banknorwegian

Sustainabillity Report

2019

Norwegian Finans Holding Group

Contents

Sustainability at Bank Norwegian

We aim at being aware of changes going on in the world, how they will affect our customers and operations, and how the Bank chooses to react.

INTRODUCTION

Bank Norwegian plays an important role in society by offering deposit and lending services. For us, sustainability is about combining profitability with responsible operations. Bank Norwegian seeks to generate long-term value for customers, employees, owners and society in general. The Bank aims at being aware of changes going on in the world, how they will affect our customers and operations, and how the Bank chooses to react.

The Bank's business activities require a long-term perspective and a high level of trust from customers and society in general. This trust requires Bank Norwegian to have transparent business principles and to communicate openly with customers, employees, owners, authorities and other stakeholders.

Bank Norwegian has prepared policies and guidelines for sustainability. These have been adopted by the Board and integrated into the Bank's daily operations. The ultimate responsibility for these issues lies with the Board of Directors, which defines the strategic direction and establishes policy frameworks and control processes. The CEO is responsible for integration into the operations, and each department is responsible for advancing and developing the efforts within its area of responsibility.

Access to regulated credit products is beneficial to society. At the same time, access to credit can contribute to exacerbating the financial challenges of certain individuals. It is important for the Bank to have a high level of awareness surrounding lending. Responsible lending is crucial for the Bank's profitable growth and for protecting individuals.

The Bank has a clear framework regarding how unsecured lending shall be marketed. A key principle is that our marketing must be directed at customers who have themselves identified a need for credit. Search engines are therefore an important marketing channel as it connects with customers who are searching for the Bank's products. We believe that search engines help inform consumers about and compare different alternatives, thus promoting consumer choice and free competition.

The Bank aims to create value for society and simultaneously lay the foundations for further profitable growth. The core of the Bank's work with sustainability is how these assets are generated.

HOW THE BANK DEFINES SUSTAINABILITY

Sustainability should be understood as the ability to meet the needs of the present generation without compromising the ability of future generations to meet their needs. Economic, environmental and social sustainability are defined as the three pillars of sustainability.

Economic sustainability

The use of various strategies for employing existing resources in an efficient and responsible manner while laying the foundation for long-term benefits. Economic sustainability involves using the assets of the Bank efficiently to ensure further profitable growth.

The Bank has conducted several workshops to identify and assess the risks the Bank is exposed to in the area of sustainability.

Environmental sustainability
Responsible interaction with the environment to avoid depletion or degradation of natural resources and allow for long-term environmental quality. Environmental sustainability involves considering the Bank's potential impact on the environment and seek to minimize adverse impacts.

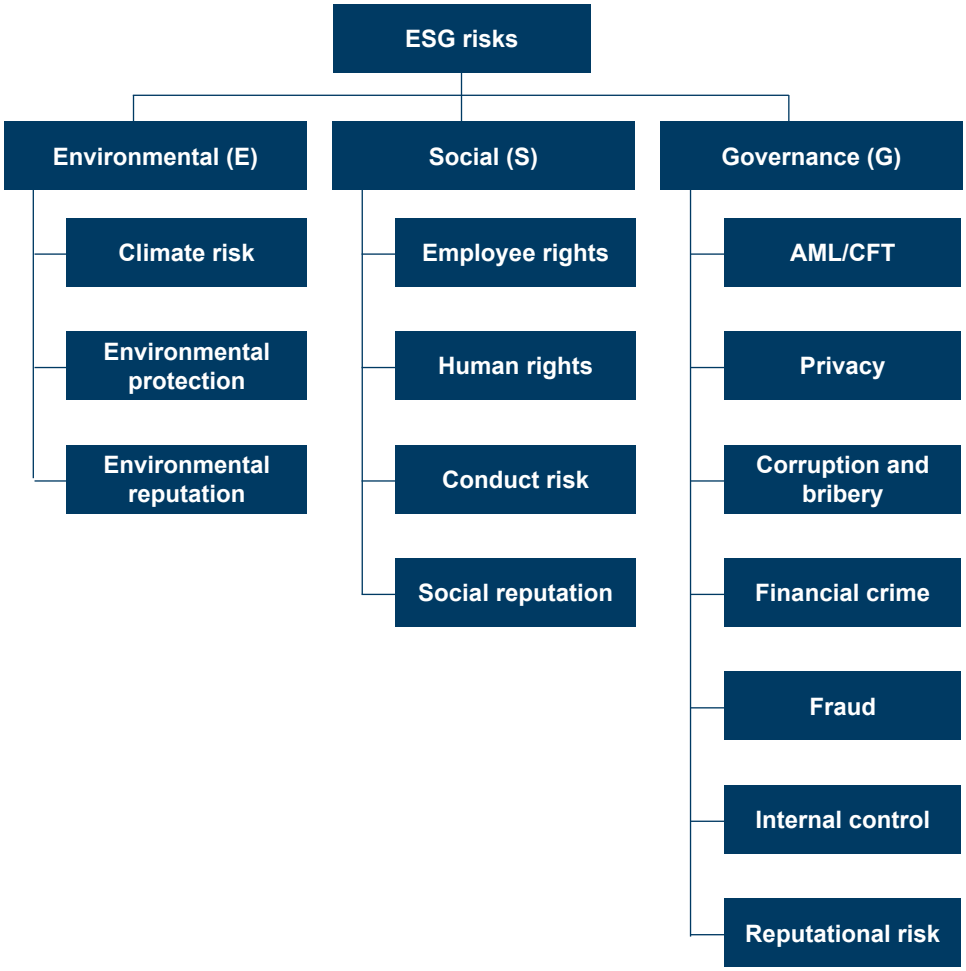
Social sustainability
Focuses on understanding and managing business impacts, both positive and negative, on people and the society. Social sustainability involves identifying how the Bank may directly or indirectly affect its stakeholders and managing such impacts proactively.

1.3. ESG RISK ASSESSMENT

Over the past year, the Bank has invested considerable resources into lifting the Bank's Risk Management Framework (RMF) to EBA standard. The RMF and associated risk strategies were approved by the Board on 26 November 2019.

During 2019, the Bank conducted several workshops to identify and assess the risks the Bank is exposed to in the area of sustainability. Environmental, social and governance (ESG) refers to the three central factors in measuring sustainability. Risk analyzes associated with ESG will henceforth be an important and regular part of the annual internal control review, identifying any new risks and/or weaknesses in established control measures.

The Bank's identified ESG risk groups are given below.

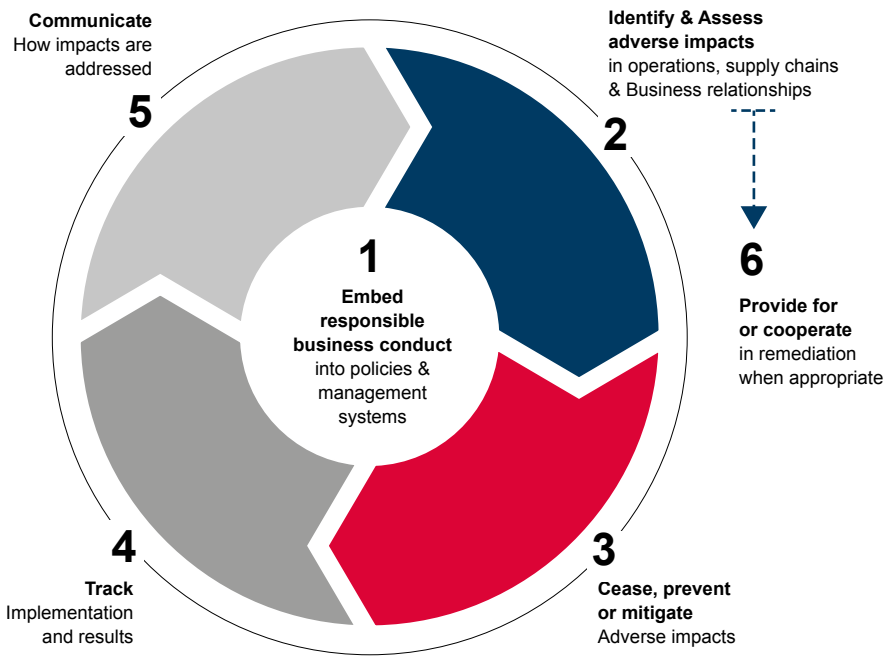


The Bank has embedded responsible business conduct into policies and management systems.

OECD DUE DILIGENCE GUIDANCE FOR RESPONSIBLE BUSINESS CONDUCT

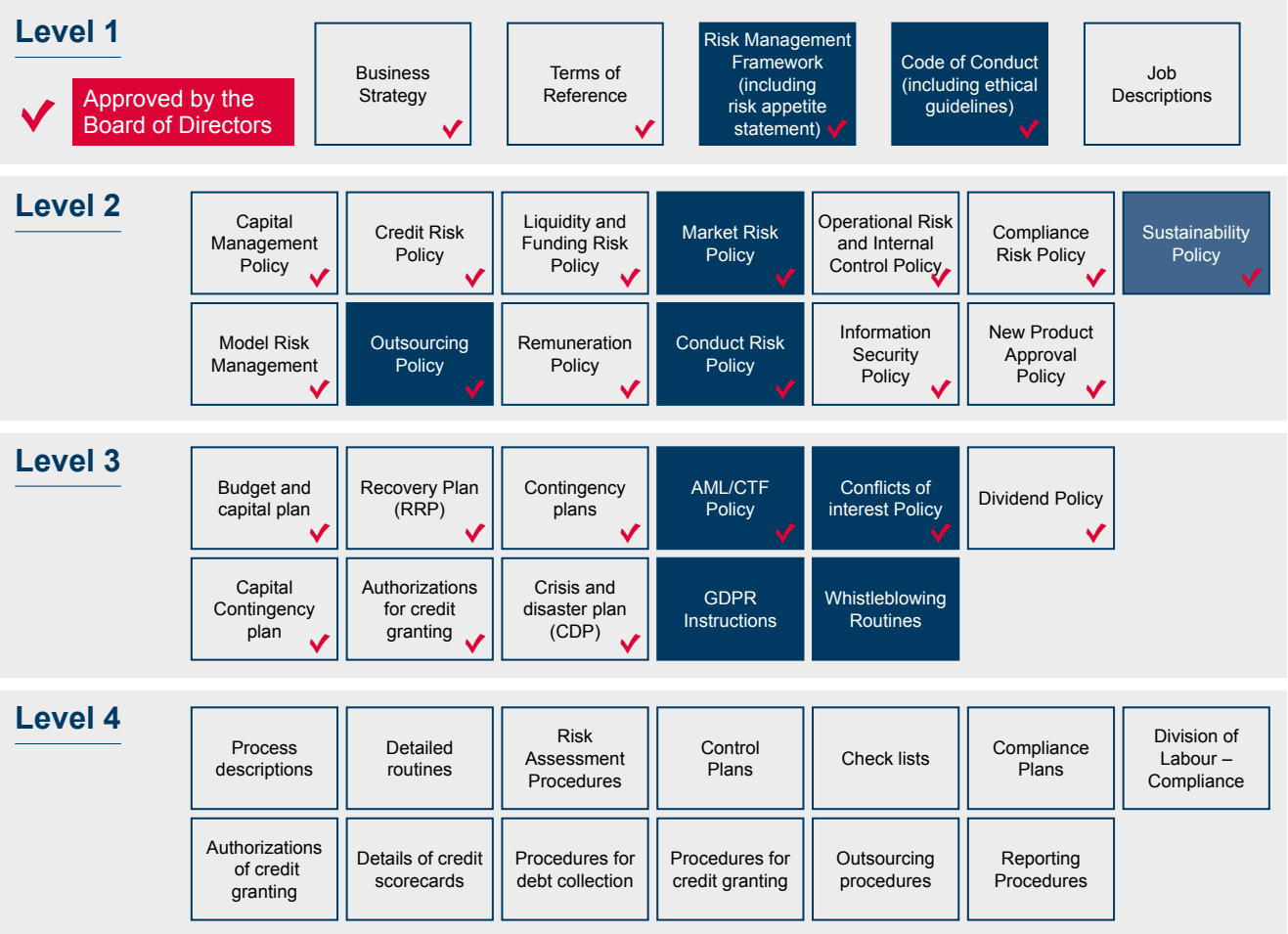
The Bank has embedded responsible business conduct into policies and management systems. The methodology is based on the OECD Due Diligence for Responsible Business Conduct. Furthermore, the Bank has started to identify and assess adverse impacts in its operations and business relationships and will continue this work during 2020. The analysis will identify areas of opportunity where the Bank can reinforce its positive influence, and risk areas where the Bank ought to reduce its negative impact within sustainability.

The OECD Due Diligence for Responsible Business Conduct methodology is given below.



Policies and governing documents

■ The Bank's document hierarchy is outlined below. Related documents to the Sustainability Policy is marked in blue in the document hierarchy.



Risk Management Framework
The overall purpose and objective of the Risk Management Framework is to provide guidance, principles and expectations for Bank Norwegian's risk management processes and to ensure that material risks will be managed in accordance with Bank Norwegian's business objectives and risk appetite.

Code of Conduct
The Code of Conduct provides an ethical and behavioral framework to guide behavior in our day-to-day operations.

Sustainability Policy
The Sustainability Policy shall provide a framework for sustainability in Bank

All bank investments shall be in line with the Bank's Code of Conduct and Sustainability Policy.

Norwegian and provide a governing platform for the Bank's sustainability work and standards for all business decisions, including investment, outsourcing and credit decisions.

Conduct Risk Policy
The Conduct Risk Policy is intended to provide guidance for the Bank's overall objective for handling conduct risk.

Market Risk Policy
The Market Risk Policy shall provide guidelines for the Bank's overall objectives for managing market risk, as well as the Bank's exposure to, measurement of and reporting of such risks.

All bank investments shall be in line with the Bank's Code of Conduct and Sustainability Policy.

Outsourcing Policy
The Outsourcing Policy shall outline Bank Norwegian's principles and processes in regard to outsourcing. The purpose of the policy shall be to ensure appropriate and sound processes for planning and implementing outsourcing arrangements, and to ensure that outsourcing is conducted in a manner that supports the Bank's business model, business strategy and risk appetite.

AML/CTF Policy
The Anti-Money Laundering and Counter-Terrorist Financing Policy is issued to set Bank Norwegian's principles and standards for prevention and management of risks associated with financial crime within the Bank.

The purpose of the Policy is to:
- Establish the AML/CTF strategy and framework for Bank Norwegian;
- Prevent Bank Norwegian from being used in financial crimes;
- Ensure that the Bank takes appropriate action to mitigate the risks associated with crime; and
- Comply with the legal AML/ CTF requirements applicable to Bank Norwegian.

Conflicts of Interest Policy
This policy sets out Bank Norwegian's arrangements in connection with the identification, documentation, escalation and management of conflicts of interest.

Whistleblowing Routines
The Whistleblowing Routines outlines the purpose, responsibility, procedure and follow-up regarding notification of critical issues.

GDPR Instructions
These instructions shall ensure that the Bank complies with the relevant Personal Data Act and the General Data Protection Regulation.

The policies and guidelines are binding and applies to all operations of the Bank. The policies are updated, reviewed and approved by the Board of Directors annually.

Environmental, Social and Governance (ESG)

Environmental, social and governance (ESG) refers to the three central factors in measuring sustainability.

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ENVIRONMENTAL

Donation to climate protection

Bank Norwegian has calculated and compensated for the Company's yearly CO_2 footprint related to energy (power consumptions), employees' journey to and from work (mobility), business trips, board meetings, material and waste. The calculation shows that employee transportation to and from work is the biggest contributor to the Bank's emission. The calculation indicates that our 87 FTE is offsetting for 179 tons CO_2 with a value of EUR 4,266. The Bank's contribution to Climate Protection also includes a small donation for Climate Education.

Carbon emissions – investment portfolio

The Bank has collected data regarding carbon emissions of our investment portfolio. The portfolio mainly consists of 0–20% risk weighted assets such as central bank and government exposures, public sector entities and municipalities, as well as covered bonds and exposures to other financial institutions. The carbon footprint is measured as the number of tonnes of CO_2 equivalents per million dollars in revenue. Scope 1 is direct emissions from the Company's activities, while scope 2 is emissions related to goods / services used to run a company (electricity, heating, etc).

Based on the contents of the Bank's portfolios, it can be assumed that the carbon footprint of Bank Norwegians various portfolios is about the same as the average for the Nordic financial sector:

The Scope 1 average for the Nordic financial sector is 0.66 tCO_2e / m USD

The Scope 2 average for the Nordic financial sector is 1.72 tCO_2e / m USD

In comparison, the corresponding figures for the MSCI index are about 2000 tCO_2e / m USD and for a Norwegian industrial company it will be between 500–2000 tCO_2e / m USD. This shows that a portfolio of mainly securities issued by financial institutions will have a low carbon footprint.

SOCIAL

Responsible lending

Bank Norwegian performs an important social role by offering both deposit and loan products. Access to credit is a social benefit that can turn into a financial challenge for some people. We understand our responsibilities with respect to marketing, granting and collecting credit. Responsible lending practices are a prerequisite for the Bank's profitable growth.

Bank Norwegian has a framework that dictates how credit must be marketed. One of our key marketing principles is that it must be targeted at customers who have expressed a need to borrow money. The customer has the best insight into their personal financial situation. The Bank's task is to practice responsible lending in which we provide the customer with all of the relevant

information so that they can make informed decisions and choose the right product for their needs.

We want our customers to be able to service the loans they get from us. All loan applications are subject to an automated risk assessment and liquidity calculation. Following the automated process, loan applications are then subject to a manual assessment and checks before potentially being granted. Applicants who would be unable to pay because they are carrying too much debt or their income is too low will be rejected. We do not offer loans to customers with payment remarks, who are younger than 23, or who for other reasons should not be given a loan.

The Bank's loan application process is fully automated and takes place within the Bank. The vast majority of loan applications received by the Bank are rejected and less than 15 per cent of loan applications are successful. At the end of 2019, Bank Norwegian had 1.25 million credit card customers and 200,000 loans customers in the Nordic region. Our customer database enables us to conduct good individual credit assessments and develop our own risk models that are an effective tool for responsible lending practices.

The Bank complies with the lending regulations in the countries in which we compete. In the case of Norwegian customers, we have adjusted our lending practices to match the regulation concerning banks' lending practices for consumer loans, including credit cards. The debt registers in Norway commenced operations on 1 July 2019. These provide us with information that enables us to improve credit assessments even further and not give loans to people who should not get them.

The Bank has established a board-approved Sustainability Policy.

Human rights

Bank Norwegian shall always act in accordance with universal human rights. The Bank is committed to conduct business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. The Bank has established a Code of Conduct, which has been devised to provide directors and employees with the required information to enable a proper understanding of their ethical responsibilities and on how to always conduct business with the highest levels of integrity. As such, the Bank ensures that business operations do not violate human rights principles.

The Bank has established a board-approved Sustainability Policy to ensure that the international human rights described in the United Nations Declaration of Human Rights are respected and complied with. The Bank shall prevent and mitigate adverse impacts on human rights from its own activities, associated relationships and contribute positively to human rights whenever possible. Bank Norwegian fully respects the customer and offers products to all people without prejudice.

The Bank promotes equality and aims at minimising the risk of any form of discrimination against employees. The Bank ensures that no employee is treated differently and that opportunities for employment, training and promotion are accessible to all candidates irrespective of their status (i.e. gender, gender identity, ethnicity, religion or other beliefs, disability, sexual orientation or age). In addition, the Bank ensures that selection for employment, promotion, transfer and training and access to benefits, facilities and services are fair, equitable and based on merit.

Bank Norwegian has established guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases

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different nationalities represented.

concerning pay, promotions and recruitment. The Bank adheres to the Working Environment Act of Norway, and have routines for health, safety and the environment (HSE). We strive to create a safe and healthy working environment for our employees and focus on preventing work injuries. All employees must undergo an annual review of the Bank's Code of Conduct.

Employees

Bank Norwegian is an attractive and exciting workplace with a high level of expertise in all parts of the organisation. The Bank has employees from all the Nordic countries and together our employees represent more than 14 different nationalities.

At the end of 2019, the Bank had 85.5 full-time equivalents (FTEs), divided among 85 permanent employees and two temporary employees. The number of FTEs increased by 10.3 in 2019. All employees work at the head office at Fornebu. The Bank also has 9 self-employed consultants that work mainly for the Bank.

The Bank places emphasis on the professional development of employees, and a key to success is communication across departments. This results in dedicated specialists with broad expertise of the Bank.

Bank Norwegian is an inclusive workplace with a good working environment. There is a low turnover of key employees and absence due to illness was 2 percent in 2019. The Bank has a working environment committee and a safety representative.

A high level of awareness of the Bank's corporate social responsibility is required. In addition, we conduct an annual compliance and ethics seminar for all employees.

Bank Norwegian has a satisfying gender distribution, with 42 women out of a total of 87 employees and 44.4 percent of the executives at the Bank being female. Women make up 42.9 percent of the Board of Norwegian Finans Holding ASA and 33.3 percent of the Board of Bank Norwegian AS.

We aim at engaging our employees by working with competence development, work-life balance and diversity. The Bank has established a culture that fosters collaboration, teamwork and individual growth. The Bank works towards a balanced workforce in terms of gender, age group and experience in order to tap into a wide range of knowledge, skills and specialist competencies towards achieving its business strategies.

The Bank's yearly employee survey showed a high job satisfaction in the Bank. 93 percent of the participants in the survey look forward to going to work.

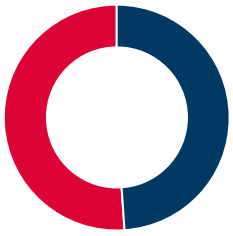
Highlights

- Gender balance: 49% women, 51% men;
  - Management: 35% women, 62 % men
- Age spread: from 20 to 70 years:
  - 68% in the range 20 – 39 years
  - 32% in the range 40 – 70 years
  - Average age: 37 years
- Employees have diverse backgrounds, with more than 14 different nationalities represented.

Whistleblowing

Bank Norwegian has internal guidelines for alerts and has set up its own warning system for this. The Bank has also established a Conflict of Interest Policy. The Bank expects employees to promptly inform their immediate manager if they obtain knowledge of conditions that are in conflict with laws, regulations or other public regulations, serious violations of internal guidelines, or any other conditions that might harm the Company's reputation. The

Gender balance



Women 49%
Men 51%

Age spread

20 – 39 years 68%
40 – 70 years 32%

management wants knowledge about such matters in order to provide the necessary clarifications, correct errors or damage as soon as possible, and respond to undesirable behaviour, as well as to learn from mistakes.

GOVERNANCE

Consumer protection

As a consumer bank, Bank Norwegian considers it important and necessary to do business in a way that ensures safe, well-informed and active consumers. The Bank aims to help consumers in a simple and rapid way both when entering into agreements and during their customer journey, but also in the event of consumer disputes. Bank Norwegian considers it important to provide clear and transparent information on the website, in the communication before an agreement, when the agreement is entered into and during the customer journey. According to regulatory requirements, the Bank gives the customers the right to information before entering into an agreement, the right to written confirmation of the information and the right to a "cooling-off" period of 14 days. Bank Norwegian has a customer support center that may be contacted by phone or email.

The Code of Conduct is the overlaying document in the consumer protection framework. The New Product Approval Process Policy (NPAP) expresses the guidelines given by the Board of Directors, roles and responsibility, the underlying framework, and routines for consumer protection. The framework shall secure that consumers are protected.

The Code of Conduct is the overlaying document in the consumer protection framework.

Marketing shall be performed in a neutral way and according to regulatory requirements. Marketing should not be a catalyst for consumer loan-financing consumption.

Both the first and second lines of defence has the responsibility for educating all staff in dealing with consumers (both employees of Bank Norwegian and employees of suppliers). Bank Norwegian has a very restrictive use of loan agents. Agents are regularly controlled by the first line of defence. Both agents and first line of defence are further controlled by the second line of defense. Third line controls first line and second line. Learning and education is performed on a regular basis. Bank Norwegian monitors, reports (to the Senior Management and the Board of Directors) and follows up on complaints, dispute resolution cases and court cases.

Privacy/GDPR

Bank Norwegian has had an internal control system with different processing routines since the Bank received its license from the Norwegian Financial Ministry in 2007. From the beginning, a data protection officer has been responsible for the follow-up of routines and the regulatory framework (EU Directive 95/46/EU, the Norwegian Personal Data Act 2000 and the Norwegian Data Regulation), including providing information, education and performing controls.

When the GDPR entered into force, the Bank performed a project to identify gaps and to initiate necessary changes based on gap analysis. The Bank has performed a project to close all gaps.

The Code of Conduct states the main principles for privacy and data protection and is the overlaying document in the GDPR Framework. The Compliance Policy sets out the basis for the GDPR Instructions. These instructions give an overview of the Bank's obligations and the applicable GDPR Framework, including most relevant legislation, lists of purposes that personal data are processed (purpose, legal basis, processors, retention period etc.), general processing routines, information given to data subjects and e-learning courses.

Bank Norwegian is committed to prevent the Bank from being used for any illegal activity.

The first line of defence is responsible for the processing within their respective area. Both the first and second lines of defence has the responsibility for educating employees. As expressed above, the Bank has an e-learning course consisting of four modules that all employees have to pass. Audits and controls will be performed by first, second and third line of defence. The Compliance Function in second line reports any material deviations - or other compliance issues related to the Bank's processing activities - to the Board of Directors as part of the quarterly compliance report. The same will be done by the Internal Audit Function (third line of defence).

Financial crime
Bank Norwegian is committed to prevent the Bank from being used for any illegal activity, both externally and internally. Managing the risk of financial crime is vital to achieving Bank Norwegian`s commitment to serve as a positive contributor in society. A separate department for dispute and financial crime is established to support and take care of issues related to financial crime. This department serves all our customers that have any claims or/and disputes related to their products.

Actions taken against anti-corruption:
The Bank has established a Risk Management Framework to ensure that internal procedures support the Bank's anti-corruption commitment.

Business is carried out in markets with low country risk.

Business is carried out in markets with low country risk. The Corruption Perceptions Index ranks 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people. According to the Corruption Perceptions Index 2019, the markets in which the Bank operates are ranked as follows:

- Norway – 7;
- Sweden – 4;
- Denmark – 1; and
- Finland – 3.

The Bank exclusively serves consumer customers and all customers transactions are monitored. All customers are also screened for "Politically Exposed Persons" (PEP) and "Counter Terrorism Financing" (CTF).

AML/CTF
The purpose of the Bank's AML/CTF framework is to prevent and detect transactions and patterns linked to criminal offences or the financing of terror.

The customers are controlled according to AML/CTF requirements, when they are onboarded. Bank Norwegian has modern IT structure. It is well equipped in the event of new customer engagements to fulfil the legal requirements for customer due diligence. All customers are validated against third party source (credit information, address register etc) and requirements for identification. The customers are controlled according to AML/CTF requirements when they are onboarded. They are screened against Political Exposed Persons (PEP) and sanctions list.

All existing customers are monitored. If a customer is found on the PEP and sanctions list, necessary action will be taken. All customers are screened daily for their PEP or sanction status. All transactions are monitored through the AML/CTF system to identify suspect transactions.

An assessment of AML/CTF risk is carried out by the Bank and facilitated by the second line of defence annually. As part of the third line of defence, internal audit reviews the AML/CTF area annually. Operational incidents are reported to the Head of

Business partners are expected to integrate the United Nations Global Compact's 10 Principles for Businesses into their corporate strategies, culture and day-to-day operations.

Risk Management and the Board of Directors. Recommendations from the Internal Audit Function are recorded and followed up by the Head of Risk Management. Status of outstanding improvement measures are reported to the management and Board of Directors.

Suppliers

In accordance to Bank Norwegian's Code of Conduct and Sustainability Policy the Bank shall not operate in a way that is harmful to people, the society or environment, and thereby support long-term social and ecological balance. Business partners are expected to integrate the United Nations Global Compact's 10 Principles for Businesses into their corporate strategies, culture and day-to-day operations. Respect for human rights are demanded from suppliers and business partners.

The Bank shall encourage customers and suppliers to follow the guidelines and principles that apply to Bank Norwegian's activities. Bank Norwegian shall minimize exposure to business partners that could create material adverse social and environmental impact.

The Bank's Outsourcing Policy with attached Guidelines for Planning, Entering and Managing Outsourcing Arrangements ensures that the Bank will terminate contracts with business partners that does not adhere to the UN Global Compact's 10 Principles and other requirements from the Sustainability Policy.

A sustainable business

The Bank makes investments that safeguard economic, environmental and social sustainability.

Bank Norwegian aims to contribute to a sustainable development of the environment and to limit negative impact as much as possible. The objective is to take the environment into consideration in all parts of the business. The Bank is fully digital and only offers products online and via the app. All customers of the Bank are consumer customers and the Bank has no corporate customers. This significantly reduces the risk that the Bank finances customers who violate laws, regulations and/or local regulations in the area of environmental protection. Furthermore, the Bank has calculated its carbon emission for 2019 at myclimate and has donated an offsetting amount for climate protection.

The Bank's procedures and processes are largely automated with electronic documentation and communication that reduce paper consumption and transportation. The Bank aims for electronic invoicing for as many customers as possible and encourage all customers to select electronic invoicing solutions.

Responsible marketing of our services is important. The Marketing Department adheres to the framework on sustainability and social responsibility, as well as the Bank's Code of Conduct. Our marketing must be directed at customers who have themselves identified a need for credit. Search engines are therefore an important marketing channel as it connects with customers who are searching for the Bank's products. In all marketing, we use digital channels and platforms rather than paper and posters.

The Bank's offices are located in an energy efficient building and the process for obtaining Breeam-In-Use certification has been initiated. The office location facilitates easy access to public transportation and charging of electric cars. Food and residual waste are recycled, pre-owned furniture is used as much as possible and own routines for disposal of IT equipment are established.

Top management and the Board encourage sustainability work and initiatives, and are leading by example. The Bank has established a Sustainability Policy that has been approved by the Board. All employees are encouraged to be aware of and contribute to the commitment to sustainability in Bank Norwegian.

The Bank's investment mandate contains ESG requirements. The Bank makes investments that safeguard economic, environmental and social sustainability. Compliance with the requirements for responsible investments is implemented in the Bank's Market Risk Policy and thus integrated into our business. There are specific activities, companies and industries in which Bank Norwegian does not invest. Bank Norwegian does not invest in activities, companies and industries which are excluded by NBIM (Norges Bank Investment Management). The Bank's "Exclusion List" requires that potential investments meet the Bank's criteria for human and labour rights, corruption, serious environmental damage as well as production of tobacco and controversial weapons.

Bank Norwegian is working to support the UN's goals for sustainable development.

The Bank plans an initiative to encourage all shareholders to save the environment with the upcoming annual general meeting in 2020. The Bank will publish the notice for the annual general meeting with an instruction as to how shareholders can register for electronic reception of notices and other relevant information. Furthermore, the notice for the general meeting will refer to the Annual Report which will be published on the Bank's website and not distributed by mail.

The Bank is a member of and will comply with the UN Global Compact's ten principles related to human rights, the environment, labour rights and anti-corruption. The Bank expects that all partners also adhere to these principles. The guidance of these principles integrates sustainability into our business.

Bank Norwegian is working to support the UN's goals for sustainable development. As part of the annual risk assessment, the Bank conducted a number of sustainability workshops to define the sustainability goals the business has a positive and negative impact on. The Bank must comply with and strive to influence the UN's sustainability development goals within its market area to achieve a better sustainable future.

Bank Norwegian supported and attended the Women of Concern's annual awards luncheon in Ireland in 2019.

Responsible investment

Bank Norwegian strives to make investments that safeguard economic, environmental and social sustainability.

Bank Norwegian strives to make investments that safeguard economic, environmental and social sustainability. Compliance with the requirements for responsible investments is at all times implemented in the Bank's Market Risk Policy and thus integrated into our business. The Bank has a low tolerance for ESG related risks. All investments shall be made in line with the Bank's Code of Conduct and Sustainability Policy.

The Bank's investment portfolio mainly consists of 0-20% risk weighted assets such as central bank and government exposures, public sector entities and municipalities, as well as covered bonds and exposures to other financial institutions.

There are specific activities, companies and industries in which Bank Norwegian does not invest. These include companies that violate fundamental ethical norms or impose substantial costs on society through their operations. By not investing in these companies, the Bank reduces exposure to unacceptable risks.

Bank Norwegian shall not invest in activities, companies and industries which are excluded by NBIM (Norges Bank Investment Management) and the Bank's own "Exclusion list".

Exclusion list
We require that companies invested in meet the Bank's criteria for human and labour rights, corruption, serious environmental damage as well as production of tobacco and controversial weapons.

The Bank shall not invest in utilities or companies engaged in industrial activities or sectors. This excludes the Bank from investing in companies involved in the following:

- Production of coal or coal-based energy;
- Production of nuclear weapons;
- Serious violations of individuals' rights in situations of war or conflict;
- Production of tobacco;
- Severe environmental damage;
- Serious violations of human rights;
- Shipping;
- Other particularly serious violations of fundamental ethical norms; and
- Gross corruption.

The UN Global Compact

The Bank became a member of the UN Global Compact (GC) in March 2019. The Bank shall annually submit a "Communication on Progress" (CoP) in accordance to GC Active standard. The CoP is a public disclosure to stakeholders on progress made toward implementing the Ten Principles of the UN Global Compact, and shall support broader UN goals and issues. The CoP serves to enhance transparency and accountability, drive continuous performance improvement, and provide a repository of corporate practices to promote dialogue and learning.

COMMITMENT TO THE UN GLOBAL COMPACT 10 PRINCIPLES

Bank Norwegian adheres to the Ten Principles of the UN Global Compact and expects all business partners to do the same:

Human rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labour

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

The Bank remains committed to upholding the UN Global Compact's Ten Principles on human rights, the environment, labour and anti-corruption. Guided by the principles we integrate sustainability in our business.

COMMUNICATION ON PROGRESS (COP)

See the attachment for Bank Norwegian's CoP.

The UN Sustainable Development Goals

The United Nations Sustainable Development Goals are the world's collective work plan for a sustainable future. Bank Norwegian is working to support these sustainability goals. All parts of the organisation must think about sustainability when making decisions and in daily activities. As part of the annual risk assessment, the Bank carried out a series of sustainability workshops to define the sustainability goals that our business has a positive and negative impact on.

The Bank shall comply with and strive to positively influence the UN Sustainability Development Goals within its market area to achieve a better sustainable future. The Bank has an influence on sustainability goals 4, 8, 12, and 13 (see figure). Goal 17 is a method goal and gives an indication of how we will work.

GOAL 4 Quality education
Annual mandatory e-learnings and courses for all employees. Employees are encouraged to participate in seminars and courses outside the Bank. All employees should be aware of the commitment to sustainability in Bank Norwegian.

GOAL 8 Decent work and economic growth
Actively work for proper working conditions for all employees of the Bank with gender equality and an inclusive working life. The gender distribution per 31. December 2018 was 49% women and 51% men. The Bank works for economic growth.

GOAL 12 Responsible production and consumption
Initiate and support good sustainability activities. Focus on recycling and reuse internally.

GOAL 13 Climate action
Reduce own greenhouse gas emissions and energy consumption in our office building. Investments that promote emission reductions. Initiate and support good sustainability activities. Calculate own carbon emission and donate offsetting amount for climate protection.

GOAL 17 Partnership for the goals
The Bank expressly aims to collaborate with customers, suppliers, organisations, authorities and other stakeholders to meet the sustainability goals. Collaboration is essential to achieving sustainable development.

The Bank needs to contribute to the transformation to a low-emission society an achieving the United Nations (UN) sustainability goals by 2030.

The Bank's ambition is to significantly enhance our positive impact while reducing our negative effect on people, the environment and society.

Regulatory framework

Bank Norwegian is a responsible social actor and diligently complies with the regulatory framework.

Bank Norwegian is a responsible social actor and diligently complies with the regulatory framework. We conduct our business in accordance with applicable laws and rules across national boundaries. In 2019, we upgraded our framework for regulatory compliance and risk management to the standard required by the European Banking Authority (EBA) for major banks with the aim of future expansion in Europe and in line with the stricter regulatory control requirements.

The Bank implemented the regulation concerning banks' lending practices for consumer loans, including credit cards by the deadline of 15 May. The regulation has reduced banks' discretion in credit assessments. It is important to monitor whether the regulation is having unintended and adverse effects on access to regulated credit. Experience suggests that the regulation's refinancing rule is not working as intended and that it is hindering solutions for restructuring customers' debt with instalment schemes tailored to customers' finances.

The best and most effective measure for preventing unwanted growth in unsecured debt in Norway has been the introduction of the debt registers. They are contributing to better credit assessments and ensuring decisions on credit are based on correct information. The Norwegian debt registers commenced operations on 1 July. Bank Norwegian was the first bank to exchange data with the registers. The registers help to lessen the risk of consumers taking on insurmountable debt. This, together with the fact that consent-based loan applications give the Bank access to electronic payslips and tax returns from the Tax Administration, has improved the data available for making credit assessments. One natural next step would be to include other types of debt in the debt registers.

Finland introduced new rules for unsecured credit on 1 September 2019, which the Bank has implemented. The rules include, among other things, a 20 per cent interest rate and cost cap for consumer loans and credit cards. In addition to this, Finland is exploring rules for credit assessments in line with the rules that have been introduced in Norway. Bank Norwegian has submitted a consultation response to the Finnish Ministry of Justice, in which the positive effects of the debt registers are particularly highlighted. Finland already has a good debt register, but submitting and obtaining data from the register is not mandatory. Bank Norwegian has submitted and obtained data from the register since 2016. A more complete register would produce the same positive effects as the debt registers in Norway.

In Denmark, the authorities have focused heavily on unsecured credit, and especially so-called "Kviklån" or "quick loans". Following the election in summer, the new government announced several measures. The provisional proposals are an interest rate cap of 35 per cent and a ban on marketing by companies that offer loans at interest rates in excess of 25 per

cent. The measures do not appear to affect Bank Norwegian's products.

In Sweden, the Swedish Consumer Agency proposed new guidelines for marketing unsecured credit. In addition to marketing, the proposed guidelines regulate the sort of information that lenders should obtain from customers.

The Revised Directive on Payment Services (PSD2) obligates all banks in the EU and EEA to give authorised third parties access to the customers' account information and transaction history. The Bank met the requirements by the implementation deadline, 14 September.

The focus on anti-money laundering and anti-terrorist financing has also intensified since 2019. The Financial Supervisory Authority of Norway has issued a new circular that provides more detailed and exhaustive guidance. In December 2019, the Ministry of Finance published a public consultation paper on proposed changes to the anti-money laundering regulations. The proposals implement the EU's fifth anti-money laundering directive. The Bank has good routines for combating money laundering and terrorist financing. In 2019, we further strengthened our control mechanisms by, among other things, improving the independent, third line control of internal audits.

Reduction in the Common Equity Tier 1 capital ratio of 0.4 percentage points.

In December 2019, the Financial Supervisory Authority of Norway published the MREL requirements for eight Norwegian banks, including Bank Norwegian, which marked the start of the rollout of the crisis management regulations in Norway. We have established a recovery plan in line with the regulations, while the Financial Supervisory Authority of Norway has prepared a contingency plan for NOFI. In November 2019, the Financial Supervisory Authority of Norway set a minimum requirement for own funds and eligible liabilities (MREL requirement) that in total amounts to NOK 12,893 million, equivalent to 37.135 per cent of an adjusted Risk Weighted Assets (RWA) as at 31 December 2018, which must be met by 30 June 2020. The requirement was in line with expectations and was met in December 2019.

On 31 January 2020, the Financial Supervisory Authority of Norway set a Pillar 2 requirement of 5.8 per cent of the RWA, effective from 31 March 2020. A management buffer requirement of 1 per cent was also set. The new requirement for the Bank's Common Equity Tier 1 capital ratio is 18.5 per cent, a reduction of 0.4 percentage points in relation to the former requirement.

Attachments

Communication on Progress

Tine Wollebekk
CEO

Background
Bank Norwegian started its operations in November 2007 and offers instalment loans, credit cards and deposit accounts to retail customers distributed through the Internet in the Nordic market.

Bank Norwegian works actively to contribute to economic, environmental and social progress with a focus on achieving sustainable development and help customers achieve their ambitions in a sustainable society. The Bank considers the environment, social conditions, corporate governance and ethical standards in all its activities.

The Bank shall not operate in a way that is harmful to people, the society or environment, and thereby support long-term social and ecological balance. The Bank shall not contribute to the infringement of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as highly unethical.

Statement of continued support by the Chief Executive Officer
Bank Norwegian wishes to promote sustainable development and long-term value creation through responsible business operations. We will continue to support the United Nations (UN) Global Compact and are committed to making the UN Global Compact and its principles part of the strategy, culture and daily operations of our company.

The ten fundamental principles of the UN Global Compact in the areas of human rights, labour standards, the environment and anti-corruption play a vital role in our corporate social responsibility efforts.

A more detail description of our performance actions relating to the UN Global Compact principles in 2019 is given in our Sustainability report, and the Bank's annual report.

Best regards
Bank Norwegian

Tine Wollebekk
CEO

Communication on Progress – Bank Norwegian

The Bank became a member of the UN Global Compact (GC) in March 2019. The Bank shall annually submit a "Communication on Progress" (CoP) in accordance to GC Active standard. The CoP is a public disclosure to stakeholders on progress made toward implementing the Ten Principles of the UN Global Compact, and shall support broader UN goals and issues. The CoP serves to enhance transparency and accountability, drive continuous performance improvement, and provide a repository of corporate practices to promote dialogue and learning.

Commitment to the UN Global Compact 10 Principles

Bank Norwegian shall adhere to the Ten Principles of the UN Global Compact and expects all business partners to do the same. The Bank remains committed to upholding the United Nations Global Compact's Ten Principles on human rights, the environment, labour and anti-corruption. Guided by the principles we integrate sustainability in our business.

Bank Norwegian is furthermore working to support the UN Sustainable Development Goals. As part of the annual risk assessment, the Bank carried out a series of sustainability workshops to define the sustainability goals that the business has a positive and negative impact on. The Bank shall comply with and strive to positively influence the UN Sustainability Development Goals within its market area to achieve a better sustainable future.

Description of actions

HUMAN RIGHTS
Actions the Bank has taken in the area of human rights:

- Bank Norwegian shall always act in accordance with universal human rights.
- The Bank is committed to conducting business in accordance with the highest ethical standards and in compliance with all applicable laws, rules and regulations. As such, it adheres to the Code of Conduct, which has been devised to provide directors and employees with the required information to enable a proper understanding of their ethical responsibilities and on how to always conduct business with the highest levels of integrity. As such, the Bank ensures that business operations do not violate human rights principles.
- Bank Norwegian has prepared special guidelines for corporate social responsibility. These were adopted by the Board in 2017 and have been integrated into our daily operations.
- The Bank is an equal opportunity employer and aim at minimising the risk of any form of discrimination against employees. The Bank ensures that no employee is treated differently and that opportunities for employment, training and promotion are accessible to all candidates irrespective of their status (i.e. age, colour, creed, ethnic origin, impairment, marital status, place of origin, political opinion, race, sex or sexual orientation). In addition, the Bank ensures that selection for employment, promotion, transfer and training and access to benefits, facilities and services are fair and equitable and based on merit.

- The Bank has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning pay, promotions and recruitment.
- The Bank has established guidelines for safeguarding employee health, safety and environment.
- All employees must undergo an annual review of the Bank's Code of Conduct.

LABOUR

Actions the Bank has taken in the area of labour:

- At Bank Norwegian, we see people as our most important asset. We aim to engage our employees by working with competence development, work-life balance and diversity.
- The Bank has established a culture that fosters collaboration, teamwork and individual growth.
- The Bank adheres to the Working Environment Act of Norway, and have routines for health, safety and the environment (HSE). We strive to create a safe and healthy working environment for our employees and focus on preventing work injuries.
- The Bank works towards a balanced workforce in terms of gender, age group and experience in order to tap into a wide range of knowledge, skills and specialist competencies towards achieving its business strategies.
- All employees are given the Personnel Handbook.
- Town hall meetings for all employees are available.
- The Bank offers employees flexibility in working hours, location, holidays etc.
- The Bank does not employ anyone below 18 years of age.
- Any employee can join a trade union.
- The Bank offers employee benefits such as insurance, health insurance and travel insurance for all employees.
- The Bank provides a pension scheme for all employees.
- There are workout facilities at the Bank's office.
- The Bank provides annual contribution for training related costs.
- The Bank carries out an annual appraisal dialog.
- The Bank conducts an annual HSE risk assessment and report.
- The Bank conducts employee surveys.
- Safety representatives are elected by the employees.
- The Bank places emphasis on the professional training and development of employees.
- The Bank has established routines for handling threats to employees and/or third parties.
- The Bank has established whistleblowing routines.

ENVIRONMENT

Actions the Bank has taken in the area of environment:

- The Bank is fully digital and exclusively offers products and services on the website and app.
- The Bank has calculated its carbon emission for 2019 at myclimate and has donated an offsetting amount for climate protection. The calculation shows that employee transportation to and from work (mobility) is the biggest contributor to the Bank's emission.
- All customers of the Bank are consumer customers and not companies. This

significantly reduces the risk that the Bank finances customers who violate laws, regulations and/or local regulations in the area of environmental protection.

- The Bank's procedures and processes are largely automated with electronic documentation and communication that reduce paper consumption and transportation.
- The Bank aims for electronic invoicing for as many customers as possible and encourage all customers to select electronic invoicing solutions.
- In all marketing, the Bank uses digital channels and platforms rather than paper and posters.
- The Bank's offices are located in an energy efficient building. The process for obtaining Breeam-In-Use certification has been initiated.
- The Bank's offices are well located in relation to public transport and facilitates charging of electric cars.
- Recycling:
  - Used furniture for the office; and
  - Food and residual waste.
- Disposal of IT equipment:
  - Disposed computers are sold to Arrow which guarantees safe handling, including recycling of parts that are not sold.
  - Other IT equipment is collected in a container in the office building. Franzefoss is responsible for waste collection. Parts of the waste are recycled in new products and some components are reused in new products. Hazardous waste is finally disposed of.
- Tone at the top: top management and the Board encourage sustainability work and initiatives, and are leading by example. The Bank has established a sustainability policy that has been approved by the Board. All employees are encouraged to be aware of and contribute to the commitment to sustainability in Bank Norwegian.
- The Bank purchases server services from Basefarm and Visolit and thus uses a modern server park. The Bank expects these suppliers to adhere to the UN Global Compact's Ten Principles.
- The Bank conducts risk analyses as part of the annual internal control process to identify any new risks or weaknesses in established control measures. This includes ESG risks which the Bank identifies and assesses annually. The Bank has established a framework for identifying ESG risks.
- The Bank has, through its Contingency Plan, ensured emergency procedures to prevent and address accidents affecting the environment and human health.
- The Bank's investment mandate contains environmental requirements. The Bank makes investments that safeguard economic, environmental and social sustainability. Compliance with the requirements for responsible investments is implemented in the Bank's Market Risk Policy and thus integrated into our business. There are specific activities, companies and industries in which Bank Norwegian does not invest. Bank Norwegian does not invest in activities, companies and industries which are excluded by NBIM (Norges Bank Investment Management). The Bank's "Exclusion List" requires that companies invested in meets the Bank's criteria for human and labour rights, corruption, serious environmental damage as well as production of tobacco and controversial weapons.
- The Bank plans an initiative to encourage all shareholders to save the environment with the upcoming annual general meeting in 2020. The Bank will publish the notice for the annual general meeting with an instruction as to how shareholders can register for electronic reception of notices and other relevant information.

ANTI-CORRUPTION
Actions the Bank has taken in the area of anti-corruption:

- Business is carried out in markets with low country risk. The Corruption Perceptions Index ranks 180 countries and territories by their perceived levels of public sector corruption, according to experts and business people. According to the Corruption Perceptions Index 2019, the markets in which the Bank operates are ranked as follows:
  - Norway – 7;
  - Sweden – 4;
  - Denmark – 1; and
  - Finland – 3.
- The Bank exclusively serves consumer customers.
- All customers transactions are monitored.
- All customers are screened for “Politically Exposed Persons” (PEP) and “Counter Terrorism Financing” (CTF).
- Established a risk management framework to ensure that internal procedures support the Bank’s anti-corruption commitment. This includes:
  - Code of Conduct
  - Sustainability Policy
  - Conduct Risk Policy
  - Outsourcing Policy
  - AML/CTF Policy
  - Operational Risk and Internal Control Policy
  - Compliance Policy
- An assessment of AML/CTF risk is carried out by the Bank and facilitated by the second line of defence annually. As part of the third line of defence, internal audit reviews the AML/CTF area annually. Operational incidents are reported to the Head of Risk Management and the Board of Directors. Recommendations from the Internal Audit Function are recorded and followed up by the Head of Risk Management. Status of outstanding improvement measures are reported to the management and Board of Directors.
- The Bank’s Outsourcing Policy with attached Guidelines for Planning, Entering and Managing Outsourcing Arrangements ensures that the Bank will terminate contracts with business partners that does not adhere to the UN Global Compact’s 10 Principles and other requirements from the Sustainability Policy.

MEASUREMENT OF OUTCOMES
Indicators to measure outcomes:

Labour
- Gender balance: 50% women, 50% men;
  - Management: 35% women, 62% men
- Age spread: from 20 to 70 years:
  - 68% in the range 20 – 39 years
  - 32% in the range 40 – 70 years
  - Average age: 37 years
- Employees have diverse backgrounds, with more than 14 different nationalities represented.
- Employee Survey for 2019 with an 85% participation rate. Over 90% are looking forward to going to work every day and are satisfied with their work situation and tasks.

• Employee attendance in 2019: 98%
• Adjustable sit-stand desks at the Bank's office.
• Fresh fruit and lunch is delivered every day.

Environment

Donation to climate protection:

Bank Norwegian has calculated and compensated for the Company's yearly CO2 footprint related to energy (power consumptions), employees' journey to and from work (mobility), business trips, board meetings, material and waste. The calculation indicate that our 87 FTE is offsetting for 179 tons CO2 with a value of EUR 4,266. The Bank's contribution to Climate Protection also includes a small donation for Climate Education.

Carbon emissions investment portfolio:

The Bank has collected data regarding carbon emissions of the investment portfolio. The portfolio mainly consists of 0% weighted assets such as central bank and government exposures, public sector entities and municipalities, as well as covered bonds and exposures to other financial institutions. The measured carbon footprint is equivalent of an average for the Nordic financial sector. The carbon footprint is measured as the number of tonnes of CO2 equivalents per million dollars in revenue. Scope 1 is direct emissions from the company's activities, while scope 2 is emissions related to goods / services used to run a company (electricity, heating, etc).

Based on the contents of the Bank's portfolios, it can be assumed that the carbon footprint of Bank Norwegians various portfolios is about the same as the average for the Nordic financial sector:

The Scope 1 average for the Nordic financial sector is 0.66 tCO2e / m USD

The Scope 2 average for the Nordic financial sector is 1.72 tCO2e / m USD

In comparison, the corresponding figures for the MSCI index are about 2000 tCO2e / m USD and for a Norwegian industrial company it will be between 500-2000 tCO2e / m USD. This shows that a portfolio of mainly securities issued by financial institutions will have a low carbon footprint.

Anti-corruption

The Bank has many credit card fraud cases, which are related to lost and stolen cards. The losses in nominal terms are low:

External fraud	**2019**		**2018**	
(million NOK)	**Number**	**Loss***	**Number**	**Loss***
First quarter	899	1,6	402	0,7
Second quarter	966	2,0	765	1,8
Third quarter	1 382	2,2	957	1,6
Fourth quarter	1 082	1,7	818	1,1
Yearly total	**4 329**	**7,5**	**2 942**	**5,2**

** Foreign Exchange Rates at the end of each quarter.*

Bank Norwegians card base has increased with 31% from primo 2018 until ultimo 2019. In relative terms disputes/fraud are stabile in 2018 and 2019.

myclimate
shape our future

Contribution to Climate Protection

07.02.2020

BANK NORWEGIAN AS

Offsetting for 179.0 t CO_2
with a value of EUR 4,266.00

Donation of EUR 6.00

This contribution to climate protection is having a real impact!
myclimate carbon offset projects are reducing these emissions in developing and emerging countries. The projects meet the highest standards (Gold Standard, Plan Vivo) and contribute to the UN's sustainable development goals (SDGs). myclimate projects not only reduce greenhouse gas emissions but also contribute to the social, ecological and economic development in the region.