



Human rights and decent work: **Our responsibility**

SpareBank 1 SR-Bank Group statement on human rights diligence in accordance with the Norwegian Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)

Executive summary

Business responsibility

Businesses contribute positively to society through job creation, innovation and development. At the same time, it is well known that we face major challenges concerning negative impacts on human dignity in global value chains, for example through forced labor and dangerous working conditions for workers. All companies therefore have a responsibility to ensure that human rights and decent working conditions are respected in their own activities and in the value chain. This is established in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises from 2011. As of 2022, the corporate responsibility to respect human rights is also a legal requirement for many Norwegian businesses.

Transparency Act requirements

The Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) requires that all larger enterprises in all sectors that are resident in Norway and that offer goods and services in or outside Norway: undertake *due diligence* for own activities and supply chain to identify and manage risks relating to adverse impacts on human rights and decent working conditions; *report* publicly on their due diligence; and *respond to requests for information* about human rights risks linked to the enterprise.

This public account for 2022 for the SpareBank 1 SR-Bank Group covers the parent company SpareBank 1 SR-Bank and the wholly owned subsidiaries, including EiendomsMegler 1 SR-Eiendom AS and SpareBank 1 SR-Bank ForretningsPartner AS who themselves are subject to the Transparency Act.

Respect for human rights integrated in strategy and policies

SpareBank 1 SR-Bank is committed to respecting fundamental human rights and labour rights. The commitment is embedded in the overall sustainability strategy, where the social dimension is a cornerstone together with the efforts focused on climate and green transition.

To fulfill the enterprise's responsibility to respect human rights, the UNGPs and the OECD Guidelines require risk-based human rights due diligence. This involves a process to embed responsibility in company policies, map and assess risks to people in company operations and the value chain, implement procedures and measures to manage negative impacts, track results, communicate externally about the risk management, and ensure remediation if the enterprise has caused or contributed to actual adverse impacts.

The due diligence standard established by the UNGPs and the OECD is integrated in the various policies and guidelines of SpareBank 1 SR-Bank relating to sustainability¹, which the Group has developed over a longer period of time.

Due diligence in SpareBank 1 SR-Bank

Most of both our own activities and those of our corporate clients are concentrated in Norway. The risk of becoming involved in breaches of human rights and decent work standards is generally low in the context of Norway, but this does not mean that the issue is insignificant. Potential connections to such negative impacts and serious risks can occur both at home and in companies' supply chains. Respect for human rights and decent working conditions is a key aspect across several areas of the Group, notably in our roles as:

1 See <https://www.sparebank1.no/en/sr-bank/about-us/Sustainability.html>

- **Employer**, which includes work on gender equality, anti-discrimination, inclusion and diversity, working environment, employee cooperation, employee privacy and whistleblowing.
- **Corporate lender**, where thorough due diligence is carried out on corporate clients as part of the anti-money laundering (AML) and credit process. This includes assessments of the risk of financial crime and social dumping. In addition, extended ESG (environmental, social and governance) assessments are carried out for commitments exceeding NOK 10 million. We also have specific requirements, for example for shipping companies with regard to responsible recycling of ships, an activity associated with high risks relating to decent working conditions globally.
- **Financial service provider for the retail market**, where we are committed to avoiding unintended negative impacts on individuals, for example with regard to personal data protection, equality and discrimination.
- **Intermediary of fund products**, where we set expectations for the asset managers of the funds we offer to customers to adhere to principles for responsible investment and international human rights standards.
- **Buyer**, where supply chain due diligence is an important focus area of the SpareBank 1 Alliance cooperation on sustainable procurement. A large part of our procurement is managed through joint agreements through SpareBank 1 Utvikling, which in 2021-22 undertook follow-up of suppliers with high risk of exposure to breaches of international standards.

The continuous due diligence ensures that we are aware of these risk areas.

The due diligence also points toward new challenges for the financial sector:

- The risk of unintended discrimination through digital solutions and artificial intelligence (AI).
- The risk of serious human rights abuses in the green energy value chains, both at the producer level (e.g. production of solar cells) and the raw material level (extraction of minerals).
- Just transition in the green transition, which takes into account negative impacts on workers and local communities affected by the development of renewable energy.
- The link between human-induced climate change and the negative impacts on individuals most affected by climate change today and for future generations.

Transparency and cooperation

Transparency is crucial to succeed with a sustainable transition, in general. Via our website, anyone who has questions about our work relating to human rights can contact us for more information.²

In our further work on human rights, we will, among other things, focus on:

- Training to enhance further work on human rights due diligence.
- Integrating respect for human rights in the green transition.
- Human rights due diligence as a part of SpareBank 1 SR-Bank ForretningsPartner's ESG advisory services.
- Cooperation within the SpareBank 1 Alliance on sustainable procurement and continued development of ESG assessments in credit processes.
- Dialogue with both business enterprises and associations as well as other actors about solutions and dilemmas in the context of responsible business conduct due diligence, for example through our participation in the FUTURE-PROOF initiative organized by the Rafto Foundation and the Bergen Chamber of Commerce and Industry.

Over the coming period, we expect that efforts focused on human rights and decent working conditions in value chains will continue to grow in importance among our stakeholders and partners. Implementation of the Transparency Act and the international standards upon which it is based, must be at the heart of the common efforts needed for the road ahead. SpareBank 1 SR-Bank Group will take its part of the responsibility.

² See <https://www.sparebank1.no/nb/sr-bank/om-oss/baerekraft/Aapenhetsloven.html>

Content

Executive summary	2
Foreword by the Board	5
CEO's foreword	6
1. Introduction	
1.1 Transparency Act requirements	8
1.2 The international standards	8
1.3 About SpareBank 1 SR-Bank	9
1.4 About this report	9
1.5 Due diligence for a financial group	10
2. Our approach to fundamental human rights	
2.1 Overall ambition for our work on sustainability	11
2.2 Transparency as cornerstone and enabler	11
2.3 Our commitment to respect human rights	11
2.4 Our policies and guidelines	12
2.5 Organization and responsibility	12
3. Due diligence	
3.1 What the responsibility to respect human rights entails	13
3.2 The due diligence model	13
3.3 Due diligence in practice at SpareBank 1 SR-Bank	13
3.4 Own activities: Priority areas	14
3.5 Our value chain: Priority areas	15
4. Risk assessment and our most salient risk areas	
4.1 How risk areas have been identified	17
4.2 Overall risk assessment and due diligence findings	17
5. Handling negative impacts	
5.1 Remediation as a central principle	21
5.2 Our mechanisms for reporting issues of concern	21
5.3 Handling information about corporate clients' responsible business conduct	21
5.4 Supplier follow-up in case of information of breaches	21
6. Further measures and plans	
6.1 Continuous work	22
6.2 Training	22
6.3 Practical support to companies' due diligence	22
6.4 Dialogue and cooperation with other actors	22
Appendix: Key references	23

Foreword by the Board

All business enterprises should respect internationally recognized human rights and decent work standards. This is a global minimum standard that applies regardless of a company's size, sector or where it is based. This standard was established by UN member states in 2011 through the UN Guiding Principles on Business and Human Rights (UNGPs).

Since 2011, the UNGPs have been integrated into a number of international standards and regulations. The OECD Guidelines for Multinational Guidelines are central in this context. They integrate the UNGPs' standard of due diligence to prevent and address adverse impacts on human rights and labour rights. With the introduction of the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) in Norway from 2022, this international standard is now a legal requirement for many Norwegian companies. The Transparency Act applies to enterprises in the financial sector – as do the expectations set by the UNGPs and the OECD Guidelines – in the same way as to companies in all other sectors.

The Transparency Act applies to the SpareBank 1 SR-Bank Group. This report is the Group's public statement in accordance with the requirement of accounting annually on the enterprise's due diligence (and otherwise to be updated in case of significant changes to the enterprise's risk assessments). The Board of Directors is responsible for overseeing the report and the Group's other work to comply with the duties set out in the Act. As required by the Act, this report has been made easily accessible on the website of SpareBank 1 SR-Bank. It is also referenced in the annual reports.

SpareBank 1 SR-Bank has worked over several years to ensure alignment with the UNGPs and the OECD Guidelines in our governance tools and across the enterprise. Respect for human rights and labour standards are integrated into the Group's sustainability strategy, which is also an integral

part of the Group's overall strategy. As a responsible financial group, we work continuously to ensure respect for individuals in our own operations and that fundamental rights are upheld in the value chains that we are connected to. Undertaking due diligence for responsible business conduct is part of a larger system that encompasses both internal issues – such as equality and diversity and the working environment for our own employees – and the core business related to financing and advisory services for both retail customers and corporate clients. For several years, we have also worked systematically to strengthen supply chain due diligence as part of the Group's work on sustainable procurement, in collaboration with the other SpareBank 1 banks through SpareBank 1 Utvikling.

Responsible business conduct due diligence is also a tool that enables better and more holistic risk management. Human rights and decent work due diligence concerns risks to people, meaning the likelihood of adverse impacts on individuals. Quality due diligence also reinforces corporate risk management, however. Notably, ESG assessments carried out in credit applications for corporate client engagements exceeding NOK 10 million include human rights criteria.

Both the Transparency Act and the due diligence standard set out by the UNGPs and the OECD Guidelines require communicating externally about risk assessments and management in a meaningful and comprehensive manner. This is also a natural component of good practice and transparent corporate governance.

The Transparency Act and similar regulations are important contributions to our common challenge of addressing the social dimension of sustainable development. The Board of Directors supports and follows up the Group's efforts in this area, as part of our responsibility under the Transparency Act, but also as a key aspect of the work on a comprehensive sustainability strategy for the Group.



Dag Mejdell



Kate Henriksen



Kjetil Skjæveland



Trine Sæther Romuld



Jan Skogseth



Camilla AC Tøpfers



Sally Lund-Andersen



Kristian Kristensen



Benedicte Schilbred Fasmer

The statement is also approved by the CEO and board of directors of:

EiendomsMegler 1 SR-Eiendom
SpareBank 1 SR-Bank ForretningsPartner



CEO's foreword

Business responsibility in the area of fundamental human rights has been a key issue in Norway in 2023, as seen in the examples of conflict between wind power and indigenous rights and concerns about forced labour in the supply chains of Norwegian companies. The Transparency Act also contributes greatly to companies having to recognize their responsibility in this area to a greater extent. The global challenges are significant and well recognized but have not previously received as much attention from most companies in Norway.

The issue is highly relevant to both SpareBank 1 SR-Bank and our corporate clients as well as other partners due to several reasons:

- The Norwegian economy – and many Norwegian companies – are part of global value chains where workers and local communities in many places experience serious breaches of international standards. This is part of the background to the Transparency Act, which is

based on international standards developed through multi-stakeholder cooperation at the UN and the OECD.

- War and violent conflict increase the risk of human rights violations, not only in the areas of armed conflict, but also as a result of more displaced people ending up in vulnerable situations. This increases the risk of modern slavery in the supply chains of several industries. The tragic war in Ukraine is adding to this risk for supply chains in Europe.
- Examples of human rights abuses in an economic context also emerge regularly in Norway.
- Challenges related to gender equality, diversity and anti-discrimination in society at large and in the economy remain. This issue is fundamentally about human rights. The need to strengthen gender equality in the financial sector is also well known.

Risk exposure for Norwegian companies in this area is increasing. This is not least due to a world characterized by “poly-crisis”, where both the environment and democracy

are under pressure. Exposure is also increasing due to regulatory and market developments. With the Transparency Act – and similar laws in other European countries – expectations of responsible business conduct are becoming a legal requirement. Expectations of respect for human rights and international labour standards are also increasingly integrated into the financial sector’s ESG risk management. This applies to SpareBank 1 SR-Bank and our requirements to corporate clients. We also observe the same trend among an increasing number of large investors.

As a responsible financial group, we strive to avoid causing or contributing to human rights abuses. We also work to make a positive contribution toward promoting respect for human rights and decent working conditions among our business partners and across the value chains to which we are connected.

Respect for human rights is also a key part of our sustainability strategy. The simple reason is that without respect for the equal value and fundamental freedoms of individuals, sustainable development becomes meaningless. Many of the Sustainable Development Goals (SDGs) are precisely about addressing different forms of inequality. Climate action is also fundamentally about preserving the planet and the livelihoods of people affected today and for future generations.

Respect for human rights and decent working conditions across the value chain is a bedrock of the UN’s SDGs and the S in ESG. The transition to a more sustainable economy also involves new challenges and dilemmas. A major common challenge concerns not least the conditions for workers in minerals extraction or production of components to green technologies.

In other words, it is not enough to be “green” to be sustainable. Respect for human rights needs to be ensured.

The UNGPs and the OECD Guidelines, together with the UN human rights instruments and ILO core conventions, are at the heart of the Group’s work in this area.

SpareBank 1 SR-Bank’s commitments are embedded in our overall strategy and sustainability policy and integrated across a number of other governing documents (see our sustainability library ¹).

SpareBank 1 SR-Bank undertakes due diligence in line with the UNGPs and the OECD Guidelines. Our work in this area is based on the international standards that we have committed to implement.

We will continue to strengthen this work over the coming period. At the same time, we acknowledge that these efforts are for the long term and are about continuous improvement.

One of our contributions is to raise awareness about the need for due diligence among our corporate clients. Through the sustainability advisory services offered by SpareBank 1 SR-Bank ForretningsPartner several companies have also received practical support to getting started on the Transparency Act and human rights due diligence.

SpareBank 1 SR-Bank supports the dual purpose of the Transparency Act to promote business respect for fundamental human rights and decent working conditions in the context of production of goods and delivery of services and ensure the public’s access to information about how businesses manage adverse impacts on human rights and labour rights.

Transparency and information about risks to human rights and decent working conditions is a prerequisite for helping to improve the situation in the value chains that Norwegian businesses are part of. It is also crucial to the success of the transition to a sustainable society.

The annual statement on human rights due diligence is an important tool in this context.

¹ See <https://www.sparebank1.no/en/sr-bank/about-us/Sustainability.html>



Benedicte Schilbred Fasmer
Konsernsjef

1. Introduction

1.1 Transparency Act requirements

The Norwegian Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) entered into force on 1 July 2022. The purpose of the Act is to promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions.

The enterprises subject to the law have a:

- Duty to carry out due diligence for own activities and supply chain as well as other business partners that supply goods or services directly to the enterprise.
- Duty to publish an account on their due diligence and make the account easily accessible on the enterprise's website.
- Duty to respond to information requests relating to the due diligence, which reflects the right of any person to information from an enterprise regarding how the enterprise assesses and addresses the risk of adverse impacts on fundamental human rights and decent working conditions connected to the products and services offered by the enterprise.

The Act applies to larger Norwegian enterprises, meaning enterprises that are covered by Section 1-5 of the Accounting Act, or that on the date of financial statements exceed the threshold for two of the following three conditions:

1. sales revenues: NOK 70 million
2. balance sheet total: NOK 35 million
3. average number of employees in the financial year: 50 full-time equivalent (FTE)

It is estimated that close to 9 000 Norwegian enterprises are directly covered by the law.

1.2 The international standards

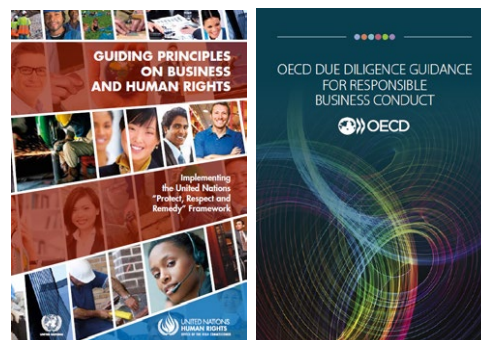
Enterprises covered by the Transparency Act are required to carry out due diligence.

The Transparency Act is based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). The OECD Guidelines and the UNGPs are the key international frameworks on responsible business conduct, which apply to both states and business enterprises. They set out the international standard for due diligence in this area. In brief, the standard involves a method for identifying, preventing, mitigating and accounting for how companies manage actual and potential negative impacts on labour and human rights in their own operations and in the value chain, referred to as "human rights due diligence".

The key issue is the risk that business activities can pose to individuals. In other words, it is about the likelihood of negative impacts on human rights and decent working conditions – and not risk to the business – although the two aspects may of course coincide.

The OECD Guidelines for Multinational Enterprises (updated in June 2023) also cover expectations for corporate due diligence in other areas such as labour relations, climate, environment, biodiversity, anti-corruption and transparency. A key element of the OECD Guidelines is the expectation that companies conduct due diligence to avoid harms to people, the environment and society. SpareBank 1 SR-Bank's due diligence follow the OECD Guidelines.

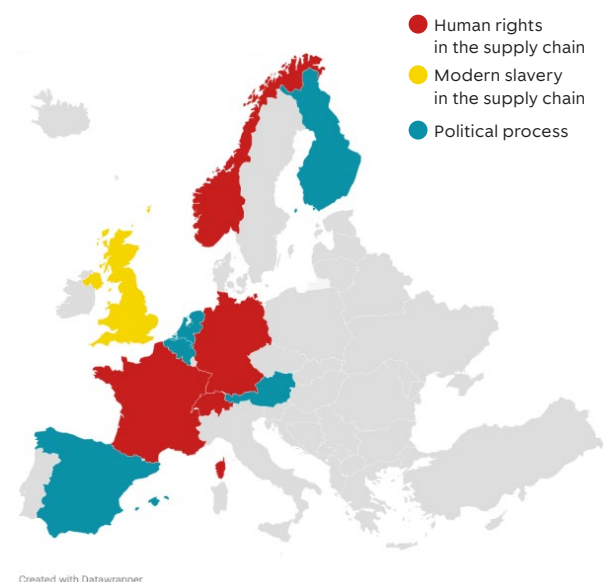
The UNGPs were unanimously adopted by UN member states in 2011. The OECD Guidelines were updated in the same year to align with the UNGPs' due diligence standard. Due diligence with a focus on preventing and managing negative impacts on internationally recognized human rights and decent working conditions in business activities has thus been established a fundamental expectation for business. It applies to all companies regardless of sector, geography, size and ownership. The Transparency Act makes this expectation a legal requirement for many Norwegian enterprises.



The due diligence standard of the UNGPs and the OECD Guidelines is also integrated into other leading standards and regulations for sustainable finance, not least into one of the most important EU instruments in this area: the Taxonomy for Sustainable Economic Activities. In addition to climate and environmental criteria, the Taxonomy requires that to be considered sustainable, the economic activity must meet minimum international social standards for human rights and labour rights. The way to document implementation of minimum social standards is precisely through due diligence in line with the UNGPs and OECD Guidelines.

Similar legislation, which in the same way as the Transparency Act is based on the UNGPs and OECD Guidelines, has been introduced or is being prepared in several other European countries. A draft regulation on due diligence for large European companies (EU Corporate Sustainability Due Diligence Directive, "CS3D") is being negotiated by the EU's governing bodies during the course of 2023.

New supply chain regulations



1.3 About SpareBank 1 SR-Bank

SpareBank 1 SR-Bank is a financial services group for the whole of Southern Norway. It has over many years developed into an extensive financial services group with subsidiaries and product companies that complement the bank's service provision. The Group helps customers make important decisions and investments – both in the lives of retail customers and in the development of companies.

The Group plays an active role in society. This is natural given the Group's roots and long history as a savings bank. SpareBank 1 SR-Bank actively works to stimulate job creation and to ensure that companies can grow. The Group wants to be an ally for companies in the green transition that will characterize Norwegian business going forward.

SpareBank 1 SR-Bank has a national distribution network and has for many years been the second largest Norwegian-owned bank. The Group has branches in Rogaland (headquarters in Stavanger), Vestland, Agder and Oslo.

SpareBank 1 SR-Bank is more than just a bank. The Group offers a varied range of traditional banking services such as loans, insurance and savings products, securities trading, accounting services and estate agency services for both retail and corporate customers. The Group's main business areas are traditional banking services designed for the retail, corporate and public sector markets.

Retail customers are the largest business area with more than 370 000 private individuals as customers and NOK 151.7 billion in loans. In addition, a total of 6 233 homes were sold by EiendomsMegler 1 SR-Eiendom AS in 2022.

Small and medium enterprises (SMEs) and agriculture are a focus area for the Group with a total customer base of 30 000 customers in the bank and SpareBank 1 SR-Bank ForretningsPartner. We define SME customers in the bank as companies and enterprises with a need for credit of up to NOK 50 million. This customer group includes everything from entrepreneurs and start-ups to well-established companies in Southern Norway.

Large corporates consist of about 3 500 customers in 500 customer clusters and groups. In this area, special expert hubs have been established for the public sector and industries such as energy and maritime, aquaculture, construction and real estate, manufacturing and technology. These expert hubs are divided into five geographic regions.

There are approximately 1 500 employees in SpareBank 1 SR-Bank including subsidiaries.

SpareBank 1 SR-Bank complies with the Transparency Act. The Group supports the purpose of the law and works to contribute positively to promote respect for fundamental human rights and decent working conditions through our business relationships and as part of our strategy to be an ally for business in the green and sustainable transition.

1.4 About this report

This report constitutes the annual public account by the SpareBank 1 SR-Bank Group on due diligence in accordance with the Transparency Act. It complements the Group's annual sustainability report for 2022. Both the due diligence account and the annual sustainability report are published on the Group's website.

The present statement includes the due diligence account for the SpareBank 1 SR-Bank ASA Group and the parent company SpareBank 1 SR-Bank.

In the process of preparing the account, all wholly owned subsidiaries were followed up and their work concerning suppliers and business partners was reviewed. The account covers:

- EiendomsMegler 1 SR-Eiendom AS, which has 32 offices in Southwest Norway and Oslo and whose business operations consist of brokering commercial property and selling holiday homes, new builds and used homes.
- SpareBank 1 SR-Bank ForretningsPartner AS, which offers accounting services and advisory for companies in the areas of human resources, pay, management consulting, CFO services and sustainability/ESG.
- Monio AS, which is a payment company and a registered loan arranger and provides loans-based crowdfunding in the Norwegian market.

- Finstart Nordic AS, the Group's investment and innovation company within fintech.
- SR-Boligkreditt AS. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank, which is funded by issuing covered bonds.

The majority of the parent company's procurement is

organized through the SpareBank 1 Alliance joint procurement, handled by the jointly owned SpareBank 1 Utvikling. This also applies to a large amount of the subsidiaries' procurement. The present account's description of purchases and suppliers of goods and services through the joint agreements is based on the work done by SpareBank 1 Utvikling.

Overview of how the present report covers the minimum requirements for the public account as set out by the Transparency Act:

• A general description of the enterprise's structure and area of operations	• Described in 1.3
• A general description of guidelines and procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions	• See chapter 2
• Information regarding actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence	• See chapter 4 • For findings related to our supply chain, including for subsidiaries, see 4.2.2
• Information regarding measures the enterprise has implemented or plans to implement to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results of these measures	• See chapters 3, 5 and 6 • For measures and follow-up related to our supply chain, see 3.5.3 and 4.2.2

1.5 Due diligence for a financial group

The key aspect of the Transparency Act is the requirement of continuous due diligence to prevent and manage actual and potential negative impacts on fundamental human rights and decent working conditions, *in own operations and in the supply chain*.

The UNGPs and the OECD Guidelines clarify that a company has a responsibility to respect human rights not only in its own operations, but also to take into account the risk of abuses that may occur in relation to the organization's business relationships. The UN and OECD standard thus prescribe *value chain* due diligence, while the Transparency Act has limited the scope to own operations and the supply chain.

For a financial group, where a large part of the core business is linked to the "downstream" value chain, the Transparency Act may set a too narrow frame if the focus is mainly on the supply chain. The Group's due diligence is based on the international standards and a broader value chain perspective, where the aim is to assess the risk to human rights and labour standards in the context of our various activities and roles. This includes our roles as a lender to corporate clients, as a service provider for both the retail and corporate markets and as a provider of savings and investment products. Naturally, due diligence is also integrated into our efforts to safeguard our own employees and promote sustainability in our procurement, that is, our supply chain and agreements with business partners who supply goods and services to the Group.

In line with both the Transparency Act and the UNGPs and the OECD Guidelines, due diligence should be conducted regularly and be proportionate to the size of the business, the nature of its operations, the context in which it operates, and the severity and likelihood of adverse impacts on fundamental human rights and decent working conditions. According to the UNGPs and the OECD Guidelines, a risk-based approach to value chain due diligence is required, even in industries that are initially assumed to be "low risk".

For a responsible financial group that takes the social dimension of sustainability seriously, due diligence in line with the UNGPs and the OECD Guidelines, which includes a value chain perspective, is a clear expectation. The OECD guidance on due diligence in the bank sector emphasizes that the expectations in the OECD guidance on responsible business conduct in general also apply to banks. The sectoral guidance states that for banking, client due diligence is an important part of the responsibility, and that due diligence may have a different character than for many other organizations where supplier relationships are a greater focus.

Due diligence in line with the UN and OECD standard is also a valuable tool for strengthening the Group's own risk management. For example, the UN has stated that due diligence that is limited to the supply chain risks overlooking significant risk areas that can be directly linked to an enterprise, and that this also applies to the financial sector.

2. Our approach to fundamental human rights

2.1 Overall ambition for our work on sustainability

SpareBank 1 SR-Bank’s ambition is to be a part of the solution and a proactive ally in the transition to a more sustainable society. This means that sustainability should be an integrated part of what the Group does, how we create valuable customer experiences, how we deliver results, how we run our business, and how we cooperate with each other and contribute to society. All employees should have an active and responsible approach to sustainability. Work on fundamental human rights and decent working conditions is one of the main pillars of our sustainability work and is integrated into our strategy. SpareBank 1 SR-Bank also has extensive procedures to counteract money laundering and hidden ownership and aims to contribute to responsible corporate governance among our business partners.

2.2 Transparency as cornerstone and enabler

We support the Transparency Act’s purpose of contributing to increased attention and openness about challenges related to human rights and decent working conditions in global value chains, both in and outside of Norway. This is entirely in line with SpareBank 1 SR-Bank’s own values related to openness, transparency and responsibility.

Information about risk and risk management is fundamental to solving major common problems. Openness and transparency are crucial to the success of a sustainable transition in general. It is also a cornerstone of good ethical corporate governance, where openness about challenges creates both a better basis for managing risk and greater credibility, both internally and externally.

However, an important acknowledgment for efforts to promote respect for human rights in the economic context is that no one is perfect. Social risk, both in own organization and in the value chain, can never be completely eliminated. For most large enterprises, gaining a full overview of risk in the value chain will also be a job that can never be fully achieved. The work of undertaking due diligence must be continuous, with continuous improvement as a goal.

To communicate about risks for human rights and decent working conditions and how this risk is managed is a key aspect of the due diligence standard of the UNGPs and the OECD Guidelines. This is also reflected in the Transparency Act’s requirements about annual disclosure and of responding to information requests. On the SpareBank 1 SR-Bank web page about the Transparency Act, we inform how any person who may have questions about our work related to human rights, can contact us.²

² See <https://www.sparebank1.no/en/sr-bank/about-us/Sustainability/transparency.html>

2.3 Our commitment to respect human rights

The SpareBank 1 SR-Bank Group’s commitment to respect fundamental human rights is embedded in the overall sustainability strategy. This is the core of the social dimension of our work on sustainability.

It is precisely the UNGPs and the OECD Guidelines, together with the UN human rights instruments human rights standards (notably the “International Bill of Human Rights”) and the ILO’s core conventions, that form the basis of the Group’s work to fulfil its responsibility to respect fundamental human rights.

The corporate responsibility to respect human rights, including core labour standards, is a universal norm. This norm is embedded across the UN Sustainable Development Goals (SDGs), which form the basis for the Group’s work on sustainability and sustainable transition.



Our priority sustainability goals include:

- SDG 13 to end climate change: through the Group’s activities, SpareBank 1 SR-Bank will contribute to reduction of climate gas emissions on national and global levels in line with the Paris Agreement.
- SDG 8 to realize decent work and economic growth: this includes the goal of contributing to decent working conditions both locally and in global value chains.
- SDG 5 about gender equality: this is fundamentally about ensuring equal opportunities and rights for everyone and to promote diversity, inclusion and equality.
- SDG 16 about peaceful and inclusive societies: this is about, among other things, building well-functioning, accountable and inclusive institutions on all levels, where a key focus for us is to contribute toward combatting financial crimes, such as labour market crime and money laundering, as well as contributing to openness and transparency. This includes safeguarding human rights through greater supply chain transparency.

SpareBank 1 SR-Bank has also joined central international initiatives where business respect for human rights is a key pillar:

- The UN Global Compact’s ten principles for responsible business conduct, which include commitments to respect

international standards for human rights, labour rights, anti-corruption and the environment.

- The UNEP Finance Initiative's Principles for Responsible Banking (PRB), which entail aligning the strategy to the UN SDGs, the Paris Agreement and other international frameworks, including the UNGPs.

To further underline the importance of our commitments in this area, SpareBank 1 SR-Bank joined the FUTURE-PROOF initiative.³ This collaborative platform on business and human rights established by the Bergen Chamber of Commerce and Industry will contribute to promoting the topic among Norwegian business and to sharing lessons on due diligence in practice. By signing the FUTURE-PROOF poster, the Group confirmed that: "We take our common responsibility of respecting human rights seriously. We do so by meeting the UN Guiding Principles on Business and Human Rights (UNGPs)".

2.4 Our policies and guidelines⁴

The commitment to respect fundamental human rights is further embedded in overall governing documents for the Group's work on sustainability.

The work to manage actual and potential adverse impacts on fundamental human rights and decent working conditions is supported by a dedicated standard for human rights for the entire SpareBank 1 SR-Bank Group.

In 2022-23, implementation efforts were strengthened through the elaboration of the Group's standard for due diligence based on the OECD guidance. It will be rolled out in relevant functions and units in 2023.

The responsibility of ensuring respect for human rights and decent working conditions is additionally integrated in several other governing documents that support the Group's work on sustainability and responsible and ethical business conduct:

- Sustainability policy
- Procurement policy
- Product and service governance policy
- Standard on sustainability for the corporate market
- Standard on sustainability for agriculture and nature
- Framework for sustainable financing, which aims to contribute to finance and facilitate sustainable economic activities, in line with international and national objectives on transition to a zero emissions society and the EU Taxonomy

³ <https://www.sparebank1.no/nb/sr-bank/om-oss/nyheter/sparebank1-sr-bank-slutter-seg-til-future-proof.html>

⁴ All governing documents and guidelines can be accessed in the SpareBank 1 SR-Bank sustainability library. See <https://www.sparebank1.no/en/sr-bank/about-us/Sustainability.html>; full list available only in Norwegian at <https://www.sparebank1.no/nb/sr-bank/om-oss/baerekraft.html>. The document Sustainability in SpareBank 1 SR-Bank describes the Group's work on sustainability and ESG risk management, https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Sustainability_in_SpareBank_1_SR-Bank.pdf.

- Standard on sustainable distribution and recommendations of mutual funds in SpareBank 1
- Responsible investments and ownership in SR-Bank
- Guidelines on diversity and equality
- Privacy statement
- Our ethical guidelines (Code of conduct)

Other relevant governing tools:

- Corporate governance
- Anti-corruption policy
- Group guidelines on anti-money laundering (AML) and sanctions

Additionally, the Group's product and service governance policy requires that sufficient quality control and risk assessment are undertaken when there are changes in products and services, with involvement of relevant functions and embedding of decisions at a sufficient decision-making level in the organization. A system-supported standardized process (PoPS) has been established to meet the requirement, with weekly formalized case processing meetings involving all relevant specialized areas of the Group. The process will ensure that customer interests are sufficiently taken into account in all launches and changes of products and services. The same risk and decision-making process applies to significant changes in customer related processes, including communication and marketing.

2.5 Organization and responsibility

The sustainability and climate strategy and associated policies and guidelines apply to the entire Group activities, including those of subsidiaries.

The Board of Directors has the ultimate responsibility for overseeing the sustainability strategy, which includes efforts to ensure respect for fundamental human rights and decent working conditions in own operations and in direct connection with the Group's business partners. The Board of Directors oversees the Group's work on due diligence and disclosure through the annual account pursuant to the Transparency Act.

The commitment to ensure that the Group complies with its responsibility for fundamental human rights rests with the CEO and is further embedded both in relevant governing tools (see 2.4) and by the executive management of the various functions and subsidiaries following up the work on operationalization and implementation.

The sustainability director is responsible for coordinating support to implementation of policies and due diligence across all functions in the first line, including people and organization, corporate market, SME, retail market, customer services and marketing, and procurement. Risk management and compliance have a second-line function, while internal audit takes care of the third-line function. The ESG management structure also consists of a strategic resource group that contributes to coordinating ESG integration across business areas, which includes implementation of the Transparency Act requirements.

3. Due diligence

3.1 What the responsibility to respect human rights entails

The UNGP and the OECD Guidelines establish that the responsibility to avoid negative impacts on people encompasses both the company’s own operations and impacts that can be directly linked to the company’s activities, products and services through business relationships, that is, the company’s value chain. Responsibility is not limited to the first tier of the value chain. For example, for most Norwegian companies, the greatest challenges with regard to the risk of human rights abuses will usually be further along the value chain (beyond the first tier), both upstream and downstream.

Even though the responsibility to respect goes beyond the company wall, the expectations of what needs to be done will depend on the way in which the company is connected to the actual or potential negative impact, however. The UNGPs distinguish between three categories of how a company can become involved in human rights abuses:

- Negative impact or serious risk caused by the company.
- Negative impact or serious risk that is caused by a business relationship, but that the company has contributed to through its decisions or practice.
- Negative impact or serious risk that that the company has neither caused nor contributed to, but that nevertheless has a direct link to the company’s activities, products or services through business relationships (for example, suppliers, sub-suppliers, customers and other business partners).

There is a particular responsibility to avoid and address actual or potential negative impacts that a company has caused or contributed to. In such cases, the UNGPs and the OECD Guidelines expect the company to contribute to remediation. For impacts where there is a direct link through the value chain, the company is expected to use or seek to strengthen its leverage to prevent and mitigate the adverse impacts.

Due diligence is the most important tool for mapping risk areas and possible involvement in actual or potential human rights abuses and effectively managing negative impacts and risks.

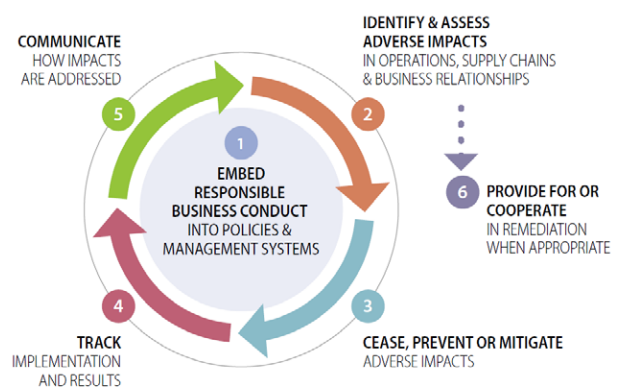
3.2 The due diligence model

The Transparency Act points to the OECD model of due diligence for responsible business conduct, which in turn is based on the UNGPs. The model involves six steps (see also the figure below):

1. Embed responsibility into the enterprise’s policies
2. Map and assess actual and potential adverse impacts on human rights and decent working conditions which

the enterprise has either caused or contributed to, or which are directly linked to its operations, products or services by a business relationship (value chain)

3. Establish adequate processes and procedures and measures to cease, prevent or mitigate adverse impacts based on the enterprise’s prioritizations and assessments
4. Track the implementation and results of processes and measures
5. Communicate externally about the due diligence and particularly to affected stakeholders and rights-holders about how adverse impacts are managed
6. Provide for or cooperate in remediation and compensation as required.



The six steps of the OECD model of the due diligence process. Source: OECD

3.3 Due diligence in practice at SpareBank 1 SR-Bank

In practice, due diligence in line with the OECD framework is a series of continuous processes covering many areas and the Group’s various roles. However, the core of due diligence related to fundamental human rights and decent work is to ensure that, to the best of our ability, we prevent and address negative impacts on individuals’ fundamental rights. This is a comprehensive effort, and for a large group as SpareBank 1 SR-Bank it is crucial that a system of procedures and guidelines, control, follow-up and reporting is established and integrated into the various relevant business areas. It also involves ensuring that the organization, roles and responsibilities are based on this framework.

The work to establish the Group’s due diligence system is not a new undertaking. The UNGPs and the OECD Guidelines have been in place internationally since 2011. SpareBank 1 SR-Bank has integrated these leading international standards into existing commitments, policies and guidelines over a longer period of time, as part of the Group’s effort to build out an increasingly holistic

and strategic approach to sustainability and responsible business conduct.

The Transparency Act has further contributed to reinforcing the work to:

- communicate more systematically about the work related to fundamental human rights and decent working conditions
- review the status and results of the various policies, guidelines and procedures that together constitute the system for avoiding and managing possible adverse impacts on individuals affected by the business and by business partners (see e.g. 3.4 and 3.5)
- further enhance guidelines and processes.

While the issues are not new, and the expectation of business respect for human rights has been on the agenda for some time, the topic of finance and human rights is nevertheless in many ways a pioneering field. Internationally the UN and the OECD have contributed to clarifying standards, but practice in this area is still in development. The human rights due diligence statements by banks and financial institutions over the coming years will help shed more light both on practice and where there is room for improvement.

The priority areas emerging from the Group's due diligence comprise both own activities and our value chain – as described in sections 3.4 and 3.5.

3.4 Own activities: Priority areas

With respect to our own activities, there are two main areas: SpareBank 1 SR-Bank's roles as employer and as financial services provider. The six steps of the OECD due diligence model are integrated into existing frameworks and governing documents.

3.4.1 Our role as employer

Our own employees are the most important resource of the Group, and a main responsibility for SpareBank 1 SR-Bank and subsidiaries is to safeguard the fundamental rights of own employees. This is carried out in practice through comprehensive efforts in key areas such as:

- Equality, anti-discrimination, inclusion and diversity (including the Group's compliance with the activity and reporting duties under the Equality and Anti-Discrimination Act)
- Working environment
- Cooperation with employee representatives and trade unions
- Privacy for employees
- Employees' access to a mechanism for whistleblowing and reporting of undesirable incidents

3.4.2 Our role as corporate lender

Financing of businesses and economic activities, together with banking services for the retail market, is part of the bank's core business and social mission. By providing

financing, SpareBank 1 SR-Bank contributes to important investments and development of businesses, which in turn generate innovation, jobs and activity in society.

As a responsible financial group, we are committed to ensuring that our financing does not contribute to negative impacts on human rights and decent working conditions, and we do our utmost to avoid connection to abuses committed by others. The most important tool for SpareBank 1 SR-Bank in this context is to ensure robust risk management and due diligence as part of AML (including at the point of customer relationship establishment) and the credit process.

All clients of SR-Bank are required to comply with applicable laws and regulations, which include the Transparency Act for companies in scope, in addition to the bank's sustainability policies and guidelines. In 2019, corporate market in SR-Bank introduced a customized sustainability assessment form for credit engagements exceeding NOK 50 million. As of 2022, the assessment form was replaced by a new expanded ESG assessment developed in cooperation between all the SpareBank 1 Alliance banks, which is applied to credit engagements exceeding NOK 10 million. Between the introduction of the new ESG assessment in December 2022 and April 2023, 177 credit cases were assessed. The assessment appraises whether the company applying for credit:

- is aware of the risk of human rights and decent work abuses in own operations and in the supply chain
- has policies that take this risk into account
- has communicated guidelines and expectations to suppliers
- carries out due diligence of its own and has measures in place to manage potential breaches
- works systematically on gender equality and diversity

The assessment results in an ESG score, which is part of the credit committee's basis for processing applications exceeding NOK 10 million. In the case of a low score, which may indicate heightened risk and uncertainty about the corporate client's risk management, an action plan must be prepared. For sectors with inherently higher ESG-related risk (including social risk), the requirements for attention by the management, policies and procedures will be higher to achieve a satisfactory score.

Assessments of corporate clients' ESG risk management and sustainability work supplement the AML and know-your-customer processes, which also assess the risk of labour market crime and social dumping. Engagements below NOK 10 million are currently not covered by the ESG assessment but are covered by the AML and know-your-customer processes.

3.4.3 Our role as financial services provider for retail customers

The Group assists retail customers in important decisions and investments by offering loans, savings opportunities

and other financial services and advice. This also includes the activities of subsidiaries, such as real estate brokerage.

The role as a financial service provider also comes with a fundamental responsibility to avoid unintended negative impacts on individuals. Focus areas in this context are:

- safeguarding personal data
- gender equality
- avoiding discriminatory practices, particularly with respect to groups that may be more exposed to discrimination in society at large.

Anti-money laundering and the combating of financial crimes are also integrated into risk management for the retail market.

3.5 Our value chain: Priority areas

3.5.1 Our corporate clients

(our role as corporate lender)

Norwegian banks rarely cause direct adverse impacts on human rights and decent working conditions, but links to such impacts may occur through client relationships.

The ESG assessments undertaken for credit engagements exceeding NOK 10 million (see 3.4.2) is a key part of SpareBank 1 SR-Bank's due diligence system with respect to avoiding connection to human rights abuses or serious risk of such abuse through our clients and their supply chains.

SpareBank 1 SR-Bank's sustainability guidelines for the corporate market underline that we expect our clients to "treat people in line with recognized international norms", including internationally recognized human rights and labour rights (ILO conventions), and to safeguard human rights in war and conflict situations.

SpareBank 1 SR-Bank also applies frameworks for specific sectoral challenges, for example in relation to our engagement to support a sustainable maritime sector. In this context, the principles of the Responsible Ship Recycling Standards (RSRS) are part of our dialogue with shipping companies that seek to become, or who already are, clients of SpareBank 1 SR-Bank. We joined the RSRS initiative in 2019. Its aim is to contribute to responsible recycling of ships and minimize harm to the environment and people associated with hazardous materials on board ships. As part of the requirements, shipping companies will commit to using yards that can document decent working conditions and health and safety measures, including absence of child labour and modern slavery in the yards' value chains. The RSRS principles are an integrated part of our loan agreements and terms and conditions for shipping companies.

3.5.2 Responsible investments (our role as distributor of fund products)

The S in ESG is largely about identifying and managing risks related to human rights abuses in the context of investments.

SpareBank 1 SR-Bank does not have its own equity and fund management but distributes fund products in the market. SpareBank 1 SR-Bank also co-owns SpareBank 1 Forvaltning (asset management), the joint savings programme of the SpareBank 1 Alliance banks, which also owns ODIN Fund Management. Through our fund platform, we recommend SpareBank 1 funds and ODIN funds, and we also distribute funds from other providers, such as Alfred Berg, Holberg, Storebrand and DNB.

In our expectations to the asset managers about responsible investment and ESG risk management, human rights and decent work are a key focus. This focus is integrated through joint guidelines for the asset managers and in SpareBank 1 SR-Bank's standard on responsible distribution of mutual funds. As a condition for distribution in our channels, all external mutual fund managers must confirm in writing that they are familiar with and comply with our guidelines. SpareBank 1 SR-Bank requires transparency about how sustainability risks are integrated in the asset management (which is also a requirement in the Norwegian Act on Sustainable Finance which implements the EU Sustainable Finance Disclosure Regulation – SFDR). The fund managers must update SpareBank 1 SR-Bank on their ESG integration through data reporting that forms the basis for labelling of fund products. This must take place as soon as possible after changes, and yearly at a minimum.

The guidelines for asset managers with whom SpareBank 1 SR-Bank has a distribution agreement, set a clear requirement that they do not invest in companies involved in serious abuses of human rights and labour rights standards as well as breaches of the Geneva Conventions, and that this commitment is reflected in their own guidelines.

3.5.3 Our supply chain (our role as procurer)

Promoting sustainability in procurement is another important part of responsible and sustainable business. SpareBank 1 SR-Bank therefore works actively to avoid harm to the environment, people and the economy through our procurement. The SpareBank 1 Alliance banks cooperate closely in the procurement area, where the co-owned SpareBank 1 Utvikling has a central role in the work on sustainable procurement.

Sustainability is at the heart of our requirements to and follow-up of suppliers. By setting clear requirements and through dialogue, we help create awareness on sustainability and responsible business conduct among our suppliers and business partners. Our purchases are subject to a thorough ESG assessment, with criteria for climate, environment, social conditions and business ethics (governance), based on relevant laws, regulations and international standards.

All new suppliers are assessed for risks related to negative environmental, social (including fundamental human rights and decent working conditions) and ethical business

practices. Suppliers must accept an appendix on sustainability in procurement when entering a contract.

The criteria for social conditions include fundamental human rights and decent work standards. The work of identifying and following up on actual or potential negative impacts in these areas in the supply chain is a key part of the due diligence undertaken in line with our commitments and the Transparency Act.

SpareBank 1 Alliance cooperation

The SpareBank 1 Alliance banks cooperate on procurement. 90 percent of SpareBank 1 SR-Bank's purchases are handled through SpareBank 1 Utvikling. SpareBank 1 Utvikling's agreements with suppliers of goods and services consist partly of the company's own agreements and partly of Alliance agreements used by the alliance banks/other companies in the Alliance.

SpareBank 1 Utvikling and the SpareBank 1 Alliance banks also cooperate on follow-up of suppliers. In line with international standards and best practice, a risk-based approach is applied, whereby priority is given to identifying and following up where there is the greatest risk of negative impact on the environment, people and the economy through unethical business practice.

The Alliance procurement section enters into supplier agreements on behalf of the Alliance and follows up on the identified sustainability risks.

Sustainable procurement has been a systematic effort through the Alliance cooperation in particular since 2019. In 2021, Alliance procurement adopted an action plan on sustainable procurement for the period 2021-22, which included a focus on three main categories: administrative procurements, IT-related procurements and the largest suppliers. The most salient risk areas with respect to environment, social and governance issues were identified for each of the purchase areas (see section 4.2.2).

The SpareBank 1 Alliance banks' standard on sustainable procurement set a clear expectation that suppliers and business partners respect fundamental environment, social and governance standards.

As sustainability challenges can occur throughout the supply chain, accountability and sustainability must be promoted not only in the first tier of the supply chain. The SpareBank 1 Alliance banks expect that suppliers communicate the same expectations to their own suppliers (sub-suppliers) and contribute to implementation of the expectations, in addition to their own efforts of meeting the requirements.

Local supplier agreements

SpareBank 1 SR-Bank's own local suppliers are subject to the same guidelines and procedures. In the first half of 2023, the Group's standard on sustainable procurement was also integrated by EiendomsMegler 1 SR-Eiendom and SpareBank 1 SR-Bank ForretningsPartner.

4. Risk assessment and our most salient risk areas

4.1 How risk areas have been identified

The identification and assessment of the most salient risk areas build on several years of work related to integrating sustainability and responsible business conduct in the Group.

The assessments are closely linked to the Group's efforts to analyse sustainability risks and the Group's impact on sustainability factors and materiality assessments in the context of strategy development and sustainability reporting. However, the key focus of the due diligence in line with the UNGPs and the OECD Guidelines is the likelihood of negative impacts on human rights and labour rights – not the risk to the business, which is the focus of conventional corporate due diligence and risk management.

The preparation of the human rights due diligence statement is also based on a review of existing commitments, policies, procedures, relevant practices and a broad assessment of possible links to activities that may be associated with risks of human rights and labour rights abuses, through own operations and the value chain. The review has involved relevant functions such as sustainability, human resources, risk management, compliance and procurement, as well as follow-up of wholly owned subsidiaries.

4.2 Overall risk assessment and due diligence findings

The vast majority of SpareBank 1 SR-Bank's financing activities and other core activities is associated with low risk of becoming involved in adverse impacts on fundamental human rights. As a financial group for Southern Norway, where most of both our own activities and those of our corporate clients are concentrated in Norway, the social risk and specifically the risk of involvement in human rights abuses is generally low. However, this does not mean that the topic is insignificant. Although the risk of causing and contributing to adverse impacts is low in the financial sector, a financial institution can in theory be linked to all types of human rights abuses caused by others through the financing and other services.

We are aware of several important topics that are relevant to us as a financial group and that we focus on in our due diligence:

- Gender equality and diversity – with respect to our own business, associated activities and as part of expectation to business relationships
- Customers' personal data protection
- Sectors in our portfolio that are exposed to economic crime, where the risk of social dumping and various forms of forced labour exists in the supply chain

- Sectors in our portfolio that have significant parts of their supply chain outside of Europe, where either manufacturing and/or raw material tiers may have heightened risks of breaches to fundamental human rights and decent working conditions
- ESG criteria for fund managers with whom we have a distribution agreement, which include international human rights and labour rights standards
- Particular focus on sectors with high risks of potential adverse impacts on human rights and decent work in the supply chains of our own procurement

In 2022, privacy incidents were reported to the Data Protection Authority, which were managed through established procedures in this area. Beyond this, no direct links to actual negative impacts related to the enterprise or linked to activities, products or services through business relationships were identified. This does not necessarily mean that such impacts have not taken place, but our ESG risk assessment and risk management procedures, which are included in the overall due diligence, have not identified incidents or information about serious risks with a direct connection to SpareBank 1 SR-Bank.

4.2.1 New challenges

The due diligence also points towards new challenges that will require increased attention by the financial sector in the coming period, in addition to the above-mentioned topics:

- The inherent risk of digital solutions and artificial intelligence (AI), which may affect equal access to finance and financial services, with a particular focus on unintended discrimination and vulnerable groups.
- The social risk in green energy and technology value chains, where credible reports highlight serious human rights abuses both in production tiers (e.g. sub-suppliers of components to solar cell panels) and raw material tier (several critical "transition minerals" are extracted in regions where both workers and local communities experience a heightened risk of human rights abuses)
- The need for taking the social dimension of the green transition into account, which also involves a just transition, where precisely human rights due diligence is an important tool to identify and assess risks, for example to workers in the context of new energy solutions and the rights of local communities in connection with renewable energy development.
- The connection between human-induced climate change and negative impacts on human rights and the welfare of both individuals hardest hit by climate change today and future generations.

4.2.2 Supply chain risk areas

Results of the SpareBank 1 Alliance procurement cooperation

The SpareBank 1 banks' joint follow-up of suppliers with a focus on sustainability through Alliance procurement began in 2019 with a risk-based mapping of 249 existing suppliers. This review showed that 91 suppliers had some

or heightened risk of negative impacts on the environment, people and business ethics. In 2020, 91 suppliers were followed up, and 43 were identified as applicable for further follow-up during the course of 2021-22.

The most salient ESG risk areas were identified for each of the sourcing categories (see table below; risk areas related to human rights and decent working conditions are highlighted).

Prioritized main category	Identified risk areas for these categories, followed up through the procurement process
Furniture and equipment (priority category within administrative procurement)	<ul style="list-style-type: none"> • Environmentally hazardous materials and chemicals • Climate footprint • Waste management • Circular economy • Risk of adverse impacts on human rights and labour rights in supply chains • Transparency Act compliance and human rights due diligence
IT hardware (priority category within IT-related procurement)	<ul style="list-style-type: none"> • Connection to conflict minerals at raw materials level • Environmentally hazardous materials and chemicals • Waste management • Circular economy • Risk of adverse impacts on human rights and labour rights in supply chains • Transparency Act compliance and human rights due diligence
Largest suppliers (volume) to the core business: IT systems and consultants	<ul style="list-style-type: none"> • Climate footprint particularly related to: <ul style="list-style-type: none"> - <i>Energy use of cloud-based services/servers</i> - <i>Travel</i> • Circular economy • Social conditions and ethical business practice/governance in the supply chains, including risk of human rights and labour rights abuses • Transparency Act compliance and human rights due diligence

Based on the 2021 action plan for sustainable procurement and the identified risk areas (table above), an in-depth follow-up of selected suppliers was considered appropriate rather than addressing the breadth of the portfolio. This meant that 12 individual suppliers within the following procurement areas were selected and prioritized for follow-up in 2021-2022:

- Office furniture
- IT systems
- IT hardware
- Consultancy and staffing firms

The introduction of the Transparency Act in 2022 also meant that the focus in the follow-up of the 12 suppliers was directed towards the suppliers' work on fundamental human rights and decent working conditions in their own supply chains. The follow-up was conducted as a combination of written in-depth surveys and 1:1 meetings with suppliers. To form an overall picture of the similar situation for other suppliers considered to be in a high-risk category, a broad-based survey was also initiated with further 36 suppliers.

The review did not identify any concrete cases of negative impacts on the environment, people and economy that involved suppliers to the SpareBank 1 Alliance, and no contracts with suppliers were terminated or suspended due to sustainability-related factors.

The evaluation of suppliers' sustainability-related risk exposure and risk management focused on:

- Sustainability goals and strategies
- Processes for supplier follow-up
- Practical follow-up of own suppliers, including any findings of actual risk
- Work to meet the Transparency Act

Findings at first contact:

- All suppliers had goals and strategies in place
- Most had processes for supplier follow-up
- Fewer presented action plans/findings of actual risk in an easily accessible way
- Most were working to comply with the Transparency Act, while some had only limited or no familiarity with the Act

Results after follow-up:

- Significant improvement in the work related to the Transparency Act for several suppliers
- Several strengthened their practical supplier follow-up
- Several suppliers reported that the follow-up gave them knowledge and motivation to work on sustainability

The results of the in-depth surveys are presented in the table below.

Parameters 12 suppliers	Goal: satisfactory response from all	Survey result	Result after agreed improvement
Sustainability goals and strategies	12	11	12
Supplier follow-up process	12	10	12
Practical supplier follow-up	12	8	12
Initiated work on the Transparency Act	12	6	12

Broad-based survey results:

No.	Question	Response		
		Yes	No	Partly
1	Does the company have a sustainability strategy and sustainability goals?	17	1	NA
2	Does the company have an established process for following up sub-suppliers on sustainability, including a procedure for managing deviations?	13	5	NA
3	Does the Transparency Act apply to your company?	17	1	NA
4	Has the company undertaken due diligence in line with the Transparency Act?	3	7	8

Summary of supplier follow-up 2019-2022:

Parameters for 249 existing suppliers	Goal	Result			
		2019	2020	2021	2022
Risk assessment of suppliers	249	249			
Follow-up of higher-risk suppliers	91	16	91		
Suppliers selected for further follow-up	43 (48)				
In-depth surveys, number of suppliers	12			6	12
Supplier improvement agreements	n/a				6
Terminated contracts	0				0
Broad-based survey, supplier responses	36				18

Another focus area is supply chain due diligence for branded and promotional merchandise, a category where risks to workers in producer countries, largely in Asia, generally may be high. The SpareBank 1 Alliance requires sustainable promotional merchandise in joint agreements.

The main supplier of promotional merchandise, Strømmes AS, works systematically on traceability and due diligence for its supply chain, with respect to human rights risks and risks of adverse environmental impacts, including based on guidance from Ethical Trade Norway.

Risk assessments for local and subsidiaries' procurement

In parallel to the risk assessments by SpareBank 1 Utvikling, in 2019, SpareBank 1 SR-Bank conducted its own risk assessments and follow-up of own local suppliers of cleaning and cafeteria services. No adverse impacts or risk of breaches of standards for environment, social conditions (including working environment, gender equality and labour rights) and governance were identified. No new suppliers were assessed on sustainability-related criteria in 2022. During the course of 2023 other business partners that may be in a higher risk category will be followed up. This includes building projects in connection with SpareBank 1 SR-Bank's own buildings and offices.

EiendomsMegler 1 SR-Eiendom and SpareBank 1 SR-Bank ForretningsPartner have mapped and assessed their own suppliers beyond those that are joint through the Group. SpareBank 1 SR-Bank ForretningsPartner has followed up one supplier of invoicing services, where a sub-supplier with activity in a high-risk country was identified. Follow-up has been initiated to ensure documentation that the risk related to potential breaches of international standards is managed. Beyond this no suppliers with heightened risk were identified. Even if the risk for EiendomsMegler 1 SR-Eiendom and SpareBank 1 SR-Bank ForretningsPartner in general is low, and no adverse impacts have been identified, both companies are strengthening their procurement processes by integrating the joint Group guidelines and procedures for sustainable procurement, which include expectations relating to human rights and decent working conditions.

5. Handling negative impacts

5.1 Remediation as a central principle

The UNGPs and the OECD Guidelines emphasize that addressing actual adverse impacts is part of an enterprise's responsibility to respect fundamental human rights. Where an enterprise has caused or contributed to an adverse impact, providing for or contributing to remediation is key. If the enterprise has not caused or contributed to the adverse impact, the responsibility for remediation lies with the party directly responsible. However, the enterprise can still make a positive contribution by trying to cease and mitigate the harm and use its leverage with those directly responsible to promote remediation.

Remediation is not part of the due diligence as such but is closely related. An important function of the due diligence is to identify negative impacts that must be followed up. Remediation efforts can also strengthen due diligence in the long term. Mechanisms for reporting concerns or grievances, together with processes for remediation, can provide information about how the enterprise and business relationships affect individuals, which in turn can help improve systems to avoid negative impacts and serious risks in the future.

5.2 Our mechanisms for reporting issues of concern

SpareBank 1 SR-Bank is aware of this dimension of responsible business conduct, which in practice entails a need to have in place ways to report grievances and issues of concern. The Group has different channels for reporting grievances and issues of concern, which also cover for potential cases that may relate to human rights or decent work. As far as our own enterprise is concerned, an important aspect is the right of employees to internal and external whistleblowing in accordance with the Norwegian Act relating to the working environment.

Internal mechanisms include:

- Reporting procedure in accordance with the Act relating to the working environment
- The Group's system for reporting undesired incidents
- Procedures for reporting potential personal data protection breaches
- Trade union

SpareBank 1 SR-Bank also has a mechanism for handling reports from external stakeholders about potential issues of concern that may have a connection to the Group.

Additionally, we have established a contact form for information requests related to our human rights due diligence, pursuant to the information duty introduced by the Transparency Act.

Moreover, SpareBank 1 SR-Bank has a dedicated channel for customer complaints.

5.3 Handling information about corporate clients' responsible business conduct

SpareBank 1 SR-Bank's approach to managing potential and actual adverse impacts on fundamental human rights and decent working conditions includes our corporate client engagements. Our standard on sustainability for the corporate market, which requires respect for human rights and international labour rights standards, underlines that if we become aware of clients acting in breach of our expectations and encouragements, we will enter into dialogue with the client to seek improvement. If this follow-up does not lead to improvements, we will set clear terms and conditions for further bank engagement with the client. Ultimately, consideration may be given to terminating the client relationship. As regards parameters for not granting loans, these are followed up specifically when assessing applications for financing.

5.4 Supplier follow-up in case of information of breaches

Breaches of national and international standards for sustainability and responsible business conduct may result in breach of contract. In the event of information or suspicion of actual breaches or serious risks, dialogue is conducted with the supplier to examine and follow up the assessment. If suppliers do not rectify identified breaches, or in the event of serious breaches of international standards, this will lead to cancellation of the contract.

6. Further measures and plans

6.1 Continuous work

The due diligence processes in line with the UNGPs and OECD Guidelines entail continuous efforts that will always be in development. Regular assessments of both risk and the systems for managing potential and actual negative impacts on people and risk areas are an important part of the work being done. The Transparency Act's requirement of annual due diligence reporting is also an opportunity for the Group to conduct regular reviews at an overall level of how the Group's operations and business relationships can affect individuals – and whether the management tools and systems for preventing and managing negative impacts are working.

As required by both the Transparency Act and the UNGPs and the OECD Guidelines, the Group's human rights due diligence statement will be updated annually or otherwise if there are significant changes to the enterprise's risk assessments.

Dialogue with affected stakeholders is a key element of the due diligence standard of the UNGPs and the OECD Guidelines. If adverse impacts or significant risk of such impact on the rights of individuals are identified as part of the due diligence processes, dialogue with affected individuals parties is crucial to ensure a meaningful response, with respect to prevention and remediation if actual harm has occurred.

6.2 Training

Effective training is an important part of the work to embed responsible business conduct across the enterprise and contribute to increased awareness and understanding of how human rights may be affected by the business and the value chain of which the enterprise is part. Training represents a practical measure to support both understanding of the Group's commitments and responsibilities as well as competence to implement effective due diligence.

During 2023, the Group's efforts to enhance the sustainability knowledge of all employees will be strengthened. Along with a focus on climate and the environment, the social dimension is one of the pillars of the training programme. A separate module on human rights will contribute to knowledge of fundamental human rights and the topics of business and human rights and the role of the financial sector in this context. In addition, corporate market advisors receive training in the Transparency Act and due diligence based on the UNGPs and OECD Guidelines.

6.3 Practical support to companies' due diligence

SpareBank 1 SR-Bank ForretningsPartner offers sustainability advisory services and support to corporate clients' ESG work. Guidance on how to meet the Transparency Act requirements and support to both implementation and design of due diligence is a part of the advisory services.

During the course of 2022 and the first half of 2023, ForretningsPartner's sustainability team helped companies in several sectors, including import of electrical products, finance, manufacturing, aviation, food, commercial real estate, shipping, seafood and elite sport. This resulted in, among other things, companies getting in place appropriate policies on human rights and clear requirements for suppliers, together with guidance and support for ensuring actual implementation and connection with the companies' other work related to sustainability and responsible business conduct.

6.4 Dialogue and cooperation with other actors

The situation for human rights and decent working conditions in global value chains is a shared challenge that no company can solve on its own. While every business must meet its responsibility to respect human rights and conduct due diligence to avoid and manage negative impacts in its own operations and value chain, cooperation is required at different levels.

As a financial group with activities touching on several sectors and significant parts of business in Southern Norway, SpareBank 1 SR-Bank has considerable influence. Efforts to improve the way that human rights are safeguarded is a key part of the work on sustainable development and transition, where the financial sector has an important role.

We cooperate with the other SpareBank 1 Alliance banks in several areas related to sustainability and responsible business conduct. Sustainable procurement – where human rights and labour rights due diligence is a central dimension – is one of the focus areas. In this context we can use our joint leverage as a buyer and influence to make a positive contribution.

The SpareBank 1 Alliance banks have also cooperated in the development of a new ESG assessment tool for credit engagements. We are continuing to work together for improving the methodology and the practical implementation. These efforts have the potential of making a significant

positive contribution to the promotion of respect for human rights and decent working conditions in the value chains of many companies in various sectors.

An important task for SpareBank 1 SR-Bank is precisely to contribute to increased awareness on the Transparency Act and the international standards on which it is based in dialogues with corporate clients and other business partners.

Dialogue and collaboration with other actors in the financial sector, industry organizations, civil society and authorities are also necessary in the time ahead to find effective solutions for ensuring that the social dimension of sustainable transition is on the agenda.

Through our participation for example in FUTURE-PROOF we want to contribute to dialogue on challenges and solutions for human rights due diligence in the operations and value chains of Norwegian companies.

Dialogue with a wide range of stakeholders is also an important component of both the Group's sustainability work at a strategic level and in various parts of the practical implementation. Materiality analyses with input from both internal and external stakeholders – from employees, customers, investors and suppliers to civil society organizations and other societal actors – are key tools in our work on sustainability. In the future, we expect that work related to human rights and decent working conditions in the value chain will also become increasingly important for our stakeholders and partners.

The work to fulfil the Transparency Act and the international standards on which it is based must be at the heart of the common efforts that are needed. The SpareBank 1 SR-Bank Group will take its part of the responsibility.

Appendix: Key references

SpareBank 1 SR-Bank website

- **Sustainability**
sparebank1.no/en/sr-bank/about-us/Sustainability.html
- **Policies and guidelines**
sparebank1.no/en/sr-bank/about-us/Sustainability/our-sustainability-guidelines.html
- **Transparency Act**
sparebank1.no/en/sr-bank/about-us/Sustainability/transparancy.html

The Transparency Act

- **Lovdata**
lovdata.no/dokument/NL/lov/2021-06-18-99

Leading international standards and guidance

- **UN Guiding Principles on Business and Human Rights (UNGPs)**
ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights
- **OECD Guidelines for Multinational Enterprises**
mneguidelines.oecd.org/guidelines/
- **OECD Due Diligence Guidance for Responsible Business Conduct**
mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm
- **OECD due diligence guidance for the financial sector**
mneguidelines.oecd.org/rbc-financial-sector.htm
- **Guidance for the financial sector from the Office of the UN High Commissioner for Human Rights (OHCHR)**
ohchr.org/en/business-and-human-rights/financial-sector