements etc.

The number of employees in flex jobs includes employees in flex jobs according to the old and the new flex job scheme.

Absence due to illness is registered in Sydbank's HR system and includes the employee's sickness absence, a child's sickness and partial sickness. Maternity/paternity leave is not included. Sickness absence is calculated for the year as the total number of sick days divided by the number of full-time employees. The employee turnover rate is calculated using the formula: $((\text{FTEs leaving voluntarily} + \text{FTEs leaving involuntarily}) / \text{FTEs}) \times 100$.

Gender diversity on the Board of Directors is calculated for shareholder-elected board members. Previously gender diversity was calculated for all board members and the figures for 2019 and 2018 have been updated to be comparable with the figures for 2020.

The calculation of women in management positions includes all managers at Sydbank with staff responsibilities including the Group Executive Management. The calculation comprises all permanent and temporary FTEs.

The pay gap between the CEO and employees and the pay gap between men and women are calculated on the basis of the median salary. Pay is exclusive of any bonuses and overtime pay.

Reported incidents

All kinds of physical injuries at the workplace as well as assaults, threats and robberies where an employee is offered psychological support are reported as work-related injuries.

Customer confrontations of an unpleasant but less severe nature and as regards which an employee does not receive psychological support right away are registered as 'unpleasant customer confrontations'.



At Sydbank there is no requirement that an employee is absent from work for an injury to be reported as a work-related injury. The assessment of whether an injury is reported as a work-related injury and whether an incident is reported as an unpleasant customer confrontation is made in consultation with the employee concerned, the branch management and the head of security.

Data regarding reported incidents is made up at 31 December 2020.

Responsible climate footprint

In 2019 Sydbank decided that the CO₂ accounts would be prepared according to the GHG Protocol to ensure that Sydbank's CO₂ emissions will be calculated so that they can be compared with CO₂ emissions from other companies. Sydbank has submitted data regarding its consumption in 2020 to engineering consultancy company NIRAS, which has prepared the CO₂ accounts for 2020. All consumption in the CO₂ accounts is based on data from App.KeepFocus except for district heating used by a few branches, which is estimated by NIRAS. NIRAS estimates the heat consumption on the basis of a branch's floor space and the year it was built (year it was rebuilt, if applicable). The data for 2020 is made up at 5 January 2021.

The CO₂ accounts are made up for 2020, 2019 and 2018.

CO₂ emissions are calculated with regard to scope 1 and scope 2 emissions and comprise Sydbank's head office, branches in Denmark owned by Sydbank, branches in Denmark leased by Sydbank as well as discontinued branches, which are properties or sites sold by the Bank or no longer leased by the Bank. Consumption regarding sites and properties in connection with discontinued branches is included until ownership or a lease ends. Branches in Northern Germany are also included in the CO₂ accounts. The Bank has branches in Flensburg, Kiel and Hamburg. Holiday homes and apartments are not included in the CO₂ accounts as they are used by employees on holiday and therefore consumption is not considered to be business-related.

CO₂ emissions are calculated using emission factors and degree day correction is carried out as regards 80% of the heat consumption. The remaining 20% is assumed to be used for heating water (hot domestic water), which is independent of the weather, and therefore this consumption is not adjusted. Degree day correction means that the calculations take into account whether the year has been colder or warmer compared to an average year. Degree day correction is carried out on the basis of national degree days reported by the Danish Meteorological Institute in their annual report "Vejr- og klimadata Danmark" (Weather and climate data Denmark).

An incorrect emission factor was used in the 2019 CO₂ accounts due to a data error by an external data supplier. The emission factor for district heating was stated as 14 kg CO₂/GJ instead of 24 kg CO₂/GJ and this resulted in a lower calculated emission figure. Consequently the data tables in the CSR report for 2020 have been updated (in accordance with Sydbank's change policy) with the correct figures for 2019 and 2018, which illustrate higher correct emissions.

Scope 1

Scope 1 comprises direct CO₂ emissions from own buildings and leased buildings as well as transportation in Sydbank's cars. Transportation in Sydbank's cars is calculated according to consumption of petrol and diesel in litres as well as electricity in kWh. If Sydbank's electric cars are charged at the private residence of an employee the kWh consumption is not reported to Sydbank and therefore not included in the calculation. Data regarding transportation in Sydbank's cars does not include cars leased by Sydbank's customers via Sydbank Leasing.

Sydbank collects data on petrol and diesel consumption from the 3 fuel companies with which the Bank has an account. An emission factor from Energy Statistics 2016 issued by the Danish Energy Agency and from the Danish Transport Authority has been used to convert consumption and kilometres into CO₂ emissions. The emission factor from the Danish Transport Authority is the average emission per person per kilometre driven by car. The figures are subject to uncertainty as assumptions about the average number of kilometres per litre of fuel are embedded in the emission factor.

Natural gas consumption is measured and data is collected in App.KeepFocus. The emission factor from Energy Statistics 2019 issued by the Danish Energy Agency has been used to convert consumption into CO₂ emissions.

Scope 2

Scope 2 covers energy consumption purchased by a third party which is used to generate electricity, district heating and district cooling. Electricity, water and heat consumption as regards 90% of the Sydbank's building stock is monitored on an hourly basis via the system App.KeepFocus. The remaining 10% is calculated manually or on the basis of invoices.

Sydbank has purchased "green" electricity generated by wind turbines from 1 November 2020. As a result the CO₂ accounts for electricity have been prepared using 2 methods: a location-based method and a market-based method. The data presented in the data tables of the CSR report is calculated on the basis of the location-based method.

According to the location-based method Sydbank's electricity consumption is calculated from 1 January 2020 to 31 December 2020 irrespective of trade with green certificates and therefore the purchase of green electricity generated by wind turbines cannot be included. Electricity consumption includes all branches as well as sites where there are Sydbank ATMs. Emission factors regarding Danish electricity are based on data published by Energinet for 2019 where the 125% method has been used. The 125% method allocates consumption from CHP plants in cases where there is a co-production of power and heat where heat is assigned an efficiency rate – in this case 125%. The emission factors for the branches in Northern Germany are from the German Environment Agency. By using the location-based method we can measure how our energy efficiency processes contribute to reducing CO₂ emissions.

The market-based method takes into account the purchase of this "green" electricity generated by wind turbines. To calculate CO₂ emissions according to the market-based method, emission factors for 2019 from the electricity declaration are used. Electricity generated by wind turbines has been purchased from 1 November 2020 and consequently CO₂ emissions from electricity consumption are calculated for the period 1 January 2020 to 31 December 2020 but the emission factors for November and December are set at 0.

District heat consumption is calculated for Sydbank's head office, branches owned and leased in Denmark, discontinued branches in Denmark and branches in Northern Germany. Each Danish district heating plant has its own emission factor depending on whether it uses eg oil, straw, wood chips or coal. A national average emission factor from the Danish Energy Agency is used when CO₂ emissions are calculated and the 125% method is also used for district heating as is the case for electricity. CO₂ emissions from the German branches are calculated regionally with different emission factors for the specific district heating plants. Emission factors regarding district heating in Germany are from the German Renewable Energies Agency (2016).

Scope 3

Transportation by private car is calculated according to employees' registrations of kilometres driven in the Bank's HR system. It is assumed that the number of kilometres driven in private cars is a mixture of transportation in petrol cars and diesel cars.

Independent auditors' report on Sydbank's CSR Report for 2020

To Sydbank's stakeholders

As agreed, we have examined Sydbank's CSR Report for the period 1 January 2020 to 31 December 2020. Sydbank's CSR Report for 2020 has been prepared in accordance with the accounting policies described on pp. 48-51.

We are to conclude on Sydbank's CSR Report for 2020. The degree of assurance expressed in the conclusion is limited.

Management's responsibility

Sydbank's Management is responsible for the preparation of Sydbank's CSR Report for 2020 in accordance with the accounting policies described on pp. 48-51. Sydbank's Management is also responsible for such internal control as Sydbank's Management considers necessary to enable the preparation of Sydbank's CSR Report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to conclude on Sydbank's CSR Report on the basis of our procedures. We performed our procedures in accordance with ISAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and additional requirements under Danish audit legislation to obtain limited assurance for our conclusion.

EY Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable requirements in Danish law and other regulations.

We complied with independence requirements and other ethical standards under FSR - Danish Auditors' Code of Ethics for Professional Accountants, which rely on general principles regarding integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Performed work

As part of our examination, we performed the below procedures:

- Interviews of relevant company personnel responsible for the management and reporting of Sydbank's CSR Report.
- Analytical reviews of data supplied by Sydbank.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management.
- On sample basis, tested data to underlying documentation to determine whether the information in Sydbank's CSR report is supported by sufficient evidence.

We believe that our procedures provide a reasonable basis for our conclusion.

The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that Sydbank's CSR Report for 2020 has not been prepared, in all material respects, in accordance with the accounting policies described on pp. 48-51.

Copenhagen, 1 March 2021

EY

Godkendt Revisionspartnerselskab

CVR-nr. 30 70 02 28

Lars Rhod Søndergaard
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