

## Corporate social responsibility

As a major regional bank, SpareBank 1 SMN lives in close community with the region. Ever since the Bank was established in 1823, further development of the society of which we are a part has been a central focus of our policy choices and dispositions. With our local knowledge and closeness to our customers, we base our assessments not on economics and risk alone but also on a social perspective, and we work closely with our customers and local communities to foster sound businesses and good living conditions.

Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3 which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. By this means we ensure that ethics, the environment and important social issues are on the agenda throughout.

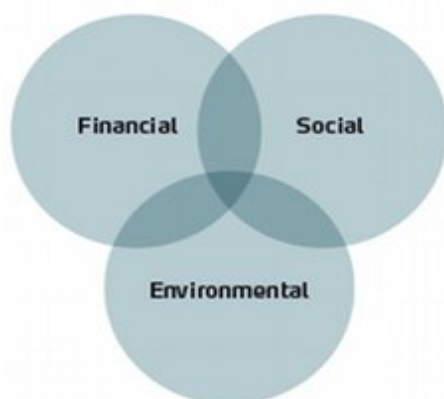
Through the bank's gift fund we have for many years returned funds to the region of which we are a part. We can mention grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development in Trøndelag and in Møre og Romsdal.

An active interplay between research, development, education and the business sector is important for the region's development. Each year SpareBank 1 SMN devotes substantial resources to stimulating innovation and to bringing together industry, business and knowledge institutions. Our collaboration with the Norwegian University of Science and Technology (NTNU) and the Foundation for Scientific and Industrial Research (SINTEF), both in Trondheim, along with iKuben in Molde and Aalesund University College, is key to this effort.

## The three-part bottom line

Solid banking creates a foundation for responsible social development. We seek a good balance between financial, social and environmental aspects. Under each theme we have defined key areas in which specific initiatives have been developed.

**Our thinking on social responsibility:  
basic structure**



**FINANCIAL**  
Strategy and plans  
Financial key figures  
Ethics, legislation  
Relationship to owners  
Risk management

**SOCIAL**  
Organisation, staff  
Customers, market  
Suppliers  
Social commitment  
Technology, security

**ENVIRONMENTAL**  
Resource use  
Purchasing policy  
Energy  
Pollution  
Waste management

## CSR status and goal achievement 2009 - 2015

	2015	2014	2013	2012	2011	2010	2009
<b>Strategy/financial</b>							
Group strategy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Develop CSR strategy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Pre-tax profit (NOKm)	1 776	2 143	1 758	1 355	1 279	1 282	1 147
Total assets (NOKm)	131 914	126 047	115 630	107 919	101 455	97 992	84 541
Return on equity	10,70 %	15,10 %	13,30 %	11,70 %	12,80 %	14,60 %	16,20 %
CET1 ratio	13,60 %	11,20 %	11,10 %	10,00 %	8,90 %	9,30 %	7,80 %
No. of ECs issued (millions)	129,83	129,83	129,83	129,83	102,76	102,74	82,78
Quoted price 31.12	50,50	58,50	55,00	34,80	36,31	49,89	45,06
Market capitalisation (NOKm) 31.12	6 556	7 595	7 141	4 518	3 731	5 124	3 749
Direct return	4,50 %	3,80 %	3,20 %	4,30 %	5,10 %	5,60 %	4,60 %
No. of owners	8 059	8 398	8 741	9 749	9 532	9 654	9 500
<b>Society/social conditions</b>							
No. of FTP equivalents	645	753	758	819	794	793	805
Sickness absence	4,20 %	3,20 %	4,10 %	4,60 %	4,00 %	4,00 %	4,20 %
Women's share of workforce	53,00 %	48,00 %	51,00 %	51,90 %	52,00 %	51,00 %	51,50 %
Women's share of senior positions	36,00 %	32,00 %	31,60 %	28,70 %	27,00 %	28,00 %	28,00 %
Average age	46 yrs	46 yrs	46 yrs	46 yrs	46 yrs	46 yrs	45 yrs
Employee satisfaction	NA**	768*	756*	730*	715*	I/T	750
Agreement on inclusive employment	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Strategy on life phase policy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices	48	48	50	51	54	54	56
No. of customers	209 200	203 000	201 500	200 900	196 500	194 500	194 000
Share allocated to culture	27 %	28 %	21 %	20 %	27 %	26 %	24 %
Share allocated to sports	30 %	26 %	15 %	22 %	26 %	27 %	20 %
Share allocated to humanitarian work	8 %	7 %	5 %	12 %	7 %	7 %	4 %
Share allocated to business development	35 %	39 %	59 %	46 %	40 %	40 %	52 %
<b>Environment</b>							
Purchase of paper (tonnes)**	19,8	26,5	35,8	35,8	35,7	39,1	35,9
Energy consumption (kWh)	4 522 914	5 965 100	6 134 600	6 135 000	6 900 500	7 004 400	6 580 000
No. of flights	3 660	3 626	3 517	3 524	3 910	3 816	3 585
E-waste return scheme (tonnes)	0,30	3,15	3,10	3,25	3,40	3,43	2,90
Waste sorting at source	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Printer and toner return scheme	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of videoconferencing rooms	11	10	10	10	8	6	6
Strategy/action plan for energy and the environment at the new head office	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices certified under the 'Environmental Lighthouse' scheme	15	15	4	4	2	1	1

\* New system of organisation analysis as from 2011

\*\* Organisation analysis not conducted in 2015

## Ethics

The group's business activities are dependent on the confidence of its customers, the public authorities and the wider society. Staff at SpareBank 1 SMN must be recognised for their high ethical standards. To this end each of us, in any context where we are identified with SpareBank 1 SMN, must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed.

SpareBank 1 SMN intends to provide factual, correct information in an honest, trustworthy and open manner about the bank's business and services.

SpareBank 1 SMN has set up the following formalised, repeating review of the bank's ethical guidelines for the group's employees; this, in sum, constitutes the formal framework tool for the practical conduct of all staff of the bank:

- the ethical guidelines are a part of the staff handbook, and thus a part of the employment contract
- the ethical guidelines are reviewed, with pertinent examples presented for discussion by all new staff
- ethics is a compulsory module at the bank's educational facility
- all authorised and approved advisers receive an annual competence update that includes an ethics session

## Organisation and staff

SpareBank 1 SMN aims to be an attractive and inclusive employer for staff in all age groups and life phases. The bank sets the stage for all staff to experience a good balance between work, home and leisure. We also encourage staff to maintain good health by promoting physical activity. This is based on the belief that staff members whose needs are catered for put in a better performance in the best interest of themselves and the business.

SpareBank 1 SMN has relatively low rate of sickness absence, 4.17 per cent in 2015, and we believe this can to some extent be ascribed to a workforce that is motivated by challenging and stimulating work at the same time as many stay in shape through various forms of physical activity.

We have a good gender and age balance. The bank is working to raise the proportion of women in senior positions. In 2015 women held 36 per cent of senior positions compared with 32 per cent in 2014.

The group has established a robust framework in the organisational area:

- staff handbook, health, environment and safety (HES) handbook, inclusive employment agreement
- internal committees fixed by agreement: liaison committee, appointments committee and negotiating committee
- ethical guidelines, procedure for reporting concerns and procedure for handling conflicts
- induction programme and gatherings for new staff members
- targeted competence development through adviser training and the educational facility
- framework for personal professional development sessions
- annual staff survey and follow-up
- phase-of-life policy

The group has established a project known as 'Better Shape' to promote good health, increased motivation and well-being. The project is a targeted drive aimed at motivating staff to increase their physical activity.

## Corruption and internal illegalities

Corruption is defined as giving/offering or demanding/receiving/accepting an improper advantage in relation to a position, office or assignment.

Internal illegalities include acts whereby a staff member, substitute, elected officer or member of a governing body of SpareBank 1 SMN knowingly and unjustifiably commits an act that leads to personal or financial gain for the individual concerned or for others. This may be by means of embezzlement, theft, forgery, breach of financial trust, fraud, selling information or withholding information. Illegalities can include breaches of applicable instructions, code of ethics, procedures, authorisations or agreements.

The group's sanctions system is designed to assure uniform responses, reporting, archiving and follow-up of censurable circumstances among staff across the Group. The object of the sanctions system is to have in place an effective set of rules that ensures compliance with the established code of business conduct while safeguarding staff members' security under the law.

Disclosure of corruption and other illegalities at an enterprise is known as whistleblowing. Everyone has a social responsibility and no-one should keep quiet about a criminal offence. SpareBank 1 SMN has a keen awareness of this issue and takes precautionary measures against, and uncovers, corruption and irregularities and investigates any suspicion of illegality or irregularity.

## Money laundering and financing of terrorism

"Know-your-customer" and "know-your-customer's business" are important principles of Norway's Money Laundering Act. Alongside the societal trend of increasing exposure to risk, the bank sees a regulatory regime and international standards that are constantly evolving. Increased requirements are imposed throughout, as well as more specific and stringent requirements on customer due diligence and customer follow up.

SpareBank 1 SMN works systematically to uncover and combat economic crime. As an institution subject to the reporting obligation, SpareBank 1 SMN is required to undertake a concrete review of the risk of money laundering and terrorist financing facing its business. Our risk assessment involves identifying and assessing risk associated with customers, customer relationships, products and transactions. Customer due diligence measures must be tailored to the identified risk.

Knowledge of our business and of our customers is important when applying a risk based approach under the requirements imposed on us by legislation. This means that SpareBank 1 SMN needs to know what transactions are normal for the particular customer to carry out if we are to be able to uncover unusual or suspicious transactions. The bank must to that end be able to demonstrate that its due diligence measures are tailored to the risk in question. Authorities, customers and competitors must have confidence in SpareBank 1 SMN's professionalism and integrity. By maintaining vigilance at all levels of the organisation the bank plays its part in ensuring that products and services are not exploited to criminal ends.

The threat picture has changed where economic crime is concerned, not least in terms of the increased volume of organised cross-border crime. The bank is witness to ever more sophisticated attempts to launder money, and also an increase in cross-border transactions, as well as in foreign customers. We further note more widespread fraud and attempted fraud against our customers. Customers are lured into making payments to recipients abroad, for example in connection with internet dating, investment fraud, holiday property rentals, bogus e-mails etc.

In the past two years SpareBank 1 SMN has increased its number of reports to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) by 90% compared with previous years. The bank elucidated and reported 114 cases in 2015. A significant portion of reported cases were prompted by frequent and/or large cash deposits via cash deposit machines that are often used for transfers to other countries; extraordinary loan repayments; mixing of personal and business activities etc, along with other suspicious account movements and large cash withdrawals.

All staff members are required at specific intervals to undergo mandatory e-training with respect to money laundering and terrorist financing. In addition 20-25 courses/training in combating money laundering are held annually for a large number staff.

### **Environment**

The Group implements measures designed to reduce consumption of energy, paper and other resources. We are also reducing resource-demanding travel by replacing travel with video conferencing. Handling of e-waste and purchase of environment-friendly solutions also receives much attention. The bank strives throughout to ensure the right procurement of technological equipment, and to this end includes energy and environmental requirements as specific assessment criteria. This is set out in a procurement guide, and our Environmental Lighthouse action plans

All technological equipment is handled as special waste, and is delivered to an approved e-waste disposal facility. In 2015 a good 300 kg of technological waste were delivered to such a facility. Paper consumption amounted to 19.8 tonnes compared with 26.5 tonnes in 2014. Increased use is made of electronic work processes, bringing greater demands on safety and personal protection. The following measures are in place to ensure a focus on, and competence in, safety:

- Regular internal safety courses
- National safety exercises (disaster preparedness exercises)

SpareBank 1 SMN made 3,660 flights in 2015 compared with 3,626 in 2014. Despite increased customer activity and the bank's involvement in committees and projects under the auspices of the SpareBank 1 Alliance, air travel is on a stable trend. Videoconferencing, telephone conferencing and digital tools to support teamworking and knowledge sharing are on the increase. We also encourage employees to take public transport or, preferably, to cycle or walk to and from work if feasible.

### **Very low energy consumption at the head office**

SpareBank 1 SMN relocated to its new head office in autumn 2010. Our energy consumption and indoor climate targets were ambitious. The energy consumption target for the office premises section of the building was 85 kWh per square metre per year. This target was met by an ample margin in the very first year. After three years of operation, energy consumption in this section was 77 kWh per square metre, which is far below the limit of 144 kWh per square metre set by the authorities. Concrete measures to reduce energy consumption in 2014, along with lower winter temperatures, enabled an overall saving of some 170,000 kWh compared with 2013. Consumption in the offices premises section stands at about 60kWh. The reasons for the low energy consumption are numerous and complex, but the main factors are:

- a well-insulated and efficient building envelope
- a highly energy-efficient ventilation system
- a good control and operation-monitoring system

- organisation of the workplace and monitoring by the building's users

Work on energy-reducing measures is in progress at all offices undergoing environmental certification.

### Environmental lighthouse

SpareBank 1 SMN has opted for certification under 'Environmental Lighthouse', a national certification scheme catering to the private and public sectors. We gain certification under the head office model. By the start of 2015 the Trondheim head office and the offices in Ålesund, Stjørdal and Steinkjer were certified. A further 12 offices are now certified. Our subsidiaries SpareBank 1 Finans Midt-Norge and SpareBank 1 Bilplan are also certified. This means that offices in which about 700 staff work on a daily basis are now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. Certification of the remaining offices starts in 2016. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS.

## SpareBank 1 SMN's monetary gifts

Contributions to the community and society are non-profit and they benefit as many as possible. We consider it highly important that our contributions should build, support and develop the region. We contribute competence and capital to enable the creation of new value and to make the region an attractive place to live.

- We work to bring together individuals, ideas and resources in a process that fosters value creation
- We supply capital to activities that promote social objectives

We impose the same ethical and environmental demands on our partners as on ourselves. In processes, and in the case of awards of some size, written agreements are established to ensure that our social requirements are complied with. Our main focal areas are the following:

Business development:

- innovation
- competence transfer to the region's business and industry
- assisting infrastructure development
- developing entrepreneurship
- start-up assistance (seedcorn and venture capital)

Culture/sports:

- special focus on children and young people
- helping to strengthen the region's identity and historical foundation based on the St. Olav tradition and legacy
- helping to stimulate talented individuals, young people and enthusiasts in the spheres of culture and sports, in particular through the Prize of Honour

SpareBank 1 SMN disbursed a good NOK 30m to activities of benefit to the community through its gift institute in 2015.