

Sustainability report

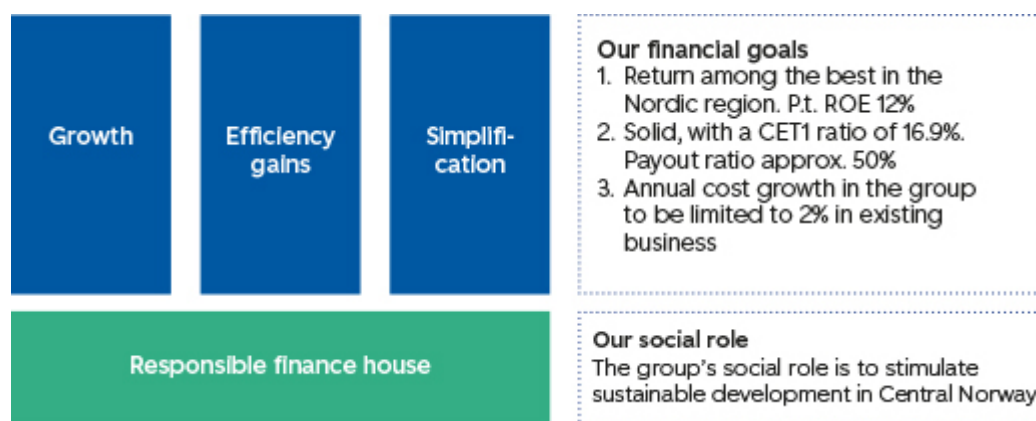


Sustainability

This chapter covers SpareBank 1 SMN's goals and ambitions as regards sustainability – financial as well as social, structural and societal. The group's recently established sustainability strategy is described together with key themes, sustainability activities and prioritising of sustainability goals. The chapter is summarising in nature, since specific products and processes connected to sustainability are also covered in other chapters in the report. Reference is also made to SpareBank 1 SMN's own webpages on sustainability at smn.no.

Ambitions and goals

SpareBank 1 SMN wishes to stimulate the sustainable development of Central Norway. The group's ambition is to set the standard for sustainability in finance in our region, and it has committed to integrating the UN principles for responsible banking into both its business strategy and core activities.



At the start of 2021 the group's focus is on concretising short- and medium-term goals that will ensure realisation of the long-term goals.

SpareBank 1 SMN's sustainability strategy is designed to make the group's financial goals achievable and to create value for customers, owners and employees by being a:

- Driver for the green transition
- Partner for an inclusive development of society
- Guide for responsible business culture

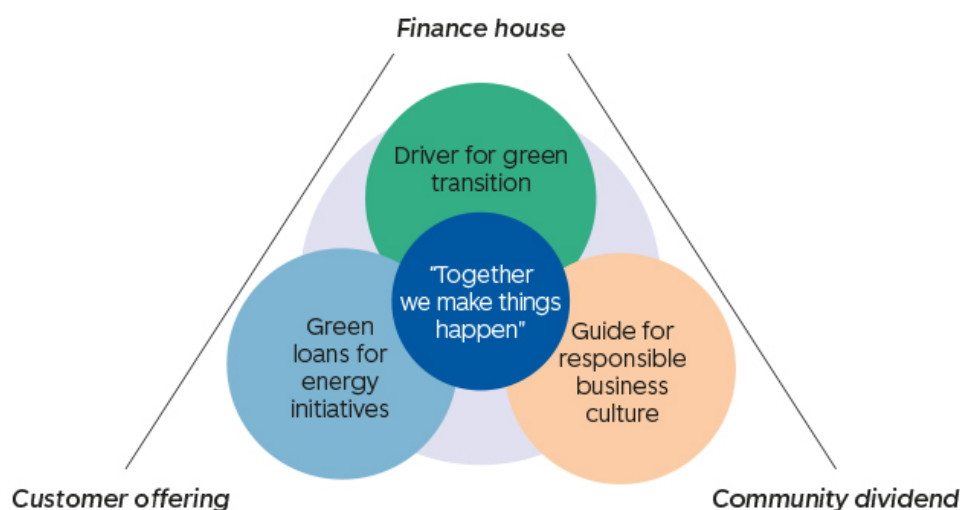
Goals of the group's sustainability strategy:

| Driver | Partner | Guide |
|--|---|---|
| Reduce the group's direct and indirect CO2 emissions in keeping with national obligations under the Paris Agreement. | Profile international worker and human rights. The group promotes inclusive and sustainable innovation. | Maintain an efficient, responsible and open business culture at all levels. |
| Finance house | Finance house | Finance house |
| At least 50% reduction by 2030. | A workforce that reflects the diversity of the population by 2030. | Zero tolerance of breaches of the group's ethical standards. |
| Customer offering | Customer offering | Customer offering |
| Share of lending/turnover that qualifies as sustainable economic activity. | Share of lending/turnover that qualifies as sustainable economic activity. | Share of lending/turnover that qualifies as sustainable economic activity. |

Sustainability is integrated into all aspects of the group through a framework comprising the three basic pillars of our business:

- Daily operations and organisation culture of the finance house
- Products and services making up the customer offering
- Ownership model and community dividend

Framework for integration of sustainability:



Organisational set-up

The sustainability effort is organised through a steering committee. The committee consists of key personnel from each business line in the group. The committee chair is the group's sustainability officer. The sustainability officer shall inter alia be:

- Adviser to the group CEO and the group management team
- Head of the group's steering committee for sustainability (ESG committee)
- Contact person for customers and suppliers in matters of sustainability
- Oversee the work of integrating sustainability into the group's business lines

The sustainability officer reports to the finance director. The steering committee reports to the group management team of SpareBank 1 SMN.

Commitments, policies and procedures

The group supports the following national and international agreements:

- UN Sustainability Goals
- Paris Agreement
- ILO Conventions 100 and 111
- UN Convention on Economic, Social and Cultural Rights
- Working Environment Act
- Equality and Anti-Discrimination Act

As at 31 December 2020, SpareBank 1 SMN has signed and/or given its endorsement to the following principles and standards:

- UN Principles for Responsible Banking
- UN Global Compact
- Task Force on Climate Related Financial Disclosure
- Global Reporting Initiative
- Environmental Lighthouse Foundation

SpareBank 1 SMN has published a sustainability library at www.smn.no. This gives an overview of key documents governing compliance with the group's sustainability strategy.

Significant themes and the group's influence on its surroundings

Significant themes of the group's sustainability effort form the basis for prioritising new initiatives:

| Prioritised significant themes | Additional themes |
|--|--|
| Prevent economic crime and corruption | Competence boost for customers |
| Stimulate the green transition in customer offerings | Ethical standards |
| Stimulate innovation and sustainable economic growth | Data and cyber security |
| Equality and diversity | Standards for purchasing and marketing |
| Develop competence of group employees | Green transition in the finance house |

The group has conducted its first influence analysis to identify the customer offering's positive and negative impact on the group's surroundings.

In summary:

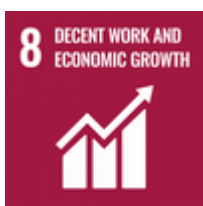
- Today's customer offering has both negative and positive impacts on the surroundings
- The positive impact arises mainly within the social dimension of sustainability (S)
- The negative impact arises mainly within the climate and environmental dimension (E)
- The governance dimension (G) is not addressed as part of the customer offering

On an overall level the results from this analysis affirm the insight acquired by the group through interviews under the materiality assessment.

Prioritised sustainability goals

SpareBank 1 SMN employs a broad approach in its work on the UN sustainability goals, but based on the knowledge acquired by the group, the following goals are particularly important:

- Positive impact



- Reduce negative impact



- SpareBank 1 SMN's vision – 'Together we make things happen' – underscores sustainability goal no. 17 as a key process goal in the group's sustainability effort.



Climate risk assessments

The group utilises an assessment both of the impact of climate change on the company (financial), and of the company's impact on climate change (environmental).

SpareBank 1 SMN utilises the TCFD framework to identify, monitor and manage climate risk. The work on a climate risk strategy is ongoing and will be published in the sustainability library at smn.no upon decision by the bank's board of directors. For the position regarding the group's climate risk strategy, see the relevant section in the chapter 'Responsible operations and management'.

Central sustainable governance indicators

The group is in the process of developing a coherent, overall governance model to ensure follow-up of both financial and non-financial goals. The business lines report on a quarterly basis, and the bank's board of directors receive semi-annual status reports on the implementation of the sustainability strategy.

The strategy process and the updated materiality analysis have been aligned to the group's GRI index. The GRI index for 2020 is therefore changed compared with the index for 2019. The 2020 GRI index is annexed to this annual report.

Significant sustainability activities in 2020

A description of new, significant measures and activities in the group's sustainability effort in 2020 is included in the respective business lines' chapters in this annual report.

| Finance house | Customer offering | Ownership model and community dividend |
|---|---|---|
| Revised framework and issuance of green bond | ESG analysis tool for classification of the corporate portfolio | Collective Covid-19 response efforts |
| Group-wide climate and energy account | Development of climate calculator for retail customers | New investment strategy and organising of the community dividend department |
| Revised credit strategy, group | Sustainability barometer | |
| Climate risk strategy, group | Sustainability labelling of mutual funds | |
| E-learning to strengthen employees' sustainability competence | New green products for businesses and retail customers | |
| Changes in purchasing standards | Trondheim municipality makes SpareBank 1 SMN its main bank | |
| | Mortgage payment holidays for corporate and retail customers | |
| | Advances of unemployment benefit | |

GRI Index

The table shows SpareBank 1 SMN's reporting for 2020 with reference to the GRI Standard's core requirements from GRI Standards 2016.

| GRI indicator | Name of indicator | Reply/Source | Comment |
|-------------------------------|--|--|---------|
| GENERAL INFORMATION | | | |
| Organizational Profile | | | |
| 102-1 | Name of the organisation | SpareBank 1 SMN | |
| 102-2 | Activities, brands, products, and services | Annual report - Organisation and presence | |
| 102-3 | Location of headquarters | Trondheim, Norway | |
| 102-4 | Location of operations | Norway | |
| 102-5 | Ownership and legal form | Savings bank based on equity certificates | |
| 102-6 | Markets served | Central Norway | |
| 102-7 | Scale of organisation | Annual report - Organisation and presence | |
| 102-8 | Information on employees and other workers | Annual report - The people | |
| 102-9 | Supply chain | Annual report - Sustainability in procurement | |
| 102-10 | Significant changes to the organisation and its supply chain | No significant changes | |
| 102-11 | Precautionary Principle or approach | Annual report - Corporate Governance | |
| 102-12 | External initiatives | Annual report - Sustainability | |
| 102-13 | Membership of associations | Annual report - About the group | |
| Strategy | | | |
| 102-14 | Statement from senior decision maker | Annual report - Statement by the group CEO | |
| Ethics and integrity | | | |
| 102-16 | Values, standards, principles and norms | Annual report - Values, vision and strategy | |
| Governance | | | |
| 102-18 | Governance structure | Annual report - Corporate governance | |
| Stakeholder Analysis | | | |
| 102-40 | List of stakeholder groups | Annual report - Stakeholders | |
| 102-41 | Collective bargaining agreements | Annual report - The people | |
| 102-42 | Identifying and selecting stakeholders | Webpage smn.no/ about us/sustainability/strategy for sustainability | |
| 102-43 | Approach to stakeholder engagement | Webpage smn.no/ about us/sustainability/strategy for sustainability | |
| 102-44 | Key topics and concerns raised | Webpage smn.no/ about us/sustainability/strategy for sustainability | |
| Reporting Practice | | | |
| 102-45 | Entities included in the consolidated financial statements | Annual report - Income statement | |
| 102-46 | Defining report content and topic Boundaries | Annual report - Income statement | |
| 102-47 | List of material topics | Annual report - Income statement | |
| 102-48 | Restatements of information | Annual report - Income statement | |
| 102-49 | Changes in reporting | In 2020 the group has carried out a new materiality assessment as part of its strategy process. This led to the inclusion of new, significant themes and indicators in the GRI index | |
| 102-50 | Reporting period | Financial year 2020 | |
| 102-51 | Date of previous report | March 2020 | |
| 102-52 | Reporting cycle | Annual | |
| 102-53 | Contact point | Jan-Eilert Nilsen | |

| | | |
|--------|--|-------------------|
| 102-54 | Claims of reporting in accordance with the GRI Standards | Core requirements |
| 102-55 | GRI content index | GRI Index |
| 102-56 | External assurance | PwC |

SPECIFIC INFORMATION

Green transition of Sparebank 1 SMN

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - SpareBank 1 SMN's energy and climate account |
| 103-2 | The management approach and its components | Annual report - SpareBank 1 SMN's energy and climate account |
| 103-3 | Evaluation of the management approach | Annual report - SpareBank 1 SMN's energy and climate account |
| 305-1 | Direct emissions (Scope 1) | Annual report - SpareBank 1 SMN's energy and climate account |
| 305-2 | Indirect emissions from energy used (Scope 2) | Annual report - SpareBank 1 SMN's energy and climate account |
| 305-3 | All other indirect emissions (Scope 3) | Annual report - SpareBank 1 SMN's energy and climate account |

Stimulating green transition

| Examining green transition | | | |
|----------------------------|---|--|-------------------------------------|
| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability | |
| 103-2 | The management approach and its components | We are in the process of revising governing documents and policies designed to assure compliance and control. An overall corporate governance model is under development for monitoring and reporting on our work in this area | |
| 103-3 | Evaluation of the management approach | Methodology and classification standards relevant to our economic activities will be put into use as and when enacted in Norwegian legislation. Our internal control system will be developed to assure quality and compliance. | |
| FS8 | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose | Retail market (loans under today's product hierarchy) Green construction loans: NOK 20,000,000 Green mortgages: NOK 114,000,000 Green loans for energy initiatives: NOK 145,000 Loans under green bonds: Retail market: NOK 16,043,000,000 Corporate market: NOK 8,121,000,000 | Retail Banking Corporate Banking |
| FS10 | Percentage and number of companies in the institution's portfolio with which the reporting organisation has interacted on environmental issues | 11 clients. Share of the portfolio within fisheries: 34% | Corporate Banking |
| MRKT-1 | Number of companies / volume of transactions arranged within renewable energy / with a green profile in investment banking and debt capital | Investment banking NOK 25,563,000,000 25 issues lead managed at 22 companies within renewable energy/with a green profile External capital NOK 2,200,000,000 5 issues lead managed at 4 companies within renewable energy/with a green profile | Markets |
| FS11 | Share of companies in the investment portfolio with positive and negative screening for environmental and social conditions (possibly ESG-screened) | Annual report - SpareBank 1 Invest | |
| KAP-1 | Number of companies in investment portfolios that are followed up as a result of controversies on the basis of ESG screening | This indicator is not reported on due to delayed delivery of data; we will publish a separate report at smn.no/about us/sustainability once the data is ready | Kapitalforvaltning |
| KAP-2 | Weighted carbon footprint of equity investments | This indicator is not reported on due to delayed delivery of data; we will publish a separate report at smn.no/about us/sustainability once the data is ready | Kapitalforvaltning |

Competence development

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - The people |
| 103-2 | The management approach and its components | The competence portal 'Utsikt' administers courses and training programmes, and enables retrieval of reports on completed courses |
| 103-3 | Evaluation of the management approach | The competence portal is developed in cooperation with the system provider as and when the organisation changes and new |

skills and modes of learning are introduced.

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| 404-2 | Programs for upgrading employee skills and transition assistance programs | Annual report - The people All employees who received a severance package in 2020 were offered support of up to 1.5G for education and competence raising purposes. All who considered taking a severance package, including above age 65, were offered personal financial advice |
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Diversity and equal opportunity

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability, The people |
| 103-2 | The management approach and its components | Annual report - The people |
| 103-3 | Evaluation of the management approach | Annual report - The people |
| 405-1 | Diversity of governance bodies and employees | Annual report - The people |
| 405-2 | Ratio of basic salary and remuneration of women to men | Annual report - The people |
| 406-1 | Incidents of discrimination and corrective actions taken | Annual report - The people |

Strengthening social rights in products and services

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|-------|---|---|
| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability |
| 103-2 | The management approach and its components | We are in the process of revising governing documents and policies designed to assure compliance and control. An overall corporate governance model is under development for monitoring and reporting on our work in this area |
| 103-3 | Evaluation of the management approach | Methodology and classification standards relevant to our economic activities will be put into use as and when enacted in Norwegian legislation. Our internal control system will be developed to assure quality and compliance. |
| FS10 | Percentage and number of companies held in the institution's portfolio with which the reporting organisation as interacted on social issues | 42 clients. 100% of clients with approved construction loans above NOK10m. Corporate Banking |
| FS11 | Share of companies in the investment portfolio with positive and negative screening for environmental and social conditions (possibly ESG-screened) | Annual report - SpareBank 1 SMN Invest |

Stimulating innovation and sustainable economic growth

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability |
| 103-2 | The management approach and its components | We are in the process of revising governing documents and policies designed to assure compliance and control. An overall corporate governance model is under development for monitoring and reporting on our work in this area |
| 103-3 | Evaluation of the management approach | Methodology and classification standards relevant to our economic activities will be put into use as and when enacted in Norwegian legislation. Our internal control system will be developed to assure quality and compliance. |
| FS7 | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose | First-home mortgages: NOK 13,000,000,000 Safe and secure house purchase: NOK 1,800,000,000 Retail Banking |
| FS14 | Measures to improve access to financial services for particularly vulnerable groups | Co-financing (emergency financial help and refinancing, new product). Volume NOK 20,000,000 Retail Banking |
| SMN-1 | Digital measures to improve efficiency and sustainable development of products and services | 85% of all loan applications at SMN are digital. This provides an annual saving of NOK 9m. 10% of all property settlements are digital. This provides an annual saving of NOK 2m. Retail Banking |
| MRKT-2 | Number of companies / volume of transactions arranged within technology in investment banking and debt capital | Investment banking NOK 8,926,000,000. 14 issues lead managed at 11 companies Markets |

Ethical standards

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| 103-1 | Explanation of the material topic and its | Annual report - Sustainability |
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| | Boundary | |
| 103-2 | The management approach and its components | Annual report - The people |
| 103-3 | Evaluation of the management approach | Annual report - The people |
| 205-2 | Communication and training about anti-corruption policies and procedures | Anti-corruption is an indicator we shall be reporting on in the future, and we therefore choose not to report these figures for 2020. |
| 205-3 | Confirmed incidents of corruption and actions taken | Annual report - Anti-corruption |

Data- and cybersecurity

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability |
| 103-2 | The management approach and its components | Annual report - Information security |
| 103-3 | Evaluation of the management approach | Annual report - Information security |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | Annual report - Personal data protection |

Standards for purchasing and responsible marketing

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|-------|---|--|-----------------------|
| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability report | |
| 103-2 | The management approach and its components | Annual report - Responsible operations and management | |
| 103-3 | Evaluation of the management approach | Annual report - Responsible operations and management | |
| 308-1 | Percentage of new suppliers that were screened using environmental criteria | One new cleaning services provider for SMN has been screened under the group's guidelines | Partially implemented |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | Annual report - Sustainability in procurement. No suppliers have been excluded | Partially implemented |
| 414-1 | Percentage of new suppliers that were screened using social criteria | Annual report - Sustainability in procurement. 1 new cleaning services provider for SMN has been screened under the group's guidelines | Partially implemented |
| 414-2 | Negative social impacts in the supply chain and actions taken | Annual report - Sustainability in procurement. No suppliers have been excluded | Partially implemented |
| 417-2 | Incidents of non-compliance concerning product and service information and labeling | Annual report - Responsible marketing of products and services | |
| 417-3 | Incidents of non-compliance concerning marketing communications | Annual report - Responsible marketing of products and services | |

Fight against economic crime and corruption

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| 103-1 | Explanation of the material topic and its Boundary | Annual report - Sustainability |
| 103-2 | The management approach and its components | Annual report - Responsible operations and management |
| 103-3 | Evaluation of the management approach | Annual report - Responsible operations and management |
| SMN-1 | Number of transactions flagged as suspicious, investigated and reported | Annual report - Economic crime |
| 205-3 | Confirmed incidents of corruption and actions taken | Annual report - Anti-corruption |

Auditor's report



To: Board of Directors in SpareBank 1 SMN

Independent statement regarding SpareBank 1 SMN's sustainability reporting

We have examined whether SpareBank 1 SMN has developed GRI Index and measurements and reporting of key performance indicators for sustainability (sustainability reporting) for the calendar year 2020.

SpareBank 1 SMN's GRI Index is an overview of which principles, aspects and indicators from The Global Reporting Initiative guidelines that SpareBank 1 SMN use to measure and report on sustainability; together with a reference to where material sustainability information is reported. SpareBank 1 SMN's GRI Index 2020 is part of SpareBank 1 SMN's annual report for 2020. We have examined whether SpareBank 1 SMN has developed a GRI Index for 2020 and whether disclosures are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Key performance indicators for sustainability are indicators for sustainability performance that SpareBank 1 SMN's GRI Index refer to, and that SpareBank 1 SMN measure and control. Key performance indicators for sustainability are available and included in SpareBank 1 SMN's annual report 2020. SpareBank 1 SMN has prepared the key performance indicators. We have examined the basis for the measurements, checked the calculations of the measurements, and examined whether key performance indicators are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Tasks and responsibilities of management

Management is responsible for SpareBank 1 SMN's sustainability reporting and that the reporting is developed in accordance with the Standards published by The Global Reporting Initiative. Their responsibility includes developing, implementing and maintaining internal controls that ensure the reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities

Our responsibility is to express an opinion on the subject matter based on our control. We have performed our work and will issue our statement in accordance with the Standard on Assurance

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that SpareBank 1 SMN's sustainability reporting is developed in accordance with the Standards published by The Global Reporting Initiative. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole is free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

Our controls include meetings with representatives from SpareBank 1 SMN that are responsible for the key areas covered by the sustainability reporting, to evaluate internal controls and procedures related to sustainability reporting; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion.

Conclusion

In our opinion

SpareBank 1 SMN's GRI Index is, in all material respects, developed and presented in accordance with the requirements of the Standards published by The Global Reporting Initiative; and

Key performance indicators for sustainability, for the calendar year 2020 are, in all material aspects, developed, measured and reported in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Trondheim, 4 March 2021
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

(2)