

Principles for responsible banking



Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 BUSINESS MODEL

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Skandiabanken Aktiebolag (publ) (Skandiabanken or the bank), with its registered office in Stockholm, Sweden, was established on 1 July 1994 and is a wholly owned subsidiary of Skandia Mutual Life Insurance Company (Skandia Mutual). Skandia Mutual is the parent company of the Skandia group (Skandia). Skandiabanken's business is conducted in Sweden. The bank is a digital retail bank and provides financial services to individual customers. The bank offers payment services, saving solutions and lending in the form of mortgages and private. The majority of lending activity, more than 99 per cent, consists of mortgages. Skandiabanken's market share in the Swedish mortgage market is just over two per cent. Skandiabanken is focused on responsible lending. As a result of this, credit losses and customers' loan-to-value ratios are low.

Links and references

(incl. pages)
Skandiabanken
Sustainability
Report, pp. 1-5

1.2 STRATEGY ALIGNMENT

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: _____
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: _____
 None of the above

Response

Skandiabanken conducts banking and financing business in accordance with the Banking and Financing Operations Act (Lag (2004:297) om bank- och finansieringsrörelse). Skandiabanken shall act 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 business.

Skandiabanken's goal is to continuously strengthen the sustainable value creation that the bank contributes to in relation to its customers and society at large.

The establishment of a bank-specific sustainability policy ("Skandiabankens policy om hållbart företagande") offers an overview of the positions and prioritised areas and provides references to other policies, instructions and guidelines included in the company's corporate governance system.

The policy states that Skandiabanken shall: establish and follow up on objectives and key figures that develop Skandiabanken in a sustainable and entrepreneurial manner and that contribute to the bank's strategic goals as well as to the parent company being seen as a role model in sustainable business, ensure that relevant governing documents and processes are in place to assist the business in achieving these objectives, work systematically to identify sustainability-related risks and opportunities relevant to the business, and clearly declare Skandiabanken's strategy, sustainability work, and the result of this work by annually reporting on sustainable business.

In accordance with the policy, Skandia strives to create financial stability for customers and owners and contribute to more sustainable development in line with the UN's Global Sustainable Development Goals (SDGs). Within the framework of its operations, Skandiabanken shall conduct responsible banking and provide responsible banking services. The bank shall work for compliance with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Paris Agreement on Climate Change. These frameworks and guidelines are in turn based on international conventions, including the following:

- UN Convention on the Rights of the Child
- UN Universal Declaration of Human Rights
- The ILO core conventions
- Conventions on bribery and corruption
- International environmental conventions

Moreover, global climate change is of particular importance to consider, and overall research should be indicative for Skandia's and Skandiabanken's work.

Skandiabanken will continuously identify, evaluate, and review significant areas of sustainability. Through continuous improvement the bank will develop its sustainability work so that it best meets the expectations of various stakeholders. overall research should be indicative for Skandia's and Skandiabanken's work.

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Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 IMPACT ANALYSIS (KEY STEP 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

Skandiabanken is mainly a digital bank with no customer offices, and thus the environmental impact of our own operations is limited. Skandia has long strived to use only renewable electricity in its office premises, and today the entirety of Skandiabanken's consumption of electricity in the premises where Skandiabanken's employees work is renewable. Furthermore, Skandiabanken's only offices (in Linköping and the main office in Stockholm) are environmentally classified. Environmental requirements are also set when Skandia purchases goods and services for its business.

Although the direct environmental impact from Skandiabanken's own operations is limited, the environment is prioritised by the bank.

The bank's core business activities lie within household lending and savings. An initial materiality analysis was conducted in 2021 using the UN SDG indicators and the UN Impact Radar.

Links and references

(incl. pages)
Skandiabanken Sustainability Report, pp. 1-5

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for customer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

The bank offers payment services, saving solutions and lending in the form of mortgages and private loans. The majority of lending activity, more than 99 per cent, consists of mortgages, and the remaining, less than 1 percent, consists of personal loans, overdrafts and credit cards. Skandiabanken's market share in the Swedish mortgage market is just over two per cent.

The average age of Skandiabanken's customers is 51.

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

The customer base consists of 45 per cent women and 55 per cent men. 46 per cent live in the Stockholm area and 13 per cent live in Västra Götaland. The rest of the customer base is distributed over the country with 20 per cent living in Skåne, Uppsala, Östergötland and Halland. The average number of products per customer is 2.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Sweden's action plan on implementing the 2030 Agenda has listed the most relevant challenges and priorities related to sustainable development, where the areas that the government will focus on are the following:

- I. An equal and equality-focused society
- II. Sustainable societies
- III. An economy beneficial to society, that is circular and biobased
- IV. A strong business climate with sustainable corporations
- V. Sustainable and healthy product lifecycles
- VI. Strengthened knowledge and innovation

We mainly see that the bank will be able to contribute to areas I, II and VI.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response

The areas that Skandiabanken has identified as its impact areas are climate stability and financial health & inclusion.

Skandiabanken has selected climate stability as its first impact area and over the coming years will assess the bank's financed carbon emissions to form the basis for setting targets. Because the majority of lending activity (more than 99 per cent) consists of mortgages, Skandiabanken has determined that by reducing the negative climate impact of our mortgage portfolio we will contribute to the climate stability impact area.

The second impact area that has been selected is financial health & inclusion. Skandiabanken has a history of social engagement through activities such as shaping public opinion on the housing situation for young people, which could have a positive impact on housing and employment.

Skandiabanken is focused on finding solutions for the establishment of young adults in the housing market.

Skandiabanken also recognises the potential to be an educator of young people with respect to their personal finances and will develop a strategy to do so during the coming years.

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

During the coming years we will set targets in Skandiabanken's main business areas based on our Impact Analysis implemented so far. We will strive to better understand the impact of our business to maximise our positive contribution to the Paris Agreement, national and regional regulations as well as the SDGs and minimise any negative impacts.

d) *For these (min. two prioritized impact areas):* **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest these, using appropriate indicators related to significant impact areas that apply to your bank's context actual positive or negative impacts? Please describe how you assessed the performance of.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

As stated previously, Skandiabanken is a digital retail bank and provides financial services to individual customers. The bank offers payment services, saving solutions and lending in the form of mortgages and private loans. The majority of lending activity, more than 99 per cent, consists of mortgages, and the remaining, less than 1 percent, consists of personal loans, overdrafts and credit cards.

As of 31 December 2022 the bank's lending amounted to SEK 95 billion, deposits amounted to SEK 45 billion, and managed savings capital amounted to SEK 35 billion.

The savings business area has approximately 220,000 customers and net commissions of SEK 122 million, the payments business area has approximately 375,000 customers and net commissions of SEK 34 million, and the lending business area has 84,000 customers and net interest income of SEK 1,001 million.

SELF-ASSESSMENT SUMMARY

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁷

Scope:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input checked="" type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

Response

Skandiabanken has chosen the following two impact areas: climate change mitigation and financial health & inclusion.

2.2 TARGET SETTING (KEY STEP 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- a) **Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

Skandia strives to create financial stability for customers and owners and contribute to more sustainable development in line with the UN's Global Sustainable Development Goals (SDGs). Within the framework of its operations, Skandiabanken shall conduct responsible banking and provide responsible banking services. The bank shall work for compliance with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the Paris Agreement on Climate Change.

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Other frameworks that guide Skandiabanken in its target setting are e.g. Sweden's Climate Policy Framework, the European Action Plan for Sustainable Finance and the Swedish Banking Association's Climate Action Plan.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. *You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex. Please include the relevant indicators using the indicator code in the following table:

Impact area	Indicator code	Response
Climate change		
Impact area	Indicator code	Response
Financial health & inclusion		

Response

Skandiabanken is still developing its sustainability strategy for the years ahead and will in time report on indicators included in the Annex.

The bank is currently investigating the possibility to calculate Scope 1, 2 & 3 emissions and have yet to set a baseline.

c) SMART targets (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

The Skandia group has an overarching long-term strategy to incorporate environmental considerations into all parts of the company's operations and sets clear environmental requirements for suppliers and partners.

To ensure continued progress of our work and to meet the expectations of our employees and customers, Group Management has decided on an overall target, which means that Skandia will both reduce the group's carbon emissions and reduce our waste by 50 per cent (compared to 2019) by 2030.

During the coming years Skandiabanken will set targets in the bank's main business areas based on our Impact Analysis implemented so far. We will strive to better understand the impact of our business to maximise our positive contribution to the Paris Agreement, national and regional regulations as well as the SDGs and minimise any negative impacts.

Links and references (incl. pages)
Skandiabanken Sustainability Report, pp. 1–5

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response

Skandiabanken is currently working on setting targets for the coming years and has yet to adopt an action plan.

SELF-ASSESSMENT SUMMARY

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... <i>(please name it)</i>	... second area of most significant impact: ... <i>(please name it)</i>	<i>(If you are setting targets in more impact areas)</i> ...your third (and subsequent) area(s) of impact: ... <i>(please name it)</i>
Alignment	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Baseline	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
SMART targets	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

2.3 TARGET IMPLEMENTATION AND MONITORING (KEY STEP 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only):

describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Over time the targets will be integrated into various strategic plans of the bank's relevant business areas and will be operationalised through KPIs.



Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 CLIENT ENGAGEMENT

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

- Yes
- In progress
- No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

- Yes
- In progress
- No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Skandiabanken is planning on offering an energy saving service to encourage sustainability practices among its mortgage customers. Furthermore, Skandiabanken is considering offering green mortgages and issuing a green bond in the coming year.

3.2 BUSINESS OPPORTUNITIES

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

As of today, Skandiabanken offers a transparent pricing model for mortgages, which was further improved during 2020. It now entails offering the bank's customers reduced interest rates without them having to negotiate. Thus, it is equal for all.

The bank's mutual fund offering consists of the Skandia group's own mutual funds and mutual funds from many market-leading mutual fund companies. Through responsible product evaluation and guidance, the bank aims to help customers choose the right product.

The fund list at skandia.se provides information about the mutual funds' various sustainability profiles. It shows, for example, the mutual funds' sustainability classifications, ratings and risk values as well as various types of filtering tools. We also offer sustainability-oriented mutual fund portfolios.

Links and references

(incl. pages)
Skandiabanken
Sustainability
Report, pp. 1–5

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

As part of the Skandia group, Skandia Asset Management ensures responsible audit of the mutual funds list offered to Skandiabanken's customers on skandia.se. Skandia Asset Management supports the application of the UN Framework for Responsible Business (UN Global Compact) and has signed the UN Principles for Responsible Investment (UNPRI). Furthermore, Skandia Asset Management examines how the companies it invests in, and the funds Skandia offers, considers sustainability factors and sustainability risks in the companies' operations and investments. Such risks and factors can be the climate, the environment, human rights, employee rights and good corporate governance practice, including the fight against corruption.

To learn more about how Skandia Asset Management operates with regards to responsible asset management, please see Skandia's Annual and Sustainability Report and Skandia's Asset Management Report.

Going forward, Skandiabanken is interested in continuing to focus on establishing attractive green mortgages, solid green bonds and further developing our social commitments related to financial health & inclusion.



Principle 4: Stakeholders

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

4.1 STAKEHOLDER IDENTIFICATION AND CONSULTATION

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes
- In progress
- No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

A stakeholder consultation was conducted in 2020. The key stakeholder groups identified were customers, investors, legislators, owners, employees, supervisory authorities, government officials and NGOs, and society at large.

Regarding the consultation with the bank's customers, Skandiabanken conducted an online survey of more than 20,000 customers. The purpose of the survey was to gain an understanding of customers' expectations and requirements for Skandiabanken when it comes to sustainability.

In summary, the customer consultation resulted in the following key takeaways:

- Confidence in Skandia's brand is crucial
- Men care the most about mortgage rates, women more about lending rates
- Availability and service are important aspects when choosing banking products
- Younger women are most likely to make decisions based on sustainability
- Sustainability is less important than "classic" aspects such as fees, interest rates and service. However, sustainability is an important factor, especially for women, and therefore needs to be addressed in order to maintain a high level of customer satisfaction
- Water stood out as the most important sustainability issue among the Global Goals

We also looked at important sustainability issues among industry peers and conducted a materiality analysis where the aim was to:

- Strengthen or challenge assumptions about stakeholders' priorities and attitudes with respect to sustainability
- Provide a starting point to measure development against and to identify areas for in-depth analyses
- Provide input on communication activities, priority issues for stakeholders and what is not known by stakeholders
- Confirm or challenge the current strategy and contribute to its development
- The materiality analysis is based on a broader stakeholder perspective where dialogues with customers, employees and investors are included. Participation from Skandiabanken's management team has also been crucial in achieving a result where long-term value creation is weighed in each area.

A digital workshop was held where a materiality exercise was carried out which was based on the results of the customer survey as well as previous dialogues with investors and employees.

The areas considered most important to work with for Skandiabanken's long-term value creation were determined during this exercise.

In the coming year Skandiabanken plans to engage in a new consultation with the bank's customers.



Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

Does your bank have a governance system in place that incorporates the PRB?

- Yes
- In progress
- No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

Sustainability is to be integrated into Skandiabanken's every undertaking and commitment. To achieve sustainable development, we need to cooperate internally as well as with our customers and other business partners.

In accordance with Skandia's owner's instructions, Skandia is to act as a role model in the work with sustainability. The company follows the UN Global Compact, the OECD Guidelines for Multinational Enterprises, including the UN Guiding Principles on Business and Human Rights, and the Paris Agreement on Climate Change. We regularly conduct ongoing dialogues with our stakeholders, which also serves as an important foundation for the design of our sustainability work. Furthermore, we work continuously to identify, prevent, and remedy any risks and deficiencies in the business that can be linked to sustainability.

In November 2020 Skandiabanken adopted a policy on sustainable business to get an overall picture of Skandiabanken's sustainability work. The intention with this policy document is to comprehensively document positions and prioritised areas and to provide references to other policies, instructions and guidelines included in the company's corporate governance system.

In adopting this policy Skandiabanken has committed to:

- establish and follow up on objectives and key figures that sustainably develop Skandiabanken and that contribute to the bank's strategic goals as well as to the parent company Skandia being seen as a role model in sustainable business,
- ensure that relevant governing documents and processes are in place to assist the business in achieving the objectives,
- work systematically to identify sustainability-related risks relevant to the business and opportunities, and
- transparently report on Skandiabanken's strategy, work, and the results of this work by annually reporting on sustainable business matters.

Structure:

At the group level the Head of Sustainability reports to the CIO (Chief Investment Officer). Regarding the bank, the Head of Sustainability reports to the COO.

Procedures:

Collaborative meetings – Group representatives report progress on sustainability commitments laid out in the business plan for the year to the Acting Director of Sustainability quarterly. The CEO of Skandiabanken represents the bank in these meetings.

Group-level Sustainability Forums – Group representatives are gathered quarterly to exchange and gain information as well as discuss various sustainability issues.

Bank-level Sustainability Forums – representatives from various areas of the bank are gathered quarterly to discuss various sustainability issues, and exchange and gain information.

To support effective implementation of the Principles, during the coming year Skandiabanken plans to enhance the bank's governance structure by establishing an improved internal steering and control system for Skandiabanken's sustainability efforts.

5.2 PROMOTING A CULTURE OF RESPONSIBLE BANKING:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

An internal PULSE survey is conducted every year in which the bank's employees can evaluate whether they see Skandia as a role model regarding sustainability and indicate whether they have good knowledge of Skandia's sustainability work and feel involved and can contribute to this work. The results are used to measure the level of ambassadorship when it comes to the sustainability work that the group and the bank conducts.

As a step towards increasing involvement and engagement in sustainability work, a major educational effort with external training was implemented in 2021. The training is called Sustainability in the Financial Industry by a company called Finanskompetens. The education offers a certificate upon completion. In total more than 100 Skandiabanken employees have completed the training. The purpose has been to create a common understanding of how climate change and the work for sustainable development affect the financial market and the regulations introduced by the EU.

In addition, Skandiabanken ensures yearly updates with regards to the group's sustainability work for all employees through digital yearly knowledge updates (ÅKU) and micro learnings.

Moving forward, the bank will provide internal sustainability training for customer support.

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Skandia's Ideas for Life foundation ("Ideér för livet") offers Skandiabanken's employees the opportunity to engage in various volunteer projects. Skandia strives to create a society with better health and increased security. Ideas for Life serves as a catalyst to create more effective preventive measures for children and young people by initiating and supporting local projects, methods and research.

Furthermore, in accordance with Skandia's sustainability strategy, Skandia advocates meetings that do not require physical presence or travel. Skandia works actively to reduce the environmental impact of its business, and it is therefore important that all unnecessary travel is kept to a minimum.

Skype, video- or telephone conferences are always considered in the first place. As for short trips within the locality of the place of employment, Skandia encourages its employees to use service bicycles (where such are available) or, alternatively, to use public transport.

5.3 POLICIES AND DUE DILIGENCE PROCESSES

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

The existing governance structure and increased focus on sustainability in our offerings as well as our actions support the bank's implementation of the Principles. The targets developed will be set by the Board and will be implemented in relevant business areas and group functions. The targets will align with the bank's ordinary activity structure.

The bank's sustainability team together with the sustainability team at the group level will support the various groups tasked with implementing the KPIs in their daily work and in their efforts to ensure continuous development and progress of responsible banking targets in the organisation and initiate necessary activities and structures when needed.

With regards to environmental risks, Skandiabanken has a natural exposure to climate-related risks as the bank's main business is mortgages. This is in light of the fact that homes, which are collateral for the bank's mortgage, are exposed to climate-related physical risks. Skandiabanken's hypothesis has been that the primary climate-related physical risk is flood risk. In order to map and analyse this risk, the bank has carried out stress tests and scenario analyses of the mortgage portfolio. The method involved tagging the homes in the stock, followed by a marking if these turn out to be in areas where there is a risk of flooding. Information on flood risk is based on data from the Swedish Civil Contingencies Agency's (MSB's) flood portal. The tagging and marking of homes were enabled with the help of an external partner. At the beginning of January 2022, data was delivered from the same external partner.

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

The data analysis showed that the risk associated with the flood risk is considered to be low. Even though flood risk for the mortgage portfolio is currently assessed as low, even in the long term, there may be a risk that the value of vulnerable homes will decrease as the flood risk increases and the housing market becomes more aware of this elevated risk.

In the analysis, only flood risk was considered. Other climate risks to investigate are risk of erosion, risk of landslides, risks linked to high temperatures, and the risk of fire. The bank plans to revise the climate analysis every three years.

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

With regards to social risks, the bank's credit losses and customer loan-to-value ratios are low. In addition, the bank currently does not offer unsecured loans to customers.

SELF-ASSESSMENT SUMMARY

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

- Yes
 No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes
 No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes
 In progress
 No



Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 ASSURANCE

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes
 Partially
 No

If applicable, please include the link or description of the assurance statement.

6.2 REPORTING ON OTHER FRAMEWORKS

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASAB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: _____

Response

No. Skandiabanken does not report on any of the listed standards or frameworks. However, Skandiabanken is included in the GRI and TCFD reporting through the Group's annual sustainability reporting.

6.3 OUTLOOK

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁵, target setting¹⁶ and governance structure for implementing the PRB)? Please describe briefly.

Response

During the coming 12 month-reporting period Skandiabanken plans to conduct a GHG assessment across our scope 1, 2 and 3 operational and financed emissions.

By completing the assessment, we will be in a position to establish a baseline and set science-based targets that are aligned with the Paris Agreement. Skandiabanken will consider appropriate methodologies to set science-based targets and establish a reduction pathway.

In addition, Skandiabanken will conduct another round of customer consultations to supplement the impact analysis.

To enhance the bank's governance structure, Skandiabanken will establish an improved internal steering and control system for the bank's sustainability efforts.

6.4 CHALLENGES

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally
- Other: _____