



Sustainability in Aurskog Sparebank

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Sustainability strategy

The savings bank idea is to ensure financial security, development, and viable local communities. Aurskog Sparebank offers loans to finance housing and business, investment advisory, and insurance products. It is a fundamental part of the bank's strategy to support the local community with gifts and sponsorship for non-profit purposes and contributing positively to increased activity in the local areas.

Aurskog Sparebank acknowledges our responsibility to ensure that value creation and profitability is not given priority over the climate, the environment, or basic ethical principles.



As a bank, we have influence on most of the UN's sustainability goals. We have selected three of the UN's sustainability goals, as our priority goals. These are goals 4, 8 and 11 - good education, decent work and economic growth, and sustainable cities and communities. In addition to this, corporate social responsibility is an important part of our business. We have chosen goals 3, 5, and 17, good health, gender equality and cooperation to achieve the goals, as our next arena of focusing.

We have integrated the discussions of sustainability and ESG throughout the organization, mainly during the last year. Knowledge and acknowledgment of sustainability among our employees is vital. This ensures being able to give our customers good advice, and make correct assessments related to, among other things, risk. We will educate our employees and increase our competence. The work has started and will continue.



Meeting the challenges of the future

We learned from the Brundtland Commission that the world must align and do what is required to ensure that the needs of today's people are met, without weakening the basis for the need of future generations.

Today we face major changes in climate, environment, and social security. The challenges are global but require both global and local solutions. Aurskog Sparebank is first and foremost a local bank in Romerike, in the south-eastern part of Norway. We focus on sustainability, growth, and development of the local communities where the bank operates. We are locally based but will also take global considerations into account in our business strategy. We will act responsibly and in line with globally recognized principles for social responsibility and sustainability. Thus, we signed the UNEP FI Principles for Responsible Banking. In the coming years, we plan to carry out a thorough impact analysis of our business, as well as set specific goals to increase the positive, and reduce any negative, impact on the environment. By signing the UNEP FI principles, we are committed to aligning our activities with the UN's sustainability goals and the Paris Agreement.

Climate risk and reporting

The recommendations from the G20 countries' Task Force on Climate Related Financial Disclosures (TCFD) have been established as the central framework for climate risk analysing and reporting. Finance Norway has provided guidance to banks on how to implement the TCFD framework and report on climate risk. The TCFD framework will be reviewed and implemented our reporting of climate risk. The bank will start reporting on climate risk during 2021.

Business management

As a bank, our business operations are trust depended from customers, owners, investors, the authorities, and society in general. Our goal is to be characterized by high ethical standards and good corporate governance. We are compliant with laws and regulations, and our employees come forward as trustworthy, honest, and fair.

Gender equality is a key topic for Aurskog Sparebank. We will work towards gender equality internally in the bank, as well in all business and partnerships we attend.

Lending and credit

Lending and credit are one of our main business areas. We can make a positive impact in our lending and credit strategi. At the same time, this is an area where banking can have a negative impact, especially in the corporate lending. In all credit cases to the corporate market, we assess both the projects and the customers climate and environmental impact, as well as physical risk and transition risks.

We will set targets for a sustainable credit portfolio. By doing so, we contribute to the customers taking into consideration sustainability and climate risk.

Environmental focus and attitude

We want suppliers and partners that focus on sustainability. We will focus specifically on equality and diversity when choosing partnership.

We value good working environment characterised by respect and consideration for others. The bank works together with local communities by, among other things, visiting schools providing economics education and inviting to public meetings with various topics.

Our climate and environmental policy

The goal for Aurskog Sparebank is to contribute to reducing our environmental impact. We want to achieve this by reducing negative and strengthen positive impact on the environment in our area and our business. It is our goal to continuously improve the environmental management system to further improve our environmental performance.

Responsible lending, green products and responsible asset management are areas where we have a good potential for influencing climate and environmental conditions by setting requirements and managing capital in a sustainable direction. We want to be an adviser and a positive contributor to customers' restructuring and green investments.

Our climate and environmental policy apply to the following areas of our activities:

- Lending and credit
- Funding, including bonds
- Savings and investment products
- Management of our own funds
- Gifts and sponsorships

Lending and credit

From the website of the Norwegian Financial Supervisory:

Financial markets and financial institutions are affected by both physical climate change and the transition to a low-emission society. Integration of climate risk in the supervisory activities is therefore high on the agenda of financial supervisory authorities in many countries, and efforts are being made to develop supervisory tools to follow up climate risk. The Norwegian Financial Supervisory participates in this work.

The Norwegian Financial Supervisory expects the companies in their risk management systems to capture all significant risks, including risks related to the effects of climate change and the transition to a low-emission society. The Norwegian Financial Supervisory will also follow up the banks' management of climate risk, including the banks' guidelines for assessing climate risk in lending, and assessing climate risk in risk and capital adequacy assessments, ICAAP.

Sustainability as part of lending and credit

Sustainability and climate risk evaluation are part of our risk management and credit assessment in the corporate market. The risk associated with retail market is considered low.

The corporate market accounts for about 25 % of the banks total lending. Through credit assessment and customer dialogue, we set requirements for the customers' business. Our corporate customers are local SMB businesses in Romerike, the south eastern part of Norway. The majority of our corporate customers are in sale and operation of real estate, building and construction activities and business services. The banks credit policy states that customers who have significant activities within oil, shipping, fishing, pub and restaurant operations or hotel operations are excluded from the portfolio. Exceptions from the policy can be made for local reasons after special assessment. The credit policy further states exclusion of industries that are ethically problematic, such as weapons, pornography, or tobacco. Customers must conduct their business in accordance with applicable laws and

regulations, including environmental considerations and human rights. ESG and climate risk are part of the risk assessment both in individual credit cases and in the bank's assessment of capital requirements/ICAAP.

The Board of Directors have approved a separate document *Sustainability and credit assessments*. This policy document describes the basis for the bank's customer contact, including credit assessments.

Climate and sustainability risks may accrue because of:

Physical climate risk

1. Flood, heavy rainfall, drought
 - a. Damages and/or losses not covered by insurance
 - b. Problem with production, or downtime for agriculture
2. Landslide
3. Lack of snow
 - a. Winter sports resorts lose customers in high season
 - b. Less sales of sports equipment
4. Forest fire

Transitions - political instruments

5. Stricter emission requirements, for example from fossil cars
6. Restrictions for driving diesel cars
7. Change in commodity prices
8. Stricter requirements for energy efficiency for real estate and homes

Transitions - changed attitudes

9. Changed requirements from customers and other interest groups in general
10. Public customers place new demands on their suppliers
11. Homes must be climate efficient and must use little energy for heating
12. Commercial buildings must be climate efficient
13. Less consumption of meat
14. Less travel
15. Young people that only want to work in companies focusing on sustainability, this can make it difficult to recruit competent people
16. General fall in consumption, over to a circular economy with more reuse

Transitions - technological development

17. Technological innovations mean that existing assets or processes are not profitable. For example, new industries/solutions may be electrified or automated.

Corporate social responsibility and corporate governance

18. Customers that do not follow rules related to gender equality, human rights, consumer protection and working conditions
19. Customers that have poor practice and attitudes related to financial crime, anti-money laundering, corruption, and taxes

Particularly vulnerable industries

For customers in particularly vulnerable industries, a more thorough assessment is required. The selection of vulnerable industries is based, among other things, on the extent of greenhouse gas emissions, the industry's role in the energy supply chain and whether the industries are exposed to a significant risk of carbon leakage. Source is the thematic report by The Norwegian Financial Supervisory: *Climate risk in the financial institutions 21.06.2019*

THEME III: CLIMATE RISK AND FINANCIAL INSTITUTIONS

Table III.1 Examples of climate-sensitive sectors based on Battiston et al.'s framework

Main sector	Subsector	Physical risk	Transition risk
Energy	<ul style="list-style-type: none"> - Fossil fuel - Energy-intensive - Utilities 	<ul style="list-style-type: none"> - Damage to plant - Production downtime 	<ul style="list-style-type: none"> - Stricter emission requirements - Change in commodity prices - Changed requirements from customers and other stakeholders
Transport	<ul style="list-style-type: none"> - Infrastructure (ports and harbours) - Cars 	<ul style="list-style-type: none"> - Damage to infrastructure 	<ul style="list-style-type: none"> - Stricter emission requirements for fossil-powered cars - Restrictions on use of diesel-powered cars
Real estate/housing	<ul style="list-style-type: none"> - Housing - Commercial property 	<ul style="list-style-type: none"> - Damage to properties 	<ul style="list-style-type: none"> - Stricter requirements on energy efficiency

Green loans

Aurskog Sparebank provides products that stimulate climate- and environmentally smart behaviour. The products will continuously be developed to be relevant and up to date. As of today, the bank provides green loan products towards both retail and corporate customers.

Funding

The bank's lending is mainly financed by deposits and bond issued.

An overview of the bank's bond loans, which are noted at Euronext Oslo Børs, with maturity structure and loan agreements is available on the bank's website. We have this far not issued green bond loans. Should the bank issue green bond loans, will the framework be set up in collaboration with a facilitator, and with a subsequent independent assessment of the framework.

The bank has an important source of funding in covered bonds as a co-owner of Eika Boligkreditt AS (EBK). EBK has not yet issued green bonds.

Savings and investment products

Aurskog Sparebank offers a wide range of savings products. Investment customers have expectations that the fund and investment alternatives that the bank offers are sustainable. Eika Kapitalforvaltning AS (EKF) and Norne Securities are providers of these funds and investments products. The bank has no climate and environmental policy for issuing fund and investment products, but relays on the strategies of EKF and Norne.

Both EKF and Norne Securities have their own sustainability strategies, for example that EKF's funds invest in line with the Government Pension Fund Global.

Every year, EKF prepares a sustainability report which confirms that this year's investments have been in accordance with EKF's guidelines. The rules EKF has prepared are described in

detail in a separate ESG document which is available on the company's website, as well as on the bank's website.

From the website of Norne Securities:

Norne Securities offers funds managed by external fund managers that are subject to strict legislation to protect customers and their fund units. In addition to this, Norne ensures that the fund providers have good guidelines for socially responsible investments. Customers must be sure that the investments provide a good return both financially and socially. Norne conducts further investigations if a relevant fund has underlying products and deliveries from others, so that the actual risk and counterparty are clarified.

Aurskog Sparebank have an ongoing dialogue with EKF and Norne to provide feedback on any changes and improvements we see needed.

Management of Aurskog Sparebank's liquidity

A policy document regarding the liquidity and investment policy approved by the Board of Directors are base for the management of liquidity. The policy document is reviewed every year.

The banks liquidity management follow Eika Kapitalforvaltning's regulations for sustainable investments. This means, among other things, that all companies that the Government Pension Fund has excluded are excluded. In addition, individual industries, certain product, and service groups, as well as companies with the highest carbon footprint are excluded. The rules EKF has prepared are described in detail in a separate ESG document which is available on the company's website, as well as on our website.

Gifts and sponsorships

The banks' profits are generated locally and is returned to the local community by the bank providing gifts and sponsorships to local, non-profit purposes. Gifts and sponsorships support our local communities as good places to grow up and to live.

Corporate social responsibility is an important part of the banks' activities. Aurskog Sparebank have been particularly concerned by inclusion and supporting activities towards children and youths. We take pride in our partners who facilitate activities, healthy conditions for growing up and good local communities.

We aim to increase our involvement in climate- and environment-friendly projects. We will set a goal that each year, part of our allocations of gifts and sponsorships will be prioritized for this climate- and environment-friendly projects.

Climate and environmental goals

Aurskog Sparebank has chosen to set goals and principles for our climate and environmental work at an overall level. During the first half of 2021, we will start an impact analysis of the banks' business, especially looking into our positive and negative impact on the environment. The TCFD framework and the GRI standard for reporting will be considered as part of this analysis. This analysis will be reported in line with the banks' signature of the UNEP FI Principles for Responsible Banking.

On basis of the impact analysis, we aim to set specific goals. We will link relevant indicators to these goals to measure and report our climate and environmental work.

Overall goals and principles

- To ensure that our employees have expertise and are up to date on sustainable financial products and services, so that we can discuss such topics with customers, when customers is choosing environmentally friendly solutions, and making environmentally friendly investments
- To encourage and set requirements for gender equality and climate- and environmentally smart behaviour among our suppliers and partners
- To carry out an impact analysis of our business
- To further work to increase the proportion of financing with green loans (mortgages, business loans and car loans)
- To make continuous demands to our investment service providers
- To consider issuing green bond loans
- To set goals and commitments related to a positive climate and environmental impact, both within credit, non-profit gifts, and sponsorships

TCFD framework and climate risk reporting

The recommendations from the G20 countries' Task Force on Climate Related Financial Disclosures (TCFD) have been established as the central framework for how climate risk is to be analysed and reported. TCFD recommends that the financial industry report on the following areas regarding climate risk:

- **Management** - describe the company's management of climate-related threats and opportunities
- **Strategy** - describe current and potential effects of climate-related threats and opportunities on the company's business, strategy, and financial planning
- **Risk management** - describe how the company identifies, assesses, and manages climate-related risk
- **Goals and methods** - report on methods, goals and parameters used to assess and deal with climate-related threats and opportunities

As part of the impact analysis the TCFD framework will be reviewed and assessed implemented in our reporting of climate risk. Our goal is to start reporting on climate risk early 2022.

Products

We want to provide products that stimulate climate- and environmentally smart customer behaviour. As of today we provide green products to both retail and business market.

For retail customers:

Green mortgages

We offer green first home loans, mortgages, and flexible loans. To qualify for green mortgages, the house/building must be in energy class A or B. We offer green mortgages for the purchase or newly constructed environmentally friendly housing, upgrading existing housing to a higher environmental standard, and for environmentally friendly projects that trigger support from Enova.

Green car loans

We offer green car loans through Eika Kredittbank AS. Green car loans are provided to finance zero-emission cars.

Sustainable fund investments

We offer sustainable fund investments through Eika Kapitalforvaltning AS (EKF). EKF provides management in companies that work to comply with strict requirements for social responsibility, sustainability, ethics, and transparency. A company's ESG profile is always included as one of the criteria when EKF makes an investment decision.

For corporate customers:

Green business loan

We offer green business loans to projects that focus on the environment and sustainability, and who are considering implementing energy-saving measures or investing in new environmentally friendly technology. Green business loans are adapted to both agricultural customers and business customers in general.

Pension

We offer defined contribution pensions with fund investments through Eika Kapitalforvaltning AS.

The way forward

Ongoing follow-up are important to be able to work well with climate and environmental issues. The Sustainability manager is responsible for monitoring the banks' work and development, including close dialogue with all the employees as well as the Board of Directors.

Annually the following will be reported as part of the banks' sustainability reporting:

- Whether set climate and environmental goals have been achieved
- Whether planned measures have been implemented, and whether they have had the expected effects

Reporting and publication

Information on, and reporting related to, sustainability will be transparent and accessible to the public.

Aurskog Sparebank will annually publish a sustainability report.

Aurskog Sparebank has Eco-Lighthouse certification, Norway's most widely used certification scheme for enterprising seeking to document their environmental efforts and demonstrate social responsibility. In line with the certification, the bank will publish a yearly environmental report. Relevant parts of the reports will be implemented in the sustainability report.

The signing of the UNEPFI Principles for Sustainable Banking requires long-term work to implement the principles in our banking business. As mentioned earlier in the document, we have, among other things, committed ourselves to conducting an impact analysis of our business. We will also set specific goals for sustainability. We will deliver the first report by the end of September 2021. The reporting on the UNEP FI principles will be included in the sustainability report.

Evaluation

To maintain and improve our sustainability work, the bank will carry out evaluations of climate and environmental work. Evaluation of all areas described in this document will be carried out annually by the Management and reported to The Board of Directors.