

# Sustainability report

## Responsible finance house

- A: EQUAL RIGHTS
- B: FINANCIAL SERVICES FOR ALL
- C: STIMULATING INNOVATION AND DEVELOPMENT
- D: SUSTAINABLE ADVICE
- E: PREVENTING FINANCIAL CRIME

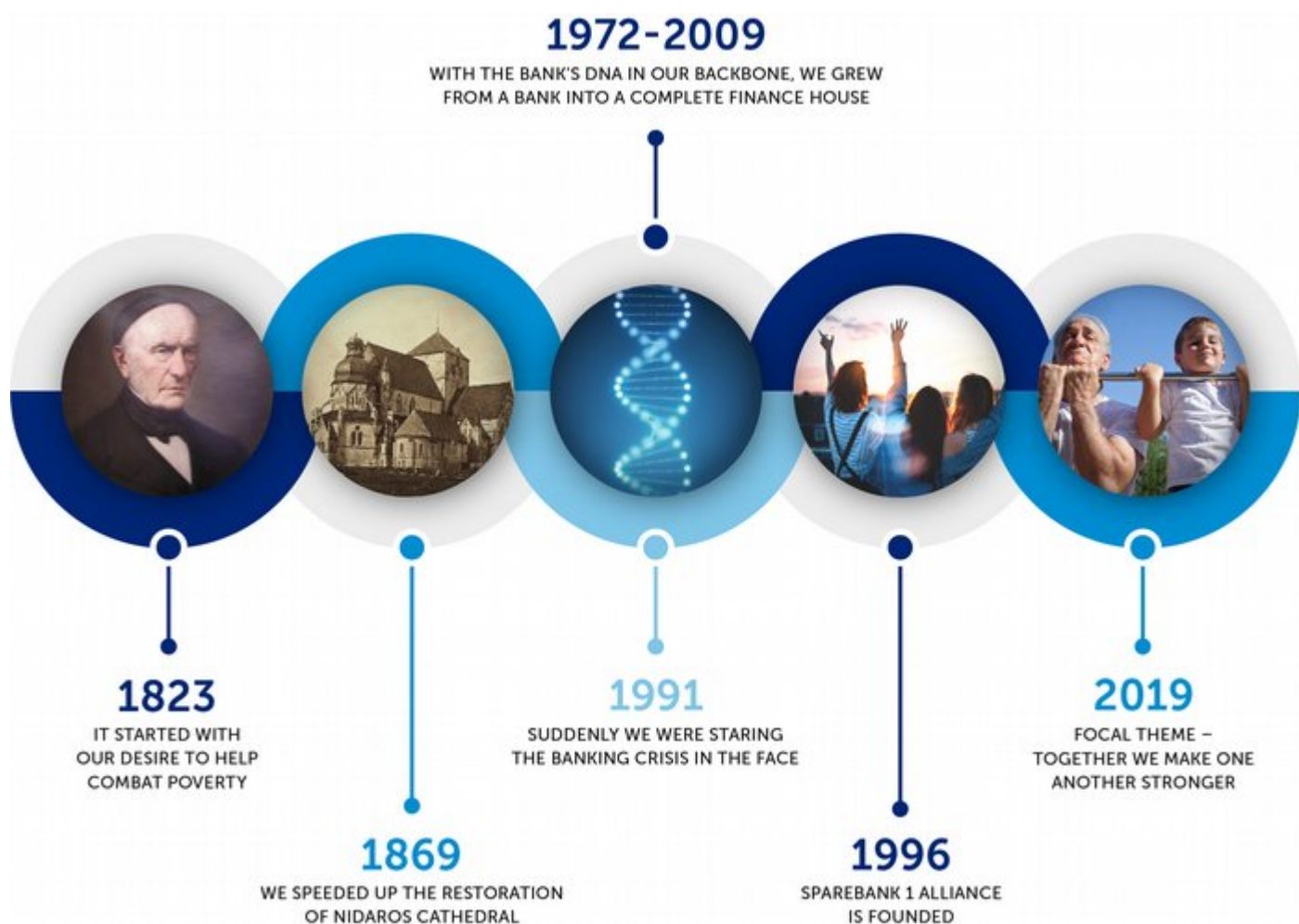
## What characterised SpareBank 1 SMN in the year behind us?

In 2019 SpareBank 1 SMN changed more than we could foresee at the start of the year. We strengthened our position as a finance house through the acquisition of DeBank, the merger with Fremtind and several acquisitions by Regnskapshuset. In addition, the agreement with the Norwegian Trade Union Confederation (the LO) provides a solid foundation for further growth.

In parallel with this we intensified our systematic work on sustainability. The issuance of our first green bond and signing of the UN principles for responsible banking were two milestones in 2019.

ESG is an acronym for 'environmental, social and governance'. A positive trend in our ESG rating confirms that we are on the right path

This inspires and motivates us. We go to work each day in order to make a difference for people who live and run a business in the region. In our sustainability report you can read more about what we have done in the year behind us.



## The story of SpareBank 1 SMN

### 1823 | It started with our desire to help combat poverty

The year was 1823. There was much poverty and need in the country. Society needed a benevolent institution and 44 of Trondhjem's most prominent men raised capital for a common fund – to start a savings bank. They donated a total of 1,596 specidaler, and Trondhjem Sparebank was founded with an ownership model that took on a social responsibility from day one.

Trondhjem Sparebank was established on 26 May 1823, with the following objects clause:

*“to encourage the common people to save so that the less fortunate might have something to engage in by starting a business, entering into marriage, in time of distress or in troublesome old age.”*

The bank's first manager was Jacob Roll, later to become the town's first mayor. Over the next hundred years savings banks were founded across the entire region. Thus starts the story of an undertaking that was to prove to be more than a bank – and its journey to what is today SpareBank 1 SMN.

### 1869 | We speeded up the restoration of Nidaros Cathedral

It became a custom early on to devote part of the bank's net profit to support worthwhile projects in the region. In 1869 the Nidaros Cathedral lay partially in ruins after fires and poor maintenance. There was much discussion about who should assume responsibility for restoring the national sanctuary. Then the board of representatives of Trondhjem Sparebank announced that each year, for the next 10 years, they would set aside 3,000 specidaler for the restoration of Nidaros Cathedral – with the important proviso that the government contributed 7,000 specidaler each year.

**This speeded matters up!** Not just as regards the restoration; it also led to the establishment of Nidaros Cathedral Restoration Workshop. And in 2019, when Nidaros Cathedral Restoration Workshop celebrated its 150th anniversary, it came to us: that we have played a part in making this happen.

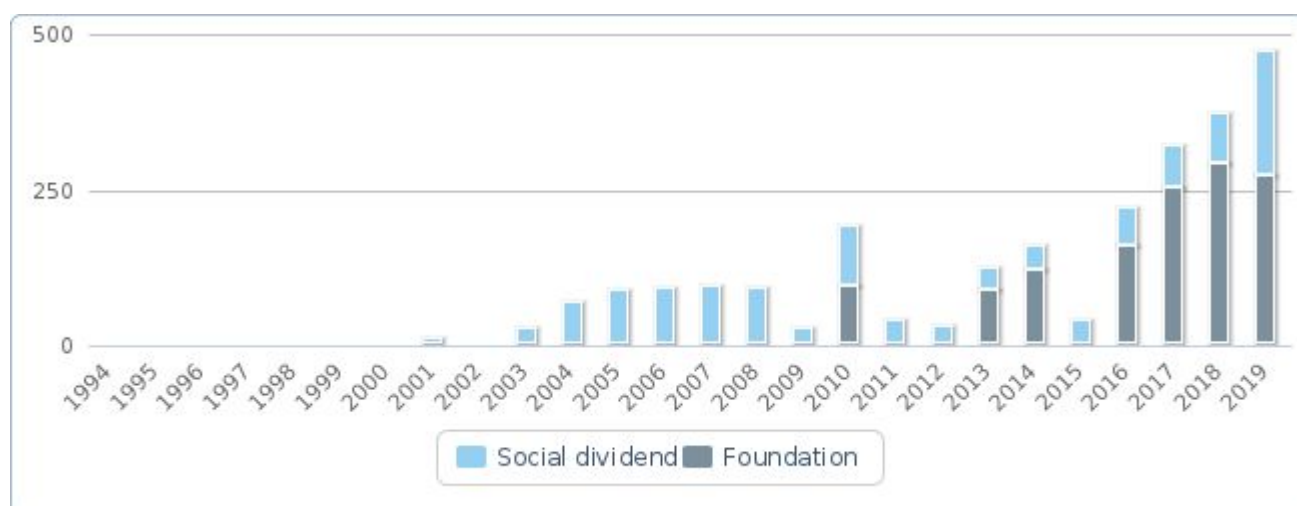
Up to the present we have contributed close to a hundred million kroner to various projects in and around Nidaros Cathedral.

### 1972 | With the bank's DNA in our backbone, we grew from a bank into a complete finance house

SpareBank 1 SMN has been an important social actor right from its establishment, and behind our role in society there lies a strong basis in values. Our goal throughout has been to offer good financial advice and by that means safeguard people's and firms' everyday finances. Although the organisational set-up has changed, the goal lives on, and sits in the backbone of those who work here. It is the bank's DNA.

As from the mid-1970s many of the local savings banks in the region merged. We changed name to Trondhjems og Strindens Sparebank (1975), to Sparebanken Midt-Norge (1985) and then to SpareBank 1 SMN (2008). And, when the bank lost its equity capital (1991), SpareBank 1 SMN was admitted to the Oslo Stock Exchange (1994). Two years later the SpareBank 1 Alliance saw the light of day (1996). SpareBank 1 SMN acquired Romsdals Fellesbank (2005) and BN Bank Sunnmøre (2009).

Today the financial group SpareBank 1 SMN has the following subsidiaries: EiendomsMegler 1 Midt-Norge, SpareBank 1 Finans Midt-Norge, SpareBank 1 SMN Invest, SpareBank 1 Regnskapshuset SMN, SpareBank 1 Markets, SpareBank 1 Kapitalforvaltning and Spire Finans. We started as a bank, now we are a fully-fledged finance house.



*Development in the size of social dividend*

**1991 | Suddenly we were staring the banking crisis in the face**

The community was our sole owner right up to 1991. But with the onset of the financial crisis and the banking crisis in Norway, our entire equity capital was lost necessitating a bail out by the central government. SpareBank 1 Midt-Norge was refinanced by means of fresh equity from the Government Bank Insurance Fund. This entailed a new ownership model, although we had, and still have, substantial shared interests with the community of which we are a part. At the same time it is important for us to meet our shareholders' need for commercial and business-related assessments. This we have done by delivering good returns and by being a profitable investment for our investors.

Today the bank is 64 per cent owned by shareholders – private individuals, large financial investors and institutions, while 36 per cent is owned by the community, i.e. our customers. This means in practice that more than a third of our value creation is returned to the community. This is termed social dividend.

Social dividend is aimed at benefiting the entire region. Clubs, associations and organisations can apply to have social dividend allocated to worthwhile projects. We have two application deadlines per year and receive about 3,000 applications each year. More than 1,000 different projects receive support. In 2019 we distributed NOK 80 million to projects in the fields of sports, culture, and community and business life in our region.

**1996 | SpareBank 1 Alliance is founded**

Most people desire security, a good overview and a bank which is there when they need it. At SpareBank 1 SMN we aim to be best at combining local proximity and digital simplicity in a way that makes a difference in people's everyday life and through the various life phases.

We have advisers who are well versed in personal finances, who care about their customers, and enable the customer to be certain they are making good (financial) choices. We are on hand when a customer encounters new financial milestones, whether related to moving in or out, starting or ending working life, family expansion or contraction, insuring possessions, or helping out with a project.

Our bank espouses innovation. Through our collaboration in SpareBank 1 we develop the smartest solutions for our customers' everyday finances. Solutions which provide customers with a good overview and good advice and which make large or small online bank errands a simple matter.

Since 2017 SpareBank 1 SMN has supported the UN's work on sustainability by endorsing the UN Global Compact. Through this compact the bank undertook to work for continuous improvement in the areas of human rights, employee rights, the environment and anti-corruption. For us at SpareBank 1 SMN this is a natural extension of our own values, and is something we recognise and strive to improve our performance on.

**2019 | Focal theme – together we make one another stronger**

Life is lived at the local level. As a bank we are proud of the localities we hail from. From Årdal in the south to Rørvik in the north. We take the initiative for and support activities which promote people's well-being and the building of strong local communities. We kick-start entrepreneurs, disseminate knowledge, establish venues, sponsor and cheer on local initiatives.

Sustainability is on the way to being integrated into our business. We take corporate social responsibility by highlighting a specific theme anchored in the UN sustainability goals each year in the run-up to our 200th anniversary in 2023. In 2018 we focused on sustainability goal no. 14: life below water, in the shape of our

‘plastic waste clean-up project’. In 2019 our focus was on public health and sustainability goal no. 3: healthy lives and wellbeing, in the shape of ‘getting people out of their sofa’. Going forward we will keep hold of our experience of working together with the entire region. We will provide support to a variety of worthwhile projects, and in 2020 we will make an extra effort to reduce food waste, acclaim central-Norwegian food producers and focus on sustainability goal no. 2: zero hunger.

Together we make things happen.

## Responsible finance house<sup>1</sup> for almost 200 years

The group’s social responsibility has two dimensions. One dimension is to operate a profitable and sustainable financial group. The other dimension is by virtue of being a community-owned financial group. In our ownership model the regional local community is represented on the bank’s highest body – the supervisory board – at the same time as the rightful portion of the net profit (36 per cent) is allocated to social dividend.

SpareBank 1 SMN is a finance house offering a complete range of financial products and services. We meet our customers with a local presence, knowledge and good digital solutions. SpareBank 1 SMN contributes to sustainable value creation and a strong regional social commitment, both through its own activities and in collaboration with others. Based on our history, business model and ownership model, the board of directors underscores that sustainability has been an integral and natural part of our operations and development for almost 200 years.

*1) SpareBank 1 SMN is required to comply with the CSR reporting requirements set out in the Accounting Act section 3-3(c). This provision requires SpareBank 1 SMN to describe “what the institution does to integrate the regard for human rights, worker rights and social conditions, the external environment and the combating of corruption into its business strategies, into its day-to-day operations and into its relationship with stakeholders.”*

### We think globally and act locally

SpareBank 1 SMN’s financial products and services can play an important role in the efforts to resolve our era’s most pressing national and global challenges as they are defined in the UN Agenda 2030 for sustainable development. We have therefore committed ourselves to the UN principles for responsible banking and to the UN Global Compact. By supporting these global initiatives we will demonstrate how our business can contribute to promoting sustainable development:

1. Creating value
2. Building local communities
3. Preserving the planet



### New group strategy – One SMN

The board of directors of SpareBank 1 SMN adopted a new group strategy in December 2019. The strategy sets out the group’s overarching priorities for the period to 2023, and lays a common basis for all companies

and business lines. One of five strategic priorities is to integrate sustainability into the business. This work is in its initial phase and will be further developed and fleshed out in the strategy period. Setting the level of ambition in prioritised areas is part of this process. Hence updating our materiality assessment is a planned initiative in 2020.

SpareBank 1 SMN's group strategy is termed One SMN. In the strategy period we will build a common, solid foundation in which sustainability will be integrated into all business lines. This involves a project to establish a comprehensive and coherent method, process and standard for sustainability across the group.

### **Our contributions to the UN Agenda 2030 are in continuous development**

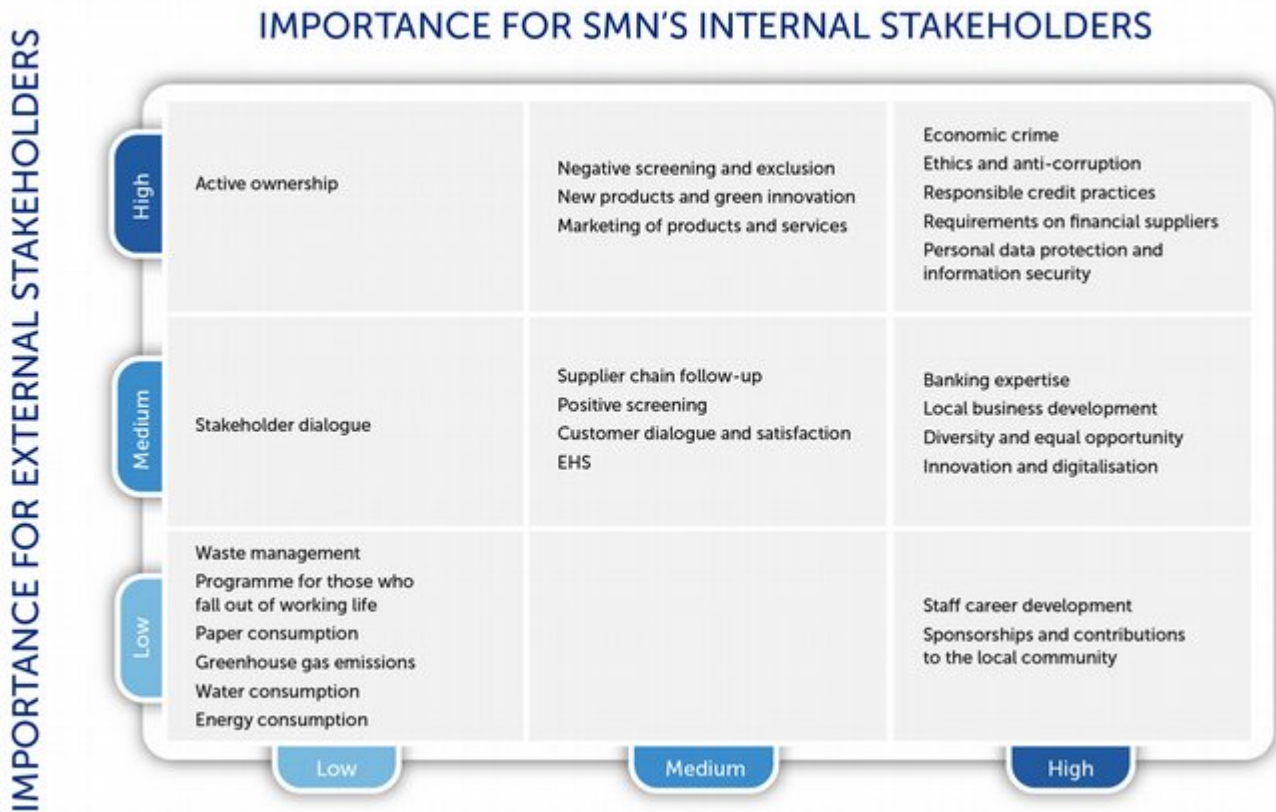
In 2015 the 2030 Agenda with its 17 sustainability goals was adopted by all UN member states. The sustainability goals view the environment, economics and social development as a whole, and require a joint effort from government authorities, civil society, the private sector and academia in all countries. SpareBank 1 SMN is in process and is working continuously to develop our best possible contribution.

### **Our preliminary materiality assessment**

SpareBank 1 SMN conducted a stakeholder and materiality analysis based on our CSR strategy in autumn 2017. The analysis describes the economic, social and environmental consequences of the company's operations that have greatest bearing on stakeholders' assessments and decisions. In this materiality analysis, our external and internal stakeholders gave emphasis to the following themes:

1. Economic crime
2. Responsible credit practices
3. Ethics and anti-corruption
4. Negative screening and exclusion through requirements on financial suppliers
5. New products and green innovation
6. Personal data protection and information security, innovation and digitalisation
7. Responsible marketing of products and services
8. Diversity and equality





*SpareBank 1 SMN, Stakeholder Analysis 2017*

In addition we have chosen to include greenhouse gas emissions as a key area in 2019, and we report on the GRI 305 indicators.

## SpareBank 1 SMN's contribution to achieving the sustainability goals

Based on the current materiality assessment, SpareBank 1 SMN has prioritised five of the seventeen sustainability goals of UN Agenda 2030.



TOGETHER WE MAKE THINGS HAPPEN	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
	A: EQUAL RIGHTS	B: FINANCIAL SERVICES FOR ALL	C: STIMULATE INNOVATION AND DEVELOPMENT	D: SUSTAINABLE ADVICE	E: PREVENT ECONOMIC CRIME	
	Salary and bonus arrangements	Our product areas	Corporate governance and responsible investments	Green bonds	Prevent money laundering and terrorist financing	
	Worker rights, gender equality and diversity	Product and service development in SB1 Alliance	Our focal themes	Climate risk in our credit processes	Anti-money laundering, corporate	
	Ethical guidelines	Developing the digital bank	Sustainability barometer	Procurements and purchases	Anti-money laundering, retail	
	Whistleblower programme	Customer surveys	@SpareBank1SMN_Ung	Sustainable Edge	Anti-corruption	
	Commitment and career development	Digital sales	Innovation with Ducky	Greenhouse gas emissions in the bank's branch structure	Compliance programme	
	Health and physical activity	Extended complaints service	Digital twin	Air travel	Personal data protection and information security	
	Staffing	Continual improvement for better customer experience	Our sponsorships	Video room solutions		
				Byttehelgen ('exchange weekend', to buy and sell used articles)		



With our 200 year long history, SpareBank 1 SMN is built on cooperation. Throughout our history we have shared our fate with the region, and we know better than anyone that our success is dependent on the success of others. That is why we collaborate on a broad front with voluntary bodies, associations, organisations and the public sector as well as with business and industry. UN sustainability goal no. 17, partnerships for the goals, is at the core of all our activity, and permeates our entire effort to ensure that our region's sustainability effort will reap success.

## Organisation and responsibility anchored in the bank's values

*"Integrity, credibility, trust, broadmindedness and knowledge are all important qualities. We have summed them up in one word: Responsible. Being responsible is to say 'yes' when it is right to do so and 'no' when necessary."*

We have a number of guidelines and reporting procedures coupled to our corporate responsibility. The main documents are approved by the board of directors, and the board also establishes the overarching goals for areas covered by this report. Our guidelines are published in our Sustainability Library.

The group CEO and the managing directors of our subsidiaries have the overarching responsibility for monitoring adherence to the company's goals. Their day-to-day implementation is a managerial responsibility at SpareBank 1 SMN. Corporate responsibility is thus an integral part of all activities in our group.

### Internal control and risk management

The identification and management of risk and opportunities is an integral aspect of the group's business processes. Each member of the group management team along with the managing directors of our subsidiaries are responsible for internal control and risk assessment within their respective areas. The risk assessments are reviewed annually by the respective companies' management boards. The executive director in charge of risk management is responsible for the group's risk management framework.

### We are expanding our steering committee for sustainability

In 2018 a dedicated steering committee for sustainability was established as part of the framework governing green bonds. We plan to expand the mandate for this committee to include responsibility for developing and implementing a comprehensive and coherent method, process and group standard for sustainability at SpareBank 1 SMN. The committee comprises key personnel from each business line and is headed by a sustainability officer. The current status of this work, relevant problem approaches and decisions are considered by the steering group for One SMN. The steering committee will as part of its remit ensure efficient implementation of the UN principles for responsible banking.



### Dialogue with our most important stakeholders

SpareBank 1 SMN exercises its social responsibility by developing and running the business profitably and in a manner in keeping with fundamental ethical values, respect for the individual, society and the environment.

Inherent in this approach is also dialogue with the group's most important stakeholders. Good contact with our network of stakeholders is important in instilling trust in SpareBank 1 SMN and an understanding of the role we play in the local community.

The stakeholder analysis in autumn 2017 identified groups, organisations and individuals which are either affected by the company's business, or in various ways influence the company's strategy and goal attainment. SpareBank 1 SMN's most important stakeholders include owners, investors, existing and potential customers, existing and potential employees, start-up businesses and entrepreneurial entities, local communities, suppliers, partners, organisations, national and local authorities and the media. Our network of stakeholders is constantly expanding as a natural part of the work on sustainable value creation, and an updated stakeholder analysis will be carried out in 2020.

### Comprehensive and coherent management model and reporting

SpareBank 1 SMN as a comprehensive and coherent management model that underpins central financial goals such as profitability, financial soundness and growth. A crucial principle of the management model is to allocate capital to where it provides the best return. This provides a basis for sound management of the group's resources. The management model provides comprehensive and consistent monitoring both of the group's overall performance and the individual business line's performance from a financial perspective.

One of several objectives of 'One SMN' (SpareBank 1 SMN's group strategy) is to integrate sustainability into all business lines. To support this objective, the management model will be further developed to also support our objectives along the three dimensions of sustainability: creating value, building local communities and preserving the planet. The financial main goals will remain unchanged.

Work started in 2019, and in the first instance involves the structuring of ESG data, further developing both internal and external reporting, and incorporating the sustainability perspective into the follow-up of all activities.

## Main areas of our sustainability effort

**SpareBank 1 SMN adhere to the UN principles for responsible banking and our sustainability profile builds on our values, with responsible mindedness being the most important.**

We contribute to sustainable value creation and a strong regional social commitment, both through our own activities and in collaboration with others. Based on our history, business model and ownership model, the board of directors underscores that sustainability has been an integral and natural part of our operations and development for almost 200 years. Our sustainability effort focuses on five main areas.

### A: Equal rights

Equal status is a human right. It is about giving both genders equal rights, the opportunity to decide over their own lives and abolishing discriminatory practices. In 2019 SpareBank 1 SMN has worked systematically to professionalise our business in keeping with our values, our stakeholders' expectations and the global initiatives to which we have committed ourselves.

#### **Salary and bonus arrangements**

Covered by the board of directors' declaration on remuneration to senior employees in note 21 to the annual accounts.

#### **Worker rights, equal status and diversity**

SpareBank 1 SMN respects and takes account of international worker and human rights. We have drawn up and published a policy document that specifies the most central conventions, frameworks and policies followed by the group's companies.

For SpareBank 1 SMN our employees' right to organise, and to freely join a trade union of their choice, is important. A substantial proportion of our employees are members of a trade union, and as an employer we attach great importance to good cooperation with trade unions of which our employees are members. The proportion of employees across the group who were covered by a collective bargaining agreement in 2019 was 71 per cent.

We seek in all contexts to promote equal status, and as an employer we consciously avoid discrimination and discriminatory treatment in all aspects of the employment relationship, from vacancy announcement to termination of the employment relationship. SpareBank 1 SMN wishes to maintain a wide diversity, and that employees in our business should reflect the community of which we are a part as regards cultural background, gender, age, ethnicity and sexual orientation. No instances of discrimination were reported in 2019.

# 38%

## OF WOMEN IN MANAGERIAL POSITIONS WITH PERSONNEL RESPONSIBILITY

Our business strives for a good balance between the genders at all levels of the organisation. The proportion of women in managerial positions with personnel responsibilities was 38 per cent in 2019. The group management team comprises seven persons, of which two are women. In recent years the business has focused on evening out the pay differences between women and men, and has set aside a 'women's pay equalisation fund' to that end. This has had a beneficial effect. Analyses of various position levels using the Fakis system show that women's share of men's pay varies from 94 to 100 per cent. Variables such as age, seniority and level of education are not corrected for.

The gap between women and men's pay has narrowed in recent years and, for employees paid according to a salary scale, women's share of men's pay rose from 88 per cent in 2017 to 93.5 per cent in 2019. Broken down on position levels, the distribution is as shown in the table below.

Position level	Women's share of men's pay
Fakis 5	100.2 %
Fakis 6	96.4 %
Fakis 7	98.8 %
Fakis 8	93.6 %

The table shows the distribution within the parent bank's salary scale.

SpareBank 1 SMN will again in 2020 give particular focus to gender equality as regards pay, but also in more general terms to equal salaries for equal work and performance.

In 2020 we will also launch initiatives designed to ensure equal career prospects for both genders, and have set a target of a minimum of 45 per cent for women's share of managerial positions. In our development programme for young managers a minimum share of 50 per cent women is targeted, and we aim to always have at least one candidate from each gender in the final assessment round for managerial appointments.

### Ethical guidelines

The group's employees and elected officers must be recognised for their high ethical standard and must in all situations display conduct which is attractive, honest and fair and square. The group's ethical guidelines must contribute to awareness of and compliance with the ethical standard required of employees and elected officers in the group. The ethical guidelines embody four overarching principles: confidentiality, financial independence, loyalty and personal integrity.

Conduct and actions must underpin the group's role as a responsible and central social actor, and underpin our goals and strategies with regard to corporate social responsibility and sustainability.

All customer treatment and advice must be in accordance with the industry's requirements as to good practices, and customers' needs and interests must be safeguarded by means of good information and advice that enables them to make conscious and well-informed choices.

The group has drawn up separate guidelines to prevent bribery and corruption. The ethical guidelines also emphasise that group staff members may in no circumstance receive a financial benefit in any form from the group's clients or suppliers.

Each manager shall make his or her staff members aware of the ethical guidelines and must personally be a good role model. All new staff members at SpareBank 1 SMN receive at an early stage an introduction to, and run-through of, the ethical guidelines. A review of the ethical guidelines is also a part of the annual appraisal interview undergone by all employees with their manager.

The group's ethical guidelines are revised annually. In 2020 we will continue our task of instilling awareness of the ethical guidelines and will consider new ways to intensify our managers' and staff members' focus in this area.

### **Whistleblower programme**

SpareBank 1 SMN has internal guidelines on whistleblowing. Employees are encouraged to report censurable circumstances of which they become aware or personally experience. Staff can report via a number of internal channels, including their immediate superior, the HR manager and legal services director. An external reporting channel has also been established for a whistleblower to report anonymously if he or she so wishes.

Information on employees' right and obligation to report censurable circumstances is readily accessible on the bank's intranet pages. One report was registered via the whistleblowing facility in 2019.

### **Commitment and staff development**

SpareBank 1 SMN aims to be an attractive employer with a committed and competent workforce who experience a good balance between work and leisure. We set the stage for such a balance through flexible working hours and a life phase policy which accommodates staff members' need to adapt to their life situation.

We conduct organisation surveys on a regular basis. In 2019 two such polls were carried out, both showing good results. A sustainability module was incorporated in last autumn's survey.

In achieving success with our strategies and goals, our employees are our most important resource and a crucial factor in marking ourselves out from our competitors. Competence development, staff development and recruitment of new expertise accordingly have a high priority in the work of building the bank of the future.

In 2019 development programmes and competence-raising initiatives were carried through in all business units and companies in the group. All the bank's advisers, in both the retail and corporate divisions, have completed training and competence-updating programmes. The main focus for our retail banking advisers has been on updates on the established industry arrangements and certification under the new national authorisation scheme for staff involved in the credit process. The object of this competence-raising is to strengthen the quality of credit advice to, and creditworthiness assessments of, customers. For our advisers in the corporate segment an understanding of clients' business, and practical accounts analysis, has been a major focus in 2019. All advisers have participated.



All advisers must be certified in accordance with requirements set under Finance Norway's national authorisation scheme (FinAut) and in-house requirements. They must also have completed competence updates following on from certification.

In 2019, 242 advisers completed competence updates under the authorisation scheme for financial advisers (AFR), and 263 advisers completed competence updates under the accreditation scheme for sellers and advisors in non-life insurance (GOS).

A total of 46 new staff members are undergoing training on an individualised basis.

All the bank's managers have in recent years completed a comprehensive manager development programme. In 2019 the focus was on the theme of psychological security and how the individual manager can contribute to this through his/her behaviour.

Training programmes were also held in data and information security for all staff members, and in 2019 all employees completed a mandatory course in combating money laundering.

SpareBank 1 SMN is currently developing new training programmes in the field of sustainability and corporate social responsibility. These programmes will be differentiated based on position and role. All staff members are required to complete competence-raising programmes in this area in 2022.

We have a major focus on internal mobility and on employees' opportunity to develop and to take on new roles within the group. In 2019, 26 staff members moved to a new position within the group, while 206 persons were recruited externally.

### **Health and physical activity**

SpareBank 1 SMN wishes to lay a basis for employees to stay in good physical shape, and in 2019 devoted substantial resources to this end through the Better Shape programme. The Better Shape programme encourages individuals and departments to keep fit by organising competitions and awarding prizes, by subsidising fitness centre membership and keep-fit activities in connection with work. We also encourage employees to spend their journey time to and from work keeping fit, and make available a bicycle garage with a workshop and bicycle wash station.

Trondheim Marathon was a communal keep-fit goal for employees of SpareBank 1 in 2019, and more than 600 employees took part. In 2020 the goal in terms of participation by group employees is 750.

Laying the basis for physical activity is an initiative designed to reduce sickness absence in the business. We are party to the Inclusive Employment Agreement and also maintain a targeted focus on other measures to reduce sickness absence. We consider it very important for employees on sick leave to stay in touch with their work colleagues, thereby making it as easy as possible to make a rapid return to work. In collaboration with the Norwegian Labour and Welfare Administration (NAV), the group accepts employees who need job training. Sickness absence in the group totalled 4.3 per cent in 2019.

## Staffing

Group	2019
No. of FTEs, incl. subsidiaries	1 509
No. of FTEs, parent bank <sup>1)</sup>	619
Sickness absence	4.30 %
Proportion of women	50 %
Proportion of women in senior positions	38 %
Women's share of men's pay (FAKIS system)	94 %-100 %
Average age	43 yrs
Average length of employment	8,5 yrs
Number of recruitments, internal*	26
Number of recruitments, external	206
Turnover	11 %
Proportion of employees covered by	71 %
Collective bargaining agreement <sup>2)</sup>	86 av 100

1) The figures for the parent bank represent FTE consumption, i.e. exc. hired-in staff, temporary staff, percentage of FTEs and absences. Includes job changes

2) The companies in the group use differing tools to measure employee satisfaction. The score on 'commitment' at the parent bank in autumn 2019 was 86 out of 100

### *The age groups' gender distribution*

The figures apply to the parent bank and represent the number of staff for whom SpareBank 1 SMN has an obligation.

<b>18-29</b>	<b>90</b>
Women	36
Men	54
<b>30-39</b>	<b>140</b>
Women	74
Men	30
<b>40-49</b>	<b>164</b>
Women	74
Men	90
<b>50-59</b>	<b>166</b>
Women	95
Men	71
<b>60-69</b>	<b>98</b>
Women	49
Men	49

### *Breakdown of new employees*

In 2019 new employees totalled 85 (parent bank), of whom 41 were women and 44 men. Their age distribution is shown in the table below.

<b>Woman</b>	<b>41</b>
18-29	18
30-39	18
40-49	5
<b>Men</b>	<b>44</b>
18-29	25
30-39	13
40-49	3
50-59	3

*Turnover*

Turnover distributed by gender is shown in the table below (the figures represent the group):

Woman	5,50 %
Men	5,50 %
<b>Totalt</b>	<b>11,00 %</b>

*Distribution of employment types, distributed by gender*

The figures apply to the parent bank and represent the number of staff for whom SpareBank 1 SMN has an obligation, includes trainees and temporary staff.

<b>Permanent staff</b>	<b>647</b>
Woman	324
Man	323
<b>Trainees</b>	<b>8</b>
Woman	6
Man	2
<b>Temporary staff</b>	<b>3</b>
Woman	1
Man	2

## B: Financial services for all

In 2019 we have intensified the process of integrating sustainability into the bank's business lines, i.e. lending activity, the deposits area and the other product areas. We consider this to be a crucial element in optimising long-term economic profitability.

## Our product areas

### Subordinated loans, corporate market

The bank sees a large need to increase many corporate clients' awareness of the need to assess and understand sustainability risk. We have made a good start to flesh out and operationalise subordinated lending to business activities on the basis that was adopted in 2017 and 2018. Through analyses of the most significant industries, an assessment was made of climate change effects, expectations as to government requirements and possible guidelines for influencing our customers in a sustainable direction. Our approach in the various industries varies. For some industries, guidelines have been established that affect the allocation and size of loans. This work will be a part of annual analyses ahead.

Templates for assessing credit applications of a certain size are further developed to capture general assessments and industry-specific assessments but also the individual customer's alignment within its industry. This provides a good basis for discussion and assessments by the credit committees, and has had a bearing both on dialogue with customers and decisions on credit applications.

The bank has designated industry officers for the most important industries. In addition to the work on industry analysis, the industry officers have been involved in the working out of control points and comments in credit applications and seminar has been held for the industry officers.

Through various forums and projects the bank gives guidance to industries and develops tools to quantify risk. This effort is expected to produce results ahead. Work is also underway on developing or modifying products to underpin the bank's goal of exerting positive influence.

### **Subordinated loans, retail market**

We are in the process of shaping our credit business in order to make plain our contribution to building a sustainable society. Good corporate governance, the regulatory framework, prudent lending practices and a focus on business ethics, together with further development and fleshing out of climate risk measures ahead will contribute to a continuous focus on sustainability.

In 2019 both knowledge and maturity have increased in the organisation and we have made some progress in giving our effort a firm internal footing. We have worked to further develop steering documents and guidelines in the credit area. A project is planned to integrate climate risk assessments into loan approval, customer follow-up and pricing to ensure good assessment and management of the climate risk to which the bank is exposed.

In order for the bank to be in a position to issue green bonds, and to respond to possible demands for green deposits, it needs to increase the proportion of qualified green loans. Part of this work will involve establishing clear-cut objectives for the share of green customers among new customers. The bank will by this means contribute to raising customer awareness and develop tailored products that stimulate investments in sustainability.

The bank as a social actor will contribute to subordinate lending and sustainable consumption and finances for our personal customers. For customers in a difficult financial situation, or undergoing a life crisis, we will contribute to a sustainable society by assuming a supportive role. We are in addition developing digital and physical advisory solutions for relevant life phase finances. Our focus is on being good advisers in our customers' important life events. Pertinent examples are when moving in together, divorce and inheritance etc.

In 2019 the bank launched green residential mortgages and green loans for energy initiatives in the personal market. We grant mortgages to someone building or buying a new house, or renovating their home to the best energy standards A to C, or investing in energy-oriented projects in their dwelling. These loans are granted on interest terms better than those applying to ordinary residential mortgages. The bank provides support for initiatives that are part of Enova's support scheme for energy initiatives. (A state-owned enterprise that covers part of home owners' and firms' costs on measures that reduce energy consumption). In addition, short-term loans are provided for heat pumps, solar panel equipment, electric car chargers and removal of oil-fired heating boilers, as well as loans on improved terms for purchase of electric cars.

In collaboration with EiendomsMegler 1 Midt-Norge the bank embarked in 2019 on a number of housing projects targeting groups in need of financial impetus in order to enter the housing market. A relevant target group is young customers for whom housing projects, tailored funding solutions and a focus on savings and favourable borrowing rates provide an opportunity to invest in their first home.

**E-signing and digital loan applications**

Increased use is being made of e-signing and digital loan applications, where possible. All loan applications where no property settlement or real suretyship is involved are electronically signed. About 80 per cent of all loan applications are now digital. This reduces the use of physical documents and printouts in the loan process.

80% OF ALL LOAN APPLICATIONS  
WERE DIGITAL

**Electronic property trading**

Electronic property settlement enables banks and real estate agents to collaborate efficiently through the exchange of electronic data, documents and notifications. The ultimate goal is for all documents regarding property purchase to be transmitted electronically. In the initial phase the basis has now been laid for deeds of conveyance and security documents connected to the purchase of a new dwelling to be signed electronically. The Norwegian Mapping Authority and Real Estate Norway estimate that electronic property settlement could enable a saving to society of NOK 2.8 billion. The solution is at the testing stage and is expected to provide major savings due to reduced paper consumption in the years to come.

**Digital cooperation between public and private sectors**

The Tax Administration, the Police Service and the Labour and Welfare Administration obtain various accounting data for verification purposes. This is done in connection with collection and recovery cases or to clarify whether checks should be initiated. The solution has been implemented and has reduced the use of physical documents and postal dispatches by a large margin.

**Socially sustainable banking services**

In a modern society access to basic banking services is an absolute necessity. Even so there are social groups in our region that fall outside the scope of such services. For that reason SpareBank 1 SMN has developed the product “municipal payout card”. The card is a cash card, but functions as an ordinary bank card and can be reloaded with money from one’s online bank or directly from municipal support schemes. The system can disburse benefits from the Labour and Welfare Administration (NAV) to social welfare clients, asylum seekers and refugees. Many individuals belonging to this group cannot open an ordinary bank account because they are unable to provide documentary evidence of their identity. Users of the card are spared burdensome and stigmatising trips to the bank to take out cash, often together with a person in support who has to confirm their identity. The card is also popular among foreign students. The bank issued 2,730 municipal payout cards in 2019.

**Green mutual fund products**

SpareBank 1 SMN is concerned to offer mutual funds that safeguard the bank’s high ambitions as regards sustainability. The mutual fund offering has been built up through the fund manager ODIN, in which the bank has an indirect ownership stake, and mutual funds from other fund managers.

Our overall offering is assessed in conjunction with the other SpareBank 1 banks through periodic product revisions. Revision also includes criteria such as the environment, social factors and governance (ESG). The



labelling of these criteria must be clear to the customer, and provide good information on how sustainable the mutual fund in question is.

When new mutual funds are to be selected and approved, their providers are required at minimum to have signed the UN principles for responsible investment. The corporate social responsibility and sustainability policies that govern the distribution of mutual funds are designed to ensure that the customer offering is in keeping with the bank's guidelines.

SpareBank 1 SMN wishes to strengthen the range and availability of its offering of sustainable mutual funds in 2020. This will be done both by including it as an active option in the customer's purchasing process, and through our active efforts to strengthen our product offering through our ownership of ODIN.

ODIN gives high priority to sustainability in its management philosophy and was among the first to sign the UN principles for responsible investment, but also to measure the carbon footprint of the mutual funds it manages. The company is also a member of the Norwegian forum for sustainable investment (NORSIF), the Norwegian Corporate Governance Board (NUES) and Sweden's forum for sustainable investment (SWESIF). In addition, external analysis agencies such as Sustainalytics are utilised to make objective assessments of all companies in which ODIN invests.

As an active and responsible fund manager, ODIN closely watches developments in the companies invested in; this also applies to the monitoring of investments in a sustainability perspective. In the course of 2019 ODIN cast 3,361 votes at 241 general meetings. In 209 cases ODIN voted against the company's recommendation. Instances in which ODIN has voted against companies' recommendations typically involve incentive programmes and compensation to the management team and board of directors, election of board members and restrictive shareholder rights. In addition, ODIN has voted in favour of resolutions relating to increased reporting, transparency and ESG guidelines.

Observation and exclusion are instruments used where circumstances arise which may be counter to ODIN's guidelines. Where the company improves its practices it will be eligible for removal from the observation list after a while. If neither the ability nor willingness to improve is in evidence, the company will be excluded.

As at 31 December 2019 ODIN had five companies on its observation list and one company on its exclusion list.

### **Insurance with a focus on prevention**

"Roadmap for Green Competitiveness in the Norwegian *Financial Sector*" (Finance Norway) has identified industry-specific recommendations for the non-life insurance area: exchange of damage and climate data, the drawing up of climate-related requirements for restoration following natural damage, an increased focus on damage prevention and on climate-smart behaviour, the sharing economy and circular solutions. The insurance industry has sought a role in the sustainability sphere, and solutions and development initiatives are gradually taking shape. 'Damage prevention' denotes a proactive approach, and damage is wasteful of resources.

Our insurance company, Fremtind, has an important social mission in helping and motivating people to take care of their health, their assets and their surroundings, and to engage in and influence developments in

society. Most people need help in making sustainable choices in their everyday life. This also applies to how we move from one place to another and to matters related to house and home. SpareBank 1 SMN contributes in these respects by insuring homes and cars etc.

### **Smart car insurance**

Our insurance product Smart bilforsikring ('smart car insurance') includes an environmental profile and rewards drivers who drives safely and thereby reduce the risk of damage and accidents on Norwegian roads. The insurance is based on new technology and monitoring of data on how the car is driven. Data is collected via a smart plug and then transferred to the 'Spinn' app. The driver can choose to receive direct feedback on his/her driving behaviour there and then, or later in the app's driving diary.

### **Responsible marketing of products and services**

SpareBank 1 SMN aims to ensure that customers make good financial choices. To that end the bank employs a structured approach whereby we proactively present important themes linked to various financial situations. This is done primarily via social media, on our webpages and through the work done in the media by our Retail Customer Service Adviser, Corporate Customer Service Adviser and Property Adviser. In addition, events regularly arranged at the local level put financial themes on the agenda. In 2019 the bank focused especially on themes related to young people and their finances.

SpareBank 1 SMN's strategy is to illuminate challenges related to marketing. In 2019 a management meeting was established specifically to discuss customer offerings and associated marketing. Work was done on marketing and advice in connection with important events in customers' life such as starting a business, moving in together, divorce and inheritance. The bank's webpages were updated on all these areas over the course of 2019.

The bank's marketing division has the overall responsibility for responsible marketing. Much importance is attached to the close connection between marketing and advice, to communicating in readily understandable Norwegian and to ensuring that all activity is compliant with the legislation bearing on the marketing concerned. The development of digital solutions focuses closely on ensuring that necessary information is available and comprehensible at the moment of purchase. In all marketing entailing the use of personal data, separate GDPR assessments are made which are duly documented.

SpareBank 1 SMN's products and services as well as labelling and marketing material are developed in close collaboration with the SpareBank 1 Alliance. The alliance's savings and investment committee makes a quality assessment of labelling and marketing for the bank. The bank's complaints arrangement is readily accessible to clients on the internet, by phone and via the Financial Services Complaints Board. The bank received one complaint concerning communication and marketing in 2019.

Before being launched or distributed by the bank, products are subject to a comprehensive impact assessment with respect to the product's target group. The bank performs a systematic risk assessment in which it makes assessments related to law, ethics and ease of understanding by the target group.

### **Product and service development in the SpareBank 1 Alliance**

The SpareBank 1 Alliance comprises 14 independent banks. Together we own SpareBank 1 Utvikling, the company that develops digital products, services and solutions.

In 2019 investment funds worth NOK 250 million were granted to SpareBank 1 Utvikling, of which SpareBank 1 SMN's relative share equals its ownership stake of 20 per cent. The funds go to the retail and corporate divisions and to meeting compliance requirements.

The industry is changing rapidly and, in step with new technology and new competitors, we have to realign in order to meet changing customer behaviour. When developing new products and services we have with us customers and employees alike to ensure that our solutions are optimal. This requires new knowledge and new work processes, and promotes our efficiency and effectiveness.

Developing employee competence is crucial if the products, services and solutions that we launch are to have good effect. For training purposes, use is made of video conferences, e-learning courses and articles on the intranet. Customers receive information via the bank's internet pages, social media, the digital bank, email and the bank's advisers.

### Digital sales

The banking market is changing, driven inter alia by technological advances. We accordingly need to continuously adapt our distribution model to meet changing customer behaviour and to improve the customer experience. The bank works in a structured manner to increase its distributive power by modifications made to the branch network and by enhancing servicing and selling ability in other channels. The objective is an efficient and effective distribution model that promotes competitiveness through lower costs and higher profitability. Increasing the proportion of digital sales is therefore key to implementing the bank's distribution strategy. This receives a high focus in the development of our common solutions at SpareBank 1 Utvikling. At the same time as a systematic adaptation of the bank's processes and procedures also aims to ensure fruitful interaction between the channels and to increase digital sales. The bank has in recent years invested heavily in tools for analysis-based digital customer communication, an area which contributes strongly to digital sales through relevant customer communication via the digital bank.

48% OF RETAIL MARKET SALES  
WERE DIGITAL

In 2019, 48 per cent of sales in the personal market were digital, representing a major change in customer behaviour in recent years. By digital sales is meant purchases of new products via digital solutions, the lending process being initiated digitally. Ensuring good digital solutions with advice and guidance is crucial to ensuring that customers make good financial choices and have all necessary information to hand at the moment of purchase. This has a high focus on the development of our common solutions at SpareBank 1 Utvikling.

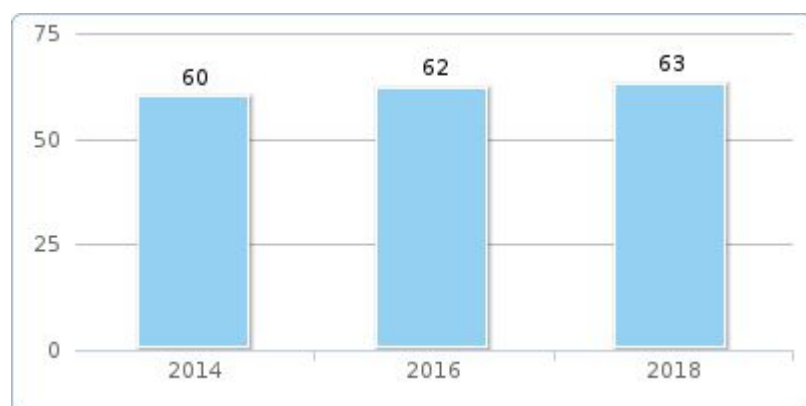
### Customer surveys show increased satisfaction

In order to gauge customers' satisfaction with the bank, we regularly conduct customer and market surveys. Against the background of the surveys, the bank prioritises appropriate inputs to improve its services and products. The most important method is customer relationship polls of personal customers and firms which the SpareBank 1 banks conduct every second year, most recently in 2018. The bank also conducts regular customer satisfaction surveys at the customer service centre for personal customers and firms where all customers that have been in touch with us by telephone or chat are invited to give their feedback.

Among corporate clients the satisfaction survey shows a slight rising tendency from 60 points in 2014 to 63 points in 2018. As from 2014 the long-term trend shows signs of rising satisfaction in most delivery areas. Compared with 2016 we see a particular increase in satisfaction with the banks' knowledge of local business and industry, their response time, the bank as a local mainstay, the customer service centre, the internet bank and the mobile bank.

Among retail customers, SpareBank 1 SMN is the alliance bank that shows the largest advance in the strength of customer relationships if we look at the period since 2014 as a whole. From a somewhat weak level of 53 points on the TRIM index in 2014, SpareBank 1 SMN has now risen to a good level of 62 points. The bank sees a particularly strong increase, of 8 points, among the youngest (18-25yrs) as from 2016. Personal advice is important for the customer experience. In addition, excellent results are noted for service, technical competence and the mobile bank.

Where the customer service centres are concerned, the bank shows stable high customer satisfaction, although in 2019 response time posed a challenge that has affected the overall result. Steps have been taken to improve response time and a sharp improvement was noted towards year-end.



*Development in the TRIM index*

### **Expanded complaints service**

In keeping with our values, and with support in the shape of the UN principles for responsible banking, we also expanded our complaints service in November 2019. We opened the way for customer reports of circumstances where our actions fail to match our words. 'Well done' remains better than 'well said' at SMN. Any approaches made to our common complaints reception centre in connection with this expansion follow the same procedure as other complaints. The approach is sent to a complaints officer for the business line concerned.

### **Continuous improvement of the customer experience**

In 2019 the bank initiated a major improvement initiative in the bank's delivery units. The backdrop to this initiative was that we at times experienced queues, long delivery times to customers and at times a poor customer experience, with subsequent pressures on staff with undesirably high recourse to overtime and use of substitutes.

In the last two months of 2019 delivery time has been 1-2 days, compared with an average through last year of 6 days. Our staff have received an introduction to development methodology which has resulted in a more varied working day and an opportunity to influence how the work is to be done. The project has also reduced postal correspondence with customers, the banks and public authorities to a minimum. We have also sought

to reduce to minimise the need to attend a bank branch in person in order to sign documents or the like. Pertinent examples are upon establishing new customer relationships, exchanging forms between banks when a customer changes bank, and ordering of bank cards for children and young people.

## C: Stimulating innovation and development

**Our goal is to make it easier to succeed in the transition to a low emission society, both for the local community and for business and industry in our region. Innovation and cooperation are important precepts if growth ahead is to take place in a responsible manner. While stimulating local development, we must at the same time set demands for ESG reporting by the companies we invest in.**

### Governance and responsible investment at SpareBank 1 SMN Invest

SpareBank 1 Invest's strategy is to invest in regional seedcorn, venture and private equity funds and to invest directly in growth companies with national and international potential in the same market area as the one in which SpareBank 1 Invest operates.

The company intends by that means to contribute to competence-based jobs and regional value creation. SpareBank 1 Invest contributes capital, networks and competence.

At the end of 2019, the company had 46 companies in its portfolio. Of these, 11 report their ESG status either via their annual report, homepage or via oral communication with us. These companies account for 37 per cent of SpareBank 1 Invest's invested capital.

Aktivity	Number	Share of capital
ESG reporting	11	37 %
Positive screening	10	5 %
Negative screening	10	5 %
No assessed	15	53 %
<b>Total</b>	<b>46</b>	<b>100 %</b>

Of the remaining portfolio, 20 companies have undergone a screening process based on best judgement prior to investment. This process has included an overall ESG assessment. For half of these companies (10 in number), our assessment is that they make a positive contribution to achieving the sustainability goals (positive screening), while the other half (10 in number) are considered not to negatively affect the achievement of the sustainability goals (negative screening). These 20 companies are relatively small start-ups accounting for a total of 10% of SpareBank 1 Invest's invested capital.

The remaining portfolio of 15 companies have neither formalised ESG reporting nor undergone a screening process in connection with investment. Several of these companies are being wound up/sold, and two companies account for 85% of the capital in this group. We expect to have in place satisfactory processes for two-thirds of these companies (and the majority of invested capital) in the course of 2020.

### Our focal themes

Through our ownership model and distribution of social dividend we are in a position to support the UN sustainability goals. Each year we select a sustainability goal to which we prioritise allocation of funds, and around which we build a sense of involvement and commitment.



**Plastic waste clean-up project**

This project started in 2018, and highlighted UN sustainability goal no. 14: Life below water. More than 12,000 volunteers joined us in clearing up plastic waste in the environment. The project aroused enormous commitment across the entire region. Together with more than 12,000 volunteers our employees collected almost 180 tonnes of plastic waste in the environment in Central Norway. The project was crowned 'social commitment project of the year' by the Norwegian Sponsoring and Event Association.

**Getting people off the sofa**

In 2019 our focus was on goal no. 3: Good health and well-being, and we challenged Central Norway to join the 'Get people off the sofa' campaign. An important motivation was the Health Survey of North Trøndelag (HUNT), which shows a sedentary life to be a major challenge to society. More than 16,000 people took part in 'Get people off the sofa' events under the bank's auspices, with a focus on low-threshold physical activity suited to everyone. Social dividend worth just over NOK 8 million was spent on the campaign. In addition, support was granted to 389 projects designed to get more people engaged in physical activity. The 'Get people off the sofa' campaign also stimulated participation within our own organisation. This was demonstrated not least during the Trondheim Marathon, in which more than 600 employees from across the group participated.

**Hurrah for food producers and zero hunger**

In 2020 we will make an extra effort both to reduce food waste and to acclaim Central Norway's food producers and products, with the focus on sustainability goal no. 2: Zero hunger. Our experience of working together with the entire region will be kept on board going forward. We will provide support to a variety of worthwhile projects and will also be launching our own projects.

**SpareBank 1 SMN's sustainability barometer**

Taking the temperature of the regional economy without a focus on sustainability would have been both irresponsible and inadequate in 2019. That is why sustainability was a key theme in the year's edition of SpareBank 1 SMN's economic barometer. Together with Sentio Research Norway, we interviewed 700 business leaders in the region about sustainability. The main findings of our survey:

- Three of four leaders attach varying or little importance to sustainability when choosing who to do business with
- Seven out of ten see no financial risk in sustainability
- Six of seven reply that they are not familiar with the UN sustainability goals
- One of two considers a specifically climate and environment programme to be of no strategic significance
- Owners and investors wield greater influence than customers and employees

Sustainability will be a set feature of our annual economic barometer in the period ahead as a contribution to supporting customers and suppliers in the transition to a low emission society.

**@SpareBank1SMN\_Ung**

Today SpareBank 1 SMN can point to a positive trend in recruitment of young customers. Much of the reason for this is a solid local identity, large market share and high local knowledge. We see that the younger generation is shaped by other drivers than earlier generations. They are among other things worried about the future, concerned to create their own jobs, sensuous and emotional, and preoccupied with

customer experience. In order for our brand to come across as modern and attractive to the young target group, we have since summer 2019 worked on a number of different initiatives targeting this group.

Initiatives:

- We have established a dedicated channel for young people on Instagram @SpareBank 1 SMN-\_Ungon which we provide young people with tips and advice on how to save money, on the environment and having an even better life as a young person.
- We are launching an 18-year-olds' programme offering parents and young people information from the bank in this important transition.

In 2020 we will further entrench sustainability and the environment in the agenda through an event concept for young people termed 'Green food' and 'Green finances', this being a part of our focal theme for 2020.

### **Sustainability set into system – an innovation programme in collaboration with Ducky**

Can we commit our customers to reducing their own footprint in order to strengthen SpareBank 1 SMN's handshake? This was our basic query when we entered a collaboration with Ducky, a small start-up company in Trondheim. In autumn 2019 we worked closely with Ducky to find the answer to our query. We looked into how we could develop digital solutions and green products with a view to committing our customers to changing their behaviour and take green products into use. It is a little early to draw a conclusion, but we are continuing our collaboration with Ducky to bring about an improved offering of services and products in the green transition which will affect all sectors.

### **Digital Twin**

In 2019 we were a partner in the Digital Twin project. This is an innovation project in which SpareBank 1 SMN together with Trondheim municipality, Tieto, Evry and other partners look into how transaction data can be used both to show the municipality's total climate footprint, at the same time as we document changes and assist the municipality's populace in making climate-friendly choices. The object is to see if we can, together, construct a digital twin to the municipality, based on the individual's economic consumption and translate this into a CO2 account. So far this has been an introductory project aimed at examining the technical room for manoeuvre for integrations, and we have used a limited set of data from a small number of sources that have given their extra consent. The project is proof that the public and private sectors benefit from working together with a focus on innovation in the interest of a better and more sustainable society. The project is continuing in 2020 and will look into how it can be repeated on a somewhat larger scale and how we can solve the challenges we will then face.

### **Our sponsorships**

Through the SpareBank 1 banks' main sponsorship of the Norwegian national cross-country ski team, we have worked on concepts addressing children and young people with a view to lowering the threshold for participation by focusing on second-hand equipment as the equal of new equipment. This is important in terms of family finances, but also in terms of the environment and social utility.

Sponsorship	Sustainability initiative	Sustainability goals
Norwegian Ski Association	1. Byttehelgen (exchange weekend) – Buying second-hand is smart. It cuts costs and encourages more children to take part	3, 10, 12, 13
	2. Outdoor time – Create joy in skiing by giving more children the inspiration and opportunity to go skiing	3, 10, 12
	3. Suppliers – Responsible production of goods without use of plastic	12, 13
Rosenborg Football	1. Football tuition – Create joy in playing football by giving more children inspiration and developing skills at local football clubs	3, 17
	2. Suppliers – Impose demands on our suppliers when making orders through our collaboration	12, 13
	3. Include partners in our focal theme every year	3, 17
Ranheim	1. Football tuition – Create joy in playing football by giving more children inspiration and developing skills at local football clubs	6, 12
	2. Include partners in our focal theme every year	6, 17

## D: Sustainable advice

Climate change is the greatest challenge of our time – and our greatest opportunity. Our contribution is to share insight and experience, show the way and lay the basis for choices that are aligned with the future. Our aim is to be at the fore as a good example and to show climate leadership through our business.

### Green bonds

In February 2019 we published our framework for green bonds. The aim was to make sustainable loans available to business and industry which can be financed by a green bond. The framework covers loans to the 15 per cent most energy-efficient commercial buildings. With reference to the Climate Bonds Initiative's standard and to firms offering products, technology or processes that are sustainability certified. The various certification schemes are:

- Nordic Swan Ecolabel
- Eco-Lighthouse
- Marine Stewardship Council (MSC)
- Aquaculture Stewardship Council (ASC)
- Best Aquaculture Practices (BAP)
- Global G.A.P. - The Worldwide Standard for Good Agricultural Practices

These certifications cover loans to a number of industries, the largest being fisheries and fish-farming.

With this framework, SpareBank 1 SMN supports the following UN's sustainability goals:

- Goal no. 7: Affordable and clean energy
- Goal no. 8: Decent work and economic growth
- Goal no. 11: Sustainable cities and communities
- Goal no. 12: Responsible consumption and production
- Goal no. 14: Life below water

The framework has been reviewed by an independent third party – Sustainalytics – which verifies that our framework is in conformity with the ICMA Green Bond Principles.

In September 2019 we became the first Norwegian bank to issue a green senior bond in the euro-market. It had a denomination of EUR 500 million and a term of 7 years. The bond attracted much attention and the order book acquired a large proportion of green investors. This shows that we have gained a more diversified investor base for our funding.

SpareBank 1 SMN owns, together with the other SpareBank 1 banks, SpareBank 1 Boligkreditt which issues covered bonds based on residential mortgages sold to the company by its parent banks. SpareBank 1 Boligkreditt has drawn up a framework for green covered bonds which enables it to issue green bonds to finance homes among the 15 per cent most energy-efficient dwellings in Norway and dwellings that have been upgraded, resulting in a reduction in energy consumption of at least 30 per cent (Climate Bond Initiative's standard). The framework has been reviewed by an independent third party – Sustainalytics - which verifies that our framework is in conformity with the ICMA Green Bond Principles. SpareBank 1 Boligkreditt has so far issued one green covered bond denominated in euro. The bond has a denomination of EUR 1,000,000,000 and a term of 7 years.

### **Focus on climate risk in our credit processes**

The bank's alignment of its credit strategy is designed to optimise long-term financial profitability. Sustainability, which includes climate risk, is at centre-stage in the assessment of credit risk. We are in the process of shaping our credit business to make clear our contribution to building a sustainable society. Through good governance, regulatory frameworks, prudent lending practices and a multi-year focus on business ethics, the bank has many elements of the sustainability perspective in place. For 2020 our main focus will be on climate risk, where we believe there is still a large potential. Our aim is to further develop, intensify and flesh out this work in step with the increase in knowledge and maturity with regard to this theme in the organisation. We will utilise a risk analysis recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The entire credit organisation will be involved to ensure a sound footing. In order to flesh out the work, credit policy and guidelines will be further developed in the shape of concrete requirements which will in part be industry-specific. Through the integration of climate risk assessments into loan approvals, customer follow-up and pricing, the bank will ensure good monitoring and management of the climate risk to which the bank is exposed. The bank aims to conduct a sustainability classification of its own loan portfolio in the course of 2020.

### **Procurements and purchases**

SpareBank 1 SMN is a substantial purchaser of goods and services, both locally and as an alliance bank. Thoroughgoing ESG assessments of our suppliers are accordingly an integral part of our purchasing practices. We have, in close cooperation with all the banks in the SpareBank 1 Alliance, revised our purchasing standards in 2019. The object of the revision was to create change and lay the basis for sustainable development both for our own part and our suppliers. The outcome of this effort is:

- New guidelines for sustainability as regards purchases
- A new contract annex dealing with requirements as to sustainability
- A supplier declaration for new and existing suppliers

Active use is made of the purchasing standards to reduce the risk of negative influence on people, the climate and environment in the supply chain. Through the alliance collaboration we have identified and risk-assessed 247 suppliers. The suppliers are classified to category 1 (little risk), 2 (medium risk) and 3 (large risk) after a risk assessment based on prioritised sustainability indicators.

Risk class 1	Risk class 2	Risk class 3
Others	Employee-related agreements	Office supplies
Industry and union agreements	Banking operations/payment services	
Data-processing agreements	Payment services	
Escrow agreements (source code deposits)	Property management	
Insurances/pensions	EVERY (info. technology company)	
IASDA agreements	Rental/rental expenses	
Purchase of information services	Fixtures	
Concession agreements	IT operations services	
Consultancy services	IT hardware	
Courses and training	Cash management	
Marketing and sponsorship agreements	Rental/service agreements	
Software/Licences	NETS (payment cards, electronic payment solutions)	
Recruitment services	Printing and dispatch	
Legal services	Travel (Flights/hotels/courses and conferences)	
Audit services	Security/guard services/fire	
Partner/shareholder agreements	Telephony and networks	
Cooperation agreements		
Sensitive agreements SB1 Banking cooperation		
SaaS (software-as-a-service) services		
System purchase, establishment and management		
Service agreement		
Substitute services		

Of the above suppliers, 89 were considered to represent a large or medium sustainability risk (category 2 and 3) through their products and services. Work following up on these suppliers' guidelines and their practical work on sustainability has been initiated.

Upon contract-signing or renegotiation with SpareBank 1 SMN's local suppliers, suppliers posing a risk of negative influence (category 2 and 3) have signed a supplier declaration as an enclosure to the contract. In this declaration they confirm that they follow our requirements.

We purchase office supplies from a shared internet shop solution in the SpareBank 1 Alliance. In 2019, 22 per cent of these products carry an environment label or environmental approval. SpareBank 1 SMN's aim is that 100 per cent of its product range as to office supplies should be environmentally approved by 2020.

Further development of our work methodology and assessment tools is a prioritised measure for 2020. Follow-up of suppliers will proceed at full strength, and those who fail to meet our requirements will be given deadlines for compliance.

### **Sustainable Edge: Assessment of climate risk in the company**

SpareBank 1 SMN was in 2019 a partner in the project Sustainable Edge under the auspices of Cicero and Enova. Through the preliminary project and the main project we are developing a practical tool for investors and lenders. The object of our participation is to understand climate risk in practice. The project is funded by Enova and other partners participating actively in the project.

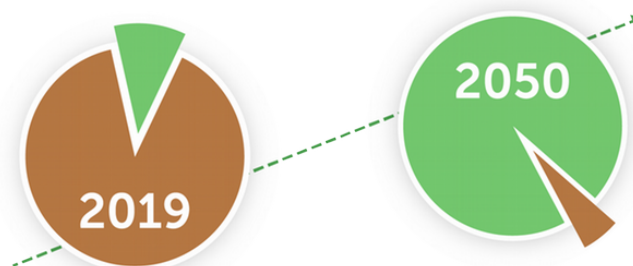
The analysis methodology under development is a research-based evaluation of a business's activities based on Cicero's acknowledged Shades of Green methodology. Cicero has in the last 10 years provided independent assessments of green bonds. Through this work Cicero has built up unique experience in communicating to investors the 'greenness' of an investment. With a basis in climate research, an assessment is given on a scale ranging from dark green to pale green based on the extent to which the activities contribute to a low emission society. 'Sustainable Edge' takes its basis in this methodology and further develops it with a view to making assessments of companies. Investments, incomes and research



and development activities will be assessed on a scale from dark green to dark brown based on the degree to which they contribute to a low emission society.

The tool under development in 'Sustainable Edge' will:

- Assess how companies change their incomes, investments and research and development activities over time towards a green transition, thus providing an opportunity to monitor the proportion of green investments and incomes over time.
- Provide an assessment of risk management in respect of physical climate risk and transition risk.
- Provide an assessment of the company's use of climate scenarios and of the extent to which they comply with the guidelines on how companies should report climate risk from the Task Force on Climate-related Financial Disclosures (TCFD).



The project has in the first instance focused on four sectors, and we have contributed data in close collaboration with our own customers. Climate risk analyses for commercial property, agriculture, transport and shipping are in process. Further sectors will be analysed in 2020.

### Focus on greenhouse gas emissions in the bank's branch structure

SpareBank 1 SMN is certified under the 'Environmental Lighthouse' scheme and utilises the head office model. This means that we assume a deliberate environmental responsibility and take steps to keep our house in order. Certification entails that our environmental standard and procedures are compliant with the criteria set by the Environmental Lighthouse Foundation (Stiftelsen Miljøfyrtårn). In 2019, 25 of our bank offices were certified, and recertification of five of our branches was completed. In 2020 the remaining 13 branches are to be certified. Our aim is for 100 per cent certification in the course of 2020.

25 OF 38 BANK BRANCHES ARE CERTIFIED UNDER  
THE ENVIRONMENTAL LIGHTHOUSE SCHEME

We have thus far not established an environmental management system. Work on establishing such a system started in 2019 and offers have been obtained from two suppliers. Central criteria are the systems' flexibility in relation to energy/waste modules and reporting/exporting possibilities, along with the supplier's competence/capacity. Evaluation, agreement-signing and implementation are a prioritised task for 2020.

The bank's greenhouse gas emissions are documented in our climate and energy account. The recorded data show a decline in emissions compared with 2018.

Category	Explanation	Consumption Unit	Energy (MWh)	Emissions (tCO <sub>2</sub> e)	Emissions (distribution)
<b>Transport</b>			57.9	13.6	2.3 %
Petrol		553.0 liter	5.3	1.3	0.2 %
Diesel (NO)		5,135.0 liter	52.6	12.3	2.1 %
<b>Scope 1 total</b>			<b>57.9</b>	<b>13.6</b>	<b>2.3 %</b>
<b>Electricity*</b>			<b>4,688.5</b>	<b>182.9</b>	<b>31.7 %</b>
Electricity Nordic mix		4,688,487.0 kWh	4688.5	182.9	31.7
Remote heating/cooling Nordic loc.			1,015.1	44.1	7.6 %
Remote heating Trondheim		1,015,100.0 kWh	1051	44.1	7.60 %
<b>Scope 2 total</b>			<b>5,703.6</b>	<b>226.9</b>	<b>39.30 %</b>
<b>Air travel</b>				<b>191.4</b>	<b>33.10 %</b>
Flights continental/Nordic region		95,398.0 pkm		8	1.40 %
Flights intercontinental		493,612.0 pkm		51	8.80 %
Flights doemstic		981,810.0 pkm		132.3	22.90 %
<b>Business trips</b>				124.3	21.50 %
Mileage reimb. car (NO)		888,105.0 km		124.3	21.50 %
<b>Waste</b>				6.7	1.20 %
Residual waste, incinerated		12,896.0 kg		6.5	1.10 %
Paper waste, recycled		1,265.0 kg			
Paper waste, recycled	Shredded	8,535.0 kg		0.2	
Metal waste, recycled		33.0 kg			
Plastic waste, recycled		444.0 kg			
EE-waste, recycled		111.0 kg			
Cardboard, recycled		424.0 kg			
Paper				14.7	2.50 %
Paper, office		12,863.8 kg		14.7	2.50 %
<b>Scope 3 total</b>				<b>337.1</b>	<b>58.40 %</b>
<b>Total</b>			<b>5,761.5</b>	<b>577.5</b>	<b>100 %</b>
Electricity market-based				956.5	
Scope 2 market-based				1,000.5	
Total market-based				1,351.1	

There are changes made to the year's climate account as compared with previous years which are important to note. In prior years only figures for those bank branches that are certified under the Environmental Lighthouse scheme were reported, whereas from 2019 onwards figures for all SMN's branches are reported. Further, mention must be made of the fact that several offices do not have their own electricity meter. This has given rise to uncertainty regarding the energy figures for previous years.

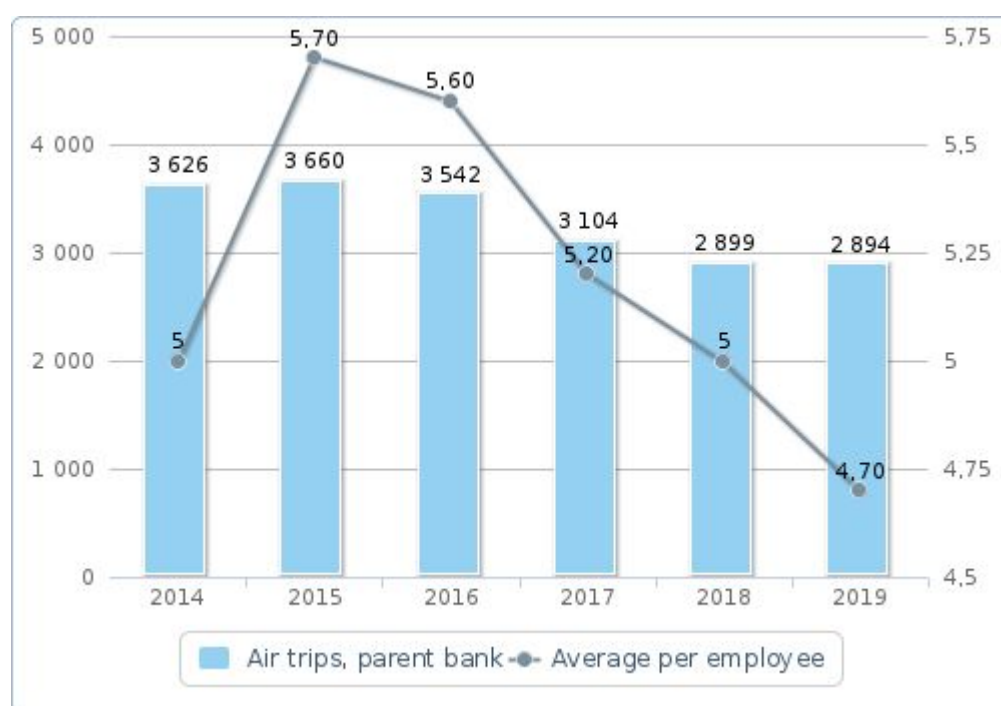
The aim in 2020 is a continued reduction of our own greenhouse gas emissions through a focus on fewer journeys (air travel and business trips by car), waste sorting as a percentage of total waste, reduced paper use, reduced energy use in our own buildings, our share of energy for the operation of shared technical facilities of our landlords, waste treatment, purchase of guarantees of origin, and improved data quality in respect of all areas on which we report under the criteria of the Environmental Lighthouse certification scheme.

In 2019 SpareBank 1 SMN initiated a project as regards the group's first climate and energy policy. This document has been circulated for comment to all management teams, and will be completed in 2020. The group management team is the decision-making body for this policy.

### Air travel at SpareBank 1 SMN

The bank's travel policy remained unchanged in 2019. Staff members are encouraged to limit business trips as far as possible, and are encouraged to use telephone and video meetings. In cases where staff members nonetheless need to travel in their work, they are encouraged to use public transport where possible.

2,894 individual trips by air were registered by SpareBank 1 SMN in 2019. This amounts to 4.7 air trips on average per employee at the parent bank, and is the lowest level we have measured. In terms of number of kilometres, we see a decline of almost 5 per cent compared with 2018. This reduction is in all essentials due to the fact that emission factors for air travel have been reduced in the period. We are planning measures aimed at reducing our travel activity in 2020. See our climate and energy account at [smn.no](http://smn.no) for further information.



*Trend in number of air trips, parent bank*

### Increased availability of modern video room solutions

As part of the work on our sustainability profile, we are in the process of increasing the availability of modern video room facilities at our divisional offices and the head office. One of the main purposes of this measure is to simplify interaction between locations, thereby enabling us to reduce the need for travel in connection with meetings both internally and externally. In the fourth quarter of 2019 meeting rooms at head office were modernised, and video functionality was installed in these rooms. SpareBank 1 SMN has opted to purchase a Skype/Teams Rooms solution which is a standard in the market which among other things makes both internal and external interaction a simple matter. In total it is planned to establish 80 rooms with this solution at SpareBank 1 SMN. Completion is planned by the end of the second quarter of 2020.

### Byttehelgen ('exchange weekend') – we applaud second-hand equipment!

'Byttehelgen' is a collaboration between the Norwegian Ski Association (cross country), SpareBank 1 and sports clubs throughout the country. SpareBank 1 works for simpler and better everyday finances in everything we do. 'Byttehelgen' in 2019 engaged 14 sports clubs in our region.

## E: Preventing financial crime

**SpareBank 1 SMN works continuously to expose and combat financial crime. Knowing the customer and the origin of the funds that pass through our system is key. Our policies and procedures provide clear-cut guides for SpareBank 1 SMN's compliance with the legislation. Our goal is retain the trust of our customers and society.**

### **The bank's work to prevent money laundering and terrorist financing**

The rise in organised, cross-border crime has changed the threat picture – also for financial criminality. The bank notes more transactions across national borders, a rising number of foreign customers, increased prevalence of virtual currency, new services and new actors in our own industry. Attempts to commit money laundering and fraud against the bank's customers are more widespread and more sophisticated by the year.

In tandem with a trend in society bringing increased risk exposure, the regulatory framework and international standards are constantly evolving. Greater requirements are being imposed throughout, along with more specific and stringent requirements as regards customer due diligence and customer monitoring.

Knowledge of the bank's and customers' activities is important with a view to ensuring a risk-based approach to financial crime and to complying with the requirements of legislation. The bank must know its customers, and must be familiar with the transactions the customer usually carries out so that we can effectively uncover transactions that are unusual or suspicious. The bank must also document that control measures are appropriate to the risk concerned. Public authorities, customers and competitors must have confidence in the bank's professionalism and integrity.

Our management system is evaluated and updated annually to keep it in line with an updated risk picture and changes in anti-money laundering policy. In addition, the bank carries out ongoing checks on various levels, ranging from internal control within the business lines via ongoing transaction monitoring to checks done by the compliance function. Deviations and any need for improvement measures are considered on an ongoing basis, and are reported quarterly to the board of directors.

In November 2018 the bank underwent an on-site inspection by Finanstilsynet (Norway's FSA) that focused on the bank's management and control in the area of money laundering and terrorist financing. In 2019 the bank worked systematically both to make improvements in response to this inspection, and to continue to make the adjustments needed to handle money laundering risk and assure compliance with the new anti-money laundering law which entered into force in October 2018.

In 2019 we devoted considerable effort to updating customer identity verification and customer data across the entire customer portfolio in accordance with the requirements as to ongoing monitoring of customer relationships. In the course of 2019 more than 50 staff members were dedicated to tasks related to the bank's anti-money laundering and anti-terrorist financing effort.

The bank has also taken further steps to enhance its capacity to identify suspicious transactions for closer scrutiny, inter alia by participating in a joint machine learning project in the SpareBank 1 Alliance, and to ascertain how manual assessments can do more to expose risk.

In 2019, a total of 14,980 transactions were captured by the bank's transaction monitoring systems. All the identified transactions were considered by the bank's own anti-money laundering staff, who reported 126 of the suspicious transactions to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim).

The bank has a focus on knowledge and training in order to combat financial crime. All employees are required to undergo mandatory e-learning on combating money laundering and terrorist financing on a regular basis. In addition, classroom instruction on combating money laundering is provided to a large number of employees on an annual basis.

Ambitions for 2020 are to continue to strengthen the organisation of, and assignment of ultimate accountability for, roles and responsibilities related to money laundering. Further, the bank will continue to monitor changes in the risk picture and the regulatory framework. This is to ensure that we at all times retain satisfactory management and control in the anti-money laundering area, which is essential with a view to reducing the risk of the bank being exploited for money laundering purposes and to expose instances of attempted money laundering or terrorist financing.

#### **Updating of customer information, Corporate Banking**

In the course of 2018 and 2019 Corporate Banking has updated its customer data on all active corporate clients as well as clubs and associations. While the division has hired in numerous substitutes for this clean-up project, advisers and employees in support functions have also devoted considerable resources to ensure satisfactory quality of the work done. The project, which in formal terms has reached completion, has led to permanently improved procedures and processes in the bank's AML procedures.

Customers are followed via all conceivable channels such as ordinary post, e-mail, telephone and attendance in person, but it is considered important that the majority are able to respond digitally. This enables improved risk assessment of the portfolio and improved follow-up of customers and segments that are exposed to money laundering and terrorist financing.

In cases where customers have not updated their customer data, the information is incomplete or the bank considers the information to pose a latent risk, relevant measures are taken in relation to the degree of risk. This may vary from blocking an account, extending customer due diligence measures, to terminating the customer relationship. The clean-up project has brought a substantial improvement in AML competence among the bank's corporate advisers and substantially improved AML quality in the bank's corporate portfolio.

#### **Updating of customer information, Retail Banking**

SMN has in the past year devoted considerable resources to ensuring adequate identity verification and customer data with regard to its retail customers. This is an important step in preventing money laundering, terrorist financing, identity theft and other forms of economic and financial crime. Under the project, checks have been carried out of the entire customer portfolio. The work is still ongoing, and will be integrated in SpareBank 1 SMN's day-to-day operations ahead. Regular checks of and information updates on all customers is crucial to preventing financial crime. We consider this to be a part of our corporate social responsibility.

#### **Anti-corruption**

Our ethical guidelines make clear that we do not tolerate corruption. The guidelines state:

*“Corruption is not tolerated, either in the group or among our partners. Staff members who are involved in bribery or other forms of corruption may be reported to the police and rendered personally liable.”*

All employees are familiarised with the guidelines regarding corruption both through e-learning and classroom training. Should the guidelines nonetheless be breached, sanctions will be imposed on the individuals concerned. No instances of corruption were uncovered at SpareBank 1 SMN in 2019.

New products, and existing products that undergo major changes, are subject to risk assessment. This assessment covers, among other matters, corruption. The question asked is: *“Does the product represent a risk of negative influence on our efforts to prevent corruption and terrorist financing? (Sustainability / ESG risk)”*. The most significant corruption risks that have been identified relate to the financing process. An inherent risk may be the risk of irregularities/corruption related to the approval of credit exposures. In order to guard against this risk, specific questions about corruption are asked in connection with the approval of new credits. When a credit application is to be considered by the credit committee, the customer officer concerned must confirm the following statement: *“The company/financing does not contribute to corruption”*.

When we purchase products from other suppliers we impose clear anti-corruption requirements on the supplier. These are formulated in a supplier declaration which is a standard annex to all contracts and is signed upon entry into a contract. Central points in this declaration are:

- SpareBank 1 does not accept employees of SpareBank 1 being offered or accepting gifts or other benefits that could be construed to be bribes. Equally, the supplier shall not accept such practices in relation to its own employees.
- The supplier shall actively ensure that SpareBank 1 is not complicit in corruption. The supplier shall not pay bribes on behalf of SpareBank 1, and the supplier shall also ensure that SpareBank 1 does not benefit from corruption carried out further back in the value chain.
- Suppliers who participate in tender competitions shall abide by the guidelines for fair competition, which includes making sure that confidential information is not divulged.
- The supplier shall distance himself from any form of money laundering and take necessary precautions to prevent other parties from using the supplier’s financial transactions for money laundering purposes.

It is also fixed by contract that we can utilise a third party to audit compliance with the above.

### **Compliance programme**

As part of its organisational set-up to ensure good internal control, the bank has a compliance function. This function’s task is to

- Assess the bank’s procedures and systems for ensuring regulatory compliance
- Provide advice to the management team and other employees on measures to be initiated to ensure compliance with the prevailing body of rules
- Assess the effects of any changes in the rules governing the bank
- Establish policies and processes to handle compliance risk
- Ensure that compliance is monitored and tested through a structured and well-defined monitoring programme



The compliance function makes a quarterly report to the group CEO, the risk committee and board of directors. The report contains an overview of new statutory requirements, a summary and review of controls carried out and proactive measures taken, non-compliance deviations, as well as complaints and correspondence with public authorities.

In 2019 the bank's main focus was on compliance with new statutory requirements in the areas of anti-money laundering, personal data protection and savings and investment advice. This focus will continue into 2020, the same time as the regulatory picture is continuously monitored to capture new requirements that require action on the part of the bank, such as the implementation of PSD2.

### **Personal data protection and information security**

The bank is dependent on the trust of its customers, owners, partners and supervisory authorities and other stakeholders if it is to maintain and increase its own market position. Through the bank's services, large volumes of personal data are managed, and this imposes major requirements on the bank's handling of customer data and on its adherence to key principles of personal data protection. The development of digital services provides business opportunities and aims to of benefit to our customers. At the same time, digitalisation imposes requirements in terms of security and protection of individuals and their personal data. It is both an objective and a requirement that key personal data protection principles should be safeguarded in the development of our services and products.

The bank manages large quantities of customer data. In the bank's view, personal data protection is about securing the necessary confidentiality, integrity and accessibility of all personal data that are owned, processed or managed by the bank. The bank's policy on personal data protection forms the framework for the bank's requirements for the processing of personal data, including requirements as to the distribution of responsibilities and roles in the context of personal data protection.

The volume of information and the opportunities for its use and misuse are growing apace. The trust that we as a bank are dependent on – from customers, supervisory authorities and other stakeholders – will to an ever increasing degree rest on the safe and secure management of customer data. We have accordingly described the bank's obligations to its stakeholders in detail and made them available here:

<https://www.sparebank1.no/nb/smn/om-oss/personvern.html>

The bank has appointed a personal data officer to assist the group CEO in matters of compliance with requirements on treatment of personal data.

*A new Personal Data Protection Act that implements the **General Data Protection Regulation (GDPR)** entered into force on 20 July 2018. In 2019 the bank's focus was among other things on the distribution of authority and responsibility and on improving its bodies of procedures and risk assessments. In all marketing involving the use of personal data, special GDPR assessments are undertaken which are duly documented. In 2019 we noted a tendency for increased focus on requirements on the processing of personal data, and the bank has improved its ability to identify breaches of legislation and procedures.*

The bank has a low threshold for reporting such breaches to the Data Inspectorate. 11 deviations in the form of breaches of personal data security were reported to the Data Inspectorate in 2019.

The bank received two complaints from customers related to personal data protection in 2019. No customer complaints regarding breaches of the personal data rules were addressed to the Data Inspectorate as supervisory authority. Five deviations classified as leaks or loss of personal data were reported.

The bank received no penalty charges or injunctions from the Data Inspectorate in 2019.

In autumn 2019 we published a new personal data protection declaration on SpareBank 1 SMN's webpages. The aim is to ensure good and readily accessible information and by that means to secure transparency as to the processing of customers' personal data and safeguarding their rights.

The aim for 2020 is to continue the task of providing training, to establish good data deletion procedures and continue the work on built-in personal data protection in our established and new systems alike. We will continue our efforts to close identified gaps, and to ensure involvement, accountability and good risk understanding across the organisation.

A key element of good personal data protection is good information security. Developing a security architecture and solutions geared to a more open business model is a challenge facing the entire financial industry. SpareBank 1 SMN accordingly participates in the Alliance's shared security strategy project in order to address and handle the changes brought by this development. Financial industry developments combined with accelerating technological development provides new opportunities, but also new threats and security challenges. The bank recognises the need to digitalise and simplify more services, at the same time as it is absolutely imperative to attend to personal data protection and information security.

SpareBank 1 is preoccupied with security, high business continuity and reliable services for the customer. Steps have been taken to strengthen capacity, robustness and further development in selected areas, in particular in the area of information security in the context of open banking, and coordination and securing of cloud services.

The bank has established a number of technical security measures with regard to information security. At the same time training and awareness-raising are at centre stage. The bank's competence and attitude-moulding programme for information security, Passopp, designed to strengthen the security culture across the entire organisation, was in train in 2019 and continues in 2020. Based on internal surveys, the bank conducts analyses and prioritises focal areas for the attitude-moulding programme.

The bank wishes to play its part in promoting safe and secure customer behaviour and in familiarising customers with information security. Customers find tips and advice on safe and secure use of the bank at <https://www.sparebank1.no/nb/smn/privat/tips-og-rad/sikker-bruk-av-nettbank-og-mobilbank.html>

## Gradual strengthening of the group's sustainability profile


Our stakeholders are divided in their view of the group's sustainability profile in 2019. Our own perception is that assessments of our sustainability profile are valuable in our continuing enhancement effort. We are at the initial stage of a systematic process of integrating sustainability into all our business lines, and we do nothing to conceal this in our dialogue with our customers and stakeholders. Inspired by sustainability goal no. 17, we extend an invitation to our partners and competitors alike to collaborate and share their experience in this process.

## Sustainable Brand Index

In February 2019 SpareBank 1 was crowned industry winner in finance by Sustainable Brand Index. This is Europe's largest, independent brand study on sustainability. The study has been conducted annually since 2011. In the 2019 study, 50,000 consumers across more than 20 industries were interviewed, distributed on 1,148 brands. The study is conducted in Sweden, Norway, Denmark, Finland and the Netherlands.

IN FEBRUARY 2019 SPAREBANK 1 WAS CROWNED INDUSTRY WINNER IN FINANCE BY SUSTAINABLE BRAND INDEX

## Sustainalytics

 Sustainalytics is a global provider of risk assessments related to sustainability for the investor market. Assessment entails measuring the risk present in a company's assets based on sustainability indicators. SpareBank 1 SMN achieved in 2019 a total score of 80 of 100 possible points, which is in the category of low financial risk. A risk factor of 17.1 out of 100 is categorised as low risk. The result for the year is a significant improvement from 2018 when we achieved a total score of 58 points and risk factor of 29.3 (medium risk).

Risk factors - sustainability	Weighting	2018	2019
Product strategy and marketing	28.60 %	8.4	4.4
Personal data protection and data security	18.00 %	5.3	2.4
Corporate governance	14.70 %	4.3	4.1
Investment and credit strategy	13.70 %	4.0	1.4
Business ethics	13.00 %	3.8	2.8
Human capital	12.00 %	3.5	2
<b>Total</b>	<b>100.00 %</b>	<b>29.3</b>	<b>17.1</b>

### Risk factors



## MSCI

Morgan Stanley Capital International (MSCI) is an American finance company that publishes risk assessments related to sustainability for the investor market. Assessment involves measuring risk present in financial assets based on 37 sustainability indicators on a ratings scale from A to triple C. SpareBank 1 SMN achieved an A rating in 2019. The result is somewhat better than in the 2018 assessment, but the rating is unchanged.

Risk factors - sustainability	Weighting	2018	2019
Funding and environmental impact	5.00 %	2.4	2.4
Access to capital	17.00 %	2.6	2.6
Responsible products	17.00 %	7.3	7.3
Staff development	13.00 %	3.1	3.1
Personal data protection and data security	13.00 %	2.2	2.7
Corporate governance	18.00 %	7.6	8.2
Financial instability	17.00 %	7.7	7.7
<b>Total</b>	<b>100.00 %</b>		

## Ethical banking guide

The ethical banking guide is a part of the international initiative Fair Financing Guide, designed to give consumers, organisations and public authorities insight into where banks stand on important themes in the field of ethics and sustainability. The ethical banking guide in Norway is a collaboration between the non-profit organisation Framtiden i våre hender ('Future in our Hands') and the Consumer Council, and is based on a review of the banks' guidelines, requirements and policy documents.

SpareBank 1 SMN achieved a total score of 58 per cent in the 2019 survey. We recorded progress in five of seven areas of activity, and retain the same score as in 2018 in two areas. In the theme areas we show progress in five out of six, and retain the same score as in 2018 in one theme area.

Areas of activity	2018	2019
Climate change	35 %	41 %
Corruption	72 %	74 %
Gender equality and diversity	40 %	43 %
Human rights	63 %	69 %
Worker rights	82 %	82 %
Nature and environment	44 %	52 %
Taxation	73 %	73 %
Theme areas	2018	2019
Weapons	81 %	81 %
Food	51 %	57 %
Forestry	29 %	30 %
Mining	53 %	55 %
Oil and gas	38 %	43 %
Powerproduction	50 %	58 %

## Global Reporting Initiative (GRI)

SpareBank 1 SMN reports in accordance with Global Reporting Initiative Core which is the leading standard for sustainability reporting. In the GRI standard materiality is a main principle. We report on the key central themes from the materiality analysis of 2017. In addition, we have chosen to include greenhouse gas emissions as a significant area in 2019, and report on the GRI 305 indicators. GRI reporting is an integral part of the bank's annual report.