ESG policy

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Contents

Summary

Purpose	Provide the framework for the Bank's ESG efforts
Document owner	Group ESG
Approval	The Board of Directors approves the ESG policy upon recommendation from the ESG Committee
Related to	• Conflicts of Interest Policy • Policy for prevention of money laundering, terrorist financing and sanctions breaches • Responsible Investment and Active Ownership Policy • Tax policy • Remuneration policy • Policy for the Underrepresented Gender • Policy for healthy corporate culture • Data Ethics Policy • Anti-corruption and bribery policy
Legislation relating to this document	The policy is not statutory

1. Introduction

The ESG policy applies to the AL Sydbank Group (hereinafter ”AL Sydbank” or ”the Bank”).

As one of Denmark’s largest banks, AL Sydbank has a responsibility to support positive developments in society and mitigate negative impacts so that together we can ensure a sustainable future for the next generations. The policy provides the framework for how the Bank runs an environmentally, socially and financially responsible business where ESG risks and opportunities are identified and managed.

We live up to our responsibility and make our contributions to comply with global and national goals and comply with applicable rules and legislation regarding ESG. Our efforts are guided by relevant national and international frameworks such as the UN principles for Responsible Banking, the UN principles for Responsible Investment, the UN Global Compact, the UN Sustainable Development Goals and the Paris Agreement.

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

A significant part of AL Sydbank’s ESG efforts are defined in legislation and take place in close dialogue and collaboration with public authorities and interest organisations.

2. ESG in the Bank’s four promises

AL Sydbank makes four promises to the Bank’s different stakeholders: We put the customer first, we are an attractive workplace, we create profitable growth, and we take responsibility. The ESG efforts are integrated in all four promises. Integration across the organisation ensures that ESG is incorporated into the Bank’s products and processes benefitting the Bank’s customers, employees, shareholders and other stakeholders.

The pillars below show how ESG is integrated in the four promises.

We put the customer first	We are an attractive workplace	We create profitable growth	We take responsibility
• Value adding advice on ESG issues and products that support customers' development in respect of eg the green transition and climate proofing (E+S+G) • Protection of customers – privacy and fraud (S) • Availability to customers – locally and digitally (S) • Decent treatment of customers – transparent communication and complaints mechanisms (S)	• Strong professional environments (S) • Attentive management and good feedback culture (S) • Career and development opportunities (S) • Decent treatment of employees, eg equal opportunities and complaints mechanisms (S) • Climate-friendly transportation and lunch options (E)	• Integration of ESG issues into products and processes with a special focus on the core business: lending and investments (E+S+G) • Integration of ESG issues into risk management, eg credit, market, liquidity and operational risks (E+S+G) • Healthy corporate culture to ensure long-term value creation (G) • Transparent reporting (G) • Energy efficient operations to save resources (E)	• Financial stability and payment infrastructure (S) • Combating financial crime – fraud and money laundering (S) • Specialised advice to Danish associations (S) • Financial inclusion with free NemKonto (Easy Account) and payment card (S) • Contributions to local communities through sponsorships and fund donations (E+S) • Proper treatment of reports, eg external whistleblower system (G) • Healthy environment, eg CO_2e reduction targets (E)

3. ESG training

By training its employees, AL Sydbank strives to ensure a sufficiently high knowledge level within ESG. The Bank provides training to its employees in the form of a basic learning module which is mandatory for all employees. In addition the Bank provides targeted training to selected employee groups where specific knowledge of ESG is relevant.

4. International agreements and endorsements

AL Sydbank A/S has signed the UN Principles for Responsible Investment and consequently the Bank is committed to comply with the six principles for responsible investment.

The Bank has joined the UN Global Compact and as a result the Bank has undertaken to adhere to the 10 principles of the Global Compact and report on its compliance with the principles on an annual basis. The principles are based on international conventions and agreements and they comply with the OECD's guidelines, the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and the United Nations Convention against Corruption.

AL Sydbank A/S has signed the UN Principles for Responsible Banking and as a result the Bank has undertaken to incorporate the six principles for responsible banking within a period of four years as well as to analyse its impact, set targets and to report on a regular basis on its progress.

5. ESG governance foundation

The Bank's policies and business procedures, including its ESG policy, ensure a foundation for good ESG governance.

Examples of the Bank's external governance foundation:

- Conflicts of interest policy

- Policy for prevention of money laundering, terrorist financing and sanctions breaches
- Responsible investment and active ownership policy
- Tax policy
- Remuneration policy
- Policy for the underrepresented gender
- Policy for healthy corporate culture
- Data ethics policy
- Anti-corruption and bribery policy

6. ESG organisation

The Board of Directors' ESG Committee prepares the work on relevant ESG strategies, policies and objectives as well as makes assessments and reports to the Board of Directors in terms of the direction across the Bank in relation to initiatives and developments in the ESG area.

The Group Executive Management is responsible for the Bank's ESG efforts. In practice this responsibility has been delegated to AL Sydbank's ESG management committee, which consists of at least one member of the Group Executive Management, relevant group executive vice presidents and selected ESG specialists. The management committee prepares proposals and recommendations as regards the coordination of EGS efforts in the Bank, including proposals for objectives and prioritisation of initiatives and developments.

In addition the Bank has two fora for its core business: ESG in Credits and ESG in Investment, including the Responsible Investment Committee. These two fora aim to ensure that ESG is rooted in, integrated in and communicated to the credit area and the Wealth Management areas.

The day-to-day activities concerning ESG are carried out in the Bank's business areas and business units. The activities are wide ranging, which is why an ESG working group has been set up to focus on sparring and knowledge sharing across the Bank's areas. The group includes relevant employees whose daily work involves ESG in the Bank's business areas and business units.

Group ESG manages and drives day-to-day activities across the Bank.

7. Responsibility and follow-up

The ESG policy is updated at least once a year.

AL Sydbank's Board of Directors approves this policy.

Following approval the policy is made available at the Bank's websites in Danish and English as well as on the Bank's intranet.