



## Reporting and Self-Assessment Template

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p><b>Principle 1: Alignment</b>  <b>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.</b></p>		
<p>1.1 <i>Describe</i> (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, and where relevant the technologies financed across</p>	<p>KLP Banken AS is owned 100 percent by Kommunal Landspensjonskasse mutual insurance company (KLP). KLP Banken AS has two subsidiaries, KLP Kommunekreditt AS and KLP Boligkreditt AS. The overall business is divided into the areas retail market and public sector loans. Both business areas operate only in Norway.</p> <p>KLP Banken is a digital bank without a physical branch network, which offers simple and competitive savings and loan products and digital solutions to manage them. In the retail market, KLP Banken aspire to be a consumer bank for customers seeking a long-term and predictable partner. The aim is to become the preferred bank in the retail market for individuals that are members of KLP pension schemes and find the bank products and its core values attractive. In the public sector market KLP Kommunekreditt AS together with KLP shall contribute to market competition and thereby access to favourable long-term financing for the sector.</p> <p>The bank shall provide products and services on competitive terms to help ensure that businesses that have chosen KLP as pension provider are perceived as attractive employers.</p>	<p>See the bank's annual report  <a href="https://klp.wrep.it/KLP_Banken_Aarsrapport_2020/74/sec/1">https://klp.wrep.it/KLP_Banken_Aarsrapport_2020/74/sec/1</a></p>

<p>the main geographies in which your bank has operations or provides products and services.</p>	<p>The KLP Banken Group finances mortgages and other credit in the retail market, lending to municipalities, county administrations and companies carrying out public sector assignments. Additionally, the KLP Banken manages a lending portfolio on behalf of its parent company KLP (Kommunal Landspensjonskasse). The Group manages a lending total of NOK 115 billion. 21 percent is to the retail market, and 79 percent is to public market.</p>	
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>KLP's ambition is to be a market leader within corporate responsibility and sustainability. Corporate responsibility is therefore promoted as one of the focal areas of the group's strategy. The UN Sustainable Development Goals (SDG) are used as a framework for KLP's corporate responsibility, and KLP will be a driving force for achieving these goals. Being part of the KLP group, the KLP Banken must contribute to the group's ambitious goals. KLP's goal for its lending business is to affect people, the environment, and the society in a positive way. Through financing projects all over Norway the bank contributes to sustainable development in the municipalities in Norway. In 2019 the bank signed the UN Principles for Responsible Banking (PRB). This is the framework for the bank to contribute to achieving the UN SDGs and the Paris Climate Agreement. Since the bank became a signatory of PRB in 2019, we have worked to align our business strategy with the principles.</p> <p>When the bank became a signatory, we established a team ("the PRB team") representing both business areas and other internal resources. In addition to the internal resources, the bank also makes use of resources and expertise from KLP's department for corporate responsibility. The team has been working both towards the management team and the Board, as well as towards all employees in the bank.</p> <p>In connection with the strategy process in 2020, the Board was involved in board meetings through 2020, with different subjects related to corporate responsibility and PRB. When the updated strategy of the bank was launched in October 2020, corporate responsibility was promoted as one of the focal areas in the bank's strategy.</p>	<p>For more information about KLP's sustainability report, see: <a href="https://www.klp.no/en/financial-information">https://www.klp.no/en/financial-information</a></p>

	<p>The first thing the PRB team started working on, was the materiality assessment and the impact analysis. This was important to understand the bank’s baseline, our most significant impact areas, and to be able to set targets.</p> <p>In 2020 KLP Banken conducted a thorough review together with KPMG to identify gaps against PRB requirements and set a structured action plan and roadmap to ensure alignment with the PRB on short and long term. The gap-analysis listed some recommendations and actions linked to each of the principles in PRB. The bank is now working systematically through the recommendations and actions and has done some prioritization of short- and long-term actions.</p> <p>We have also worked with governance and culture in the bank, to ensure the implementation of PRB.</p> <p>The Board has also been involved and informed in the board meetings, about the ongoing project with KPMG and the findings in the mapping of the baseline.</p> <p>The impact analysis for KLP Banken shows where the bank has positive and negative impacts (see Principle 2) and has helped us to understand where the bank is able to make a difference within our business areas. Based on the impact analysis the bank has set a few targets within the private market and the public market, in the first place for 2021. The bank will work further on the target setting for the long term within this year. The bank will also continue the analysis to address which of the Sustainable Development Goals our targets are linked to. The management team and the Board, as well as the employees in the bank will be involved in this process.</p>	
<p><b>Principle 2: Impact and Target Setting</b>  <b>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.</b></p>		

<p>2.1 Impact Analysis: <i>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</i></p> <p>a) <u>Scope</u>: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) <u>Context &amp; Relevance</u>: Your bank has taken into account the most</p>	<p>KLP Banken has conducted an impact analysis that shows where the bank has both positive and negative impacts. We used the “Portfolio Impact Analysis Tool for Banks” developed by UNEP FI to undertake our impact analysis.</p> <p>We have chosen to focus on the bank’s core business area in our analysis, which is lending, to both retail market (consumer banking) and public market (business banking). We have not included the product “deposits” in this first analysis, as this is not considered a main area. However, we will consider including this in updated impact analysis that is to be completed in 2021. The KLP Bank also manages loans on behalf of KLP (parent company), both these loans and the bank’s own loans are included in the analysis. The reason for this is because we want to see where the loans, in total, have impact. The bank only operates in Norway, and in the analysis the level of Norway’s needs is incorporated.</p> <p>Within the public market, we had some challenges with identifying the sectors according to the ISIC-list. Lending to municipalities and county municipalities are often larger loans which finances various investments. The purposes of the loans are therefore not always specified. In order to give us the best possible overview of the sectors in the public market, we chose to use KOSTRA’s (KOSTRA is an accounting system used by Norwegian municipalities when reporting to the central government) statistics database, as this shows what the municipalities, municipal enterprises and intermunicipal companies have financed through loans over the past five years. The database divides investments into different categories. We have merged some of the categories and divided our sectors according to ISIC code 2.</p> <p>The largest loans to publicly associated businesses were evaluated and distributed throughout the largest sectors. Loans under NOK 10 million was not evaluated. In the analysis, we have summed up loans to municipalities, county municipalities and other loans, in order to determine a percentage distribution for each category.</p> <p>We can only select a total of 15 ISIC categories in the Analysis Tool, it was therefore necessary to exclude the smallest categories. Loans of less than 1% are not included in the</p>	<p>Please see our impact analysis (both in English and Norwegian): <a href="https://www.klp.no/om-klp/samfunnsansvar/rapporter-og-resultater">https://www.klp.no/om-klp/samfunnsansvar/rapporter-og-resultater</a></p>
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<p>relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Scale and intensity/saliency of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/saliency of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p>	<p>analysis. With those exclusions, we ended up with 14 categories. In total, we have distributed 97% of the bank's lending according to the ISIC categories in the analysis.</p> <p><b>Impact areas</b></p> <p><i>Retail market</i></p> <p>The main areas that are relevant for our bank in the retail market are on the positive side: employment, inclusive healthy economies, housing, justice and economic convergence. The negative impact areas are inclusive healthy economies, resource efficiency/ security, climate.</p> <p><i>Public market</i></p> <p>The main impact areas for our public market business are on the positive side inclusive healthy economies, employment, availability of water, health and sanitation, education and mobility. The negative impact areas are culture and heritage, climate, resources efficiency/security, strong institutions peace and stability, waste, and soil.</p> <p><b>Priority of significant impact area</b></p> <p>Based on the results, we have prioritized the most significant impact areas as listed underneath. We have also assessed how KLP Banken can impact the different areas and started the process of setting targets.</p> <p>"Inclusive, healthy economies" are fundamental to responsible banking, but in the analysis, it turns out to be both a positive and a negative impact. This is a key responsibility we have as a bank. The bank has a significant social responsibility related to, among other things, financial crime. On the positive side, KLP Banken offers safe financial services and financial opportunities, both in the retail market and in the public market.</p> <p>For the retail market, the bank's role in society is prominent in the survey. This is evident through the positive impact on "work", "inclusive, healthy economies", "housing", "justice", "strong institutions, peace and stability" and "economic convergence". Our negative impacts</p>	
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<ul style="list-style-type: none"> <li>• Identified and disclosed its areas of most significant (potential) positive and negative impact</li> <li>• Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts</li> </ul>	<p>are related to climate, resource efficiency and waste. This is both as a result of the bank's lending, but here it is also important to take into account the challenges Norway has. Together this helps us to see where the bank has the opportunity to influence more in a positive direction. For example, KLP Banken has an opportunity to influence lending customers through different measures.</p> <p>For the public market, the bank has a positive impact on "water", "health and sanitation", "education" and "mobility". This is a reflection of the sectors we finance, and the analysis thus highlights the bank's societal role in relation to public customers. The bank directly finances the welfare society and societal development through the projects we lend to.</p> <p>The analysis highlights the public sector negative impacts on environment and climate. This applies both as a result of the bank's lending, but also in connection with the challenges Norway has. For example, Norway scores poorly on issues related to "climate", "resource efficiency" and "waste". These are two of the main areas where Norway should have special attention. KLP Banken has an opportunity to influence by for example promoting environmentally friendly and sustainable investments, front maintenance and upgrades rather than building new and through our products. We can be a sparring partner for our customers, and influence through the role we have; we can share information, knowledge, successful projects, and customer stories.</p> <p>We have also included soil, among the negative impacts, even though the tool says "N/A" on this country need concerning Norway. The reason for this is because the bank has significant impact through loans to the municipalities, who again are responsible for spatial planning. Further, we have seen incidents this winter in Norway where soil masses have caused major accidents, and therefore we want to include this area in our impact analysis.</p> <p>Through the analysis, we have gained more insight into the role of KLP Bank in the Norwegian market, and how we as a bank contribute to societal development. The analysis is based on areas in which we have had an assumption that the bank has an impact - this is</p>	
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	<p>now confirmed in several areas. The results have also given us a better overview of areas we have a negative impact on, and this provides a basis for setting specific goals for the bank's further work with the UN's principles for sustainable banking (PRB) and corporate responsibility.</p> <p>The focus of our analysis has been on the areas where KLP Banken contributes. We have chosen not to focus on part D in this first analysis (performance assessment through benchmarking vis-à-vis peers). KLP Banken has had meetings with other banks on topics related to Principles for Responsible Banking, to discuss and learn from each other, but we have chosen not to make a comparison at this time. When more banks finalize their analysis, it will be more relevant to make a comparison. We plan on engaging with other banks on this topic in 2021.</p>	
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We have undertaken our impact analysis and identified the significant impacts that are associated with our retail market (consumer banking) and public market (Business banking). The next step in our process will be to proceed with part D of the analysis (Performance assessment), and by extension of this finalize part E (determine priority impact areas).

## 2.2 Target Setting

Show that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant** and **Time-bound (SMART)** targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these 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. The bank should

Based on the results of our impact analysis, we have started the process of setting targets to address our identified areas of most significant impact. It was important to us to both address the areas of most importance, but also to set targets for both sectors.

Both management team and board of directors is involved in the process and supports the proposed targets. We used the SMART-framework when setting the targets and identified which areas and which SDGs our targets are linked to. The baseline will be the end of 2020

Target	Business area	UN SDG
<i>Corporate responsibility and sustainability as an agenda item at management meetings, board meetings, information meetings / department meetings regularly (quarterly) in 2021</i>	Both retail and public market	Several
<i>At least 2 collaboration meetings a year with other banks / relevant organizations</i>	Both retail and public market	Partnerships for the Goals (SDG17)
<i>Inform customers about measures / tips to make the home more energy / environmentally friendly via online banking, mobile banking, klp.no (e.g.: 2 tips per quarter)</i>	Retail market	Climate (SDG13)
<i>Increase the number of energy-labelled homes by 100 in 2021</i>	Retail market	Circular economy ('waste' and "resource efficiency & security") (SDG 3,6,11,12,14,15)
<i>Establish a green framework for mortgages during 2021</i>	Retail market	Climate (SDG13)
<i>Sustainability / corporate responsibility as an agenda item in at least 50% of customer meetings in 2021 (Public market)</i>	Public market	Climate (SDG13) Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12)



<p>have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>Share at least two customer stories each quarter on <a href="http://klp.no/Samfunnsansvar">klp.no/Samfunnsansvar</a> (cases covering the whole country)</p>	Public market	Climate (SDG13)	
	<p>Achieve 50% market share for green loans by 2021</p>	Public market	Circular economy ('waste' and "resource efficiency & security") (SDG 3, 6, 11, 12,14,15)	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>				
<p>We have set several goals in our areas of most significant impact. We have not yet analysed potential negative impacts of the set targets. Our targets are mostly short term, and we plan to set more long-term targets during 2021.</p>				

<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>KLP Banken has just recently set targets and is now in the process of defining actions and milestone to meet these targets.</p> <p>Some of the targets are already integrated in the bank’s balanced scorecard, and these will be measured and reported to the management group and board of directors quarterly.</p> <p>The bank has also established an action plan, which lists different actions and milestones we want to achieve, both in short and long term. Examples of planned actions is to update policies and to align the impact analysis with the strategy.</p>	
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>We have recently set our targets and are in the early stages of developing and implementing the measures. We will continue this work in 2021, and report on this in our next report.</p>		

<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p><i>Show that your bank has implemented the actions it had previously defined to meet the set target.</i></p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p><i>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</i></p>	<p>We have recently set our targets and are in the early stages of developing and implementing the measures.</p> <p>We will report on progress made towards implementing and achieving our targets in our next report – one year from now.</p>	
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We have recently set our targets and are in the early stages of developing and implementing the measures. We will report on progress made towards implementing and achieving our targets in our next report – one year from now.

**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.**

<p>3.1 <i>Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</i></p>	<p>KLP Banken has established practices to encourage sustainability in our relationship with our customers. Within the public market, the bank has a close and often long-term relationship with our customers. Most customers are also owners of KLP. This facilitates dialogue with the public customers concerning sustainability, corporate responsibility and climate issues. The bank tries to be a driving force and encourage the municipalities to make sustainable choices within public administration. The bank has set a target to discuss sustainability in at least 50 % of our client meetings in 2021.</p> <p>We do not have the same close contact with our customers within the retail market as we do with the public market. KLP Banken meets its individual customers online and will therefore work towards providing better and more information on green and sustainable choices and products on the bank's home page and social media, and through other channels such as online and mobile banking. One of our targets for 2021 is to inform customers about measures to make their home more energy / environmentally friendly through our channels (2 tips per quarter)</p> <p>The KLP Group, including KLP Banken AS, shall contribute to sustainable investments and responsible business operations. KLP has committed itself to the UN Global Compact, and we also have several guidelines we work by in our investment and banking business, i.e. Ethical guidelines for employees, anti-money laundering guidelines and Guidelines for KLP as a responsible investor.</p>	<p>Guidelines for KLP as a responsible investor:</p> <p><a href="https://www.klp.no/en/english-pdf/Guidelines%20for%20KLP%20as%20a%20responsible%20investor.pdf">https://www.klp.no/en/english-pdf/Guidelines for KLP as a responsible investor.pdf</a></p> <p>Guidelines:</p> <p><a href="https://www.klp.no/om-klp/samfunnsansvar/rapporter-og-resultater">https://www.klp.no/om-klp/samfunnsansvar/rapporter-og-resultater</a> (In Norwegian only)</p> <p>Sustainability report included in KLPs annual report:</p> <p><a href="https://www.klp.no/en/financial-information">https://www.klp.no/en/financial-information</a></p>
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<p>3.2 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 activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p><i>Increase internal competence</i> We believe that through increased internal competence, we are in a better position to influence our customers. To enable common awareness inside KLP Banken on PRB we have developed standard slide decks relating to the bank’s commitment to PRB. We use these slides internally in training of employees.</p> <p>We have set a target to include corporate responsibility and sustainability as a topic in both management meetings, board meetings and meetings for employees regularly (quarterly) in 2021. The PRB working team encourages employees to take different courses related to sustainability, and the corporate responsibility department in KLP offers different information sessions throughout the year. In 2021 we want to create a more structured plan for training and competence sharing within sustainability in the bank. We also want to implement regular training of material sustainability aspects for relevant employees who is in contact with customers.</p> <p><i>Developing products and services that contribute to improvements in society</i> KLP Banken introduced “green mortgages” to the retail sector in 2018, which offer lower interest rates on loans for energy-friendly homes. In 2019, the bank introduced green loans for public borrowers. The bank offers green financing to public markets for projects and investments that have a positive influence on society. This can for instance be for making municipal buildings more energy efficient, for electric vehicles or water and wastewater infrastructure. The municipalities must report and document the effects these investments have on the climate to earn a lower, green interest rate on the loans. The bank will work on further developing products and services to the advantage of customers, owners and the environment.</p> <p><i>Engage companies and industries for a sustainable operation</i> To enable common awareness on PRB and sustainability, we have developed standard slide decks relating to the bank’s commitment to PRB, including advice on sustainability best-practice. We use these slides in our meetings with our public customers.</p>	
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	<p>We have developed targets to incentivize employees on sustainable practices and information to clients. As mentioned in part 3.1, we strive to include sustainability as a topic in the meetings with our public customers. Our goal is to contribute to municipalities and their associated businesses being able to make good and sustainable choices when it comes to municipal finances and investments.</p> <p>KLP Banken wants to convey knowledge from the municipalities, through sharing of information, successful projects, and customer stories. We have set a target to share at least two customer stories in the quarter to klp.no. By doing this we also hope to contribute to cooperation between the municipalities.</p> <p>We have also set targets to convey information about sustainability choices to our retail customers as described in 3.1.</p> <p>The bank wants to encourage clients to improve their own impact, and we are currently evaluating our KYC-process, to see if we can include more key questions on environmental, social impacts and standards for relevant sectors in our portfolio.</p> <p>In long term we want to establish routines for collecting feedback from clients and customers and use this information in developing new products and services on sustainability. Please see section 2.2 for more information about our targets.</p>	
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<b>Principle 4: Stakeholders</b> <b>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</b>		
<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>To achieve our targets, we need to engage our stakeholders. We have identified our most relevant stakeholders, which is: Customers, parent company, the society, employees and partners. These stakeholders were selected based on how much we interact with them and their impact on us reaching the targets.</p> <p>In the spring of 2021, KLP will carry out a stakeholder analysis in which municipalities, county municipalities, health trusts, employers and employee organizations will be interviewed. The purpose of the survey is to understand what value these actors believe KLP has for them, and for society and how KLP can create even greater value for the owners, and society. KLP wants to understand the starting point for the owners for their assessments, including the issues and challenges that underlie how municipalities and other owners view pension savings, now and in the future. In this analysis, special emphasis is placed on KLP's investments locally in Norway, and the work with sustainability and responsible investments.</p> <p><b>Customers</b>  <b>Public market</b>            The Public Market can be divided into two customer groups; customers and customers who are also owners. The bank is daily in contact with our customers, and in 2020, 170 customer meetings were held. In the autumn of 2020, an independent third party conducted interviews with selected customers. The findings indicated that customers were generally satisfied with KLP Banken, but they would like an even closer dialogue on the topic of sustainability.</p> <p><b>Retail market</b>            In the retail market our customers are mainly members of KLP. It is important that the members consider KLP Banken as an attractive bank, that increases the value of their employment. KLP Banken meets its retail customers online and we engage with them</p>	<p>KLP stakeholder dialogue:  <a href="https://www.klp.no/media/samfunnsansvar/V%C3%A5r%20interessedialog.pdf">https://www.klp.no/media/samfunnsansvar/V%C3%A5r%20interessedialog.pdf</a> (In Norwegian only)</p>

	<p>through different channels. By sharing information, we have the opportunity to influence them in a sustainable direction.</p> <p>In the retail market our customers are mainly members of KLP. It is important that the members consider KLP Banken as an attractive bank, that increases the value of their employment. KLP Banken meets its retail customers online and we engage with them through different channels. By sharing information, we have the opportunity to influence them in a sustainable direction</p> <p><b>Parent company - KLP</b> KLP's corporate responsibility is to manage pensions, on behalf of municipal and health care in Norway, in a sustainable way, for the benefit of them and the development of society. KLP's owners are socially engaged, and through the KLP community they have for several decades solved challenges that individual municipalities would not have been able to solve alone. The community not only provides municipal and health enterprises with economies of scale, efficiency and low costs, but also power in the form of its size and ownership to influence, contribute to the green shift in Norway, and to solve major challenges for the environment in the years to come. We secure the pension assets of our owners in a responsible way by using the investor power actively, completely openly, so that everything we do will benefit the owners. This is the value of mutual ownership.</p> <p><b>Employees</b> KLP Banken has 82 employees. In the process of PRB, several different departments have contributed. The PRB team has updated the other employees both on what the Principles are, and how the implementation is progressing. Interviews have also been conducted with employees, where the main findings were that the employees need to increase the competence regarding corporate responsibility and sustainability. To increase competence in this area is therefore a priority in the implementation of the Principles.</p>	
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	<p><b>Partners</b> KLP Banken has several different partners in different disciplines. In addition to partners, KLP Banken participates in several different forums, such as forums for water, sewerage and waste disposal and sustainable buildings. KLP Banken has also used expertise from the sister company KLP Eiendom to assess lending for new buildings. In addition, KLP Banken also has regular contact with environmental organizations such as Enova, Cicero, the Nordic Ecolabel and the Norwegian Environment Agency. In 2020, KLP Banken also participated in a joint meeting with other Norwegian banks that have signed the Principles. In these meetings, experiences and tips for the impact analysis were shared. This is a collaboration we wish to continue; we have also set a target to have at least 2 collaborative meetings a year.</p> <p><b>Society</b> Together with our owners, we build sustainable local communities, contribute to the green shift in Norway and are concerned about our customers' finances - because it is socio-economically profitable. When we invest or lend money, we are concerned that the projects we help to finance are sustainable.</p> <p>Investments in infrastructure, social development and real estate are characterized by having a long-term time horizon. The investments are important for the development of society throughout the country and are closely linked to our owners' tasks of building and securing society today and for the future. This work helps to support goal number 9 «Industry, innovation and infrastructure», and goal number 11 «Sustainable cities and communities».</p>	
<p><b>Principle 5: Governance &amp; Culture</b> <b>We will implement our commitment to these Principles through effective governance and a culture of responsible banking</b></p>		
<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant</p>	<p>The bank has established a PRB team which is dedicated to the bank's implementation of the Principles (see Principle 1). The PRB team reports to the management team on regular basis, and to the Board every quarter. The mandate for the PRB team is approved by the KLP Banken's management team.</p>	



PRINCIPLES FOR  
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BANKING

<p>positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>The PRB team is also working on updating the job descriptions, initially for the management team. This process will be completed in the first quarter of 2021. Following which, the management team will continue to update the job descriptions for all the roles in the bank to contain commitments to the Principles.</p> <p>The PRB team was responsible for conducting the bank’s first impact analysis and going forward will be responsible for overseeing the impact analysis on a yearly basis. The target setting was made together with the management team in the bank, facilitated by the PRB team.</p> <p>In 2021 the PRB team will continue to work with the policies and procedures to ensure commitment to the Principles.</p>	
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>To ensure capacity and expertise in the bank, the PRB team has regularly addressed different parts of the Principles to the employees in the bank. Corporate responsibility and sustainability have been covered in several sessions for all employees, and some have also conducted e-learning on “Introduction to Sustainable Finance” from UN CC e-learn. We will continue to address different topics regarding corporate responsibility and sustainability to the employees throughout the year to keep up the focus and motivation on implementing PRB.</p> <p>The Corporate Responsibility department in KLP will have a training session during spring of 2021. This was planned for in January 2021, but Covid-19 restrictions prevented us for going through with it. In this session, the group management and leaders in sustainability will present and discuss how the KLP Group makes assessment and decisions relates to sustainability and responsible investments.</p> <p>The bank is also looking at developing training about sustainability and PRB for all employees in the KLP Group, in cooperation with the CR department in KLP.</p>	

<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> <li>a) target-setting and actions to achieve targets set</li> <li>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</li> </ul>	<p>Corporate responsibility is one of the focal areas of KLP's corporate strategy. The board is responsible for the group's strategy and the strategical targets. CEO in the group is responsible for implementing the strategy in the group and for the achievement of the targets.</p> <p>The Finance Division in KLP bears the overall responsibility for the investment strategy and gives out investment mandates to the subsidiaries.</p> <p>The group's sustainability director reports directly to the CFO. The executive vice-presidents are responsible for implementing the strategy for corporate responsibility and is responsible for following-up on the investment mandates, in their respective subsidiaries.</p> <p>In KLP Banken, the CEO has set up a PRB team, which is responsible for analyzing the baseline, identifying the gaps of the requirements of the Principles, and to recommend actions to close the gaps.</p> <p>The management team is responsible for the implementation of PRB in the business units.</p> <p>The targets are developed by the PRB team together with the management team to ensure engagement and commitment to the Principles. In 2021 we will continue the work on connecting our targets to some of the Substantiable Development Goals.</p> <p>The bank will track its progress towards achieving our targets through the balanced scorecard, which is reported quarterly to the Board. This is the first year on following-up on the progress towards achieving our targets, and the bank will continue to develop procedures on targets that need remedial action.</p>	<p>For more information, please see:  <a href="https://www.klp.no/om-klp/samfunnsansvar/rappporter-og-resultater">https://www.klp.no/om-klp/samfunnsansvar/rappporter-og-resultater</a>          (In Norwegian only)</p>
<p>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>We are in a process of fulfilling this requirement. The bank has established a governance structure for ensuring that the principles are implemented effectively, including manage significant impacts, and setting and monitoring targets. We have established a PRB team that is in charge of the implementation of the Principles. The management group is responsible for implementing the recommendations from the PRB team. The PRB team is reporting quarterly to the board on progress made in the implementation of the Principles, and to the targets that are set for this year.</p>		

<b>Principle 6: Transparency &amp; Accountability</b> <b>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.</b>		
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p><i>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</i></p> <p><i>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</i></p>	<p>Since becoming a signatory in September 2019, KLP Banken has been working on implementing the Principles. In this work, we have been using frameworks, guidance documents and models developed by UNEP FI.</p> <p>Internally, we have worked together with resources from our Corporate Responsibility Department in KLP, who has experience from working with PRI and UN Global Compact, among other sustainability projects. We also involved the management group in setting targets, to ensure engagement and commitment throughout our organization. We will report quarterly on our progress to the management team and the Board.</p> <p>Since the fall of 2020 we have also been collaborating with KPMG, who has helped us identifying our gaps against the requirements in PRB. In the gap analysis, we were compared to other banks who we consider as best practice in our industry. This helped us see which areas we needed to improve the most and prioritize in our further work.</p> <p>While working with our impact analysis, we arranged a meeting with other Norwegian banks to discuss and share our views on it. This was very useful, and hopefully we can establish a forum with other signatories in Norway in our further work.</p> <p>KLP Banken reported for the first time on corporate responsibility in the annual report for 2019 and will continue to provide a summary of the status of implementation of PRB in the annual reports in the coming years Other analysis and reports regarding PRB and our sustainability work, will be available at our website. In 2021 we will update our framework for “Green mortgages”, and we also plan to do a stakeholder analysis.</p>	<p>For more information, please see:  <a href="https://www.klp.no/om-klp/samfunnsansvar/rappporter-og-resultater">https://www.klp.no/om-klp/samfunnsansvar/rappporter-og-resultater</a>            (In Norwegian only)</p> <p><a href="https://www.klp.no/en/financial-information">https://www.klp.no/en/financial-information</a></p>



PRINCIPLES FOR RESPONSIBLE BANKING

<p>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>		
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking</p> <p>KLP Banken has made good progress over the first 18 months of implementing the Principles. We have worked together with the Corporate Responsibility department in KLP, and PRB and sustainability has been put on the agenda by the management. We have distributed information internally and to our customers. We have established an action plan, and we will continue our work with the Principles.</p>		

Annex: Definitions

- a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of "materiality".



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1<sup>st</sup> March 2021

## **An independent review on KLP Banken's self-assessment reporting on its implementation of UNEP Financial Initiative's Principles for Responsible Banking**

### **Background and scope of this independent review**

KLP Banken AS ("KLP Banken") has engaged KPMG AS ("KPMG") to provide an independent review of the bank's self-assessment reporting relating to the UNEP Financial Initiative's Principle for Responsible Banking ("UN PRB"). The reporting covers the bank's implementation of the principles (the "Principles") in addition to the setting and implementing of targets in two areas. KLP Banken became a signatory to the Principles in September 2019 and is required to report to the UNEP FI within March 2021.

This independent review is based on KLP Banken's disclosures in accordance with the UN PRB's "Reporting and Self-assessment-template":

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target Implementation and Monitoring
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking

KPMG was neither involved in conducting KLP Banken's impact analysis, the target setting and plans nor establishing the governance structure or management systems for the implementation of the Principles.

### **Limitations of the engagement**

We have specifically considered materials that KLP Banken has shared with us and information provided to us by KLP Banken's staff in interviews. We have not been engaged to make statements on the coverage, completeness, accuracy or correctness of the information KLP Banken has reported in the form of an assurance report. The procedures that we have performed do not constitute an audit or a review made in accordance with any generally accepted standards on auditing or any generally accepted standards on review engagements and, consequently, no assurance will be expressed.

### **Work performed for the engagement**

KPMG's responsibility was to assess whether KLP Banken's reporting presented in the UN PRB's "Reporting and Self-assessment template" follows the guidance provided by the UNEP FI in the "Guidance for Assurance providers" dated 2021 and that the information provided aligns with KPMG's findings from our analysis procedure as described below.

#### Offices in:



The procedures applied by KPMG included the following:

- Interviews with representatives of KLP at corporate and the bank division levels. The aim of the interviews was to gain insight into management's commitment to sustainability in general and the Principles of Responsible Banking in particular,
- Interviews with representatives of the various divisions of the bank including the heads of public sector and retail markets and the head of risk and compliance, to better understand how the principles are adopted in the organization.
- Conducted an analysis of KLP Banken's gaps against the UN PRB's requirements. The gap analysis included an assessment of existing policies and practices, a media search and a benchmark analysis of selected peers.
- Assessment of the processes and working methods used to gather the information relating to points 2.1- 2.4, 5.3 and 6.1 in the UN PRB "Reporting and Self-assessment". The assessment also involved consideration of KLP Banken's relevant internal documentation, including the impact assessment and related working documents.
- Numerous meetings with KLP Banken's dedicated UN PRB working group which consists of representatives from different areas of the bank and corporate level. The purpose of the meetings has been to gain insight into KLP Banken's process for implementing UN PRB.
- Comparison of disclosures relating to the above-mentioned points in the "Reporting and Self-assessment" and in KLP's annual report with information obtained in interviews and internal documentation.

### Findings

Our assessment indicates that KLP Banken's disclosures relating to points 2.1- 2.4, 5.3 and 6.1, is reported in accordance with the UN PRB's "Reporting and Self-assessment template". The sample-based analysis and interviews indicate correctness of the disclosures.

KPMG recommends that KLP Banken implements the actions and milestones in the bank's operations to meet the targets that are disclosed. These actions include:

- Increase awareness and competence of the sustainability and UN PRB amongst employees, management and board members;
- Update framework for "Green mortgages";
- Continue the cooperation with other Norwegian Banks who are also UN PRB signatories;
- Strengthen target setting to be further aligned with the UN SDGs and underlying targets;
- Conduct the stakeholder analysis involving municipalities, counties, health trusts and labour and trade organisations.

Moreover, that progress on implementing targets is reported upon in next year's Reporting and Self-assessment.

Yours sincerely  
for KPMG AS

Rønnov, Anette  
Director