

Sustainability Fact Book

2020



A RESPONSIBLE CORPORATE CITIZEN

Sparebanken Sør’s mission is to “create sustainable growth and development for our region”.

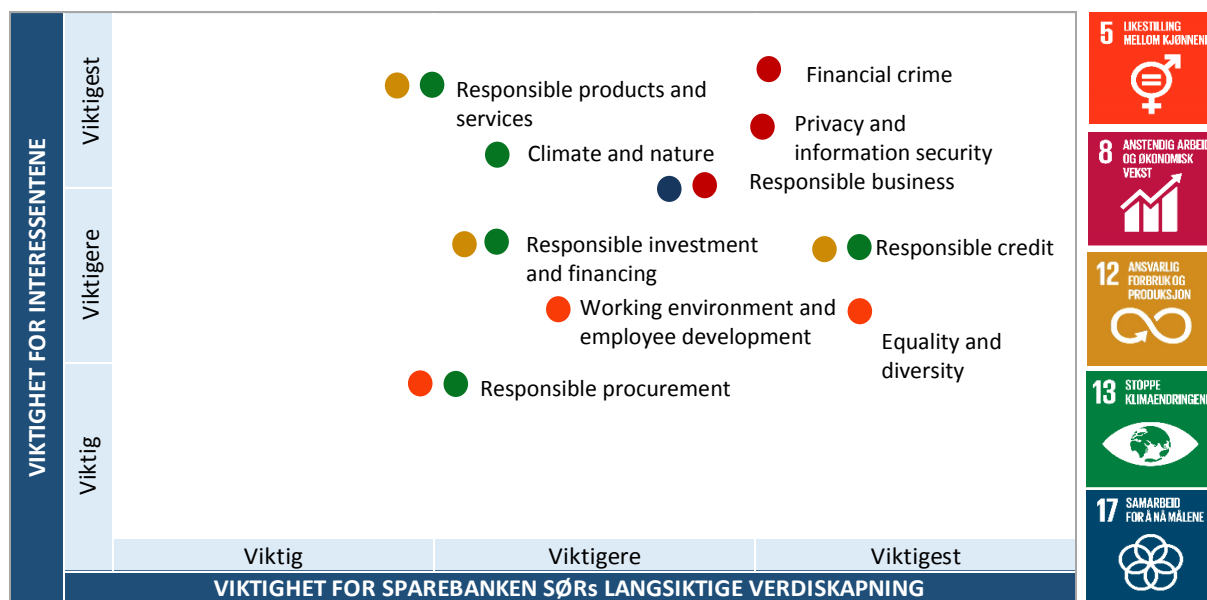
Sparebanken Sør is a regional savings bank, where the business model is an integrated value chain that includes the development, production and supplying of financial products and services. Distribution of products through owner companies and partners is an important part of the business model. Sparebanken Sør serves customers through a combination of sales offices and digital solutions. Digitalisation and an analytical approach characterise activities throughout the value chain. The largest business areas are Loans (to private and corporate markets) as well as Financing and Investment. Business activities are carried out within the framework of the company’s strategy, corporate governance and ethical guidelines.

Sparebanken Sør has a long tradition of being a responsible corporate citizen and has participated in the development of local communities in the bank’s market areas for generations. Our work on sustainability (ESG – Environmental, Social and Governance), which includes climate and nature, social conditions and corporate governance, is a natural continuation of the role the bank has played for almost 200 years. Our work on sustainability should strengthen our competitiveness and reduce the bank’s ESG risk. As an employer, investor, lender and supplier of financial products and services, the bank should contribute to sustainable growth by amplifying positive effects and reducing negative impacts on people, society, climate, nature and the environment.

The Sustainability Fact Book is a supplementary part of our Sustainability Report, and it provides a qualitative overview of key issues for the selected topics.

Materiality matrix:

The materiality matrix shows priority topics and how they are connected to ESG and the sustainable development goals (SDG).



GRI Standards (Global Reporting Initiative)

Sparebanken Sør reports according to the GRI standards (Global reporting initiative). The GRI index is an integral part of our Sustainability Report, www.sor.no.

TCFD (Task force on Climate-related Financial Disclosures) – climate reporting

TCFD is a supplementary part of our Sustainability Report and the bank’s overall reporting of sustainability. TCFD provides an overview of the bank’s climate reporting, www.sor.no.



UN Global Compact:

Sparebanken Sør has endorsed the UN Global Compact. The Global Compact is the world’s largest initiative for work on sustainability and corporate social responsibility. The bank reported its first Communication on Progress (CoP) in Q1 2019.

UNEP FI PRB (United Nations Environment Programme – Principles for Responsible Banking)






The UN’s Principles for Responsible Banking are a guide that describes obligations with regard to accountability and ambitions for actions in support of sustainable development, in order to meet the sustainable development goals and comply with the Paris Agreement. Sparebanken Sør has endorsed UNEP FI PRB.

Finance Norway’s “Roadmap for Green Competitiveness” in the financial services industry

Finance Norway has prepared a roadmap for green competitiveness in the financial sector with a vision for the financial services industry to be profitable and sustainable by 2030. Sparebanken Sør will integrate the principles in the roadmap into its business processes.




The UN’s Sustainable Development Goals

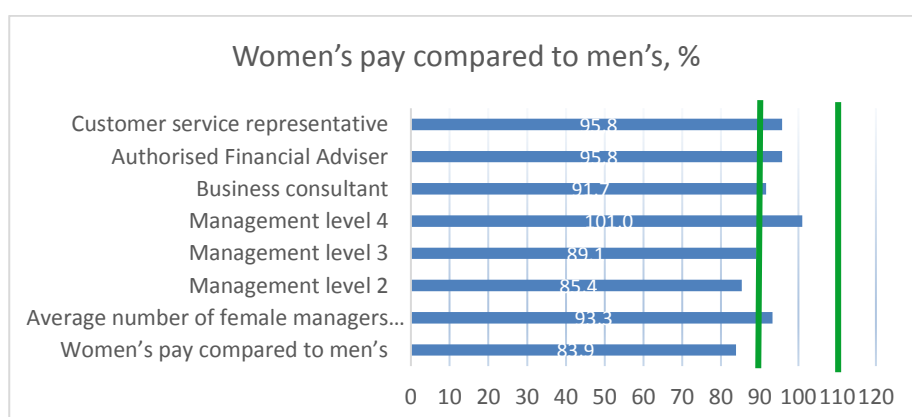
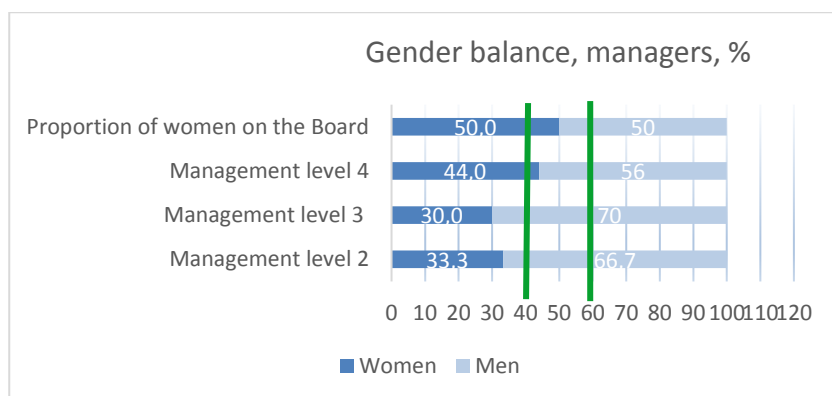
The UN’s sustainable development goals, which were adopted in 2015, represent a global plan to eradicate poverty, combat inequality and stop climate change. Sparebanken Sør supports all 17 sustainable development goals, and has identified certain goals that the bank has a special focus on.

5 GENDER EQUALITY 	Equality programme Whistleblowing and complaints Goal for equal pay
8 DECENT WORK AND ECONOMIC GROWTH 	ESG requirements for customers and suppliers ESG requirements for credit, investments and financing Zero tolerance for financial crime
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Sustainable products and services, Circular economy and reuse ESG requirements for credit, investments and financing
13 CLIMATE ACTION 	Integrate climate in credit processes TCFD report and goals for climate reduction Green framework products and bonds
17 PARTNERSHIPS FOR THE GOALS 	Member of the UN Global Compact Member of UNEP PRB/PRI Finance Norway


SOCIAL CONDITIONS

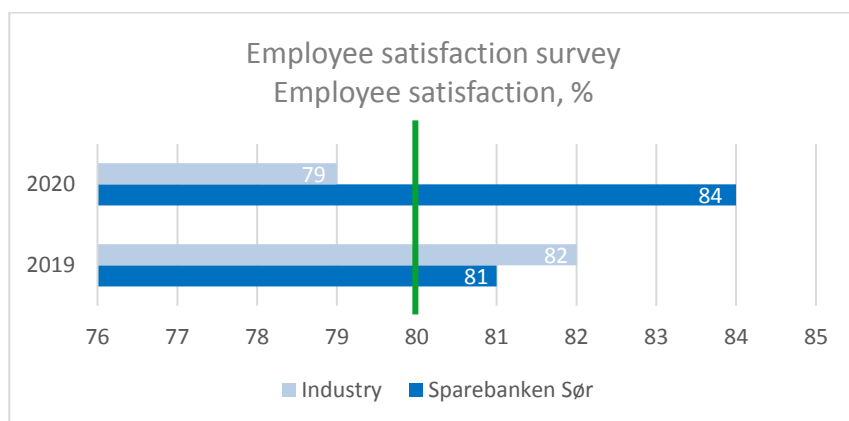
Equality and diversity

Focus area	SDG	What has the bank achieved?	New initiatives moving forward
For Sparebanken Sør, diversity and equal opportunity mean equal rights and opportunities for all. Equality and diversity play an important role in promoting fairness, innovation and competitiveness. Equality and diversity create equal rights and opportunities for everyone to participate in the employment market and to contribute to the development of society.	  	<p>Local wage settlements in 2020 have gone to equal pay adjustments. Action plan for gender equality and diversity. Equality and diversity policy. Labour and human rights policy. Training in gender equality and diversity.</p>	<p>Recertification in equality in the workplace. Implementation of activity and reporting obligation (ARP). Increased diversity among employees, minimum 10 employees with an ethnic background other than Norwegian by 2026. Focus on diversity, e.g. in relation to ethnicity in the recruitment of summer temps.</p>
Governing documents	Equality and diversity policy, Labour and human rights policy, Employee handbook, Ethics document, HSE handbook.		
KPI	GRI Index: 401-1, 401-2, 401-3, 405-1, 405-2, 406-1		
Sør indicator	ESG scorecard (Sustainability report, Appendix 2, www.sor.no)		
UN Global Compact Principles	2: We will make sure that we are not complicit in human rights abuses 6: We will uphold the elimination of discrimination in the context of employment and occupation		
Responsible	Corporate Staff Division		




Working environment and employee development

Focus area	SDG	What has the bank achieved?	New measures moving forward
Technology, regulatory changes and changes in customer behaviour entail that the Bank must adapt to a new everyday reality and prepare for the future. Restructuring, employee development and recruitment of new skills to build a bank for the future are a high priority for Sparebanken Sør.	 	<p>Training through e-learning and digital channels.</p> <p>Employee satisfaction survey and performance appraisal interviews.</p> <p>Recruited 34 new employees with a university college background.</p> <p>New health insurance for all employees.</p> <p>Update to authorisation schemes</p> <p>“Internship” with UiA (University of Agder).</p>	<p>Continue training activities.</p> <p>Employee satisfaction survey and performance appraisal interviews.</p> <p>Continue the agreement with the UiA Executive Programme for the bank’s corporate market advisers.</p> <p>Leadership development programme for all managers.</p> <p>Continue the “Trainee Sør” scheme.</p> <p>Continue “Internship” with UiA.</p>
Governing documents	Equality and diversity policy, Labour and human rights policy, Employee handbook, HSE handbook, Ethics document.		
KPI	GRI Index: 404-1, 404-2, 404-3		
Sør indicator	ESG scorecard		
UN Global Compact Principle	3: The bank will uphold the freedom of association, and the right to negotiations		
Finance Norway Principle	4: Increase climate competence and capacity in the financial sector		
Responsible	Corporate Staff Division		



40 hrs AVERAGE TRAINING PER EMPLOYEE IN 2020

Privacy and information security


Focus area	SDG	What has the bank achieved?	New measures moving forward
Sparebanken Sør processes personal data and maintains information security in a reassuring way, in line with applicable laws, regulations and procedures. The bank requires its suppliers and partners to do the same.		<p>Training initiatives related to data protection.</p> <p>Policy on information security management system, ISMS.</p> <p>Various procedures</p> <p>Implemented various training initiatives related to information security.</p>	<p>Training on POL and GDPR.</p> <p>Implement "Policy on information security management system, ISMS".</p> <p>Further develop the KPI for information security.</p> <p>Checklist for data processors and controllers.</p>
Governing documents	Policy on processing of personal data, Processing of personal data, Privacy policy, Policy on information security management system, ISMS.		
KPI	GRI Index: 418-1		
Sør indicator	ESG scorecard		
UN Global Compact Principles	10: The bank will fight corruption, extortion and bribery		
Responsible	Corporate Staff Division (Privacy) and Business Development Division (Information Security)		

12 REPORTED CASES TO THE NORWEGIAN DATA PROTECTION AUTHORITY REGARDING BREACHES OF DATA PROTECTION

0 ORDERS FROM THE NORWEGIAN DATA PROTECTION AUTHORITY

0 SERIOUS IT SECURITY EVENTS (HACKING, ETC.) IN 2020

Financial crime




Focus area	SDG	What has the bank achieved?	New measures moving forward
Financial crime is a serious societal problem and a threat to individuals and society. The bank's goal is to help fight financial crime, as well as ensure healthy financial performance. The Bank has a zero tolerance policy for all types of financial crime.		All employees have completed e-learning programs on how to combat money laundering and terrorist financing. Increased resources within legal expertise and analysts. Anti-corruption and bribery policy.	Continue training in topics for all employees. Further develop KPIs and goals. Routine cases of fraud. Continue digital collaboration between the private and public sector (DSOP) for improved transaction analysis.
Governing documents	Anti-corruption and bribery policy, Anti-money laundering policy, Anti-money laundering document.		
KPI	GRI Index: 205-2, 205-3		
Sør indicator	ESG scorecard		
UN Global Compact Principles	10: The bank will fight corruption, extortion and bribery		
Responsible	Risk Management Division		

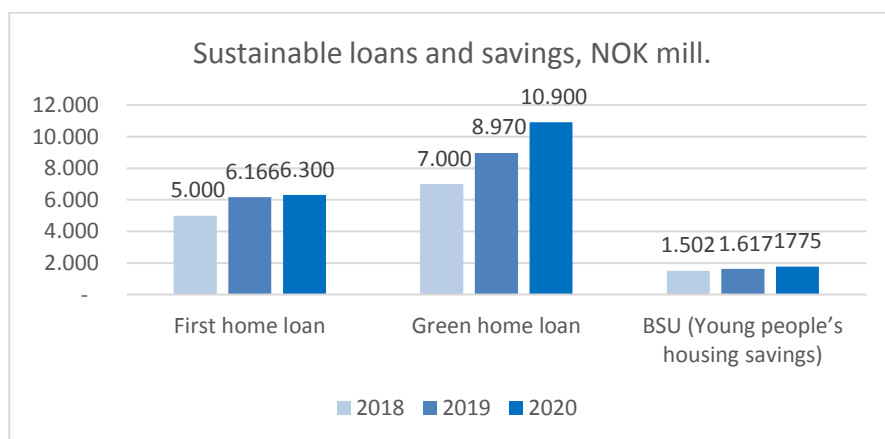
0 CORRUPTION CASES IN 2020

62 SUSPICIOUS CASES REPORTED TO THE NORWEGIAN NATIONAL AUTHORITY FOR INVESTIGATION AND PROSECUTION OF ECONOMIC AND ENVIRONMENTAL CRIME IN 2020

100% OF EMPLOYEES HAVE RECEIVED TRAINING IN ANTI-MONEY LAUNDERING IN 2020




Responsible products and services

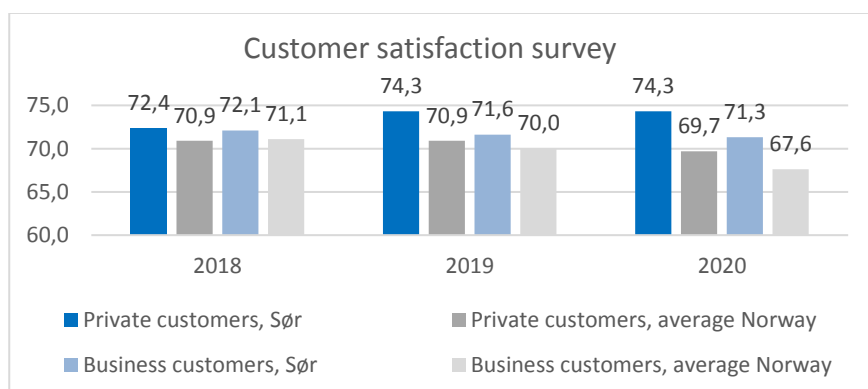
Focus area	SDG	What has the bank achieved?	New measures moving forward
Digitalisation of sustainable products and services is an important tool for contributing to sustainable development. Sparebanken Sør will deploy solutions to reduce the negative and increase the positive impacts in the ESG area.	  	“Framework for sustainable activities”. Established digital solutions for Online Loans and Savings.	Further develop reporting solutions to cover EU taxonomy and UNEP FI PRB. Further develop management systems, goals and methods. Establish and sell more sustainable activities and products in line with the “Framework for sustainable activities”.
Governing documents	Green and sustainable product framework; Risk assessment of products, services, procedures, processes and systems; Procedure for customer complaints.		
KPI	GRI Index: FS7, FS8		
Sør indicator	ESG scorecard		
UN Global Compact Principles	8: The bank will take initiatives to promote greater environmental responsibility 9: The bank encourages the development of environmentally friendly technology		
UNEP FI PRB Principle	2: Increase positive impacts and reduce negative impacts on ESG as a result of activities, products and services. Establish and publish specific goals in areas that have the greatest effect		
Finance Norway Principle	2: Digitalisation for climate-smart solutions		
Responsible	Business Development Division, Retail Market Division (PM) and Corporate Market Division (BM)		





CORPORATE GOVERNANCE

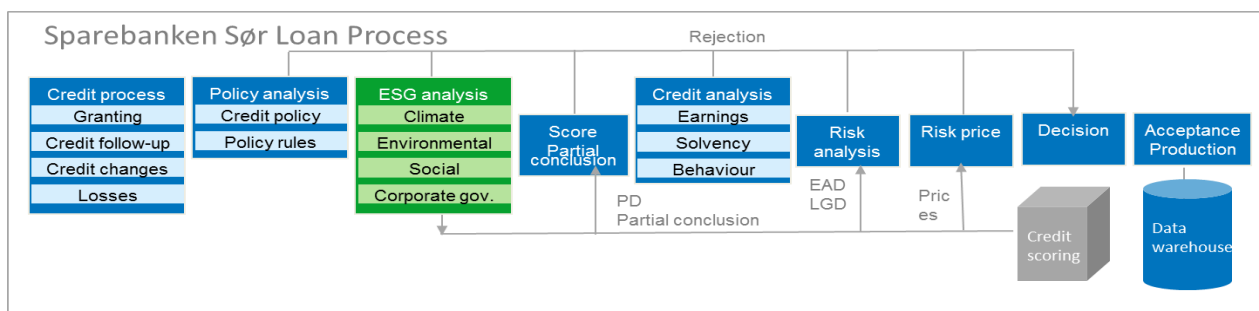
Responsible business activity

Focus area	SDG	What has the bank achieved?	New measures moving forward
Sparebanken Sør will act in an open, honest and transparent manner regarding the bank's activities. All activities in Sparebanken Sør are carried out in compliance with applicable laws and regulations. The Bank requires that customers, suppliers and partners follow relevant legislation and international conventions.	  	<p>Started the process of implementing UNEP PRB's principles.</p> <p>Established and implemented several policy documents and guidelines within ESG.</p> <p>Good score on customer satisfaction surveys.</p>	<p>Continue the work of implementing UNEP PRB and Finance Norway's principles.</p> <p>Measurement of customer satisfaction under the auspices of EPSI.</p> <p>Continue operationalisation of ESG in the business areas.</p> <p>Further develop management systems, goals and methods.</p> <p>Carry out UNEP PRB "Impact analysis".</p>
Governing documents	Corporate governance, Ethics document, Sustainability strategy, Procedure on whistleblowing internally and externally, Procedure on customer complaints, Policy on conflicts of interest, Policy on Board diversity, Compliance document, Organisation of risk and capital management.		
KPI	GRI Index: 201-1, 201-2, 203-2, 417-2, 417-3, FS10, FS11		
Sør indicator	ESG scorecard.		
UN Global Compact Principles	<p>1: The bank supports internationally recognised human rights</p> <p>4: The bank aims to ensure that all forms of forced labour are abolished</p> <p>5: The bank aims to ensure that child labour is actually abolished</p>		
UNEP PRB Principles	<p>1: Adapt the business strategy to the UN sustainable development goals and the Paris Agreement</p> <p>4: Proactively consult, involve and enter into collaboration agreements with relevant stakeholders to achieve society's goals</p> <p>5: Implement management tools and responsible banking culture, and set goals related to areas where the bank has the greatest impact</p> <p>6: Ongoing quality-assurance of the implementation of these principles, and be open about effects on society's overall goals</p>		
Finance Norway Principle	<p>3: Strengthen the interaction between the financial sector and public policy instruments. 6: Implement a common framework of terms and concepts for sustainable finance</p>		
Responsible	Corporate Staff Division		



Responsible lending




Focus area	SDG	What has the bank achieved?	New measures moving forward
For Sparebanken Sør, responsible lending means to focus on climate and nature, social conditions and good corporate governance in lending and management. The main objective is to achieve a good long-term return with an acceptable level of risk and to contribute to sustainable development.	  	<p>Integrated ESG and climate in credit processes CM. Policy for responsible credit.</p> <p>Measurement of greenhouse gas emissions related to home mortgages and commercial realstate.</p> <p>Training in ESG risks or all employees in the corporate market.</p>	<p>ESG in credit processes. Training in ESG risk. Establish measurement indicators, focus on EU taxonomy and UNEP PRB.</p> <p>Further develop reporting and risk frameworks for ESG.</p> <p>Increase proportion of sustainable activities and products.</p> <p>Assess functionality for climate risk (physical risk) in lending and home mortgages.</p>
Governing documents	Policy for responsible lending, Risk and capital strategy, Organisation of risk and capital management, Credit documents.		
KPI	GRI Index: FS8		
Sør indicator	ESG scorecard		
UN Global Compact Principles	<p>7: The bank will support a precautionary approach to environmental challenges</p> <p>8: The bank will take initiatives to promote greater environmental responsibility</p> <p>9: The bank will encourage the development of environmentally friendly technology</p>		
UNEP PRI Principle	3: Work proactively with customers to create sustainable business		
Finance Norway Principle	<p>1: Contribute to innovation and change in other sectors</p> <p>8: Integrate climate into credit processes</p> <p>9: Include climate criteria in commercial and residential mortgages</p>		
Responsible	Retail Market Division (PM), Corporate Market Division (BM) and Risk Management Division (PM and BM)		

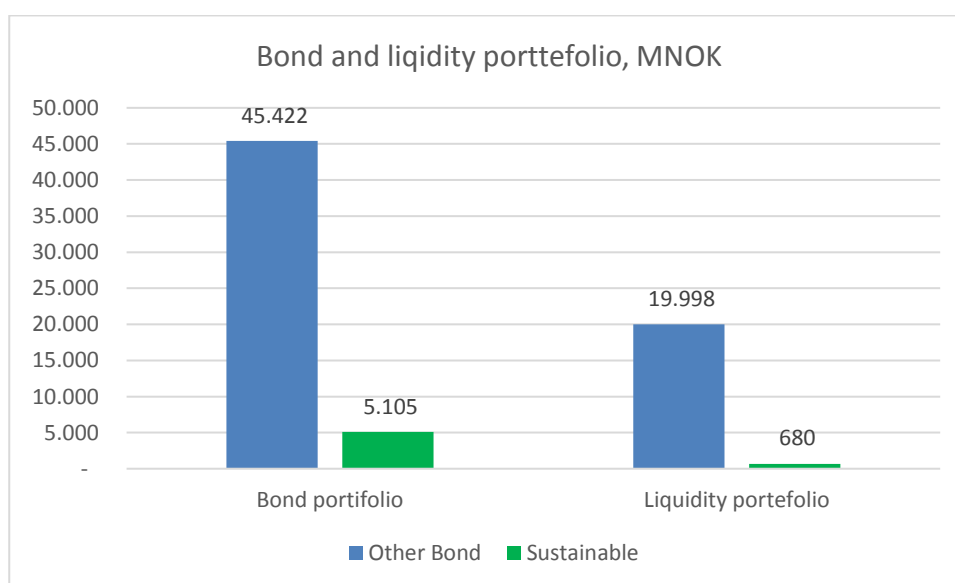


The ESG module has a special focus on climate, but covers the following relevant ESG areas:




- Exclusion criteria
- Climate
- Nature
- Social considerations
- Corporate governance.
- Customer and case scoring

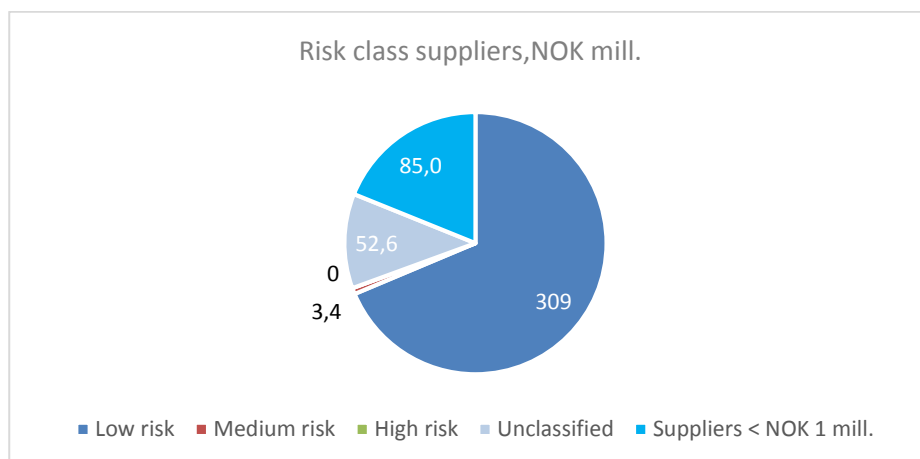
Responsible investment and financing

Focus area	SDG	What has the bank achieved?	New measures moving forward
Responsible investment and financing means integrating requirements and assessments of risks and opportunities in relation to climate, nature and the environment, social conditions and good corporate governance in the bank's investment, financing and securities activities.	  	<p>Policy documents.</p> <p>Increased proportion of sustainable bonds in the liquidity portfolio.</p> <p>The Fund Committee was expanded in 2020 with a special focus on ESG.</p> <p>In 2020, the product approval of securities products was specifically extended to include ESG.</p>	<p>ESG rating.</p> <p>ESG classification of funds.</p> <p>Goal of expanding the portfolio of sustainable loans in accordance with the framework and thereby increase the proportion of sustainable bonds. Goal of increasing the proportion of sustainable bonds in the liquidity portfolio.</p>
Governing documents	Policy for responsible investments and responsible securities activities, Green and sustainable framework, Finance document, Product management procedure.		
KPI	GRI Index: FS10, FS11		
Sør indicator	ESG scorecard		
UN Global Compact Principles	<p>7: The bank will support a precautionary approach to environmental challenges</p> <p>8: The bank will undertake initiatives to promote greater environmental responsibility</p> <p>9: The bank will encourage the development of environmentally friendly technology</p>		
UNEP PRI Principle	3: Work proactively with customers to create sustainable business		
Finance Norway Principle	7: Make the bond market greener		
Responsible	Capital Markets Division, Staff Division and Retail Markets Division (PM)		



Responsible procurement

Focus area	SDG	What has the bank achieved?	New measures moving forward
Procurements are an important part of our work with sustainability, and the goal is to reduce the risk of negative impacts on climate and nature, social conditions and corporate governance in the supply chain. We aim to purchase climate-friendly and environmentally friendly products and services and positively influence sustainable development at our suppliers.	  	<p>Policy for responsible procurement, guidelines and procedures.</p> <p>Supplier declarations corresponding to 80 per cent of all procurements.</p> <p>Risk-classified suppliers corresponding to 60 per cent of all procurements.</p>	<p>Follow up on suppliers with regard to supplier declarations, certification and risk classification and integrate ESG requirements in customer interviews and tender processes.</p>
Governing documents	Policy for responsible procurement, Purchasing guidelines, Procurement procedure, Risk Assessment procedure for procurement of new products and systems, Procurement procedure		
KPI	GRI Index: 308-2, 414-2		
Sør indicator	ESG scorecard		
UN Global Compact Principles	2: The bank will not contribute to violations of human rights 8: The bank will undertake initiatives to promote greater environmental responsibility		
UNEP PRI Principle	3: Work proactively with customers to create sustainable business		
Responsible	Corporate Staff Division (Real Estate, Inventory and Operations) and Business Development Division (IT, consultants, etc.)		






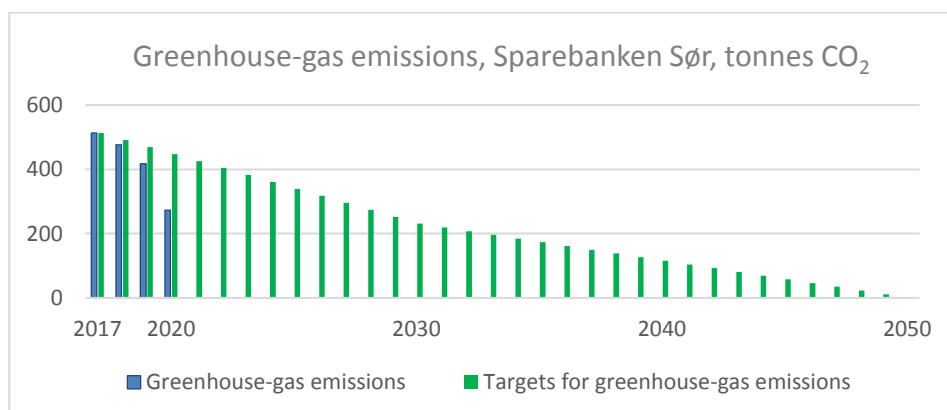
84.8% OF SUPPLIERS IN TERMS OF VOLUME HAVE CERTIFICATION SCHEMES

71.5% APPROVED SUPPLIER DECLARATIONS IN TERMS OF VOLUME

CLIMATE AND NATURE

Climate and nature

Focus area	SDG	What has the bank achieved?	New measures moving forward
Sparebanken Sør will perform its business in such a way as to contribute to the fulfilment of sustainable development goals and targets in the Paris Agreement. The objective is to facilitate more sustainable development of our own, our customers', our suppliers' and our subcontractors' operations.	  	TCFD Report. ESG in credit processes. Analysis of greenhouse gas emissions in residential and commercial real estate. Eco-lighthouse certified according to new criteria for the financial sector. Supported the TV campaign, WWF-Plastic in the sea. Augmented targets for greenhouse gas emissions.	Further develop KPIs, targets and measurement methods (EU taxonomy and UNEP PRB). Further develop TCFD incl. scenario analyses. Evaluate CDP reporting. Increase knowledge about climate risk in the organisation. Mapping of greenhouse gas emissions from the bank's properties and measures to achieve targets in 2030.
Governing documents	Sustainability strategy, Policy for climate and environment, Eco-lighthouse certification guidelines, TCFD report.		
KPI	GRI Index: 201-2, 302-1, 305-1, 305-2, 305-3		
Sør indicator	ESG scorecard.		
UN Global Compact Principles	7: The bank will support a precautionary approach to environmental challenges 8: The bank will undertake initiatives to promote greater environmental responsibility		
UNEP PRB Principles	7: The bank will support a precautionary approach to environmental challenges.		
Finance Norway Principle	1: Adapt the business strategy to the UN sustainable development goals and the Paris Agreement 2: Increase positive impacts and reduce negative impacts on ESG as a result of activities, products and services. Establish and publish specific goals in areas that have the greatest effect		
Responsible	Corporate Staff Division		



55% REDUCTION OF CLIMATE EMISSIONS IN 2030

0% CLIMATE EMISSIONS IN 2050