

Policy for sustainability and corporate social responsibility

Adopted by the Board, the 12th of May 2020

Introduction

This policy describes SpareBank 1 Nord-Norge's major efforts in the areas of corporate social responsibility and sustainability, and is based on Norwegian laws, an internationally recognised framework and the Bank's business and risk strategy. The policy is intended to form the basis of decisions we make and our daily work throughout the Group.

The policy addresses the Group's work with business governance, responsible financing, investment and corporate governance, in-house work, social responsibility and how work with sustainability is reported.

Background

Economic crime, social unrest and climate change are examples of challenges that increasingly affect the financial stability of the world, and which therefore impact financial institutions. Norway is one of 175 countries that, through the Paris Agreement of 2015, have committed themselves to contributing to a more sustainable world. This is done by committing to the UN's sustainability goals and contributing to a low emission society. The Norwegian government states the following: "*The financial sector has a key role in the private sector's climate risk management. The financial services industry has the expertise to assess how climate risk can affect the profitability of investments, and will be an important contribution to a successful adjustment to a low-emission economy*¹

A Regional Bank

As the largest financial player in the region, SpareBank 1 Nord-Norge will be a catalyst for a sustainable future in the North. Consideration to sustainability should therefore permeate all our operations. This applies both to the way the business is operated and the requirements the Group makes to customers, suppliers, employees and other stakeholders. SpareBank 1 Nord-Norge shall take consideration to the environment, climate, ethics and social conditions throughout the Group's operations. The Group will not contribute to violations of human- and workers' rights, corruption, serious environmental damage or other actions that may be perceived as unethical. At the same time, the Group will contribute to sustainable activity in and for the region through the Bank's "Samfunnsløftet" development fund, and as the world's northernmost financial group, we should take particular consideration to conditions that affect the Arctic areas.

Related documents and legislation

- Business strategy
- Risk strategy
- The SNN Code - ethical guidelines

¹ Report to the Storting 24 (2018 – 2019) The Financial Markets Report

- Credit policy (internal)
- Policy Working Environment Act
- Staff Manual (internal)
- Market Risk Strategy (internal)
- Liquidity Strategy (internal)
- HR Report
- Miscellaneous guidelines related to our business areas

The Group works at all times according to applicable laws, regulations, industry standards, internal guidelines and the norms that otherwise apply in society. This policy is affected among other things by: The Working Environment Act, the Accounting Act, the Financial Institutions Act, the Act on Climate Goals, etc.

International and national initiatives

The following is an overview of the national and international initiatives on which SpareBank1 Nord-Norge bases its work on sustainability and social responsibility:

- The United Nations 17 Sustainability Goals
- UN Global Compact's ten principles of corporate social responsibility
- UNEP FI (in process) (The United Nations Environment Programme Finance Initiative)
- GRI Standard (Global Reporting Initiative)
- TCFD (Task Force on Climate Disclosures)
- Sustainable Edge, CICERO – method of assessing financial risk
- OECD Guidelines for international companies
- The United Nations Guiding Principles on Business and Human Rights
- International frameworks for human rights and business
- Workers' rights, including the ILO conventions
- Convention on the Political Rights of Women, Convention on the Rights of the Child and the Indigenous and Tribal People's Convention
- International humanitarian law, the Geneva Conventions
- Road map for Green Competitiveness, Finance Norway 2018

Definition

The definition of sustainable development is: *to meet the needs of today's generation, without reducing opportunities for future generations to meet their needs*². This means that the corporate social responsibility of businesses encompasses both economic, social and environmental conditions³.

SpareBank1 Nord-Norge also uses the term *ESG* (Environmental, Social and Governance) about the sustainability assessments that are made. Pollution and energy consumption are examples of

² Defined for the UN by the Brundtland Commission in 1987

² "Triple Bottom Line" John Elkington 1997. Social conditions (society, human- and workers' rights, social dumping, etc), environmental conditions (climate, nature conservation, pollution, etc) and economic conditions (management system, corruption, tax evasion, money laundering, other economic crime).

³ Road map for Green Competitiveness in the financial services industry (Finance Norway 2018) and the EU Commission's Action Plan for Sustainable Finance (2019) https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en

environmental factors; human rights and working conditions are examples of social factors; while compliance with laws and control mechanisms in the company are examples of governance factors.

Climate Risk is the risk that impacts society due to changes to the climate and climate policy. The concept consists of three parts: *physical risk*, *transitional risk* and *accountability risk*. Climate risk will in the future be included as a natural part of the financial services industry's management responsibilities⁴.

Corporate Social Responsibility is defined as the company's integration of social and environmental considerations into its daily operations, on a voluntary basis, beyond complying with existing laws and regulations in the country in which it operates. SpareBank 1 Nord-Norge's corporate social responsibility as a savings bank also includes a responsibility for value creation and development of the region. We take care of this through our services as a financial services group and distribution of community dividends.

Ambition:

SpareBank1 Nord-Norge has a sustainable business conduct that will contribute to reaching the UN's sustainability goals

Purpose

- Help ensure that the region's working life, including SpareBank1 Nord-Norge, adapts to adopting a responsible and sustainable business conduct in line with the UN's sustainability goals, while profitability, value creation and employment in the region are developed
- Ensure that SpareBank1 Nord-Norge combines long-term profitability with an emphasis on ethics, environment, social conditions in line with expectations and requirements of the Group's customers, employees, owners and other stakeholders
- Support employees in the Group to make sustainable and green choices
- Make it easier for our customers to select products and services based on sustainability

Principles

SpareBank 1 Nord-Norge's principles follow the UN Global Compact's 10 Principles of Sustainability and shall in all its activities contribute to:

- support and respect the protection of internationally recognised human rights
 - ensure that we do not contribute to human rights violations
 - maintain freedom of association and ensure that the right of collective bargaining is recognised in practice
 - ensure that all forms of forced labour are abolished
 - ensure that child labour is effectively abolished
 - ensure that discrimination in the workplace is abolished
 - support a proactive approach to environmental challenges
 - take the initiative to promote increased environmental responsibility and prevent serious environmental damage
 - encourage the development and dissemination of environmentally friendly technology
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- combat any form of corruption, including extortion and bribery

The UN Sustainability Goals for SpareBank1 Nord-Norge

SpareBank1 Nord-Norge is an actor that can contribute to the realization of the UN's 17 sustainability goals. Our approach to sustainability is holistic in the Group's operations and includes all three areas of sustainability; social, economic and environmental. The Group's annual report will report on all 17 sustainability goals as of 2019.



Objectives:

In the period 2019-2020, SpareBank1 Nord-Norge will have particular focus on these objectives:



"Act immediately to combat climate change and its consequences"

Subsidiary objective 13.2



"Preserve and use sea and marine resources in a way that promotes sustainable development"

Subsidiary objectives 14.1 and 14.3



"Promote lasting, inclusive and sustainable economic growth, full employment and decent work for everyone"

Subsidiary objective 8.6

A description of how the Group should achieve the objectives is incorporated into the corresponding guidelines

Corporate Governance

The Group's operations are dependent upon the trust of our customers, the public authorities and society in general. SpareBank1 Nord-Norge shall provide correct information about the Group's activities and services in an open and honest manner. SpareBank1 Nord-Norge's employees shall be characterised by high ethical standards and demonstrate a behaviour that is perceived as trustworthy, honest and fair. This in accordance with applicable laws, regulations, industry standards, internal guidelines and the norms that otherwise apply in society.

Employees and elected representatives in SpareBank1 Nord-Norge and the company in general:

- Shall be characterised by high ethical standards and good corporate governance.
- Have zero tolerance for corruption, bribery and other economic crimes
- Have an open, honest and clear communication with all stakeholders such as customers, employees, owners, partners and the community at large
- Be an active and responsive player who secures the effective right to lodge complaints for affected parties through proper processes
- Keep our own house in order and prioritize environmentally friendly solutions

Refer to the SNN Code for more information. Further descriptions can also be found in the HR report and the Staff Manual (internal)

Internal climate and environmental work

SpareBank1 Nord-Norge will strive to continually reduce the environmental impact from its own business. Including:

- SpareBank 1 Nord-Norge has prepared an emission plan with the aim of reducing its greenhouse gas emissions with 40% from base year 2016 to 2026⁵, and at least 5% annually.
- SpareBank1 Nord-Norge will adopt and invest in technology to reduce environmental impact
- SpareBank1 Nord-Norge will continually update its competence on sustainability so that employees become conscious of their influence through their own actions and their workplace and encourage employees to participate in activities that promote sustainability

⁵ Science Based Target Initiative: <https://sciencebasedtargets.org/>

- SpareBank1 Nord-Norge shall set requirements to its suppliers that ensure that the environment, social and ethical business activities are respected. This includes due diligence assessments and requirements for self-reporting from the suppliers.

This is operationalised, among other things, through the SNN Code and requirements to our suppliers. The internal environmental work has a description in its own guidelines of how the UN's sustainability goals are being pursued.

Responsibilities and organization

The policy for sustainability and corporate social responsibility is determined by the Board.

CCO, Chief communications office has the overall responsibility for sustainability and corporate social responsibility in SpareBank1 Nord-Norge.

The sustainability policy is approved and revised in line with the overall business and risk strategy and incorporated into relevant governance documents.

In order to ensure compliance with the policy for sustainability and corporate social responsibility in practice, the managers of the various business areas shall ensure that principles, objectives and measures are known throughout the organization and systematically followed up.

The individual companies that form part of the Group shall operationalize the strategy in their own operations, with corresponding decisions by governing bodies.

Reporting

The Group reports annually on sustainability efforts according to the reporting standard *Global Reporting initiative* (GRI) through the Annual Report. This includes reporting on climate accounting in its own business, GRI Index and reporting on the distribution of community dividends through "Samfunnsløftet". The Group reports quarterly on sustainability through risk reports compiled by Risk Management.

SpareBank1 Nord-Norge has a special council for corporate social responsibility, ethics and sustainability, which will continuously update both the Group's sustainability policy and the code of ethics in the SNN Code. The council will also, at the request of the group executive management, make statements about conditions it has been asked to consider. This reports to the HR department.

In the course of 2019, ESG has been increasingly implemented in traditional rating agencies' methodology. SpareBank 1 Nord-Norge's ambition in the short term is that ESG assessments should not negatively affect our funding costs measured against comparable banks. In the long term, the ambition is that these assessments will have a positive effect on funding costs.

SpareBank 1 Nord-Norge reports annually in accordance with the UN Global Compact, UNEP FI and will use the TCFD recommendation as the framework for its work on reporting climate risk.

All external reporting is the responsibility of the Executive Vice-President for Group Finance.