



This report is a CSR report for Spar Nord Bank A/S, company reg. (CVR) no. 13737584 for the period 1 January 2018 to 31 December 2018. The report is part of the management commentary section in Spar Nord Bank A/S's annual report for 2018. In presenting this report, Spar Nord Bank A/S meets the requirements of section 135b of the Danish Financial Statements Act.

Spar Nord Bank A/S has not yet completed a human rights policy. Spar Nord Bank A/S currently believes that the Bank's own activities have no major impact on human rights, do not entail significant risks to human rights and that we have relatively limited possibilities of affecting human rights effectively through in-house activities.

The contents and data of the report are generated from own data and supplier data and have been controlled internally on a sample basis.

Spar Nord Bank A/S welcomes feedback from the surrounding society, including suggestions, comments and questions. Please contact Ole Madsen, Senior Vice President, Communication & Business Development, at oma@sparnord.dk or tel. (+45) 25 27 05 80.

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Introduction

At the beginning of 2019, Spar Nord was designated a systemically important financial institution in Denmark. The designation places stricter requirements on our solvency, and on customers becoming more aware of our how we act and perform. This also applies to our own view of the Bank's corporate social responsibility, prompting us in 2019 to develop a new working model and a new strategy for social responsibility at Spar Nord. In a concerted effort, management, employees and other stakeholders will set the course, and these endeavours will centre on our core value of Prudence, which has been our guiding principle for 195 years.

After a year in which the social responsibility of banks came under a negative spotlight, it is not only Spar Nord's responsibility to contribute to promoting principles like prudence and sustainability in our sector and in society as a whole, but also to help identify new models for social sustainability in banking operations that will help improve the opportunities in life for ourselves and for future generations.

Consequently, this report not only describes our policies and performance in terms of corporate social responsibility in 2018, it also provides an insight into our ambitions for future endeavours.

I hope you will find it an interesting read!

Lasse Nyby
Chief Executive Officer



Social responsibility

Business model

Spar Nord is a nationwide bank with 386,000 customers, 1,518 employees and thousands of small and large suppliers. Spar Nord's core earnings entities are its local banks and Trading, Financial Markets & the International Division, which are backed by support and service functions at the headquarters in Aalborg. The Bank is focused on retail customers and small and medium-sized businesses for which all types of financing, advisory services and financial products are offered.

The local banks operate with a high level of autonomy, and they commit themselves to taking an active part in local associations and cultural life as sponsors and donors. As such, Spar Nord seeks to play a role in the lives of many people, above and beyond the lives of our 386,000 customers, making it crucial for the Bank to take joint responsibility and play an active part in relations with individuals and society at large.

CSR approach

As market, customer and reporting requirements are becoming ever stricter, our CSR efforts are becoming increasingly important for our reputation and business. Prudence and responsibility are prerequisites for attracting and retaining customers and employees, and Spar Nord is therefore endeavouring to permeate CSR initiatives into everything from long-term strategies to local activities. At Spar Nord, we believe CSR is about more than safeguarding our reputation. We regard CSR as a skill set, which can contribute to developing our business.

Spar Nord aims to capitalise on the business potential that lies in working with CSR; partly by taking a business approach to executing the responsibility we assume as part of our local commitment and by anchoring that approach in our organisation; and partly by strengthening the attentiveness of our personal and digital relations. We believe that prudence and responsibility will underpin our vision of being the Personal Bank in a Digital World.

Strategic goals and governance

In the short term, Spar Nord seeks to anchor its CSR initiatives in the organisation. This work is underway, and we are preparing the strategic, managerial and organisational resources required to realise our CSR vision. The first leg of this journey involves updating our CSR policies and strengthening reporting procedures.

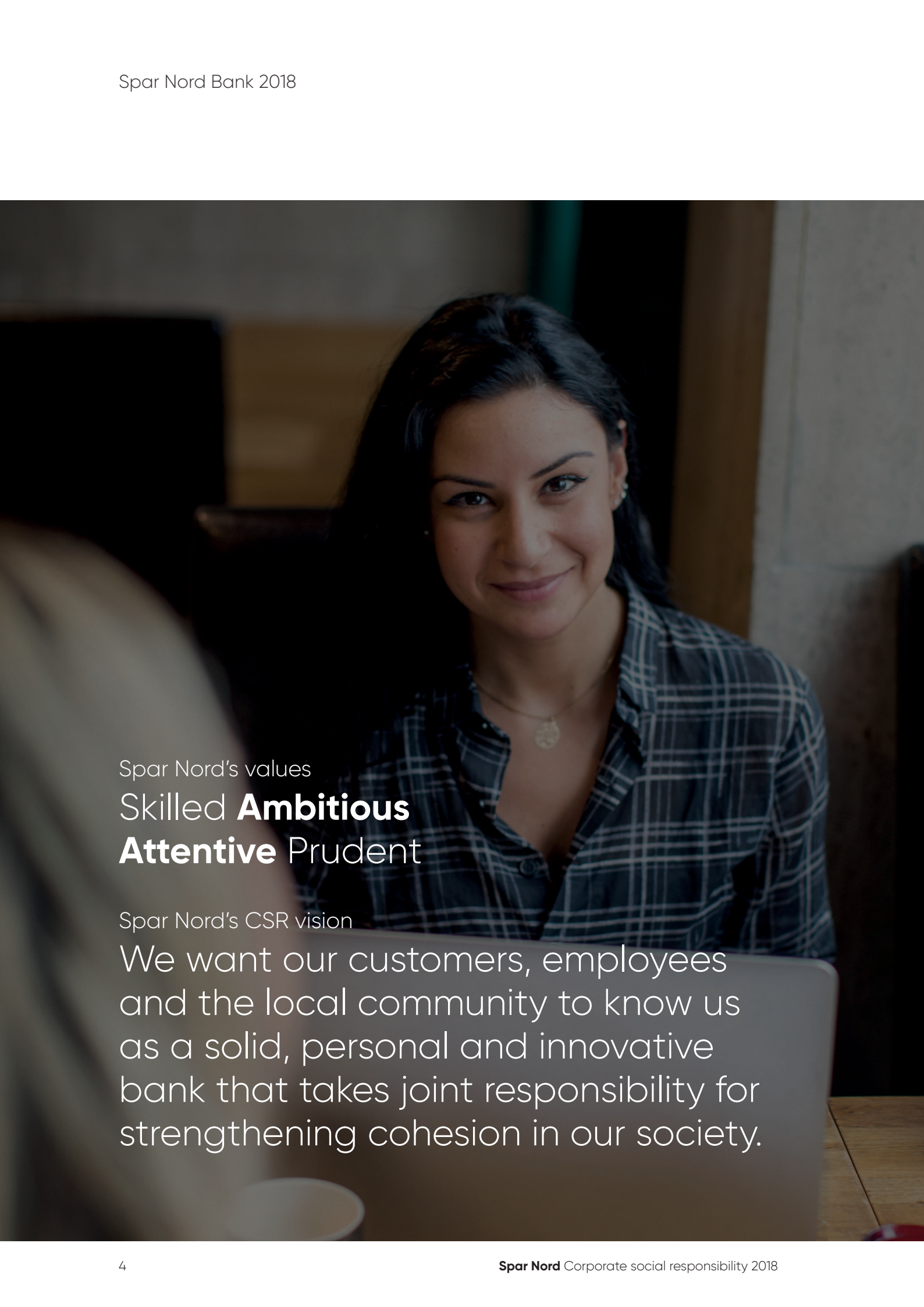
Longer term, the aim is to exercise CSR, creating positive changes for customers, employees, society, the environment and our business. It is also a goal to communicate our CSR initiatives and the results thereof to the public with a view to promoting general knowledge of sustainable principles.

Business model risks

In line with all other banks, Spar Nord's business model is associated with a number of inherent risks.

Consequently, we pay particular attention to the efforts to maintain and develop an agile organisation with a sound Code of Conduct, which will be better able to respond to the increasing number of threats against our business, our customers and society as a whole. We aim to hedge risks through policies and actions that protect us from moving into zones that are grey from an ethical and legal perspective.

We are therefore particularly focused on ensuring that local commitment and personal relations go hand in hand with codes of ethics and ongoing credit control and that money laundering, corruption and the financing of terrorism exist in and may emanate from Denmark. We ensure that all lending arrangements are screened for potential conflicts of interest and ethical irregularities and that sub-contractors and chains of sub-contractors are screened as far back as possible to ensure that our deliverables live up to Spar Nord's code of ethics and legal standards.



Spar Nord's values

Skilled **Ambitious**
Attentive Prudent

Spar Nord's CSR vision

We want our customers, employees and the local community to know us as a solid, personal and innovative bank that takes joint responsibility for strengthening cohesion in our society.

Financial ratios

Employees

Spar Nord has 1,518 employees, 1,020 of whom work at the local banks, 74 at Trading, Financial Markets & the International Division, and 424 in the central functions.



2018

1,518

1,538 employees in 2017

Customers

Spar Nord is focused on providing comprehensive counselling to retail customers and small and medium-sized businesses. The Bank serves a total of 352,000 customers, which include 352,000 retail customers and 34,000 business customers.



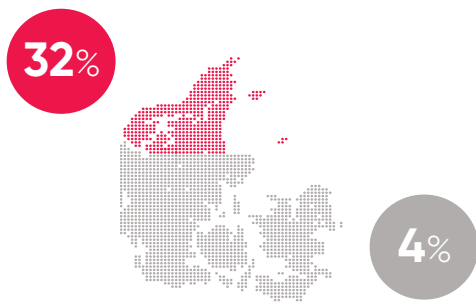
2009-2018

+ 122,000

customers

Market share

Spar Nord is a market leader in North Jutland, with a market share (number of retail and business customers relative to the total population) of around 32%. The Bank's national market share is around 4%.



Customer satisfaction

Spar Nord remains focused on customer satisfaction and regularly follows up on its customers' experience when they have been in contact with us.



Best image retail customers

73.5 (score 0-100)

62.27* on average, 6 largest banks in DK



Highest satisfaction business customers

8.5 (score 0-10)

7.92* on average, 6 largest banks in DK

*) See data on page 23

Tax

Spar Nord is one of the largest tax payers in northern Jutland and ranks among the 50 largest in Denmark. In 2018, the Bank's direct tax payment amounted to DKK 184 million (2017: DKK 262 million)



DKK **184** million

Business volume

Spar Nord's total business volume amounted to DKK 244.2 billion. Bank and leasing loans amounted to DKK 39.6 billion, and mortgage loans arranged through the Bank amounted to DKK 80.9 billion. Total deposits stood at DKK 50.8 billion, and customers have DKK 14.8 billion in pooled schemes and DKK 46.1 billion in custody accounts.



Business volume 2017

DKK **241.4** billion



Business volume 2018

DKK **244.2** billion

Financial ratios

A chain of local banks

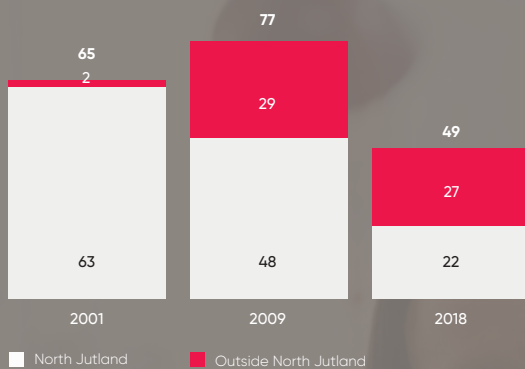
Spar Nord was founded in Aalborg in 1824, and North Jutland remains the Bank's home turf. Since 2001, Spar Nord has established itself as a nationwide chain of local banks.

During the years since the growth strategy was initiated, Spar Nord has acquired and established 51 branches outside North Jutland, while 67 branches were closed or merged.

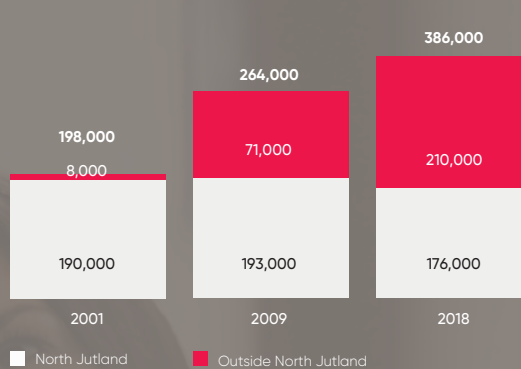
At end-2018, 27 of the Bank's 49 branches, 62% of total credit arranged and 57% of the total business volume were located outside North Jutland.



Number of branches

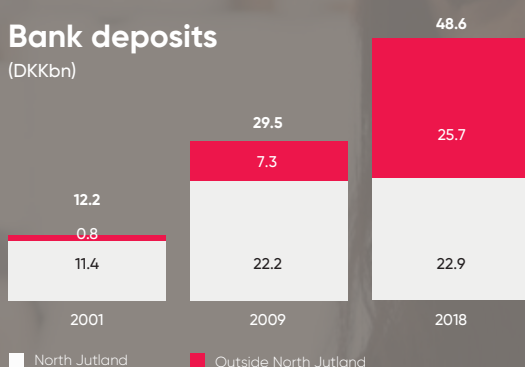


Customers



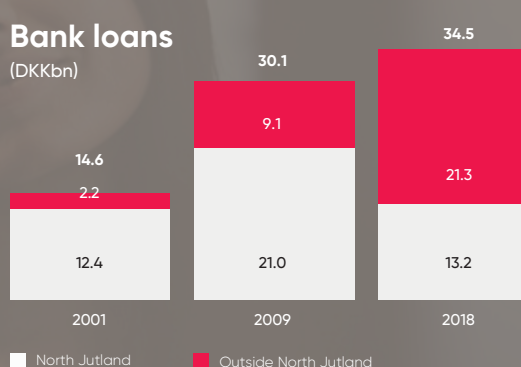
Bank deposits

(DKKbn)



Bank loans

(DKKbn)



Principles and priorities 2018

Spar Nord's banking operations affect the world around us. This applies to the impact our branches have on our employees' physical and psychological working environment. It applies to the environmental impact from building operations, procurement and transportation. And it applies to our role as investment manager and the consequences for retail customers, businesses and collaboration partners in and outside of our value chain.

However, as we cannot affect all areas with equal effectiveness, we have prioritised our efforts according to where we are best able to make a contribution.

We aim to be compliant in the following areas:

- IT security
- Anti-corruption
- Anti-money laundering (AML)
- Financial stability
- Responsible investment
- Responsible lending
- Employees.
- Working environment

Our special focus areas are:

- Local commitment
- Digital innovation
- Financial insight

The UN's Sustainable Development Goals (SDGs)

The SDGs comprise 17 specific Goals committing all UN member states to end poverty and hunger everywhere, reduce inequalities and ensure quality education and good health and wellbeing, decent work for all and sustainable economic growth. Furthermore, the SDGs focus on promoting peace and security and revitalising global partnerships.

Thus, the new agenda acknowledges that social, economic and environmental development, peace and security as well as global collaboration are closely related and that sustained development requires an integral effort.

Spar Nord supports the SDGs, focusing particularly on Goals 4, 8 and 11.



Focus area **The local commitment**

Spar Nord builds on a locally-rooted business model, and throughout its 195-year history, the Bank has been committed to entering into healthy and sustainable relations with the local communities in which we operate. The locally-rooted model allows us to build better customer relations, and it facilitates the creation of local cohesion through active participation in and support for local associations, initiatives and institutions outside the Bank. We want to continue and strengthen these initiatives as they contribute both financially and in terms of human value creation in society and in our bank.

As part of these endeavours, each year in collaboration with the Spar Nord Foundation we grant support and donations for a large million-kroner amount to hundreds of projects. We do so because we take joint responsibility for stimulating well being, education and a sense of community at all of our bank locations. Through these efforts, we reach a great number of people, and in 2018 we started to register the effect of our initiatives on local communities and on our business. These registration efforts will be intensified in 2019 and serve to enhance the impact of sponsorships and donations through insight and innovative ideas.

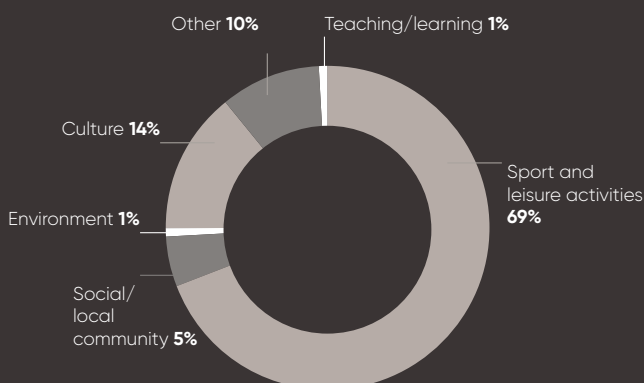
Risks

The digitalisation of business and social relations represents a risk to the local cohesion and the personal relations and commitments required to create change and progress in local communities. Failure to stimulate meetings in person and practical collaboration in local communities will entail a risk of reduced attractiveness of an area or neighbourhood and jeopardise the well being of the citizens – both of which would be to the detriment of citizens' opportunities and Spar Nord's business. However, the autonomous and decentralised commitment of each individual bank in local communities also involves a risk of favouritism and nepotism in relation to sponsorships and donations

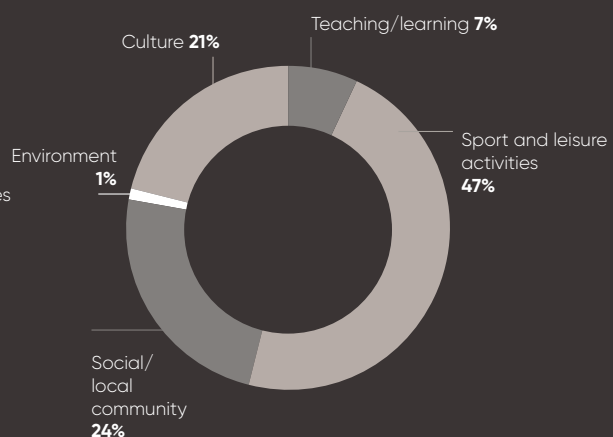
Crowdfunding

In 2018, the Spar Nord Foundation opened its crowdfunding platform. With this innovative step, we invite the public to top up donations made by the Spar Nord Foundation to a project. The platform increases the financial and human commitment to the subsidised projects as it allows more people to donate more funds while also strengthening the dialogue on local initiatives. The platform not only secures more funds for the project, but also helps to provide greater insight into what local communities can achieve together.

Category Sponsorships



Category Donations



Focus area **Digital innovation**

The digital revolution and digitalisation of money change not only behaviour, relations, perception of reality and value proposition in society at large, they also change Spar Nord's individual customer relationships.

As a result, we take responsibility for developing relations with our customers and society at large by proactively meeting the challenges of digitalisation. We adopt a practical, innovative and strategic approach in order to maintain and extend the good, attentive and personal relationship between customers and advisers. We achieve this through digital innovation and skills development and through a strategic effort, which we have named: The Personal Bank in a Digital World. We regularly strengthen and expand this effort as good personal relations and effective digital solutions are crucial for our ability to enhance our customers' opportunities in life and our overall business.

With these initiatives we give people of all ages and at all income levels the opportunity to obtain an overview of the personal finances and, by extension, make more sensible financial decisions. At the same time, we provide easier access to personal and committed advice for more people. In this way, we contribute to safeguarding better financial skills for our own customers and customers in other banks. Furthermore, we contribute to reducing financial risk and to promoting customers' possibilities of exploiting life opportunities.

Risks

By 2020, 40% of the world's population will have been born after 1995. This means we assume a business risk if we fail to maintain a presence that digital consumers can access. The open, investigative and investing approach to new digital solutions entails a risk of financial losses on non-profitable investments. Despite comprehensive security measures, the opening of the Bank's digital platform to external services involves the risk of abuse of data.

IFTTT

In 2018, Spar Nord opened a selection of online banking functions to be integrated with IFTTT. IFTTT, 'If This Then That' is a service that allows digital services to connect with each other to expand the user experience, affect behaviour and achieve synergies between digital services. Using IFTTT, for example, your home lights can be programmed to turn red in case of overdrafts, you can receive push notices regarding your children's spending through Young Money, you can be notified about salary payments and see weekly transactions in your current account in your inbox. With its IFTTT collaboration, Spar Nord enhances the customer experience, making personal finances pertinent, dynamic and relevant.
















FinTech Scholarships in Silicon Valley

In 2018, the Spar Nord Foundation opened up for applications for five 6-month FinTech Scholarships in Silicon Valley. The scholarships were offered in cooperation with Innovation Centre Denmark in Silicon Valley, which is a part of the Danish Ministry of Higher Education and Science. Five candidates were selected to commence studies in January 2019, and work is underway to secure more scholarships in 2019.

The selected elite students will attend courses at the internationally recognised University of California, Berkeley in areas such as economics, statistics, engineering science and innovation. Moreover, they will team up with leading Silicon Valley players to develop their own entrepreneurial ideas.

Spar Nord is the first Danish financial institution to launch a systematic effort focused on entrepreneurship in financial technology – and the first to bring together the Danish universities in a joint initiative. The ambition is for banks and customers alike to benefit from the skills and resulting ideas and products deriving from the scheme.

IFTTT

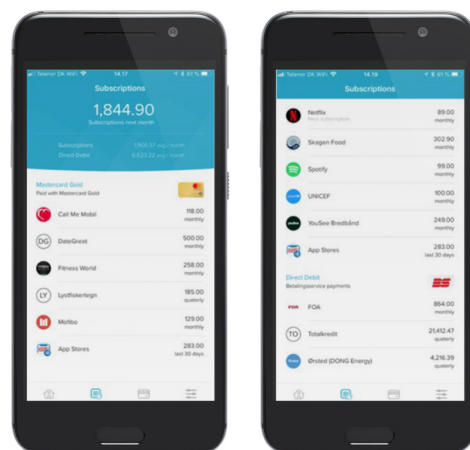
 Log my transactions in Google Sheets by Spar Nord  26 works with 	 Go into red with Philips Hue by Spar Nord  16 works with 	 Play Money Money by ABBA on Spotify, when you reach your savings goal by Spar Nord  12 works with 	 Register calories in the Health app when you buy takeaway by Spar Nord  10 works with 	 Register transactions of the week in your inbox by Spar Nord  26 works with 
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Subaio

Subscription-based services are becoming an increasingly larger part of our lives and personal finances. We use them for fitness via mobile phones, meal subscription boxes and to stream music and films just to name a few. Subaio is an app that helps you obtain an overview of and manage your subscriptions to avoid recurring expenses for things you have forgotten to cancel.

Subaio started as a winning concept at Spar Nord's first Hackathon in 2016 and is now an independent business with 15 employees and more than 100,000 users. Subaio was Spar Nord's first direct investment in FinTech entrepreneurship, and in 2019 Subaio will be launched as an integral part of Spar Nord's mobile banking services.



Focus area **Financial insight**

As a bank, we are responsible for ensuring that people understand bank products and make sensible financial decisions. Consequently, Spar Nord is constantly disseminating knowledge, teaching material and taking specific steps and offering products that help to improve insight into the world of finance for children, young people and adults. As financial products are becoming increasingly complex and high-risk, it is essential that people obtain good financial understanding and are in a position to enter into rational agreements concerning their own financial situation.

A number of analyses show that children and young people not only lack, but also demand, better financial understanding. A survey conducted by Finance Denmark reveals that a majority of young people would like for this subject to be an integral part of their schooling. As would politicians, schools and financial institutions. Therefore, Spar Nord is taking responsibility for the development of public financial insight. We are constantly working to put the subject on both the school curriculum and the agenda for children, young people, parents, teachers and politicians alike.

Risks

A lack of public financial insight exposes not only oneself and one's family to unnecessary risks, it also exposes the Bank to business risk. Therefore, Spar Nord takes responsibility for and systematically contributes to ensuring that the financial understanding of our and other banks' existing and prospective customers is enhanced as it is in the best interests of the customer, the Bank and society as a whole.

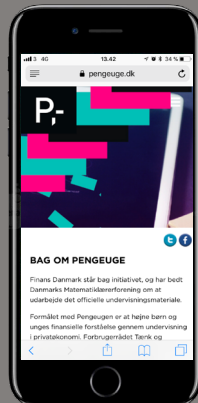
Collaboration with primary schools

Spar Nord has a formalised cooperation with the primary schools of Aalborg in which each year we dedicate 100 workdays to teaching senior class pupils financial understanding and personal finances. In addition, we regularly loan out employees as visiting teachers at institutions across Denmark. Furthermore, Spar Nord and the Spar Nord Foundation have developed and published text books for primary school grades 3-4 and 7-8.



Young Money

Young Money is a banking concept for 7-12 year-olds developed by Spar Nord. The concept consists of a debit card that cannot be overdrawn and an app which visualises income and expenses in a dynamic and graphic way. The app promotes healthy financial habits as it is also used by the parents to stimulate conversations about prudent financial practices.



Pengeuge

Spar Nord supports and participates in Finance Denmark's initiative Pengeuge (Money Week). Pengeuge focuses on personal finances for primary school pupils in grades 7-9, providing free teaching material for teachers and pupils.

In 2018, there were **9,000** Young Money users.



Ernit

Ernit is a virtual piggybank that helps to give small children sound financial habits. Using Ernit, children receive visual, emotional and tactile stimuli as they learn about pocket money and savings. In this way, Ernit brings back the sensory experience of money in an otherwise digital world. Ernit has received venture capital from Spar Nord and is described in greater detail on ernit.com.

Employees



Spar Nord's most important resource is its employees. Therefore, Spar Nord takes responsibility for creating a healthy and developing working environment in which each individual employee can unfold their professional and personal potential in the best possible way. However, Spar Nord is responsible not only for adjusting employee conditions in a socially responsible and fair manner, but also for promoting a culture in which employees consistently act prudently and responsibly towards customers, colleagues, the Bank and society in general.

Organisational diversity

Spar Nord aims to strengthen its customer services and competitive strength by attracting as skilled employees as possible with respect to professional and human qualities. It follows from this that prejudice based on gender, age, religion, sexual orientation, physical appearance or ethnic origin is a barrier not only to developing our business, but also to ensuring a healthy working environment and a good reputation.

We want to be a diverse work place, which keeps track of social developments in our society and reflects the general demographic composition. We believe diversity is beneficial for developing both business relations and collegial relations.

Women in management and as board members

Spar Nord seeks equal gender representation with respect to its board of directors, management and organisation as a whole. In particular, we have focused on increasing the number of female members of management and of the board of directors. Currently, the Bank has defined a goal that women should represent at least 33% of board members. Spar Nord also aims to improve the retention of managers of both genders by offering opportunities and flexibility in relation to work-life balance.

Spar Nord works systematically to identify and motivate employees with management and leadership potential regardless of gender. The goal is for female applicants for management positions to account for at least 40% of total applicants during the period 2019-2021 and that the number of women in the management group will increase from the current 20% to 25% in 2021. The long-term goal is to achieve equal representation between men and women in the management group.

Spar Nord's Board of Directors has defined an ambition that the Board should be composed with a view to ensuring diversity in terms of skills and background, including professional skills, business experience, gender and age as the Board considers diversity to be a quality that contributes positively to the Bank's development. The Board has a goal of increasing the proportion of female board members elected by the shareholders to at least 33% by 2021.

Employees

Work-life balance

Spar Nord wants its employees to live a happy and balanced life, which in turn enables them to be a valuable resource at their workplace while also having time for family and friends. To achieve this, Spar Nord takes joint responsibility for ensuring a healthy work-life balance in all stages of life and career.

We are flexible when it comes to adapting to our employees' life stage and current situation. We have thus implemented a large number of benefits and rights for our employees based on life stage considerations. These initiatives are described in our staff handbook and contribute to ensuring possibilities for employees of all ages and in all life stages to develop and thrive in their job at Spar Nord.

Spar Nord aims to obtain close relations, confidence and a fruitful collaboration between managers and employees, so as to enable employees to express their wishes and seek help for special needs. This applies where there is a difficult situation in the employee's personal life, which the Bank may help to resolve, and also with respect to wishes for training and career development. To achieve this, the dialogue between employees and management has been formalised as ongoing status interviews and annual appraisal interviews.

Training and education

Society, technology, behaviour and customer requirements are changing constantly, and Spar Nord therefore shares a responsibility for ensuring that employee skills are continuously being updated and developed, enhancing the Bank's competitive strength and the employee's value both to us and to others. This applies to professional and personal as well as social skills, which help ensure efficient collaboration and well being.

Spar Nord is a large organisation with many different functions and skills requirements, and we therefore plan distinct development goals for each individual employee. These goals are developed and described in recurring interviews and dialogues, in annual appraisal interviews and through collaboration with our HR department.

Skills are specifically developed through courses or formalised training, partly through skill-building project work in which employees at local banks take part in cross-organisational projects.



Employees



Recruitment and promotion

Being a large and important employer in the industry and the region, Spar Nord has a joint responsibility for ensuring that job candidates are treated equally and with an open mind. We aim to be fair and exemplary by ensuring equal opportunities for job applicants and access to the best possible candidates. We therefore look closely at the qualifications, experience, personal capabilities and social skills of candidates. And we do not consider the candidate's gender, ethnic origin, sexual orientation, religion or other personal matters to be relevant to the recruitment process.

Spar Nord takes joint responsibility for training and employing young people, seeing as this is in their, our and society's best interest. In 2018, we focused strongly on recruiting recent graduates within economics, and finance as well as academics. We consider reaching out to educational institutions and offering student jobs to young people to be a social obligation and a business advantage.

Spar Nord has a responsibility for and an interest in being a stimulating workplace offering good career opportunities. To this end, we make dedicated efforts to promote internal mobility among our employees. All jobs are advertised on the Bank's intranet, and employees are encouraged to apply for internal positions and to share their development wishes at their annual appraisal interview.

At Spar Nord, we have defined fully transparent guidelines which specify the efforts and results that may lead to upgrading to another pay bracket and one-off payments. The decentralised business model and the goals of the local action plans provide the framework for the assessments underlying decisions regarding which employees are offered extraordinary rewards. The Bank's staff handbook sets out a central set of rules governing the criteria with which employees must as a minimum comply.

Risks

Employee matters are affected by many factors which are outside Spar Nord's control, including legislation and cultural trends. Consequently, it is paramount that we involve our employees in defining policies governing employee conditions. Failure to do so would lead to a risk of the Bank being out of step with cultural and social practice, which in turn could damage our reputation, the well being of our employees, the ability to attract labour and our business in general.

If we fail to comply with the policies for employee matters, we also risk discriminating or wearing down employees mentally.

Working environment

Spar Nord is a large workplace at which employee health and wellbeing are of crucial importance to the Bank's competitive strength as is the opportunity of each employee to be a positive resource in their familial and private lives. Spar Nord therefore has a responsibility to maintain and develop a healthy physical and psychological work environment.

Our working environment initiatives are systematically and permanently embedded in the Spar Nord organisation. The psychological work environment is handled by union representatives and the heads of all units and by the HR department. The physical working environment is handled by our health and safety organisation, which is divided into 8 teams.

Spar Nord takes a joint responsibility for reducing physical and mental strain on employees through a large number of initiatives. At a fundamental level, we comply with the UN Global Compact initiative and Danish legislation in the area, and we have defined a health and wellbeing policy, which is followed up with regular evaluations and audits according to a fixed schedule.

Efforts to improve the physical work environment include health insurance with access to treatment during working hours, a certified canteen offering energy-reduced food at Spar Nord's headquarters, ergonomic work stations, crisis therapy in case of assault and robbery and a large number of social and awareness-raising efforts to help our employees maintain a healthy physical work environment.

Efforts to improve the psychological work environment include satisfaction surveys with follow-up initiatives, an annual well-being week and detailed guidelines and contingency plans in case of abuse of power, insult, sexual harassment and bullying.

Risks

While Spar Nord's efforts to improve the physical and psychological work environments are comprehensive and effective, they are not systematically communicated to the employee or to the public. Therefore, Spar Nord risks forfeiting the competitive advantages these efforts may provide in relation to attracting employees and trainees. If we fail to comply with the policies for work environment, we also risk that the work will wear down our employees physically and mentally.



Working environment

Environmental and climate impacts are a major challenge to our society, and Spar Nord takes an interest and joint responsibility for tackling this challenge. Accordingly, Spar Nord supports the UN's Sustainable Development Goals and takes local, national and global responsibility through ongoing reductions of impacts and the promotion of sustainable solutions. The COP 21 summit recommends that the transition to renewable energy sources should be completed by 2050. We intend to follow this recommendation.

Environmentally focused corporate culture

Spar Nord is continuously working to build an environmentally focused corporate culture so that our employees not only comply with rules and support company initiatives but also disseminate knowledge about and principles for sustainable behaviour outside the company. We achieve this through general information and training but also by encouraging employees to focus on areas like carpooling, waste segregation, reducing food waste and reducing power and water consumption at the workplace.

Suppliers

We require major suppliers to maintain high environmental standards and comply with the UN's Sustainable Development Goals and the ten principles of the UN Global Compact. We inform, in so far as possible, all suppliers about our climate and environmental standards and encourage all of them to comply with the UN's Sustainable Development Goals and the ten principles of the UN Global Compact.

Customers

We promote customer focus on environment and climate by informing them about the benefits of sustainable solutions in our advisory services. This applies, for example, in connection with home purchases and home refurbishing where we encourage our customers to make their home energy-efficient. Moreover, we continuously work to develop sustainable products and to provide relevant information and knowledge about sustainable solutions to our customers through PR and social media.



Transport and travel

Going forward, Spar Nord will promote sustainable transport solutions by buying environmentally friendly company vehicles, by pursuing a climate-focused travel policy which encourages the use of public and/or environmentally friendly transport solutions and by holding online meetings instead of travelling where possible. We also encourage our employees to carpool and to reduce work-related mileage in their own vehicles. We are trying to create a detailed overview of how much employees drive in the Bank's and in their own cars with a view to reducing mileage even further.

Waste and water

Spar Nord works systematically to reduce paper consumption and to step up paper waste recycling – partly by encouraging the avoidance of unnecessary use, and partly through waste sorting for recycling purposes. We seek to reduce the use of hard plastic by specifying requirements for our suppliers. Water-saving toilets and fittings are used to reduce water consumption.

Environment and climate

Food waste

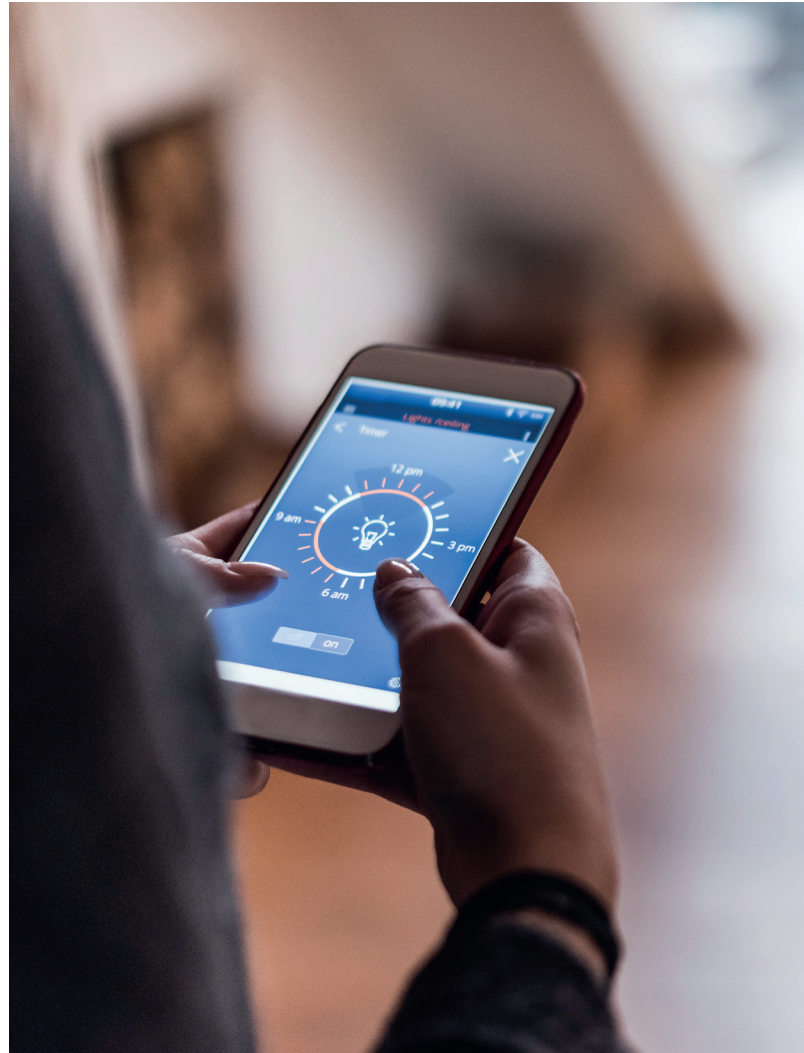
Spar Nord pays special attention to reducing food waste at the canteen at its headquarter by using intelligent and data-driven management of procurement and production and through recurring information campaigns aimed at the employees.

Reducing energy consumption in buildings

With respect to energy procurement for buildings, Spar Nord aims to be carbon neutral by 2030. To achieve this, we are making a dedicated effort to energy-optimize the interiors and exteriors of company-owned buildings and rented premises. These efforts include reducing energy-losses from new and existing buildings.

The consumption of procured energy is reduced by way of improvements to buildings' thermal envelopes and through the use of intelligent optimisation systems for managing heating, ventilation, cooling and lighting systems. At the same time, we are implementing sustainable technologies such as the solar power-driven ice bank for cooling our headquarters and the conversion to LED light sources across the organisation.

In addition, we are working to optimise our combined building stock by letting excess floorage, through the flexible use of office areas and via the relocation of activities to smaller and more energy-friendly buildings.



Risks

Spar Nord complies with all climate and environment legislation and regularly seeks to reduce its environmental impact. However, we have a reactive approach to climate and environmental issues and have no operationalised goals relative to the Bank's procurement, customer advice or value chain as such. This entails a risk that customers reject Spar Nord on account of its lack of ambition or of harming the Bank's reputation due to uncritical procurements. If we fail to comply with the environment and climate policies, we also risk an adverse impact on the environment through waste and on the climate through unnecessary carbon emissions.

Anti-corruption and money laundering

The existence of cross-border financial crime and international terrorism are basic conditions for all banks. The risk of being abused for purposes of money laundering and the financing of terrorism is present every day, and the threat level is dynamic.

Spar Nord wants to make an active contribution to reducing the risk of money laundering and terrorist financing and has defined a money laundering policy which is regularly adapted to legislation and the current threat scenario. The purpose of the policy is to ensure that financial transactions, customer relationships, employee matters and agreements are screened when entered into and are monitored on an ongoing basis.

Employees receive training and are kept updated on the risk of money laundering, and we constantly seek to promote a culture in which all employees are aware of suspicious issues and have access to warning tools. Any suspected irregularities must be reported to the relevant authorities.

Risks

There is a constant risk that the Bank's services are being abused for corruption and money laundering from illegal activities. Should that happen, there is a risk of damage to the Bank's reputation and overall business.

Initiatives

- AML function and officer in place in the organisation
- Risk-based customer identification
- Ongoing, updated risk assessment of customers
- Monitoring of transactions
- Special monitoring of politically-exposed persons
- Special monitoring of customer relationships with related parties
- Employees' obligation to investigate, register and report
- Risk assessment and monitoring of corresponding entities
- Screening against sanction lists
- No customer relationships with empty bank businesses, gambling businesses or currency exchange agencies
- Regular, up-to-date education of employees
- Risk screening of products
- Extensive random sampling and self-control
- Recurring, periodic reporting and compliance statements to the Executive Board

IT security



Security in relation to data and IT systems is a prerequisite for Spar Nord's survival, credibility and competitiveness. Our business depends on our ability to keep our IT systems operational and our lines of communication open, while at the same time protecting the customers' and the Bank's vital data from unauthorised parties.

Therefore, Spar Nord has implemented an extensive IT security policy to protect us against abuse, IT-related crime, loss of data and loss of operations. The policy covers Spar Nord Bank A/S, our subsidiaries as well as all business partners, including sub-contractors, service providers and outsourcing partners who have access to Spar Nord's network and data internally and externally.

Given that the level of threat in respect of the Bank's data and IT systems is constantly changing, we regularly perform risk assessments and adjust our IT security policy. Any material change in Spar Nord's IT platform and IT systems is always based on a risk assessment, which includes an assessment of confidentiality, integrity and accessibility.

Risks

While Spar Nord has secure and updated IT systems, like all other banks we are under the constant threat of IT crime. In addition, user behaviour with respect to our systems represents a risk. There is a risk of human error by our or our suppliers' employees, and in particular there is a risk relative to our customers, where especially the skills of the older generation in IT and IT security represents a risk which Spar Nord may help to mitigate.

Responsible lending



Spar Nord pursues a balanced lending policy, which brought the Bank safely through the financial crisis. The policy has helped strengthen Spar Nord's integrity, giving us a clear image of a socially responsible and solid bank. Spar Nord expects growing attention to responsible lending in the years ahead, and the Bank is keeping up to date on new developments, including new EU initiatives on sustainable financing.

Spar Nord neither wants to use risk tolerance as a competitive parameter nor to enter into business with customers who could potentially jeopardise the Bank's reputation. Therefore, we continually monitor credit lines to ensure that the customer has the willingness and ability to pay, and we regularly pre-calculate loss risks.

As Spar Nord attaches importance to long, fruitful customer relationships, we do not grant loans based solely on collateral. We closely assess each customer's willingness and ability to pay to ensure that the customers can repay their loans without putting the Bank at risk of having to realise the collateral.

Risks

Spar Nord's policy for responsible lending has not been examined or updated relative to e.g. climate risk or ethical risks. As a result, further development of the policy will be given priority as part of our CSR efforts in 2019.

Suppliers

Spar Nord buys goods and services from hundreds of Danish and international suppliers. Consequently, Spar Nord takes joint responsibility for maintaining good, sustainable and transparent supplier relationships, which underpin the Bank's good reputation, help attract good suppliers and retain and attract customers.

We require major suppliers to maintain high environmental standards and comply with the UN's Sustainable Development Goals and the ten principles of the UN Global Compact. We inform, in so far as possible, all suppliers about our climate and environmental standards and encourage all of them to comply with the UN's Sustainable Development Goals as described in the UN Global Compact.

In 2019, Spar Nord expects to adopt and implement a Code of Conduct for suppliers, the contents of which all suppliers must be informed of, and suppliers invoicing us for more than DKK 5 million must subscribe to by filling in a questionnaire. Supplier compliance with the Code of Conduct will be verified through sample controls.

Risks

If Spar Nord fails to control supplier behaviour and activities, we risk indirectly contributing to promoting socially irresponsible practices. As a result, further development of the policy will be given priority as part of our CSR efforts in 2019.



Data

Customer experience

Image among retail customers

Public image of the largest banks
Index score 2018 (0-100)

Spar Nord	73.5
Sydbank	64.9
Nykredit	63.7
Jyske Bank	63.0
Nordea	56.2
Danske Bank	52.3

Source: FWInsight og Wilke

Customer satisfaction among business customers

Score 2018 (0-10)

Spar Nord	8.5
Nykredit	8.1
Sydbank	8.0
Danske Bank	7.9
Jyske Bank	7.7
Nordea	7.3

Source: Aalund Bank Barometer Business 2018

Employee matters

Gender, age and seniority	Women	Men
Number	842	744
Average seniority	15.7 years	12.8 years
Average age	48.2 years	47.1 years

Educational level of employees

	2017	2018
Primary school	4.1%	4.0%
Upper secondary education	5.8%	5.8%
Vocational training	44.4%	43.5%
Short-cycle higher education	23.4%	23.0%
Medium-cycle higher education	12.6%	13.2%
Bachelor	2.2%	2.0%
Long-cycle higher education	7.3%	8.5%

In-house training

Number of training days in 2018	237
Number of course participants	2,540

NB!

Training programmes in e-learning/certification relative to directives are not included.

This also applies to external training programmes such as Bcom and Masters degrees.

Skills development in 2018 at bank level

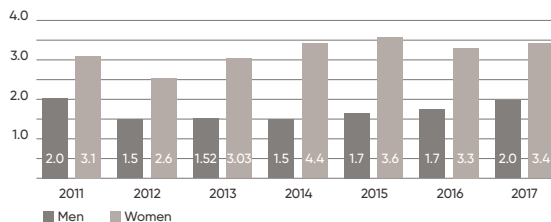


DKK **12.3** million

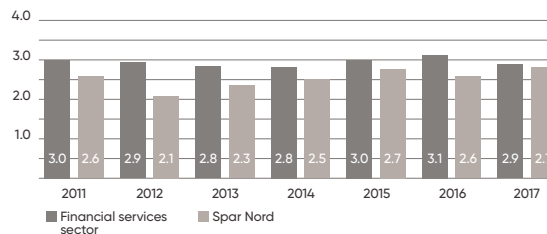
Data

Working environment

Absenteeism at Spar Nord by gender (%)



Absenteeism owing to own illness (%)



Psychological working environment

	2016	2017	2018
I thrive in my job	86%	86%	82%
My working life makes sense	87%	89%	84%
People in my department respect and show interest in one another	86%	86%	81%
My immediate superior tells me very clearly what is expected from me	78%	80%	81%
I feel I have a say on my working day	76%	75%	74%
I feel my work is appreciated and recognised	74%	73%	72%

Well-being index 2018

	Strategy	Reputation - Image	Immediate superior	Collabora- tion	Profes- sional and personal develop- ment	Daily assign- ments	Average for 6 themes	Satis- faction	Motivation	Loyalty	Commit- ment	Satis- faction and Motivation	Loyalty and Commit- ment	Well- being index all paramet- ers
Local banks	69	82	79	81	76	68	76	77	81	83	76	79	80	77
Head- quarters	73	89	85	89	83	86	84	89	90	91	86	90	88	86
Total	70	85	81	84	78	75	79	82	85	86	80	83	83	81

Environment and climate

Power consumption at headquarters 2013-2017

Year	2013	2014	2015	2016	2017	2018
kWh	1,694,117	1,708,246	1,667,735	1,647,804	1,441,279	1,456,553

Paper waste at headquarters plus 21 banks

	2017	2018
Recycled	68,930 kilos (96.9%)	52,073 kilos (99.96%)
For incineration	2,231 kilos (3.1%)	235 kilos (0.04%)

Food waste

	2017	2018
Food waste at headquarters	2,810 kilos	3,023 kilos

CO₂ emissions at headquarters (tCO₂e)

	2018
Transport	22.8
Electricity	260.9
Central heating	356.8
Waste	0.9
In total	641.5

Data

Anti-money laundering (AML)

Money laundering reports

Year	From Spar Nord	From banks	From all notifiers*
2017	411	18,463	23,239
2018	1,071	18,301**	25,120**

* All notifiers include casinos, real estate agents, exchange bureaus etc.

** Figures up to and including Q3 2018. The final figures from SØIK were not available at the deadline.