

# Sustainability report 2020



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# 1 INTRODUCTION

## 1.1 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 supply 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. Work on sustainability (ESG – Environmental, Social and Governance), which includes climate and the environment, social conditions and corporate governance, has been a natural development of the role the Bank has played for nearly 200 years. For Sparebanken Sør, sustainable development means that the bank should contribute to positive development within ESG, as well as safeguard the bank's social responsibility in areas where the bank operates. 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 and development by strengthening the positive effects and reducing the negative impacts on people, society, climate and nature.

As a savings bank, with both direct private ownership and community ownership, the Bank aims to provide competitive returns to equity certificate holders and create sustainable growth and development in our region.

**NOK 48** MILLION IN GIFTS AND SPONSORSHIP **NOK 15** MILLION FOR BUSINESS DEVELOPMENT

The Bank contributes with significant funding for business development and competency enhancement, culture, sports and physical activity, as well as other activities aimed at the growth and development of the local community.

## 1.2 Framework

### Organisational structure

The organisational structure for work on sustainability at Sparebanken Sør is illustrated in the figure below.



#### The Board of Directors:

ESG is a priority area in Sparebanken Sør's strategy plan. The Board aims to integrate and operationalise ESG in all parts of the business. The Board actively participates in and considers and approves overriding matters and governing documents within ESG.

The Policy for Board Diversity contains guidelines for the composition of the Board, and can be found on the Bank's website, [www.sor.no](http://www.sor.no).

#### ESG Committee:

The ESG Committee is the Board's own committee, which considers and prepares ESG matters for the Board.

#### CEO:

The CEO is responsible for the implementation of this strategy.

#### Risk management:

Risk management monitors and reports the corporate ESG risk and risk management.

#### Division directors in Group management:

Division directors in the group management have overall responsibility for the respective topics/areas.

#### Division Corporate Staff:

The Division's Corporate Staff has the professional responsibility, as well as responsibility for the organisation, coordination, communication and follow-up of work at the general level.

#### Working groups topic:

Several working groups have been established with people responsible for each topic. Together with Corporate Staff, this group works to integrate and operationalise ESG within the respective business/topic

#### Divisions in line and staff:

The line and staff are responsible for operationalising measures and action plans and following them up.

#### Green Bond Committee:

The Green Bond Committee is responsible for ensuring compliance with the obligations in the framework for green and sustainable bonds.

ESG work is firmly embedded at Board and management level.

### GRI Standards (Global Reporting Initiative)

Sparebank Sør reports in compliance with GRI Standards. GRI Standards comprise a recognised global system and provide a framework for sustainability reporting (ESG). The GRI Index is an integral part of the Sustainability report, which can be found in Appendix 1 and on the Bank's website, [www.sor.no](http://www.sor.no).

### Fact Book

The Sustainability Fact Book is a supplement to the Sustainability report and the Bank's overall reporting of sustainability. The Fact Book provides a brief summary of key issues for selected topics, and can be found on the Bank's website, [www.sor.no](http://www.sor.no).

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

TCFD is a supplement to the Sustainability report and the Bank's overall reporting of sustainability. TCFD provides an overview of the Bank's climate-related reporting, which can be found on the Bank's website, [www.sor.no](http://www.sor.no).

### Governing documents

Good governing documents are an important prerequisite for work on sustainability. Governing documents have been prepared at an overarching level and at the more operative level for each of the different topic areas.

ESG governing documents and policy	Document status	
	Public	Internal
<b>Determined by the board</b>		
Strategic plan		X
Sustainability strategy	X	
Ethics document	X	
Corporate governance	X	
Risk and capital strategy		X
Organisation of risks and capital management		X
Policy board diversity	X	
Money laundering document		X
Compliance document		X
Processing of personal data		X
Policy for conflict of interests	X	
Procedure for internal whistleblowing	X	
Procedure for external whistleblowing	X	
<b>Determined by group management</b>		
Policy for responsible credit	X	
Policy for responsible investments and responsible securities trading	X	
Policy for climate and the environment	X	
Risk assessment of products, services, procedures, processes and systems		X
Policy for responsible procurement	X	
Guidelines for procurement – supplier declaration	X	
Policy for employee and human rights	X	
Policy for anti-corruption and bribery	X	
Green and Sustainable Bond Framework	X	
Green and Sustainable Product Framework	X	
Customer complaints procedure	X	
Policy for equality and diversity	X	
Policy for anti-money laundering and terrorist financing	X	
Policy for management systems for information security, ISMS		X
Policy for privacy	X	
Procedures for internal control and event database		X

All public governing documents are published on our website, and can be found at <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/baerekraft/>.

Governing documents describe management control systems for the various topics, and how these are managed and followed up. Management control systems, measurements and methods for material topics include governing documents, as well as the Sustainability report and Sustainability Fact Book. Management control systems, measurements and methods are subject to continual assessments, development and revisions. The Bank will have particular focus on implementing goals from the EU taxonomy and UNEP Principles for Responsible Banking (PRB) once these are available (see point 4.5). Governing documents, management control systems, measurements and methods will be evaluated and revised through annual auditing processes.

## 1.3 Initiatives



### UN Global Compact:

Sparebanken Sør has endorsed the UN Global Compact. The Global Compact is the world’s largest voluntary initiative for sustainability and social responsibility. The Bank submitted its first Communication on Progress report (CoP) in Q1 of 2019.

### UNEP FI PRB (UN Environmental programme – Principles for Responsible Banking)

The UN Principles for Responsible Banking is a framework that describes roles, responsibilities and ambitions for actions to meet sustainability goals and targets of the Paris Climate Agreement. Sparebanken Sør is a member of the UNEP PRB. The Bank is progressing well in integrating UNEP principles for responsible banking, and will report to UNEP PRB for the first time during Q2 of 2021.

### UNEP FI PRI (UN Environmental programme – Principles for Responsible Investment)

Sparebanken Sør outsources its asset management operations, and is therefore not a member of UNEP PRI. The Bank distributes securities funds from other fund managers and requires these to be members of UNEP PRI and comply with its principles.

### Finance Norway “Roadmap to Green Competitiveness in the Norwegian Financial Sector”

Finance Norway has prepared a roadmap for green competitiveness in the financial sector with a vision that the financial services industry will be profitable and sustainable by 2030. Sparebanken Sør has integrated several of these principles into its strategic and operative processes, including: Climate-related reporting in accordance with (Task Force on Climate-related Financial Disclosure), make the bond market greener, integrate ESG and climate in credit processes.

### UN Sustainable Development Goals

The UN 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 sustainability goals and has identified a few goals that will have special priority. Prioritised sustainability goals, important measures and activities are shown in the figure below.

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

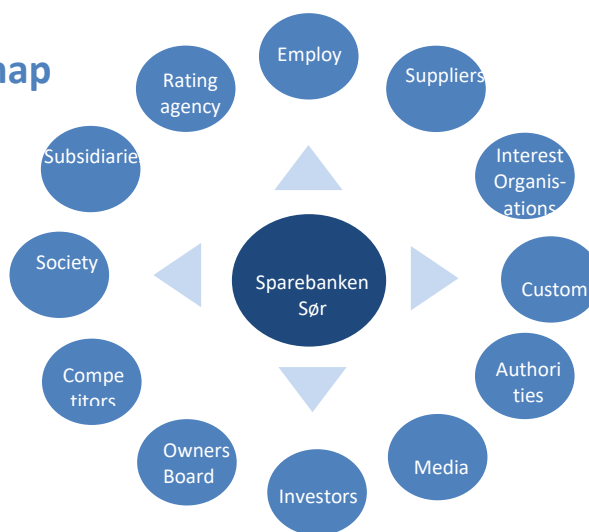
Further details on measures and activities for supporting prioritised sustainability goals are listed below each topic.

## 2 STAKEHOLDER ENGAGEMENT

### 2.1 Process

In 2019, Sparebanken Sør conducted stakeholder dialogues and performed materiality analyses based on the GRI standards. This process included an assessment and dialogue with the Bank's key stakeholders regarding material topics. The Bank will regularly quality-assure and develop these processes with stakeholders. The work on stakeholder dialogues and a materiality matrix was conducted by 15 key persons in the Bank, including the CEO, group management and other leading executives and employees responsible for banking topics and businesses areas. Sparebanken Sør is continually engaged in dialogue with key stakeholders. The figure below gives an overview of key stakeholders, and the table presents how the Bank works with individual stakeholders.

### 2.2 Stakeholder map



### 2.3 Stakeholder groups (102–42)

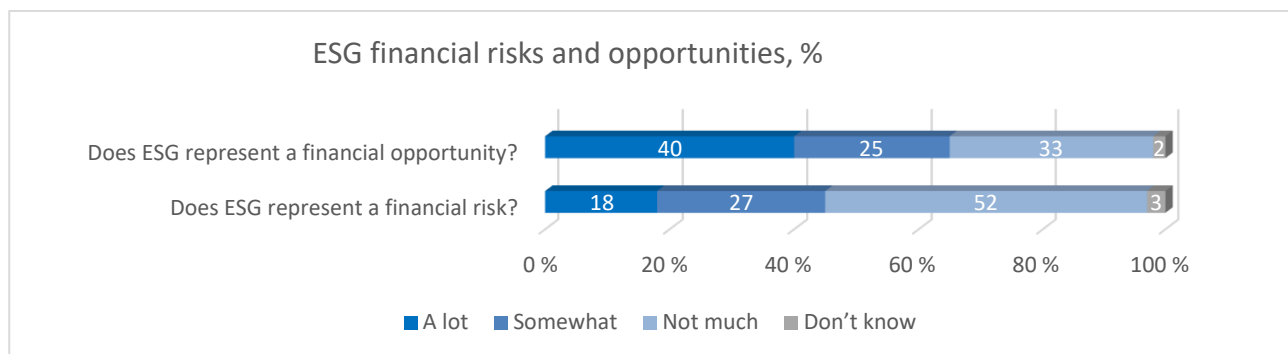
Information about key stakeholders:

Stakeholders	Communication	Relevant topics	Measures
Customers (private customers and business customers).	Physical and digital meetings, dialogue, information, projects and events.	Products, services and prices. Digital solutions and distribution.	Sustainable products. ESG in customer dialogue and credit processes.
Suppliers, procurement, IT, property.		Follow-up of delivery agreements, quality and solutions, SLA.	ESG requirements in tendering processes, follow-up and supplier
Authorities, Central Bank of Norway, Financial		ESG risks, status and follow-up of regulatory requirements.	Ensure regulatory requirements and reporting.
Rating agencies, investors, brokers and analysts.		Follow-up of ESG status, market development, financing etc.	Requirements and gaps in relation to ESG, reporting and adjustments
Employees, employee representatives and safety		Working environment, equality, professional topics such as	Competency enhancement, employee surveys and a good
Owners, Foundation, Board of Trustees, and Board		Regulatory requirements, market expectations, operationalisation of	Ongoing information, follow-up, reporting of measures and
Media, newspapers, TV, radio and social media.		The Bank's work and activities in relation to ESG and the local	ESG information on the Bank's website and social media.
Interest organisations, UN GC, PRB, Finance Norway.		Development of ESG, implement principles, projects, KPIs etc.	Projects, courses, safeguard principles, development and
Subsidiaries / partly-owned companies.		Selected ESG topics, competence.	ESG and topics on the agenda of Board meetings.
Society in general.		The Bank's role as corporate citizen, contributions to the	Donations, sponsorships and the Bank's engagement in the local
Partners, competitors.	Areas of cooperation for ESG, regulations, interest organisations.	Various cooperative projects.	

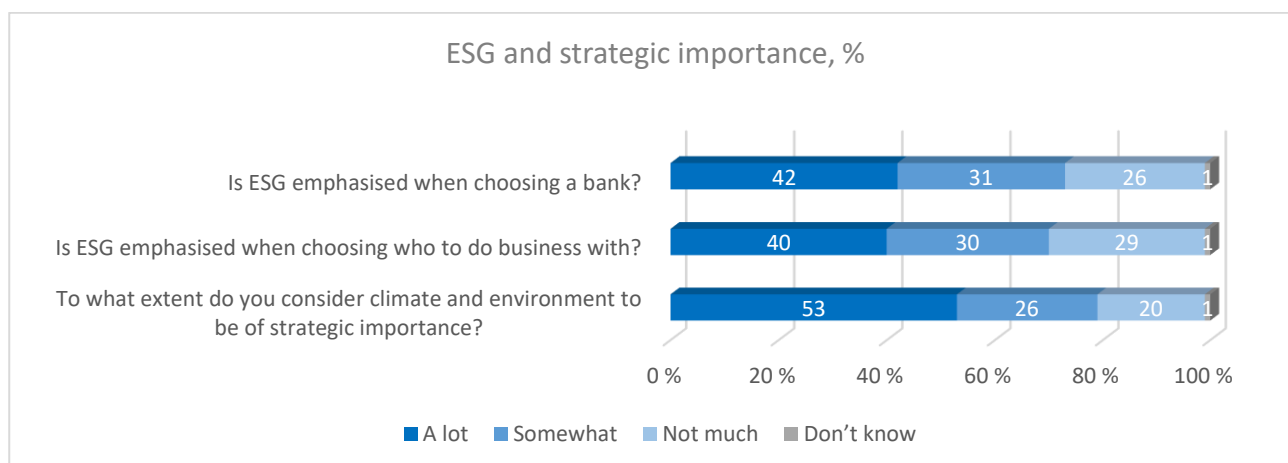
The stakeholder groups are important because they can influence and provide input on how the Bank should prioritise work on sustainability in terms of the choice of topics, measures and priorities.

## 2.4 Barometer of Sustainability

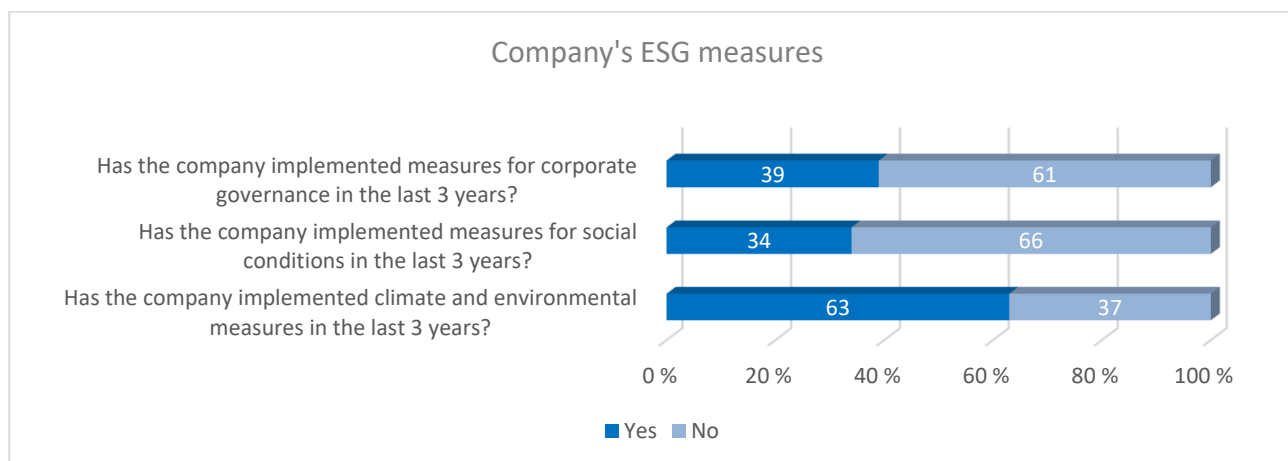
In autumn 2020, Sparebanken Sør conducted a sustainability survey through Sentio Research AS, which included 300 companies in our market area. The main findings of the survey are indicated in the figures below.



About 40 per cent of the companies state that ESG represents a financial opportunity, while only 18 per cent state that ESG represents a financial risk.

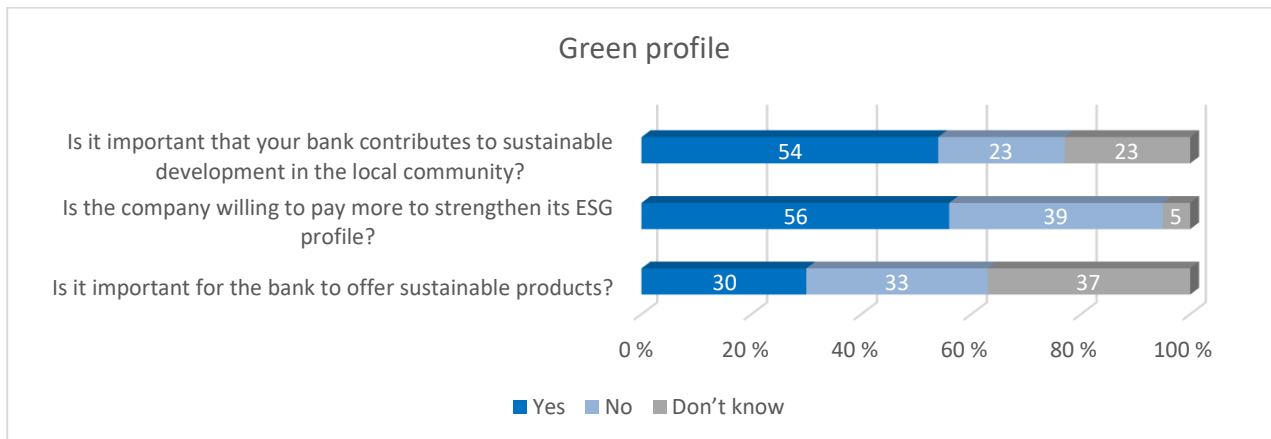


40 per cent of the companies state that ESG is a determining factor when choosing who to do business with.





Most measures were carried out in the area of climate and the environment.



About 56 per cent of the companies were willing to pay more to strengthen their ESG profile.

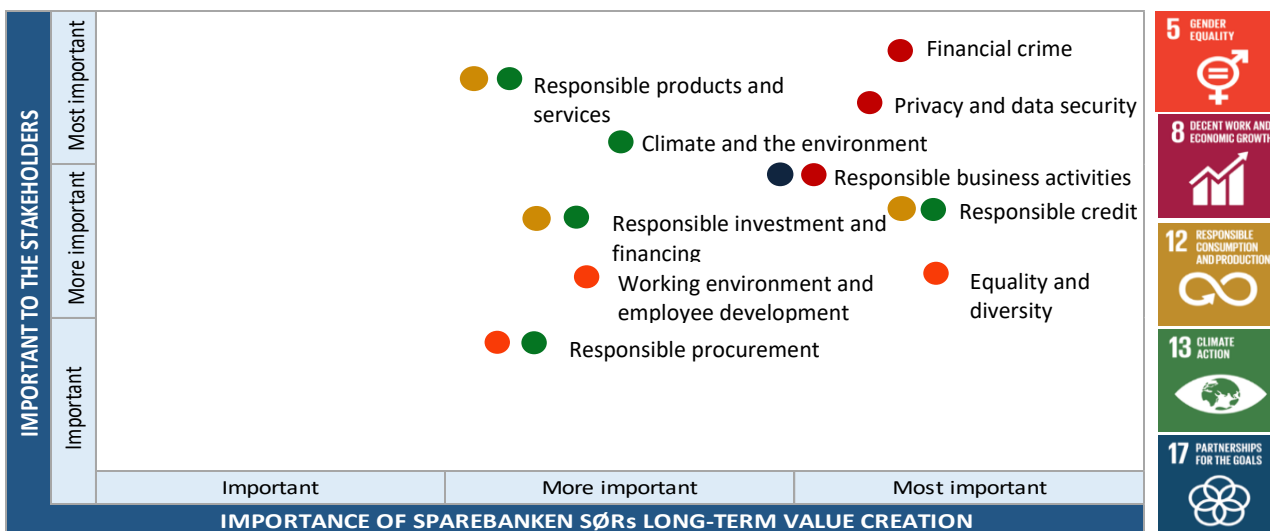
For more information on the barometer of sustainability, visit [www.sor.no](http://www.sor.no)

### 3 MATERIALITY MATRIX

In 2019, several workshops were conducted with the aim of defining material topics, in compliance with GRI standards. Fifteen people participated from the Bank, including the CEO and division directors, as well as executive managers and professionals from relevant business areas. Material topics were selected on the basis of what our stakeholders believe is important, what Sparebanken Sør considers important, and the areas where the Bank has the greatest opportunity to have a positive impact.

Based on an overall assessment of the stakeholder dialogues, bank strategy, corporate structure, financial plans etc., this analysis is also considered valid for 2020. The assessment of relevant issues is a continual process. These topics are limited to issues for which Sparebanken Sør is directly responsible and for business areas in which the Bank may have a direct or indirect positive impact.

The materiality matrix for Sparebanken Sør is as follows:



This figure shows the correlation between prioritised sustainability goals and prioritised banking topics.

Status, development and goals for some key measurement parameters for material topics are as follows:

ESG area	Indicator	DIV.	2018	2019	2020	Objective		Status/ Trend
						Target	Date	
<b>SOCIAL CONDITIONS</b>	Percentage of female executives	%	35,9	35,5	38,5	40–60	2025	
	Women's pay compared to men's	%	80,4	82,6	83,9	90–110	2025	
	Recruitment of non-Norwegian ethnicity	Number				10	2025	
	Employee satisfaction	%		81	84	> 80		
	Uptime customer solutions, SLA	%		99,7	99,6	99,7		
	Sales, private market through digital channels	Number	26,0	34,5	38,7			
<b>CORPORATE GOVERNANCE</b>	Donations and sponsorships	NOK mill.	54,8	57,7	45,9			
	Customer satisfaction PM, CSR			74,3	74,3	Top 3		
	Customer satisfaction BM, CSR			71,6	71,3	Top 3		
	Percentage green loans PM (EU taxonomy)	%			NA			
	Percentage green loans BM (EU taxonomy)	%			NA			
	Sustainable bonds	NOK mill.		5.100	5.100			
	Suppliers >NOK 1 mill. with certification	%			84,8	100	2025	
<b>CLIMATE AND ENVIRONMENT</b>	Greenhouse-gas emissions, own activities (compa	%				55,0	2030	
	Greenhouse-gas emissions, own activities	%				0,0	2050	
	Energy consumption	kWh/m <sup>2</sup>	226,9	224,6	214,1			
	Percentage energy from renewable sources	%	100,0	100,0	100,0			
	Greenhouse-gas emissions, total	tonnes CO <sub>2</sub>	476,4	417,5	273,0	≤ 230,7	2030	
	Company cars that are electric	%	29,0	46,0	62,0	100,0	2023	

An overview of all of the Bank's measurement parameters is shown in Appendix 2 of this report.

## 4 SOCIAL CONDITIONS

### 4.1 Diversity and equal opportunity

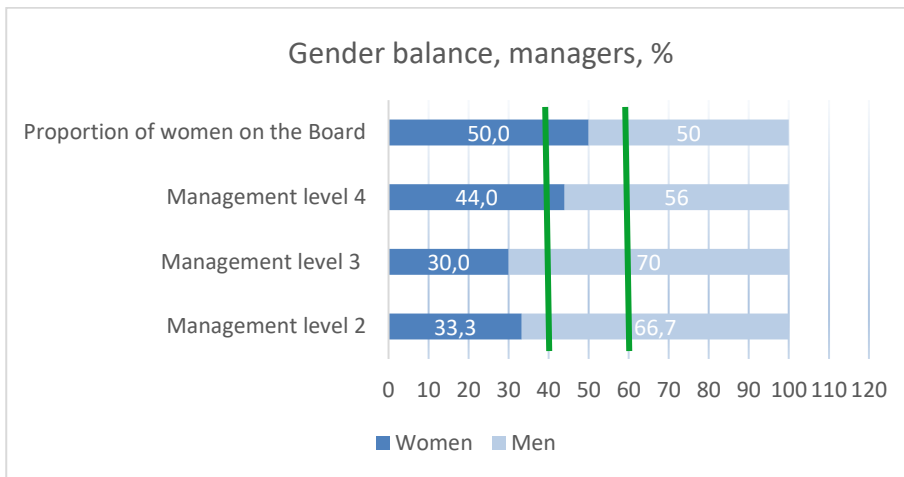
For Sparebanken Sør, diversity and equal opportunity means equal rights and opportunities for all. The Policy for Equality and Diversity will assist Sparebanken Sør in its efforts to ensure equality and diversity in our own organisation and when working with clients, partners and suppliers. This policy entails strategic guidelines, principles and responsibilities regarding equality and diversity, and can be found on the Bank's website, [www.sor.no](http://www.sor.no).

New legislation for activity and reporting obligations has been in effect since 2020 (in the Equality and Anti-Discrimination Act). The primary aim of activity and reporting obligations is to heighten awareness of gender equality and discrimination issues at businesses and to initiate specific measures. The obligation of activity means that the employer must not only report the actual situation, but also implement measures to promote equality and prevent discrimination. The Bank has prepared an action plan for equality and diversity (see Appendix 3).

A Diversity and Equality Committee has been established. The Bank makes targeted efforts to promote diversity and to prevent unequal treatment and discrimination.

#### 0 DISCRIMINATION CASES IN 2020

Our long-term goal is to achieve a relatively equal gender distribution at all levels and in all business areas. The Bank aims to ensure a 40–60 per cent share of women in management positions by 2026.



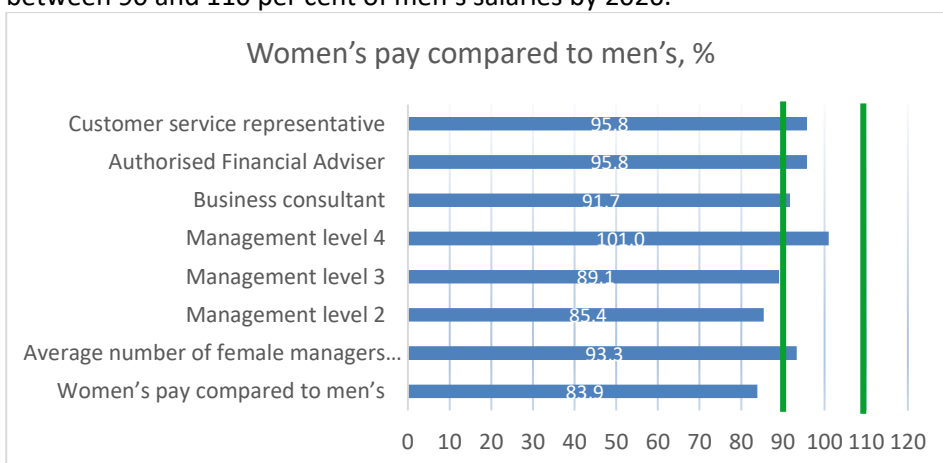
Diversity and equal opportunity are followed up in all parts of the organisation, and the Bank’s regulations safeguard this in recruitment and selection processes. When one gender is under-represented during recruitment to departments and positions, this must be emphasised in the assessment. When recruiting, as a minimum the best-qualified applicant with an ethnic background other than Norwegian must be called in for an interview. The Bank aims to increase the proportion of employees from ethnic backgrounds other than Norwegian.

Sparebanken Sør is certified for equality and diversity through *Likestilt Arbeidsliv* (Equality in Working Life). *Likestilt Arbeidsliv* is a regional certification scheme for businesses to ensure greater equality and diversity in working life. The certification scheme involves the following areas of priority:



Training, in part through *Likestilt Arbeidsliv*, will improve competence in the area of equality and diversity.

The Bank aims to ensure equal pay for equal work, regardless of gender, and our figures indicate a positive development. In 2020, local salary allocations were used to adjust for equal pay, where a significant share went to women at lower wage levels. One of Sparebanken Sør’s goals is to ensure that women’s salaries are between 90 and 110 per cent of men’s salaries by 2026.



Everyone has equal access to financial products and services at Sparebanken Sør.

Implemented measures	Planned measures
<p>Local wage settlements in 2020 have focused on adjustments for equal pay, to even out wages between women and men.</p> <p>An action plan has been developed for equality and diversity.</p> <p>Policy for Equality and Diversity</p> <p>Policy for Labour and Human Rights</p> <p>Training in equality and diversity</p>	<p>Recertification in <i>Likestilt arbeidsliv</i>.</p> <p>Implementation of the Equality and Anti-Discrimination Act.</p> <p>Increased diversity among employees, including at least ten employees with ethnic backgrounds other than Norwegian by 2026.</p> <p>Focus on ethnic diversity when recruiting summer temporary workers.</p>

## 4.2 Working environment and employee development

### Working environment and HSE:

Sparebanken Sør will be an attractive and inclusive workplace for all employees.

The Policy for Labour and Human Rights is intended to ensure that Sparebanken Sør works to safeguard employee and human rights in its own organisation, and in its work with customers, partners and suppliers. This policy entails guidelines for employee and human rights, principles, obligations and organisational freedom, and can be found on the Bank's website, [www.sor.no](http://www.sor.no).

The Bank endeavours to ensure that all employees experience a good balance between work, home and leisure time. Sparebanken Sør offers employees various benefits, such as a defined contribution pension scheme, bonus schemes, subsidised loan schemes, private insurance, a fee-free bank account, company holiday cabins and a discount on the purchase of bank equity certificates.

Systematic work on health, safety and the environment (HSE) has a high priority for Sparebanken Sør. The Bank has established a good framework, which includes an employee handbook, HSE handbook and several internal contractual committees. Sparebanken Sør provides occupational health services, offers health insurance for all employees, and has a cooperation with an occupational psychology service. Continuous efforts are made to ensure a good working environment, and considerable resources are used to stimulate employees to keep healthy through physical activity and exercise.

In order to promote better health, increased motivation and well-being, the Bank offers subsidised fitness centre membership and facilitates fitness activities through the Bank's company sports team.

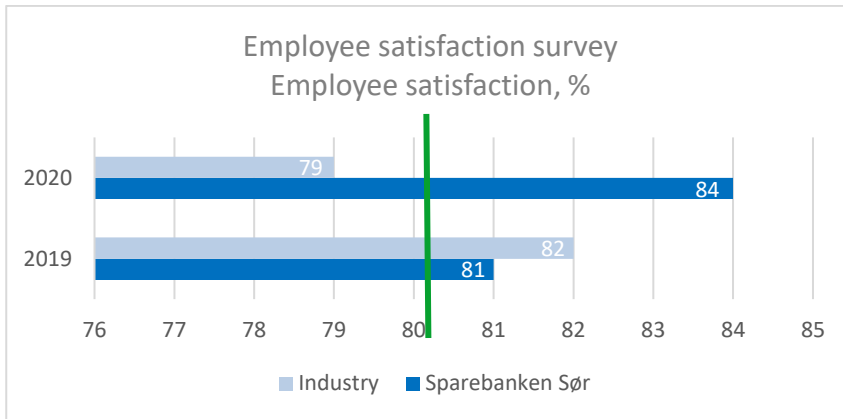
HSE measures are followed up through reviews for employees with particular responsibility for HSE.

**2.7%** SICK LEAVE ABSENCE IN 2020 **GOAL FOR SICK LEAVE ABSENCE < 4.0%**

The Bank carefully follows up employees on sick leave.

### Employment engagement:

Sparebanken Sør achieves high scores on Kantar's annual Employee Engagement surveys, and is above the industry average. The survey is followed up by interviews with all employees, as well as various measures and follow-up of improvement and development areas.

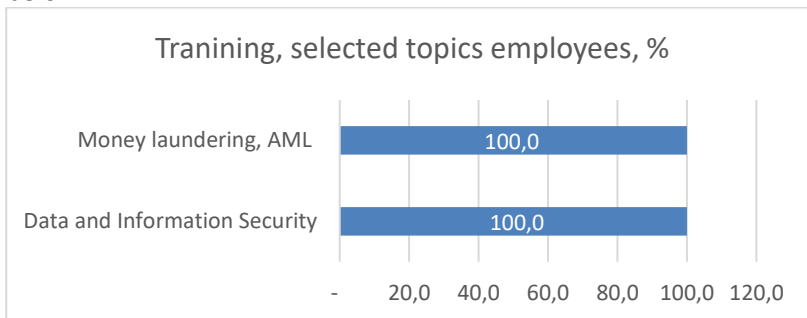


### Competency enhancement:

Technological development, changes in customer behaviour, and regulatory requirements require the Bank to adapt and develop. The right competence in the right place at the right time is essential to ensure competitiveness. Sparebanken Sør facilitates opportunities for professional development for all employees, to ensure sufficient competence for the work they perform.

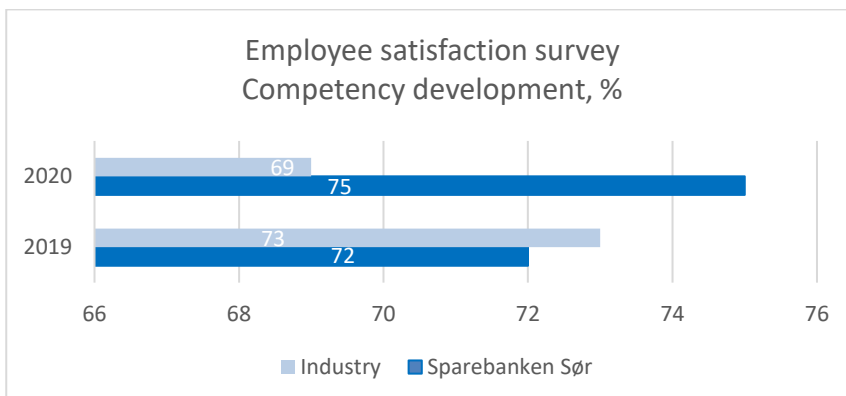
## 40 hrs AVERAGE TRAINING PER EMPLOYEE IN 2020

Training covers management, professional areas, products etc., as well as special topics shown in the table below.



Employees also participate in various competency enhancement activities through external digital courses and seminars.

Results for the area “Opportunities for competency enhancement” based on Kantar’s annual survey for the banking and finance sector.



### Recruitment:

Restructuring, employee development and recruitment of new skills to build a bank for the future are high priorities for Sparebanken Sør.



Among the 37 employees hired in 2017, 34 have received higher education, and their average age is about 35.

Sparebanken Sør has provided funding for the establishment of new study programmes in the fields of economics and entrepreneurship in the region.

Implemented measures	Planned measures
Average training per employee: 40 hours. Most training has been offered via e-learning and digital channels. Employee satisfaction survey and follow-up interviews with all employees. Recruited 34 new employees with university college backgrounds. New health insurance scheme for all employees. Updated certification schemes and introduced certification schemes for Personal insurance. Internship programme with the University of Agder (UiA), where students gain practical experience in different professional areas of the Bank. Main sponsor for <i>Ungt Entreprenørskap</i> (Young Achievers).	Continue training activities. Employee satisfaction survey and employee interviews. Continue the agreement with UiA Executive to implement a development process for all corporate market advisors in the Bank. Management development programme for all managers. Continue the Trainee Sør scheme. Continue the Internship programme with the University of Agder (UiA), where students gain practical experience in different professional areas of the Bank.

## 4.3 Privacy and data security

The Bank relies on trust from its customers, public authorities and other stakeholders, and safe management of customer data and other information is therefore crucial for the Bank. Sparebanken Sør manages personal data and data security in compliance with applicable laws, regulations and procedures, and requires our suppliers and partners to do the same.

### Privacy:

Sparebanken Sør processes personal data in accordance with the Personal Data Act, including the General Data Protection Regulation (GDPR). The regulations regulate the Bank's collection, storage and use of such information, among other things. Sparebanken Sør's employees have a statutory duty of confidentiality regarding all matters concerning customers. Only employees with an official need should have access to personal data concerning our customers. The Bank shall not collect any personal data other than what is necessary to serve the individual customer. Customers have the right to request access to their stored personal data at any time, and to have any inaccurate personal data rectified.

The duty to request consent for the collection, use and sharing of data, and to report breaches, as well as conditions that involve the use of personal data, are all safeguarded by the Bank's procedures and by the guidelines of the Personal Data Act and GDPR.

## 12 CASES REPORTED TO THE NORWEGIAN DATA PROTECTION AUTHORITY

### 0 INSTRUCTIONS FROM THE NORWEGIAN DATA PROTECTION AUTHORITY

Sparebanken Sør processes and manages large volumes of personal data, which places great demands on the Bank's handling of customer information and compliance with key privacy protection principles. Privacy protection is about ensuring the confidentiality, integrity and accessibility of all personal data that is owned, processed or managed by the Bank. Sparebanken Sør has appointed a data protection officer to assist with ensuring compliance with the Bank's requirements for processing personal data.

Courses have been held in the Privacy Ordinance, GDPR for all employees in 2020.

A comprehensive framework for GDPR and privacy has also been established, which is used internally in the Bank's work with privacy. This includes Privacy guidelines, which can be found on the Bank's website, [www.sor.no](http://www.sor.no).

#### Data security:

Sparebanken Sør is an important corporate citizen, and it is essential that the Bank's solutions function properly, both for the Bank's customers and for society in general.

The Bank's procedures and infrastructure protect sensitive information about both the Bank and its customers against cyber attacks. Bank services such as payment infrastructure (card payment, mobile banking, online banking, online business banking) are all part of the region's critical infrastructure.

### 0 SERIOUS DATA SECURITY INCIDENTS (HACKING ETC.) IN 2020

Security measures that protect customers' personal data and payment infrastructure consist of sound procedures, 24-hour monitoring and modern security mechanisms. A key part of this work is the Policy for Information Security Management, ISMS, based on ISO/IEC 27001.

## 100% OF EMPLOYEES RECEIVED TRAINING IN DATA PROTECTION IN 2020

Implemented measures	Planned measures
<p>Several training measures in data privacy have been implemented. Procedures for data privacy and automated decision-making.</p> <p>Guidelines and procedures in the use of automated decision-making and profiling.</p> <p>Procedures for incorporated data privacy.</p> <p>Policy for Information Security Management, ISMS.</p> <p>Implemented various training measures in information security, including a series of e-learning programmes.</p>	<p>Training in the Personal Data Act and GDPR for all new employees.</p> <p>Implement the Policy for Information Security Management, ISMS.</p> <p>Continue to develop KPIs for information security.</p> <p>Check sheet for data processors and data controllers.</p>

## 4.4 Financial crime

Financial crime is a serious societal problem and a threat to individuals and society. Banking and finance are important contributors to the fight against money laundering, financing of terrorism and corruption.

Sparebanken Sør’s overarching goal is to fight financial crime and to facilitate healthy economic development. The Bank has zero tolerance for all forms of financial crime, and will contribute toward a healthy business community built on fair competition and legal activities.

Sparebanken Sør’s efforts to thwart financial crime are founded on applicable laws and regulations. The Bank has a comprehensive framework of governing documents, policies and guidelines to ensure that the Bank complies with laws and regulations to prevent financial crime, such as money laundering, fraud and financing of terrorism.

The Bank’s Policy for Anti-corruption and Bribery provides guidelines for the Bank’s stance and efforts to prevent corruption, trading in influence, bribery and use of facilitation payments. It can be found on the Bank’s website, [www.sor.no](http://www.sor.no).

## 0 CORRUPTION CASES IN 2020

Transaction monitoring is one of the primary methods of detecting and analysing suspicious transactions that may indicate possible money laundering and financing of terrorism. Throughout 2020, the Bank has monitored a significant number of suspicious transactions. In most cases, these suspicions prove to be unfounded. If there are grounds for investigation, the case is reported to Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, as required under the Anti-Money Laundering Act.

## 62 SUSPICIOUS CASES REPORTED TO ØKOKRIM IN 2020

The Bank must have robust control and customer measures in place, as well as good internal management and monitoring systems. Sound procedures, proper training and necessary resources help to ensure that the Bank is not utilised for financial crime. The work to prevent financial crime is challenging. In the past year, the Bank has increased its resources and competence in this area.

## 100% OF EMPLOYEES RECEIVED TRAINING ON THE ISSUE OF MONEY LAUNDERING IN 2020

As an element in the operationalisation of ESG in business areas, measures against financial crime have been integrated in policies and systems for monitoring credit processes, investments, financing and purchases.

Implemented measures	Planned measures
All employees completed the e-learning programme on money laundering and financing of terrorism. Increased resources including legal expertise and analysts. Policy on Anti-corruption and Bribery.	Continue training in topics for all employees. Continue to develop KPIs and goals. Procedures for fraud cases. Continue “Digital cooperation – public and private” for improved transaction analyses.

### 4.5 Responsible products and services

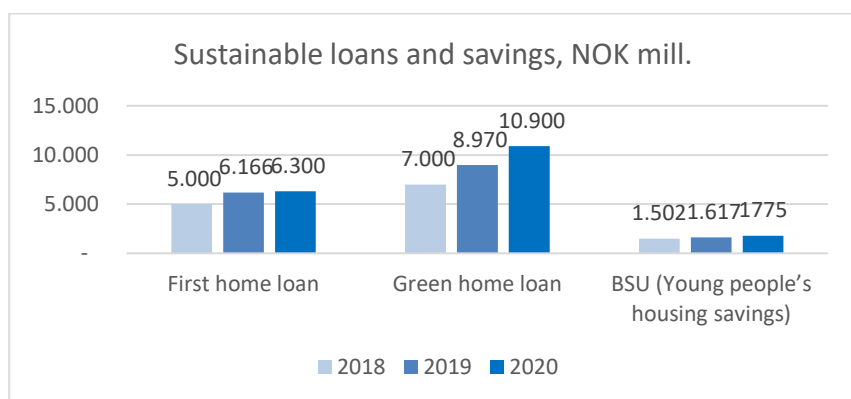
Digitalisation and sustainable products and services are important for ensuring sustainable development. Digital solutions will lead to increased self-service for financial products and services, and in reduced travel and physical meetings. Sustainable products and activities will help to reduce negative and increase positive impacts on the ESG area. Sparebanken Sør will facilitate solutions that can contribute to a more sustainable development.

## 67% OF ALL LOANS IN THE PERSONAL CUSTOMER MARKET SIGNED ELECTRONICALLY

Initiatives by EU (Green Deal and EU taxonomy) and UNEP will lead to a strong shift toward more sustainable financial activities, products and services.

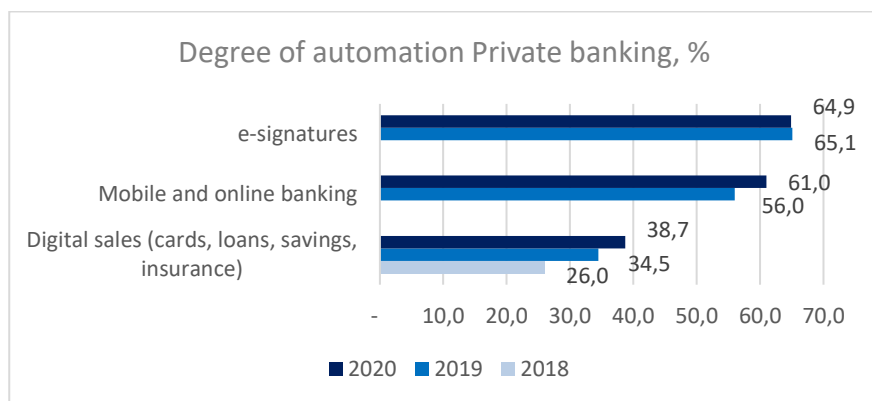


The Bank offers Green home loans and distributes Green car loans (electric car loans). The Bank also offers social products to young adults in the process of purchasing a home, such as BSU (Young people’s housing savings), Boligspær and Førstehjemslån (First home loan), at reasonable terms. In a modern society, access to basic banking and payment services is important for all. There are groups in society who do not readily have access to these services. Sparebanken Sør therefore offers a payment card to all of our municipal customers. The card is a prepaid card that functions as a debit card and can be replenished with money directly from municipal support schemes, such as the Norwegian Labour and Welfare Administration (NAV), and is distributed to various recipients in need of such a card. Sparebanken Sør is active in relation to the further development and distribution of the VIPPS payment app, which contributes to simplifying payments for all age groups in Norway. Children are another group who have limited access to banking services. Sparebanken Sør gives children the opportunity to pay by card, and has issued approximately 6,000 debit cards adapted for children under the age of 13. With this *Lommepengekortet* (Allowance card), children can learn how to manage cards and payments safely at an early age.



The Bank has also distributed Green car loans for electric cars to a value of about NOK 70 million via Brage Finans AS.

Sparebanken Sør is at the forefront in terms of automated financial products and services.



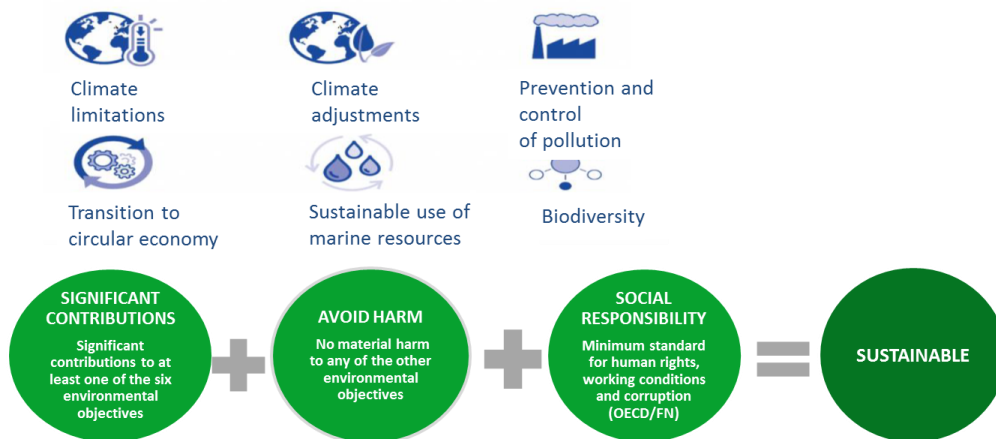
**Framework for sustainable activities:**

The Bank has prepared a Green & Sustainable Product Framework. This includes products and activities in the categories “green”, “social”, “blue” etc., in accordance with classification criteria for sustainability. These classification criteria are based on the aforementioned framework and the Green and Sustainable Bond Framework, based on IMCA, which can be found on the Bank’s website, [www.sor.no](http://www.sor.no). The Bank will expand its range of sustainable products based on this framework and on current classification criteria.

**EU taxonomy:**

Through its Regulation (EU) 2020/852, the EU has devised a classification system, the EU taxonomy, which lists criteria for economic activities to determine whether they can be considered environmentally sustainable. The aim is to establish a common framework for sustainable activities, and to avoid greenwashing. The Ministry of Finance has sent the regulation out for consultation.

The EU taxonomy is divided into six environmental objectives:



There are three sets of requirements that must be met in order for an activity to be classified as sustainable.

The EU taxonomy for the first two environmental objectives, climate change mitigation and climate change adaptation, will be implemented in the EU from 31 December 2021. The other environmental objectives will be implemented from 31 December 2022. As of 2022, the proportion of economic activity considered sustainable, according to the EU taxonomy, must be reported. The same guidelines are expected to be implemented in Norway as well.

Once the classification criteria in the EU taxonomy are in place, the framework will be updated.

### Products and marketing:

Sparebanken Sør wants customers to make good financial choices. There are strict requirements for product labelling and marketing. The Bank therefore has a strong focus on financial advice and offering customers safe products, and for the sale and marketing of products to be conducted in a responsible manner in accordance with legislation. All financial advisers have approved authorisation that meets the requirements of the Finance Industry Authorisation schemes (FINAUT), and have updated their competence as stated in the authorisation schemes.

The Bank has established guidelines for quality assurance and risk assessments of products, systems and services, and to ensure compliance with the requirements for information, labelling and marketing.

Guidelines and systems have been established for the registration, processing and follow-up of complaints related to violations of laws and guidelines for products and service information, labelling and marketing.

## 0 CASES REGARDING VIOLATIONS OF INFORMATION, PRODUCT LABELLING AND MARKETING IN 2020

Implemented measures	Planned measures
<p>Framework for sustainable activities.</p> <p>Established digital solutions for Online loans and Savings.</p>	<p>Continue to develop reporting solutions in accordance with the EU taxonomy and UNEP FI PRB. Continue to develop management control systems, measurements and methods.</p> <p>Establish and sell more sustainable activities and products in line with the Framework for sustainable activities.</p>

## 5 CORPORATE GOVERNANCE

### 5.1 Responsible business activities

Sparebanken Sør will conduct itself with openness, honesty and transparency. All activities at Sparebanken Sør will always be conducted in accordance with applicable laws and regulations. The Bank will require customers, suppliers and partners to follow relevant legislation and international conventions in the countries in which they operate. Corporate governance shall ensure that the Bank does not contribute to the violation of human and employee rights, corruption, unacceptable greenhouse-gas emissions, serious environmental damage or other acts that may be perceived as unethical or irresponsible.

#### Ethics:

Sparebanken Sør has a code of conduct to ensure that all parts of the organisation understand and respect the ethical standards. The code of conduct applies to all employees, and describes, for example, how employees should respond to challenges related to impartiality and conflicts of interest, participation in other commercial activity, and their own and customers' trading in financial instruments. All employees review the code's ethical guidelines on an annual basis. An annual update on ethics is provided as part of the various authorisation schemes for the Bank's financial advisers.

An update course has been held in the bank's ethical guidelines in all departments.

#### Customer complaints:

The Bank has sound systems and procedures in place for handling customer complaints (see our website [www.sor.no](http://www.sor.no)). Complaints may come from various channels, and good solutions have been established for receiving, registering, handling and reporting complaints, and for implementing measures. In 2020, a total of 57 customer complaints were reported. Most disputes were resolved without liability for the Bank, while in other cases, a settlement was reached with the customer. Total settlement payments from the Bank in 2020 amounted to about NOK 230,000.

**10** COMPLAINT CASES SUBMITTED TO THE NORWEGIAN FINANCIAL SERVICES COMPLAINTS BOARD

**0** COMPLAINT CASES LOST THROUGH THE COMPLAINTS BOARD IN 2020

#### Whistleblowing:

Sparebanken Sør wants to be a safe and positive workplace. The Bank wishes to facilitate a culture of freedom of expression and has established a whistleblowing procedure to prevent, identify and rectify censurable conditions, which can be found on the Bank's website, [www.sor.no](http://www.sor.no). Employees are encouraged to report any censurable conditions they have become aware of, or that they have experienced themselves.

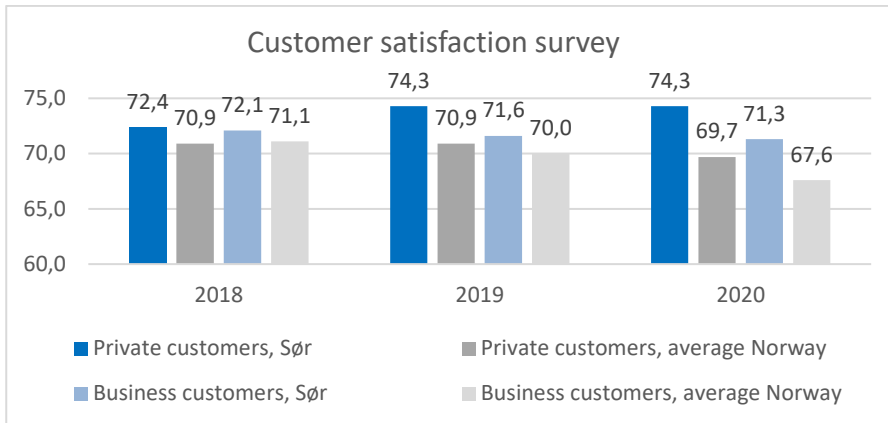
A procedure has also been established for external third-party notifications, which can be found on the Bank's website, [www.sor.no](http://www.sor.no).

Notifications can be submitted through several channels and may be anonymous. Notifications will be sent directly to an independent, external third party, BDO AS. Sound procedures have been established for reporting, follow-up and measures.

**0** INTERNAL WHISTLEBLOWING CASES OF CENSURABLE CONDITIONS IN 2020

#### Customer satisfaction:

Responsible and ethical business activities in all areas are essential for trust and good customer relationships. Sparebanken Sør has achieved high scores on customer satisfaction ratings (CSR) in EPSI Norway's annual bank survey, and ranks above the industry average for both private and business customers.



## CSR GOAL FOR CUSTOMER SATISFACTION TO BE ABOVE THE INDUSTRY AVERAGE IN NORWAY

Implemented measures	Planned measures
<p>Began the process of implementing the principles of UNEP PRI.</p> <p>Established and implemented several policy documents and guidelines for ESG.</p> <p>High scores on customer satisfaction surveys.</p>	<p>Continue the work on implementing the principles of UNEP PRB and Finance Norway.</p> <p>Customer satisfaction surveys conducted by EPSI.</p> <p>Continue operationalisation of ESG in business areas.</p> <p>Continue to develop governance systems, goals and methods.</p> <p>Implement UNEP PRB Impact analysis.</p>

### 5.2 Responsible credit

For Sparebanken Sør, responsible credit involves protecting the climate and the environment, addressing social conditions and ensuring good corporate governance for credit 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.

Lending to private customers and business customers represents the Bank's core operations, and this is likely the area in which the Bank can have the greatest positive impact on sustainable development. This especially applies to the business market, in terms of climate and the environment.

Exclusion criteria are integrated in policy controls of credit processes, and are stated in the Policy for Responsible Credit Lending, which can be found on the Bank's website, [www.sor.no](http://www.sor.no).

#### Greenhouse-gas emissions:

The Bank's lending portfolio is primarily comprised of customers that produce low greenhouse-gas emissions. See the table below.

An analysis of greenhouse-gas emissions was prepared for Sparebanken Sør's lending portfolio, based on the data from Statistics Norway for lending and greenhouse-gas emissions from different industries. Both method and data involve considerable uncertainty, but the analysis still provides a good indication of the industries that produce the highest greenhouse-gas emissions in our lending portfolio.

The distribution of loans and the greenhouse-gas emissions of markets and industries is displayed in the table below:

KPI	Norway (11/2020)		Sparebanken Sør (2020)	
	Loans NOK mill.	CO 2 1000 tonn	Loans NOK mill.	CO 2 1000 tonn
Private customers (households)	3.699.110	4.917	73.662	97,9
Agriculture and related services	66.171	4.914	801	59,5
Forestry and related services	5.915	36	158	1,0
Fishing and hunting	80.501	370	313	1,4
Mining	11.151	279		
Extraction of crude oil and natural gas	15.121	15.229		
Industry	90.850	11.933	861	113,1
Electricity, gas, steam, hot water supply	49.486	1.699		
Water supply, sewage and waste	13.915	1.499		
Property development	135.751	1.301	4.104	39,3
Building and construction	66.468	637	1.623	15,6
Retail	80.914	1.104	1.395	19,0
Shipping and air transport	79.392	20.815		
Land transport	80.699	2.087	590	15,3
Hotels and restaurants	20.475	133	399	2,6
Housing associations			1.281	0,2
Sale and operation of real estate	793.389	122	19.303	3,0
Service provision and public sector	246.362	1.670	7.369	50,0
Total, Business market	1.836.560	63.828	38.197	319,9
Total, Private and Business market	5.535.670	68.745	111.859	417,8
Sør's percentage of Norway, %			2,02	0,61

Greenhouse-gas emissions from Sparebanken Sør's lending portfolio are relatively low, even when compared with greenhouse-gas emissions from "Norway's portfolio". Sparebanken Sør's loans make up about 2.0 per cent of all loans in Norway, while greenhouse-gas emissions through the Bank make up 0.6 per cent of the total greenhouse-gas emissions.

#### Sustainable activities for private and business markets:

An important element of sustainable development is to increase the share of sustainable operations. Financing of sustainable products and activities is therefore closely linked to assessment of ESG risk and responsible lending processes. Sparebanken Sør has designed a Green & Sustainable Product Framework. The Bank will prioritise work on the development of further sustainable products and activities going forward.

#### Private market:

Most loans in the private market are home loans. The private market's negative impact on the ESG area is relatively limited. However, it is still important to have good guidelines and solutions to reduce the negative impacts and increase the positive impacts on ESG. This may involve the exclusion of cases that do not comply with requirements for social rights, ethics, corruption, greenhouse-gas emissions and the destruction of the natural environment.

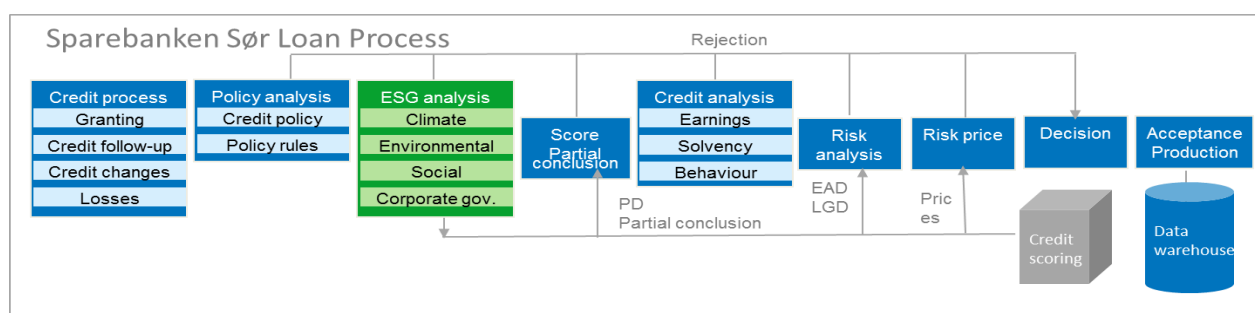
Sparebanken Sør can have a positive impact on sustainability through the products and services it offers. Such products may include digitalisation and sustainable products.

Sparebanken Sør utilises significant resources on the development of digitalised solutions, such as self-service solutions for home loans.

Products for energy efficiency and the reduction of greenhouse-gas emissions are also important measures. Sparebanken Sør currently has a portfolio for Green home loans of about NOK 10.9 billion.

### Business market:

The Bank's portfolio for the business customer market includes various industries, primarily in the SMB segment. The largest sector based on loan volume is commercial real estate. The Bank's Policy for Responsible Credit Lending will ensure that industries and customers involved in the violation of human and employee rights, corruption, unacceptable greenhouse-gas emissions, serious damage to the environment or other actions that may be considered unethical or irresponsible are not represented in the Bank's lending portfolio. Sparebanken Sør has an integrated module for ESG analysis in credit processes for the business market. See the figure below.



The ESG module has particular focus on climate, but also covers relevant ESG areas:

- Exclusion criteria: Included in the Policy analysis.
- Sector: Framework for management of sectors and sector-specific assessments and requirements.
- Climate: Assessment of how physical risk and transition risk could affect the customer, ability to pay and collateral in the case, and result in an increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL).
- Natural environment: Assessment of how business activities impact the natural environment.
- Social conditions: Assessment of how the customer and its partners comply with requirements and international conventions related to social conditions, and employee and human rights.
- Corporate governance: Assessment of how the customer and its partners comply with requirements and international conventions on corporate governance.

Scoring: Based on the above, the customer is given an ESG score in the category of low, medium or high risk, which provides a basis for managing processes, mandates and pricing. Data from the ESG module will be utilised for reporting on cases, customers and portfolios.

Implemented measures	Planned measures
<p>Integrated ESG and climate in credit processes BM.</p> <p>Policy on responsible credit.</p> <p>Measurement of greenhouse-gas emissions for home loans and commercial real estate.</p> <p>Training in ESG risks for all employees in the business market.</p>	<p>Assess ESG risks in credit cases and portfolios.</p> <p>Integrate ESG in customer dialogue BM. Integrate further sustainable activities and products in credit processes, adjusted to the EU taxonomy. Establish KPIs, focus on EU taxonomy and UNEP PRB. Continue to develop reporting and governance objectives for ESG. Continue training in ESG risks. Increase the share of sustainable activities and products. Consider integrating functionality for climate risks (physical risks) in credit lending and home loans.</p>

## 5.3 Responsible investments and financing

Investments and financing are important business areas for Sparebanken Sør, where the Bank can have a major positive impact in terms of sustainable development. The Policy for Responsible Investments and

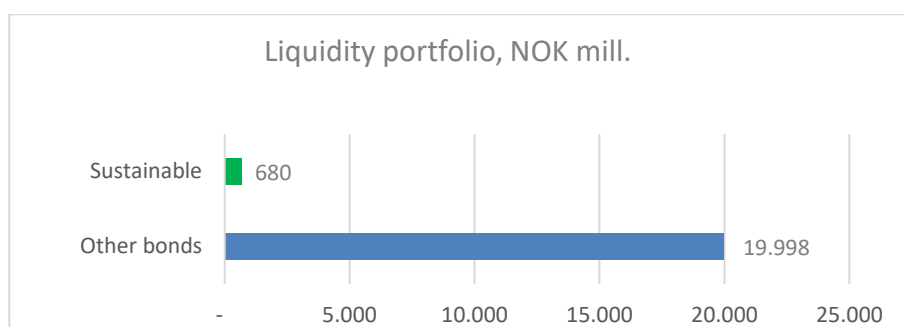
Responsible Securities will ensure that the fund products distributed by Sparebanken Sør are sustainable and in accordance with our ESG requirements and conditions, which can be found on the Bank's website, [www.sor.no](http://www.sor.no).

Responsible investment/financing entails safeguarding the environment, social conditions and good corporate governance in the management. The investment and financing operations must be carried out in such a way that the Bank does not contribute to the violation of human and employee rights, corruption, unacceptable greenhouse-gas emissions, serious environmental damage or other acts that may be perceived as unethical or irresponsible.

Sparebanken Sør aims to make sustainable and profitable investments and offer a competitive range of financial instruments to our customers, while allowing the Bank to meet our ESG commitments.

#### Investments in the liquidity portfolio:

In managing the Group's liquidity risk, Sparebanken Sør must have a portfolio comprising liquid, interest-bearing securities with a high credit rating. The composition of the portfolio is determined by statutory requirements and Board-adopted guidelines. Investments are made in securities that are traded in established, well-functioning markets, and in issuers that are subject to official orders that meet overarching ESG requirements, including guidelines for financial crime and financing of terrorism, human and employee rights, and are domiciled in regions that attach importance to environmental, nature and climate risk. The Bank's liquidity portfolio is considered to be at low risk for violations of the ESG guidelines.

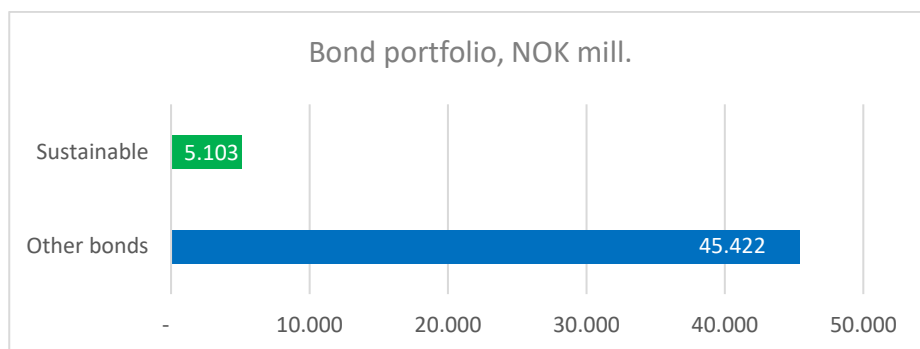


Sparebanken Sør aims to increase the share of sustainable investments in its liquidity portfolio.

The portfolio's ESG risk must be assessed periodically, and at least once a year. If the assessment identifies breaches of the Bank's guidelines, the reason for and the seriousness of the breach must be evaluated. A thorough assessment of the underlying matters and the reason for the ESG breach must be carried out before any investment is realised.

#### Financing:

Sparebanken Sør has established a Green & Sustainable Bond Framework. Raising capital through this framework allows the Bank to finance sustainable activities. Based on this framework, the Bank is committed to using proceeds from bond investments for green and sustainable purposes. The framework has defined three categories of loans to which capital can be channelled: green home loans, green commercial real estate, and access to important services, such as healthcare services and education. The framework allows the Bank to reach a broader investor base. This in turn will allow the Bank to adapt its granting of credit, and to raise customer awareness of risks and other important issues related to ESG. In this way, the Bank can facilitate a more sustainable development.



Sparebanken Sør Boligkreditt AS has issued the Green Covered Bond in the amount of EUR 500 million.

An Impact and Allocation report is available on the Bank's website, [www.sor.no](http://www.sor.no).

Sparebanken Sør Boligkreditt AS has a long-term goal of issuing green bonds with preferential rights under the framework, and allocating financing to sustainable loans.

#### Investments in subsidiaries and companies in which the Bank has ownership stakes:

As a share and unit holder, Sparebanken Sør manages significant assets. Investments include subsidiaries and ownership shares in companies that are strategically important for the Bank's business activities, as well as financial investments. Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary, well integrated in the Bank's activities, and comprises just over 60 per cent of the total investments in holdings.

All companies in which the Bank has ownership shares must comply with the same strict requirements and guidelines for ESG as the Bank. Sparebanken Sør aims to raise these companies' awareness of and focus on ESG issues and to stimulate more sustainable development. Evaluation of ESG risk and opportunities must be an integral part of investment decisions and prioritised whenever the Bank has the opportunity to exercise ownership.

Sustainability efforts relating to corporate governance will be prioritised in line with:

- the scope of, and opportunities to positively impact, environmental risk and opportunities
- the size and importance of the shareholding.

The Bank's policy includes guidelines that apply to the Bank's exercise of ownership in companies where the Bank has actual influence, and indicates how potential violations of these guidelines should be handled.

#### Investments made by fund managers in fund products distributed by the Bank:

Sparebanken Sør does not engage in fund management itself but distributes fund products through Norne Securities. Through its partly owned product company, Norne Securities, the Bank distributes funds from reputable fund managers affiliated with UNEP FI PRI (UN Principles for Responsible Investment), and complies with the investment principles of UNEP FI PRI. Norne Securities is currently ESG-classifying the fund products that they distribute.

The Bank requires Norne Securities and the funds they distribute to comply with the Bank's Policy for Responsible Investment and Responsible Securities Trading. Norne Securities has confirmed that all distributed funds will comply with the Bank's policy. Sparebanken Sør has Product Management procedures for the handling and approval of fund products.

The EU Regulation (EU) 2019/2088 has introduced new requirements for sustainability-related disclosures (Disclosure Regulation). The Ministry of Finance has sent out the regulation for consultation, and it is expected to be implemented in 2021. The aim is to establish requirements for disclosures on how company investments and activities contribute to sustainable development. The Disclosure Regulation also applies to investment funds, and all investment firms must classify to what extent an investment (a fund) is sustainable based on the EU taxonomy. Norne Securities will make the necessary information available in accordance with statutory requirements from the administration. Furthermore, changes are expected in MiFID II during



2021 that entail requirements for customers' sustainability preferences to be included in suitability assessments.

Implemented measures	Planned measures
<p>Policy for Responsible Investment and Responsible Securities Trading.</p> <p>Increased share of sustainable bonds in the liquidity portfolio.</p> <p>The Fund Committee was expanded in 2020, with special focus on ESG.</p> <p>Product approval of bond products was expanded in 2020 to specifically include ESG.</p>	<p>ESG rating.</p> <p>ESG classification of the fund portfolio.</p> <p>Goal of expanding the portfolio of green loans in accordance with the framework, thereby increasing the share of sustainable bonds.</p> <p>Goal of increasing the shares of sustainable bonds in the Liquidity portfolio.</p>

## 5.4 Responsible procurement

Sparebanken Sør is a major actor in the procurement of goods and services. The largest procurement categories include IT systems, property management, marketing, external consultants and contracted personnel. Most of the procurement takes place through the Bank's procurement agreements. In 2020, the Bank purchased goods and services for approximately NOK 400 million. Suppliers with delivery agreements worth more than NOK 1 million make up about NOK 355 million, equivalent to about 81 per cent of the total procurement.

The Bank has established a Policy for Responsible Procurements, where the Bank sets requirements for suppliers regarding climate and the environment, social conditions and corporate governance, and can be found on the Bank's website, [www.sor.no](http://www.sor.no).

The policy will ensure that procurements are conducted in such a way that the Bank does not contribute to the violation of human and employee rights, corruption, unacceptable greenhouse-gas emissions, serious environmental damage or other acts that may be perceived as unethical or irresponsible.

All suppliers with deliveries exceeding NOK 1 million must sign a delivery declaration to confirm that they will comply with the Bank's policy.

### 71.5% APPROVED SUPPLIER DECLARATIONS BASED ON VOLUME

It is essential that procured products are of good quality, delivered at competitive prices, and produced and distributed in a responsible manner. The Bank emphasises sustainability for its suppliers, with focus on ESG as an evaluation criterion during tendering processes. Procurements should have as little negative impact as possible on the climate, natural resources and the environment, and should be recyclable and reusable as far as possible. Under otherwise equal conditions, the Bank will prioritise local suppliers and suppliers that have approved certification under schemes such as the Eco-Lighthouse, ISO 14001 or similar certification schemes.

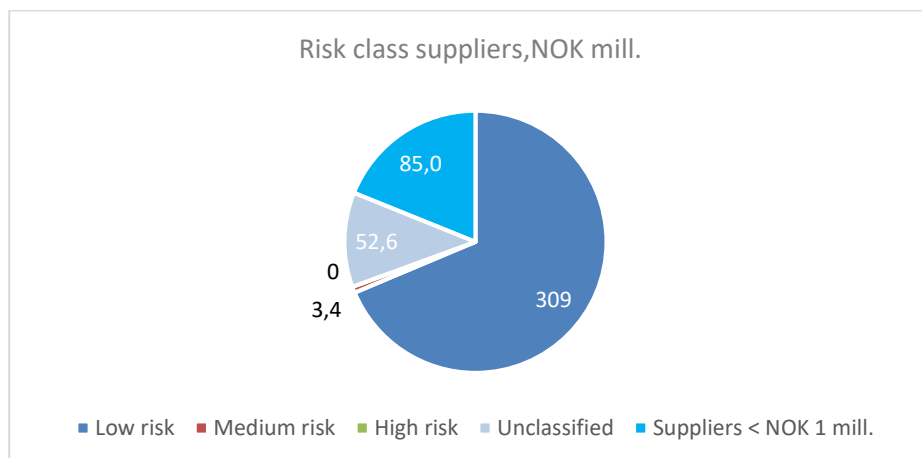
All suppliers with deliveries exceeding NOK 1 million must be checked for certification.

### 84.8% OF SUPPLIERS BASED ON VOLUME HAVE CERTIFICATION SCHEMES

Through tendering processes, requirements and supplier follow-up, the Bank will encourage relevant suppliers to maintain a conscious and positive approach to ESG.

The Bank has established a risk-based system for use in the classification and follow-up of suppliers. This system is based on Bank policies and includes quantitative and qualitative issues and assessments with consideration for ESG.

Classifications are currently under way, and the figure below displays the results of the supplier classifications thus far.



Customer follow-up is adjusted for risk profile, size and the opportunity to exert influence. The Bank is supplied by some major global suppliers of IT services, where the Bank has little opportunity to exert influence or to obtain supplier declarations.

The Bank has not identified any suppliers that have a significant potential for a negative impact on ESG.

Implemented measures	Planned measures
Policy for Responsible procurement, guidelines and procedures. Supplier declarations equivalent to 80 per cent of all procurements. Risk-classified suppliers equivalent to 60 per cent of all procurements.	Follow up suppliers in terms of supplier declarations, certification and risk classification, and integrate ESG requirements in customer dialogue and tendering processes.

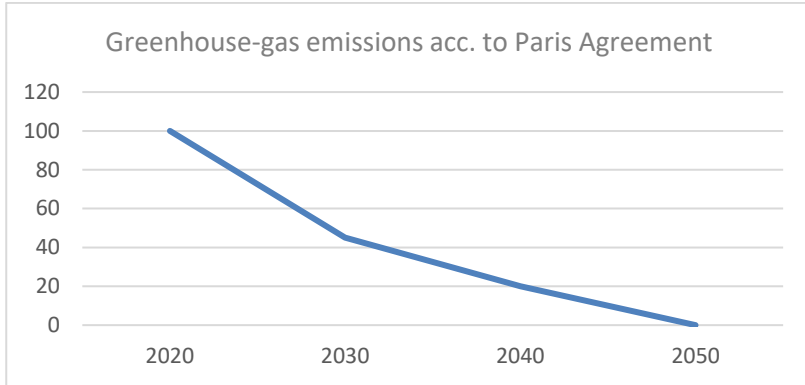
## 6 CLIMATE AND THE ENVIRONMENT

### 6.1 Introduction

Climate change and environmental challenges pose a significant risk to society and to the Bank. At the same time, these challenges also represent opportunities. The Bank's strategy, business models and financial development are all affected by both climate-related and environmental risks and opportunities.

So far, focus has primarily been on climate change. In the future, however, there will be a greater focus on issues related to nature and the environment. This will be enhanced through the "Nature Agreement" of 2021, similar to the Paris Agreement. Climate and the natural environment are closely integrated, and the environment will be given its natural place in the work on ESG in the future.

Via the UN Global Compact and UNEP Principles for Responsible Banking, Sparebanken Sør is committed to the support of a precautionary principle for problems related to climate change and the natural environment.



Sparebanken Sør’s targets for greenhouse-gas emissions:

**55%\*** REDUCTION OF GHG EMISSIONS BY 2030

\*Compared with 2017

**0%** GHG EMISSIONS BY 2050

Sparebanken Sør’s approach to climate change and the environment is twofold:

- Direct impact by the Bank’s own activities.
- Indirect impact by the Bank’s business activities.

Impact entails how the Bank’s business activities are affected by climate change and the natural environment, and also how the Bank’s business activities affect climate and the environment.

Sparebanken Sør has created a Policy for climate and the environment, which will ensure that the Bank has clear principles and guidelines stating the Bank’s requirements and expectations for customers, suppliers and partners. Sparebanken Sør shall make a positive contribution to reducing greenhouse-gas emissions and focus on minimising the direct and indirect environmental impacts of its operations. The goal is to facilitate a more sustainable development in the Bank and with its customers, suppliers and partners.

## 6.2 Impact on climate and the natural environment by the Bank’s own activities

The Bank’s greenhouse-gas emissions and negative impact on the environment through its own activities are very limited. Nevertheless, the Bank’s activities will be strongly influenced by considerations for climate and the environment.

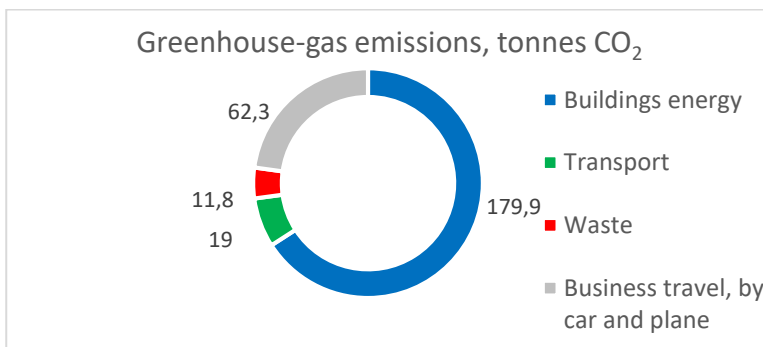


The Bank will follow up issues for climate and the environment through an environmental management system, and is Eco-Lighthouse certified, based on the head office model and the new criteria for the finance sector.

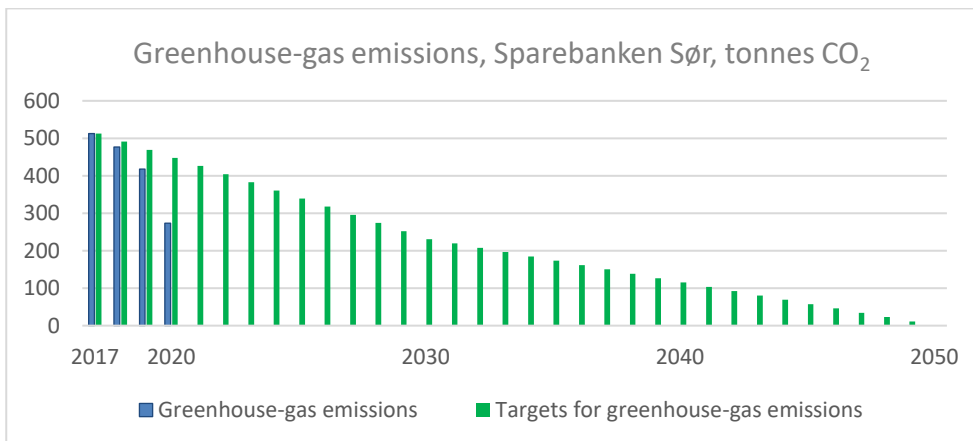
Data on the Bank’s status and development in terms of greenhouse-gas emissions and the use of resources is displayed in the table and figure below:

Greenhouse-gas emissions, tonnes CO <sub>2</sub>	2017	2018	2019	2020	2030 target: 55% red.
Greenhouse-gas emissions Scope 1	33,2	33,2	22,8	19,0	
Greenhouse-gas emissions Scope 2	333,2	293,5	195,5	181,3	
Greenhouse-gas emissions Scope 3	146,3	149,7	199,2	72,7	
Total greenhouse-gas emissions	512,7	476,4	417,5	273,0	230,7
Number of FTEs	432	434	429	442	
Emissions per FTE	1,19	1,10	0,97	0,62	
Heated area, m <sup>2</sup>	27.498	26.893	23.964	23.004	
Energy consumption, 1,000 kWh per year	6.845	6.103	5.383	4.926	
Energy consumption, kWh per m <sup>2</sup>	249	227	225	214	

The Bank's level of greenhouse-gas emissions show a trend in the right direction.



The Bank's greenhouse-gas emissions are primarily related to energy consumption and business travel. An assessment of energy consumption in the Bank's real estate portfolio has been initiated, and the Bank will analyse measures that must be implemented in order to achieve the goals to reduce emissions. Business travel was strictly limited in 2020 due to Covid-19, but the Bank will continue to reduce travel by the use of good digital meeting places and new requirements for business travel.



The figure above shows the trend in greenhouse-gas emissions in recent years, and how the Bank is on track to meet its targets for the reduction of climate change.

The Bank offsets its residual emissions by purchasing emission allowances. For more detailed climate data, see the climate report on the Bank's website, [www.sor.no](http://www.sor.no).

## 6.3 Impact on climate and the natural environment by business activities

Sparebanken Sør shall work to reduce the impact of our customers, suppliers and partners on the climate and the environment. External business activities have the strongest negative impact on climate and the environment.

The Bank is able to have the strongest positive influence in the following business areas:

- Loans – increase the share of sustainable loans (EU taxonomy) and reduce the share of loans with a strong negative impact on climate and the environment. This especially applies to business customers.
- Investments – increase the share of investments in sustainable businesses (according to EU taxonomy) and reduce the share of investments in businesses that have a negative impact on climate and the environment.
- Financing – increase the share of sustainable bonds.

The use of sustainable technology, products and distribution solutions that are closely linked to the business areas mentioned above will be key in contributing to sustainable development.

Measures and guidelines for operationalising climate-related risks and opportunities in business areas are described in more detail under the topics in the sustainability report, and in the TCFD report.

## 6.4 TCFD, Task Force on Climate-related Financial Disclosures

TCFD is a recognised method of climate reporting. Below is a brief summary of the structure and key points of the TCFD report.

Climate is not only about risk, but also business opportunities presented by climate-related challenges.

The main climate risks for the Bank are:

### Transition risks:

These are risks associated with transitioning to a zero-emission society, and involve political and regulatory aspects, technology, markets and reputation. Transitional risks involve the ways in which climate-related conditions may impact the Bank's business activities.

### Physical risks:

Acute risks due to extreme weather conditions leading to hurricanes, floods etc. Chronic risks are long-term climate changes that affect temperature, sea levels etc. Physical risks involve how climate-related conditions, such as extreme weather, may impact the Bank's business activities. Climate-related risks and opportunities will affect the Bank's strategy, business activities and financial development from both a short-term and long-term perspective.

The four main points are briefly highlighted in the table below:

Corporate governance	<p>Management of climate-related risks and opportunities.</p> <p>The Board has determined that ESG and climate change will be prioritised areas in the strategic plan, and will operationalise these areas in the business activities. It is essential to focus on both climate-related risks and opportunities, and how these affect the business areas and the Bank's financial development. Climate risks encompass the Bank's business activities, but more importantly, climate risks affect the Bank's business model and business areas.</p>
Strategy	<p>Effects of climate-related risks and opportunities on the Bank's strategy, business areas and financial planning.</p> <p>Climate is not only about risk, but also about business opportunities.</p> <p>Major climate-related risk factors:</p> <ul style="list-style-type: none"> <li>• Risk of increased default and loss, stranded assets, increased capital requirements, and more expensive financing.</li> <li>• Risk of the loss of reputation and customers, and reduced market shares.</li> </ul> <p>Major climate-related opportunities:</p> <ul style="list-style-type: none"> <li>• Increased revenue and cost reductions through new sustainable products, digitalisation, access to new markets and industries for the circular economy, reuse etc.</li> <li>• Better access to, and more reasonably priced, financing and capital, and reduced capital requirements.</li> </ul>
Risk management	<p>Systems and processes the Bank uses to identify, assess and manage climate-related risks.</p> <p>The risk is highest in the business area of lending, where residential and commercial real estate makes up about 80 per cent of the total portfolio. The Bank has policies with requirements and exclusion criteria in these business areas. ESG with special focus on climate is integrated in credit processes BM. A framework for risk appetite and risk tolerance for ESG and climate risks is being created.</p>
Measures and methods	<p>Calculations and targets for assessment, and methods used to manage climate-related risks and opportunities.</p> <p>Sparebanken Sør aims to reduce its own greenhouse-gas emissions by 55 per cent by 2030, and become climate neutral in accordance with the Paris Agreement by 2050. Scenario analyses will be designed to assess whether climate-related risks and opportunities are in accordance with the Bank's strategy, risk appetite and risk limits. Management goals and indicators for climate risk will be further developed on an ongoing basis. The Bank will have particular focus on integrating climate-related indicators of risk and opportunity from the EU taxonomy, and from UNEP PRB, when available.</p>

More information on the TCFD report can be found on our website, [www.sor.no](http://www.sor.no).

Implemented measures	Planned measures
<p>TCFD report.</p> <p>ESG-integrated credit processes.</p> <p>Target for reducing emissions by 2030 increased from 50 per cent to 55 per cent.</p> <p>Analysis of greenhouse-gas emissions from residential properties and commercial real estate.</p> <p>Eco-Lighthouse certified offices, based on new criteria for the finance sector.</p> <p>Support the TV information campaign: "A Sea of Opportunities – Fighting Plastic in the Sea".</p>	<p>Continue to develop KPIs, measurements and measurement methods (EU taxonomy and UNEP PRB).</p> <p>Continued development of TCFD including scenario analyses.</p> <p>Assess CDP reporting.</p> <p>Raise awareness of climate risks in the organisation.</p> <p>Assessment of greenhouse-gas emissions from the Bank's real estate, and measures for achieving targets by 2030.</p>

## 7 APPENDIX 1: GRI

<b>GRI Standard - General Disclosures</b>		
<b>GRI Indicator</b>	<b>Description</b>	<b>Reporting 2019</b>
<b>Organisational Profile</b>		
102-1	Name of the organisation	Sparebanken Sør
102-2	Activities, brands, products, and services	Bord of Directors' report
102-3	Location of headquarters	Kristiansand
102-4	Location of operations	Norway
102-5	Ownership and legal form	Annual Report p.9
102-6	Markets served	Annual Report p. 10
102-7	Scale of organisation	Annual Report p.7,
102-8	Information on employees and other workers	Sustainability Report p. 36
102-9	Supply chain	Sustainability Report p.25
102-10	Significant changes to the organisation and its supply chain	No changes of a significant nature.
102-11	Precautionary Principle or approach*	The bank has joined FN Global Compact and "lead were" principles
102-12	External initiatives	Sustainability Report p. 6
102-13	Membership of associations	Sustainability Report p. 6
<b>Strategy</b>		
102-14	Statement from senior decision maker	Annual Report p. 6
<b>Ethics and integrity</b>		
102-16	Values, standards, principles and norms	Code of conduct, <a href="http://www.sor.no">www.sor.no</a>
<b>Governance</b>		
102-18	Governance structure	Sustainability Report p. 3
<b>Stakeholder Analysis</b>		
102-40	List of stakeholder groups	Sustainability Report p. 7
102-41	Collective bargaining agreements	All employees are covered by the sentral agreement Bank & Finance
102-42	Identifying and selecting stakeholders	Sustainability Report p. 7
102-43	Approach to stakeholder engagement	Sustainability Report p. 7
102-44	Key topics and concerns raised	Sustainability Report p. 7

Reporting practice		
102-45	Entities included in the consolidated financial statements	Sparebanken Sør (parent) and Sparebanken Sør Boligkreditt AS
102-46	Defining report content and topic Boundaries	Sustainability Report p. 4 and 9
102-47	List of material topics	Sustainability Report p. 9
102-48	Restatements of information	Sustainability Report p. 9
102-49	Changes in reporting	Sustainability Report p. 9
102-50	Reporting period	01.01.2020-31.12.2020
102-51	Date of previous report	01.01.2019-31.12.2019
102-52	Reporting cycle	Annual
102-53	Contact point	magne.kvaslerud@sor.no
102-54	Claims of reporting in accordance with the GRI Standards	Core
102-55	GRI content index	Sustainability Report p. 31
102-56	Applicable practice for external assurance of reporting	The report has not been verified externally



# Material Topics

GRI indicator	Description	Reporting 2019
<b>Responsible business activities ( financial performance and indirect financial impact)</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37 Fact Book p. 9
103-3	Evaluation of the management approach	Sustainability Report p. 5
201-1	Direct economic value generated and distributed	Annual Report p.25 and 26
201-2	Financial implications and other risks and opportunities due to climate change	TCFD report, <a href="http://www.sor.no">www.sor.no</a>
203-2	Significant indirect economic impacts	Sustainability Report p. 37
<b>Financial crime</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37, Fact Book p. 7
103-3	Evaluation of the management approach	Sustainability Report p. 5
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report p. 15 and 36
205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption
<b>Climate and the environment</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 38, Fact Book p. 13
103-3	Evaluation of the management approach	Sustainability Report p. 5
302-1	Energy consumption within the organisation	Sustainability Report p. 28
305-1	Direct (Scope 1) GHG emissions	Sustainability Report p. 28
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report p. 28
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report p. 28
<b>Responsible procurement (environmental impact)</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 38, Fact Book p. 12
103-3	Evaluation of the management approach	Sustainability Report p. 5
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability Report p. 26

<b>Diversity and equal opportunity (work/employees)</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5, 36 and 39, Fact Book p.4
103-3	Evaluation of the management approach	Sustainability Report p. 5
401-1	New employee hires and employee turnover	Sustainability Report p. 36
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report p. 36
401-3	Parental leave	Sustainability Report p. 36
405-1	Diversity of governance bodies and employees	Sustainability Report p. 36
405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report p. 36
406-1	Non-discrimination	Sustainability Report p. 37
<b>Working environment and employee development</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 36, Fact Book p. 5
103-3	Evaluation of the management approach	Sustainability Report p. 5
404-1	Average hours of training per year per employee	Sustainability Report p. 13 and 36
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report p. 12
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report p. 12
<b>Responsible procurement (social)</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 38, Fact Book p. 12
103-3	Evaluation of the management approach	Sustainability Report p. 5
414-2	Negative social impacts in the supply chain and actions taken	Sustainability Report p. 26
<b>Responsible business activities ( marketing of services and products)</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37, Fact Book p. 9
103-3	Evaluation of the management approach	Sustainability Report p. 5
417-2	Incidents of non-compliance concerning product and service information and labeling	Fact Book p. 18
417-3	Incidents of non-compliance concerning marketing communications	Fact Book p. 18
<b>Privacy protection and information security</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37, Fact Book p. 6
103-3	Evaluation of the management approach	Sustainability Report p. 5
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report p. 15 and 37

<b>Responsible products and services</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37, Fact Book p. 8
103-3	Evaluation of the management approach	Sustainability Report p. 5
417-2	Incidents of non-compliance concerning product and service information and labeling	Bærekraftsrapport side 19 og 37
417-3	Incidents of non-compliance concerning marketing communications	Bærekraftsrapport side 19 og 37
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Sustainability Report p. 17
<b>Responsible credit</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 37, Fact Book p. 10
103-3	Evaluation of the management approach	Sustainability Report p. 5
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Report p. 17
<b>Responsible investment and financing</b>		
103-1	Explanation of the material topic and its Boundary	Sustainability Report p. 9
103-2	The management approach and its components	Sustainability Report p. 5 and 38, Fact Book p. 11
103-3	Evaluation of the management approach	Sustainability Report p. 5
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation as interacted on environmental or social issues.	Sustainability Report p. 23-25
FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability Report p. 23-25

## 8 APPENDIX 2: Score card

KPI	GRI	DIV.	2018	2019	2020	Objective		Ambition	Trend
						Target	Date		
<b>SOCIAL CONDITIONS</b>									
<b>EQUALITY AND DIVERSITY</b>									
<b>Equality report</b>									
Total number of employees		FTEs	453	446	457				
Women		%	50,4	50,0	49,5				
Men		%	49,6	50,0	50,5				
Part-time women	GRI 103-2	%	10,1	8,5	9,0				
Part-time men	GRI 401-2	%	0,9	0,9	1,1				
Temp positions women		FTEs		11,6	7,6				
Temp positions men		FTEs		11,2	11,0				
<b>Percentage of women by level</b>									
Percentage of female executives			35,9	35,5	38,5	40 - 60	2025		
Management level 1 (CEO)		%							
Management level 2 (Group management)		%	33,3	33,3	25,0				
Management level 3 (Management teams in divisions), %	GRI 405-1	%	30,0	26,7	30,0				
Management level 4 (Bank manager, Assistant bank manager), %		%	44,0	47,5	46,8				
Proportion of women on the Board		%	50,0	50,0	50,0	40-60			
<b>Women's pay compared to men's</b>									
Women		NOK	529.080	574.995	600.867				
Men		NOK	658.343	695.945	716.414				
Women's pay compared to men's		%	80,4	82,6	83,9	90-110	2025		
Average of female managers compared to male		%	86,1	87,5	93,3				
Management level 1 (CEO)		%							
Management level 2	GRI 405-1	%	82,0	83,2	85,4				
Management level 3		%	88,0	91,7	89,1				
Management level 4		%	100,0	100,0	101,0				
Business consultant					91,7				
Authorised Financial Adviser					95,8				
Customer service representative		%			95,8				
<b>Right to parental leave</b>									
Total number acc. to Norwegian legislation		Number		15	16				
Number returned and working after 12 months	GRI 401-3	%		100,0	100				
<b>WORKING ENVIRONMENT AND EMPLOYEE DEVELOPMENT</b>									
<b>Employees</b>									
Average age		years			49,5				
Average age recruited		years			35,8				
Number of women leaving		Number			13				
Number of men leaving		Number			10				
Number of women recruited		Number			21				
Number of men recruited	GRI 401-1	Number			16				
Recruits with higher education		%			91,9				
New recruits with non-Norwegian ethnic backgrounds						≥ 10	2025		
Turnover women		%			2,9				
Turnover men		%			2,2				
<b>Training</b>									
Average training per employee		hours/year		35,0	40,0				
Training in Ethics		%			100,0				
Training in Sustainability	GRI 103-2	%			100,0				
Training in Privacy, GDPR	GRI 404-1	%			100,0				
Training in Information Security	GRI 205-2	%			100,0				
Training in Money Laundering		%			100,0				
Managers who received training in HSE		Number			15				

KPI	GRI	DIV	2018	2019	2020	Objective Target	Date	Ambition	Trend
<b>Working environment</b>									
Discrimination		Cases	0	0	0			0	
Employee satisfaction		Score		81	84	≥ 80			
Percentage had employee interview		%	100,0	100,0	100,0			100,0	
Sick leave absence, total, %	GRI 404-3	%	3,49	4,75	2,70			≤ 4.00	
Sick leave absence, short, %	GRI 406-1	%	0,55	0,52	0,53				
Sick leave absence, medium, %		%	0,75	0,57	0,68				
Sick leave absence, long, %		%	2,10	3,66	1,49				
<b>PRIVACY PROTECTION AND INFORMATION SECURITY</b>									
Personal data compromised, reported to the Norwegian Data Prot		Number			12				
Orders, fines related to privacy by the Norwegian Data Protection	GRI 103-2	Number		0	0			0	
Uptime customer solutions, SLA	GRI 418-1	%		99,7	99,6	≥ 99.7			
Serious cases of digital fraud (hacking etc.)		Number			0			0	
<b>FINANCIAL CRIME</b>									
Internal corruption cases		Number	0	0	0			0	
Internal fraud cases	GRI 103-2	Number	1	0	0			0	
Suspicious cases flagged, money laundering	GRI 205-3	Number	4.600	8.900	18.900				
Suspicious cases reported to Økokrim		Number			62				
<b>RESPONSIBLE PRODUCTS AND SERVICES</b>									
Lost cases, breach of marketing/product info		Number		0	0			0	
Green home loans		NOK mill.	7.000	8.970	11.000				
Social loans, First home loans		NOK mill.	5.000	6.166	6.300				
Social deposits, BSU Young people's housing savings	GRI 103-2	NOK mill.	1.502	1.617	1.775				
Sales, private market through digital channels	GRI 417-2	NOK mill.							
Sales, business market through digital channels	GRI 417-3	%	26,0	34,5	38,7				
Percentage e-signing, Private customers	FS 7	%			NA				
Mobile and online banking private market	FS 8 ??	%		65,1	64,9				
Percentage sustainable loans (EU taxonomy)		%		56,0	61,0				
		%			NA				
<b>CORPORATE GOVERNANCE</b>									
<b>SOCIETY</b>									
Donations to local community		NOK mill.	40,0	45,9	34,1				
Sponsorship agreements		NOK mill.	14,8	11,8	11,8				
Tax expenses group		NOK mill.	285	342	307				
Wealth tax		NOK mill.	17	20	24				
Employer's National Insurance contributions		NOK mill.	44	47	60				
Financial tax	GRI 201-1??GRI 203-2	NOK mill.	18	18	16				
Payroll tax		NOK mill.	105	103	105				
Total taxes and fees		NOK mill.	469	530	512				
Net salaries/pensions and other benefits		NOK mill.	499	533	552				
Net salaries/pensions and other benefits		NOK mill.	499	533	552				
Cash dividend to shareholders		NOK mill.	94	0	219				
Growth capital, retained earnings		NOK mill.	748	1130	766				
<b>RESPONSIBLE BUSINESS ACTIVITIES</b>									
Prepare Impact analysis UNEP PRB						x	2021		
Customer satisfaction PM, CSR		%		74,3	74,3	Top 3			
Customer satisfaction BM, CSR		%		71,6	71,3	Top 3			
Complaint cases reported to Norwegian Financial Services Compl	GRI 103-2	Number			12				
Complaint cases lost at the Norwegian Financial Services Compla		Number		0	0			0	
Whistleblowing cases		Number		0	0			0	
<b>RESPONSIBLE CREDIT</b>									
Percentage of sustainable loans PM (EU taxonomy)					NA		2022		
Percentage of sustainable loans BM (EU taxonomy)		%			NA		2022		
Percentage of BM loans with low ESG risks		%			NA		2021		
Percentage of BM loans with medium ESG risks	GRI 103-2	%			NA		2021		
Percentage of BM loans with high ESG risks		%			NA		2021		
Loss on loans due to climate risks (transition and physical)		NOK mill.			0				
Greenhouse-gas emissions from home loans		tonnes CO <sub>2e</sub>			NA				
Greenhouse-gas emissions from commercial real estate		tonnes CO <sub>2e</sub>			NA				

KPI	GRI	DIV	2018	2019	2020	Objective		Ambition	Trend
						Target	Date		
<b>RESPONSIBLE INVESTMENTS AND FINANCING</b>									
Sustainable bonds		EUR mill.		5.100	5.100				
Sustainable bonds, Liquidity portfolios		NOK mill.			680				
Percentage of policy breaches own investments		NOK mill.			0				0
Percentage of policy breaches liquidity portfolio	GRI 103-2	NOK mill.			0				0
Percentage of policy breaches, Fund managers	FS 11	NOK mill.			0				0
Percentage of sustainable investments (EU taxonomy)		%			NA		2022		
Percentage of sustainable funds (EU taxonomy)		%			NA		2021		
ESG Rating		%				x	2021		
<b>RESPONSIBLE PROCUREMENT</b>									
Total procurements		NOK mill.		400	440				
Total procurements suppliers >1 mill.		NOK mill.			365				
Total procurements suppliers >1 mill.		%			80,6				
Number of suppliers in total, turnover > NOK 1 mill.		Number			52				
Number of suppliers >NOK 1 mill. approved policy		Number			21				
Percentage suppliers >NOK 1 mill. approved policy		% volume			71,5	100,0	2021		
Number of suppliers >NOK 1 mill. that are certified	GRI 103-2	%			24				
Percentage suppliers >NOK 1 mill. that are certified		% volume			84,8	100,0	2021		
Percentage suppliers >NOK 1 mill. that are risk classified		% volume			86,7	100,0	2021		
Number of suppliers >1 NOK mill. with high ESG risks		%			NA	x	2021		
Percentage suppliers >NOK 1 mill. with high ESG risks		% volume			NA	X	2021		
Percentage suppliers >NOK 1 mill. policy breaches		Number			0			0	
<b>CLIMATE AND ENVIRONMENT</b>									
Greenhouse-gas emissions own activities (compared to 2017)		%				55,0	2030		
Greenhouse-gas emissions own activities		%				0,0	2050		
Energy consumption real estate		kWh/m <sup>2</sup>	226,9	224,6	214,1				
Percentage energy from renewable energy sources	GRI 103-2 GRI 302-1	%	100,0	100,0	100,0				
Greenhouse-gas emissions Scope 1	GRI 305-1	tonnes CO <sub>2</sub>	33,4	22,8	19,0				
Greenhouse-gas emissions Scope 2	GRI 305-2	tonnes CO <sub>2</sub>	293,5	195,5	181,3				
Greenhouse-gas emissions Scope 3	GRI 305-3	tonnes CO <sub>2</sub>	149,5	199,2	72,7				
Greenhouse-gas emissions total		tonnes CO <sub>2</sub>	476,4	417,5	273,0	≤ 230,7	2030		
Company cars that are electric		%	29,0	46,0	62,0	100	2023		

## 9 APPENDIX 3: Plan of action ARP

Area	Description of measures	Purpose of measures	Goal for measures	Status	Responsible for implementation	Long-term results
Embedding	Equality and diversity – recertification as a topic at management and employee gatherings in 2021. Regular information on intranet/Workplace throughout the year.	Raise awareness of the Bank’s work on equality and diversity. Create a better understanding and culture for equality and diversity in the organisation (at all levels). Employees are not sufficiently aware of the Bank’s work on equality and diversity.	Generate pride in the organisation – attractive workplace. Good reputation.	Adopted by KL	HR manager	No employees have indicated discrimination in the employee survey. Low turnover (less than x%). High degree of satisfaction in the employee survey (better than industry average).
Embedding	New topics for equality and diversity are included in the 2022 employee survey (questions on harassment and discrimination are already present).	Raise awareness of the Bank’s work on equality and diversity among bank employees. Create a better understanding and culture for equality and diversity in the organisation (at all levels). Employees are not sufficiently aware of the Bank’s work on equality and diversity.	Generate pride in the organisation – attractive workplace. Good reputation.	Adopted by KL	HR manager	No employees have indicated discrimination in the employee survey. Low turnover (less than x%). High degree of satisfaction in the employee survey (better than industry average).
Embedding	Include equality and diversity as topics in the form used for employee interviews.	Raise awareness of the Bank’s work on equality and diversity among bank employees. Create a better understanding and culture for equality and diversity in the organisation (at all levels). Employees are not sufficiently aware of the Bank’s work on equality and diversity.	Generate pride in the organisation – attractive workplace. Good reputation.	Adopted by KL	HR manager	No employees have indicated discrimination in the employee survey. Low turnover (less than x%). High degree of satisfaction in the employee survey (better than industry average).
Inclusive working environment	Consider using Quiz from LDO at department meetings in the Bank, or purchase/develop NanoLearning on the subject.	In the 2019 employee survey, x% of employees stated that they had been subject to bullying or harassment (0 in 2020).	Prevent bullying, harassment and exclusion. Build good attitudes and culture.	Adopted by KL	HR manager	No employees have indicated bullying, harassment or exclusion in the employee survey; no notifications of harassment.
Inclusive working environment	A risk assessment of harassment, sexual harassment and exclusion at work will be conducted.	In the 2019 employee survey, x% of the employees stated that they had been subject to bullying or harassment (0 in 2020). Will the situation with working from home involve a greater risk of exclusion?	Prevent bullying, harassment and exclusion. Develop good attitudes and culture.	Adopted by KL	Gender Equality Committee	No employees have indicated bullying, harassment or exclusion in the employee survey; no notifications of harassment.
Recruitment	Awareness and special attention to diversity during recruitments to management positions in divisions where one gender is under-represented.	Women are under-represented in management positions in all divisions, apart from the PM division.	The proportion of women in management positions at the Bank should be increased.	Adopted by KL	HR manager	The percentage of women in management positions should be at least 40% by 2026.
Recruitment	Develop an image database for use in job adverts that reflects diversity.	The Bank wishes to signal diversity through a conscious use of images.	Greater diversity	Adopted by KL	MR/Marketing manager	Greater diversity.
Recruitment	Prepare standard texts for use in job adverts.	Research shows that women and men perceive the wording in job adverts differently.	More women as applicants for management positions and IT positions.	Adopted by KL	HR manager	Greater diversity among qualified applicants to job adverts.

Area	Description of measures	Purpose of measures	Goal of measures	Status	Responsible for implementation	Long-term results
Recruitment	Offer positions in the Bank to individuals with other ethnicities who are in Trainee Sør traineeships.	The Bank has a low proportion of employees from different ethnic backgrounds. The Bank has generally recruited a number of employees from among individuals who were employed in temporary positions.	The proportion of employees with different ethnicities should reflect the proportion in the customer base.	Adopted by KL	HR manager	Increased diversity among employees; at least 10 new employees with an ethnicity other than Norwegian by 2026.
Recruitment	Offer summer jobs / temp jobs and internships to people with different ethnicities.	The Bank has a low percentage of employees from different ethnic backgrounds. The Bank has generally recruited a number of employees from among individuals who were employed in temporary positions.	The proportion of employees with different ethnicities should reflect the proportion in the customer base.	Adopted by KL	HR manager	Increased diversity among employees; at least 10 new employees with an ethnicity other than Norwegian by 2026.
Facilitation	Offer work training to people in collaboration with the Norwegian Labour and Welfare Administration (NAV).	Become a responsible corporate citizen – part of the Bank's sustainability efforts.		Adopted by KL	HR manager	The Bank should accept people for work training each year.
Full-time culture	Assess unwanted part-time work through the survey.	Part-time employees may be entitled to an increased position percentage when there is a need for more staff.	Reduce the number of part-time positions.	Adopted by KL	HR manager	Maintain a strong full-time culture.
Life stage	Offer working from home solutions for employees with care responsibilities.	Facilitate options for employees with care responsibilities to combine work and family/private life.	Increase the number of full-time positions at the Bank.	Adopted by KL	HR manager/managers	Maintain a strong full-time culture.
Life stage	Create a procedure for follow-up of employees who are on leave, including an interview when restarting after finishing leave.	Currently, the type and method of follow-up for employees on leave is hit or miss.	Employees on leave that are starting work again should have a good overview of their opportunities for facilitation at work.	Adopted by KL	HR manager	Equal career opportunities for both men and women.
Life stage	Encourage men / signal that men who wish to take a longer leave of absence than the statutory paternity leave may do so.	Men only take statutory paternity leave. The Bank would like to contribute to better equal opportunities in society.	Men at the Bank take more than the statutory paternity leave.	Adopted by KL	HR manager/managers	Equal career opportunities for men and women.
Equal pay	Introduce a regular equal pay allocation during local negotiations.	Based on average wage considerations, men earn more than women in some areas and levels at the Bank. In terms of average wages at the corporate level, inequalities are generally due to the top management levels (Levels 1–3) being mostly men (70/30) and the lowest-paid job categories being mostly made up of women (80/20).	Remove any wage inequalities that may be related to gender, based on the goal of equal pay for equal work.	Adopted by KL	KL / Recruitment committee	More equal pay between women and men.
Equal pay	Assess the different positions in staff environments based on the perspective of equal pay for equal work.	It is currently difficult to assess positions from an equal pay perspective. Different titles and professional areas are difficult to compare.	It should be easier to implement equal pay assessments.	Adopted by KL	HR manager	Equal pay for equal work



# TCFD Report 2020



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# 1 INTRODUCTION

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

For Sparebanken Sør, sustainable development means that the bank should contribute to positive development within ESG, while safeguarding the bank’s social responsibility in areas where the bank operates. 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 and development by strengthening its positive effects and reducing its negative impacts on people, society, climate and nature.

The TCFD (Task Force on Climate-related Financial Disclosures) report focuses on climate and is divided into four main topics:

Governance	Strategy	Governance:	Management of climate-related risks and opportunities.
		Strategy:	Effects that e.g. climate-related risks and opportunities have on the bank’s strategy, business areas and financial planning.
Risk management	Targets and methods	Risk	Systems and processes the bank uses to management: identify, assess and manage climate-related risks.
		Targets and methods:	Calculations and targets used to assess and manage risks and opportunities.

## 2 GOVERNANCE

### 2.1 The Board’s role with regard to climate-related threats and opportunities

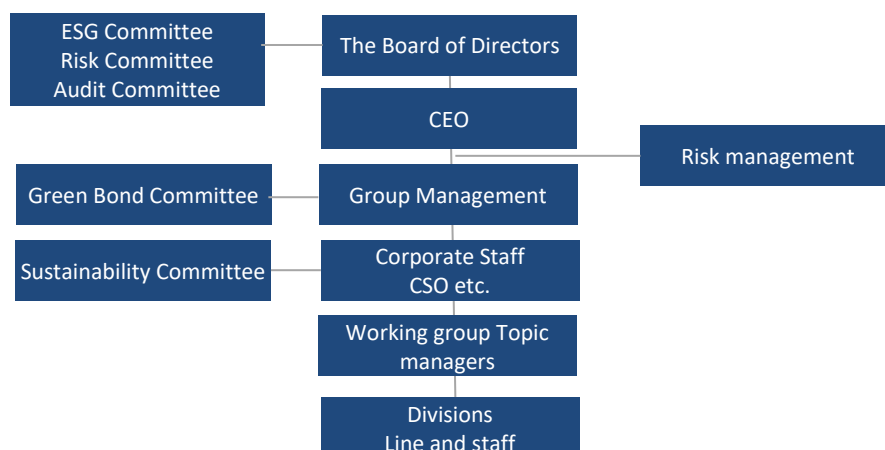
The Board has the overall responsibility for ESG, including climate. The Board adopts the bank’s strategy plan. The bank’s strategy plan includes ESG and climate, as one of the priority areas. The Board considers various governing documents, reports and action plans related to ESG and climate-related risks and opportunities. This includes e.g. Sustainability Strategy, Climate and Environment Policy, Climate Reports (GHG) and Sustainability Reports. The Board also considers major credit cases where ESG and climate are integrated into the credit processes. The Board sets overall goals and risk frameworks for climate-related risks and opportunities in the bank’s framework for risk management.

The Board’s goal is for climate risk to be integrated and operationalised in all relevant business areas.

Furthermore, the Board focuses on leveraging the opportunities afforded by the green shift. In order to safeguard business opportunities and customer needs while also contributing to reduced greenhouse gas emissions, it is important to facilitate the digitalisation of sustainable activities, products, services and financing.

## 2.2 Management’s role in assessing, managing and handling climate-related threats and opportunities

The organisational structure for work on ESG and climate risk at Sparebanken Sør is illustrated in the figure below.



### The Board of Directors:

ESG is a priority area in Sparebanken Sør’s strategy plan. The Board aims to integrate and operationalise ESG in all parts of the business. The Board actively participates and considers and approves overriding matters, TCFD report, and governing documents within ESG.

### ESG Committee:

The ESG Committee is the Board’s own committee, which considers and prepares ESG matters for the Board.

### CEO:

The CEO is responsible for the implementation of this strategy.

### Risk management:

Risk management is responsible for monitoring and reporting the company’s ESG risk and risk management.

### Division directors in Group Management:

Division directors have the overall responsibility for monitoring ESG and climate risk.

### Corporate Staff Division:

The Corporate Staff Division has the professional responsibility, as well as responsibility for the organisation, coordination, communication and follow-up of work at the general level.

### Working groups topic:

Several working groups have been established, with people responsible for each topic. Together with Corporate Staff, these groups work to integrate and operationalise ESG within the respective business/topic areas.

### Divisions in line and staff:

The line and staff are responsible for operationalising measures and action plans and following up on them.

### Green Bond Committee:

The Green Bond Committee is responsible for ensuring compliance with the obligations in the framework for green and sustainable bonds.

ESG work is firmly embedded at Board and management level.

Information on the status and development of climate-related threats and opportunities is integrated into quarterly risk reports that go to Group Management and the Board.

Management has prioritised the following business areas as most important when it comes to climate-related threats and opportunities:

1. Loans.
2. Investments.
3. Financing.
4. Increase the portfolio of sustainable products, services and distribution solutions.

### 3 STRATEGY

#### 3.1 Climate-related threats and opportunities over different time horizons

Climate risk represents three types of risk:

- Transition risk: Risk of transition to a zero-emission society, which includes political and regulatory conditions, technology, market and reputation.
- Physical risk: Acute risk due to extreme weather such as hurricanes, floods, etc. Chronic risks, which are long-term climate changes that affect temperature, sea level, etc.
- Liability risk: Companies can be held liable for damage caused by climate change and non-compliance with regulations.

Sparebanken Sør's approach to climate is twofold:

- Direct influence from the bank's own operations.
- Indirect influence from the bank's business areas.

The impact relates to how the bank's business activities are affected by climate, but also how the bank's business activities affect climate.

The bank's "Climate and nature policy" aims to contribute to the bank having clear principles and guidelines that show what requirements and expectations the bank has for its customers, suppliers and partners. Sparebanken Sør must make a positive contribution to reducing direct and indirect greenhouse gas emissions. The aim is to facilitate more sustainable development in the bank and among customers, suppliers and partners.

Relevant time horizons:

Climate risk and time perspective	Time, years
Short term	1–10
Long term	10–30

As there is great uncertainty when assessing and quantifying forward-looking climate-related risks and opportunities in the various time horizons, we have chosen to disregard a time horizon in the medium term.

The time horizons are adapted to greenhouse gas reduction targets:

2030: Reduce greenhouse gas emissions by 55 per cent (internal targets, Norway's targets and EU targets).

2050: Zero emissions (Paris Agreement's zero emissions target).

## Climate-related risks:

Risk type	Description	Potential financial impact for Sør	Impact risk	
			Short term (0–10 years)	Long term (10–30 years)
Transition risk	Regulatory risk / political risk		now	2030–2050
	Strong regulation to achieve the goals of the Paris Agreement. Increased costs of greenhouse gas emissions. Regulations will affect the cost of greenhouse gas emissions, capital requirements, value of assets, costs and access to raw materials, input factors, infrastructure, transport, reporting requirements, lawsuits.	Increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL) due to restructuring and weakened servicing capacity as a result of regulations that affect climate-intensive products, raw materials, transport and input factors. Increased costs to meet increased regulations and reporting requirements. Increased impairments of assets “stranded assets”. Increased capital requirements for “non-sustainable activity”.	Moderate	High
	Technological risk		now	2030–2050
	Increased costs for conversion to climate-friendly technology, distribution, products and services. Change in production methods and input factors. Impairments for failed technology.	Increased investment in new technology, products and services. Critical size in relation to ability to adapt. Impairments for bad investments. Risk of deterioration of relationships and customer loyalty, which are central to a regional bank, through digitalisation.	Moderate	Moderate
	Market risk		now	2030–2050
	Changes in consumption and demand due to the transition to a low-emission society will affect products, production processes, input factors and the value of assets. Changed consumption patterns affect business models, costs, sales and earnings.	Reduced market shares and revenues due to changed customer behaviour, reduced consumption. Increased costs for input factors and supply chain can lead to weakened servicing capacity and increased losses. Globalisation and increased competition due to technology, digitalisation. Too little regional access to and reduction of “sustainable activities”, increased financing costs. “Stranded assets”.	High	High
Physical risk	Reputation risk		now	2030–2050
	Negative exposure to climate risk could lead to a loss of reputation and reduced attractiveness. Stigmatisation of products and sectors.	Loss of reputation due to unwillingness or inability to convert to a low-emission society can lead to reduced market shares in deposits and loans. Weakened access to and price of financing and equity. Reduced value of equity certificates.	Moderate	Moderate
	Acute risk		now	2030–2050
	Increased severity of extreme weather such as cyclones and floods.	Increased losses, reduced value of pledged security and assets in locations exposed to extreme weather. Increased costs for the prevention of climate damage and curtailment of insurances. Reduced revenues due to interruptions in production, transport and supply chain.	Low	Moderate
	Chronic risk		now	2030–2050
	Changes in weather/precipitation patterns. Rising temperatures. Rising sea level.	Same as for acute risk, but chronic risk could have greater and more permanent long-term effects.	Low	Moderate
Liability risk	Insurance risk and legal risk		now	2030–2050
	Liability for damage caused to third parties and society.	The bank considers this risk category to represent a very low risk for us in the short term, and the bank has therefore not taken this into account in the TCFD report.	Very low	Low

Climate risk and greenhouse gas emissions from the bank’s internal operations are low, but here, too, we

have set targets for reducing greenhouse gas emissions. The potential for reducing greenhouse gas emissions is greatest in relation to energy efficiency and travel.

The bank assesses the following climate-related risks to be greatest in the following business areas:

- Loans: Increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL). Higher capital requirements for “unsustainable activities and products”.
- Investments: Repricing of assets and “stranded assets”.
- Financing: Access to and price of financing due to lack of “sustainable activities”.
- Increased competition, reduced revenues and high costs of transitioning to low-emission societies through climate-friendly technology, products and changes in consumption patterns.

For the bank, transition risk is considered to be greatest, as Norway, at least in the short term, is less exposed to physical risk due to severe climate change.

### Climate-related opportunities:

Opportunity	Description	Potential financial impact for Sør	Opportunity to influence	
			Short term (0–10 years) now–2030	Long term (10–30 years) 2030–2050
Resource efficiency	More efficient processes for transport, production and distribution. Increased recycling and reuse. Energy-efficient buildings. Reduced consumption of input factors and raw materials. Reduced consumption in general.	Reduced costs, digital meetings, digital service concepts and distribution. Reduced consumption of energy, office space and other operating costs related to properties. New industries and customers due to conversion to circular economy, recycling and reuse.	Low	Low
Energy sources	Use of renewable energy. Regulations and incentives. Use of new technology. Better carbon markets. Transition to decentralised energy production.	Reduced costs for energy consumption. Financing of renewable energy, electricity storage, energy-efficient means of transport, electric cars, etc.	Very low	Very low
Technology/ products and services	More efficient production and distribution through new technology. New climate-friendly and recyclable products and services. Changed use of raw materials and input factors.	Reduced costs due to new technology and digitalisation. Increased earnings on new customers, cheaper financing, reduced capital requirements due to sustainable activities. Excess return on sustainable investments and assets.	Moderate	High
Market	Access to new markets through new technology, new products and services. Use of public incentives. Diversification of business model.	Increased revenues from new markets and customers due to digitalisation and sustainable activities. Increased diversification and reduced risk. Better access to public and private risk capital in green projects and industries can contribute to growth and risk sharing.	Moderate	High
Strength/ability to adapt	Participation in renewable programmes and adaptation to climate-friendly measures.	Sharing knowledge, technology, products and systems with partners based on common ambitions to achieve the targets of the Paris Agreement. Restructuring of internal resources and recruitment of new expertise.	Low	Low

The bank considers climate-related opportunities to be greatest in the following areas:

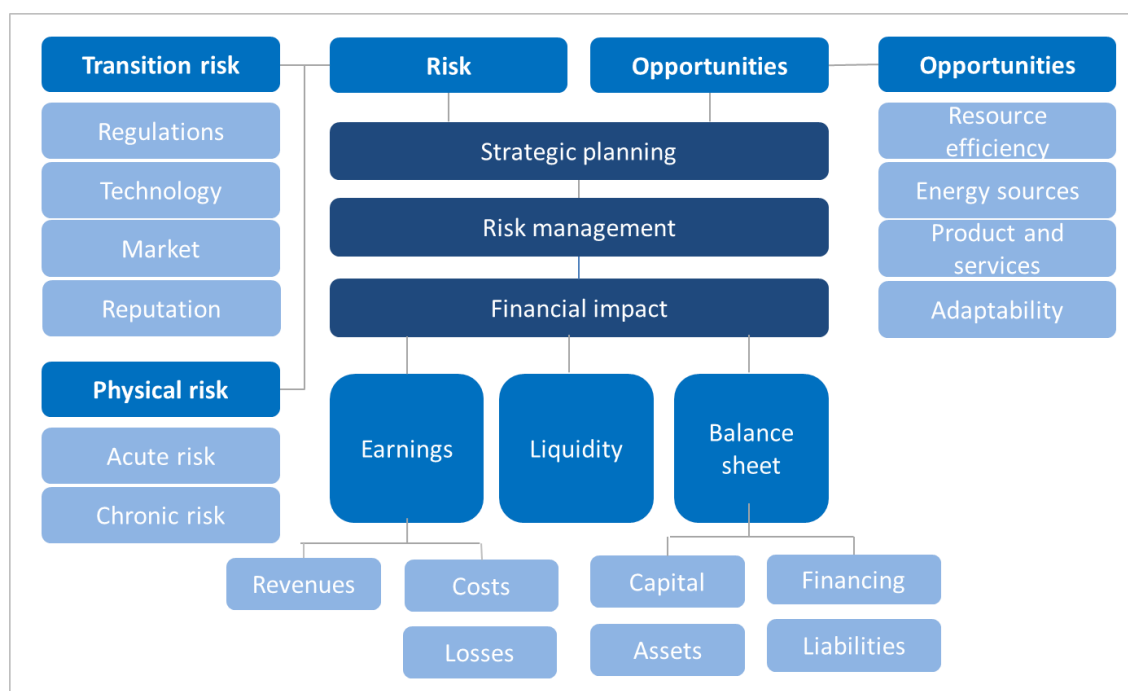
- Loans: Growth in earnings and volume from sustainable activities, new markets and industries. Reduced capital requirements for sustainable activities.
- Investment: Excess return and capital allocation for sustainable activities.
- Financing: Better access to and lower cost of financing through sustainable activities.
- Cost reduction: Efficient service and distribution through digital solutions.

### 3.2 How climate-related risks and opportunities will affect strategy, business areas and financial planning

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 conducts traditional banking activities within loans, savings and supplies related products such as leasing, insurance, funds, real estate, etc. Most of the bank’s income is related to Loans and Financing. Investments and income from other products under our own auspices, or through subsidiaries and partners, are also important business areas for the bank, although the effects of the financial results from these are significantly smaller.

The figure below shows the connection between climate-related risks, opportunities and strategic and financial impact.



Climate-related risks and opportunities will have the greatest impact on Sparebanken Sør’s strategy, business areas and financial planning in the following areas:

- Adaptation to new regulations, EU taxonomy, EBA, etc.
- Redirection of capital to sustainable activities.
- Change in competitive situation through technology development and digitalisation.
- Changes in customer behaviour and preferences for products and service adapted to a low-emission society.
- Changes in customer and sector composition through the phasing out of activities that are climate-intensive and in the pursuit of new climate-friendly activities and industries.
- Repricing of assets.
- Price of and access to equity and financing.



In a short-term perspective, it is most important to take into account the following risk areas and opportunities:

- Integrate and manage climate risk in the loan portfolio, investment and financing. In a short-term perspective of one to three years, the bank believes that the risk is relatively low both in terms of transition risk and physical risk.
- Establish good technology platforms, digital operating solutions and distribution channels.
- Establish and expand the volume of sustainable products, activities, services and bonds.
- Build internal expertise throughout the organisation in order to be able to adapt to a low-emission society and ensure that the bank has the ability and willingness to adapt.
- Ensure compliance with regulatory requirements.

A qualitative and quantitative analysis should be made in all relevant business areas to identify climate-related risks and opportunities from a short-term and long-term perspective.

### **3.3 Impact of various climate-related scenarios on strategy, business areas and financial planning (including a 2°C scenario)**

This section deals with how different climate-related scenarios will affect the bank's strategy, business areas and financial planning.

In short, this includes:

1. Preparing models and climate scenarios (1.5–2 °C with early/late adaptation, and a 3–4 °C hot-house scenario) in a 10 year perspective.
2. Establishing data sources and assumptions for the climate scenarios.
3. Modelling the different climate scenarios.
4. Analysing and evaluating results and what impact the scenarios will have on strategy, business areas and financial results.
5. Assessing possible measures.

This is a demanding job in terms of complexity, lack of data and models, and a long time-horizon with a lot of uncertainty about the effects of both climate-related risks and opportunities.

## **4 RISK MANAGEMENT**

### **4.1 How climate risk affects different risk categories**

Climate risk is not a separate, isolated risk but is an important risk factor that affects other risk categories such as credit risk, market risk, etc. The connection between climate risk and the most central risk categories is shown below.

Risk type	Transition risk	Impact risk		Physical risk	Impact risk	
		Short term (0–10 years) now–2030	Long term (10–30 years) 2030–2050		Short term (0–10 years) now–2030*	Long term (10–30 years) 2030–2050
Credit risk	Regulations and changes in customer behaviour related to climate change can trigger impaired servicing capacity (PD) and reduced pledged security (LGD) from customers and can lead to increased losses (EL).	Moderate	High	Increased losses (EL) on customers, industries and sectors that are exposed to reduced values on pledged security and assets due to climate change.	Low	Moderate
Market risk	Transition risks such as regulations, technology, products and customer behaviour can generate “stranded assets” and repricing of securities and other assets.	Moderate	High	Climate disasters can lead to rapid repricing, changes in volatility and loss of values on assets and asset items.	Low	Moderate
Operational risk	Negative effects of regulatory changes on internal processes and suppliers can lead to increased losses.	Low	Moderate	Damage from extreme weather to property, infrastructure and input factors and harm to people can result in increased losses.	Very low	Low
Liquidity risk	Lack of restructuring and a low proportion of sustainable activities affect rating, access to and price of financing. A rapid repricing of securities can reduce the value of the bank’s liquidity buffer.	Low	Moderate	Impaired servicing capacity and costs for the prevention and repair of climate-related events can affect customers’ deposits.	Very low	Low
Business risk	Reduced income due to lack of restructuring to a low-emission society. High costs due to lack of digitalisation and technology development. Increased volatility in results due to rapid changes in regulations and customer behaviour.	Low	Moderate	Physical damage to property and data and harm to people due to serious climate events can lead to increased costs and reduced income.	Very low	Low
Strategic risk	Lack of restructuring and adaptation to low-emission societies will affect profitability and the bank’s standing.	Moderate	Moderate	Risk of loss of assets exposed to serious climate events.	Very low	Low

### Credit risk:

Climate risk related to credit risk is primarily associated with lending. Personal banking customers make up the largest volume with approx. 66 per cent of total loans, of which home mortgages comprise approx. 90 per cent. Corporate customers consist of relatively small SME customers, with good diversification in terms of geography and industry. The business structure in the market area, as well as the exclusion criteria for Sparebanken Sør which are listed in our “Responsible lending policy”, contribute to the bank in practice not having loans in industries with high greenhouse gas emissions, [www.sor.no](http://www.sor.no).

Based on data from Statistics Norway for lending and greenhouse gas emissions from various industries, Sparebanken Sør has made an analysis of greenhouse gas emissions for its loan portfolio. The method and data are subject to uncertainty, as the correlation between lending and greenhouse gas emissions is uncertain, and there may be large variations in emissions from customers within an industry. At a portfolio level, the calculations will still give a good indication of the extent of greenhouse gas emissions, and will provide an overview of which sectors in our loan portfolio contribute the most to greenhouse gas emissions.

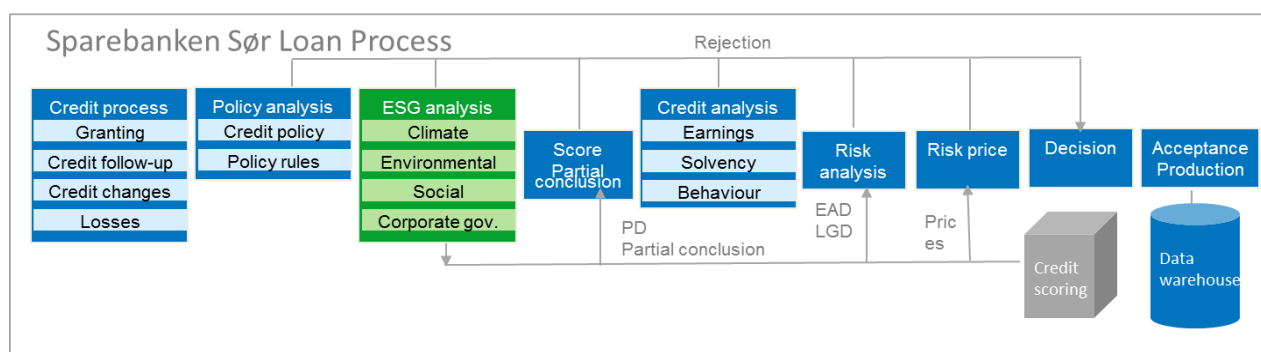
The distribution of lending and greenhouse gas emissions in markets and industries is shown in the table below:

KPI	Norway (11/2020)		Sparebanken Sør (2020)	
	Loans NOK mill.	CO 2 1000 tonn	Loans NOK mill.	CO 2 1000 tonn
Private customers (households)	3.699.110	4.917	73.662	97,9
Agriculture and related services	66.171	4.914	801	59,5
Forestry and related services	5.915	36	158	1,0
Fishing and hunting	80.501	370	313	1,4
Mining	11.151	279		
Extraction of crude oil and natural gas	15.121	15.229		
Industry	90.850	11.933	861	113,1
Electricity, gas, steam, hot water supply	49.486	1.699		
Water supply, sewage and waste	13.915	1.499		
Property development	135.751	1.301	4.104	39,3
Building and construction	66.468	637	1.623	15,6
Retail	80.914	1.104	1.395	19,0
Shipping and air transport	79.392	20.815		
Land transport	80.699	2.087	590	15,3
Hotels and restaurants	20.475	133	399	2,6
Housing associations			1.281	0,2
Sale and operation of real estate	793.389	122	19.303	3,0
Service provision and public sector	246.362	1.670	7.369	50,0
Total, Business market	1.836.560	63.828	38.197	319,9
Total, Private and Business market	5.535.670	68.745	111.859	417,8
Sør's percentage of Norway, %			2,02	0,61

Greenhouse gas emissions from Sparebanken Sør's loan portfolio are relatively low, also compared with greenhouse gas emissions from the "Norway portfolio". Sparebanken Sør's loans amount to approx. 2.0 per cent of total lending in Norway, while the bank's greenhouse gas emissions constitute 0.6 per cent of total greenhouse gas emissions. Most of the greenhouse gas emissions in the retail market come from home mortgages.

The bank is most exposed to greenhouse gas emissions through loans to the corporate market. The sectors "Agriculture, Industry, Development of real estate, Construction and Transport", have the relatively largest greenhouse gas emissions. Greenhouse gas emissions from these sectors amount to approx. 76 per cent of the total emissions in the corporate market, but only comprise approx. 22 per cent of the bank's total lending to the corporate market. The bank's lending to "Development and operation of real estate" amounts to approx. 51 per cent of total lending to the corporate market, while corresponding greenhouse gas emissions amount to only approx. 1 per cent.

Sparebanken Sør has an integrated module for ESG analysis in credit processes for the corporate market, see the figure below.



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

- Exclusion criteria: Included in the policy analysis.
- Sector: Framework for management of sectors and sector-specific assessments and requirements.
- Climate: Assessment of how physical risk and transition risk could affect the customer, the ability to pay and collateral in the case, and result in an increased probability of default (PD), reduced loss given default (LGD) and increased expected losses (EL).
- Nature: Assessment of how the customer's business affects nature.
- Social conditions: Assessment of the customer's and of the customer's partners' compliance with requirements and international conventions on social conditions, labour rights and human rights.
- Governance: Assessment of whether the customer and partners comply with requirements and international conventions on corporate governance.

Scoring: Based on the above modules, the customer is given a risk score of low, medium or high, which provides a basis for managing processes, authorisations and pricing. Data from the ESG module will be used in connection with reporting on cases, customers and portfolios.

### Market risk:

Climate risk in relation to market risk is primarily associated with yield and value development of assets and securities, and whether or not these qualify as sustainable activities according to EU taxonomy.

The bank has prepared a "Policy for responsible investment and responsible securities firms".

The policy document covers:

- Own investments in ownership positions in companies.
- Placement of the bank's liquidity portfolio.
- Securities in funds that the bank distributes to customers from other fund providers. The bank does not conduct asset management under its own auspices, but we require fund providers to comply with the same requirements for ESG.

Through annual reports, the bank ensures compliance with the policy and requirements for ESG and the climate. We do not currently calculate greenhouse gas emissions in these portfolios, but assume that the fund providers do this in accordance with the legislation. The proportion of investments that are sustainable will be a key indicator when criteria with regard to EU taxonomy are in place.

### Operational risk:

Climate risk in relation to operational risk is primarily associated with loss of reputation and market due to lack of adaptation to a low-emission society, as well as bad investments in technology and lost assets due to extreme climate events.

Operational risk is followed up through the bank's internal control and reporting in the bank's system for unwanted incidents.

#### **Liquidity risk:**

Climate risk in relation to liquidity risk is primarily associated with access to and price of financing. Lack of volume of sustainable activities in relation to EU taxonomy can lead to reduced access to and increased cost of financing.

The proportion of sustainable loans and green bonds in relation to the EU taxonomy will be a key indicator for monitoring risk in this area. The same will apply in relation to risk weights with regard to capital requirements.

## **4.2 Processes for managing climate-related risks**

Climate risk in our own business will be monitored through annual measurements of greenhouse gas emissions. Work has also been initiated to map the bank's properties with regard to how the bank can adapt to the Paris Agreement and internal targets for reducing greenhouse gas emissions.

In the business areas, scenario analyses, mapping of climate-related risks and climate risk measurement indicators will form the basis for the measures and follow-up that must be implemented to meet both internal goals and targets in the Paris Agreement, cf. also Section 3.3.

## **4.3 Processes for identifying, assessing and managing how climate-related risks are integrated into overall risk management**

Sparebanken Sør has a comprehensive framework for risk appetite and risk tolerance for the various risk categories. Overall measurement indicators for ESG risk and climate are/will be integrated into this framework. A report showing the status and development of overarching governance targets and risk tolerance is prepared quarterly. These reports are assessed by the bank's Group Management and Board, which can follow developments and ensure that the risk matches targets set for risk limits and risk tolerance. Climate risk is integrated into the bank's processes for ICAAP, Pillar 3 and Recovery Plan. Climate risk is also integrated into the bank's internal control system. Incidents and losses as a result of climate risk are reported in the bank's incident reporting system.

Climate risk management goals will be further developed. In particular, we will focus on integrating climate-related indicators for risks and opportunities from the EU taxonomy and from UNEP PRB when these are available.

# **5 METHODS AND TARGETS**

## **5.1 Methods and calculations to assess whether climate-related risks and opportunities are in line with strategy and risk management process**

#### **Greenhouse gas emissions in own business:**

We calculate greenhouse gas emissions in our own business annually, based on the international standard, "A Corporate Accounting and Reporting Standard", developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. Only a very limited proportion of our customers calculate their own greenhouse gas emissions. Our Scope 3 is therefore only related to our own business. The most significant greenhouse gas

emissions in Scope 3 are related to greenhouse gas emissions from the business areas where we currently do not have sufficient data or good methods for calculating.

#### Greenhouse gas emissions from business areas:

It is currently not possible to measure greenhouse gas emissions from the business areas, as only a very limited proportion of our customers calculate their own climate emissions.

#### Greenhouse gas emissions from lending activities:

Results and methodology for calculating greenhouse gas emissions from the loan portfolio are based on data from Statistics Norway and appear in Chapter 4.

Results and methodology for calculating greenhouse gas emissions from loans for residential and commercial real estate are based on energy classes and appear in Chapter 4.

#### Greenhouse gas emissions from investments:

Greenhouse gas emissions from investments will be calculated when satisfactory data and methods are available.

#### Greenhouse gas emissions from asset management:

Sparebanken Sør does not conduct asset management under its own auspices, and it is therefore not relevant to calculate greenhouse gas emissions from this business area.

#### Scenario analyses:

When they are available, scenario analyses will be used to assess the consequences of climate-related risks and opportunities, and to reconcile whether they are in line with the bank's strategy and risk framework.

## 5.2 Greenhouse gases (GHG) and associated risks for Scope 1, Scope 2, Scope 3 and the related risk factors

Data on the bank's status and development with regard to greenhouse gas emissions (GHG protocol) and resource consumption are shown in the table and figure below:

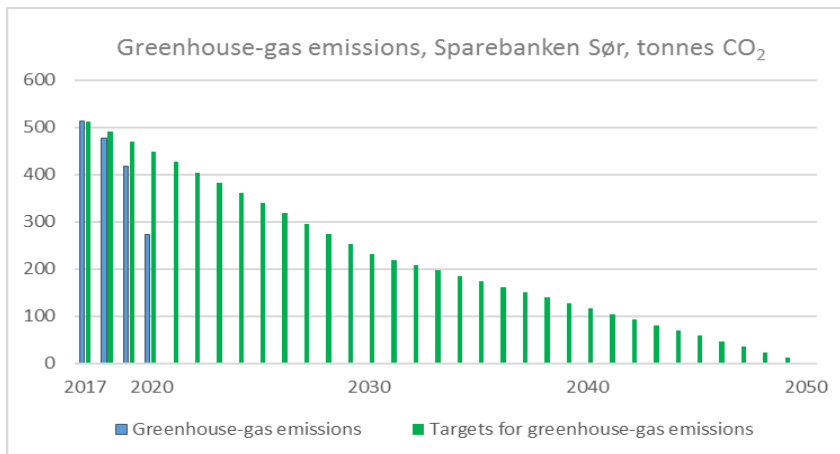
Greenhouse-gas emissions, tonnes CO <sub>2</sub>	2017	2018	2019	2020	2030 target: 55% red.
Greenhouse-gas emissions Scope 1	33,2	33,2	22,8	19,0	
Greenhouse-gas emissions Scope 2	333,2	293,5	195,5	181,3	
Greenhouse-gas emissions Scope 3	146,3	149,7	199,2	72,7	
Total greenhouse-gas emissions	512,7	476,4	417,5	273,0	230,7
Number of FTEs	432	434	429	442	
Emissions per FTE	1,19	1,10	0,97	0,62	
Heated area, m <sup>2</sup>	27.498	26.893	23.964	23.004	
Energy consumption, 1,000 kWh per year	6.845	6.103	5.383	4.926	
Energy consumption, kWh per m <sup>2</sup>	249	227	225	214	

The bank's greenhouse gas emissions are primarily related to energy consumption and travel. Work has begun on mapping energy consumption in the bank's property portfolio, and analysing what measures must be implemented to meet the targets set for reducing greenhouse gas emissions. In terms of travel, this was sharply reduced in 2020 due to Covid-19, but the bank will in future reduce its travel through good digital meeting places and requirements for travel. The bank is well on its way to being able to meet targets for greenhouse gas emissions in 2030.

## 5.3 Measurement indicators and results for managing climate-related risks and opportunities

### Greenhouse gas emissions from own business:

The figure below shows the development in greenhouse gas emissions in recent years, and how the bank is on track to meet emissions reduction targets.



**55%\*** REDUCTION OF GHG EMISSIONS IN 2030

\*Reference year 2017

**0%** GHG EMISSIONS IN 2050

### Greenhouse gas emissions from business areas:

The bank currently has a limited range of measurement indicators and governance targets for climate emissions from the business areas, cf. "Appendix 2, Scorecard in Sustainability Report 2020", [www.sor.no](http://www.sor.no).

Measurement indicators and governance targets for risk tolerance for climate risk will be further developed on an ongoing basis. In particular, the bank will focus on integrating climate-related measurement indicators for risks and opportunities from the EU taxonomy and from UNEP PRB when these are available.

## 6 NEXT STEPS

Important tasks in connection with further development of our work on climate risk are outlined below.

1. Qualitative and quantitative analyses in all relevant business areas to identify risks and opportunities in a short- and long-term perspective.
2. Collect data on climate risk for use in scenario analyses and quantification of physical risk and transition risk.
3. Prepare scenario analyses when satisfactory models, data and frameworks are available.
4. Build expertise on climate risk throughout the organisation.
5. Further develop methods and measurement parameters for climate risk.
6. Further develop overall governance targets and risk frameworks for climate risk and integrate these into the bank's framework for risk management and risk reports.
7. Build portfolios of green and sustainable activities, products and bonds in all relevant business areas.
8. Further develop the work of operationalising climate risk in relevant business areas.