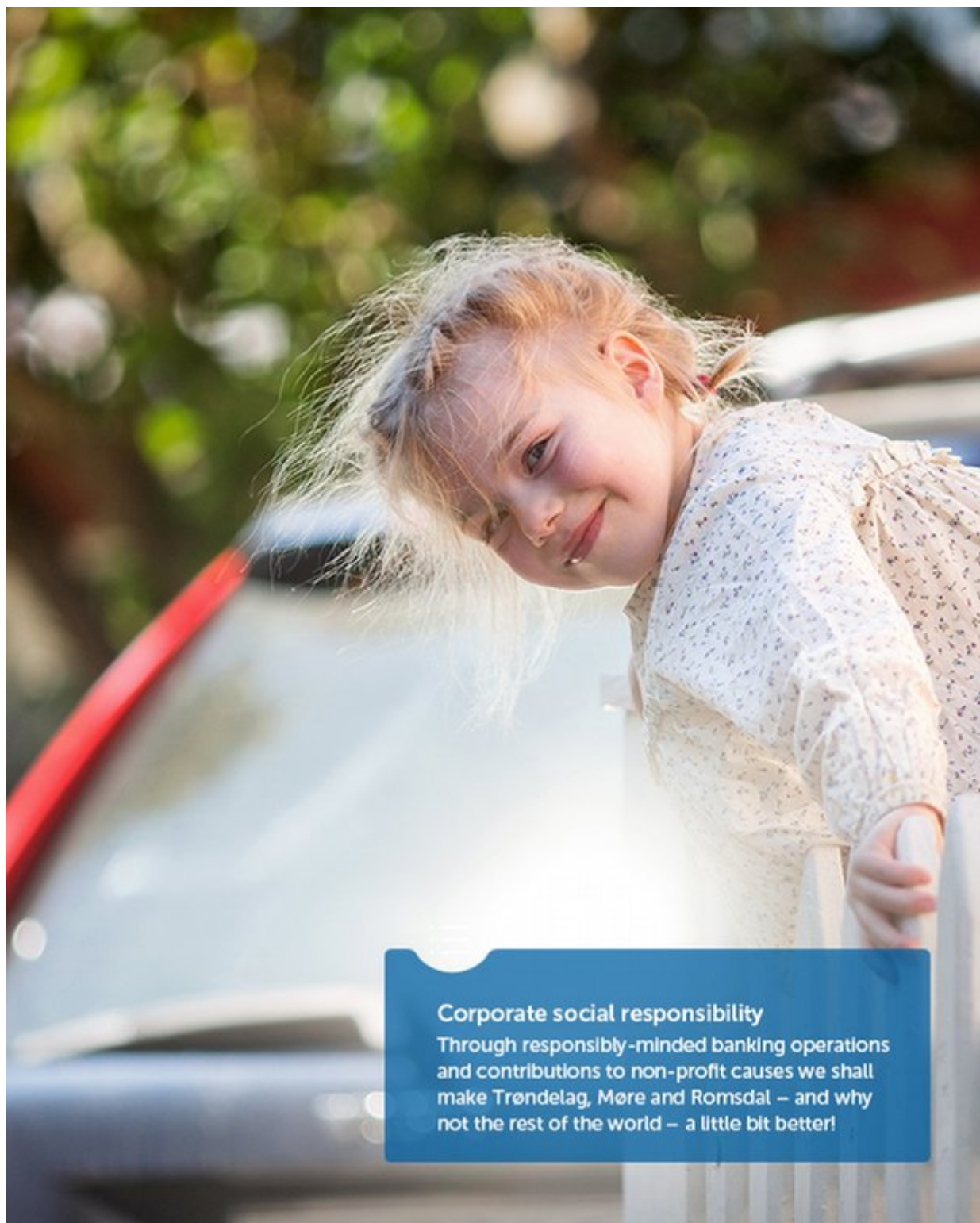


Corporate social responsibility



Corporate social responsibility

Through responsibly-minded banking operations and contributions to non-profit causes we shall make Trøndelag, Møre and Romsdal – and why not the rest of the world – a little bit better!

Corporate social responsibility

SpareBank 1 SMN wishes to contribute to society's value creation through responsibly-minded banking operations that instil confidence in the populace.

Healthy growth provides the 'lift' that enables the Group to attract good customers and skilled staff and to contribute to the further development of the region of which the Group is a part.

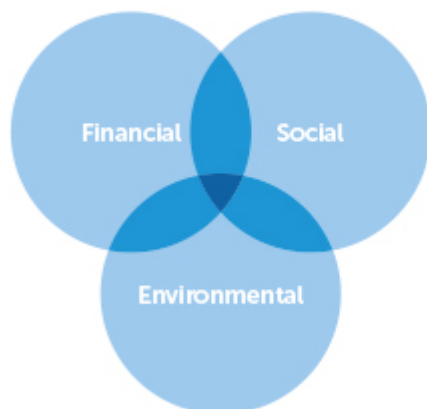
Growth must be balanced against the need for rational use of inputs and resources consumed by the bank.

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, the 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.

The three-part bottom line

SpareBank 1 SMN has established a corporate social responsibility (CSR) strategy comprising three main themes: financial, social and environmental. Under each theme we have defined key areas and set clear-cut goals for how the bank should contribute to responsible development.

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

Our commitments

SpareBank 1 SMN is committed to showing consideration for people, the environment and society beyond the edicts of the financial market legislation. The business assumes corporate social responsibility through the following commitments.

Employee rights and social conditions: The bank sets the stage for all staff to experience a good balance between work and leisure, personal development and various leisure activities. The group is also party to an inclusive employment agreement.

Requirements on suppliers: The bank's procurement policy requires all purchase contracts to include documentation on corporate social responsibility. Suppliers must abide by local, national and international

laws, rules and principles (including provisions on matters such as pay, working time, health, environment, safety and corruption). In the case of calls for tender and RFQs, SpareBank 1 SMN requires offerors to provide documentation of environmental certification.

Suppliers are subject to a notification obligation and SpareBank 1 SMN can carry out inspections and audits. They commit themselves to acting in an ethically correct manner in their contracts for deliveries to SpareBank 1 SMN. The same requirements apply to a supplier's sub-supplier and partners connected to a contract to supply SpareBank 1 SMN. Any breach of the CSR provisions are regarded as a breach of contract and could provide a basis for contract cancellation.

External environment: The bank is certified under the 'Environmental Lighthouse' scheme for its sector. This entails systematic, targeted and continuous improvement in the areas of work environment, procurements, waste, transportation, energy, emissions and aesthetics.

The bank impacts the external environment through its consumption of energy and water, choice of materials and goods, travel and waste. Data on these environmental aspects are reported annually to the Environmental Lighthouse foundation (Stiftelsen Miljøfyrtårn). The reports are based on continuous monitoring of energy use, travel activity, sickness absence and waste volumes related to day-to-day operations at each department. Well-being, occupational health and safety activity, steps taken and concrete plans for further improvement are included. The environmental account is published on the bank's website.

Human rights: This area is considered to be covered through the group's ethical rules which set out main principles for how employees and elected officers in the Group are to conduct themselves and what mindset should underlie decision-taking in given situations.

Corruption: The group's ethical guidelines, which are part of the employment contract, described how staff members should relate to gifts, customers and corporate entertainment. A dedicated e-course in ethics has been developed which is mandatory for all new staff. The group has also procedures for whistleblowing in relation to censurable circumstances and security breaches.


Ethical management: The bank's investments are intended to safeguard the environment and social conditions and to promote good corporate governance. Ethical management is based on internationally recognised principles and is well integrated in the entire value chain. As an active asset manager we will primarily exercise responsibility and accountability through ownership and dialogue with the board of directors and corporate management. As a professional and exacting customer and supplier, the bank can exert pressure on companies to ensure that ethical management is an integral part of their business. This assures companies and owners sound, long-term value creation. The aim is to achieve a high risk-adjusted return over time by investing in companies engaged in sustainable business.

SpareBank 1 SMN is a substantial distributor of products delivered by SpareBank 1 Forsikring and Odin Forvaltning. Both companies are owned by SpareBank 1 Gruppen in which SpareBank 1 SMN holds a 19.5 per cent stake.

Read more about Odin Forvaltning's guidelines for accountable management here:

<http://odinfundmanagement.com/about-us/responsible-fund-management/>

The same for SpareBank 1 Forsikring here:

 <https://www.sparebank1.no/content/dam/SB1/bank/smn/om-oss/om-banken/Vedlegg/20170127-Baerekraft-Aarsrap>

The bank's subsidiary Allegro Kapitalforvaltning invests both directly and indirectly in a large number of companies. When asset managers are being selected, the individual manager's processes as regards responsible investments are evaluated. The entire portfolio is reviewed on a regular basis and checked against Norges Bank Investment Management's exclusion list.

Good environmental trend in 2016

SpareBank 1 SMN 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 that end includes energy and environmental requirements as specific assessment criteria. This is set out in a procurement guide and in 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 450 kg of technological waste were delivered to such a facility. Paper consumption has been substantially reduced in recent years. Last year consumption amounted to 17.1 tonnes, down from 19.8 tonnes in 2015 and 26.5 tonnes in 2014. The bank is making increased use of electronic work processes, and staff are more aware of the need to avoid printing out emails.

The bank made 3,542 flights in 2016 compared with 3,660 in 2015. A single journey is defined as the entire trip, out and back including stops. 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. All figures refer to the parent Bank.

Environment	2016	2015	2014	2013	2012	2011	2010
Purchase of paper (tonnes)	17,06	19,80	26,50	35,80	35,80	35,70	39,10
Energy consumption (kWh)	4 495 800	4 522 914	5 965 100	6 134 600	6 135 000	6 900 500	7 004 400
No. of flights	3542	3 660	3 626	3 517	3 524	3 910	3 816
E-waste return scheme (tonnes)	0,45	0,30	3,15	3,10	3,25	3,40	3,43
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 room	11	11	10	10	10	8	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	25	15	15	4	4	2	1

Energy-efficient offices

Total energy consumption at the bank ended last year at 4.5 million kWh, which is a reduction from the previous year. The reduction is down to more efficient use of premises and a more energy-efficient mindset among staff in terms of turning off computers, screens and lighting at the end of the day.

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 and the trend has continued since that time.

Work on energy-reducing measures is in progress at all offices undergoing environmental certification. The bank 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. Last year ten new SpareBank 1 SMN offices were certified, bringing the number of certified offices to 25 out of a total of 48. The ambition is for all offices to acquire this status. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS ("Green Dot Norway plc").

Responsibly-minded credit policy

Responsible and accountable business operations giving emphasis to the environment, ethics and social conditions are at centre stage for SpareBank 1 SMN. The bank's credit policy affirms that environmental risk factors are to be analysed fully on a par with other potential risk drivers and will be assigned crucial weight in determining whether credit should be granted.

The bank has specific CSR guidelines for its credit business catering to corporate customers. The guidelines describe how the bank is to assess clients' exercise of CSR and the risk associated with environmental and social conditions and corporate governance. Here are relevant extracts from the above guidelines:

Case templates and checklists:

- Anti-money laundering form to be completed to ensure updated information
- Compliance with environmental requirements and approvals
- Checklist on the company's capacity and competence as regards corporate governance
- Assessment of the extent to which the company operates in accordance with laws and rules and the bank's philosophy and values from a legal, identity, morality and ethics standpoint as well as reputation
- Assessment of legal capacity

Credit strategy:

- Assessment of environmental pollution emanating from customers

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.

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

SpareBank 1 SMN works systematically to uncover and combat economic crime. 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 succeed in uncovering 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 also note more widespread fraud and attempted fraud against our customers. Customers are for example lured into making payments to recipients abroad, for example in connection with internet dating, investment fraud, holiday property rentals, sales of objects 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). The bank elucidated and reported 97 cases in 2016. Reports were prompted by frequent and/or large cash deposits via cash deposit machines, often followed by transfers to other countries; unusual payments from abroad, extraordinary loan repayments; mixing of personal and business activities etc, along with other suspicious account movements.

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

Information security

Information security at SpareBank 1 SMN involves ensuring the necessary confidentiality, integrity and accessibility of all information that is owned, processed or managed by the bank, whether this is done by IT systems on the bank's own premises, by code at our suppliers or by cloud software.

The SpareBank 1 Alliance's Information Security Policy is the basic steering document for all processing of information in the SpareBank 1 Alliance, and builds on the Alliance's overall security policy. The bank has a separate policy for outsourcing IT services as well as a joint security strategy that covers the entire alliance.

A number of technical security measures have been established in this area, and training and raising of awareness are at centre stage. In 2016 an attitude-moulding programme named Passopp was launched to strengthen the security culture across the entire organisation. The bank also wishes to play its part in promoting safe and secure customer behaviour and in familiarising customers with information security. smn.no offers tips and advice on secure use of the bank.

Corporate social responsibility through donations

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 and 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 37m to activities of benefit to the community through its gift institute in 2016.