

Our principles as regards ethics, corporate social responsibility, corporate governance and sustainable fund management

Our principles for assessment, specific factors related to individual industries, consequences of deviations that are not remedied and a summary of the present position as regards the work on ethics, corporate social responsibility, corporate governance and sustainability at the individual fund manager

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1 BACKGROUND AND PURPOSE

The procedure is designed to ensure that we actually evaluate and monitor fund managers whose investment products we distribute, and that we actively influence them to improve processes for compliance with our expectations of good governance, environmental requirements, ethics, human rights and sustainability. Through clear-cut principles underlying our expectations as regards fund managers' procedures and follow-up, we will ensure that we contribute to raising and developing expectations in this area, halt the distribution of products from managers who fail to take this social task seriously, and inform our customers about the advantages of ethical and sustainable fund management. This is the first and introductory assessment of which fund managers can be given closer consideration with a view to arriving at a recommendation to our customers. In order to be included in the product range we distribute, the manager **must** meet our minimum requirements as regards ethics, sustainability, social responsibility, transparency and good governance.

2 WHAT THE PROCEDURE COVERS

The procedure covers principles for assessment of ethics, sustainability, governance and environmental requirements on managers whose mutual fund products we distribute. The same principles apply to our own investment products and our own fund management on behalf of customers to the extent we perform that service. The procedure covers all products intermediated by banks to private individuals, businesses and households, and also describes consequences of inadequate compliance, and the requirements we impose to ensure that breaches entail consequences for distribution. All suppliers are evaluated at least annually, and where events indicate that they are not complying with our principles for ethics, sustainability, corporate governance or the environment.

3 OUR ROLE

As a distributor we are able to exert influence through our negotiating power with potential mutual fund providers, and through good, close dialogue with our customers. We cannot control ownership ourselves, but dispose over a number of instruments for inducing our providers to monitor their owner positions to ensure that the businesses concerned make good choices. First and foremost through our choice of mutual fund supplier and fund manager, thereafter through our promotion of good ethics, governance structure, social responsibility and sustainability towards the customer and, finally, by directly recommending customers to halt new sales and by making a reasoned recommendation regarding sales of products. We are prepared to deploy all these instruments in instances where we do not see that the manager takes responsibility and documents his follow-up of the businesses such that follow-up either provides results or has consequences.

4 OVERARCHING PRINCIPLES FOR ASSESSMENT

4.1 ORGANISATION, CAPACITY AND COMPETENCE

The size of the organisation that offers investment products, along with the competence of its managers, is key to offering a robust management regime. An actively managed mutual fund will in large measure be dependent on a small number of managers, and will be vulnerable to a change in fund management strategy if a member of the management team takes on a new position. We will conduct special investigations where a mutual fund has underlying products and contracts for delivery from other parties to verify the actual counterparty concerned and risk factors. For providers of products, a serious and robust manager is a prerequisite for distribution through our channels, and a prerequisite for our confidence in managers' ability to comply with our requirements as to ethics and sustainable management. We support the principles of the UN PRI - Principles for Responsible Investment - in our own investments and in our expectations of our suppliers. Moreover, in the absence of stringent local legislation we require, at minimum, compliance with international standards governing industries and undertakings.

4.2 ASSESSMENT OF ETHICS, ENVIRONMENT, CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY IN INVESTMENT

For all mutual fund providers, importance is attached to their documentation of ethics in fund management, and to their follow-up of ethics, corporate social responsibility, sustainability and environment through actively voting at general meetings. This requirement can be met by affiliation to monitoring services that offer follow-up of ESG-related matters. Many companies operate their own exclusion lists for companies not to be invested in. Some, such as the Norwegian Government Pension Fund Global (the Oil Fund) and KLP, publish such lists. Other providers do not wish to do this, and employ various certification bodies responsible for third-party assessment of ethical management. We desire transparency as regards ethical assessments and ethical choices, and urge our providers to be open about their exclusion lists. In addition we expect all active fund managers to make use of their opportunities to influence companies through active ownership.

4.3 TRANSPARENCY AND INFLUENCE

We consider clear labelling of ethical mutual funds to be important, and where self-service solutions are concerned we will provide guides to assessing ethical fund management. We desire openness as regards exclusion because we regard exclusion lists as a tool for inducing companies to remedy deviations. We also desire openness on the part of fund managers as regards challenges related to ethics, sustainability, social responsibility and governance. We repay such openness on challenges by making time to follow-up on holdings, but this requires the manager to be able to document an actual dialogue with the company on remedying censurable circumstances, and that managers take consequences by disposing of the holding in cases where an improvement is not made within a reasonable period. We are also concerned about the individual company's transparency. Company documents must contain important information on how the company approaches matters related to social responsibility, sustainability and the environment.

4.3.1 Transparency as regards ownership structures, tax and stance on corruption

We require managers to have in place procedures to ensure that they invest in companies that are transparent as regards ownership structures, and that they disclose what they pay in tax in all countries in which they operate. For us it is a requirement that all managers abide by the Wolfsburg Principles, or more stringent criteria, as regards combating money laundering, concealed ownership and transactions that may lend themselves to money laundering. Nor would we ourselves ever contribute advice connected to investments whose purpose is to evade tax, and we cannot distribute services for fund managers that are complicit in, or recommend, such advice.

The companies must not be involved in corruption or in actions likely to incite corruption or prevent corruption being brought to light. At the same time a minimum requirement on our fund managers is that they have established satisfactory control and steering systems that activate a response upon suspicion of corruption, whistleblowing procedures for internal notification of suspected corruption and a clear-cut requirement that their suppliers and sub-suppliers observe the same criteria.

We also require companies to publish any special agreements on tax reliefs entered into with the authorities of various countries.

4.3.2 Requirement of transparency and positive contribution to influencing regulation

We are concerned that managers to whom we intermediate mutual funds do not themselves contribute to efforts to weaken collaboration on international standards in the areas of environment, corporate governance, sustainability and social responsibility, but be a positive and open contributor. Where individual companies are discovered not to embrace such transparency and fail to make a positive contribution to improving international standards and international collaboration, but to be working against such standards and collaboration, the fund manager must use his ownership power to influence the company in a positive direction. An absolute requirement for fund managers is that the principle of transparency informs their exercise of influence, and that they ensure, through active governance, that companies do not involve themselves in clandestine lobbying activity or corruption intended to weaken international or local standards or are complicit in sidestepping such standards.

5 OUR PRINCIPLES FOR ETHICS, GOVERNANCE, ENVIRONMENT AND SUSTAINABLE INVESTMENT:

5.1 GENERAL DESCRIPTION OF REQUIREMENTS FOR SYSTEMS AND FOLLOW-UP

Good ethical fund management also entails a satisfactory system for identifying events that may indicate violations of human rights, environmental requirements or ethics. Thereafter a procedure for investigating the event, along with procedures to ensure that the ownership position is wound down in cases where censurable circumstances are brought to light which are not remedied within a reasonable period following dialogue with the company. We will specifically comment on flaws we note in exclusion criteria or procedures. We will not intermediate products where requirements on a satisfactory process for identifying violations of human rights, environmental requirements or ethics has not been followed, and where the fund manager is unable to document that such violations prompt efforts to exert influence on, or to exclude, the company. We will have in place a procedure for requesting documentation of follow-up of concrete indications of violations of our expectations as regards ethics, environmental requirements and human rights. We will keep track by monitoring the media,

statements from organisations, publicly available exclusion lists and instances of whistleblowing. This is part of our half-yearly follow-up of all products we distribute. Where we see that such documentation cannot be presented or where, in our assessment, follow-up taken is not satisfactory, we will halt new sales of the product in our distribution channels and inform customers who have purchased units in the mutual fund via our distribution channels of our follow-up action and our findings. We will review our assessments at least annually, and over time we expect to see a genuine improvement in follow-up systems if we are to uphold those assessments.

5.2 SUSTAINABLE INVESTMENT

It is particularly important for us as a regional bank to assume a responsibility for sustainable investment. We are duty bound to do what we can to support the UN's sustainability goals, and we are concerned that companies in which we invest should take account of themes such as responsible management of water resources, forests, mineral extraction, responsible oil extraction and refinement of petroleum products, and fishery resources.

It is not enough for a fund manager to endorse guidelines and rules in this area. The manager must also be able to document its observance of fund management rules, that changes in exclusion lists actually influence investment decisions, and that fund managers take active choices in seeking sustainable investments.

In addition to conducting an assessment of new products, we will have in place a procedure to ensure a run-through on at least an annual basis of updated information and documentation of fund managers' attitude to sustainability.

5.3 GUIDING PRINCIPLES FOR ETHICS, SUSTAINABILITY, GOVERNANCE AND SOCIAL MATTERS AT THE COMPANIES

As a minimum requirement we ask fund managers whose funds we distribute to endorse the UN requirements for ethical investment. We also expect managers to follow up on their investment companies in relation to the UN principles for protection of human rights (PRR). We have set targets as regards emissions and carbon footprint, and are concerned that fund managers should help to exert pressure on companies to abide by the Montréal Carbon Pledge so that global emissions are reduced, and that companies should seek to compensate for their carbon emissions through the Gold Standard certification process. Managers that invest in countries whose legislation is less stringent than international principles and agreements have a particular responsibility for helping to ensure that the companies set their own requirements which at minimum comply with international principles.

All products intermediated by us must also meet minimum requirements as regards identification process, follow-up and exclusion list that are least equally stringent, and which at least include the Government Pension Fund – Global's exclusion list and management principles, but this alone is not enough for us to be able to present a mutual fund or mutual fund product as ethical or sustainable. We need to see fund managers integrate consideration for ethics, sustainability, environment and covenants into all their assessments in addition to actively following up on companies and contributing to the further development of standards through posing critical questions to documentation of follow-up action.

Exclusion

Positive screening
Influencing standards
Active ownership
Investments with the theme of sustainability
Integration of ESG factors into financial analysis

Source: SB1 Forsikring AS

We can distribute mutual funds operating under investment mandates that exclude industries and sectors, or which incorporate assessments of social responsibility, covenants, sustainability and environment into each individual company assessment. In such instances the manager will be required to document that its process is at least as effective in ensuring the overarching goal of ethical fund management.

Our vision is to ensure, through a controlled distribution of mutual funds, and through providing advice to customers, that 100 per cent of our clients' resources are invested in companies that do more than meet minimum requirements as to sustainability, environment and responsible-mindedness, and that our customers see the benefit of actively seeking products that do more than fulfil these minimum requirements. We will use our strong regional position, and our attractiveness as a distributor to play our part in exerting influence through the channels at our disposal.

For all our industries we also apply an absolute requirement that human rights must be abided by, and that workers should be guaranteed job security and co-determination. We cannot sell products owned by our client, but will follow up on deviations by:

1. *Exerting pressure on fund managers to ensure that they maintain good procedures and processes for making correct ethical, environmental and sustainable choices, and that they influence companies in which they hold ownership positions through active governance*
2. *Requiring documentation showing that the management has followed up on circumstances that violate our principles*
3. *Requiring managers to take the consequences if the company has not remedied the deviation*
4. *Halting new sales of products that do not meet our requirements as to follow-up*
5. *Urging customers to switch to other products if the fund manager has not followed up on the company's, and not taken the consequences of the company's failure to take remedial action*

5.4 CLARIFICATION OF SPECIAL REQUIREMENTS ON INDIVIDUAL INDUSTRIES

5.4.1 Controversial arms production, porn industry and tobacco industry

We perceive legal lines of business such as the porn industry, tobacco industry, parts of the arms industry, along with employment conditions that conflict with international principles, to be in breach of ethical norms. In the case of the arms industry this applies to companies that produce arms which in normal use violate fundamental human principles. We dissociate ourselves from cluster weapons and anti-personnel mines and from companies that develop and produce central components for nuclear weapons, biological weapons and chemical weapons. We also require companies to have in place a policy to ensure that no export of

arms takes place to areas where human rights violations are known to occur, or to countries where owing to widespread corruption or civil war there is a large likelihood of arms ending up in such areas. Further, that the company does not profit from arms sales to countries where arms investments are at the expense of covering the population's primary needs. Such areas and countries shall at minimum be defined as countries coming under the arms embargo adopted by the UN, EU or USA.

5.4.2 Exploitation of crises or vulnerable individuals

We also have a clear-cut policy of not exploiting crises, dependence or particular vulnerabilities of individuals or communities. We accordingly want suppliers distributed by us to have in place a policy in the areas of gaming and online gambling, responsible practices for lending to vulnerable households and a policy related to follow up of companies engaged in gross overpricing of much needed goods, medicines and equipment in connection with crisis situations. Nor do we wish to contribute to or finance companies involved in gross overpricing of drugs used to treat serious illnesses or conditions.

Equally, companies must not profit from war, disasters or conflicts. This entails not providing services or supply contracts which, by applying normal vigilance, they should have realised could have contributed to breaches of international conventions on the treatment of civilian population or prisoners of war. We also dissociate ourselves from goods supply contracts and services that may be associated with occupations that are counter to international law and are illegal, with an exception in the case of goods and services needed to secure the civil population in such areas.

5.4.3 Gender equality and child labour

We expect companies to respect people's rights to equal treatment and dignity. This entails not discriminating against individuals or groups and not providing unequal opportunities based on age, gender, religion or sexual inclination. We also expect employers who take on under-age employees to assume a responsibility above that of complying with minimum requirements prohibiting child labour, but also to acknowledge that this is a vulnerable group with rights under the Convention on the Rights of the Child. The employer must also facilitate educational opportunities. Education is among the most important means for levelling out disparities, and access to education is a children's and young people's right.

5.4.4 Mining operations

A guiding principle for mining operations is to minimise encroachments on the environment, and, irrespective of local legislation, to have in place plans for cleaning emissions and for restoring the topography and repairing interference with nature after closure of a mine. We also require run-off and environmentally hazardous waste to be properly handled, and that employees should have good working conditions posing low risk to health. Encroachments on the environment must also be carried out in such a way as to ensure that indigenous people's rights and opportunities to continue their traditional way of life are not obstructed unnecessarily. Companies are expected to enter a dialogue to find such solutions. Moreover, caution must be shown in areas where accidents or external influence may lead to irreparable damage to the environment. We dissociate ourselves from mining operations that cause entire mountain tops to be blown away, extraction of uranium ore and opencast mining in oil sand / tar sand.

5.4.5 Coal power, coal extraction and other controversial energy production

Reserves of coal in the world are so large that extracting coal and burning it is not by itself enough to ruin the climate. The Oil Fund's exclusion list functions as a norm for excluding companies with a high share of income or activity linked to coal power. It is not enough for companies to adjust their corporate structure in order to meet the maximum limit of 30 per cent of income or activity connected to coal power. We expect fund managers from whom we distribute products not to invest in companies that actively sidestep exclusion criteria means of structural adjustments, and that they also share the goal of actually reducing the share of coal power and dependence on coal power in companies that comply with the Oil Fund's limits on the share of coal-related income and activity. This involves using their power as owners to actively induce companies to invest in alternative energy production methods, cleaning and a plan to replace coal power production with other, cleaner sources of energy production.

We want companies work to exclude controversial energy sources such as nuclear power and to require hydropower plants to comply with the seven principles of the World Commission on Dams.

5.4.6 Sustainable agriculture and forestry

For forestry and agriculture we require operations to be set up in such a way that land and water resources are not depleted, and for access to water to be established along with wildlife corridors. Indigenous people's rights to coexist with organised agriculture should also be safeguarded. It is important to secure access to grazing land, relocation of livestock and access to water sources.

For forestry and other industry using timber as raw material we require exploitation of resources to be sustainable, and do not wish to intermediate mutual funds with ownership interests in industry that fells primeval forest or is engaged in logging in a manner that does not ensure sustainability. Biofuel must be produced in the way that satisfies the RSB standard.

Crops must be sustainable, and undertakings that produce crops requiring a particularly high consumption of water, that deplete the soil or that have any other highly negative impact on the local ecosystem must have a clear strategy for remedying these externalities if the undertaking is not sustainable, and is unable to document measures to achieve sustainability. Familiar challenges relate, for example to production of nuts and plant oils/palm oil.

Steps must have been taken to prevent run-off and depletion of the topsoil by establishing uncultivated zones adjacent to water sources, sea and rivers.

Agriculture and forestry should ensure measures to minimise spraying, they should invariably use chemicals that have the least effect on the environment and should work to reduce the use of chemicals.

We require that unless more stringent local legislation has been introduced, animal transportation should be limited to a maximum of eight hours, that the use of very cramped cages and stalls should not occur and that animals have rights as expressed through the Five Freedoms.

5.4.7 Protection of water

Before a firm starts operations in an area posing challenges in terms of access to water, or where encroachment can be expected to have a major impact on water levels in rivers and on the water table, the company shall carry out an analysis of possible consequences. An undertaking that consumes substantial water resources shall not be established in areas and regions with a known water shortage, and where the establishment conflicts with the local population's right of access to clean water.

5.4.8 Protection of natural diversity

We endorse requirements regarding protection of threatened plant and animal species and of areas featuring on UNESCO's World Heritage List, and expect companies operating in areas that threaten protected plant and animal species to give consideration to them and minimise encroachments on the environment. We do not invest in, or finance, companies that are involved in trade in animal and plant species that violates CITES' requirements or that threatens stocks of red listed species.

5.4.9 Fisheries

Responsibly operated fisheries are among our most important renewable resources, and we expect companies not to profit from fishing techniques that hurt threatened species and fish stocks. We also expect the companies to comply with requirements set in quotas and licences to ensure sustainable management. At the same time we expect companies in the fisheries to apply for certification and to participate in collaborations on joint management of fish stocks, and to abide by such regulation. We also expect the fish processing industry to endeavour to purchase raw materials from responsibly minded suppliers, and to contribute to collaborations on environmental certification.

5.4.10 Genetically modified organisms

We also have a fundamentally negative attitude to genetically modified organisms, and businesses that use raw materials from agriculture where use of GMOs is widespread are required to inform consumers of the proportion of raw materials used that are of uncertain origin. We wish companies to urge their suppliers to reduce, or to take the initiative themselves towards reducing, the proportion of raw materials used that are based on genetically modified plants and organisms.

5.4.11 Environmental toxins

Companies that are involved in production processes, or that produce products containing environmental toxins must take steps to collect, and in a responsible manner destroy, residues and waste from the products in order to reduce the content of environmental toxins by finding alternative production processes and to reduce by other means the negative environmental impact of their production.

5.4.12 Fish farming

As regards the fish farming industry, we expect fish food producers to work to increase the proportion of plant-based raw material in fish food, and that fish food from marine resources should be from sustainable sources. We also expect fish food producers to do their utmost to minimise the carbon footprint of their operations and transportation of raw materials, and to impose requirements as to emission-reducing measures on their suppliers. Furthermore, we are concerned that fish food producers should be open about the proportion of raw materials used that are from genetically modified organisms, and we expect the companies to work to reduce this proportion. The fish farming industry also has a responsibility for its impact on local biotopes and pollution of surrounding areas through discharges of organic waste and its influence on the density of parasites and occurrence of fish diseases. Furthermore, irresponsible fish farming may lead to the escape of fish which in turn could threaten local fish stocks through interbreeding or through destruction of spawning grounds. Responsible fish farming companies take an active position on their impact on local biotopes, spread of contagion to local fish stocks, use of medicinal products and escape of fish. We expect the companies to work actively to reduce such negative secondary effects on their local environment, and not to exploit weaknesses of local legislation in their quest for higher profits at the expense of their responsibilities. We expect the companies to air these issues and to describe their active endeavours to achieve improvement in their annual reports.

5.4.13 Sustainable financial industry

For the financial industry and finance companies, and also bond investments, we apply an extended concept of sustainability which takes into account usury and exorbitant profiteering in connection with crises. This entails critical assessment of companies involved in financing individuals with payment problems, a requirement that customers should be capable of understanding terms and conditions and a particular focus on credit sales and credit provision in developing countries. Credit providers and financial institutions are required to comply with local rules and guidelines on consumer protection, and, in the absence of local regulation, to abide by international standards. Furthermore, financial institutions shall refrain from financing projects and businesses that violate fundamental requirements as regards human rights, or that harm the environment or violate indigenous people's rights. Where finance is provided for projects which on industry or country grounds may pose a risk of such violations, banks and financial institutions shall include terms requiring compliance with such fundamental requirements in their loan agreements.

5.4.14 Increased share of certified debt and green bonds

We want bonds to be eco-labelled for sustainability, and mutual funds that invest in bonds to be a driving force for environmental labelling and certification of loans under relevant certification schemes in order to ensure a focus on the effort to raise environmental standards.

5.4.15 Property companies and property development

We expect companies that invest in property to have in place procedures to ensure reduced energy use, and certification of buildings to reduce emissions. We also expect corporate documents to include an environmental account and to set the goal of reducing climate emissions, and major groups that manage property to support the development of certification schemes to ensure reduction of such emissions, such as ISO 14001.

Conflicts related to ownership of land and existing tenants' or residents' interests may arise in the development of property. We expect particular caution and responsible-mindedness to be exercised when it comes to finding a balance between making a profit and safeguarding those who inhabit the land or dwellings if they constitute a vulnerable group.

5.4.16 Transport companies and aviation

For transport companies and aviation we expect companies to actively seek technology, and invest in projects, that reduce emissions and negative environmental impacts.

5.4.17 Energy production and clean energy

We expect all industries and businesses to take a proprietary view of climate-related challenges and to have in place a policy on the use of clean energy and energy saving with a view to reducing their carbon footprint. We expect companies in the energy production field to endorse international agreements on promoting production of clean and green energy, and to clearly describe their role and their particular responsibility for the environment in their management documents.

5.4.18 Reporting requirements

We expect actors in the timber industry – including paper, pulp and wood products producers – either to be certified under the FSC's value chain requirements, or to work actively to fulfil requirements for such certification. We also expect all international/multinational companies to report sustainability under GRI G4 or equivalent reporting guidelines. Companies with a substantial influence on forest through felling of trees or other development should report their carbon imprint with reference to the requirements of the FFD project.

5.5 SPECIFICALLY ON CORPORATE GOVERNANCE, MONEY LAUNDERING AND CORRUPTION

We expect companies to maintain zero tolerance of corruption in their own business, and in companies they invest in, and where there is suspicion of corruption we require full openness from the company and consent to participate in the investigation of the matter. All companies must be open about their ownership structure and about transactions between the company and its management. All our fund managers shall actively use their voting rights in owner-related matters, and shall use this power to strengthen principles of transparency, good governance and moderate remuneration and ensure that the management is focused on the company's best interest.

5.6 SPECIFICALLY ON EMPLOYEE RIGHTS

SpareBank 1 cannot distribute mutual funds that are invested in companies that do not respect employees' rights to organise, and that work against trade union organisations or conduct reprisals against union representatives.

Companies must respect their employees' union rights. Working conditions must be secure, and we do not accept discriminatory practices or use of child labour. Companies must have set a limit on maximum working hours, and ensure that their employees earn a living wage. We are also concerned that companies should not profit by exploiting vulnerable workers

such as refugees and labour immigrants. In the absence of local legislation, maximum limits must be set for working hours. Responsibility for employees' rights also applies to sub-suppliers, and the company must take reasonable and proper steps to ensure this.

All managers must use their ownership power to induce companies in which they invest not to contribute to transactions that may lend themselves to money laundering, and to introduce control measures to ensure identification of counterparties in transactions and customer relationships.

6 CONSEQUENCES OF ETHICAL CHOICES, AND PRESENTATION OF RETURN TO THE CUSTOMER

A number of studies have been conducted of the connection between ethical fund management and return to the customer¹. For index funds featuring exclusion lists they indicate a lower rate of return, while for actively managed ethical funds a corresponding negative link has not been found. The difference in return is small but it may, in the competition between index managers, lead to them making incorrect ethical choices. Our product suppliers must have the opportunity to state, or render visible, any reduction in return as a result of ethical choices in their information material to customers, in addition to quoting an uncorrected reference index. The object is to avoid incorrect choices related to ethics, sustainability and human rights with a view to avoiding weaker return than that of other mutual funds. Managers must nonetheless not, at a later point in time, adjust the index as a result of subsequent exclusion of companies. In order to present a product as an ethical alternative it must be accompanied by a clear indication that the fund's rules and guidelines are more stringent than the industry standard.

7 ASSESSMENT OF MUTUAL FUND SUPPLIERS' FOLLOW-UP OF ETHICS, SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND SUSTAINABILITY

7.1 ASSESSMENT CRITERIA, CATEGORIES AND CONSEQUENCES

Consequence

SpareBank 1 cannot recommend or distribute the fund manager's products

SpareBank 1 asks the manager for further documentation of measures and process in order to continue distribution and recommendation

SpareBank 1 can recommend and distribute the fund manager's products, and can point up elements of the company's work on ethics and sustainability

SpareBank 1 can recommend the fund manager's products, and confirm that it operates in keeping with our requirements as to ethics, corporate social responsibility and sustainability

Description

Does not follow the exclusion list or the exclusion process at least at the level of the Government Pension Fund Global ("Oil Fund") and/or has deficient documentation of a screening process and procedures for measures to identify and follow up on possible norm violations. Lacks strict ethical requirements and sustainability requirements in some areas and lacks a strategy on ethics and sustainability. Has outsourced management to sub-suppliers without obtaining and documenting a declaration of conformity from underlying suppliers at

¹ Morningstar 2016

least on a par with SpareBank 1's own conformity statement, and is unable to document its own control measures and quality assurance (*under rødt*)

Follows the "Oil Fund's" exclusion list and/or stricter exclusion principles. Has its own strategy for sustainability and ESG. Publishes its exclusion list, but has some flaws in its procedure for identifying and acting on potential breaches. (*under gult*)

Has a clear strategy for ESG and sustainability. Has a clear and documented process for identifying and acting on events and deviations, and can document that ethical guidelines have practical consequences for fund management. (*under lysegrønt*)

Has ESG and sustainability strategies that cover all areas of SpareBank 1's requirements on ethical and sustainable management (*under mørkegrønt*)

Measures

New distribution of mutual funds under distribution is halted at two months' notice to the fund manager and customers. If the fund manager has not documented completion of measures, all customers with mutual funds bought through our channels are contacted and offered alternative products, and a description is given of the deficiencies that have been uncovered and of our efforts to improve the fund manager's compliance (*under rødt*)

The fund manager is followed up on with a view to remedying weaknesses in processes and strategy, and is given a reasonable period to make improvements (*under gult*)

The fund manager's products can be pointed up in distribution channels as ethical or sustainable choices, with specification of those areas in which the manager has a good strategy on ethics and sustainability. We follow up on the manager to further develop the strategy (*under lysegrønt*)

The manager's products can be recommended, and are pointed up in distribution channels as ethical AND sustainable choices (*under mørkegrønt*)

7.2 Follow-up

At least once per year, and next time in April 2018, the position as regards documentation of compliance with anti-money-laundering rules, transparency requirements, ethics, social responsibility, sustainability and corporate governance will be reviewed at all fund managers. In addition, a review will be undertaken of follow-up action of necessary improvement measures in procedures and processes.

All our mutual fund providers are in receipt of our policy for sustainable and ethical investments and are aware that upon each evaluation we expect an account to be provided of the steps being taken to come closer into line with our objectives and expectations.