

ESG and sustainability policy

1. Introduction

As one of Denmark's largest banks, Sydbank has a responsibility to make a positive contribution to developments in society so that together we can ensure a sustainable future for the next generations.

We live up to our responsibility and make our contributions to comply with global and national goals by way of the UN Sustainable Development Goals, the Paris Agreement and Danish climate legislation. We comply with applicable rules and legislation regarding ESG and sustainability and our efforts are guided by relevant national and international charters such as the UN Principles for Responsible Banking and the UN Principles for Responsible Investment.

We believe that our work on ESG and sustainability is an indispensable part of running a decent bank with a good reputation. Our overall objective is to embed ESG and sustainability into our core business because we believe that we can achieve the greatest long-term value when our efforts are business driven. Consequently it is essential that ESG and sustainability are incorporated into the Bank's products and processes. We aim to make wise decisions based on facts and we strive to make a real contribution to a sustainable transition. In other words we do not seek easy solutions but believe that the long haul will create the greatest effect.

Our ESG and sustainability efforts must be balanced with regard to the Bank's customers, employees, shareholders and society at large.

2. Five strategic focus areas

Sydbank focuses on five strategic focus areas. These areas have been selected because this is where we believe we can make the greatest difference.

Responsible finance

Through decency and systematic procedures we will ensure that Sydbank is an efficient, well-run and solid bank with a responsible approach to financing and lending to the Bank's customers.

With a sensible and cautious approach as regards lending the Bank will ensure a high credit quality. Our creditworthiness assessment ensures that customers can afford to take out a requested loan and are not placed in an unsustainable financial situation due to money owed to Sydbank.

Responsible investment

Sydbank will make investments in a responsible and sustainable manner. Our decisions will be made on a solid and updated basis where we analyse ESG issues in terms of financial and business risks. We will be active owners in a constructive dialogue with the companies we invest in.

Responsible employer

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

Sydbank believes that excellent and committed employees are the Bank's most important asset. Our objective is to maintain a strong employee engagement that is top-in-class.

Responsible climate footprint

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 and high priority is given to ensuring transparent reporting of our consumption.

A decent bank

Sydbank is one of Denmark's largest banks and given its SIFI label it has a responsibility to make a contribution to financial stability in Danish society. As a result the Bank has measures in place to ensure eg anti-corruption, prevention of money laundering, data protection, information security and data ethics – all measures that set the framework for a decent bank.

A significant part of Sydbank's ESG and sustainability efforts are defined in legislation and take place in close dialogue and collaboration with public authorities.

3. Training – ESG and sustainability

By training its employees, Sydbank strives to ensure a sufficiently high knowledge level within ESG and sustainability. The Bank provides training to its employees in the form of a basic training programme as well as targeted training to selected employee groups where specific knowledge of ESG and sustainability is relevant.

4. International agreements and endorsements

In 2010 Sydbank signed the UN Principles for Responsible Investment and consequently the Bank is committed to comply with the six principles for responsible investment.

Sydbank joined the UN Global Compact in 2020 and as a result Sydbank has undertaken to adhere to the 10 principles of the Global Compact and to report on its compliance with the principles on an annual basis.

Sydbank signed the UN Principles for Responsible Banking in 2020 and as a result Sydbank has undertaken to incorporate the six principles for responsible banking within a period of four years and to report on a regular basis on its progress.

In addition Sydbank follows the UN Sustainable Development Goals, the Paris Agreement, the OECD Guidelines for Multinational Enterprises and ILO conventions on dignity of workers.

5. Sustainable governance foundation

The policy for ESG and sustainability is implemented in Sydbank's governance foundation, which includes the following policies:

- Code of conduct
- Conflicts of interest policy
- Policy for prevention of money laundering, terrorist financing and sanctions breaches

- Responsible investment and active ownership policy
- Tax policy
- Remuneration policy
- Policy for the underrepresented gender
- Policy for healthy corporate culture
- Data ethics policy
- Anti-corruption and bribery policy

6. Scope, responsibility and follow-up

Sydbank's policy for ESG and sustainability comprises the entire Group and encompasses all employees.

The Board of Directors is responsible for preparing and updating the policy. On a regular basis and at least once a year the Board of Directors considers whether the policy should be updated. Once a year the Board of Directors examines whether the policy is complied with, including whether the Bank complies with its obligations in relation to international agreements and endorsements.

Furthermore the Board of Directors is responsible for the Bank's strategy for ESG and sustainability. At least once a year the Board of Directors reviews the Bank's strategy and objectives in this area.

Qualifications or practical experience in ESG and sustainability must be present on the Board of Directors and the Board's Audit Committee.

The Group Executive Management is responsible for the Bank's ESG and sustainability efforts. In practice this responsibility has been delegated to Sydbank's ESG Forum, which consists of Sydbank's CEO as well as relevant group executive vice presidents or their representatives. The forum guarantees dialogue and sparring on objectives for the five focus areas and determines which ESG and sustainability activities should be launched. Secretariat, Strategy & ESG is the secretariat for Sydbank's ESG Forum.

The day-to-day activities concerning ESG and sustainability are carried out in the Bank's business units. The activities are wide ranging, which is why an ESG working group has been set up to focus on sparring and knowledge sharing across the Bank's business areas. The group includes relevant employees whose daily work involves ESG and sustainability in the Bank's business areas. The day-to-day activities, including the Bank's compliance with legislation and reporting obligations, are coordinated by Secretariat, Strategy & ESG.

Further information about Sydbank's ESG and sustainability efforts is found at sydbank.dk/omsydbank under "ESG og bæredygtighed" [ESG and sustainability] (in Danish only).