

CSR Report for 2013

Sydbank

Statutory CSR Report for 2013

Objective

Sydbank strives to conduct its business on the basis of clients' requirements in a profitable and sustainable manner. Clients want a decent, responsible and reliable bank. A bank with sound values but also a solid and profitable bank. Sydbank is such a bank.

Sydbank is a modern bank that evolves in line with today's demands. However Sydbank also focuses on strong fundamental values – values that are reflected in the way we conduct business – with the broader community, our clients, our staff and other stakeholders. We strive in all contexts to create value through excellence and our ability to create relationships.

Responsibility

Sydbank is an enterprise operating as a responsible player in society while respecting its business goals.

The Bank is conscious of the significant socio-economic responsibility that its role as finance provider, securities trader and payment intermediary involves and this is reflected in the Bank's policies and efforts to solve tasks as rationally as possible.

Sydbank's activities include reporting certain information to the public authorities concerning clients' financial circumstances. In connection with pension savings, the Bank calculates the direct and indirect taxes payable, withdraws these amounts from customer accounts and transfers them to the authorities. Moreover the Bank has developed a set-up to prevent the Bank from being used in connection with money laundering activities or other criminal acts.

Follow-up

Ongoing follow-up of results is carried out in a number of the areas mentioned below but the Bank does not carry out a specific all-inclusive follow-up of the effects of all initiatives implemented.

Climate and energy

Continuous efforts are made to lower energy consumption and CO² emissions relating to the Bank's activities.

In terms of energy consumption in buildings, the Bank aims to be one of the best in the class. As a result ongoing initiatives are implemented to help to reduce energy consumption, for instance consumption for heating, temperature control, lighting etc.

For a number of years Sydbank has sought to ensure that its new builds and renovation projects are energy-efficient. A very significant part of the Group's energy consumption is monitored continuously, which allows for immediate adjustments. Through the measures mentioned above, the Bank aims to reduce its CO² emissions.

The Bank's first solar cell system was installed in 2012 and it is aimed that the share of energy consumption covered by means of the Bank's renewable energy systems will gradually increase.

Determined efforts are made to reduce Sydbank's use of paper, both within the Bank as well as in customer communications. As a result the amount of letters and printed material has been reduced considerably within a short space of time. From 2010 to 2012 the number of physical letters to clients was lowered from an average of 10 letters per year to an average of six letters per year. In 2014 a further reduction is projected in connection with the introduction of electronic signatures on the majority of the Bank's documents.

Videoconferencing equipment has been installed at all Sydbank's offices and branches. Video meetings reduce time and transport costs and also contribute to lowering CO² emissions and energy consumption. This applies to the Bank's employees as well as the Bank's clients. Clients' increasing use of the Bank's many self-service channels also reduces energy consumption. When equipment is purchased, energy consumption represents an important parameter.

Staff

Also in relation to its employees Sydbank takes its corporate social responsibility seriously.

The Bank's staff is employed in Denmark or Germany in accordance with the collective agreements applicable within the banking area in each country. The Bank respects basic human rights.

Sydbank focuses on ensuring a good physical and mental working environment for its employees. Concrete initiatives within stress prevention, senior policy schemes and health promotion are some of the reasons why Sydbank is a highly attractive place to work.

Sydbank as a workplace is characterised by

- high employee satisfaction (measured every two years)
- few work-related injuries
- low sickness absence
- long employment relationships.

Every year the Bank hires a number of newly qualified young employees – primarily financial economists and bachelor of finance graduates. On employment the new graduates typically receive one year's further training in the Bank.

One of Sydbank's fundamental values is that employees must be highly skilled. This is one of the reasons why considerable time is spent on further training.

The Bank strives to achieve a more equal gender distribution in the various levels of management. This policy is available at the Bank's website.

Investments

Sydbank exercises its corporate social responsibility in the investment area primarily by the way in which the assets of the various portfolios managed by Sydbank are invested. When planning the management of these assets, we attach great importance to the fact that the companies invested in comply with the UN Principles for Responsible Investment (UN PRI). This entails for instance:

- that environmental, social and corporate governance (ESG) issues are incorporated in investment decisions
- that we apply a commitment approach in relation to influencing companies invested in that do not fully live up to our expectations regarding ESG issues.

Sydbank signed UN PRI in September 2010 and has thereby made a commitment to incorporate ESG issues when selecting equities and corporate bonds for our various funds.

How Sydbank will promote UN PRI

Sydbank seeks to promote UN PRI by influencing the companies invested in and with which we collaborate to contribute to a greater extent to globally sustainable development as well as greater corporate social responsibility. We will urge these companies to disclose ESG issues and to implement the principles. And our efforts to implement the principles within Sydbank will be described in our annual reports.

In line with its fundamental values, Sydbank does not wish to invest in companies that violate widely accepted international conventions and norms as formulated in for instance the UN Global Compact concerning businesses' positions on human rights, employee rights, environmental issues and anticorruption.

Collaboration with GES

To ensure that investments made by Sydbank comply with the principles for responsible investment and incorporate ESG issues, Sydbank has engaged the services of GES Investment Services (GES).

The collaboration involves the following:

- Twice a year GES screens the investments of Sydbank's pooled plans that invest in equities and corporate bonds from mature markets in order to identify the companies that do not comply with the stipulated norms.
- Twice a year GES performs an extended screening of the investments of Sydbank's pooled plans that invest in equities from emerging markets. This screening is identical to the screening for the mature markets but it also involves a screening of investments in weapons as well as a rating of businesses' exposure to ESG issues and their readiness to tackle problems in this context.
- GES makes facilities available for a dialogue with and an active ownership of companies that do not comply with the stipulated norms.
- With respect to emerging markets, GES has an intensive readiness and commitment programme as regards companies where it is assessed that their readiness in relation to ESG issues is not commensurate with the potential risks identified.

Exclusion from portfolios

Our activities concerning responsible investment are based on influencing companies through dialogue. However this may mean that we will exclude companies from the investment universe that portfolios managed by Sydbank may invest in. This may occur if:

- a company's business concept contravenes the stipulated norms and it is judged that this cannot be changed – examples of this are companies that violate international conventions such as the production of cluster bombs and land mines
- a company does not comply with the stipulated norms and does not wish to initiate a dialogue
- there is no indication of sufficient progress in concrete measures by a company that does not comply with the stipulated norms and with which dialogue has been initiated.

Sydbank has set up a committee that decides which companies are to be excluded from the investment universe.

Relationship with the outside world

Sydbank is a relationship bank. This means that Sydbank attaches great importance to creating and building on a good relationship with clients, business partners as well as society at large. It is important for Sydbank to be an active player in the local communities where we conduct business.

We seek to accomplish this by focusing our efforts on our relationship to the society of which we are a part. Sydbank sponsors a wide variety of activities, nationally and in local communities, but the donations from Sydbank's funds also contribute to Sydbank's active involvement in society.

Sydbank's funds

SydbankFonden and Sydbank Sønderjyllandsfond support cultural and general interest activities in Denmark and South Schleswig. In addition the funds support public benefit activities in areas where the Bank operates. Sydbank's funds are often publicly referred to collectively as SydbankFonden.

Applications to the funds can be made in accordance with the articles of association and charitable purposes which form the basis of the funds. The articles of association can be read in their entirety on Sydbank's website under www.sydbank.dk/fonden (in Danish only).

Sydbank's funds give away a total of around DKK 4 million every year, including approx 60 travel grants of DKK 10,000 to young students. The travel grants are given in collaboration with specific educational institutions and cannot be applied for

directly. In addition the funds give out Sydbank's Music Award of DKK 350,000 which is shared between five people, namely one member of each of Denmark's five regional symphony orchestras.

Sponsorships

The Bank is actively involved in sports activities and local association activities in the entire market area. A large number of sponsorships are nurtured locally and regionally – not least amateur associations. Furthermore Sydbank gives donations to selected charitable organisations working in the poorest areas of the world.

The purpose of Sydbank's sponsorships is to show that Sydbank is a bank that focuses on providing local support and that helps to create and enhance an active leisure life and cultural life in individual market areas. This also supports Sydbank's marketing profile as a nationwide bank with strong and distinct local roots. In addition Sydbank gives sponsorships that can contribute to reinforcing relationships to significant business partners nationally as well as in the market areas where we operate. On a national level sponsorships are also used to increase knowledge about Sydbank as a business.

Moreover Sydbank initiates ongoing activities to promote financial literacy among clients and society in general. For instance, Sydbank's branch in Sønderborg has visited local schools and given talks to students on personal finance and budgets.

Taxation

Unlike the majority of businesses, banks are required to pay payroll tax in addition to corporation tax. Payroll tax is calculated on the basis of salaries, pensions etc paid. Moreover banks carry the additional burden of only being entitled to a partial VAT deduction on purchases, services etc.

Taxes paid by the Bank/non-deductible VAT in 2013:

| DKKm | 2013 |
|--------------------|------------|
| Corporation tax | 199 |
| Payroll tax | 112 |
| Non-deductible tax | 92 |
| Total | 403 |