

The background is a solid teal color. On the left side, there are large, overlapping white and teal shapes that resemble stylized letters or abstract forms. In the upper right quadrant, the year '2017' is written in a large, light teal, sans-serif font, appearing as a watermark or background element.

2017

**SAVINGS BANKS GROUP'S  
RESPONSIBILITY REPORT 31 DECEMBER 2017**

# SAVINGS BANKS GROUP'S RESPONSIBILITY REPORT

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# RESPONSIBILITY REPORT

## GRI CONTENT INDEX

Strategy and Analysis																																																																																																		
G4-1	Statement from the most senior decision-maker of the organisation	Board of Directors' Report: Review by the Managing Director																																																																																																
Organisational Profile																																																																																																		
G4-3	Name of the organisation	Financial Statements, Note 1: Description of the Savings Banks Group and the Savings Banks Amalgamation																																																																																																
G4-4	Primary brands, products and services.	Board of Directors' Report: Operations and profit by business segment and the Financial Statements, Note 6: Operating segments																																																																																																
G4-5	Location of the organisation's headquarters	Helsinki, Finland																																																																																																
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Financial Statements, Note 43: Entities consolidated in the Savings Banks Group's financial statements																																																																																																
G4-7	The nature of ownership and legal form	Financial Statements, Note 1: Description of the Savings Banks Group and the Savings Banks Amalgamation																																																																																																
G4-8	Markets served	Financial Statements, Note 6: Operating segments																																																																																																
G4-9	Scale of the organisation	<p><b>The Savings Banks Group's income statement and statement of financial position</b></p> <p>Savings Banks Group's financial highlights</p> <table border="1"> <thead> <tr> <th>(EUR 1,000)</th> <th>1-12/2017</th> <th>1-12/2016</th> <th>1-12/2015</th> <th>1-12/2014*</th> <th>1-12/2013*</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>331,366</td> <td>304,340</td> <td>298,475</td> <td>295,628</td> <td>271,235</td> </tr> <tr> <td>Net interest income</td> <td>142,176</td> <td>131,693</td> <td>125,018</td> <td>122,022</td> <td>110,612</td> </tr> <tr> <td>% of revenue</td> <td>42.9 %</td> <td>43.3 %</td> <td>41.9 %</td> <td>41.3 %</td> <td>40.8 %</td> </tr> <tr> <td>Profit before taxes</td> <td>88,210</td> <td>69,603</td> <td>69,699</td> <td>63,137</td> <td>71,074</td> </tr> <tr> <td>% of revenue</td> <td>26.6 %</td> <td>22.9 %</td> <td>23.4 %</td> <td>21.4 %</td> <td>26.2 %</td> </tr> <tr> <td>Total operating revenue</td> <td>282,191</td> <td>245,376</td> <td>230,531</td> <td>223,903</td> <td>224,841</td> </tr> <tr> <td>Total operating expenses</td> <td>-182,693</td> <td>-158,060</td> <td>-146,128</td> <td>-143,763</td> <td>-140,619</td> </tr> <tr> <td>Cost to income ratio</td> <td>64.7 %</td> <td>64.4 %</td> <td>63.4 %</td> <td>64.2 %</td> <td>62.5 %</td> </tr> <tr> <td>Total assets</td> <td>11,326,105</td> <td>10,423,646</td> <td>9,189,391</td> <td>8,400,544</td> <td>7,717,389</td> </tr> <tr> <td>Total equity</td> <td>1,017,520</td> <td>953,402</td> <td>880,694</td> <td>841,230</td> <td>781,086</td> </tr> <tr> <td>Return on equity %</td> <td>7.3 %</td> <td>6.2 %</td> <td>6.7 %</td> <td>5.7 %</td> <td>8.9 %</td> </tr> <tr> <td>Return on assets %</td> <td>0.7 %</td> <td>0.6 %</td> <td>0.7 %</td> <td>0.6 %</td> <td>0.9 %</td> </tr> <tr> <td>Equity/assets ratio %</td> <td>9.0 %</td> <td>9.1 %</td> <td>9.6 %</td> <td>10.0 %</td> <td>10.1 %</td> </tr> <tr> <td>Solvency ratio %</td> <td>191 %</td> <td>19.5 %</td> <td>18.8 %</td> <td>18.6 %</td> <td>19.5 %</td> </tr> <tr> <td>Impairment losses on loans and other receivables</td> <td>-13,266</td> <td>-8,411</td> <td>-6,127</td> <td>-10,539</td> <td>-5,859</td> </tr> </tbody> </table> <p>* Additional financial information from the time before the Savings Banks Amalgamation commenced its operations on 31 December 2014.</p> <p>In 2017, the Savings Banks Group had on average 1,343 employees. Converted into total resources, personnel volumes were an average of 1,330 in the financial year. As in the previous year, women accounted for 77% and men for 23% of all employees. The average age of employees decreased to 41.5 years. Overall turnover of personnel was 3.2%.</p>	(EUR 1,000)	1-12/2017	1-12/2016	1-12/2015	1-12/2014*	1-12/2013*	Revenue	331,366	304,340	298,475	295,628	271,235	Net interest income	142,176	131,693	125,018	122,022	110,612	% of revenue	42.9 %	43.3 %	41.9 %	41.3 %	40.8 %	Profit before taxes	88,210	69,603	69,699	63,137	71,074	% of revenue	26.6 %	22.9 %	23.4 %	21.4 %	26.2 %	Total operating revenue	282,191	245,376	230,531	223,903	224,841	Total operating expenses	-182,693	-158,060	-146,128	-143,763	-140,619	Cost to income ratio	64.7 %	64.4 %	63.4 %	64.2 %	62.5 %	Total assets	11,326,105	10,423,646	9,189,391	8,400,544	7,717,389	Total equity	1,017,520	953,402	880,694	841,230	781,086	Return on equity %	7.3 %	6.2 %	6.7 %	5.7 %	8.9 %	Return on assets %	0.7 %	0.6 %	0.7 %	0.6 %	0.9 %	Equity/assets ratio %	9.0 %	9.1 %	9.6 %	10.0 %	10.1 %	Solvency ratio %	191 %	19.5 %	18.8 %	18.6 %	19.5 %	Impairment losses on loans and other receivables	-13,266	-8,411	-6,127	-10,539	-5,859
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G4-10	Number of employees by employment type and employment contract, broken down by region and gender	Average number of employees in the Financial Year 2017: 1,343 Personnel by gender: women 77%, men 23% Permanent contracts: 1,195 (89%) Fixed-term or temporary contracts: 148 (11%) The Savings Bank Group's employees work in Finland under 23 independent Savings Banks or under the product or service companies in Savings Bank Group. In the Group there are approximately 150 banks and offices throughout Finland.																																																																																																
G4-11	Percentage of total employees covered by collective bargaining agreements	The Savings Banks and Sp-Fund Management Company, Central Bank of Savings Banks Finland Plc, Savings Bank Services Oy and Savings Banks' Union Coop belong to the scope of the Collective Agreement for the Financial Sector. Sb Life Insurance Ltd belongs to the scope of the Collective Agreement for the Insurance Sector. The collective agreements do not apply to directors, staff managers, cleaners, janitors and summer workers.																																																																																																
G4-12	The organisation's supply chain	Board of Directors' Report, Operations and profit by business segment																																																																																																

G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	No significant changes.
G4-14	Addressing the precautionary principle	Financial Statements, Note 5: Risk management
G4-16	Memberships of associations and advocacy organisations	Memberships of associations and advocacy organisations
<b>Identified Material Aspects and Boundaries</b>		
G4-17	Entities included in the organisation's consolidated financial statements	Financial Statements, Note 43: Entities consolidated in the Savings Banks Group's Financial Statements, and Note 44: Involvement with unconsolidated structured entities
G4-18	Defining the report content	Materiality
G4-19	Material aspects	Materiality
G4-20	Aspect boundaries for material aspects within the organisation	The aspect boundaries are the same as in financial reporting.
G4-21	Aspect boundaries for material aspects outside the organisation	The aspect boundaries are the same as in financial reporting.
G4-22	Restatements of information provided in previous reports	-
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	-
<b>Stakeholder Engagement</b>		
G4-24	List of stakeholder groups engaged by the organisation.	Stakeholder groups
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder groups
G4-26	Approach to stakeholder engagement	Stakeholder groups
G4-27	Key topics and concerns raised through stakeholder engagement	Stakeholder groups
<b>Report Profile</b>		
G4-28	Reporting period	1 January 2017-31 December 2017
G4-29	Date of most recent previous report	This is the Savings Banks Groups first responsibility report and the report will further be developed to meet the needs of our different stakeholders.
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	Director of Marketing and Communications Laine Spellman (laine.spellman@saastopankki.fi)
G4-32	GRI Content Index	GRI Content Index, GRI information
G4-33	Policy and current practice with regard to seeking external assurance for the report	No assurance is sought.
<b>Governance</b>		
G4-34	Governance structure and committees	Financial Statements, Note 4
<b>Ethics and Integrity</b>		
G4-56	Values and business principles	Board of Directors' Report: Social responsibility and financial statements, Note 4: Corporate governance policies
<b>Economic Impacts</b>		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Economic impacts
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Financial Statements, Note 41: Pension liabilities

G4-EC4	Financial assistance received from government	No significant financial assistance
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#### Emissions

G4-EN17	Other indirect greenhouse gas emissions (scope 3)	Environmental impacts
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G4-EN19	Reduction of greenhouse gas emissions	Environmental impacts
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#### Social Responsibility

##### Labour Practices and Decent Work

#### Employment

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Social impacts
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#### Labour/Management Relations

G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Social impacts
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#### Occupational Health and Safety

G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Social impacts
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G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social impacts
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G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Social impacts
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G4-LA8	Health and safety topics covered in formal agreements with trade unions	Social impacts
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#### Training and Education

G4-LA9	Average hours of training per year per employee by gender, and by employee category	Board of Directors' Report, Personnel
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G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social impacts
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G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Social impacts
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#### Society

##### Aspect: Local Communities

FS13	Access to financial services in low-populated or economically disadvantaged areas by service type	Social impacts
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FS14	Initiatives to improve access to financial services for disadvantaged people	Social impacts
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### Anti-corruption

G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Social impacts
G4-SO4	Communication and training on anti-corruption policies and procedures	Social impacts
G4-SO5	Confirmed incidents of corruption and actions taken	Social impacts

### Compliance

G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Social impacts
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### Grievance Mechanisms for Impacts on Society

G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	Social impacts
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## Product Responsibility

### Product and Service Labelling

G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and the percentage of significant product and service categories subject to such information requirements	Social impacts
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Social impacts
G4-PR5	Results of surveys measuring customer satisfaction	Stakeholder groups

### Marketing Communications

G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes	Social impacts
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### Customer Privacy

G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Social impacts
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### Compliance

G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Social impacts
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### Aspect: Active Ownership

FS10	Interaction on environmental or social issues with companies held in the institution's portfolio	Responsible investing
FS11	Positive or negative environmental or social screening of investments	Responsible investing

## RESPONSIBILITY IN THE SAVINGS BANKS GROUP

Responsibility has been an important element of our values, strategy and objectives ever since the first Savings Bank was established. With the savings bank ideology at the heart of our operations, responsibility is reflected in all aspects of our business, including our aim of promoting the well-being of the entire community as well as frugality. The savings banks are regulated by the Savings Bank Act, which states that banks can distribute part of their profits “to promote frugality or other non-profit purposes”.

Today, the responsible approach taken by Savings Banks is evident in all aspects of a bank’s activities. It is reflected in their attitude towards customers, partners, operating sphere, the authorities, the environment and other stakeholders. The Savings Banks Group (hereinafter also “the Group”) adheres to the principles of corporate governance, openness and the Group’s ethical rules.

The Savings Banks Group’s business segments are the banking segment and the asset management and life insurance segment. Detailed information on the Savings Banks Group’s business segments and the companies included in the Savings Banks Group is provided in the Savings Banks Group’s Board of Directors’ report and IFRS financial statements of 31 December 2017.

The Savings Banks Group’s corporate responsibility reporting adheres to the GRI G4 reporting framework where applicable. The report includes the non-financial information required by the Finnish Accounting Act. The Savings Banks Group’s Board of Directors has signed the GRI report, including the Group’s statement of non-financial information, in its meeting on 25 April 2018.

## Memberships of associations and advocacy organisations

Savings Banks’ Union Coop, which acts as the Central Institution of Savings Banks Group, is a member of two international savings bank organisations: the World Savings and Retail Banking Institute (WSBI) and the European Savings and Retail Banking Group (ESBG), which adhere to the UN Global Compact and ESBG’s own responsible business principles.

Savings Banks Group’s responsibility is also reflected in the Savings Bank Group’s investing activities: Sp-Fund Management Company is a member of Finland’s Sustainable Investment Forum (FINSIF) and a signatory to the UN Principles for Responsible Investment (PRI).

## MATERIALITY (G4-18, G4-19, G4-20, G4-21)

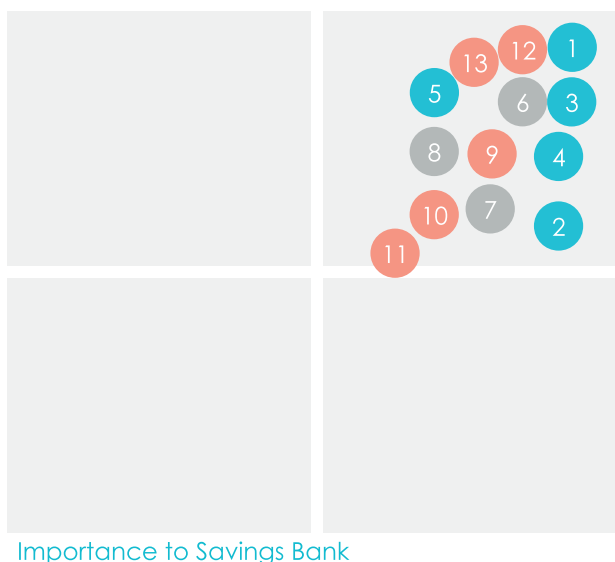
The purpose of the materiality analysis is to identify the Savings Banks Group’s and its stakeholders’ key aspects of responsibility for reporting. Identifying the material aspects also helps determine development areas to focus on in the future. The material aspects were selected based on internal interviews, stakeholder discussions and customer feedback.

The non-financial information presented in this report does not fully cover the topics highlighted in the materiality analysis as the Group has just begun its responsibility data gathering and documentation and not all themes presented have established objectives and indicators. Therefore not all themes have been reported on the first Responsibility Report. The key themes reported as part of our report on non-financial information have been gathered under the “Implementation of responsibility with regard to material aspects”-headline.

- |   |   |
|---|---|
| FINANCIAL RESPONSIBILITY                | <ol style="list-style-type: none"> <li>1. Customer information security</li> <li>2. Responsible investing</li> <li>3. Solvency</li> <li>4. Responsible lending</li> <li>5. Responsible tax payment</li> </ol>     |
| RESPONSIBILITY FOR PEOPLE               | <ol style="list-style-type: none"> <li>6. Employee competence</li> <li>7. Employee wellbeing</li> <li>8. Equal treatment of customers</li> </ol>  |
| SOCIAL AND ENVIRONMENTAL RESPONSIBILITY | <ol style="list-style-type: none"> <li>9. Supporting local communities</li> <li>10. Advancing employment</li> <li>11. Environmental impacts</li> <li>12. Locality</li> <li>13. Savings bank experience</li> </ol> |

Importance to stakeholders

## MATERIALITY ANALYSIS



## IMPLEMENTATION OF RESPONSIBILITY WITH REGARD TO MATERIAL ASPECTS

### Social aspects, aspects related to personnel and human rights

Social responsibility is one of the Savings Banks Group's most important and prominent values. The operations of the Savings Banks are based on helping our customers to take care of their finances and prosper. When Savings Banks' customers prosper and their welfare increases, the Savings Banks prosper as well.

From the start, Savings Banks have directed a proportion of their profits to enhancing welfare within their operating areas. It is important to Savings Banks that towns, villages and communities in Finland retain their vitality and positive development trends. Rather than making major one-off donations, Savings Banks prefer to give their support to several good, local projects. Supporting local communities is an integral aspect of Savings Bank operations. Provisions regarding the distribution of profits have been included in the Savings Bank Act since 1896. The Good Deeds campaign implemented on social media and the Savings Banks Group website in spring 2017 saw Finns propose 900 different charities to receive donations. More than 326,000 votes were given to the various charities. Last year, the Group's banks donated more than EUR 750,000 to various recipients across Finland. In recent years, Savings Banks have also called on their customers to contribute to their efforts related to corporate responsibility.

In 2017, Savings Banks made financial contributions to work with children and young people, war veterans, the elderly, junior sport as well as other leisure activities. The total number of beneficiaries was well over a hundred. The Savings Banks Research Foundation granted scholarships to university researchers and study projects. In addition, savings bank trusts owning limited liability-format Savings Banks have made significant contributions in various parts of the country. They also distributed considerable sums to nonprofit purposes in 2017.

The other ways social responsibility impacts customers is through investments in the Savings Bank experience and information security, as well as treating customers equally. The key values observed in the Savings Banks Group's advisory services are integrity, accessibility and transparency. The aim is to ensure that customers have confidence in the Savings Banks Group and that they perceive the atmosphere to be friendly and their customer relationship to be a source of added value for them. Employees have a particular responsibility to ensure that customers receive information in accordance with good business conduct. Employees must strive to ensure that customers are aware of the consequences of their financial decisions, including the potential risk of losses. Complaints by existing and former customers must be handled without delay and in a fair manner, in compliance with the applicable laws and regulations. The Savings Banks Group has prepared guidelines to support the complaint handling process. All communication, across all channels and to all target groups, must be open, truthful and unbiased. Employees must focus on providing clear and transparent information to customers. These values and principles are complemented by the Group's communication principles.

The Savings Banks Group considers it important for every employee to be aware of the importance of their own work for the achievement of our objectives. The customers of the Savings Banks Group appreciate the Savings Bank employees' excellent service attitude, expert and personal service and ease of service use. The Savings Banks Group actively invests in the development of these matters in dialogue with customers as well as personnel. The Savings Banks Group conducts an annual joint personnel

survey, in addition to which feedback and development ideas are collected through diverse pulse surveys. There are annual development and objective reviews, in addition to which there are regular sparring and coaching discussions.

It is important for the personnel of the Savings Banks Group and their own bank to prosper, and the employees are prepared to contribute to it. The Savings Banks Group thinks that every employee is an expert in their own work, and we provide everyone with an opportunity and responsibility for the continuous development of their own expertise. Our success in the breakthrough of our industry requires everyone to continuously maintain and develop their own expertise.

We invested strongly in the quantity and quality of the training portfolio of the Savings Banks Group. During 2017, the Group's training offering was diverse in terms of content as well as methods. A total of more than 300 training events took place during the year, with clearly over a half of them held as video or online training. The offering grew significantly compared to the previous year. In particular, the themes of the training sessions included digitalisation, saving and investment and corporate business. Data on training days and hours is mostly gathered by Savings Bank and individual company basis. A comprehensive databank is to be created for Group purposes.

In 2017, the Savings Banks Group had on average 1,343 employees. Converted into total resources, personnel volumes were an average of 1,330 in the financial year. As in the previous year, women accounted for 77% and men for 23% of all employees. The average age of employees decreased to 41.5 years. Overall turnover of personnel was 3.2%.

The foundation and key resource underlying all of the Savings Banks Group's operations is satisfied employees with a high level of well-being who are well looked after by their employer. The most common methods of promoting well-being used by the Group include recreational days, sport and culture benefits, ergonomics inspections and close cooperation with pension insurance companies and occupational health care services aimed at maintaining a high level of well-being.

For three consecutive years now, we have conducted the "My role in building our shared success" employee survey that covers all of the Savings Banks Group's personnel. The survey's response rate has been very high with a record high of 93% achieved in 2017. The results of the employee survey are an important Group-level performance indicator. In 2017, the average overall score for the entire survey was 1.38 (on a scale of minus two to plus two). The result was good and nearly on par with the previous year's score of 1.40. The survey includes questions on the following themes: competence, attitude and motivation, managerial skills and work community skills, performance, the Savings Bank experience and the Savings Banks Group. Based on the survey results, more detailed development plans and action plans have been prepared in collaboration with all of the Group's personnel. The implementation of the plans is monitored on a regular basis.

Based on the results of the employee survey conducted in 2017, "The well-being of the work community - the significance of team spirit and achieving success together" was selected as one of the most important themes that will be maintained and developed in the Group. The concrete measures for achieving this goal that were highlighted included the development of work community skills, actions taken in daily working life, informal collective activities and opportunities for the continued development of competence.



The well-being of the work community is monitored on a regular basis in contexts such as performance review and coaching discussions, team meetings, various employee surveys and continuous feedback channels, such as the Pulssi survey.

The Savings Banks Group respects human rights and strives to prevent discrimination in all of the Group's operations. Our own operations do not involve significant direct risks or impacts related to human rights, but such impacts may be related to the supply chain or the activities of investment and financing targets. The social responsibility of target companies is taken into account in our investment activities. The human rights and labour law issues related to responsible investment are described in more detail in sections FS10 and FS11.

### **Environmental Responsibility**

As a responsible Finnish banking group, the Savings Banks Group recognises its role in promoting environmental responsibility. While the Savings Banks Group's business does not have significant direct environmental impacts, we look after the environment through our day-to-day actions. We encourage our employees to use public transport, replace business trips and meetings with telephone and video conferences, and we prioritise eco-friendly alternatives in purchasing.

Investments may, however, involve indirect environmental impacts. Our investment activities take ESG (environmental, social, governance) issues into consideration, which includes an assessment of environmental impacts. Environmental responsibility in investment activities is addressed in more detail in sections FS10 and FS11.

### **Financial Responsibility**

Financial accountability refers to good profitability, capital adequacy and liquidity, good governance and responsible leadership. Savings Banks Group want to ensure that their customers and partners are able to rely on the bank's judgment and sense of responsibility in all circumstances.

To maintain financial responsibility, the Savings Banks Group's entities have to ensure their capital adequacy and liquidity even in poor economic conditions. A particular feature that applies to Savings Banks is that they take responsibility for promoting saving and financial welfare among the local population.

Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

Savings Banks Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. In 2017, we paid EUR 16.3 million in income taxes. Savings Banks Group employs financial and service industry professionals around the country. Through its presence on the various committees of Finance Finland, the Group contributes actively to the development of the Finnish banking sector.

In addition to employing its own personnel, the Savings Banks Group also has an indirect employment effect in Finland through its purchasing, for example. One example of this effect is the use of local operators in the construction of Säästöpankki Optia's new head office, which opened in 2017.

### **Anti-corruption and Bribery**

The Savings Banks Group has a Code of Conduct that all Savings Banks Group employees must adhere to, regardless of their role, position and place of work. The Code of Conduct is part of the orientation training of new employees. The content of the Code of Conduct is communicated regularly to the personnel and it includes general operating principles on how to deal with difficult situations. More detailed operating guidelines that supplement the Code of Conduct are available to all employees.

The Savings Banks Group does not condone corruption in any form, nor does the Group tolerate corruption in business activities or business partnerships. The member organisations of the Savings Banks Amalgamation cooperate with the authorities to prevent bribery and corruption. The Savings Banks Group's principles are described in more detail under section G4-SO4 of this report.

### **Risk Management**

The risk monitoring and compliance function also monitors non-financial risks. The compliance function is responsible for ensuring regulatory compliance. The realisation of non-financial risks could compromise the Savings Banks Group's reputation and result in potential damage to customer relationships and other stakeholder relations. Non-financial risks are addressed in the regular risk assessments conducted as part of business operations. Potential non-financial risks are also taken into account in the development of new products and services. Risk management is part of the Group's day-to-day activities, and employees receive regular training and instructions regarding risk management.

## STAKEHOLDER GROUPS (G4-24, G4-25, G4-26, G4-27, G4-PR5)

In line with the savings bank ideology, cooperation with stakeholders and stakeholder wellbeing are important for the Savings Bank Group. Our stakeholder groups are the groups that have a material effect on us and who are affected by our operations. Savings banks work with the local community and take their stakeholders into account in their decisions and operations. Stakeholder feedback and stakeholder dialogue help us identify new development areas and improve our operations further. We communicate actively with our stakeholders through various channels, such as news releases, our website and social media. We want to keep our dialogue with our various stakeholders as open as possible. We primarily communicate with customers at our branches, through various online channels and by telephone.

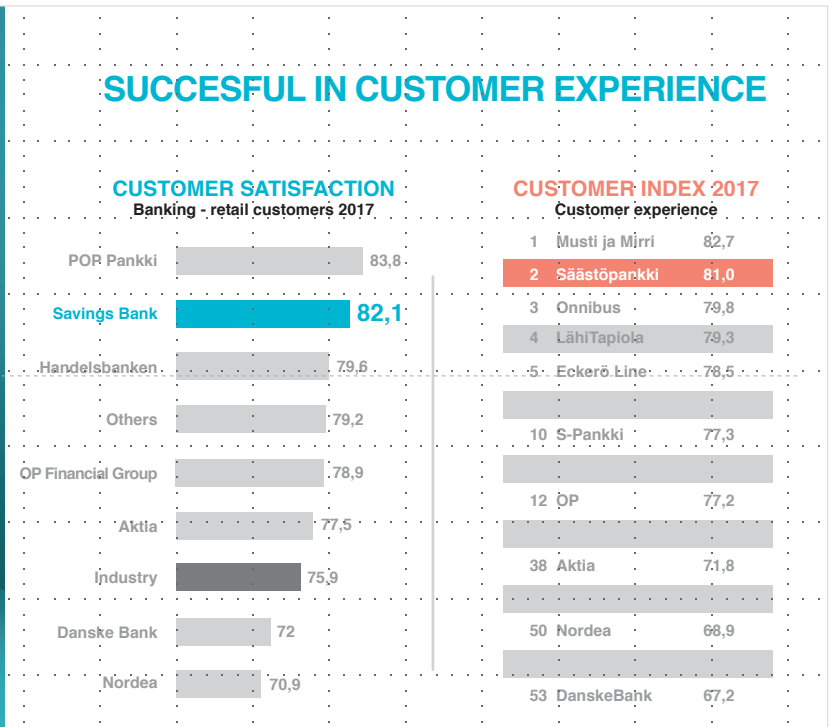
The Savings Bank stakeholders are:

- Customers
- Personnel
- The Boards and Trustees of Savings Banks
- Savings bank trusts
- Research foundation

- Local communities
- Product and service companies
  - Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Management Company Ltd, Back Office companies, Sb Life Insurance Ltd, Sp-Koti Oy, Savings Bank Holding Oy, Samlink Oy, Savings Bank Services Oy
- Cooperation partners
- Investors
- Schools and universities
- Societal operators: the authorities, industry organisations
- Media

We measure customer satisfaction with our services by customer satisfaction surveys, and develop our products and services accordingly. Issues that are important to customers also emerge in day-to-day interaction. The issues that are highlighted are mostly related to the practical side of banking: improving mobile services, opportunities for online meetings and opportunities to use the services of one's local branch. We also measure satisfaction among our employees by conducting employee satisfaction surveys and developing our working methods and work environment accordingly.

## EPSI Rating 2017



## ECONOMIC IMPACTS

### G4-EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change

The investments made by Sp-Fund Management Company can create indirect environmental impacts. Climate change related risks and environmental regulation may also have significant economic impacts, particularly in certain industries or with regard to geographic location. Sp-Fund Management Company aims to allocate its investments to companies that take environmental values and sustainable development into account in their operations.

## ENVIRONMENTAL IMPACTS (G4-EN17, G4-EN19)

Environmental impacts are taken into consideration in the Savings Bank Group in various ways, such as making it possible for employees to work remotely and participate in meetings and training events by video or telephone. We also take the environment into consideration in our other day-to-day activities; we encourage our employees to use public transport, reduce unnecessary paper consumption and sort waste at the workplace.

In investment activities, the Sp-Fund Management Company takes into account the environmental aspects of the portfolio companies. The reporting and follow up of the environmental aspect of our investments, for example carbon footprint is an ongoing process.

## SOCIAL IMPACTS

### Labour Practices and Decent Work: Employment

#### G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

New employees were extensively hired during the year across the Group's banks and companies. The total number of new employment relationships was 302. The average age of newly hired employees was 36 years. Women accounted for 79 % and men for 21 % of the new hires. The overall employee turnover was 3.2 %.

### Labour Practices and Decent Work: Labour/Management Relations

#### G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

We comply with international legislation in all of our operations. In significant operational changes, we comply the labour law in force at the time.

The management of the Group ensures that our personnel has the understanding and the knowledge of the requirements related to bank secrecy and all personnel are required to sign a confidentiality and bank secrecy contract at the beginning of their employment within the Group. Segregation of duties and internal controls have been established to minimize negligence and fraud. High priority is put on the careful and rule abiding handling of personal data of our clients.

It is important that our employees treat everyone decently and with respect. Within the Savings Banks Group it is not accepted to discriminate anyone due to their ethnic background, sex, religion, age or sexual orientation. No discrimination or harassment is approved at any form.

### Labour Practices and Decent Work: Occupational Health and Safety

#### G4-LA5 Percentage of workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes

In the Group, cooperation related to occupational health and safety is organised in the manner required by law.

#### G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

The management of the Group ensures that all tasks are equipped with a sufficient amount of resources, as well as to secure the continuity of the business by ensuring all key-personnel have back-ups in case of illness, accident or the person transferring to another company.

In 2017, sickness-related absences represented 3.1% of regular working hours. No change from the previous year.

#### G4-LA7 Workers with high incidence or high risk of diseases related to their occupation

There are no occupations in the Group with a high identified incidence or risk of diseases.

#### G4-LA8 Health and safety topics covered in formal agreements with trade unions

The employer organisation of the financial industry, Finance Finland, and the industry's employee organisations carried out the Healthy Financial Industry project in 2015-2016 with the aim of increasing occupational wellbeing, productivity and competitiveness in the industry. The Savings Banks Group was broadly represented in the project and has utilised the outcomes of the project in its own development efforts.

### Labour Practices and Decent Work: Training and Education

#### G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Competence is one of our strategic success factors. We identify employee competence needs and continuously anticipate changes therein as part of the systematic management of competence.

To support competence development, the internal Sb-Academy has been established in the Savings Banks Group, aimed at ensuring the continuous development of the competence of personnel. The Academy plans and implements a diverse range of learning paths and training content, with which we respond to the rapidly changing competence needs in the financial sector

and support the maintenance of our employees' professional competencies and continued employment. A coaching-oriented management style, active dialogue throughout the work community and on-the-job training are used to ensure that day-to-day work is meaningful and development-driven.

In 2017, the Group's employees completed a total of approximately 60 specialist qualifications in finance, investment services and sales. A total of 13 employees completed the JET Specialist Qualification in Management.

#### **G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category**

The sufficient competence of employees prevents operational risks arising from incompetence. The professional competence requirements for the Savings Banks Group's employees and potential recruits correspond to the individual's duties. Professional competence refers to the individual's qualifications, training and experience as well as their ability to perform their tasks. Employees' competence and training needs are assessed annually in personal performance reviews. The job satisfaction and well-being of employees is also evaluated by means of a workplace climate survey. Special attention is paid to the reputation and background of new employees.

All of the Group's personnel are covered by career development reviews. The focus of these reviews is on communicating the Group's strategy as well as managing competence and performance. During the discussions, the employee's performance is reviewed and actions related to competence development are agreed upon.

#### **FS13 Access to financial services in low-populated or economically disadvantaged areas by service type**

Savings Bank has a comprehensive network of branches across Finland, including small municipalities. Savings Bank also provides customers with banking opportunities by telephone, web and mobile services that are available to all customers. The equal treatment of customers is addressed in more detail hereinabove under the heading implementation of responsibility with regard to material aspects.

#### **G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified**

Normal business relationships involve the occasional offering and receiving of gifts and hospitality. As these can be interpreted as bribery on a case-by-case basis, all employees are required to exercise very careful discretion in receiving gifts from, or giving gifts to, customers, suppliers or other people they interact with in their work.

The Savings Banks Group adheres to risk management principles, according to which the Group's operational and compliance-related risks are regularly surveyed and assessed. The assessment is based on separately defined risks and risks identified in the course of business operations. No significant risks related to corruption have been identified in the risk assessment.

#### **G4-SO4 Communication and training on anti-corruption policies and procedures**

The Savings Banks Group has a Code of Conduct that all Savings Banks Group employees must adhere to, regardless of their role, position and workplace. The Code of Conduct is part of the orientation training of new employees. The content of the Code of Conduct is communicated regularly to the personnel. The Code of Conduct is complemented by more detailed operating guidelines.

The Savings Banks Group does not condone corruption in any form, nor does the Group tolerate corruption in business activities or business partnerships. The member organisations of the Savings Banks Amalgamation cooperate with the authorities to prevent bribery and corruption.

The following three principles are applied in anti-corruption efforts:

- The member organisations of the Savings Banks Amalgamation and their employees do not receive, or ask for, bribes of any kind.
- The member organisations of the Savings Banks Amalgamation are strictly opposed to bribes used to facilitate business dealings.
- The employees of the member organisations of the Savings Banks Amalgamation only give and receive gifts of minor financial value.

The line between right and wrong can sometimes be difficult to determine. An employee who is uncertain about a matter related to gift and hospitality must contact his or her supervisor. This section is supplemented by the more detailed ethical guidelines and procedures concerning gifts and hospitality.

Conflicts of interest may cast doubt over the integrity and professionalism of the Savings Banks Group, which is why they must be avoided. A conflict of interest may arise in any business unit of the Savings Banks Group if customers are offered a service that may benefit member organisations of Savings Banks Group (or their employees, or another customer on whose behalf a member organisation of Savings Banks Group is operating) or may have a negative effect on the customers of the Savings Banks Group. This section is supplemented by separate operating guidelines drafted for the member organisations of the Savings Banks Amalgamation to facilitate the prevention and handling of conflicts of interest.

The Savings Banks Group uses methods for customer due diligence and ongoing monitoring that comply with the provisions of the Act on Detecting and Preventing Money Laundering and Terrorist Financing. The methods cover employee training, guidelines and protection. Suspicious events are reported to the Financial Intelligence Unit in compliance with the legal requirements. Employees are required to complete an internal training programme annually on customer due diligence and the prevention of money laundering.



#### **G4-SO5 Confirmed incidents of corruption and actions taken**

There were no incidents in 2017.

#### **G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations**

There were no fines or sanctions in 2017.

#### **G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms**

No grievances were filed in 2017.

#### **G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes**

There were no incidents of non-compliance in 2017.

#### **G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes**

There were no incidents of non-compliance in 2017.

#### **G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services**

There were no fines in 2017.

### **Responsible Investing (FS10&FS11)**

Sp-Fund Management Company, an investment and asset management company owned by the Savings Banks Group, is committed to taking the environment, social responsibility and good corporate governance into account in its investment activities. These factors are often referred to as ESG.

We believe that responsible investment promotes the achievement of a good long-term return. Taking ESG factors into account helps manage the risks related to investment targets and identify opportunities, for that the responsibility aspects and the regulation related to them might have material financial effects. The materialisation of risks associated with responsible investments would deteriorate the Savings Banks Groups reputation and might cause harm to customer and stakeholder group relationships. We also want to contribute to the shift towards more sustainability in business and in society as a whole. Sp-Fund Management Company signed the UN Principles for Responsible Investment in 2014 and is a member of Finland's Sustainable Investment Forum (Finsif).

Sp-Fund Management Company's approaches to responsible investing include integration, norm-based exclusions, exclusion of controversial weapons, and active ownership. We developed our responsible investing process in 2017 and

selected MSCI ESG Research as our new service provider. Adopting the MSCI ESG Manager tool allows us to conduct more effective and in-depth analysis of the responsibility of companies and our portfolios as well as the related risks, opportunities and development.

In 2017, we increased awareness of responsible investing in the Savings Banks Group. We held regular joint meetings between the investment and asset management functions with regard to ESG issues. Sp-Fund Management Company delivered a total of four presentations related to responsible investing at Savings Bank events and web seminars.

### **Integration**

At Sp-Fund Management Company, applying the principles of responsible investment has been directly integrated into the investment process, which means that ESG factors are evaluated and taken into consideration as part of investment decisions. Portfolio managers also evaluate the risks and opportunities related to each investment target's responsibility as part of the other analysis of investments.

With regard to direct equity investments and corporate bonds, we prioritise responsible companies that take environmental and social factors into account in their operations. In relation to the environment, this includes giving due consideration to topics such as sustainable development, biodiversity and energy issues. The relevant areas of social responsibility include human resource policy and working conditions, respecting human rights and equality, taking local communities into consideration and appropriately addressing product responsibility. Assessments of governance include the independence and remuneration of the Board of Directors, the paying of taxes and maintaining anti-corruption and anti-bribery practices. With regard to external fund investments, we aim to find partners whose investment philosophy and approach correspond to our choices. Responsibility is one criterion in the choice of partner.

In addition to using an external service provider, our assessment of the responsibility of investment targets is based on sustainability reports, news and information obtained from non-governmental organisations and other public sources. In 2017, we began to evaluate and monitor the responsibility and development of our funds containing direct equity investments and corporate bonds by means of the MSCI ESG Manager tool.

### **Monitoring International Norms and Controversial Weapons**

We use norm-based exclusions with the aim of avoiding companies that have problems related to compliance with international norms. We exclude from our direct investments all companies that are in constant breach of international agreements related to human rights, decent work and the environment or infringe against good governance practices. Where possible, we contact the company directly or through stakeholders with the aim of assessing the company's capacity and willingness to rectify the underlying factors. The use of a business model that repeatedly infringes against norms will lead to divestment.

We also exclude companies that manufacture, sell or market controversial weapons that are prohibited by international

agreements. We regularly review all of our direct equity investments and corporate bonds with regard to infringements against norms and controversial weapons. We use an external service provider in our monitoring activities related to norm-based exclusion and controversial weapons.

Based on the reviews conducted in 2017, we decided to divest our holdings in one company due to activities related to controversial weapons. We also reviewed four infringements against the UN's Global Compact. In three of these cases, we decided to hold on to the investments while placing the company in question on a special monitoring list. In relation to one of the infringements, we decided not to accumulate more holdings in the company in question until we obtain more information about the infringement. Two of these infringements were related to investments in corporate bonds and two were related to equity investments.

### Active Ownership

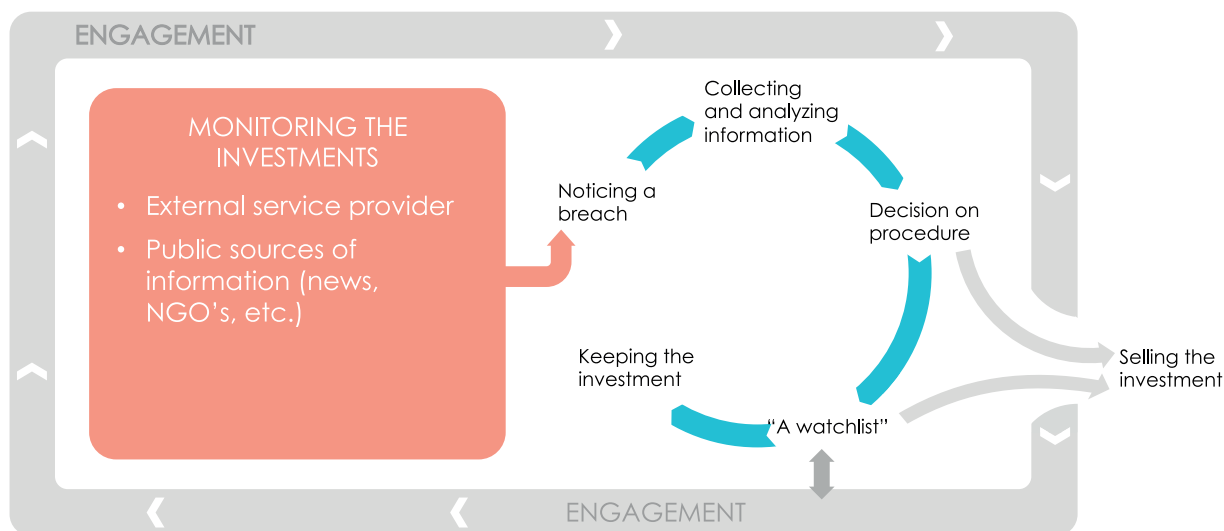
Sp-Fund Management Company is an active owner. Among other things, this means that we participate in the the Annual General Meetings of the companies we have invested in and engage in dialogue with them. We particularly monitor the development of the companies whose shares are included in our portfolios. Our aim is to increase openness, transparency and responsibility in the operations of the target companies. Where necessary, Sp-Fund Management Company maintains direct contact with the companies and aims to exercise influence to ensure that the companies take action in response to grievances and promote a responsible way of operating. Sp-Fund Management Company

discusses ESG issues in company meetings and emphasises their significance.

In 2017, Sp-Fund Management Company met regularly with the senior management and investor relations (IR) units of listed companies. We met with approximately 25% of the companies whose shares were included in the portfolios managed by Sp-Fund Management Company at the end of 2017. For companies listed on the Helsinki stock exchange, the corresponding figure was approximately 45%.

Sp-Fund Management Company puts its ownership policy into practice by participating in the Annual General Meetings of the companies its funds invest in, in accordance with the principles of ownership steering. Our ownership policy was last updated in 2016. Sp-Fund Management Company decides on participation in Annual General Meetings based on their agendas and an assessment of the extent to which the fund management company can exercise influence in an individual meeting. In 2017, the relative size of the holding was one criterion in deciding whether to participate in Annual General Meetings. Based on this criterion, six of the funds managed by Sp-Fund Management Company participated in the Annual General Meetings of Finnish listed companies in spring 2017. Of the investment funds, Säästöpankki Pienyhtiöt: 13 Annual General Meetings, Säästöpankki Kotimaa: 11, Säästöpankki Itämeri: seven and Säästöpankki Korko Plus: five. Additionally, the Säästöpankki Kotimaa investment fund was represented in the appointments committee of one Finnish company. In autumn 2017, Säästöpankki Korko Plus, Säästöpankki Kotimaa and Säästöpankki Pienyhtiöt participated in the Extraordinary General Meeting of one Finnish listed company.

## RESPONSIBLE INVESTING



Process description for engagement and monitoring breaches against international norms.

More information on the principles and practices of responsible investing is available online at [www.saastopankki.fi](http://www.saastopankki.fi).



Savings Bank