

## CSR/ESG risk assessment tool

To assist in the assessment of the customer's CSR/ESG risk level and its CSR/ESG risk mitigation capacity, the following list of questions on five core CSR/ESG themes: environment, climate change, human and labour rights; corruption, governance and transparency, has been developed. When preparing an assessment of CSR/ESG risks in a credit paper, the sections below should be used as a guide and an assessment tool where required or appropriate. Focus should be given to the themes of relevance for the specific customer CSR/ESG risk. Industry specialists in the relevant LCI corporate sections should be consulted where appropriate. The CSR unit shall normally be contacted and involved in matters regarding high climate, environment or social risks.

### Environmental issues

- Does the customer have an environmental policy and action plan, and are these followed up?
- Can the customer's production have a negative impact on the environment in the form of pollution, ruthless exploitation of scarce natural resources etc.? If yes – has the customer taken the necessary precautions to minimise the negative impact on the environment?
- Is the production based on best available techniques and relevant internationally recognised standards? If yes, name relevant techniques/standards.
- Does the customer meet emission requirements and regulations issued by the authorities?
- Does the customer publicly disclose its environmental targets and provide public reporting on environmental KPIs? If yes – what reporting is in place?
- Has the company implemented a certified environmental management system (e.g. ISO 14001 or similar)?

### Climate change

- Does the customer integrate relevant climate change challenges and opportunities (physical and/or regulatory) in its investment planning and execution?
- Has the customer considered the consequences for its business if policies to limit the likelihood of temperatures rising above 2 degrees Celsius are implemented successfully?
- Does the customer have a strategy that addresses a transition to a low-emission energy system?
- Does the customer integrate material climate change risks in the risk management of its own business activities and up- and downstream in its supply/value chain?
- Does the customer disclose and report material climate change risks and opportunities and greenhouse gas emissions in its annual reports and websites?
- Is the customer transparent on its interaction with policymakers and regulators, and its positions on climate change legislation and regulation?

### Human and labour rights

- Does the company have an occupational, health and safety policy and procedures in place and in active use to monitor and record workplace risks and incidents?
- Does the company address core human rights and labour rights issues, such as workplace discrimination, child labour and forced labour, fair working conditions and freedom of association in a human rights policy, CSR policy, or similar? Does it include sub-contractors directly employed by the customer?
- Is the policy or similar followed up?
- Does the customer provide its permanent and contracted workforce with remuneration that meets the relevant national legal standard on minimum wage?
- Does the customer ensure that working hours are not excessive and comply with applicable local laws on working hours?
- Does the customer ensure and recognise the right of free association and, where a significant proportion of the workforce agrees, collective bargaining for employees?
- Are production methods and working conditions safe?

- Is there a risk that the customer is involved in forced labour, child labour or in any other way contributes to the violation of human rights directly or via sub-contractors?
- Do the customer's operations help finance/support regimes associate with widespread human rights violations?
- Could production methods or products be harmful to life, health, nature or the environment or obviously contrary to what the general public regards as acceptable?

#### Corruption and ethics

- Does the customer have a code of ethics and/or an anti-corruption policy and is it followed up?
- Can the customer refer to specific examples of the consequences of violating the code of ethics?
- Are measures in place to prevent violation of the code of ethics?
- Has the customer established routines to notify violation of the code of ethics?
- Has the customer been involved in/associated with corruption? If the answer is yes, the following aspects should be considered:
  - When
  - Scope
  - Frequency
  - Hierarchical level
  - Sentence
  - Admissions/measures
- Does the customer use open tenders based on objective criteria?
- Is there a reasonable balance between payments to suppliers and the goods/services provided?
- Is or has the customer been involved in illegal price fixing
- Does the customer request payment to a bank in a tax haven?

#### Governance and transparency

- Does the customer have publicly available principles for corporate governance?
- Is there a transparent ownership structure?
- Does the customer comply with established accounting standards, and are the accounts available to public authorities and financial institutions?
- Do any of the customer's family members or close associates hold a political position?
- Does the customer address ESG standards and performance in its procurement operations?