

Standard for Human Rights and Due Diligence

This document describes requirements and guidelines for the Group's work on human rights and due diligence

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Content Owner	EVP People, Sustainability and Communication
Information classification	Open
Applies to	SpareBank 1 SR-Bank Group
Approval level	EVP People, Sustainability and Communication
Last approved	12.01.2024
Last revised	12.12.2023

Contents

1.	PURPOSE	3
2.	TARGET GROUP	3
3.	DEFINITIONS.....	3
4.	THE BUSINESS SECTOR’S RESPONSIBILITY FOR HUMAN RIGHTS	4
5.	DUE DILIGENCE.....	5
6.	SPAREBANK 1 SR-BANK’S RESPONSIBILITY	6
7.	WORK ON THE TRANSPARENCY ACT.....	7
8.	MANAGING ADVERSE IMPACTS.....	8
9.	ORGANISATION AND RESPONSIBILITIES	9
10.	MANAGEMENT AND REVISION OF THIS STANDARD	9
11.	REFERENCES AND RELEVANT LINKS (CAN BE UPDATED WITHOUT REAPPROVAL).....	9

1. PURPOSE

SpareBank 1 SR-Bank is committed to complying with international standards for human rights and decent working conditions. This commitment is anchored in the Group's general sustainability strategy and sustainability policy. It is a key component of our vision of being a responsible and sustainable financial group and an integral part of our work on contributing to sustainable transitions.

This corporate standard sets out the international standards on which the Group's commitment is based, what that commitment entails and how it relates to the Group's policies, guidelines and standards. The Group's due diligence assessments, which are designed to identify, avoid and manage adverse impacts on human rights and decent working conditions, form part of this work.

The standard is also a reference source for the Group's work on the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act), together with other relevant governing documents and routines.

2. TARGET GROUP

The standard applies to the entire SpareBank 1 SR-Bank Group.

The Group also expects those with whom it has business relationships, such as customers and suppliers, to comply with the same guidelines and also to expect the same compliance in their other business relationships.

3. DEFINITIONS

Human rights are universal minimum standards for living a good and dignified life based on the fundamental principle that all people are equal and have the right to be treated with dignity and not be subjected to discrimination. Human rights apply regardless of a person's gender, age, sexual orientation, life stance, functional ability, language, skin colour, nationality or where in the world they live.

Human rights are enshrined in the UN Universal Declaration of Human Rights and further elaborated on in multiple international conventions. Of these, the most important are the UN International Covenant on Economic, Social and Cultural Rights and the UN International Covenant on Civil and Political Rights. These two, plus the Universal Declaration, constitute the International Bill of Human Rights.

UN human rights standards also include conventions on the rights of individuals from groups with special protection needs, such as the:

- UN International Convention on the Elimination of All Forms of Racial Discrimination
- UN Convention on the Elimination of All Forms of Discrimination Against Women
- UN Convention on the Rights of the Child
- UN Convention for the Protection of the Rights of All Migrant Workers and Members of Their Families
- UN Convention on the Rights of Persons with Disabilities

Internationally, the rights of indigenous peoples are also enshrined in the:

- UN Declaration on the Rights of Indigenous Peoples
- ILO Convention on the Rights of Indigenous Peoples (ILO Convention 169)

Human rights apply in all situations, including in conflict-affected areas. International humanitarian law (the international law of war) is also intended to provide greater protection for people who are not participants in the hostilities in conflict situations, and also contains provisions on occupation.

In addition, the International Labour Organisation's (ILO) core conventions and the ILO Declaration on Fundamental Principles and Rights at Work affirm what are considered fundamental

human rights for decent work. These include freedom of association and the effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; the effective abolition of child labour; the elimination of discrimination in respect of employment and occupation; and the right to a safe and healthy working environment.

Human rights are also a key component of the UN Sustainable Development Goals. In simple terms, the thinking is that without the maintenance of human dignity, it is pointless to talk about sustainable development.

4. THE BUSINESS SECTOR'S RESPONSIBILITY FOR HUMAN RIGHTS

States have a duty to protect the human rights of all those within the state's jurisdiction, while all business enterprises have an independent responsibility to respect human rights. Business can make a positive contribution to the fulfilment of human rights, for example by creating good jobs and living conditions and by contributing to responsible and sustainable value chains. At the same time, business enterprises can influence the rights of their own employees, contract workers, workers in the supply chain, local communities affected by the operations and customers and end users of goods and services. They therefore have a responsibility to avoid harming the fundamental rights of individuals.

This responsibility is enshrined in the UN Guiding Principles on Business and Human Rights (UNGPs), adopted in 2011. The UNGP's clarification of business enterprises' responsibility for human rights has also been incorporated into the OECD Guidelines for Multinational Enterprises, which is the leading international standard for responsible business conduct.¹

A business enterprise's responsibilities to respect human rights include, as a minimum, the human rights set out in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Together, these constitute a benchmark for society's assessment of the impact business has on human rights. The UNGP further stipulates that a business enterprise has a responsibility to pay particular attention to individuals from vulnerable groups who are especially exposed to human rights violations and discrimination, depending on the situation and context. The UN conventions and declarations on the rights of indigenous peoples (together with ILO Convention 169), women, children, persons with disabilities, national, ethnic, religious and linguistic minorities and migrant workers and their families set out international minimum standards that business must comply with in situations where there is a risk that they may become involved in adverse impacts on individuals from these groups. In armed conflict situations, there is also a responsibility to respect international humanitarian law.

The UNGP and OECD guidelines state that responsible business conduct requires business enterprises to conduct due diligence to avoid and deal with actual and potential adverse impacts on individuals' rights. The focus of the business enterprise's responsibility and due diligence is the risk to individuals, i.e. the risk of adverse human rights impacts, and not the risk to the business enterprise (reputational, legal, operational or financial), although these will often overlap.

¹The OECD guidelines also cover what is expected of business due diligence in other areas such as the climate, environment, biodiversity, relationships between the parties in the business sector, anti-corruption and transparency. A key component of the OECD guidelines is the expectation that business enterprises should conduct due diligence in order to avoid harming people, the environment and society. SpareBank 1 SR-Bank's due diligence complies with the OECD guidelines. The OECD guidelines were updated in June 2023.

Pursuant to the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act), such due diligence processes are a legal requirement for larger Norwegian business enterprises.

Responsibility for promoting respect for human rights, as well as labour rights, also applies to complex supply chains where production and consumption may be linked to war zones or occupation. The UNGP and the OECD guidelines require business enterprises with operations in, or links to participants in, conflict situations to conduct heightened due diligence throughout their value chain to avoid contributing to adverse impacts in such contexts.

5. DUE DILIGENCE

The key point of the Transparency Act is the requirement for continuous due diligence in order to prevent and manage actual and potential adverse impacts on fundamental human rights and decent working conditions in our organisation and supply chain.

The UNGP and OECD guidelines clarify that a business enterprise not only has a responsibility to respect fundamental human rights in its own operations, but it must also take account of the risk of violations occurring in those with whom it has business relationships. The UN and OECD standards require due diligence throughout the value chain, while the Transparency Act limits the scope to our own operations and supply chain.

In line with the UNGP, OECD and the Transparency Act, due diligence must be conducted regularly and be proportionate to the size and nature of the operations and the context within which they take place, as well as the severity and likelihood of adverse impacts on fundamental human rights and decent working conditions. According to the UNGP and OECD guidelines, a risk-based approach must be taken to supply chain due diligence, even in industries initially assumed to be 'low risk'.

For a responsible financial group, which takes the social dimension of sustainability seriously, due diligence that covers the entire value chain in line with the UNGP and OECD guidelines is a clear expectation. OECD guidance on due diligence in the banking sector emphasises that the expectations in the OECD Due Diligence Guidance for Responsible Business Conduct generally also apply to banks. It states that for banking, customer due diligence is an important component of that responsibility, and that the nature of the due diligence may be different to that for many other industries where there is a greater focus on supplier relationships.

The UNGP and the OECD guidelines set out that the responsibility for avoiding adverse impacts on people applies to both one's own operations and the influence that can be directly linked to a business enterprise's operations, products and services through business relationships, i.e. the business enterprise's value chain. Liability is not limited to the first link in the value chain. For example, the greatest challenges with respect to the risk of violations of fundamental human rights for most Norwegian business enterprises will usually be found further out in the value chain, both upstream and downstream.

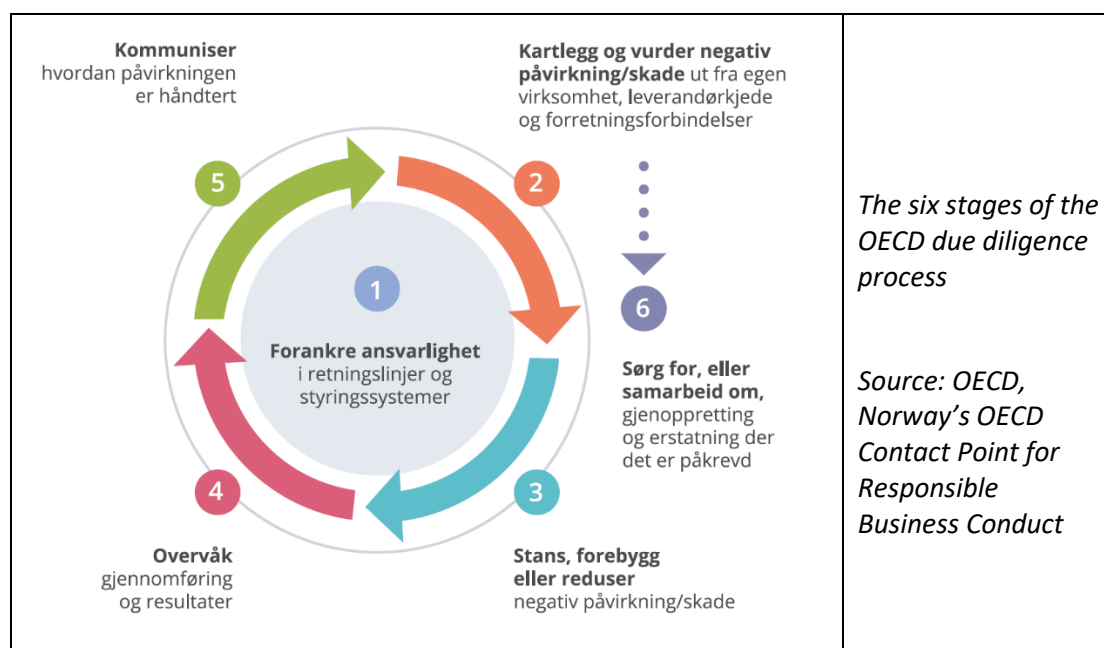
However, although the responsibility encompasses the entire value chain, expectations regarding what must be done will depend on how one is connected to the actual or potential adverse impact. The UNGP distinguishes between three ways in which a business enterprise can become involved in such a situation:

- Adverse impact or serious risk caused by the business enterprise.
- Adverse impact or serious risk caused by a business relationship but to which the business enterprise has contributed via its decisions or practices.
- Adverse impact or serious risk neither caused by nor contributed to by the business enterprise but which nevertheless has a direct link to the business enterprise's operations, products and services through business relationships (e.g. suppliers, subcontractors, customers or other business associates).

A particular responsibility exists to avoid and address actual or potential adverse impacts to which a business enterprise has *contributed or caused*. In such cases, the UNGP and OECD guidelines expect the business enterprise to contribute to remediation. For situations where there is a direct link through the value chain, the business enterprise is expected to use, or try to strengthen, its influence to prevent and mitigate adverse impacts.

The UNGP and the OECD's due diligence model – to which the Transparency Act also points – comprises six stages (see the figure below):

1. Embed accountability in the business enterprise's policies
2. Identify and assess actual and potential adverse impacts on fundamental human rights and decent working conditions that the business enterprise has either caused or contributed to, or that are directly related to the business enterprise's operations, products or services through business relationships (the value chain)
3. Establish appropriate procedures, processes and measures to stop, prevent or mitigate adverse impacts based on the business enterprise's priorities and assessments
4. Monitor implementation and the results of processes and measures
5. Talk publicly about due diligence and, in particular, tell affected stakeholders and rights holders how impacts are being addressed
6. Ensure or cooperate in remediation where it is required



In reality, due diligence involves a series of continuous processes that cover many areas and the Group's different roles. However, at the heart of the due diligence relating to fundamental human rights and decent work is ensuring, to the best of our ability, that adverse impacts on the fundamental rights of individuals are prevented and addressed. This is a huge job, especially for larger business enterprises with many activities and business areas, and large and complex value chains. For a group like SpareBank 1 SR-Bank, it is crucial that a system of procedures and guidelines, checks, follow-up and reporting is established and integrated into the various relevant business areas. This also means ensuring that the organisation, roles and responsibilities support this framework.

6. SPAREBANK 1 SR-BANK'S RESPONSIBILITY

The UNGP and OECD guidelines apply to the financial services industry in the same way as all other industries. The responsibility for respecting human rights and avoiding involvement in adverse impacts

applies to all of the Group's operations and in the various contexts associated with the Group's operations. It therefore affects both how we conduct our operations and with whom we have business relationships.

It applies in the context of the Group's various roles such as:

Employer: Responsibility for our own employees is a priority area. This entails ensuring respect for employees' fundamental rights to a safe and healthy working environment, zero tolerance of harassment, the right to equality, freedom from discrimination, freedom to join a trade union and collective bargaining and the ability to report possible violations and concerns without fear of retaliation.

Purchaser: The Group's procurement of goods and services must not contribute to, or risk being associated with, adverse impacts on human rights and decent working conditions via the supply chain. Suppliers and other business partners who supply goods and services to the Group must also be required to conduct due diligence throughout their supply chain.

Lender and financial services provider in the retail market: Financing and other financial services for consumers must not cause or contribute to adverse impacts on the rights of individuals. This includes with respect to privacy risks and practices that might have an adverse impact in relation to equality and other forms of discrimination.

Savings products intermediary: Fund products distributed by SpareBank 1 SR-Bank must avoid business enterprises that violate international human rights standards. Fund managers with whom SR-Bank has a distribution agreement must comply with guidelines for responsible investment that comply with the UNGP.

Lender to business: As a responsible financial services group, our financing of business enterprises and economic activities must not contribute to adverse impacts on human rights and decent working conditions. We must do what we can to avoid being associated with violations committed by others through ESG assessments that include human rights criteria and decent working conditions for all credit commitments above a certain size.

Due diligence is the tool for avoiding and managing adverse impacts for people with whom the Group is associated in these various areas. Operationalisation and implementation must be supported by practically oriented procedures and guidelines tailored to the business areas and subsidiaries (will be drawn up in 2023-24).

7. WORK ON THE TRANSPARENCY ACT

The Group has a statutory duty to conduct and report on due diligence in order to avoid and deal with actual and potential human rights impacts. The purpose of the Transparency 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, as well as to ensure public access to information on how enterprises deal with the adverse impacts associated with these.

The specific requirements comprise:

- An obligation to conduct due diligence for our own operations and supply chains and for other business partners who supply goods or services directly to our operations.
- An obligation to report publicly on due diligence and make the report readily available on the business enterprise's website.
- An obligation to respond to information requests related to due diligence, which reflect the right of any person to request information on how the business assesses and manages the risk of violations of fundamental human rights and decent working conditions related to products and services offered by the business in the market.

The Group's Standard for Human Rights and Due Diligence sets out the underlying international standards with which the Group complies in its work on the Transparency Act.

In addition to guidance and procedures for integrating due diligence in the business areas and subsidiaries, specific procedures for annually reviewing the Group's overall due diligence system are developed as part of the preparations for public reporting each year by 30 June.

There is a specific procedure for responding to information requests from people who have questions about the Group's work on human rights. Contact information is available on the website.

8. MANAGING ADVERSE IMPACTS

Remediation as a key principle

The UNGP and the OECD guidelines emphasise that dealing with actual adverse impacts is part of a business enterprise's responsibility to respect fundamental human rights. Where a business enterprise has itself caused or contributed to adverse impacts, remediation or contributing to remediation is key. If the business enterprise has not caused or contributed to an adverse impact, the responsibility for remediation lies with the entity that is directly responsible. However, the business enterprise can still make a positive contribution by trying to stop and mitigate the harm and by using its influence over those directly responsible to promote remediation.

Remediation is not part of due diligence itself, but it is closely related. One important function of due diligence is precisely to identify adverse impacts, which must then be followed up. Working on damage remediation can also strengthen due diligence in the long term. Mechanisms for reporting concerns or complaints, along with remediation processes, can provide information about how operations and business relationships impact individuals, which in turn can help improve systems in order to avoid adverse impacts and serious risks.

Our mechanisms for causes for concern

SpareBank 1 SR-Bank is conscious of this dimension of responsible business conduct, which in practice requires us to have ways in place in which complaints and concerns can be reported. The Group has various channels for reporting concerns and complaints, which also include potential cases of a human rights nature or concerns in relation to decent working conditions. These include both internal and external situations. When it comes to our own operations, one important aspect is the right of employees to report internally and externally pursuant to the Working Environment Act.

Our internal mechanisms include:

- Whistleblowing procedure in line with the Working Environment Act
- The Group's system for reporting undesirable incidents
- Procedures for reporting potential breaches of privacy
- Trade unions

SpareBank 1 SR-Bank also has its own mechanisms for handling reports from external stakeholders on potential causes for concern that might be associated with the Group.

We have also produced a form for due diligence related enquiries in accordance with the duty of disclosure introduced by the Transparency Act.

Additionally, SpareBank 1 SR-Bank has its own channel for customer complaints.

Managing information about corporate customers' responsibility

SpareBank 1 SR-Bank's approach to dealing with actual and potential adverse impacts on fundamental human rights and decent working conditions also extends to our corporate commitments. The Standard for Sustainability in the Corporate Market, which requires respect for fundamental human rights and

international labour standards, emphasises that if we become aware that any of our customers are acting contrary to our expectations and requests, we will enter into dialogue with the customer to try to improve the situation. If this follow-up does not lead to improvements, we will set clear conditions for the bank's continued involvement with the customer. In the worst case scenario, we will consider ending the customer relationship. When it comes to the guidelines for not providing loans, these are followed up concretely when assessing applications for financing.

Supplier follow-up where information about breaches is received

Breaches of national and international standards for sustainability and responsible business conduct may constitute a breach of contract. If information is received about actual breaches or serious risk, or these are suspected, a dialogue is conducted with the supplier to investigate and follow up the assessment. If suppliers do not remedy identified breaches, or have committed serious breaches of international standards, their contract will be terminated.

9. ORGANISATION AND RESPONSIBILITIES

The Board has overall responsibility for overseeing the sustainability strategy, which includes the work on ensuring respect for fundamental human rights and decent working conditions in our own operations and in direct connection with the Group's business relationships. The Board supervises the Group's work on due diligence and disclosure via the annual report.

The Board of Directors and CEO are responsible for approving and signing the report in accordance with the Transparency Act. For subsidiaries directly subject to the Act, the respective boards are responsible for approving the report, even when the subsidiaries are covered by the Group's joint report.

Responsibility for ensuring that the Group complies with its responsibilities regarding fundamental human rights lies with the CEO. Furthermore, they are embedded in both relevant management tools (see section 8) and through the Group's managers of the various functions and subsidiaries following up the work on operationalisation and implementation.

The Head of Sustainable Finance is responsible for coordinating compliance with corporate standards for human rights and due diligence across all frontline functions, including people and organisation, the corporate market (Large Corporates and SME & Agriculture), the retail market (RM) and purchasing. Furthermore, risk management and compliance perform a second-line function, while the internal audit addresses the third-line function.

10. MANAGEMENT AND REVISION OF THIS STANDARD

This standard is revised on an annual basis by the Content Manager. This standard must be reapproved in the event of significant changes and at least every 3 years.

11. REFERENCES AND RELEVANT LINKS (CAN BE UPDATED WITHOUT REAPPROVAL)

The responsibility to respect human rights and avoid involvement in violations through business relationships is anchored in the:

- Corporate Sustainability Strategy
- Sustainability Policy

- Standard for Responsible Investments and Ownership
- Purchasing Policy
- Standard for Purchasing
- Standard for Sustainability in the Distribution and Recommendation of Securities Funds
- Standard for Sustainability in the Corporate Market
- Standard for Sustainability in Agriculture and Nature
- Privacy Statement (PDF)
- Framework for Sustainable Financing

Our commitment to our employees, plus the roles and responsibilities of employees, have been incorporated into the:

- Standard for Diversity, Inclusion and Belonging
- Code of Conduct

SpareBank 1 SR-Bank is a signatory to several initiatives in which business enterprises' respect for human rights is a cornerstone, which further highlights and supports our commitment in this area:

- The UN Global Compact's 10 Principles for Responsible Business Conduct, which include commitments to respect international human rights standards, as well as standards for employment, anti-corruption and the environment.
- The UNEP Finance Initiative's Principles for Responsible Banking, which involve aligning our corporate strategy with the UN Sustainable Development Goals, the Paris Agreement and other international frameworks, including the UNGP.
- FUTURE-PROOF, a collaborative platform for business and human rights established by the Bergen Chamber of Commerce and Industry and the Rafto Foundation, in which the Group has signed a commitment stating: "We take our shared responsibility to respect human rights seriously. We do this by complying with the UN Guiding Principles on Business and Human Rights (UNGPs)."