



Sustainability

OUR APPROACH TO SUSTAINABILITY

SpareBank 1 SR-Bank is a responsible corporate citizen

SR-Bank's goal is to be an organisation that takes a proactive approach to sustainability and responsibility for the environmental challenges society faces. Three main areas must be focused on in order to create sustainable development: the climate and environment, the economy, and social conditions. Our sustainability responsibilities therefore encompass our products, advice and sales, investment and credit decisions, marketing, purchases, and corporate governance. Our internal work on HSE, ethics and environmental efficiency are also encompassed by our definition of sustainability.

Even though we, as Southern and Western Norway's largest and leading financial group, primarily focus on our immediate surroundings, we are just as interested in ensuring that everything we do is sustainable in a global perspective. The group's sustainability principles are based on the 17 UN Sustainable Development Goals, and as a group we support the UN Global Compact's ten principles for sustainability. In 2018, SR-Bank played an active role in setting

up Global Compact Network Norway in order to strengthen society's and companies' work within sustainability.

During the year, the board and group executive management team have prioritised sustainability as a strategic focus area. Sustainability must be an integral component of the group's operations. The sustainability strategy must clarify, and provide guidelines for, the group's work on sustainability, and help employees and managers make decisions in their day-to-day work. The strategy must also clarify to customers and investors how sustainability is integrated into SR-Bank's operations and how it affects our decisions.

Sustainability must be included in the documentation and routine work associated with credit lines and investments/management, and incorporated into the group's strategy. The sustainability strategy must be seen in conjunction with other governing documents, such as the group's strategy and associated business plan, the bank's code of conduct, the credit strategy, and other relevant policies and guidelines in the group. The principles and associated guidelines apply to all of the group's operations, including subsidiaries, irrespective of customer group and organisational affiliation. The figure shows how the governing documents must be incorporated into the group.

Incorporating sustainability into SpareBank 1 SR-Bank:



Our stakeholders and key sustainability themes

The group maintains a good, open dialogue with the communities of which we are a part. We prioritise what we should focus on in the area of sustainability based on this dialogue with customers and other stakeholders. In 2018, SpareBank 1 SR-Bank conducted a survey of employees and interviewed a number of the group's stakeholders, including customers, special interest organisations, and local and national authorities. The feedback from this survey provides us with a framework for what we should focus and report on going forward. The results showed that we should particularly focus on financial crime, ethics and anti-corruption, protecting personal data and information security, excluding companies that violate our policies, and guidelines for responsible credit. In the current strategy period, the emphasis will be on further developing the bank's approach to sustainability in our core operations and financial services. This means that we will particularly work on responsible lending practices, managing climate risk, active ownership, positive screening, and launching new green products.



The figures illustrate our dialogue with local communities on topics to do with sustainability.



Forums	Theme	Measures
Customers <ul style="list-style-type: none"> • Customer and market surveys in the retail and business markets • Digital channels (sr-bank.no, Facebook Instagram, LinkedIn, Snapchat, Nyhetscenter, chatbot, email, SMS, online bank, and mobile bank) • Customer services centre for retail and corporate customers • Interviews in connection with materiality analyses of sustainability 	<ul style="list-style-type: none"> • What customers think of the group and the group's operations • Responsible finance, transparency, trust, and local presence 	<ul style="list-style-type: none"> • Dialogue with customers through responses to enquiries via telephone, staffed channels, and digital channels
Employees <ul style="list-style-type: none"> • Annual organisational survey • Annual employee performance reviews • Cooperation with trade unions • Workshops and interviews in connection with risk assessments • Questionnaires and workshops on sustainability in connection with materiality analyses • Workshops in connection with the preparation of the sustainability strategy 	<ul style="list-style-type: none"> • Working environment • Employee development • Involvement of employees in the development of the group • Risk assessments related to operational risk and reputation • Responsible finance, transparency, financial crime, ethics and production of personal data • Important themes within sustainability 	<ul style="list-style-type: none"> • Improvement measures in consultation with management. • Trade unions as resources • Specific measures related to identified risks are followed up by the system for following up measures
Owners <ul style="list-style-type: none"> • Regular follow-up of the company's largest owners, including Sparebankstiftelsen SR-Bank • General meeting • Board elections for shareholders • Stock exchange announcements and interim reports • Investor presentations 	<ul style="list-style-type: none"> • Financial performance and Sparebankstiftelsen SR-Bank keeping the savings bank traditions alive • Annual financial statements and any other company actions • Briefing on economic cycle in Southern Norway and the company's performance and status in the financial markets • Annual action plan for investor relations 	
Authorities <ul style="list-style-type: none"> • Contact with control and supervisory authorities (Financial Supervisory Authority of Norway, Norwegian Data Protection Authority, etc.) • NAV working life centre 	<ul style="list-style-type: none"> • Operations, security and personal data protection • Sick leave, healthy workplace 	<ul style="list-style-type: none"> • Measures for compliance and protection of personal data (GDPR) • Improvement measures in consultation with management
Society as a whole <ul style="list-style-type: none"> • Various forums as a member of Finance Norway • Business Barometer for Rogaland, Hordaland, Agder, and Oslo • Cooperation with the Norwegian Federation of Trade Unions (LO) via LOfavør • Extensive dialogue with clubs and associations through cooperation agreements and sponsorships (Stavanger Concert Hall, Viking Fotballklubb, Norwegian Ski Federation, Blink Festival, and Tall Ships Races) • Gründerhub 	<ul style="list-style-type: none"> • Understanding the region's potential and challenges • Products and services for LO members • Responsible investment, transparency, trust, local presence, local roots, and local contributions • Creating new future-oriented businesses and jobs 	<ul style="list-style-type: none"> • Annual award prizes for entrepreneurs to encourage entrepreneurship
Special interest organisations <ul style="list-style-type: none"> • Interviews with Finance Norway, the Norwegian Federation of Trade Unions (LO), and the Financial Supervisory Authority of Norway in connection with materiality analyses of sustainability • Dialogue with Future in Our Hands and the Norwegian Consumer Council in connection with the ethical banking guide • UN Global Compact • UN Global Compact Network Norway • Finance Sector Union of Norway • LO Finans 	<ul style="list-style-type: none"> • Responsible finance, transparency, trust, and local presence • Selected sustainability themes • Reporting UN Global Compact • Establishment of UN Global Compact Network Norway 	<ul style="list-style-type: none"> • Response to the ethical banking guide • Updating website and reviewing internal guidelines

SUSTAINABILITY IN THE BANK'S DAY-TO-DAY OPERATIONS

Combating money laundering and terrorist financing

Fighting financial crime, which includes preventing the proceeds of criminal activities being laundered and terrorist financing, is demanding and important work. Ensuring that the industry is not misused for illegal activities through our services and products is part of the financial services industry's social mission. SR-Bank has an extensive framework of guidelines intended to prevent us being used for money laundering, tax evasion or terrorist financing. The framework is there to ensure that we comply with the statutory requirements in various processes through guidelines, customer measures, electronic monitoring, sanctions regulations, and procedures for internal control. We have committed to complying with the framework and guidelines in the Wolfsberg principles for combatting financial crime. The Wolfsberg principles establish requirements for, for example, transparency in customer transactions and how information on these is monitored and managed in line with the authorities' requirements.

SR-Bank produces an internal and business-specific risk assessment for money laundering and terrorist financing every year, along with the associated risk mitigation measures. In 2018, we significantly strengthened our efforts within the area of combating money laundering and terrorist financing, from one and a half FTEs to five FTEs. The group has produced a detailed training plan to ensure that all employees can perform their duties with up-to-date and relevant knowledge. In 2018, the internal audit reviewed the work against financial crime and suggested improvements were followed up.

In 2019, we will:

- Improve our routines for conducting annual risk analyses
- Revise the anti-money laundering (AML) framework based on the new act
- Ensure relevant training is provided to all employees with respect to AML

Ethics and anti-corruption

Corruption puts long-term value creation at risk and creates distrust in society's systems. It can lead to court cases and fines, or other sanctions, as well as the loss of market access, assets, and the right to operate banking operations. There are many different forms of corruption and our code of conduct is intended to contribute to, among other things, fighting corruption, extortion, bribery, whitewashing, fraud, terrorist financing, and the financing of other criminal activities. The

code of conduct is intended to make people aware of the potential dilemmas and ensure that all of our employees maintain high ethical standards.

The group has its own ethics committee, which regularly assesses whether the code of conduct satisfies the requirements and expectations of customers, suppliers and society as a whole. The ethics committee includes representatives of several business areas: the EVP, Communications and Sustainability, the EVP, HR and Business Support, legal, corporate market, retail market, compliance and AML, organisation and HR, credit activities, and union representatives from the Finance Sector Union of Norway. The committee met twice in 2018.

All employees must sign the code of conduct every year. Annual refreshers on ethics are also provided via the authorisation scheme for financial advisers and the approval scheme for salespersons and advisers in non-life insurance.

In SpareBank 1 SR-Bank:

1. all employees have a duty of confidentiality
2. all employees must keep their private finances in order
3. employees must under no circumstances use their position to achieve personal benefits or act in a manner that could harm the group's reputation
4. all employees must actively work to ensure a good working environment with mutual trust and respect
5. no employees may trade in real estate on their own account in violation of the group's guidelines
6. no employees may trade in securities on their own account in violation of the group's guidelines
7. all employees must be familiar, and comply, with the group's guidelines for information technology
8. all employees must act with caution in relation to their impartiality
9. no employees may run private businesses or participate in commercial boards of directors of any kind without the group having been informed in writing and approval having been given
10. special guidelines have been produced for whistleblowing and the EVP, Communication and Sustainability bears overall responsibility for all communication with the media
11. failure to comply with the group's code of conduct may have consequences for an employee's employment relationship

The anti-corruption work includes ensuring new employees read and sign the code of conduct. This is also included as a topic in Ethics Week. We completed an anti-corruption training module for SR-Bank's managers in 2016 and new training is planned for 2019, as part of the bank's three-year skills-cycle. The group will also base its compliance control work on the ISO 37001 standard for anti-corruption. The control model complies with the ISO standard and the group prepares routines and control actions for the work. We review specific transactions and activities, planned and existing business connections, and various categories and groups of

employees. The assessments take a risk-based approach and the inspections include financial and non-financial control actions. Reporting lines have been established and any measures are followed up in line with existing routines.

Whistleblowing routines have been established for anonymous, written and verbal reports.

The routines specify:

- that whistleblowers are protected against reprisals
- how reports should be submitted – externally anonymously or not anonymously via multiple channels, including via an application that uses an untraceable QR code
- the requirements that apply for processing reports

The bank has established an external whistleblowing agreement with the law firm EY. The information will be treated confidentially by dedicated case offices in EY.

Theme	No. of	Stake
Board members of SR-Bank ASA that have been aware of the guidelines for ethics, including anti-corruption	8	100%
Board members of SR-Bank ASA that have received training in anti-corruption	0	0%
Full-time employees who have signed the code of conduct (excl. Regnskapshuset)	1,125	95.5%
Full-time employees who completed anti-corruption training between 2016 and 2018	203	17.2%
Corruption related incidents*	0	Not relevant

*Since there were no corruption related incidents, no employees were punished, no supplier agreements were terminated due to corruption, and there were no court cases related to corruption in which the company or an employee was involved.

Board members do not take a separate anti-corruption training programme, but are directly involved in the work on formulating and quality assuring the group's code of conduct each year, which also deals with anti-corruption. Only managers and some key roles take a special anti-corruption training programme and that is why 17.2% of full-time employees have completed the expanded programme. In addition to this, special activities are carried out in connection with anti-corruption training and raising awareness of the issue, including Ethics Week with its dilemma training, the induction programme for new employees, and the annual signing of the code of conduct.

Protecting personal data, information security and product labelling

SR-Bank processes a large amount of personal data. The management of personal data is regulated by law and one of the most important duties we have is to protect the data exchanged between customers and the bank in our systems. The biggest concerns are system errors, access to data, and the online bank. SR-Bank has a policy and standard for personal data protection, as well as a number of guidelines and routines under these. The area of personal data protection is an annual cycle with risk-based internal controls, regular testing of the systems, and annual reviews of the systems with risk assessments.

The introduction of GDPR was one of the focus areas in 2018. SR-Bank's internal audit conducted an inspection of this work and no material deficiencies were identified. SpareBank 1 SR-Bank has its own data protection officer.

In 2018, SR-Bank registered three complaints related to breaches of personal data protection and two security breaches. We reported one of the breaches to the Norwegian Data Protection Authority, although the supervisory authority did not criticise the group. SR-Bank registered no breaches of rules concerning the labelling or marketing of financial products and services.

Environment

As a responsible financial group, we take a proactive approach to environmental and climate challenges. We are constantly striving to be a resource-saving and environmentally-efficient organisation by setting requirements for our own organisation, suppliers, and partners. We are working to become a climate-neutral group and continually seeking to reduce the environmental impact of our operations. We use, develop and invest in technology in order to reduce our environmental impact. We also want to enable employees to reduce their environmental impact and make environmentally-friendly choices. Improving skills in this area could help to ensure that employees become more aware of their impact on the climate and environment, both through their personal actions and through their work in the bank.

In 2018, we registered energy and climate accounts based on the international "Corporate Accounting and Reporting Standard" for the first time. This standard was developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. The climate accounts show tonnes of CO2 that are direct and indirect emissions related to the group. These are greenhouse gas emissions that come from consumption due to, for example, travel, waste management, and energy use. Based on the climate accounts, the group can identify which sources impact the external environment and implement concrete measures to minimise them. Given that this is the first year we have kept records based on the GHG Protocol, it will not be possible to see the development from previous years.

Key figures greenhouse gas emissions

Category	Unit	2018
Scope 1		
Transport		
Diesel (NO)	tCO2e	37.8
Petrol	tCO2e	24.7
Transport total	tCO2e	62.5
Scope 1 total	tCO2e	62.5
Scope 2		
Electric cars		
Electric car Nordic	tCO2e	0.2
Electric cars total	tCO2e	0.2
Electricity*		
Electricity Nordic mix	tCO2e	291.7
Electricity* total	tCO2e	291.7
Scope 2 total	tCO2e	291.9
Scope 3		
Air travel		
Air travel	tCO2e	548.8
Air travel total	tCO2e	548.8
Waste		
Glass, recovery	tCO2e	0.1
Hazardous waste, recovery	tCO2e	0
Organic, recovery	tCO2e	0.2
Paper, recovery	tCO2e	0.8
Paper, recovery	tCO2e	0
Residual waste, incineration	tCO2e	16.3
WEEE, recovery	tCO2e	0
Waste total	tCO2e	17.5
Scope 3 total	tCO2e	566.3
Total	tCO2e	920.7
* Alternative calculation for emissions from electricity (market-based method)	tCO2e	1,873.4

Key performance indicators (KPIs)

Name	2018
tCO2e by turnover	0.2
tCO2e per FTE	0.7
kgCO2e per m2	20.4
No. of MWh per m2	0.1

Key information

Name	Explanation	Unit	2018
Gross turnover	Gross turnover	NOK millions	5,450
No. of FTEs	No. of FTEs	No. of	1,251
No. m2 heated floor space	No. m2 heated floor space	m2	45,200

Responsible purchasing

80% of our purchases are made through the SpareBank 1 Alliance, the remaining 20% are made by SR-bank. The largest purchasing categories are marketing, IT systems, property operation, external consultants, and contracted personnel. In total, we spend around NOK 1 billion on goods and services. All of the purchases made are covered by SR-Bank's purchasing policy. This specifies that purchases must be as sustainable as possible, and bidders must submit information about their sustainability and corporate social responsibility as part of their tender. Sustainability is one of the five evaluation criteria for the awarding of contracts.

In 2019, new responsible purchasing guidelines will be prepared that include a clear requirement for mandatory compliance with laws and rules concerning human rights, working conditions, the environment, and decent operations. Maintaining a dialogue with suppliers and monitoring them will help to ensure that our suppliers and partners are conscious of the importance of sustainability.

RESPONSIBLE FINANCE

In general, the group can have the biggest impact within responsible investments and loans/credit by using its influence to set requirements and steer capital in a sustainable direction. Therefore, one important focus area for SR-Bank is responsible finance and ESG factors. In 2019, we will emphasise improving routines and guidelines, at the same time as we work to raise the awareness of employees and customers.

ESG is an abbreviation for "**environmental, social and governance**", which is used about factors within sustainability. The English abbreviation is often also used in Norwegian texts.

Responsible credit

Credit is the bank's core business area and corporate customers constitute an important part of this. Our credit strategy stresses that corporate customers must have a long-term perspective and their companies must be comply with applicable laws and regulations, which include environmental considerations and human rights. Our corporate market portfolio is well-diversified with an emphasis on commercial property, oil and gas, agriculture, and traditional industry.

As a bank, we primarily finance small and medium-sized Norwegian enterprises. We aim to be a positive contributor and sparring partner in order to improve companies' awareness and practices related to sustainability. Overarching guidelines specifying sustainability were adopted for the corporate market in 2018. The guidelines require sustainability to be assessed as part of our credit processes and the purpose of the guidelines is to provide corporate advisers with a framework for assessing a company in relation to sustainability and ensuring that we carry out an assessment of the extent to which a customer's business model is sustainable.

In 2019, SR-Bank will develop and implement further guidelines for granting credit that take account of global climate challenges. According to the guidelines, the group should not give loans to organisations that extract, or produce power based on, coal or nuclear power.

All employees who are in contact with our corporate customers must be familiar with our sustainability guidelines for credit and review them annually. They provide guidance on the type of customers we want, what we expect of our customers, and what we lend money for.

Responsible asset management

Asset management is performed directly through the group's own investment activities and indirectly through SR-Forvaltning. Every company in which we invest in connection with asset management is checked to see whether they are involved in tobacco production, nuclear weapons, or serious environmental destruction, based on guidelines for observation and exclusion issued by the Norwegian Government Pension Fund Global. Before now, environmental and social factors have not been discussed with the companies in the investment portfolio as part of the ownership dialogue, but in the future we will prepare guidelines for responsible ownership in relation to our own investments.

SR-Forvaltning has produced guidelines for responsible investments that will be incorporated into the company's investment strategy. The guidelines are based on, among other things, the internationally recognised principles in the UN Global Compact (UNGC) and the OECD's guidelines for multinational companies. In 2019, we will develop a procedure for incorporating ESG into all investment processes in SR-Forvaltning. SR-Forvaltning is a member of the Norwegian Sustainable Investment Forum (Norsif). SR-Forvaltning will work to ensure it is eligible to sign up to the UN Principles for Responsible Investment (PRO) in 2019.

Highlighting and refining the company's management of ESG risk will be a priority area in 2019.

The UN PRI are the UN's six principles for how investors can manage capital sustainably. More than 1,750 investment firms from more than 50 countries have committed to complying with the principles.

In 2019, we will prioritise the following activities within responsible asset management:

- Establishing criteria for responsible credit and updating the group's guidelines for responsible credit, as well as having good, clear information about how the company manages ESG together with other sustainability-related documentation
- Developing objectives and guidelines for active ownership in SR-Bank
- Ensuring existing investments are followed up in line with the new guidelines that will be prepared in 2019 and that new investments are assessed on the basis of these
- Establishing a special sustainability committee tasked with handling more demanding assessments relating to sustainability
- Assessing the purchase of ESG databases that provide information about the challenges companies and sectors face within sustainability and corporate social responsibility
- Reviewing the requirements stipulated within environmental, social and corporate governance for external managers and in the liquidity portfolio

Green products and green innovation

SR-Bank expects the demand from customers and investors for green products to grow in the coming years.

Green products are defined as savings and credit agreements that contain conditions concerning whether the investment object is sustainable in a climate and environmental sense.

In 2018, the group's corporate market established favourable credit conditions for renewable investments and a process has started in SR-Forvaltning in which the ESG aspects of savings products will be developed. SR-Bank offers retail customers green car loans aimed at electric cars and we offer a car app for smart car insurance that is intended to encourage greener driving behaviour through Fremtind.

What	Sum total product	Green products as a % of total product portfolio
Green car loans	66,478,358	3.72%
Green car insurance	42,578,485	6.0%

In 2019, we will work on developing green products for both the retail market and the corporate market.

Climate risk

Climate change represents a risk that the board and group executive management team have to manage. It is highly probable that financing, insurance and investments will be impacted by changes in the climate and climate policy. The group is closely monitoring political developments and will stay up-to-date at all times with regards to the basis on which political decisions are made. For example, in 2019, the Financial Supervisory Authority of Norway will assess how financial institutions should manage climate risk and SR-Bank will monitor this work. To be a responsible market player, SpareBank 1 SR-Bank must identify and follow up risks that could affect various customers and business areas. The banks complies with the recommendations of the Task-Force for Climate related Financial Disclosures (TCFD) when it comes to reporting on climate risk.

Our approach to climate risk:

The board and group executive management team

Climate risk was not explicitly reported to the board in 2018, but individual cases involving climate-related factors were discussed several times. The group executive management team discusses climate risk in individual customer cases and increasing management's follow-up within insurance, credit and asset management will be considered in 2019. More structured follow-up by the board will also be considered during 2019. This would be based on the recommendations of the G20 initiative, the Task Force on Climate-related Financial Disclosures (TCFD).

Strategy

SR-Bank's loan portfolio consists of around 60% retail customers with home mortgages and 40% corporate customers. Loans to the agriculture and offshore/oil/gas sectors account for 3% and 6%, respectively. These sectors face challenges due to both climate change and restructuring. Risk and climate exposure is currently assessed in individual cases within agriculture, but no concrete measures are carried out with respect to the oil industry. A climate strategy will be drawn up in 2019 and introducing more structured estimates of climate exposure in the group's portfolio will be considered in 2019. The risks and opportunities associated with each business area will also be analysed in the near future.

Risk management and measurement

In 2019, climate-related factors will be included in risk management processes, both for the organisation as a whole and for the individual business areas. Management indicators will be established once the climate risks have been analysed in 2019,

Social development through value creation

SR-Bank is interested in innovation and creating more knowledge-based jobs, and Gründerhub (Entrepreneur Hub) is one of our initiatives aimed at creating the jobs of the future. The first hub saw the light of day in autumn 2015 when the oil crisis hit Stavanger's business sector hard. Since then, hubs have been established in Bergen and Kristiansand in collaboration with capable partners. Since autumn 2015, we have helped to educate more than 250 entrepreneurs. This has created 280 new jobs through 125 companies. In 2018, the combined turnover of these companies was NOK 80 million. Through Sparebankstiftelsen SR-Bank, we distribute a total of NOK 700,000 in prizes to entrepreneurs in order to encourage entrepreneurship.

Support for non-profit causes

As part of our activities, we support measures that support good living conditions. In 2018, the group contributed NOK 15 million in the form of grants and sponsorship agreements to various organisations, clubs and associations. SpareBank 1 SR-Bank's largest shareholder is Sparebankstiftelsen SR-Bank with its stake of 28.3%. Sparebankstiftelsen SR-Bank keeps the savings bank traditions alive. The foundation can distribute profits, which it receives in the form of dividends from SpareBank 1 SR-Bank, as donations to non-profit causes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities". This reinforces the bank's local presence and local engagement. In 2018, NOK 73 million was distributed to 518 recipients in Rogaland, Hordaland and the Agder counties. In 2018, we joined forces with Sparebankstiftelsen SR-Bank and established a foundation, G9alt Talentutvikling. The foundation will distribute up to NOK 5 million to talented young people in Rogaland, Hordaland and the Agder counties. G9alt Talentutvikling distributed NOK 1 million in 2018.



SR-Bank needs to build up a profile dominated by future-oriented technology and sustainable operations. This does not mean we will leave existing customers and companies in the lurch, rather that the bank will help them to change.

Quote from stakeholder dialogue