
Sydbank's CSR Report for 2014

CSR Report for 2014

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.

Only a solid bank can act responsibly. On the basis of guidelines established by the European Central Bank (ECB), the Danish FSA carried out a comprehensive asset quality review (AQR) and a stress test in 2014 to assess the robustness of 123 banking groups in Europe. In this connection Sydbank was the best performing and most robust bank in Denmark. This is good for the Bank and our clients, who now have the word of the authorities that Sydbank is a solid bank, even if new financial storm clouds gather on the horizon.

Banks' contribution to growth

In 2014 Sydbank increased its lending in a market that in other respects was characterised by stagnation or even a decline. There was talk of a credit crunch in 2014. Not at Sydbank. Society needs loans and credit facilities which Sydbank provides on an informed and well-founded basis. In this way Sydbank helps healthy Danish businesses to finance their investments.

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 2014 Annual Report and covers the accounting period from 1 January 2014 to 31 December 2014.

Sydbank is a relationship bank founded on long-standing customer relationships, 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 has been updated and approved by the Board of Directors in 2015. In future Sydbank's corporate social responsibility will – as other business-related considerations – be included in major strategic business decisions.

Focus on human rights and CO₂ emissions

We believe that business-driven and prioritised efforts produce the best results. Therefore the updated policy contains choices that will be implemented in 2015. The choices concern two areas. That Sydbank carries out a systematic investigation of the Bank's activities in relation to basic human rights and that Sydbank sets targets to reduce its CO₂ emissions.

Economy

Sydbank signed the UN Principles for Responsible Investment (UN PRI) in September 2010 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 manage-

ment of these assets, we attach 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.

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 2014 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 2014 this involved 74 visits and 30 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 120 companies from emerging markets.

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.

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.

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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 commitments that clients are unable to manage.

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 and there is no case registration per se.

Climate and environment

Sydbank is working to reduce its energy consumption and CO₂ emissions. In 2014 detailed monitoring of energy consumed was implemented at all Sydbank's premises. In 2015 specific targets will be set for Sydbank's energy consumption.

People

Sydbank supports the UN Guiding Principles on Business and Human Rights. The work to identify how Sydbank influences basic human rights will be carried out in 2015. Depending on the results, activities will be set in motion to remedy any negative impact.

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.

This target was not reached in 2014. Sadly, Susanne Beck Nielsen, member of the Board of Directors elected by the general meeting, passed away in the beginning of 2015. Consequently there are currently 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 29%. 48% of branch managers are women. As a result the percentage is unchanged compared to 2013.

Working environment inspections

The Danish Working Environment Authority paid nine inspection visits to Sydbank in 2014. Eight 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 2014 one robbery took place at a Sydbank branch.

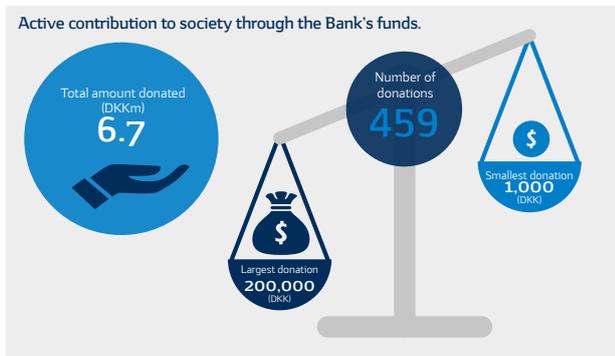
Sydbank makes an active contribution to reduce financial crime and fraud. In 2014 Sydbank introduced a new and improved system for reporting money laundering and the number of cases reported by Sydbank corresponds to the Bank's market share. In 2014 all customer-facing employees attended a course on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

In 2014 Sydbank introduced a whistleblower scheme managed by Compliance.

Clients

Long-standing customer relationships are based on trust. This is why Sydbank measures the quality of meetings with clients. Customer satisfaction as regards meetings is measured by asking clients to fill in a questionnaire with six questions after the meeting. 14,995 questionnaires were answered by clients in 2014. The average satisfaction score was 9.5, with 10 being the highest.

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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, Sydbank Sønderjyllands Fond and TrelleborgFonden support a wide range of cultural and general interest activities in Denmark and South Schleswig.

In addition Sydbank awarded 58 travel grants of DKK 10,000 to young students in 2014.