
CSR Report 2019

Sydbank Group



Sydbank

About this report

This report covers Sydbank's corporate social responsibility efforts during the period 1 January – 31 December 2019 and takes into account the current requirements regarding CSR reporting pursuant to section 135b of the Danish executive order on financial reporting of credit institutions and brokerage firms etc. This applies in particular with regard to the five mandatory reporting areas: social issues, climate issues, environmental issues, human rights and anti-corruption measures.

Structure of Sydbank's CSR report

The report has the following thematic structure: financial stability, anti-corruption and crime fighting, responsible investment, responsible employer, our climate footprint and active local communities.

The following is mentioned in each section:

- Overall objective
- Achievements in 2019
- Goals for 2020
- Special risks and focus areas
- Relevant policies and standards.

Explanation of terms

In this report the terms corporate social responsibility, social responsibility, responsibility and CSR are considered synonymous and therefore used interchangeably.

Preface

It won't happen overnight

We take our responsibility seriously at Sydbank. We see a need to come together to take care of what we have and to ensure a sustainable future for the next generations. Both where we are and in the world around us there is a growing momentum to act responsibly. That's why we have decided to take action now – and to do it properly.

At Sydbank we have chosen to divide our actions into four main paths, all encompassing a number of activities, some of which are highlighted here.

Firstly we are very thorough when it comes to ensuring sound and reliable reporting. This report is subject to external auditing to ensure that all essential elements are included and that our reporting is validated. We have taken into consideration the UN's sustainable development goals and we have started calculating our CO₂ emissions according to the internationally recognised GHG Protocol.

Secondly we have launched a whole host of initiatives under the heading 'every little helps'. We have just started installing our own solar cell park, which will produce power for the head office and we are phasing out plastic in the areas where it makes sense. New initiatives are continuously being added, some of which are based on suggestions by Sydbank's employees.

The third path is about ensuring that corporate social responsibility is embedded in the very core of our business. At Sydbank we can make the biggest difference within investments and lending. By taking action here we will contribute substantially to creating a financially stable society. This means for one thing that all Sydbank's investments and customers' investment opportunities comply with ESG principles. We made a commitment to comply with the UN's principles for responsible investment 10 years ago but in terms of lending this area is relatively undescribed. There are however guidelines and recommendations, most recently from Finance Denmark's Forum for Sustainable Finance, where a number of recommendations concern lending.

Given Sydbank's customer mix and business model we will make the biggest difference by integrating ESG principles in the Bank's credit rating model. Integrating ESG issues in the rating of customers is difficult and takes time to accomplish. But it's also the right thing to do. Taking corporate social responsibility as a bank is not choosing the easy solution – but the right solution.

In the last and just as important path we involve local communities in the debate about sustainability. One thing in particular is a common theme in our dialogue with customers and that is doubt. They want to do something for the environment but are unsure of what will have the desired effect. They have many questions. And so do we. This is why we have decided to organise a number of events in 2020 where we will invite customers and experts to a discussion about what sustainability means for each of us and for us as a financial undertaking.

In this report you can read much more about what we do at Sydbank to take our social responsibility seriously.



Karen Frøsig
CEO

A blue ink handwritten signature, which appears to be 'KF', written in a cursive style. The signature is positioned below the portrait and name.

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1

Our corporate social responsibility

1. Our corporate social responsibility

For us social responsibility is about doing something because it is the right thing to do and because it can be done properly and as an integral part of the Bank's business. This is why we believe our greatest responsibility is to the challenges in society that are closest to our core activities as a bank.

Consequently CSR issues are also a natural part of Sydbank's corporate governance for instance:

- Sydbank's Code of Conduct
- Sydbank's Management Code of Conduct
- Corporate governance principles
- CSR policy
- Conflicts of Interest Policy - the Sydbank Group
- Policy for prevention of money laundering, terrorist financing and sanctions breaches
- Responsible Investment and Active Ownership Policy

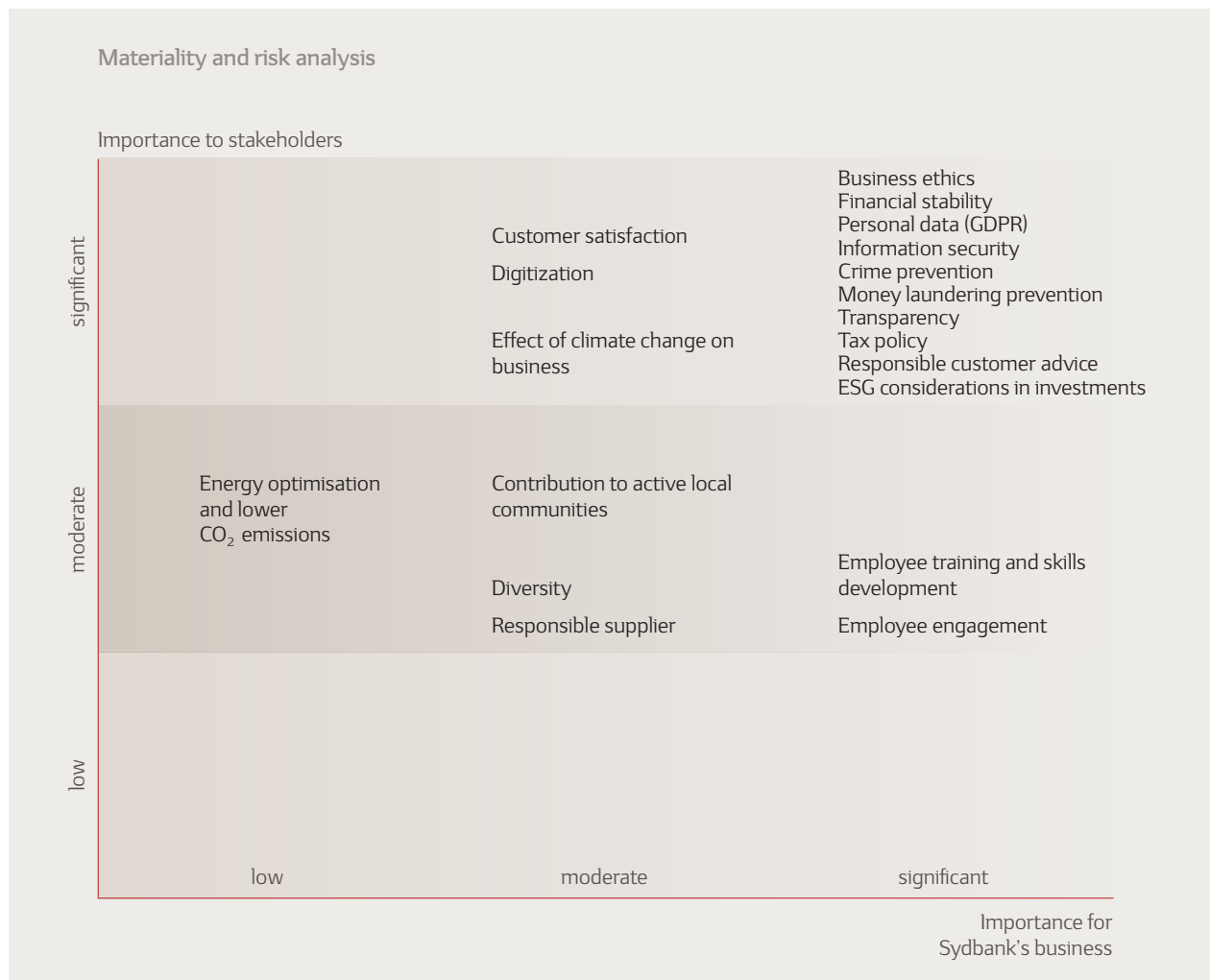
- Sydbank's Tax Policy
- Remuneration Policy – the Sydbank Group
- Policy for healthy corporate culture.

The above codes, principles and policies are available at sydbank.com.

Materiality and risk analysis

In order to provide an overview of the areas that are especially relevant for us and most important to our customers, investors and society at large, we have placed them in the matrix below according to a materiality and risk assessment of our business and society.

These are the same areas that Sydbank has chosen to focus on in its CSR efforts.



SDGs on the agenda

Sydbank greatly respects the UN's efforts to establish a global partnership to work for a sustainable future. The objective as regards the Bank's corporate social responsibility is directly related to the sustainable development goals (SDGs) where our business can make a difference and we work continuously to develop and implement measures that help to support the SDGs and the 2030 Agenda for Sustainable Development.

The sustainable development goals highlight the areas needing to be addressed to achieve transformative change that will ensure a sustainable future for generations to come. In 2019 we greatly contributed to the SDGs for 2030 in five of the 17 areas.

You can read more about our contributions to the SDGs below.

A stronger bank through decency and responsibility

The Bank's business strategy for 2019-2021 is based on its customers, its profile and the digital structure that is a part of its engine room.

Sydbank must provide good and value-adding customer advice and services. This is achieved thanks to excellent and committed employees and a digital framework and a development that keeps up with the times and the demands and expectations experienced by banks today. Sydbank's profile must be sharp and leave no doubt about the values that the Bank represents and that we take our role as a responsible financial partner seriously.

We believe that the way we show our commitment to social responsibility is decisive for how Sydbank is perceived by its stakeholders. Consequently our ambition for the future involves placing special focus on four areas: the climate, lending, diversity and responsible investment.

In 2019 we took the first step in formulating a concrete plan as to which initiatives to launch and how we can create value and make a difference for our customers, our employees, the climate and the surrounding world.

CSR organisation and management

Sydbank has established a CSR forum where concrete CSR initiatives are evaluated and decided upon. The forum consists of relevant group executive vice presidents and the CEO.

In 2019 Sydbank's CSR forum was formalised with the approval of terms of reference describing its tasks and powers.



SDG 9 - Industry, innovation and infrastructure



SDG 8 - Decent work and economic growth



SDG 16 - Peace, justice and strong institutions

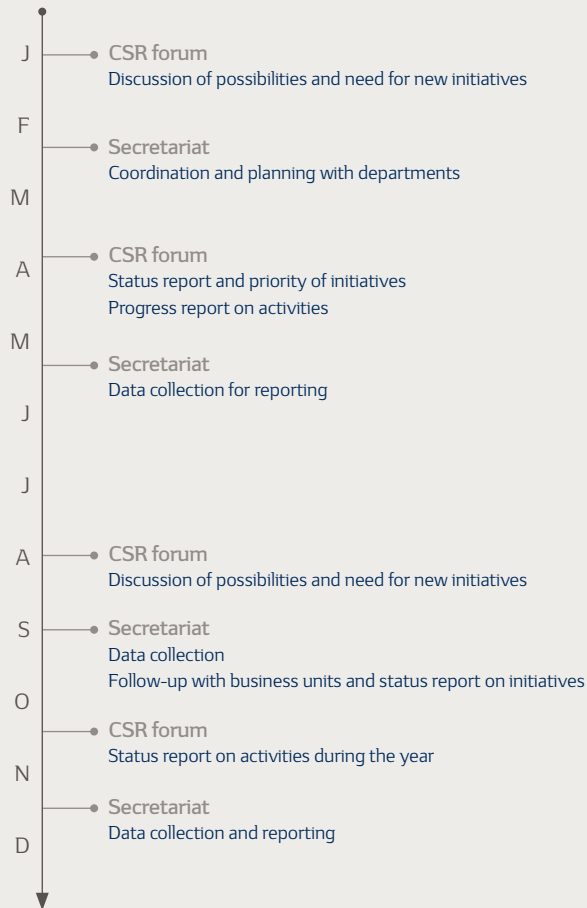


SDG 5 - Gender equality



SDG 7 - Affordable and clean energy

CSR governance



One of the tasks of the CSR forum is to define a strategy plan for Sydbank's social responsibility. Another task is to determine which trends in society should be incorporated in Sydbank's CSR efforts.

Communications & Marketing serves as the secretariat for the Bank's CSR forum and is responsible for initiating CSR activities with the assistance of various departments within the Bank. In practice this means that Communications & Marketing coordinates and aligns tasks with the Bank's departments responsible for establishing new socially responsible practices as a result of decisions taken by the CSR forum.

Communications & Marketing is also responsible for Sydbank's mandatory reporting on corporate social responsibility.

In order to ensure coherence and follow-up of work carried out in the CSR forum and in our business on the basis of the forum's decisions, the CSR governance structure follows the calendar year.

Dialogue with stakeholders

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

Own organisation

In our own organisation the most important stakeholders are our employees and the trade organisations. The dialogue with employees is formalised in a number of employee forums focusing on working conditions and the work environment. Via the local branch Sydbank Kreds a formal collaboration exists with the employees' primary trade union, the Financial Services Union.

Marketplace

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

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

The Bank has its own customer panel of volunteers who provide input to optimise the customer experience. For instance digital solutions and products are developed on the basis of input from the customer panel.

Society at large

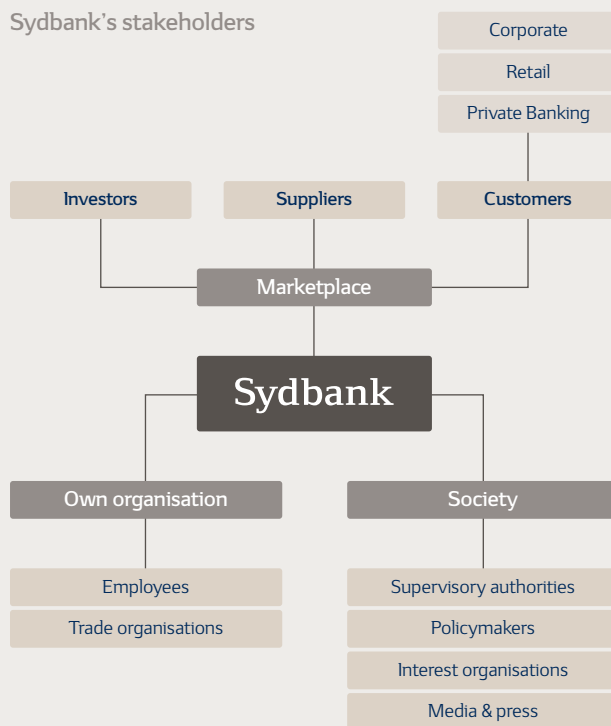
Sydbank's key stakeholders in society at large are supervisory authorities, policymakers, interest organisations as well as the media and press.

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

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

Sydbank takes part in the working group for the 'Forum for Sustainable Finance' established by Finance Denmark.

Sydbank's stakeholders



Do you have a good idea?

- that's what we ask our colleagues hoping that all the good ideas can help improve efficiency, customer satisfaction or something completely different that will add value to the Bank's business, its customers and its employees.





2

Financial stability

2. Financial stability



SDG 9 – Industry, innovation and infrastructure

SDG 8 – Decent work and economic growth

Achieved in 2019

- We have maintained our cautious approach to credit risk and as a result the Bank's financial foundation remains strong.
- Financing option for corporate clients through EU funds.

Goals for 2020

- To continue to have a sensible and cautious approach as regards lending and a high credit quality.
- To make sure that the creditworthiness assessment of the Bank's customers continues to ensure that customers can afford to take out a requested loan and are not placed in an unacceptable financial situation due to money owed to Sydbank.
- To focus on accessibility and positive customer experiences.

Special risks and focus areas

- Our approach as regards lending means that we are less risk tolerant.

- We have a broad product range which enables customers to make sustainable investments. Bank loans or mortgage loans can provide funds for instance to make energy efficiency improvements in private homes and to buy less polluting cars. However Sydbank does not offer any special interest rate advantages on loans and facilities used for these purposes.
- Sydbank must advise customers in difficult financial situations and be a responsible financial partner regardless of the customer's financial circumstances.
- Sydbank is a SIFI (systemically important financial institution), which means that the Bank is subject to special legislation.

Relevant policies and standards

- Credit policy.

Overall objective

Through decency and due care we will ensure that Sydbank is an efficient, well-run and solid bank that is ready to share the responsibility for financial stability in Danish society.

Banks' role in society

Banks play a significant role in society where our infrastructure helps to ensure that payments and money transfers can be carried out efficiently and securely. At the same time the advice we provide contributes to improving big and small financial decisions by companies and private persons and thereby also contributes to increasing financial stability.

We make our living by providing finance to companies and private persons so that companies can grow and the property market and other areas of consumer spending can function.

Our business model

Sydbank's business volume is evenly distributed across nine Danish regions as well as Northern Germany, where the Bank has three branches, which form the basis of the advisory services offered to the Bank's customers.

Sydbank has a solid financial foundation that offers room for more business with new customers as well as existing customers. Our growth will be built on a firm and sound footing.

Sydbank is a nationwide bank that focuses on traditional banking with a significant presence in all parts of Denmark as well as in Northern Germany.

Sydbank wishes to remain a bank operating on its own terms and with strong partnerships. In areas where it does not offer its

own products, the Bank uses business partners offering a broad range of financial services such as mortgage credit, investment products and insurance to ensure that it is always able to provide the services in demand by customers.

We are not looking for quick-fix solutions but sound, clear agreements with a realistic level of risk. Sydbank achieves these objectives by striving to be among the absolute top performers in Denmark in terms of operating a bank and providing advisory services to customers based on their specific situation.

We will not venture too far out on the risk curve

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

Creditworthiness is decisive when granting loans to private persons. Our assessment of a customer's creditworthiness is not just about assessing whether the Bank can get its money back. The Bank's decision to approve a loan application or not is based on a customer's financial circumstances.

We will not grant loans that place customers in an unacceptable financial situation or where the Bank's risk is too high. Sydbank's risk appetite is similar to that of other comparable Danish banks.

Financing to innovative corporate clients

In 2019 Sydbank was able to offer financing to innovative corporate clients through the EU-backed programme InnovFin.

The collaboration with InnovFin makes it possible for the Bank to offer corporate clients loans carrying a lower interest rate and InnovFin provides a guarantee for 50% of the loans.

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

It is our expectation that this collaboration will help increase the Bank's lending significantly and will also boost employment and growth in the Danish corporate sector.

Continued rise in customer satisfaction

Customers were even more satisfied with Sydbank in 2019 than in 2018. Customer satisfaction within Corporate and Retail is measured in collaboration with EPSI and Aalund because it ena-

bles us to compare our results with those of other major banks and the rest of the sector.

In 2019 Sydbank recorded the second highest customer satisfaction score among the five largest banks in Denmark in the segments Corporate and Retail. The Bank received a number three ranking in 2018.

In the Corporate segment the customer satisfaction score rose for the third consecutive year. In the Retail segment we achieved the best result since 2014.



Consumer protection and product approval procedures

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

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

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



Bank loans and advances:	DKK 60.6bn
Deposits:	DKK 84.3bn
Number of staff:	2,107
Funds under management:	DKK 94bn
Market share - Retail:	6%
Market share - Corporate:	12%
Corporation tax:	DKK 228m
Profit for the year:	DKK 853m
ROE:	7.5%
Customer satisfaction <small>(among the 5 largest banks)</small>	Number 2 (Retail & Corporate)





3

Anti-corruption and crime fighting

3. Anti-corruption and crime fighting



SDG 16 – Peace, justice and strong institutions

Achieved in 2019

- Employment of a Chief Information Security Officer responsible for cyber security and information security.
- Start-up of mandatory information security training.
- AML function transferred from Compliance to the Legal Department.

Goals for 2020

- To set up a dedicated page on Sydbank's website with information on our efforts to combat money laundering.

Special risks and focus areas

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

- Training in information security and the prevention of money laundering is crucial so that banks can contribute to combating financial crime.
- Banks cannot combat money laundering alone. The sector depends on action taken by the authorities. This division of responsibility is often unclear to the general public.

Relevant policies and standards

- Sydbank's Code of Conduct
- Policy for prevention of money laundering, terrorist financing and sanctions breaches
- Sydbank's personal data policy
- IT Security Policy
- IT contingency policy.

Overall objective

We will support the authorities in the battle against criminals who abuse the financial infrastructure and we will make it safe and secure for the users of our systems and services.

Combating money laundering and terrorist financing

Sydbank has an AML committee which is tasked with helping to identify and assess risks and ensure that Sydbank introduces the necessary measures to combat money laundering and terrorist financing. The committee consists of relevant group executive vice presidents and is chaired by Sydbank's AML Executive (Group Executive Management member).

In 2018 Sydbank strengthened its set-up to combat money laundering by establishing a quality assurance department to support the implementation of measures to prevent the Bank from being

used for money laundering and terrorist financing. The quality assurance department is also tasked with implementing activities recommended by the AML Committee.

The quality assurance department is responsible for preventive measures at an operational level. This includes the screening of new and existing customers to identify any inconsistencies that could be a sign of criminal activity.

Cross-sector preventive collaboration

Sydbank is a member of Finance Denmark's anti-money laundering taskforce, which submitted 25 recommendations in autumn 2019 to strengthen efforts to combat money laundering and terrorist financing. In 2020 we will focus on incorporating all the important recommendations in Sydbank's day-to-day operations.

The recommendations include a vision to establish joint IT solutions across the banking sector to combat money laundering as well as increased cooperation with the authorities. We believe that joint IT solutions can help identify and prevent money laundering quickly and effectively, which is why we support the recommendations regarding sector-wide cooperation.

Bribery

Sydbank disapproves of any form of corruption and bribery and does not tolerate its existence in its relationship with public authorities or business partners.

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

Digital resilience

Sydbank's approach to information security is an approach that ensures that we comply with legislation, that we have implemented recommended measures and that operational security is strengthened on an ongoing basis where focus is on making it as difficult as at all possible for hostile persons to access our systems.

Security is a joint responsibility

The rules concerning IT risk management were tightened in autumn 2019 as a result of an amendment to the Danish executive order on management and control of banks. As a result Sydbank launched internal mandatory training in information security in October 2019.

Employee conduct

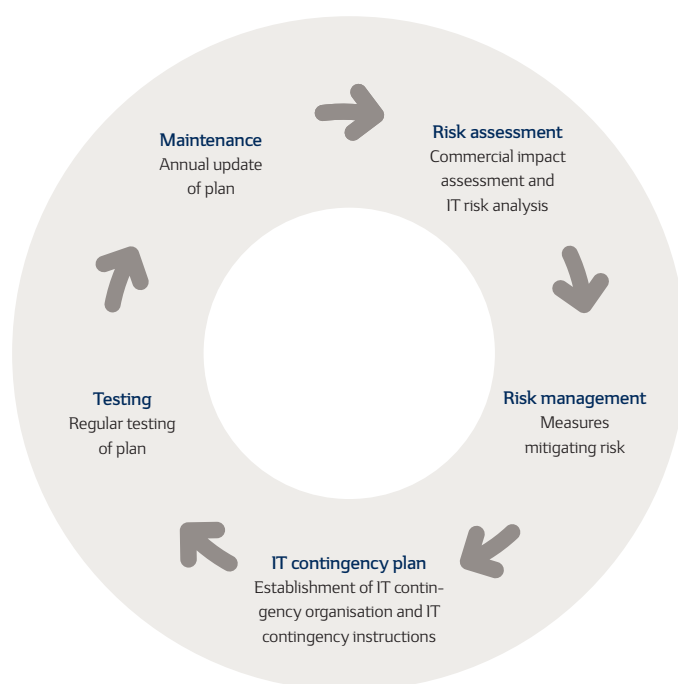
Each employee is responsible for contributing to maintaining a high level of security. Our conduct can be decisive for information security and therefore the new training course is based on the most common methods criminals use to attempt to gain access through employees. The course also includes information on how employees should respond in case of a security breach.

IT contingency plan

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

Sydbank's information security department is responsible for implementing commercial impact assessments of the Bank's

IT systems and they are carried out on a regular basis. This is a process that tests the security of the Bank's systems.



Confidentiality comes with strings – personal data

Ongoing efforts are made to ensure that we have implemented the existing rules on data security. The only data processed about a customer is the data necessary to provide the best advice and the best possible service or the data that we are required to process according to current legislation.

All employees receive mandatory training in the correct processing of personal data.

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

Twice a year Human Resources submits a report to the Bank's Head of Compliance and the Bank's Data Protection Officer (DPO) on the number of employees who have completed the training.

Human Resources has a follow-up procedure for employees who have not completed the training. Together with the employee's immediate superior the reason for not completing the training is found. If it proves difficult to find the cause and it is not due to for instance leave or illness the matter is reported to Compliance and the DPO.

Finance Denmark's anti-money laundering taskforce recommends that banks comply with six principles of conduct that can align the culture regarding the prevention of money laundering and terrorist financing and thereby help to step up efforts in this area. Sydbank already complies with the principles:

1. We put ethics before profit

We put the prevention of money laundering and terrorist financing before profit and work on the theory that what cannot be explained cannot be justified.

We only want customers who have a clear and acceptable business purpose – and we stand firm regardless of whom the customer is.

We insist on knowing our customers, their businesses and the way they use the bank – also even if it can be a challenge.

2. We comply with the law and the spirit of the law

We explain to our customers the reasoning behind the rules and the purpose of our endeavours – comply or explain.

We do our utmost to serve as an efficient gatekeeper for instance as regards countries with increased risk, unusual transactions, ingenious and opaque corporate structures, large cash amounts etc.

We do our utmost to serve as an efficient gatekeeper as regards moonlighting and social security fraud and our systems are adjusted accordingly.

3. We welcome oversight

We acknowledge the need for increasing transparency and are mindful that existing practice can withstand public scrutiny.

We will describe the main contents of our anti-money laundering policy in the financial review and publish information about our concrete efforts to combat financial crime on our website.

We will formulate standards based on common formats that can be the subject of independent review and a best practice framework.

4. We work to improve our corporate culture

We ensure that non-financial considerations are taken into account in connection with recruitment, promotion, remuneration etc, including that compliance with regulations is included in connection with variable remuneration programmes.

We support the prevention of money laundering and terrorist financing in our day-to-day operations, in our culture, in our education and training and in our communication.

We take inspiration from other lines of business that can contribute to enhancing our culture and ensure that the prevention of money laundering and terrorist financing is embedded in all parts of the organisation.

5. We assume management responsibility and ensure that all employees take responsibility in terms of combating money laundering and terrorist financing

We set the tone from the top in terms of communicating our corporate social responsibility and making it visible as managements are culture carriers.

We ensure that all parts of the organisation emphasize very clearly and consistently the importance of combating money laundering and terrorist financing – regardless of the tasks of the individual employee.

We ensure that employees receive relevant and appropriate training so that they are well equipped to perform their duties in connection with preventing money laundering and terrorist financing.

6. We engage constructively with all stakeholders, including the authorities

We work actively to submit notifications to the Danish Money Laundering Secretariat to ensure that the prevention of money laundering and terrorist financing can be carried out as effectively as possible.

We participate constructively in the AML Forum+ and other collaboration forums where criminal trends are discussed and measures to combat money laundering and terrorist financing are improved.

We ensure access to effective, anonymous and protected whistleblowing.

Source: Finance Denmark's anti-money laundering taskforce



Sydbank takes part in the Danish central bank's Threat Intelligence Based Ethical Red Teaming (TIBER-DK), which is a programme to test the critical parts of the financial infrastructure. TIBER-DK aims to increase the cyber resilience of the financial sector and promote financial stability. Participation in the programme includes a red team attack that will reveal the infrastructure's strengths and weaknesses.





4

Responsible investment

4. Responsible investment



Several of the UN's 17 sustainable development goals are on the agenda in connection with our efforts within responsible investment. We assess for instance whether companies are responsible investment opportunities on the basis of their contribution to these goals.

Achieved in 2019

- Formulated and approved the Bank's responsible investment and active ownership policy.
- Formalised the framework for a cross-functional ESG organisation in the investment area.
- Commenced work on improving the foundation for ESG analysis in the investment process.

Goals for 2020

- To maintain a high degree of responsibility in all products via screening for ESG issues.
- To continue work on strengthening our analysis of ESG risks across all products.
- To integrate external and internal ESG data and analyses in investment processes.
- To support the dialogue with companies and active ownership via ESG analyses by external business partners.
- To continue to offer and develop new products with special ESG characteristics and focusing on sustainability.

Special risks and focus areas

- Our work concerning ESG issues is long term. We constantly acquire new knowledge and new experiences that can change our view of what is responsible and sustainable.
- We work with external business partners and their methods and tools for ESG analysis are under continuous development. Our possibilities to work with ESG issues are therefore partly dependent on our external relationships.
- We are active owners. Even though we obtain information about violations of norms and controversial conduct on an ongoing basis it is inevitable that this will occur in companies we invest in.
- As far as possible we use direct dialogue to handle cases with companies but in some cases there is little or no response.
- We do not try to influence heads of state to change their policies or conduct but instead these aspects are taken into account in connection with portfolio composition.

Relevant policies and standards

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

Overall objective

We will act responsibly and with respect for a common sustainable future when making investments on behalf of our customers and Sydbank. We will work continuously to develop new methods and products to promote positive developments in society based on responsibility and active ownership.

Respect for human rights

The Bank has significant focus on human rights and international conventions. The principles of the UN Global Compact encompass the international conventions and norms that define Sydbank's efforts in the investment area. The Bank signed the UN Principles for Responsible Investment (UN PRI) in 2010 and con-

sequently we are committed to taking ESG issues into account in connection with investments.

Companies that the Bank invests in must as a rule comply with these principles. If this is not the case we enter into a dialogue with the company in question via our business partner Sustainability to encourage it to act more responsibly. If the dialogue is not fruitful the company is excluded.

As regards countries the UN Global Compact principles are enforced by screening in areas such as the environment and resources, personal and political freedoms, a government's ability to provide security and welfare and the incidence of corruption.

We do not have the same possibilities to engage in direct dialogue so exclusion is more widely used.

Responsible investment – our ambition

In 2020 Sydbank will continue working on the framework for its responsible investment efforts. We are mindful that this work has primarily focused on screening for violations of norms and critical dialogues with companies. We will continue to do this.

Focus in the future on sustainability in particular also involves active selection – not just opting out. This places new demands on us, for instance the ESG process must include a more comprehensive analysis of risks in companies and countries. Making an investment based on ESG data combined with a general knowledge of the company in question is a difficult exercise but it offers new opportunities to seek return in sustainable companies and in green transition.

As regards shares and corporate bonds we would like to supplement our qualitative assessments with access to quantitative ESG data and analysis tools. By doing so companies' ability to tackle ESG risks can be included in investment decisions to a greater extent. Our role as active owners must be carried out on the basis of an even deeper insight into ESG issues and we expect to be able to offer our customers more targeted reporting. Our expectation is that the collaboration with Sustainalytics will support this ambition.

As regards government bonds from emerging markets, Sydbank is far ahead with the integration of ESG considerations. Since 2012 we have worked on a special ESG screening of countries and the Bank offers several products where for instance the UN's SDGs are used to assess the long-term risks and opportunities of investing in one country instead of another. Sydbank wants to keep its leading position and gradually increase the sale of the most ESG integrated products to new and existing customers.

Responsible asset management

Sydbank's main priority is for all products to be screened for violations of the principles of the UN Global Compact. If a violation is detected, a specific strategy is determined involving monitoring and dialogue or ultimately exclusion. In some portfolios we offer adjusted ethical norms so that certain sectors, companies and possibly countries are excluded due to other circumstances.

In 2019 Sydbank established a joint ESG organisation for Asset Management and the subsidiary Syd Fund Management (SFM). The ESG organisation is managed by Sydbank's Responsible Investment Committee.



The committee determines the objectives of the investment area with respect to how Sydbank's responsible investment policy will be put into practice. Sydbank and SFM have separate ESG policies and reporting whereas resources, knowledge and data are shared.

The ESG organisation is integrated in a number of functions across the investment area and is tasked with a variety of duties. In terms of responsibility it ensures for instance that Sydbank complies with the principles of the UN Global Compact. The organisation also manages the relationship with external business partners and their involvement in the investment process. And finally Sydbank develops its own ESG processes, in particular regarding government bonds.

In 2019 special focus was on:

- formalising the ESG organisation in accordance with the adopted responsible investment policy
- strengthening the collaboration with Sustainalytics as regards access to ESG data and ESG analyses regarding companies
- improving the infrastructure to vote at the general meetings of foreign public limited companies
- implementing a new concept for ESG analysis and the investment process for government bonds in emerging markets
- preparing for greater integration of ESG data in the work with portfolios
- launching active products for retail clients with a special ethical screening and passive products focusing on actively selecting sustainable companies.

Investment in shares and corporate bonds

As regards shares and corporate bonds companies are screened on an ongoing basis for violations of norms and at the same time there is an element of critical dialogue or engagement with the management of the companies.

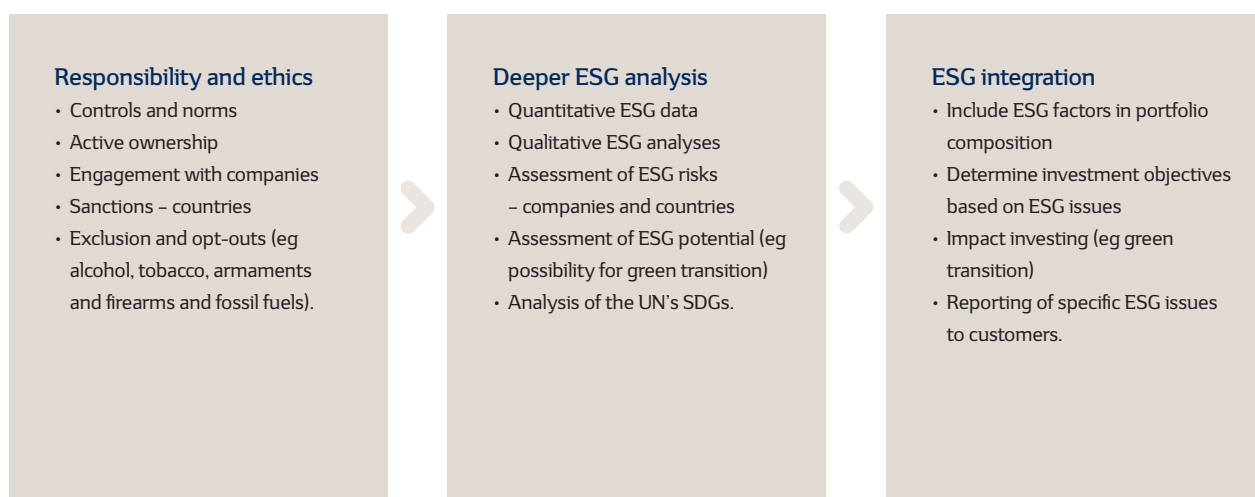
When Sydbank has an ownership interest the process can be extended and we can express our position by voting at a company's general meetings. When we buy corporate bonds we decide whether we wish to support the financing of the company or not but we have no voting rights. In both cases dialogue is considered the central element in order to achieve the desired changes.

Screening for violations of norms in companies

Sydbank's first step is to get a general idea of the number of companies where possible or identified violations of norms exist. In this context assessing the severity in the individual cases is quite important. We would prefer that all companies complied with the principles but realistically it is necessary to set priorities. Unfortunately it is not uncommon for cases to arise.

Assessing violations of norms requires very detailed knowledge of an individual company's processes for tackling ESG issues combined with knowledge of international rules. Consequently Sydbank has established a collaboration with Sustainalytics, a Dutch company with many years' specialist knowledge in ESG related company research and wide experience in engaging in critical dialogue with global companies.

How we address ESG issues when we invest



Sustainalytics makes screening tools available for Sydbank and is a key sparring partner in planning which companies we should engage in dialogue. In 2019 Sydbank identified 40 cases of suspected, confirmed or serious violations of norms in mature markets and 18 cases in emerging markets. There can be several cases in the same company where the need for follow-up varies. Sydbank and Sustainalytics use this knowledge to plan the engagement process and decide on a possible exclusion. Companies are only excluded in advance if special circumstances exist, for instance if a company manufactures nuclear weapons or cluster bombs, and as a result we do not expect things to change through critical dialogue.

Engagement cases – dialogue with companies

We enter into a dialogue with companies when there is an indication of a violation or a confirmed violation of international conventions and rules. In practice this process is carried out by Sustainalytics on behalf of Sydbank and usually in collaboration with other major investors. In this way there is considerable weight behind our constructive criticism and call for change. In 2019 we were involved in 65 cases and visited or held meetings with companies 75 times. 8 cases were concluded in 2019 and a constructive solution was reached in all instances.

Proactive engagement

Sydbank has been an active investor in emerging markets for many years. Consequently our engagement efforts have also included a parallel track which does not only concern critical cases.

Since 2009, working together with Sustainalytics and several other institutional investors, we have developed an engagement programme for companies where focus is on creating a trustful dialogue with the management. The purpose is to help companies identify and manage ESG risks, also even if conditions giving rise to criticism have not necessarily been reported. By doing so we influence companies to build knowledge about ESG issues and support their efforts to manage these risks using the correct tools. 36 of such dialogue meetings were held in 2019.

Effect of engagement

In many instances the management of a company can see the benefits of active engagement and in these cases the results are mostly positive. In a few cases there is little or no response. Engagement performance is measured on the basis of a company's willingness to enter into a dialogue combined with active actions relating to the case.

As regards emerging markets the number of well performing companies was markedly higher than in mature markets, which is attributable to proactive dialogue. In the few cases where there was no or continuously poor performance for a period of up to 12 months, Sustainalytics will remain in contact with the company for an additional up to 24 months after which the recommendation will be to discontinue the relationship. This normally means that the company can longer be included in the investment universe.

Dialogue with companies is a process



Exclusion list

For companies the exclusion list is the last stop. A total of 68 companies have been excluded due to violations of international conventions and norms. 58 companies with activities related to land mines, cluster bombs and nuclear weapons have been permanently excluded from Sydbank's investment portfolios and there are no engagement activities.

The companies on the exclusion list are blocked in the Bank's portfolio management system, which ensures that portfolio managers cannot invest in excluded companies. The exclusion list is updated on a quarterly basis.

Screening of investments in government bonds

Since 2012 Sydbank has used a special ESG screening that identifies conditions in currently 186 countries. It includes screening international sanctions, political, social and environmental factors and evaluates countries' levels and trends for the purpose of eliminating countries with the weakest development. In practice only emerging market countries have been eliminated from the investment universe.

In addition Sydbank has developed a product within this area focusing especially on ESG issues. The criteria include the countries' data concerning the UN's SDGs. As regards this product 65 countries have been excluded, only 21 of which issue government bonds.

Sydbank's method for investing in government bonds from emerging markets is designed so as to integrate knowledge of the countries' ESG issues and long-term potential to the greatest extent possible. This is true regardless of which countries have been included or not in portfolios.

Investment in government bonds

Sydbank conducts screenings on a global level but focuses in particular on countries that issue government bonds. Opt-outs as regards developed countries do not typically occur whereas emerging market countries are eliminated to a greater extent.

Not uncommonly the reason is that these countries may be subject to international sanctions but it could also be due to a very weak level of development where the countries' governments are not fully able to support the security and welfare of their citizens.

Sydbank operates with several levels of screening because some customers may have special minimum requirements as to countries. However the analysis is always based on the same fundamental data, which is also included in the process of selecting countries for portfolios. The principle of the process is that there must be a certain minimum level of development and we would prefer to invest in countries showing an improvement in ESG factors.

Active ownership activities – 2019		Companies in mature markets	Companies in emerging markets
Sydbank's total portfolio of companies (shares and corporate bonds)		724	259
Violations of UN Global Compact	Confirmed and serious violations of norms	9	7
Engagement with companies based on violations of norms	Pending cases at year-end	37	20
	Number of visits/meetings with companies	28	17
	Average case duration (months)	22	35
Proactive engagement with emerging market companies	Pending cases at year-end	-	56
	Number of visits/meetings with companies	-	36
	Average case duration (months)	-	51
Assessment of effect of engagement	Good performance	7	46
	Average performance	17	16
	Poor performance	1	3

Company exclusion list – 2019	Companies in mature markets	Companies in emerging markets
Reasons for exclusion		
Violation of human rights	0	1
Production of cluster bombs, nuclear weapons or land mines	23	34
Violation of workers' rights	0	3
Environmental violations	1	4
Activities on the West Bank	5	0
Destruction of natural resources in Western Sahara	2	0

Sydbank's ESG process

- Thorough screening of sanctions – if they are relevant a country is excluded
- Calculation of a country's ESG score where each country is evaluated relative to an average of relevant emerging market countries
- Requirements as to the ESG level and assessment of the development trend.

Our analysis includes:

- social factors
- political factors
- the level of freedom and corruption
- the health of the environment
- a country's efforts as regards the UN SDGs.

Countries are divided into three categories

Green: countries we would like to invest in

Yellow: countries we would like to invest in but are especially aware of ESG issues

Red: excluded countries.

Challenges and dilemmas

We do not have the same opportunities to directly influence the leaders of countries as we would expect to have for instance as regards companies.

We work with data where changes are slow feeding through whereas the political climate in a country can change overnight.

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

For the most part the countries have signed the Universal Declaration of Human Rights but human rights violations are still a risk to a greater or lesser extent. This could also occur in portfolios setting especially high requirements as to a country's ESG level and development.

Our ESG analysis is comprehensive and many individual factors influence the overall picture. Therefore a single factor such as political lack of freedom or the infringement of a minority's rights can easily get lost even though it has been included in the assessment.

Collaboration and knowledge sharing

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





5

Responsible employer

5. Responsible employer



SDG 5 – Gender equality

SDG 8 – Decent work and economic growth

Achieved in 2019

- Greater employee engagement than in 2018.

Goals for 2020

- To implement measures to eliminate differences in salary levels between men and women in the same positions.
- To formulate a diversity policy for Sydbank.
- To maintain the high level of employee engagement.

Special risks and focus areas

- Many positions at Sydbank are held primarily or exclusively by men or women. There is a preponderance of women in administrative positions and a preponderance of men in management positions.
- We have not introduced quotas to balance the gender diversity at management level.

- Focus is on bullying, harassment and discrimination at Sydbank and the employee policy describes which situations are not acceptable and how they should be tackled. These situations can however still occur.
- Everybody can experience stress and therefore Sydbank has a stress management procedure in place to best help the person affected return to work. In some cases this proves unsuccessful.

Relevant policies and standards

- Training policy
- Health policy
- Policy for healthy corporate culture
- Employee policy.

Overall objective

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

Our employees are our most important asset

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

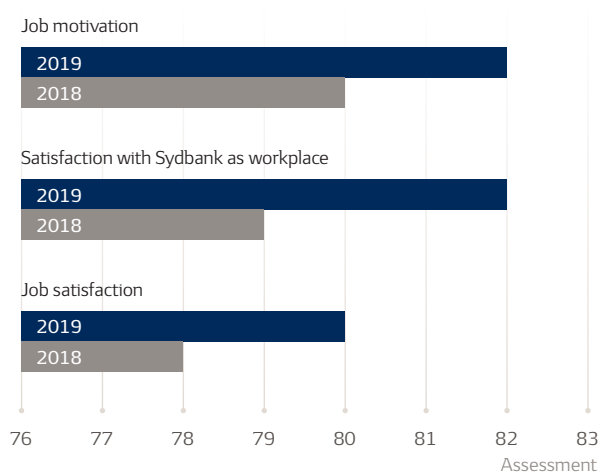
An employee engagement survey is carried out every six months. This questionnaire is a more condensed version of the full-length questionnaire used every other year, most recently in 2018.

Consequently we have no results from a comprehensive detailed survey in 2019, only results from two small surveys gauging the temperature of employees' satisfaction. As a result the two pulse surveys carried out in 2019 are not directly comparable with the results of the full-length survey conducted in 2018. They do however give us an indication of the direction in which employee engagement is moving – and it is moving in the right direction.

Ennova has been responsible for measuring employee engagement at Sydbank since 2018. The cooperation with Ennova enables us to compare ourselves with other Danish banks and companies in the financial sector.

More committed employees in 2019

The comparison in the diagram below is based on the average of the two surveys from 2019 and the comprehensive engagement survey in 2018.



Organisational composition	
Number of employees (FTEs)	2,107
Employees in flex jobs	20
Employees in management positions (%)	13.3
Absence due to illness (%)	3.1
Employee turnover rate (%)	12
Women board members (%)	30
Women in management positions (%)	30
Gender balance (M/F) among employees (%)	48/52
Pay gap between CEO and employees (times)	12.6
Pay gap between women and men (times)	1.2

Diversity, non-discrimination and equal rights

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

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

As regards pay we work constantly to ensure that the salary that has been agreed with an employee is fair and appropriate according to the work to be performed and the qualifications of the employee.

There are many different jobs at the Bank where one gender is overrepresented. Far more women than men are employed in administrative positions whereas there is a preponderance of men in Sydbank's management. We would like to see more women in the Bank's management and in 2020 we will focus on making management positions more appealing to women who wish to take this route by means of attractive internal offers.

The gender balance in the various positions also affects the pay gap at Sydbank. The median salary for men is 1.2 times higher than the median salary for women. Salaries at Sydbank are analysed on an ongoing basis and salaries according to gender are also compared. In terms of individual professional groups there are instances where the median salary for women is equivalent to or higher than the median salary for men but the overall picture is that the median salary for men is higher.

In 2020 we will carry out an internal review to investigate the reasons for the pay gap and how we can ensure that Sydbank's salaries are not based on gender.

Gender diversity – Sydbank's Board of Directors

According to the Board of Director's policy for gender diversity, the target in recent years was for the underrepresented gender to account for at least 25% of the Board of Directors. This target was achieved in 2018.

In 2019 there were changes in the composition of the Board of Directors, which meant that the gender diversity target was not met during the first six months of the year. Until September female board members accounted for 16%. In autumn 2019 an election to the Board of Directors was held and as a result of the new board composition the 25% target was reached in 2019 after all. 30% of the current members of Sydbank's Board of Directors are women. As regards shareholder-elected board members 50% are women.

The policy for gender diversity on the Board of Directors is reviewed annually and the gender diversity target in 2020 will be adopted in the second quarter of 2020.

Education – for the sake of our customers and employees

In order to address the ever-stricter statutory requirements, customers' expectations and employees' wish for professional development, education and training have high priority at Syd-



Important education and training – 2019

Theme	Background and purpose	Employee group	Course	Completion rate
Prevention of money laundering and terrorist financing	The purpose is to strengthen efforts to prevent the Bank from being used for money laundering by criminals.	All relevant employees	4-hour online course	99.03
Processing of personal data	The EU GDPR provides the framework for a training course on the processing of customers' personal data.	All relevant employees	1-2-hour online course	99.08
Information security	Requirements regarding SWIFT CSP and appendix 5 of the Danish executive order on management. The training is to ensure that employees have a general understanding of themes within information security and to strengthen the Bank's cyber resilience.	All relevant employees	30-minute online course	Data available in 2020
Investment advice in yellow and green products as well as MiFID	The training forms the basis of advice about investments in yellow and green investment products.	All relevant employees	6-8-hour online course	99.02
Property advice (mortgage credit directive)	Tests providing documentation that an employee has the necessary qualifications to offer responsible advice on buying and selling property.	Account managers Managers Heads of credit Selected central functions	Completion of 1-hour tests	98.69

bank. Most of the compulsory training courses are digital via the platform VidenBarometer. The system can handle all courses and also meets the statutory documentation requirement regarding education and training.

Employee skills development

A personal development review (PDR) meeting between an employee and his/her immediate superior is held annually and forms the basis for the employee's plans regarding education and development. At Sydbank it is important that further training strengthens existing skills or develops completely new skills making an employee better qualified at his/her current job or equipped to hold a new position at the Bank in the future.

Safety and security for our employees

Nowadays banking tasks can be carried out anywhere from a computer or telephone. This also means that the nature of crimes has changed. As a result bank robberies are more seldom but they still occur. Sydbank has a comprehensive security set-up to prevent crimes against the Bank and its employees. For instance all our premises are equipped with video surveillance systems, alarm systems and access control systems and there are limited cash handling services in the many Sydbank branches in Denmark and Northern Germany.

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

The Bank reported 11 incidents in 2019. Six of these occurred during the first quarter of the year. Of the six incidents half were directly caused by the same unpleasant customer confrontation.

Work-related injuries are individually assessed by Sydbank's head of security and the employee concerned. As a general rule Sydbank reports all reported work-related injuries regardless of whether the employee is absent from work as a result. Our goal is for there to be no work-related injuries but we would rather report one too many than one too few.



Focus on health during the working day

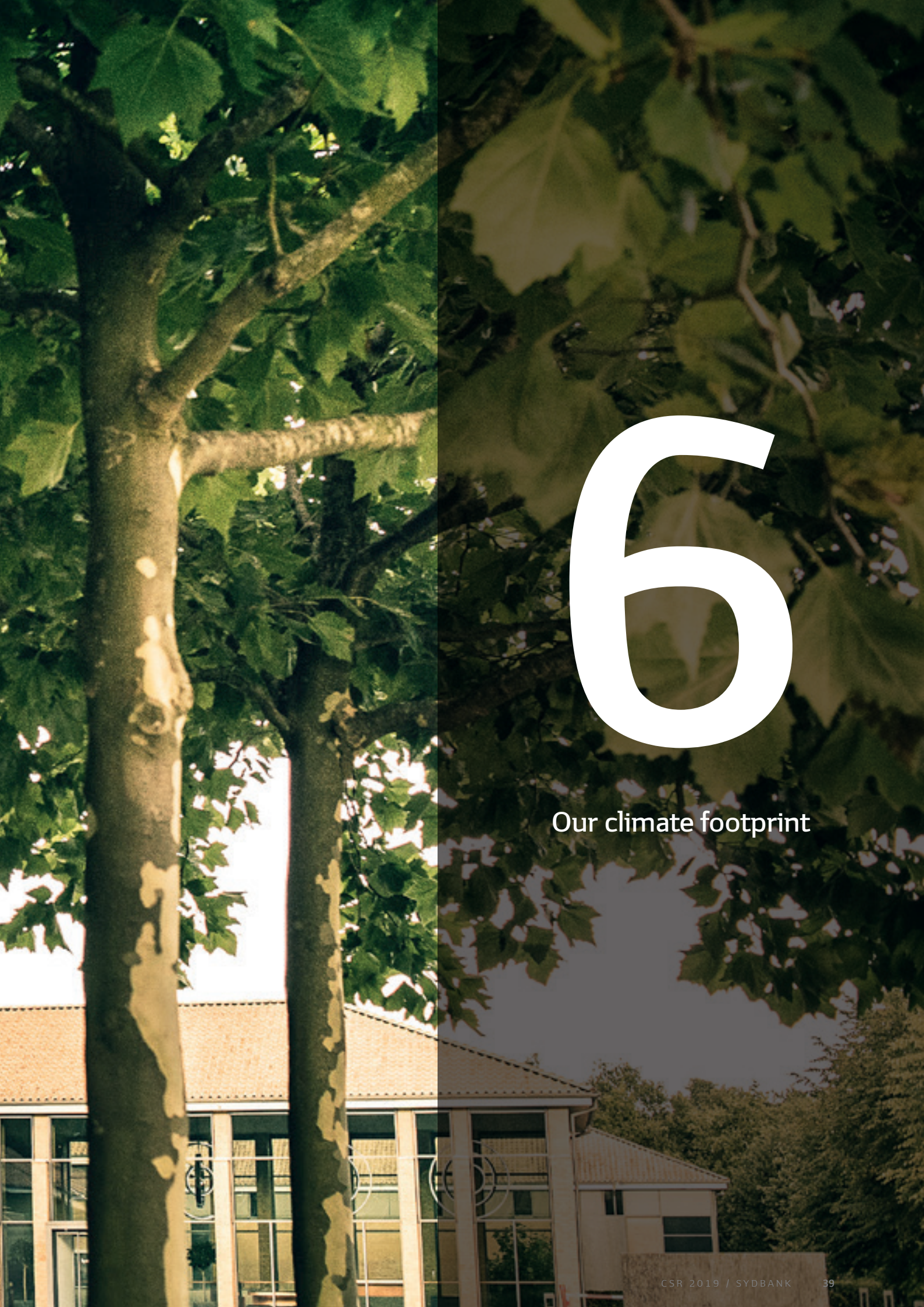
Sydbank offers its employees a variety of wellness programmes to keep them healthy during the working day. One example is our agreement with FysioFilm which gives employees access to short videos with exercises to prevent physical problems caused by sedentary jobs.

Once a year a whole week is dedicated to promoting a healthy lifestyle. The health week includes activities for the entire organisation focusing on exercise and a healthy diet. Healthy and nutritious meals are served in all the Bank's canteens and employees are encouraged for instance to go for a walk during their lunch break or count steps. Also in 2019 the initiative received huge support and several departments decided to set up running and walking groups, introduce healthy snacks and even early morning yoga classes.



Sydbank

Sydbank



6

Our climate footprint

6. Our climate footprint



SDG 7 – Affordable and clean energy

Achieved in 2019

- CO₂ emissions reduced by 5.5%.
- CO₂ reporting according to the GHG Protocol.
- Stricter energy class requirements on purchases of cars for the fleet. The requirement has been raised to energy class B.
- Planning permission to set up a solar cell system at the head office.
- Transition to biodegradable disposable tableware.

Goals for 2020

- To set up charging points for electric cars at the head office car park.
- To drive less in private cars.
- To set up a solar cell system at the head office.
- To transition to power from renewable energy sources.

- To purchase two electric cars as part of the fleet.
- To formulate a code of conduct for suppliers.

Special risks and focus areas

- CO₂ emissions in connection with our heat consumption come from many different district heating plants and at present we do not stipulate that heat must come from renewable energy sources.
- So far there are no specific requirements to suppliers regarding climate considerations.

Relevant policies and standards

- Company car policy
- Purchasing policy
- Greenhouse Gas Protocol.

Overall objective

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

Downward trend in energy consumption

The Bank has its own energy management, which ensures that energy efficiency is always a consideration in connection with relevant activities and energy efficiency improvements are made on a continuing basis. We work on a daily basis to reduce the Bank's energy consumption – and with good results. With very few exceptions the Bank's use of water, heat and electricity has declined since 2014.

Energy consumption as regards 90% of the Bank's building stock is monitored on an hourly basis. The system gives us an overview of energy used and sends a warning if there are variations in

readings. Furthermore it is possible for us to adjust the data requirements so that they comply with the relevant standards and targets.

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

Comparable CO₂ accounts

In 2019 Sydbank decided to stop using its own method for calculating CO₂ emissions, which we had used up to and including 2018.

In collaboration with engineering consultancy company NIRAS we have prepared CO₂ accounts that are based on the Greenhouse Gas (GHG) Protocol and are consistent with the method

of calculation recommended by FSR – Danish Auditors, Nasdaq Copenhagen and CFA Society Denmark in their guidance on ESG key figures.

As a result this report includes comparative CO₂ figures for the years 2017, 2018 and 2019. In practice this means that our energy consumption monitoring systems were adjusted in 2019 so that going forward data will be calculated according to the GHG Protocol.

The decision to use a new method to calculate CO₂ emissions also means that we have a new basis in terms of comparing results and setting objectives.

Millions of kilometres in private cars

In 2019 the Bank's employees drove 2,909,887 kilometres for business purposes. This is 8% less than in 2018. To this must be added transport using the Bank's cars. Sydbank has a fleet of cars available to all employees who require transport for business purposes.

In recent years there has been a rise in the use of Sydbank's cars and they are in great demand. In order to address this need a decision was made in 2019 to expand Sydbank's fleet slightly. The Bank has planned to buy two electric cars in 2020.

Even though there has been a significant drop in transport by private car since 2017 the Bank aims to reduce this level even further and introduce solutions that are both climate friendly and take into account the Bank's need to visit customers and business partners.

Reuse of IT hardware

Sydbank collaborates with IT company Codeex to minimise the disposal of IT hardware. In 2019 880 units were sent to be reused.

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

Food waste and waste separation

Sydbank's canteens focus on avoiding food waste. Sydbank has a total of nine canteens, the largest of which is located at the head office. This is of course also where we can make the biggest difference.

Consumption – key figures 2017-2019

Electricity (kWh/m²)



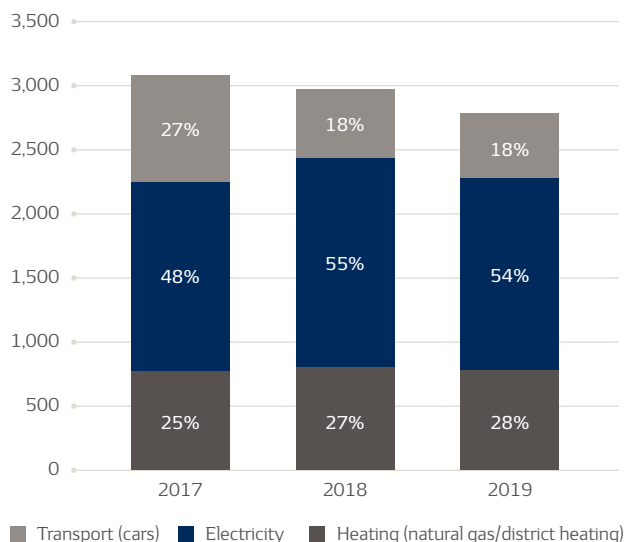
Heat (kWh/m²)



Water (kWh/m²)



CO₂ emissions by consumption 2017-2019 (tonnes CO₂ eq)



We have been working for a long time on reducing food waste and finding ways to reuse what is not eaten, for instance vegetable scraps and leftovers. These efforts have produced noticeable results and today there is virtually no food waste at the head office canteen. The canteen manager plans purchases and food servings so that waste is avoided wherever possible.

What cannot be used in food applications, for instance peelings, is sent to the biofuel system, which was installed in 2013.

Paper waste and residual waste is sorted at Sydbank. In 2019 we also started to separate metal waste – but there is still a long way to go. In 2020 waste will be separated wherever possible. We will start in the canteens where food waste will be separated from residual waste.

We support local environmental goals

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

The Bank's branch in Sønderborg is part of the public-private partnership ProjectZero to make Sønderborg carbon neutral in 2029.

The Bank's branch started optimising energy efficiency already in 2014 so that Sydbank could contribute to reaching the targets set by the municipality of Sønderborg.

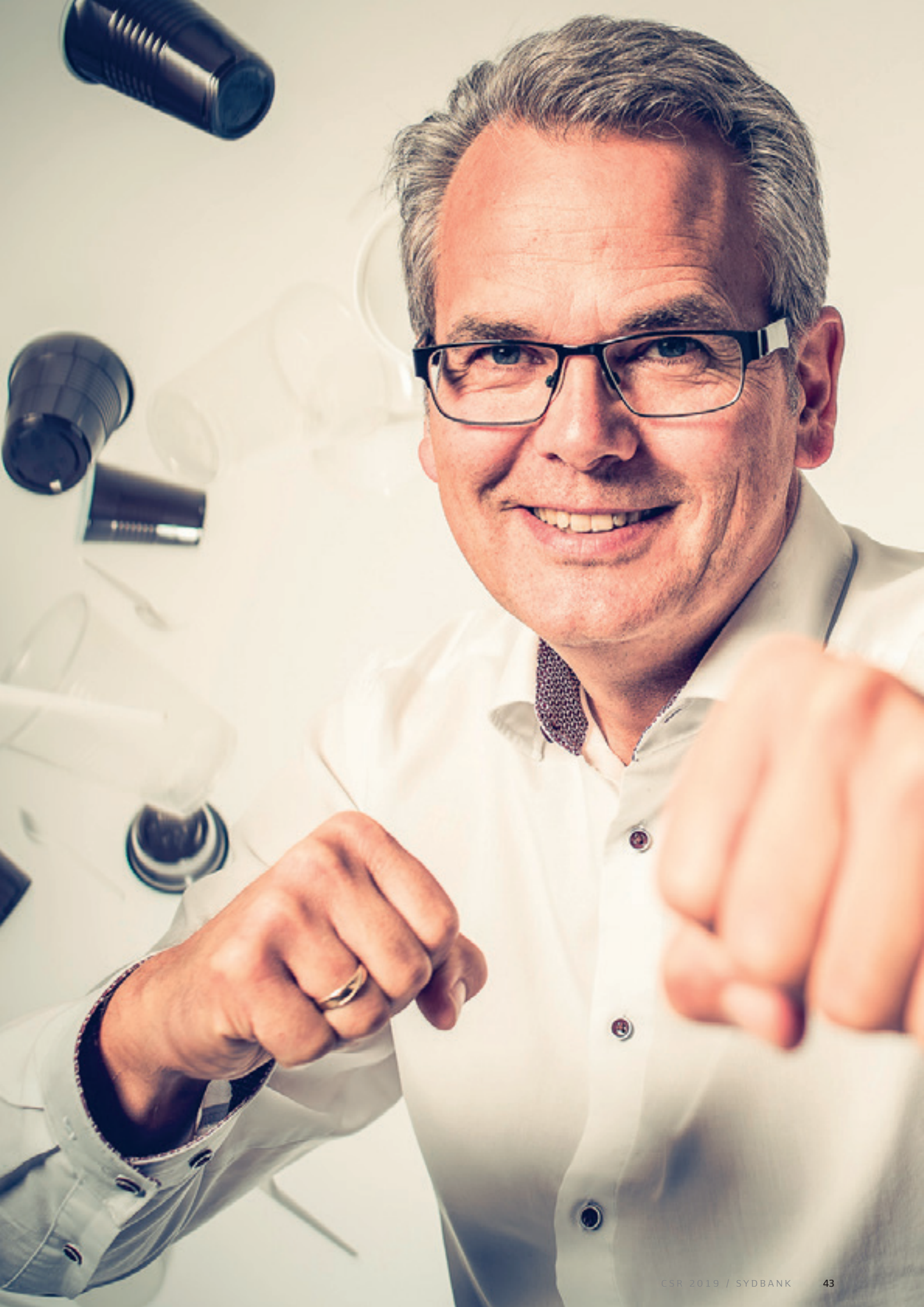
Since then the branch has made the change to district heating, a new ventilation system has been installed and all lights have been replaced with LED lighting.

No more plastic disposable tableware

In 2019 we said goodbye to disposable plastic cutlery and glassware and hello to biodegradable cutlery and glassware. In practice this means that we no longer use almost two tonnes of plastic tableware.

In 2020 we will increase our focus on reducing the use of disposable tableware and introduce solutions that are recyclable or reusable.









7

Active local communities

7. Active local communities

Achieved in 2019

- Sydbank Fonden donated research funds to the Centre for Youth Research at Aalborg University. This is the fund's first donation to a research project.
- The Sydbank Cup created activities across the entire country for players as well as spectators.
- The Sydbank summer camp was held in collaboration with the Danish Equestrian Association where 24 very enthusiastic young riders had a unique and unforgettable experience.
- The funds donated DKK 15.5 million.

Goals for 2020

- To make CSR an integrated part of Sydbank's sponsorship policy.
- To continue the collaboration regarding the Sydbank Cup, the Danish Handball Association's handball camps and local and regional sponsorships.

Special risks and focus areas

- Just as local communities are dependent on banks' infrastructure, financing options and advisory services, banks are dependent on active local communities with growth potential.

Relevant policies and standards

- Sydbank's sponsorship policy.

Overall objective

We are conscious of our responsibility to promote open and active local communities across the country.

Sydbank and sponsorships

Local relationships are important to Sydbank. Therefore our focus is on supporting local projects that create value and relationships in the local communities. Local association activities and sports activities are most definitely activities where value and relationships are created. This is also why our sponsorships are in these areas.

In order to ensure that Sydbank's sponsorships support local developments and activities they are given priority and nurtured by the Bank's local management teams. For instance in its Kolding Region Sydbank made a contribution for children to have an exciting week during the summer holidays via a sponsorship to the dance portal Dancezone.

The dream lives on in the Sydbank Cup

The Bank is the name sponsor for the Danish Football Association's Danish cup, which has been called the Sydbank Cup since 2018. The sponsorship is intended to benefit all the football clubs taking part in the tournament – regardless of size. This is why we put a lot of effort into organising local activities throughout the country where we pay tribute to the local heroes and create experiences for players and fans.

In 2019 our initiatives included the goal of the year award where the winner was given his own bronze bust during halftime at the cup final. In cooperation with the company VEO and Divisionsforeningen we have supplied clubs with intelligent cameras so that their games in the tournament can be filmed automatically and shared digitally.

Other activities in 2019 included attending 55 football matches and creating mini cup finals, planting grass from Denmark's larg-

est football stadium at a stadium in Fjordager to sprinkle a little stardust over the pitch, filling an entire stand with 300 fans from Bornholm at a match in Rudersdal, gathering 350 spectators for a series 5 match in Hellevad, and having 20 children carry flags at the cup final.

Handball camps for children and young people

In collaboration with the Danish Handball Association and local handball clubs across the country, Sydbank helps to activate several thousand children and young people who take part in the handball camps during the summer.

In 2019 100 clubs welcomed 6,600 young handball enthusiasts.

Besides making a financial contribution, Sydbank makes sure that there are enjoyable end of camp events for all participants. We also have gifts for all the budding handball players and organise competitions and other fun activities through social media.

Final year as main sponsor of the Danish Equestrian Association

The sponsorship agreement with the Danish Equestrian Association expired in 2019 so that was the last time the Sydbank summer camp was held. The camp was held for the first time in 2015 and has since been an unforgettable experience for children and young people for instance by bringing in some of the top equestrian names as trainers.

We are proud to have contributed to giving the Sydbank summer camp's young riding enthusiasts a rewarding and fun experience.

Sydbank Fonden and Trelleborg Fonden

Sydbank administers two funds that promote activities in the local communities which many people benefit from.

A regular donation from Sydbank Fonden is the 60 student travel grants of DKK 10,000. The grants are awarded to students from the country's vocational colleges and high schools.

Nationwide and local sponsorships and donations (DKKm)	2019	2018	2017
Sponsorships			
Nationwide	2.9	3.9	1.4
Regional/local	8.3	7.7	7.5
Donations			
Sydbank Fonden	13.0	13.6	10.4
Trelleborg Fonden	2.5	3.2	2.3
Study travel grants	0.6	0.6	0.6

Sydbank Fonden donates research funds

For the first time Sydbank Fonden has donated funds for research. In 2019 the Centre for Youth Research at Aalborg University received funds to conduct research into why many young people drop out of vocational training after their first meeting with the business sector in connection with work placements.

The project will shed light on the expectations and misconceptions existing between the work experience trainee and the company taking on the trainee.

It is our hope that the project can contribute to the alignment of expectations of companies and trainees before the practical training period starts so that more young people finish their education and the working relationship between the trainee and the company generates value.





8

Accounting policies

8. Accounting policies

The Sydbank Group's corporate social responsibility report covers the mandatory reporting areas: social issues, climate issues, environmental issues, human rights and anti-corruption measures as well as 'active local communities' covering sponsorship activities and fund donations. The report comprises activities within the financial year 1 January – 31 December 2019. The report is a supplement to the Sydbank Group's annual report.

Throughout 2019 we have listened to stakeholders' expectations and data requirements in connection with Sydbank's CSR report. We are very responsive to their requirements and wishes and strive to achieve maximum transparency in our reporting.

Consequently Sydbank's reporting on corporate social responsibility is not only based on mandatory areas but also includes other information considered important in order to provide an overall picture of Sydbank.

Data collection

Sydbank uses a wide variety of systems to collect data used in the CSR report. The systems ensure correct and consistent data collection to enable data to be compared from year to year.

In the investment area we use external business partners when considered relevant and necessary.

Sydbank does not have a system that can collect all social, environmental and anti-corruption related data. As a rule data on corporate social responsibility is collected once a year whereas internal reporting on many of the individual data areas occurs on an ongoing basis.

Overview of data

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

Financial stability	2019	2018	2017
Customer satisfaction			
Retail	2	3	5
Corporate	2	3	4
Overview			
Loans and advances (DKKbn)	60.6	61	64,3
Deposits (DKKbn)	84.3	86.3	82.7
Number of employees (FTEs)	2,107	2,130	2,104
Funds under management (DKKbn)	94	87	97
Market share – Retail (%)	6	6	6
Market share – Corporate (%)	12	12	13
Corporation tax (DKKm)	228	264	425
Profit for the year (DKKm)	853	1,156	1,531
Return on equity (%)	7.5	10.2	13.1

Responsible investment	2019	2018	2017
Active ownership activities			
Number of companies in mature markets	724	-	-
Number of companies in emerging markets	259	-	-
Violations of UN Global Compact			
Cases in mature markets/number of violations	40	-	-
Cases in emerging markets/number of violations	18	-	-
Engagement with companies in mature markets based on violation of norms			
Pending cases/number of companies at year-end	37	-	-
Number of visits/meetings with companies	28	-	-
Contact with companies (excluding meetings and visits)	253	-	-
Average case duration (months)	22	-	-
Engagement with companies in emerging markets based on violation of norms			
Pending cases/number of companies at year-end	20	-	-
Number of visits/meetings with companies	17	-	-
Contact with companies (excluding meetings and visits)	193	-	-
Average case duration (months)	35	-	-
Proactive engagement with emerging market companies			
Pending cases at year-end	56	-	-
Number of visits/meetings with companies	30	-	-
Average case duration (months)	51	-	-
Assessment of effect of engagement in mature markets			
Good performance	7	-	-
Average performance	17	-	-
Poor performance	1	-	-
No measurement	12	-	-
Assessment of effect of engagement in emerging markets			
Good performance	46	-	-
Average performance	16	-	-
Poor performance	3	-	-
No measurement	11	-	-
Exclusion list – companies in mature markets			
Number of excluded companies	29	-	-
Reasons for exclusion			
Production of nuclear weapons	20	-	-
Production of cluster bombs	2	-	-
Production of land mines	1	-	-
Violation of workers' rights	0	-	-
Violation of human rights	0	-	-
Environmental violations	1	-	-
Activities on the West Bank	5	-	-
Destruction of natural resources in Western Sahara	2	-	-
Exclusion list – companies in emerging markets			
Number of excluded companies	39	-	-
Reasons for exclusion			
Production of nuclear weapons	9	-	-
Production of cluster bombs	23	-	-
Production of land mines	3	-	-
Violation of workers' rights	3	-	-
Violation of human rights	1	-	-
Environmental violations	4	-	-
Activities on the West Bank	0	-	-
Destruction of natural resources in Western Sahara	0	-	-

Responsible employer	2019	2018	2017
Employee engagement			
Job satisfaction	80	78	-
Satisfaction with Sydbank as workplace	82	79	-
Job motivation	82	80	-
Education and training at Sydbank (completion rate)			
Prevention of money laundering and terrorist financing	99.03	-	-
Processing of personal data	99.08	-	-
Information security	-	-	-
Investment advice – yellow and green products as well as MiFID	99.02	-	-
Property advice (mortgage credit directive)	98.69	-	-
Reported incidents			
Work-related injuries	11	10	10
Robberies	0	0	0
Unpleasant customer confrontations	8	9	10
Organisational composition			
Employees (FTEs)	2,107	2,130	2,104
Employees in flex jobs	20	18	15
Employees in management positions (%)	13.3	14.1	13
Absence due to illness (%)	3.1	2.8	2.6
Employee turnover rate (%)	12	9,1	11,5
Women board members (%)	30	21	17
Women in management positions (%)	30	30	31
Gender balance (M/F) among employees (%)	48/52	49/51	48/52
Pay gap between CEO and employees (times)	12.6	12.6	11.9
Pay gap between women and men (times)	1.2	1.2	1.2
Active local communities			
Sponsorships			
Nationwide sponsorships	2.9	3.9	1.4
Regional/local sponsorships	8.3	7.7	7.5
Fund donations			
Sydbank Fonden	13	13.6	10.4
Trelleborg Fond	2.5	3.2	2.3
Study travel grants	0.6	0.6	0.6

Our climate footprint	2019	2018	2017
Scope 1 CO₂ emissions (tonnes)			
Transport in Sydbank's cars (petrol)	43	31	22
Transport in Sydbank's cars (diesel)	363	372	340
Transport by private car (petrol and diesel)	367	398	407
Owned branches in Denmark (natural gas)	29	30	30
Leased branches in Denmark (natural gas)	18	19	19
Discontinued branches in Denmark (natural gas)	1	4	3
Total scope 1 CO₂ emissions	821	855	821

Scope 2 CO₂ emissions (tonnes)			
Sydbank's head office (electricity)	586	613	527
Owned branches in Denmark (electricity)	519	567	532
Leased branches in Denmark (electricity)	258	269	200
Discontinued branches in Denmark (electricity)	3	26	80
Branches in Germany (electricity)	146	152	170
Sydbank's head office (district heating)	74	68	109
Owned branches in Denmark (district heating)	230	239	420
Leased branches in Denmark (district heating)	69	68	110
Discontinued branches in Denmark (district heating)	1	10	55
Branch in Hamburg (district heating)	17	17	17
Branches in Flensburg and Kiel (district heating)	89	87	80
Total scope 2 CO₂ emissions	1,991	2,114	2,300
Total scope 1 and scope 2 CO₂ emissions	2,813	2,969	3,122

Scope 1 and scope 2 CO ₂ emissions by consumption (tonnes)			
Transport (cars)	773	801	769
Electricity	1,512	1,627	1,509
Heat (natural gas and district heating)	528	542	843

Transport by car	2019	2018	2017
Number of kilometres driven in private cars for business purposes	2,909,887	3,161,828	3,226,339
Number of kilometres driven in Sydbank's cars	1,857,265	1,839,240	1,648,200
Total number of kilometres driven	4,767,152	5,001,068	4,874,539
Consumption of diesel (litres)	136,698	140,277	127,997
Consumption of petrol (litres)	18,074	12,993	9,353

Consumption - natural gas	2019	2018	2017
Owned branches in Denmark	11,459	11,858	12,042
Leased branches in Denmark	7,224	7,697	7,863
Discontinued branches in Denmark	509	1,536	1,418
Total consumption - natural gas	19,192	21,090	21,323

Consumption – electricity (kWh)	2019	2018	2017
Sydbank's head office	2,763,782	2,889,161	2,713,935
Owned branches in Denmark	2,445,777	2,672,629	2,739,976
Leased branches in Denmark	1,216,532	1,267,131	1,029,052
Discontinued branches in Denmark	12,782	123,578	414,875
Branches in Northern Germany	307,585	319,771	350,118
Total consumption – electricity	6,746,458	7,272,271	7,247,956

Consumption – district heating (kWh)	2019	2018	2017
Sydbank's head office	1,377,095	1,285,027	1,127,664
Owned branches in Denmark	4,275,458	4,478,711	4,501,109
Leased branches in Denmark	1,276,728	1,269,088	588,189
Discontinued branches in Denmark	13,385	181,727	588,189
Branches in Kiel and Flensburg	349,426	345,956	324,287
Branch in Hamburg	73,118	73,118	73,118
Total consumption – district heating	7,365,210	7,633,627	7,796,763

SDG	Target	How we contribute
9. Industry, innovation and infrastructure	9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	Sydbank makes financial services available to small and medium-sized enterprises. Through InnovFin innovative corporate clients are offered financing at a low rate of interest.
8. Decent work and economic growth	8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	We make financial services available to small and medium-sized enterprises, which helps to create jobs and growth. At Sydbank we also work to ensure equal pay for men and women and to promote a safe working environment for employees.
	8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	At Sydbank we also work to ensure equal pay for men and women and to promote a safe working environment for employees.
16. Peace, justice and strong institutions	16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.	At Sydbank we comply with policies and measures helping us to prevent the Bank from being used in connection with organised crime.
5. Gender equality	5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Sydbank would like to see more women in management positions. We work to ensure that women have the same access to management positions as men. When recruiting new employees we ensure that there is always an open and unbiased selection process.
7. Affordable and clean energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix.	In 2020 Sydbank will have a solar cell system that will cover part of the head office's energy consumption. In 2020 our power will come exclusively from renewable energy sources.

Definition

The individual KPIs appearing from this report are defined below.

Financial stability

Customer satisfaction

Customer satisfaction among retail clients is measured by EPSI. The result for 2019 is from surveys conducted in March and August. The customer segments Sydbank Favorit, 18/29 and Private Banking are included in the survey.

Customer satisfaction among corporate clients is measured by Aalund. The result for 2019 is from surveys conducted during the period from November 2018 to July 2019. In both instances our scores are compared to the scores of Denmark's five largest banks. The results shown are Sydbank's ranking in this context.

Overview

All data is available in the Sydbank Group's annual reports for 2017, 2018 and 2019.

Responsible investment

Engagement with companies

The engagement process is carried out by Sustainalytics on behalf of Sydbank. Previously Sydbank collaborated with the company GES, which merged with Sustainalytics in January 2019. This change means that Sydbank has gained access to screening and engagement with a substantially larger number of companies than in previous years. On account of gradual data consolidation previous years will not be comparable with 2019. There are certain methodological differences between GES and Sustainalytics as regards screening and engagement that present challenges in terms of preparing historical comparisons.

Sustainalytics' engagement process is based on the results of systematic screening of companies' compliance with well established international conventions and guidelines such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as human rights conventions and environment and climate conventions. The process is supplemented by a more detailed screening with regard to controversial ESG issues and in 2019 it was further expanded to include Sustainalytics' ESG Risk Ratings, which is an assessment of a company's ESG risks.

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

Engagement cases normally arise if there is suspicion of a serious violation of international norms. The suspicion emerges as an

observation detected in Sustainalytics' ongoing and very comprehensive screening of company news and data.

Observations of a company's possible violation of norms and the registration of controversial ESG issues are categorised according to severity. The scale goes from 0 (none), 1 (less controversial), 2 (moderately controversial), 3 (significant issue), 4 (severe issue) to 5 (very severe issue).

Proactive engagement in emerging markets

Proactive engagement does not hinge on whether a case concerns the violation of norms. Proactive engagement aims to assist companies in countries where the level of development is low to work constructively with ESG risks relating to their business model. Many companies in countries where there is a high level of corruption and weak social institutions can benefit significantly from proactive engagement. Sydbank's participation in this work takes place with other Danish and international institutional investors. The purpose is to create a trustful dialogue.

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

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

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

During 2019 983 companies were screened, 724 of which were from mature markets and 259 from emerging markets.

Exclusion list

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

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

In 2019 there was an increase in the number of excluded companies due to Sustainalytics' extended screening universe. This means that far more companies are screened compared to previous years. This is why the figures from previous years are not comparable.

Responsible employer

Employee engagement

Sydbank has used Ennova to measure employee engagement since 2018. The change in service provider resulted in a change in methodology. The results from before 2018 do not appear from the table above since the data is not comparable. Employee engagement is measured every six months. Every other year a more comprehensive survey is conducted whereas the smaller biannual surveys are more condensed.

The figures for 2019 are the result of the most recent employee engagement survey. The results for 2019 are therefore not directly comparable with the 2018 results but they do give an indication of the direction in which employee engagement is moving. The survey does not include employees in temporary positions, persons employed as caretakers, employees paid on an hourly basis, employees on long-term sick leave, employees on leave or employees released from the duty to work.

Education and training at Sydbank

This report contains information on which mandatory training courses employees take and the percentage of employees who finish the training course as scheduled. Human Resources has a follow-up procedure for employees who have not completed a course on time. Together with the employee's immediate superior the reason for this is found and a new completion date is agreed. The data is extracted from the system VidenBarometer,

which is the digital platform where the training courses are taken and data is stored. Data is extracted twice a year and the data included in this report is from 31 May 2019.

Training in information security was a new initiative in 2019. As yet there is no complete data set regarding this course and therefore the completion rate is not disclosed. The data will be available in the second quarter of 2020.

Reported incidents

All kinds of physical injuries at the workplace as well as assaults, threats and robberies where an employee is offered psychological support are reported as work-related injuries. At Sydbank it is not a requirement that an employee is absent from work before an injury can be reported as a work-related injury. Customer confrontations where an employee does not receive psychological support right away are registered as 'unpleasant customer confrontations'. All incidents are registered on the basis of an individual assessment by Sydbank's head of security. The figures are made up at 31 December 2019.

Organisational composition

The number of employees is the average number of staff translated into full-time staff. The figure does not include employees released from the duty to work, employees on leave without pay, compensated overtime and employees paid on an hourly basis.

The number of employees in flex jobs includes employees under flex job agreements and includes employees who are employed in flex jobs according to the old and the new flex job scheme. The figures are based on data from 31 December 2019.

Absence due to illness is registered in Sydbank's HR system and includes the employee's sickness absence, a child's sickness and partial sickness. Sickness absence is calculated for the year as the total number of sick days/FTEs. The employee turnover rate is calculated using the formula: $((\text{FTEs leaving voluntarily} + \text{FTEs leaving involuntarily}) / \text{FTEs}) \times 100$. The figure is based on data from 31 December 2019.

Gender diversity on the Board of Directors is calculated for the entire board, which consists of shareholder-elected board members and board members elected by the employees. Gender diversity among employees in management positions includes all managers at Sydbank with staff responsibilities including the Group Executive Management. Gender diversity among employees comprises all permanent and temporary FTEs. The figures are based on data from 31 December 2019.



The pay gap between the CEO and employees and the pay gap between men and women are calculated on the basis of the median salary. Pay is exclusive of any bonuses and overtime pay. The figures are based on data from 31 December 2019.

Our climate footprint

The CO₂ accounts for 2019 have been prepared according to the GHG standard to ensure that going forward our CO₂ emissions will be calculated so that they can be compared with CO₂ emissions from other businesses. Sydbank has submitted data to engineering consultancy company NIRAS, which has prepared the CO₂ accounts. All consumption in the CO₂ accounts is based on data from App.KeepFocus except for district heating used by a few branches, which is estimated by NIRAS.

This means that the data disclosed in the 2019 report is not comparable with CO₂ data from earlier CSR reports. In future CO₂ emissions will be calculated according to the GHG Protocol methodology. The CO₂ accounts are made up for 2017, 2018 and 2019.

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

Scope 1

Scope 1 comprises direct CO₂ emissions from own buildings as well as transportation in Sydbank's cars and transportation by private car for business purposes. Transportation in Sydbank's cars is calculated according to consumption of petrol and diesel in litres whereas transportation in private cars is calculated according to employees' registrations of kilometres driven in the Bank's HR system. Sydbank collects data on petrol and diesel consumption from the three fuel companies with which the Bank has an account. In 2019 data on consumption broken down by petrol and diesel was only available from two of the three companies. The consumption of petrol and diesel in 2019 is an estimate calculated by finding a weighted average of consumption from the two companies where the consumption of petrol and diesel was specified separately and adding it to the consumption of petrol and diesel disclosed by the two companies. Emission factors from Energy Statistics 2016 issued by the Danish Energy Agency and

from the Danish Transport Authority have been used to convert consumption and kilometres into CO₂ emissions. The emission factor from the Danish Transport Authority is the average emission per person per kilometre driven by car. The figures are subject to uncertainty as assumptions about the average number of kilometres per litre of fuel are embedded in the emission factor.

Natural gas consumption is specified in terms of whether Sydbank's branches in Denmark are owned, leased or discontinued. The emission factor from Energy Statistics 2016 issued by the Danish Energy Agency has been used to convert consumption into CO₂ emissions.

Scope 2

Scope 2 comprises consumption of collective energy. Electricity, water and heat consumption as regards 90% of Sydbank's buildings is monitored on an hourly basis via the system App.KeepFocus.

Electricity consumption includes all branches as well as sites where there are Sydbank ATMs. Emission factors regarding Danish electricity based on data published by Energinet for 2017 and 2018 as well as the 125% method have been used to convert consumption into CO₂. The emission factors for the branches in Northern Germany are from the German Environment Agency.

District heat consumption is calculated for Sydbank's head office, branches owned and leased in Denmark, discontinued branches in Denmark and branches in Northern Germany. With regard to the German branches the emission factors for district heating differ in the two regions where the branches are located. In some Danish and German branches the cost of heating is included in the rent and in these cases heat consumption has been estimated based on data from the Danish Building Research Institute.

The Danish Energy Agency's emission factors regarding district heating have been used to convert consumption into CO₂ according to the same principles as those applying to electricity. Emission factors regarding district heating in Germany are from the German Renewable Energies Agency.

Active local communities

Sydbank's sponsorships

Sydbank's sponsorships are nationwide and local sponsorships and are activated throughout the country. The sponsorships are agreed with Communications & Marketing or with the Bank's branches in Denmark and Germany. All sponsorships are registered in Sydbank's financial management system. The figures do not include the Bank's sponsorship activation costs.

In 2019 we changed the method of calculation for sponsorships. Therefore the figures for previous years' sponsorships are not comparable with the figures for 2019.

Fund donations

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

Sustainable development goals

The sustainable development goals represent the UN's blueprint to end extreme poverty and hunger, ensure education, decent jobs and equal opportunities, reduce inequalities and ensure sustainable production, infrastructure and energy and to combat climate change. Sydbank chose to focus on five SDGs in 2019. We have selected the goals that we believe we contribute significantly to.

As a bank and a workplace, Sydbank contributes to the SDGs primarily on a national level. In the investment area we do however make a contribution to many of the goals on an international level when we attempt to bring about improvements through dialogue and engagement with companies. We have elected not to include all the SDGs in play in engagement cases but instead focus on the goals related to a specific business activity.

Independent auditors' report on Sydbank's CSR Report for 2019

To Sydbank's stakeholders

As agreed, we have examined Sydbank's CSR Report for the period 1 January 2019 to 31 December 2019. Sydbank's CSR Report for 2019 has been prepared in accordance with the accounting policies described on pp. 50-59.

We are to conclude on Sydbank's CSR Report for 2019. The degree of assurance expressed in the conclusion is limited.

Management's responsibility

Sydbank's Management is responsible for the preparation of Sydbank's CSR Report for 2019 in accordance with the accounting policies described on pp. 50-59.

Sydbank's Management is also responsible for such internal control as Sydbank's Management considers necessary to enable the preparation of Sydbank's CSR Report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

We complied with independence requirements and other ethical

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

Performed work

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

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

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

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

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that Sydbank's CSR Report for 2019 has not been prepared, in all material respects, in accordance with the accounting policies described on pp. 50-59.

Copenhagen, 26 February 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
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