

Sustainability Report 2022

Skandiabanken



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Sustainability Report

Sustainability report

Sustainability is an integral part of Skandiabanken's strategy and business. The bank works continuously to develop its processes for sustainability reporting and the initiatives that are being conducted in the area of sustainability.

This report describes how Skandiabanken, based on its operations, works with sustainability in the areas of anticorruption, personal and social conditions, human rights and the environment, in accordance with what is stipulated in the Swedish Annual Accounts Act. Skandiabanken is a digital actor with operations in Sweden aimed at private individuals. The bank provides services in the form of accounts and payment cards, savings and lending. Owing to the nature of the business, the bank's negative impacts on society and the climate are low, and are therefore also limited with respect to various sustainability factors.

Business model

Skandiabanken conducts banking and financing business in accordance with the Swedish Banking and Financing Business Act. Skandiabanken shall serve as a responsible bank and provide services that contribute to positive effects for customers, society and the climate. Skandiabanken's work with responsible services focuses partly on sustainability aspects in the offering to the bank's customers and partly on responsible risk management in the banking operations. Skandiabanken has set a goal to continuously strengthen the sustainable value creation that the bank contributes to both for its customers and for society as a whole.

International frameworks

Skandiabanken's sustainability work takes its starting point in international sustainability frameworks and shall contribute to the Global Sustainable Development Goals (SDGs) while adhering to the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the Paris Agreement on climate change.

In June 2021 Skandiabanken signed the UN Principles for Responsible Banking. These principles are intended to provide the global banking sector a framework for how banks together should work for more sustainable development in line with the Paris Agreement and the Global Sustainable Development Goals. By becoming a signatory Skandiabanken aims to contribute to positive impacts on society and the climate. As a signatory Skandiabanken has pledged to disclose negative as well as positive sustainability impacts and to report on which of the Global SDGs the bank has the greatest opportunity to contribute to. A publication of the bank's first report in accordance with the UN Principles for Responsible Banking

was published in spring 2022 on skandia.se. The work on implementing the principles is in progress, and a second publication will be released in conjunction with the publication of the annual report 2022.

Transparent home mortgage model and responsible lending

Skandiabanken has a transparent model for home mortgages that gives the bank's customers a reduced interest rate that they do not need to negotiate for. The home mortgage offering is designed so that it attaches a premium to Skandia's occupational pension customers but also enables other customers to receive a low interest rate. The bank has a long-term perspective in its home mortgage lending, where responsible lending is of central importance. The bank's loan losses for home mortgages are low, and the average loan-to-value ratio for mortgaged homes is low. The bank's loan losses (3-year rolling average) at year-end 2022 amounted to 0.008% (0.004%) of total home mortgage volume. The bank monitors both its own credit portfolio and performance of the Swedish home mortgage market.

In spring 2021 cooperation was established with Hemma, a mortgage lending institution that specialises in green financing of home mortgages that offer a solar discount. In 2022 Hemma's business involving administration of green mortgages was acquired by Resurs Bank. Cooperation on intermediation of green mortgages continues under the Resurs brand. Individuals who upgrade their homes with a sustainable energy solution via Resurs Bank are offered financing and reduced-rate home mortgages with Skandiabanken. This reduced rate helps households finance their solar panel installations while at the same time offering them a low home mortgage rate. On top of this, a solar panel system contributes to other savings, such as lower electricity costs and income from sales of surplus electricity. In this way, more people can gain access to renewable energy at the same time that households can save on their costs.

Together with Bosam, a new type of tenant-owner cooperative in Sweden, in autumn 2022 a collaboration was started that entails that Skandiabanken, following a credit check, will provide home mortgages to customers who buy an apartment in a Bosam tenant-owner association. Under the Bosam model, the tenant-owner association bears a larger share of the building's loan than for a traditional tenant-owner cooperative. Bosam is financed by loans with a fixed interest rate and a set amortisation schedule. The loans have terms of 20 years and are provided to well-known institutional investors with a long-term investment horizon. The lower debt burden for the home mortgage customers not only gives more people

an opportunity to purchase a home, but also mitigates the impact of rising interest rates on the household's finances.

During 2022 Skandiabanken also obtained energy classifications of collateral in the bank's home mortgage portfolio and began work on analysing how the bank can launch green mortgages based on energy classifications. Skandiabanken has the ambition to issue its first green bond in the near future, and the work on setting up a green framework is a prioritised area. Having a green framework is a prerequisite for being able to issue green bonds.

Sustainable fund savings

The bank's mutual fund offering includes Skandia's own funds as well as funds from a large number of market-leading fund companies. Through clear and responsible product guidance, the bank strives to help its customers choose the right products. The bank is also working continuously to adapt, develop and improve its fund offering. For example, the bank has introduced sustainability-labelling and filtering alternatives to help customers make sustainable choices.

During 2022 six funds with a sustainability focus were added to Skandiabanken's fund list. A sustainability focus entails that the fund promotes sustainability or has sustainability as its objective, and that sustainability factors are regarded as being decisive for the fund's investment strategy. Skandiabanken's definition of sustainability-focused funds has been developed by Skandia's asset management unit. Read more about the selection process at skandia.se.

Skandiabanken's basic requirement is that the fund's manager has signed the UN Principles for Responsible Investments and conducts relevant and systematic work, with a high level of expertise in sustainability.

Skandiabanken's fund offering consists to 17% (13%) of funds with a sustainability focus, and savings in these amount to 31% (28%) of total volume.

Active voice in the societal debate

Skandiabanken works to ensure that all groups in society have access to banking services. To contribute to increased financial inclusion, the bank also works with mapping and analysing societal trends that have bearing on operations. Skandiabanken advocates for a more flexible housing market, and in 2022 it published the report *Lön utan lägenhet – En rapport om att första anställning inte räcker till en första lägenhet* ("Pay without an apartment – A report on how one's first job is not enough to buy a home"). In the report Skandiabanken has identified which cities in Sweden receive a so-called green or red light, respectively. The result shows that loans get approved in 17 of 25 towns. Another report was published during the year, entitled *Sparande till bostad – En rapport om hur man bäst sparar till sitt barns första bostad – 18 år fram i tiden*, which focuses on parents' savings for their children and the amount that is needed in order for the child to move out to an own home. The report shows, among other things, that savings of the monthly child allowance that all families receive until 18 years of age is enough for a down payment in 20 out of 25 Swedish cities.

Governance

Skandiabanken's policy on sustainable business lays out the starting point and direction for Skandiabanken to operate as a responsible bank. According to the policy, the bank shall provide banking services that contribute to positive effects for customers, society and the climate. The policy draws upon Skandia's policy on sustainable business, but is adapted to Skandiabanken's operations. It describes overarching sustainability risks and that way in which Skandiabanken is to conduct its sustainability work, and how this is to be followed up within the bank. Skandiabanken has natural exposure to climate-related risks since its core business is home mortgages. This is against the background that homes, which serve as collateral for the bank's mortgages, are exposed to climate-related physical risks. Skandiabanken's hypothesis has been that the primary climate-related physical risk is flood risk. To map and analyse this risk, the bank has had stress tests and scenario analyses performed of the home mortgage portfolio. The method consisted of mapping coordinates of the homes in the portfolio followed by marking of whether these are in areas where there is a risk for flooding. Information on flood risk is based on data from Swedish Civil Contingencies Agency's (MSB's) flood portal. The coordinate mapping and marking of homes were conducted with the assistance of an external partner. In early January 2022 data was provided from the same, external partner.

Following the bank's data analysis, the risk coupled to flooding was considered to be low. Even though flood risk for the home mortgage portfolio today is considered to be low – over the long term there may still be a risk that the value of exposed homes will reduce in pace with the increase in flood risk and the housing market becoming more aware of this elevated risk.

The analysis only took flood risk into account. Other climate risks to study are: risk for erosion, risk for collapses and landslides, risks coupled to high temperatures, and the risk for fire. The bank plans to revise its climate analysis every three years.

An overarching assessment of Skandiabanken's sustainability risks is included in the existing risk assessment process that is defined in Skandiabanken's risk policy.

Skandiabanken's policy on sustainable business also includes a reference to the governance documents that form the basis of the bank's sustainability work. Skandiabanken's sustainability work is clarified through Skandia's sustainability framework. Parts of this work are conducted centrally within Skandia. However, it is always the management of Skandiabanken that is ultimately responsible for ensuring that the bank's operations are conducted in a way that live up to the requirements in the policy.

Governing policies

The table below provides an overview of how Skandiabanken's policies and positions meet various sustainability aspects.

Anticorruption and countering of financial crime

Good business ethics and a high ethical standard shall permeate the entire bank and characterise relationships with customers, vendors and partners. It's a matter of having good judgement in business relationships and working to prevent business ethics risks and countering financial crime. Skandiabanken has zero tolerance for bribery and corruption, which is laid out in the Code of Conduct. Skandiabanken has adopted a Code of Conduct – Skandia's Code of Conduct – which applies for all companies in the group. The Code of Conduct clarifies the values and expectations that apply for the bank's employees and contractors. Every year all employees and contractors are required to read the Code of Conduct and affirm that they will act in accordance with it. Skandiabanken has a special committee that handles all ethical violations (or suspected violations) of the norms and values that are set forth in the Code of Conduct.

In addition, Skandiabanken has a policy on employee ethics, bribery and whistleblowing. Whistleblowing refers to a routine in which persons active in the bank are given an opportunity – outside of the ordinary reporting channels – to report suspected improprieties and violations of external or internal rules and regulations. Reporting is done to designated persons and functions, and can be done both openly or anonymously. Whistleblowing is regulated by law, and persons who report improprieties have special protection against reprisal.

The whistleblowing routines have been communicated in the organisation in various ways, including through a yearly so-called knowledge update that is obligatory for all employees, and through easily accessible information on the intranet. Follow-up of the employees' understanding of the routines was included in one of the year's employee surveys. No cases of whistleblowing were reported during the year.

All purchases in the bank are to be made in accordance with the bank's values, and vendors are required to sign Skandia's Code of Conduct for vendors. The bank's long-term

goal is that 100% of purchasing volume from the bank's contracted vendors will be covered by the Code of Conduct. During 2022 this share amounted to 76% (77%). Vendors are analysed and evaluated with the help of a self-assessment and risk analysis based on the sector the vendor works in, where its operations are conducted, and the vendor's ability to deal with sustainability issues.

All employees participate in obligatory trainings on matters such as countering money laundering, identification and handling conflicts of interest, fraud and bribery, and physical security and information security.

Countering financial crime

Skandiabanken is active in the work conducted by the Swedish Bankers Association on countering financial crime. The bank conducts strategic work on preventing, detecting and reporting financial crime. This work is grounded in an assessment that is used to identify risks, map methods and prioritise efforts. In assessing the risk for money laundering, Skandiabanken takes into account products, distribution channels, data about the bank's customers, criminals' approaches, and information from authorities and industry organisations.

By continuously following up and verifying its knowledge of customers, risks are assessed so that Skandiabanken can take actions on the risks that the bank may be exposed to. The bank monitors transactions using systems whose purpose is to detect deviations and suspicious behaviours. The bank is working continuously to strengthen measures for countering money laundering and the financing of terrorism. This will be done by, among other things, implementation of a new monitoring system for transactions within the bank. During 2022 work continued within the bank to develop this new monitoring system. Implementation is under way, and the system is expected to be fully operational during the first half of 2023. The aim of the new system is to improve compliance, increase the opportunity for advanced analysis, and to increase the effectiveness of Skandia's investigators.

Document	Decision-maker and oversight	Human rights	Personal and social conditions	Anticorruption	Environment
Skandiabanken's policy on sustainable business	Board of Directors, yearly	√	√	√	√
Skandiabanken's policy on employee ethics, bribery and whistleblowing	Board of Directors, yearly	√	√	√	
Skandiabanken's policy on measures for countering money laundering and the financing of terrorism	Board of Directors, yearly			√	
Code of Conduct for vendors	Group CFO, as necessary	√	√	√	√

Personal and social conditions

Skandiabanken works to ensure engaged and healthy employees who have the ability to perform and develop. All managers in the bank have a clear assignment to motivate employees to do their utmost to create the greatest possible customer benefit. Skandiabanken's culture and values, leadership and ability to recruit and retain talented employees are central success factors in this work. High employee engagement and high regard for us as an employer are important benchmarks and are measured through an Employer Net Promoter Score (eNPS). The outcome for Skandiabanken's measurement of employee engagement in 2022 was 48 (32), which is higher than the bank's goal, which was 27 for 2022.

All Skandiabanken employees have access to so-called health insurance that works proactively on top of disability and healthcare insurance, and employees are also offered a digital health app. In 2022 Skandiabanken's total sickness-related absenteeism was 3.7% (3.7%).

Skandiabanken works actively with competence succession and competence development as well as with fostering an inclusive culture in a good work environment. Skandiabanken has zero tolerance for bullying and harassment.

On a yearly basis Skandiabanken conducts an analysis in which the degree of equality and diversity within the bank is evaluated. With a starting point in this work, the bank decides on any active measures. The bank shall maintain an even gender balance, between 40% and 60%, and increase the share of balanced professional categories. The gender balance in Skandiabanken's board of directors and management is satisfactory, see Note 6, Personnel costs. In a yearly measurement the bank's employees are requested to take a position on a how much they agree with a number of statements, including "Women and men have equal terms and opportunities at my workplace". In the most recent measurement, conducted in January 2022, the result of this statement was 4.6 (4.6) of a maximum ranking of 5 for the bank.

The bank is engaged in a close dialogue with the organisations that represent the employees. This is done through codetermination negotiations as well as through other forms of union collaboration. All Skandiabanken employees are covered by collective agreements.

Every year an internal measurement is conducted in which the bank's employees are requested to indicate if they regard Skandia as a model for sustainability, if they have good knowledge about Skandia's sustainability work, and if they feel participant in and can contribute to this work. In the most recent measurement, in January 2022, the bank received a score of 3.7 (3.6) out of a maximum of 5 for the metric Sustainability Ambassadorship.

Since 2021 Skandiabanken's employees with SwedSec licences participate in an external sustainability training that provides an accreditation upon completion. The training aims to impart a uniform, basic understanding of how the climate transition and the work for sustainable development affects the financial market and the rules introduced by the EU. Sustainability is one of Skandia's three focus areas, and operations are to be characterised by responsible actions and

sustainable value creation that is integrated in our customer offering. In order for sustainability work to be effective, it needs to be firmly rooted in the entire organisation.

The bank strives to ensure that all its employees will feel a sense of engagement and pride in the sustainability work that Skandia has achieved to date and in the group's ambition going forward. As an important part of this work, during the autumn Skandiabanken made fundamental training in Skandia's sustainability work obligatory for the bank's customer service employees. During 2023 Skandiabanken plans to conduct additional, internal trainings to ensure that all of the bank's employees gain a fundamental understanding of the bank's sustainability work and focus areas, and to increase their sense of ambassadorship.

Human rights

The business activities are to be conducted in a way that upholds Skandiabanken's values and that shows respect for people. This means that the bank is to take responsibility for preventing and minimising any negative impacts on human rights. In addition, the bank works to ensure that the companies that Skandiabanken has business dealings with respect human rights.

Personal privacy is one of the UN's universal human rights. Skandiabanken works actively with protection of personal privacy in accordance with existing data protection rules and external guidance. Personal privacy is of utmost importance, and Skandiabanken is continuously developing governance and protection (technical and organisational protective measures), and continuing education of employees is conducted on a regular basis in this area.

The UN Guiding Principles identify children as a particularly vulnerable group. To protect children's rights, in 2008 Skandia – together with ECPAT – founded the Financial Coalition Against Commercial Sexual Exploitation of Children.

Human rights are included in Skandiabanken's policy for sustainable business and in Skandia's Code of Conduct for vendors.

Environment

Skandiabanken has an overarching, long-term strategy to incorporate environmental concerns in all parts of the bank's operations and also sets clear environmental requirements for vendors and partners. Skandiabanken contributes to the Skandia group's overarching target to cut the group's total carbon emissions and waste in half by 2030, compared with the base year 2019.

Skandiabanken's climate impact is limited in view of the business's digital focus. Despite this, the environment is a prioritised issue for Skandiabanken. The bank works continuously to minimise the negative environmental impacts of its operations and to promote environment-friendly solutions. Among other things, the bank is always striving to reduce its environmental footprint. Active work with environmental issues is also important for the bank to maintain its credibility among its customers. The bank has long strived to use only renewable electricity in its office premises, and today all of

Skandiabanken's electricity consumption is renewable. The bank's total energy consumption (district heating, district cooling, electricity) amounted to 1,119 mWh in 2022 (1,069). Skandiabanken's offices are environmentally classed, and the facilities management vendor is ecolabelled according to the Nordic Swan. Environmental standards are also required when the bank purchases products and services for its operations. Since 2021 Skandia's head office building in Stockholm has had solar panels on its rooftop, which generate approximately 120,000 kWh of electricity per year and account for roughly 30% of the office building's electricity consumption.

Skandiabanken is working to reduce the direct climate impact of its operations by steadily changing over to even more digital customer communication. Statements to the bank's home mortgage customers are sent primarily in digital form, and customers need to go in themselves and activate paper statements if they want them in paper form. In addition, increasingly more forms are being signed electronically, and powers of attorney are also obtained through electronic processes.

Skandiabanken's travel guidelines recommend meetings that do not require in-person attendance or travel,

as this helps reduce the bank's direct climate and environmental impacts. Total CO₂ emissions from the bank's energy consumption and travel amounted to 34 tonnes in 2022 (31). Emissions associated with the bank's business travel totalled 5.5 tonnes CO₂, which is an increase over both 2021 and 2020. The increase can be explained by the pandemic, which affected opportunities for travel during these comparison years. However, the bank still has low emissions levels compared with before the pandemic, when emissions from business travel in 2019 totalled 63.5 tonnes CO₂. Since the start of the coronavirus pandemic in early 2020, Skandiabanken has in a short time adjusted its ways of working toward even more digital collaboration and meeting forms. This has made an important contribution to reducing the bank's climate footprint. The bank has an ambition to continue keeping down emissions from business travel, even though the most recent years can be viewed as extraordinary.

Read more about Skandia's overarching sustainability work at www.skandia.se, where Skandia's Annual and Sustainability Report is also posted.

Skandiabanken Aktiefbolag (publ)
106 55 Stockholm

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www.skandia.se

