
Sydbank's CSR Report for 2015

CSR Report for 2015

Preface

Responsible conduct in everyday life and sound business practices go hand in hand. Consequently Sydbank follows the international guidelines on corporate social responsibility and we will act responsibly at all times towards our clients, society and our employees.

Sydbank's CSR policy was updated and approved by the Board of Directors in 2015. On a day-to-day basis Sydbank's social responsibility is overseen by the Group Executive Management and as a result its social responsibility – as other business-related considerations – is included in major strategic business decisions.

Responsibility

In 2015 a thorough analysis was carried out of Sydbank's social responsibility basis against the backdrop of applicable internationally recognised principles. The overall conclusion of Sydbank's social responsibility basis is that many actions as regards acting responsibly are implemented on the basis of a principle of common sense. As a result of the analysis work has been initiated to ensure that CSR efforts are formalised and anchored in management and that a formal reporting structure is created.

In the investment area Sydbank collaborates with GES Investment Services (GES) to ensure that investments made by Sydbank comply with the principles for responsible investment and incorporate ESG issues. In 2015 Sydbank acquired Sydinvest Administration, which already managed the collaboration with GES.

In 2015 Sydbank increased its loans and advances thereby making it easier for healthy Danish businesses to finance their investments. Society needs loans and credit facilities which Sydbank provides on an informed and well-founded basis.

In terms of energy Sydbank is working to reduce its energy consumption and CO2 emissions. In 2015 the Bank's energy consumption for its IT servers was reduced significantly. Sydbank expects to be able to install a large solar panel installation in connection with the head office in Aabenraa in 2016.

Sydbank believes in the value of diversity among employees, including equal gender distribution. This contributes to a better working environment. Sydbank will promote the opportunities for women and men to have equal access to management positions.

Sydbank sees its social responsibility as the sum of its activities and consequently Sydbank contributes in a multitude of ways.

Karen Frøsig, CEO

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This statutory CSR report for Sydbank A/S is part of the 2015 Annual Report and covers the accounting period from 1 January 2015 to 31 December 2015.

Sydbank is a relationship bank founded on long-standing, close customer relationship, thanks to the skills of its employees. Honesty is a prerequisite to trust in each other and one's business relations. As stated in Sydbank's client policy, we say things the way they are, and this also applies to Sydbank's CSR efforts.

Embedding corporate social responsibility

Sydbank's CSR policy was updated and approved by the Board of Directors in 2015. On a day-to-day basis Sydbank's social responsibility is overseen by the Group Executive Management and as a result its social responsibility – as other business-related considerations – is included in major strategic business decisions.

Focus areas in 2015

In 2015 an analysis was carried out of Sydbank's social responsibility basis against the backdrop of applicable internationally recognised principles: the UN Principles for Responsible Investment, signed by Sydbank in 2010 and the UN Global Compact, which Sydbank has not signed.

The overall conclusion of the analysis of Sydbank's social responsibility basis is that many actions as regards acting responsibly are implemented based on common sense. What remains is to ensure that CSR efforts are formalised and anchored in management and that a formal reporting structure is created. This work has been initiated on the basis of the analysis.

Economy

Sydbank has signed the UN Principles for Responsible Investment (UN PRI) and has thereby made a commitment to incorporate environment, social and corporate governance (ESG) issues when selecting equities and corporate bonds in which Sydbank invests.

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, labour rights, environmental issues and anti-corruption.

Sydbank exercises its 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 find it important 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.

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. As a result of the screenings in 2015 GES has actively engaged with 22 companies, focusing on companies that have violated widely accepted international conventions and norms concerning environmental and social issues.
- 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. During 2015 this involved in 82 visits and 25 conference calls with businesses in Africa, the Middle East, the Far East and Latin America. As a result GES has ongoing engagement cases involving a total of 140 companies from emerging markets.

In 2015 Sydbank acquired Sydinvest Administration, which managed the collaboration with GES.

Exclusion from portfolios

GES has already excluded a number of companies that have activities within nuclear weapons, land mines and cluster bombs. In addition there may be companies where the engagement approach proves to be unproductive.

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Our activities concerning responsible investment are based on influencing companies through dialogue. Nevertheless companies may be excluded from the investment universe that portfolios managed by Sydbank may invest in.

Credit

Sydbank's credit activities must be consistent with the Bank's business model and the risk profile chosen. Society needs loans and credit facilities which Sydbank provides on an informed and well-founded basis. Concrete action plans are made as regards financial commitments that clients are unable to honour.

As stated in its CSR policy and credit policy, Sydbank does not wish to take part in financial transactions where the motives or business models may be called into question regardless of whether they are believed to be legal. Whether Sydbank decides not to take part in financial transactions depends on an assessment in each situation.

Climate and environment

Sydbank is working to reduce its energy consumption and CO₂ emissions. Detailed monitoring of energy consumed has been implemented on an ongoing basis at all Sydbank's premises. By monitoring the individual responsible for each of the addresses monitored is able to follow closely the current consumption of heat, water and electricity. Alarms have been installed at every location that will detect any abnormal consumption.

In 2015 Sydbank worked on energy optimisation as regards the environment surrounding the Bank's IT servers. As a result the energy requirement for cooling, ventilation and UPS equipment has dropped significantly.

By replacing older equipment and through continuous monitoring, Sydbank further reduced its electricity consumption (measured in kWh/m²) in the Bank's branches in 2015.

In 2015 Sydbank applied to erect a household wind turbine in connection with a warehouse. However the application resulted in objections from neighbours and it has therefore been withdrawn.

Sydbank has filed an application for permission to install a large solar panel installation in connection with the head office in Aabenraa and expects to be able to do so in 2016.

People

Sydbank supports the UN Guiding Principles on Business and Human Rights.

A meticulous risk assessment of Sydbank's human rights risk was conducted in 2015, also in relation to the internationally recognised principles contained in the UN Guiding Principles on Business and Human Rights, which Sydbank backs.

The overall conclusion of the risk assessment of Sydbank's human rights risk is that Sydbank has only a limited risk of having a negative impact on human rights related to the operation of its own business. The greatest risk is within equal rights and anti-discrimination as regards recruitment and promotion.

Women in management

Sydbank believes in the value of diversity among employees, including equal gender distribution. This contributes to a better working environment. Sydbank will promote the opportunities for women and men to have equal access to management positions.

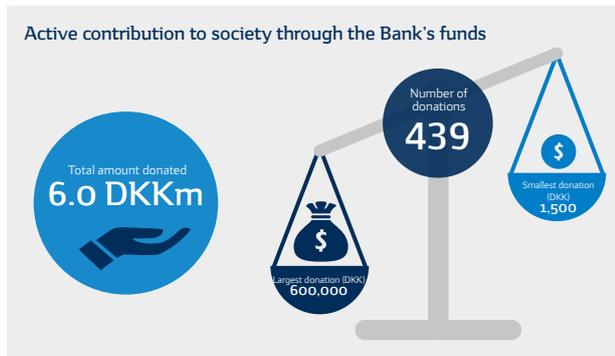
Sydbank's objective is that women will make up 25% of the top management (members of the Board of Directors elected by the general meeting), corresponding to at least two members, before 2019.

The target was not achieved in 2015 as no board members were replaced during the year. Consequently there are no women members elected by the general meeting on Sydbank's Board of Directors.

Sydbank's policy is that management positions are filled by the best candidates and also that the qualifications of talented women are enhanced. When recruiting people for management positions Sydbank strives to the extent possible to ensure that both genders are represented among the final three candidates.

The share of women in management positions at Sydbank is 31%. 45% of branch managers are women. As a result the percentage is unchanged compared to 2014.

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Working environment inspections

The Danish Working Environment Authority paid 15 inspection visits to Sydbank in 2015. 14 of the visits resulted in a green Smiley and one visit resulted in a yellow Smiley.

Safety

As in the industry in general Sydbank has witnessed a decline in the number of robberies. In 2015 one robbery took place at a Sydbank branch.

Sydbank makes an active contribution to reduce financial crime and fraud. In 2014 Sydbank introduced a new and improved system for reporting money laundering and the number of cases reported by Sydbank corresponds to the Bank's market share. In 2014 all customer-facing employees attended a course on anti-money laundering rules.

In 2014 Sydbank introduced a whistleblower scheme managed by the Bank's Compliance department.

Sponsorships

Sydbank takes pride in being actively involved in local association activities and sports activities in the entire market area. A large number of sponsorships to enhance an active leisure life and cultural life are nurtured locally as well as regionally.

Furthermore Sydbank makes donations to charitable organisations operating in the poorest areas of the world. Through WAWCAS (Women at Work, Children at School) Sydbank supports efforts to help Nepalese women make a living and send their children to school.

Funds

Sydbank Fonden and Sydbank Sønderjyllands Fond support a wide range of cultural and general interest activities in Denmark and South Schleswig. The amount donated totals DKK 6,048m to 915 applicants.

In addition Sydbank awarded 60 travel grants of DKK 10,000 to young students in 2015.