

# The business



## Retail Banking

### Increased market shares and good results

**SpareBank 1 SMN leads the market both in real estate agency and banking services for retail customers. 2021 was a good year for Retail Banking with increased market shares for the bank and increased sales and incomes for the real estate agency business.**

Co-location in a number of localities in the region has yielded positive results. The group is building strong specialist entities and enhancing the quality of customer deliveries. Real estate agents and banking advisers work closer together and are able to provide customers looking to buy or sell a home with a more coherent offering.

Co-location also opens the way for improved interaction in the agricultural segment. Agricultural clients often need estate agency, banking and accounting services, and the group can now offer these in several locations. The support that SpareBank 1 SMN is able to provide for the succession process in family businesses is a good example of how the group's breadth strengthens the customer offering.

The co-location process progressed through the year and SpareBank 1 SMN expects 2022 to show clearer results of the changes made.



#### Increased efficiency

Retail Banking underwent major changes over the course of the year. Financial advisers took on more specialised roles and are working more on a team basis.

“2021 was a good year for Retail Banking even though we have undergone major changes. We saw a positive trend in all market areas and gained market shares in most localities. We also raised our FTE efficiency through significant improvements, including in the lending process”, says Nelly Maske, executive director at Retail Banking.

SpareBank 1 SMN has in particular shown good growth in Sunnmøre where several new staff members were appointed in 2021.

The director highlights the particular success of their targeted focus on data and analysis. This contributed to good customer experiences through digital communication and proactive advice. The customer journey enables a customer to view SpareBank 1 SMN as more relevant. Targeted initiatives and a strong focus on good customer experiences have fostered customer loyalty and reduced customer loss.

Moreover, the digital bank was further developed to cater to the individual customer's needs. ‘My vehicles’ was launched as a pilot and provides the customer with an overview of expenses and services related to car ownership. ‘My vehicles’ was developed in conjunction with SpareBank 1 Finans, SpareBank 1 Utvikling, Fremtind Forsikring and Fleks AS.

A broad-based focus on saving and investment produced good results over the year. SpareBank 1 SMN notes that customers largely use digital services to start a savings account. Digital sales of savings accounts topped the previous year's figure by far more than 100 per cent, both in number and volume. Over

the year the bank launched several data-driven customer programmes giving customers a better overview of their savings and offering tips and advice on the subject.

Banking operations were at times affected by the Covid pandemic over the year, but to a lesser extent than in 2020.

“Many customers have changed behaviour as a result of the pandemic, getting in touch to a greater degree by telephone and digitally. Customer call centres noted heavy traffic which was taxing at times”, says Nelly Maske.

We also see an increase in the proportion of digital sales. At the end of 2021 as much as 71 per cent of sales were digital or initiated on digital channels. Disregarding mutual funds, the share is 43 per cent.



### **One of the best years ever**

For EiendomsMegler 1 Midt-Norge 2021 was one of their best years ever, and they consolidated their position in the market across all segments. The market share for existing dwellings moved sideways and is rising in the agricultural, commercial property and new dwelling segments. Sharp income growth is noted on the commercial front in particular.

“In Trondheim we established property rental services for consumers and professional clients. Property rentals supplement our sales of new and existing dwellings and make a full array of services available to our customers, in conjunction with the parent bank and insurance arm. The venture proved to be goal-fulfilling as a new business segment, in addition to offering a major potential for interaction”, says Kjetil Reinsberg, CEO of EiendomsMegler 1 Midt-Norge.

Since summer 2020 the company has noted a positive effect of the pandemic on the dynamic in the housing market, in particular with regard to sales of recreational properties and new dwellings, as well as the commercial property market. We expect both the recreational property market and the newbuild market, especially in Trondheim, to be in good shape next year too.

Over the course of the year EiendomsMegler 1 Midt-Norge ran several good lean projects involving employees from estate agency, commercial property and newbuild services. These projects are expected to contribute to good results in 2022. The most important takeaways from the lean projects are an understanding of what internal and external customers actually need, what they are willing to wait and pay for, and how we as a finance centre can deliver this customer value as efficiently as possible. To that end all employees are put in a position, and given authority and responsibility, to engage in continuous improvement of their personal workplace and working day.

### **Sustainable interaction**

SpareBank 1 SMN wishes to make it simpler to opt for sustainable solutions, and Retail Banking’s green portfolio is steadily expanding. In 2021 SpareBank 1 SMN launched new green mortgage loans in the young customer segment along a green agricultural loan, in addition to the service My Climate Track at the digital bank.

All mutual funds offered by SpareBank 1 SMN are accompanied by a sustainability rating. November saw the launch of the mutual fund ODIN Bærekraft which complies with the most stringent sustainability reporting and makes it even simpler for customers to choose sustainable saving.

A growing focus on sustainability is also noted at EiendomsMegler 1 Midt-Norge and their industry.

“We note an increasing number of new build assignments featuring green finance in addition to more and more assignments to sell environmental buildings”, says Kjetil Reinsberg.

A large potential for interaction exists between the banking and estate agency arms and other specialist entities in the group and efforts are under way to exploit this potential to an even greater degree in coming years.

### Further growth next year

Expectations for 2022 are a more normalised housing market, higher consumption and a somewhat lower saving rate. The bank and real estate agency both expect and aspire to further growth next year.

“Our ambition is 10 per cent growth next year. We aim to take market share through increased recruitment of new customers, reduced customer loss and a proactive effort to expand the number of multi-product customers. We will in particular strengthen the growth in Sunnmøre and Trondheim and take a larger share of national LO (Norwegian Trade Unions Confederation) customers”, says Nelly Maske.

“We delivered turnover growth in 2021 and aim for further growth next year. The market is volatile and we are very much driven by the market, but the property market in our region is good and stable. All segments are positive and no dark clouds loom”, says Kjetil Reinsberg.

### Core figures for Retail Banking and EiendomsMegler 1

<b>Retail Banking</b>	<b>2021</b>	<b>2020</b>
Deposits	50.17 bn	47.5 bn
Loan	137.6 bn	129.1 bn
No. of customers	249,482	245,697
No. of FTEs	360	369
Profit before tax	1,167bn	1,093 bn
<b>EiendomsMegler 1</b>	<b>2021</b>	<b>2020</b>
No. of properties sold	7,763	7,164
No. of FTEs	233	227
Profit before tax	71 m	52 m

# Corporate Banking

## Closest ever cooperation

**2021 was a good year for Corporate Banking, but a year to a large extent still marked by the Covid pandemic. Internal reorganisation processes led to closer and better interaction between SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN.**

After struggling for several years, the bank's corporate banking arm sees improved prospects in the oil and offshore industry. The outlook in the commercial property segment is also brighter, while fisheries and aquaculture remain on a stable good level. The bank saw good performances particularly in the SMB market as a result of a focused effort to attract new customers.

SpareBank 1 Regnskapshuset SMN consolidated their position as market leader in part through the acquisition of two companies. A third company was also acquired in 2021. They have come a long way on their journey from accounting firm to full-fledged accounting consultancy, and have spent time fitting out the business and 'assembling the team'.

As a sparring partner, and not just an accountant, they can do more to streamline administrative processes, and to assist customers by highlighting where to focus more and conversely less effort in order for the business to become more profitable and to grow.

Putting new technology to use has enabled them to offer new, modern accounting systems that enhance the efficiency of their customers' finance functions.

In 2021 they also launched the innovative 'HR Services', a customer-oriented, flexible service to support businesses' everyday HR activities and to assist for example in attracting candidates, regulatory compliance and staff development.

Towards the end of the year SpareBank 1 Regnskapshuset SMN was selected as national provider of accounting services to LO Selvstendig – a collaboration between unions affiliated to the Norwegian Trades Union Confederation that organises the self-employed.

### **The pandemic has been demanding**

The corporate market is still affected by the pandemic and in some cases stringent restrictions, and the year posed substantial challenges for many customers in a number of segments.

The bank has gained a good overview of risks and hard-hit industries and has good control of the risk posed by Covid 19. That risk has been managed in a good manner and we are unlikely to see any appreciable losses as a result of the pandemic.



“More so than the preceding year, 2021 made clear who have been most affected. We are comfortable in a crisis situation, and in that sense we differ from other banks. We have been there, supporting business and industry the whole way, and have witnessed tremendous growth in customers and market share alike”, says Vegard Helland, executive director at Corporate Banking.

SpareBank 1 Regnskapshuset SMN have spent much time managing the Covid situation and in particular the various compensation arrangements put in place by the government.

“Here we have played a key role for many customers by getting to grips with the rules in order to advise customers on the opportunities available. We have performed an important control function by checking that the basis for compensation sought by customers has been correct. This has been a wide-ranging task, but at the same time a natural role for us to play as the individual business’s closest sparring partner”, says Arne Nypan, CEO at SpareBank 1 Regnskapshuset SMN.

### **Co-location yields results**

Co-locating business lines in finance centres at several locations across the region has made it simpler to provide a more coherent offering. In contrast to many other institutions, SpareBank 1 SMN can offer corporate clients both banking and accounting services.

Over the year advisers have focused on making the entire array of products available to their customers. The breadth of the product range is a competitive advantage and it is crucial that customers see the value of our coherent, overall approach.

“Co-location of offices has resulted in closer cooperation between the bank and the accounting arm. We have got to know each other better, we work more closely than ever and we have become more customer oriented. This simplifies everyday life for our customers who feel that they benefit from better advice and a more coherent offering”, says Vegard Helland.

“Together we have developed the concept ‘Bank+Accounts’, and additional novel customer concepts will be launched in the period ahead. We are making every effort to offer banking services through the accounting systems already in use by customers today and we continually embrace new technology,” says Arne Nypan.

Co-location is also a feature of the digital channel inasmuch as SpareBank 1 Regnskapshuset SMN’s web pages are now part of smn.no.

### **Sustainability on the agenda**

“We devote much effort to sustainability and its significance for business and industry and the bank. We have done much to map the sustainability picture in a number of segments in order to better understand what it means for our customers”, says Vegard Helland.

The results from SpareBank 1 SMN’s sustainability barometer show that the crisis is larger than much of business and industry’s understanding of it. The focus ahead will accordingly be on enhancing competence within the group so that advisers are better able to help clients in their green transition.

In addition SpareBank 1 SMN, in collaboration with SINTEF, an independent research institute, has launched a support scheme for SMBs in Mid-Norway that wish to readjust to become greener, smarter and more innovative. The support scheme is funded by the group's community dividend.



In 2020 the SpareBank 1 SMN group delivered its first energy and climate account. This was prepared by SpareBank 1 Regnskapshuset SMN. They were the only accounting firm in Norway to draw up an energy and acclimate account that year and already view this as a growth area.

“This year we are already invoicing several major clients for sustainability reporting. Next year we will do more to realise this potential”, says Arne Nypan.

### Big ambitions

Both the bank and the accounting business have big ambitions for 2022.

“Our ambition for next year is to achieve substantial growth both in the number of customers and business volume. We will further reduce losses and continue to acquire new customers”, says Vegard Helland.

“We will remain on the lookout for good partners that can strengthen the team going forward. We already hold substantial market shares in northern Trøndelag, Trondheim and Møre, and will continue to do so. We aim to win market shares in other areas where we are in a challenger position,” says Arne Nypan.

Corporate Banking also has ambitions to develop new customer offerings and services for all corporate clients, both separately at the bank and Regnskapshuset and, not least, jointly.

### Core figures for Corporate Banking and Regnskapshuset

<b>Corporate Banking</b>	<b>2021</b>	<b>2020</b>
Deposits	59.6 bn	49.4 bn
Loans	47.6 bn	44.8 bn
No. of customers	17,727	15,564
No. of FTEs	165	156
Profit before tax	795 m	113 m
<b>SpareBank 1 SMN Regnskapshuset</b>	<b>2021</b>	<b>2020</b>
No. of customers	11,249	10,712
No. of FTEs	457	443
Profit before tax	85 m	110 m

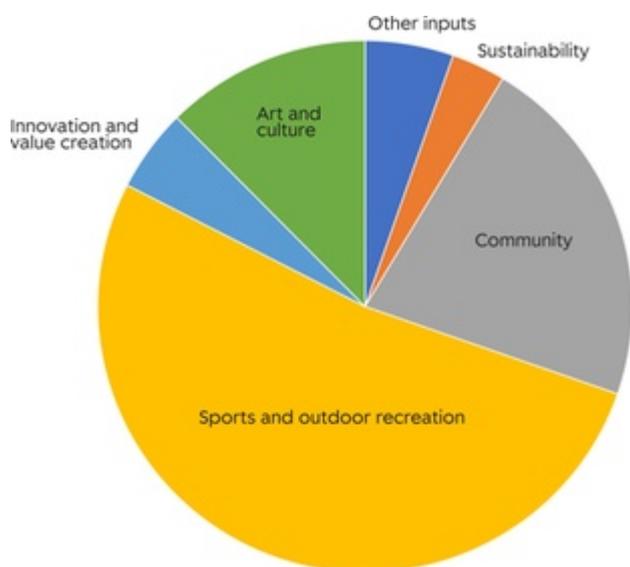
## Community dividend

### Community dividend raised to a new level

The Mid-Norwegian community is the largest single owner of SpareBank 1 SMN. The community's share of the bank's net profit is termed the community dividend. The dividend funds go to supporting good projects that build and develop Mid-Norway and make the region a better place to live and work.

#### More than 10,000 suggestions on how the community dividend should be invested

In 2021 the community dividend totalled NOK 323m. Of this, NOK200m was allocated to investments in various projects in the region. A further NOK 123m was transferred to the foundation Sparebankstiftelsen SMN, which is the community's 'savings box'. This represents a substantial strengthening of the ability to support local communities in Mid-Norway. A new strategy has been formulated for how the dividend moneys should be deployed in order to ensure the greatest value for the regional community.



*10,124 persons and more than 100 key individuals and partners voiced their opinion*

In spring 2021, as a step in this process, SpareBank 1 SMN asked the Mid-Norwegian community for inputs. Individuals and organisations got the chance say how they thought the community dividend should be invested. A good 10,000 responses from individuals and more than 100 from meetings with organisations and resource persons provided valuable direction.



“As expected, the sports and outdoor recreation category drew much support. There was also a clear recommendation to contribute to living local communities, to work to ensure equal rights and opportunities for children and young people, and to contribute to green innovation and value creation. The inputs received will underlie the choice of measures and direction for the community dividend in the next few years,” says Eli Arnstad, bank manager at Community Dividend.

**Community response to Covid-19 and reopening of society**

When the pandemic broke out 2020, community dividend worth NOK 100m was earmarked for Covid-related support to the voluntary sector, cultural life and local communities. SpareBank 1 SMN called this the 'communal Covid response effort'.

Through various support schemes the funds were directed at initiatives that eased the situation for organisation, cultural life and local communities. The goal was to secure the voluntary sector and bolster solidarity and activity during an abnormal period. This work carried on in 2021 when Covid continued to create uncertainty for cultural life, clubs and organisations.

When the outlook brightened and reopening approached, NOK 100m was allocated to help the community get up to speed again. In autumn 2021 support was provided to several hundred activities in a bid to invigorate our local communities and help actors that had faced the toughest challenges during the pandemic to find work once again.

The initiatives were met with immense commitment and sparked great activity. Activity was greatest in Trondheim where more than 115,000 persons participated in almost 300 events large and small.

At the end of 2021 the group is again prepared to be a mainstay should new mutations of the corona virus pose challenges for local communities in Mid-Norway.

SpareBank 1 SMN's public input campaign and support arrangements achieved a broad outreach in the communal Covid response effort, in traditional and social media alike. For the group this type of visibility is important in building awareness and knowledge of the significance of the community dividend and of the power intrinsic to the ownership model.

**Other major activities in 2021:****■ Establishment of a sustainability programme with SINTEF**

Over the course of 2021 a programme was initiated in collaboration with SINTEF designed to assist Mid-Norwegian businesses' green transition. Together we shall help established small and medium-sized businesses (SMBs) in Mid-Norway to digitalise, automate and become more sustainable. This is a unique opportunity to draw benefit from SINTEF's expertise at the same time that the community dividend covers half the participation fee for businesses, thereby giving more SMBs the chance to take part.

**■ SpareBank 1 SMN Talent Grants**

NOK 1.2m was handed out in grants to talented individuals. This sum was distributed among 30 young talents in the fields of culture, sports, and business and social development in Mid-Norway.

**■ Summer jobs for young people**

SpareBank 1 SMN contributed financial support for 633 summer jobs for young people in another summer marked by Covid restrictions. The summer-job project was carried through in collaboration with the foundation Sparebankstiftelsen SMN.

**■ Community portal launched**

In 2021 the group launched a webpage providing an overview of all projects that have received support

from Community Dividend. In the first instance the story extends back to 2007. The plan is to develop the overview further to provide a virtually complete overview of all awards made throughout the bank's history in time for the anniversary in 2023. See the community portal at [samfunnsutbytte.smn.no](http://samfunnsutbytte.smn.no).

Over the course of 2021 SpareBank 1 SMN received 2,934 applications for support, of which 1,293 were granted. The total amount applied for was NOK 286,924,715, and the total amount of support awarded from the bank's community dividend came to NOK 163,866,599.

### **Together we make things happen**

"By virtue of our ownership model we have close and tight links to the community around us which have endured for close to 200 years. The community dividend enables us to invest non-profit funds in a way that builds and develops our region into a better place. We look forward to continue to do so ahead, together with enthusiasts, competence institutions and everyone else who makes things happen in Mid-Norway," says Eli Arnstad.

## People and organisation

### Salary and bonus arrangements

Salary and bonus arrangements are further described in the report on remuneration to senior employees.

### Change and reorganisation

Any organisation needs to adapt continuously to changes in its environment. In autumn 2020 SpareBank 1 SMN made a major change to its organisation set-up. The change programme was termed 'One SMN'. Its object is to assure an even more effective group, and to enable it to deliver even better services to its customers.

In 2021 SpareBank 1 SMN worked on incorporating the new organisation set-up, new interfaces and on ensuring that the organisation functions to the best possible extent in keeping with the objective of One SMN. Many staff members have acquired new roles, new colleagues and new tasks. This has been a demanding process in a period of pandemic in which many employees have worked from home for much of the year.

In spite of this, the group saw gains over the course of 2021 in terms of greater efficiency, along with group functions comprising strong specialist teams that deliver high-quality services to all business lines.

### Competence development and recruitment

SpareBank 1 SMN most important resource is its employees. In order to deliver the best customer experiences and to assure relevance to the customer both today and in the years ahead, the group needs employees who wish to evolve and to expand their capabilities. Attracting the right people and laying the basis for them to develop their expertise is therefore a priority if the group is to ensure its relevance and competitiveness in the years ahead.

In 2021 all financial advisers and real estate agents in the group underwent training in 'advisory value sales'. The core of advisory value selling is to enable the customer, through good meetings and advice, to see added value beyond the actual product or service purchased.

Digitalisation, sustainability and ethics were focal areas for competence development in the group in 2021.

Over the course of the year 23 staff members started a training programme in digital transformation at master's level, developed by the NTNU. Effective use of new digital coordination tools was also much in focus in the field of digital competence in 2021.

The precept of sustainability permeates all activities at SpareBank 1 SMN, and the group aspires to be a driver of green transition in the region. For this ambition to succeed, all staff members must be well versed in sustainability. In 2021 all employees were given the opportunity to undergo basic coaching in sustainability which included game-based learning as part of the competence path.

In 2021 an ethics week was held with the focus on the group's ethical guidelines. All staff members received a learning sequence designed to impart increased knowledge and awareness on each day of that week. This type of learning will continue on an annual basis to ensure that employees maintain a high level of awareness and a high ethical standard. This is absolutely crucial if the group is to maintain the required trust and confidence of the community at large.

Financial advisers, both in Retail Banking and Corporate Banking, underwent a series of training programmes and updates as regards professional skills, products, advisory activities and ethics in 2021. The object is to ensure high quality, and to inspire confidence and trust when dealing with customers. All employees also underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering.

SpareBank 1 SMN is an attractive employer, and a survey of students conducted by Universum in 2021 ranked SpareBank 1 as the second most attractive employer for economics students. SpareBank 1 SMN actively approaches universities and colleges with a view to attracting the right skills. In addition to participating at career days and company presentations, the group has annual summer internships and a programme offering students skills development and an experienced mentor as a sparring partner with regard to choice of course of study and career.

SpareBank 1 SMN has many highly competent candidates for the great majority of open positions. The group has a clear ambition to continue to be an attractive place to work in the future and will seek to strengthen its approach to people and institutions that can provide us with important technological and digital competencies.

The group also has a major focus on internal mobility and sets the stage for good career and development opportunities for its employees. In 2021, 38 staff members moved to new positions within the group while 183 persons were recruited externally.

## Management and employeeship

A belief that employees perform better if they experience a feeling of coping, trust and autonomy, and have a meaningful working day, is an important governance principle at SpareBank 1 SMN. This belief also underlies the management platform and the group's principles of management.

2021 saw regular digital and also physical seminars with managers in the group. Management's role in a hybrid working day, and what managers can do to enable team and individuals to achieve effective interaction and good deliveries in such a context, were important themes at these seminars.

SpareBank 1 SMN have decided to implement a career programme for young employees in the first half of 2022 whose theme will be "How to be a colleague others want to team up with" In this programme, as in other development programmes in the group, importance will be attached to an even gender balance among the participants.

In its development programme for managers and managerial talents, the group has set a target of a minimum of 50 per cent female participants.

## Commitment and staff development

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

In 2021 a pilot was conducted on the use of a new tool for organisation measurement – Winningtemp. The pilot demonstrated that the tool, through frequent measurements of performance tailored to the respective teams, provides very useful information and will lend itself well to evolving the organisation in the years ahead. One of the companies in the group introduced the tool in its entirety in the course of 2021 while the others will do so in the first quarter of 2022.

## Diversity and equal status

SpareBank 1 SMN attaches great importance to inclusion and diversity. All employees in the group should feel that they belong, and are an important part of the team. Diversity makes for added perspectives and a more exciting, broadening and dynamic work environment. All employees have a responsibility for promoting inclusion, thereby enabling them personally and their colleagues to grow.

The group makes an active effort to assure equal status and to avoid discrimination in all aspects of the employment relationship, from vacancy announcement to termination of the employment relationship. The workforce should reflect the community of which SpareBank 1 SMN is a part. This applies to cultural background, gender, age, ethnicity and sexual orientation. No instances of discrimination were reported in 2021.

### Recruitment

SpareBank 1 SMN made an active effort in 2021 to ensure a wide diversity among applicants for posts in the group, among candidates invited for interview and among actual appointees.

Among the steps taken by the group to ensure a diversity of applicants was to scrutinise the texts employed in vacancy announcements. An analysis of such texts showed a preponderance of terms and characteristics that increased the likelihood of male applicants and reduced the likelihood of female applicants. Against this background, scrutiny of each new vacancy announcement was introduced to ensure a balanced use of terms and a description of the position and the desired qualities that encourages more females to apply for positions at SpareBank 1 SMN.

Over the course of 2021 the group also made information about its stance on, and efforts to promote, diversity more readily accessible in the application process for those thinking of applying for posts. Moreover, new photos and images were taken into use to better reflect workforce diversity.

SpareBank 1 SMN's objective is that both women and men should be among the shortlisted candidates ahead of the final decision on who is to be offered an open position. In 2021 this objective was achieved in a large majority of employment processes.

In 2021 the group recruited 183 new personnel to various roles in the group. Of these, 91 are women and 93 are men. 19 new employees were recruited to managerial positions, 12 of whom are women and 7 are men.

### **Salary and employment conditions**

SpareBank 1 SMN has focused on equal pay for women and men in recent years. Through the introduction of a 'women's pay-equalisation fund' the group has attained its objective of equal pay for comparable positions.

Where women's share of men's pay across the group is concerned, the picture is less favourable. In the group as a whole this share stands at 77 per cent, and for the parent bank 90 per cent. The main reason for this disparity is the substantial preponderance of men high up in the job hierarchy and in weightier managerial positions, not that there are significant pay differences between women and men in comparable positions.

The group uses the Hay salary system for job classification purposes and to ensure consistency and equal treatment when fixing and evaluating salaries. A review of pay levels for women and men in the various pay grades shows that equal pay prevails at a number of position levels.

### **Promotions**

A good gender balance is sought at all levels of the organisation, and the proportion of women in managerial positions with personnel responsibilities in 2021 was 42 per cent. The group management team now comprises nine persons, two of whom are women.

SpareBank 1 SMN has signed the Women in Finance Charter. In so doing the group has committed to setting targets for gender balance at managerial level. The object is that women should account for a minimum of 45 per cent of managerial positions, and a clear ambition is to increase the share of women in weightier managerial positions.

The executive director of Technology and Development at SpareBank 1 SMN has a dedicated responsibility for monitoring the work to promote equal status and diversity in general and the Women in Finance Charter in particular. The group will publish the current status and progress of this effort on a regular basis.

### **Combination of work and family life**

SpareBank 1 SMN aims to be a workplace where employees experience a good balance between work and leisure. The group's life phase policy is designed to accommodate employees in all phases of life. Arrangements involving flexible working hours and working from home are available, enabling employees to adapt their working day to their family situation.

In 2021 a start was made to improving arrangements for maternity leave, other leaves of absence and real estate agents' sick leave. New arrangements will ensure that employees do not refrain from taking leave of absence for financial reasons.

## Ethical guidelines

The group's employees and elected officers are expected to maintain, and be recognised for, their high ethical standard. All, regardless of role and position, are expected to display conduct which inspires confidence, and is honest and fair and square. The ethical guidelines embody four overarching key principles: the duty of confidentiality, financial independence, loyalty and personal integrity. Conduct and actions must underpin the group's role as a responsible and central social actor, with goals and strategies for corporate social responsibility and sustainability.

All customer treatment and advice must conform to the industry's requirements as to good practices. Customers' needs and interests must be safeguarded through good information and advice that enables them to make conscious and well-informed choices.

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

Persons with managerial responsibility have an obligation to familiarise their staff members with the ethical guidelines of SpareBank 1 SMN. New staff members receive a thorough introduction to the guidelines at an early stage of the employment relationship.

In 2022 the group will continue its task of instilling awareness of the ethical guidelines and will consider new methods to intensify managers' and staff members' focus in this area. The group's ethical guidelines are revised annually.

## Whistleblower programme

SpareBank 1 SMN has internal guidelines on whistleblowing. Employees are urged 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 SpareBank 1 SMN's intranet pages. No reports were registered in 2021.

## Worker rights

SpareBank 1 SMN respects and takes account of international worker and human rights. A policy document has been drawn up and published on the group's web pages that specifies the conventions, frameworks and policies by which the group's companies abide.

The right to organise is important. A substantial proportion of our employees are members of a trade union, and the group attaches much importance to good cooperation with the unions. The proportion of employees in the group who were covered by a collective bargaining agreement in 2021 was 71 per cent.

## Health and physical activity

SpareBank 1 SMN wishes to lay a basis for employees to stay in good physical shape.

Substantial resources were invested in the Better Shape programme in 2021. The programme encourages individuals and departments to keep fit by organising competitions, by subsidising fitness centre membership and through keep-fit activities in connection with work.

We also encourage employees to spend their journey time to and from work keeping fit, and at the Head Office a bicycle garage with a workshop and bicycle wash station, along with fully equipped changing rooms, have been made available to that end.

It is well documented that physical activity helps to reduce sickness absence. As a party to the Inclusive Employment Agreement, SpareBank 1 SMN considers 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 in need job training.

Sickness absence in the group totalled 4 per cent in 2021. This figure is weighted sickness absence based on figures and proportion of employees working at the parent bank, SpareBank 1 Regnskapshuset SMN, EiendomsMegler 1 Midt-Norge, SpareBank 1 Finans and SpareBank 1 Markets respectively.

## Staffing

<b>Group</b>	<b>2021</b>
No. of FTEs, incl. subsidiaries <sup>1)</sup>	1,482
No. of FTEs, parent company	656
Sickness absence	4.00 %
Share of women	52 %
Share of women in management positions	42 %
Women's share of men's pay	77 %
Average age	42.4 år
Average time of employment	8.6 år
No. of recruitments, internal	38
No. of recruitments, external	183
Turnover	9.8 %
Share of employees covered by collective bargaining agreement	71 %

1) Number of FTE's has been adjusted for vacancy rate

### Age groups' gender distribution

The figures refer to employees of the SpareBank 1 SMN group, and represent the number of employees in respect of whom the SpareBank 1 SMN group has obligations.

Includes trainees and temporary employees.

<b>18-29</b>	<b>336</b>
Women	147
Men	189
<b>30-39</b>	<b>399</b>
Women	213
Men	186
<b>40-49</b>	<b>372</b>

Women	198
Men	174
<b>50-59</b>	<b>358</b>
Women	206
Men	152
<b>60-70</b>	<b>183</b>
Women	93
Men	90
<b>Total</b>	<b>1.648</b>

### Distribution of new employees

In 2021 there was a total of 183 new employees, of which 91 were women and 92 men (permanent employees).

<b>Women</b>	<b>91</b>
18-29	39
30-39	28
40-49	16
50-59	6
60-69	2
<b>Men</b>	<b>92</b>
18-29	45
30-39	22
40-49	18
50-59	5
60-69	2
<b>Total</b>	<b>183</b>

### Distribution by employee type and gender

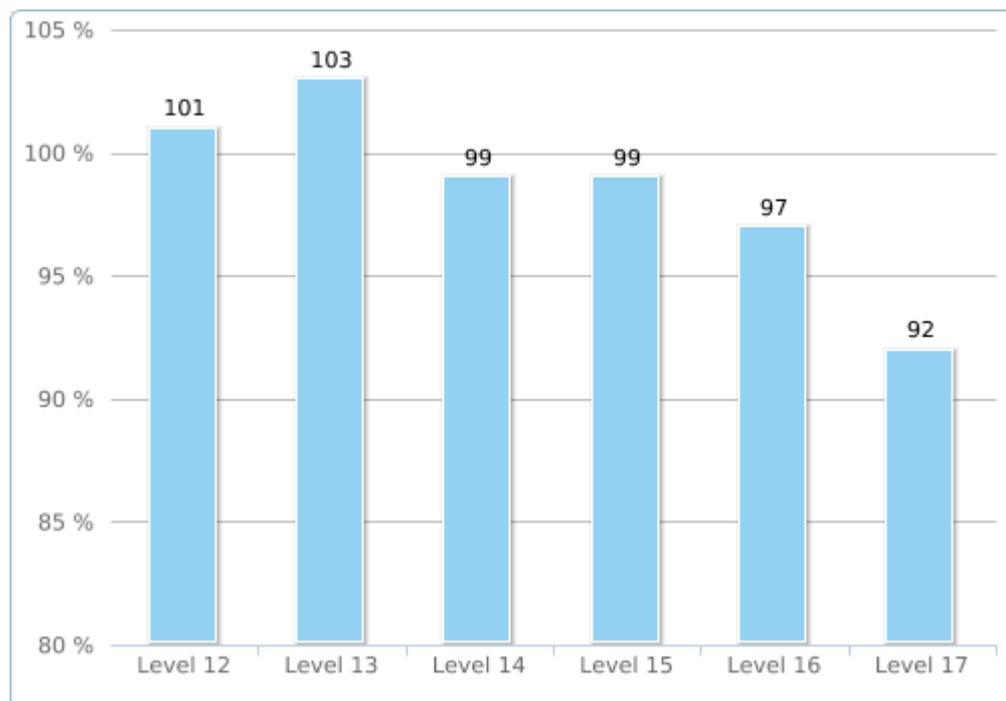
<b>Permanent</b>	<b>1,574</b>
Women	827
Men	748
<b>Temporary<sup>1)</sup></b>	<b>32</b>
Women	15
Men	17
<b>Apprentice<sup>2)</sup></b>	<b>8</b>
Women	3
Men	5
<b>Trainee EiendomsMegler 1 Midt-Norge<sup>3)</sup></b>	<b>34</b>
Women	12
Men	22
<b>Total</b>	<b>1,648</b>

The figures refer to the SpareBank 1 SMN group and represent the number of employees in respect of whom the SpareBank 1 SMN group has an obligation.

1) Temporary employees have a time-limited employment contract with SpareBank 1 SMN

2) Apprentices on a two-year training programme, culminating in a trade examination

3) Trainees are employed on a temporary basis for up to three years as part of a training programme while completing a bachelor's degree.



*Women's share of men's pay by position level*

## Responsible operations and management

A wide-ranging corporate social responsibility is important for ensuring SpareBank 1 SMN's position as the preferred choice for its customers, employees and shareholders. That is why the group integrates CSR into all governance, internal steering documents, relevant policies and guidelines. All relevant documentation for the group's CSR and sustainability effort is assembled in the sustainability library at [smn.no/barekraft](https://smn.no/barekraft). This library is updated on a continual basis.

The group's performance in corporate social responsibility and sustainability is reported under the globally recognised Global Reporting Initiative (GRI) standards.

## Responsible investments

Investments at SpareBank 1 SMN can be grouped into three categories:

- Its own direct investments
- Investments by administrative services mediated through the group
- Investments of funds from the community dividend and SpareBank 1 SMN Utvikling

At the end of 2021 the group's investments in **certificate and bonds** came to NOK 30.8bn. In 2021 SpareBank 1 SMN increased the portion invested in ESG-rated bonds, which are in all essentials bonds issued by multinational organisations and covered bonds.

### **Investments by administrative services mediated through the bank**

SpareBank 1 SMN is concerned to offer mutual funds with high ambitions in sustainability. The mutual fund offering is built up through ODIN, which SpareBank 1 SMN indirectly co-owns, and mutual funds from other fund managers.

Assessment of the bank's overall offering is by way of periodical product revisions in collaboration with the other SpareBank 1 banks. This revision also takes in criteria such as environment, social conditions and governance (ESG). As part of the process of selecting and approving new mutual funds, the respective providers are required to satisfy the bank's guidelines for sustainable distribution and recommendation of such funds.

The bank's selection of mutual funds is reviewed at minimum annually to compare the funds' investments and guidelines with the bank's guidelines in order to guard against possible breaches. As recently as October 2021 one of the funds on SpareBank 1 SMN's mutual fund platform was closed to new subscription due to guideline breaches.

Recent years have seen growing interest in sustainable and green funds in Norway. SpareBank 1 SMN wishes to make it simple for customers to choose the most sustainable mutual fund available. To that end SpareBank 1 SMN maps on an annual basis, together with the other SpareBank 1 banks and through a collaboration with The Governance Group, the sustainability performance of all mutual funds on the trading platform.

The criteria by which the funds are ranked conform to SpareBank 1 SMN's own guidelines on sustainable distribution. The funds receive a point score based on how well they meet expectations as to negative

screening, positive screening and active ownership. Each fund's total score is then translated into a rating which is visible in the client's digital bank. You can read more about sustainability labelling of mutual funds at [smn.no](https://smn.no).

SpareBank 1 SMN has various mutual fund recommendations designed to suit a variety of customer preferences. Common to all recommendations is the criterion that all funds included in a recommendation have received a good rating under SpareBank 1 SMN's sustainability labelling.

ODIN Forvaltning AS has a focus on sustainable investments. This management company was the first asset manager in Norway to sign up to the UN principles for responsible investments in 2012. The company is a member of the Norwegian Forum for Responsible and Sustainable Investments (NORSIF), the Norwegian Corporate Governance Board (NUES) and Sweden's Sustainable Investment Forum (SWESIF). Sustainability considerations are an integral element of their investment philosophy, termed the 'ODIN model', and external rating agencies such as Sustainalytics are employed to conduct objective assessments of all companies in which ODIN invests. The upshot was that all ODIN's equity funds received the next best rating, 'B', in SpareBank 1 SMN's fund sustainability labelling system.

### **Investments by SpareBank 1 SMN Utvikling, and community dividend**

The mission of the foundation SpareBank 1 SMN Utvikling is to invest and manage donations to business and development projects for the common good, seedcorn activities or other non-profit causes that involve an ownership role and that stimulate innovation and value creation in SMN's market area. SpareBank 1 SMN Utvikling has ownership positions with a book value of NOK 31.9m.

Community dividend is the community's rightful share of the annual dividend on SpareBank 1 SMN's net profit. The community's share of total equity is just under 40 per cent, and the same share of the annual dividend is accordingly earmarked for non-profit causes. Priority is given to projects in the field of innovation and business development, art and culture, sports and outdoor recreation, sustainability and the environment along with humanitarian causes that strengthen the regional community.

The funds are held in an account with SpareBank 1 SMN, and the provision for distribution in 2021 was NOK 200m, of which NOK 100m was earmarked for activities and initiatives to set the stage for the reopening of society in connection with the relaxation of Covid guidelines in autumn 2021. The allocation is normally distributed relatively evenly between grassroots sports, culture and business development. See [samfunnsutbytte.smn.no](https://samfunnsutbytte.smn.no) for an overview of allocations.

The mission of SpareBank 1 SMN Utvikling og samfunnsutbytte is to underpin sustainable investments and allocations, and reporting will be in accordance with that mission.

## **Sustainable mutual fund products**

SpareBank 1 SMN offers its customers several so-called green mutual fund products through various providers. They note growing demand for this type of product, and through ODIN Forvaltning AS expanded their range of green products as recently as December 2021 with the introduction of ODIN Bærekraft ('ODIN Sustainability'). Through ODIN Bærekraft, customers will have access to sustainable high-quality companies throughout the world that contribute to a more sustainable future.

## Framework for issuance of green bonds

In keeping with the group's strategy for corporate social responsibility, SpareBank 1 SMN has prepared a framework for the issuance of green bonds (Green Bond Framework). The framework was drawn up in keeping with ICMA Green Bond Principles and supports the UN Sustainability Goals. You can read more at [fn.no](#).

Qualified loans are grouped in categories:

- Green dwellings and commercial buildings
- Environment-friendly and circular economy adapted products, production technologies and processes with selected sustainability certifications
- Electric vehicles
- Renewable energy
- Sustainable agriculture/forestry

SpareBank 1 SMN has designated Multiconsult as adviser to identify the most energy-efficient residential and commercial properties, electric vehicles and renewable energy. Sustainalytics has undertaken an independent assessment of the framework.

As at 31 December 2021 SpareBank 1 SMN had issued green bonds worth NOK 14.3bn.

## Responsible credit practices - Retail Banking

SpareBank 1 SMN's credit strategy is adopted by the board of directors. The basic principle of sustainable lending to retail customers is enshrined in the bank's sustainability strategy. The requirements are operationalised by means of Retail Banking's credit policy and a credit manual which explains the bank's specific requirements with regard to procedures for the lending business.

Together with the bank's product policy, the credit procedures set the framework for sustainability in lending. The framework aims to ensure that the bank for example avoids imposing debt commitments that are counter to good advisory practices or prudent lending practices. The bank also advises customers against taking out loans where the purpose of the loan is considered unwarrantable. This applies for example to customers intending to borrow in order to send money to unknown recipients, to free up lottery winnings or an inheritance, or other typical types of fraud. Moreover, borrowing is disadvised in the case of customers with low debt-servicing ability. Persons who mortgage property as a guarantee for another's debt payment are disadvised on the same basis as borrowers.

In materiality analyses Retail Banking is considered to have greatest bearing on the themes of property and agriculture. Retail Banking has for example the opportunity to positively impact the housing situation. This may apply to its role as a driver of the inclusion of low-paid individuals and families in the housing market and offering other financial services with a positive effect on vulnerable groups in the community. It may also apply where raising the social profile of the customer offering is concerned. Retail Banking has in addition a role as driver in the construction and real estate industry in terms of its influence on property developers and its collaboration with EiendomsMegler 1 Midt-Norge with a view to a partnership able to exert a positive climate impact on construction projects and promote sustainable housing standards.

Retail Banking also works purposively to further develop concepts and products that lay a basis for the green transition:

- A broader offering of green products
- Coordination with EiendomsMegler 1 Midt-Norge to provide incentives for sustainable home purchases and provision of green financing for the refurbishment or upgrading of older dwellings.
- Coordination with government authorities, developers and EiendomsMegler 1 Midt-Norge to ensure that housing developers take account of house buyers' sustainability preferences and develop green products

The credit manager at Retail Banking, SpareBank 1 SMN, has operative responsibility for developing financing products and for ensuring the required focus on sustainability in this dimension. Retail Banking focuses on sustainability and the green transition through concept and product development, targeted customer initiatives and collaboration within the group and with partners.

The portfolio of green loan products is well established and was extended in 2021. Energy classification of objects has been implemented making it possible in future to measure and monitor the loan portfolio's climate footprint. Through its collaboration with EiendomsMegler 1 Midt-Norge, Retail Banking has developed concepts with a view to encouraging developers and consumers to take green initiatives and make green choices. A successful collaboration along similar lines has been established with SpareBank 1 Kreditt with a view to offering appropriate counselling and solutions for customers in financial difficulties.

In the agricultural sector Retail Banking wishes to be a driver for the success of Landbrukets klimaplan ('climate action plan for agriculture'). Product development and advice supporting sustainable management of natural resources, sustainable production on farms and cooperation with business and industry will work to that end. The bank will by that means encourage customers and business connections to size up the current sustainability of their business and to consider how to adapt for the green transition. The stewardship precept is a mainstay: a farm property should be passed on in a better state than when the present holder took it over. This creates the basis for a long-term perspective, investment and environment-friendly management. With a view to strengthening financial advisory capabilities, the agricultural sector has established closer collaboration with SpareBank 1 Regnskapshuset SMN which offers both specialised banking and accounting competencies in agriculture.

## Responsible credit practices – Corporate Banking

In 2021 SpareBank 1 SMN took its systematic work on responsible lending to corporate clients a stage further, and the board of directors adopted a new sustainability strategy. Work continues on new credit policy rules that impose expectations and requirements with regard to clients' ESG standards and when financing investments.

Mapping of ESG and environment standards at major loan clients is well under way on a sector by sector basis. Work is also ongoing to implement a tool to simplify mapping of all types of businesses regardless of sector. Credit policy rules and mapping are based on the EU taxonomy. In sectors where the taxonomy currently does not provide guidelines, the group's industry experts are consulted.

The supply of relevant information is to some extent limited, due both to the absence of government reporting requirements and to wide variation in customer awareness. For the time being SpareBank 1 SMN

relies on urging businesses to compile and share information and data. On a positive note, the bank sees a gradual increase in customer awareness through the dialogue that arises in connection with information gathering.

All those involved in granting credit to businesses, or in investment decisions related to the bank's or SpareBank 1-alliansen's investment decisions, are required to be familiar with the bank's principles. To that end all credit staff undergo continual training, and those principles guide the purposes for which money may be lent. The principles also guide how the bank is to conduct itself and influence joint financing decisions in instances where the bank itself is not in a dominating position.

SpareBank 1 SMN does not wish to finance businesses or projects that do not operate in keeping with the bank's requirements, and existing corporate clients are expected to take steps to rectify any circumstances that breach those requirements. The bank is bound by loan covenants with existing clients, but any failure to take steps to act to comply with the bank's requirements does entail increased risk. This could result in new pricing being imposed on the borrower. Green deposits have also been introduced, and the establishment of green purpose-based loan products is being considered.

In smaller credit cases, standard credit tools are employed. Where larger credit cases and exposures reviewed by the credit committees are concerned, standard questions on the client's sustainability status and progress are employed. Work is also ongoing to integrate a more detailed mapping and assessment of sustainability into the credit tool itself through control points linked to the theme. The authorisation system quality assures documentation of sustainability assessments. It is in above all when the credit committees come into play that these assessments receive attention and are quality assured.

Documentation of sustainability assessments is a theme of the internal audit, along with reviews of the ESG models and regular reviews of the quality of credit procedures. Credit strategy and guidelines, also with regard to sustainability, are reviewed at minimum annually.

## Responsible marketing of products and services

Providing sound, responsible advice in all life phases to private individuals and firms is absolutely central to SpareBank 1 SMN's customer offering and thus also to its marketing. The object is to enable clients to make good financial choices in the short and long term alike. To that end, SpareBank 1 SMN is illuminating a variety of financial themes in the corporate market, retail market and real estate agency spheres. Content articles in blogs, social media and traditional media are important means of projecting information to customers. In addition, our webpages aim to be informative both as regards the product itself and in terms of advice to ensure that the customer makes the right choices in the purchasing process.

In 2021, the Bedriftsløftet ('boost to businesses') and Bank+Accounts concepts were an important aspect of SpareBank 1 SMN's catering towards the corporate market. Both concepts aim to make it easier for firms to succeed, whether in the start-up phase or after a period of operation. The group contributes efficient administrative processes along with products and advisory services that help firms to grow in a profitable and responsible manner.

2021 saw a major focus on advisory services to the personal market both through advertising and the development of interdisciplinary teams at the branches, which in sum makes the best advice available to the customers all according to their needs. For personal customers there was also a focus on their ability to

make responsible decisions as regards green borrowing. In addition, SpareBank 1 SMN launched Mitt klimaspor ('my climate track') in the digital bank which allows customers to view their climate footprint based on their consumption and transactions.

In the field of digital marketing the bank put greater emphasis on information and tips to customers in existing customer relationships in 2021. This may be tips on how to make smarter use of the bank, on the qualities of products and services of which the customer may not be aware, and which may help to improve the customer's financial situation in the short or long term.

Before SpareBank 1 SMN launches or distributes products or services, it assesses them for their impact on the target group concerned. Based on a systematic risk appraisal, independent assessments are obtained in relation to law, data privacy, security, ethics and intelligibility for the target group. In addition, all marketing activities are quality assured under data privacy and GDPR requirements.

Our policy on responsible marketing is available in our sustainability library at [smn.no/sustainability](https://smn.no/sustainability).

SpareBank 1 SMN recorded no breaches of, or complaints regarding, marketing activities in 2021.

## Personal data protection

Large volumes of personal data are managed, processed and owned through the group's services, which imposes strict requirements on the application and observance of key principles of personal data protection such as confidentiality, integrity and accessibility. SpareBank 1 SMN's obligations are described in detail at [smn.no/personvern](https://smn.no/personvern) and are enshrined in our data privacy policy.

A designated data protection officer assists the group CEO in meeting requirements as to treatment of personal data. The data protection officer also prepares an annual report directly to the board of directors of SpareBank 1 SMN. The report covers the areas on which the data protection officer has focused, the observations made and risk areas to be included in the further work on personal data protection.

In 2021 the group sought to strengthen and improve its data privacy effort and to build a robust data privacy setup internally and in interaction with SpareBank 1 Utvikling which is our most important data processor. The ambition for 2022 is to continue the implementation of the new data privacy setup, conduct training programmes and continue efforts to close identified gaps.

SpareBank 1 SMN has a low threshold for reporting breaches of personal data security to the Data Inspectorate. The group received two complaints from customers related to personal data security in 2021, and reported nine deviations classified as leaks or loss of personal data to the Data Inspectorate. The group received no penalty charges or injunctions from the Data Inspectorate in 2021.

## Information security

In 2021 SpareBank 1 SMN, like the financial industry in general, noted an increase in malicious attacks on our infrastructure and services. The group also continues to experience instances of malicious players 'phishing' in particular for card and electronic customer identification details (BankID) in order to misuse them for their own gain. Security architecture and new security solutions geared to new threats have high priority. SpareBank 1 SMN accordingly participates in SpareBank 1-alliansen's work on security strategy.

The increased capacity needed to provide the requisite security, high business continuity and reliable customer services is now in place. Information security in the context of open banking, coordination and cloud services has a particular priority.

SpareBank 1-alliansen's information security policy is the basic governing document for all information processing. The group operates a policy for the outsourcing of IT services as well as a joint security strategy for the entire alliance. Outsourcing of critical or important services is considered by the board of directors and reported to Finanstilsynet (Norway's Financial Supervisory Authority). Continual monitoring of the bank's systems is delivered by the department for operative information security in SpareBank 1-alliansen.

Regulations on the use of information and communication technology (ICT) guide the work on information security, and SpareBank 1 SMN is regularly audited by the internal and external audit functions alike under those regulations.

Responsibility for data and cyber security rests with the IT and Security Department at SpareBank 1 SMN. The department comprises 19 FTEs. With formal responsibility for the data and cyber security area, the department also largely performs the operative tasks. Parts of these tasks are outsourced to partners and suppliers. The department's own employees control access to systems and data and are responsible for basic server security and correct access level for employees, software to protect systems and services against unauthorised access and for backup of locally stored data.

In addition, the department cooperates closely with SpareBank 1 Utvikling as executing partner in a number of areas, including cyber security and round-the-clock security monitoring and incident reporting. TietoEvry delivers a shared, basic client-server platform to SpareBank 1-alliansen. This ensures that recent versions of operative systems are in use and that the systems are supported by security updates at least once a month.

SpareBank 1 SMN has established a number of technical security measures with regard to information security in which training and awareness-raising are at centre stage. The bank's competence and attitude-moulding programme for information security, Passopp, contributes to strengthening the security culture across the entire organisation. Based on the results from Passopp, the group conducts analyses and prioritises focal areas for future competence and attitude-moulding courses.

Customers find tips and advice on safe and secure use of the bank's services at [smn.no](https://smn.no).

## Preventing economic crime

Economic crime related to money laundering and terrorist financing threatens world security and the global economy and has become a societal problem that undermines established systems in democratic and well-functioning welfare societies like Norway. Attempts to commit money laundering and fraud against the bank's customers are ever more sophisticated and increasingly carried out by criminals operating digitally across national borders. This, in combination with a growing number of financial actors, cross-border transactions and new products and services, has led to a non-transparent market and has had major consequences for local communities, individuals and businesses.

SpareBank 1 SMN is under a mandatory obligation to implement measures to prevent and expose money laundering and terrorist financing under the legislation and international standards in force at any time. In

order to adapt to the changes, the group made a considerable effort in 2021 to identify and assess the bank's risk of money laundering and terrorist financing and adjusted its procedures and process descriptions accordingly. Transactions are monitored on a continuous basis, and ongoing and extended customer due diligence is carried out with a basis in a risk-based approach designed to uncover unusual or suspicious transactions. Anti-corruption forms part of the anti-money laundering effort.

In addition internal controls are conducted in the business lines along with compliance controls to verify that the risk assessment is satisfactorily geared and documented to the risk in question. Deviations and improvement measures are continuously assessed and reported quarterly to the board of directors of SpareBank 1 SMN.

In addition to the law requirements mentioned, SpareBank 1 SMN recognises its dependence on customers' confidence in the bank's ability to handle matters related to economic crime in an effective and orderly manner. In order to further strengthen efforts in this area, the Economic Crime Department was established in November 2021. SpareBank 1 SMN will in 2022 continue the work done in 2021 and will seek through a closer focus on data and analysis to secure technological solutions and processes that strengthen the group in its fight against fraud, money laundering and terrorist financing in the future.

Staffing was strengthened through the year and in 2021 a total of 61,117 transactions were identified for further checks by the transaction monitoring function. 257 cases were reported to the *National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim)* and 20 cases were taken in for analysis by Økokrim.

### **Strategic basis**

SpareBank 1 SMN has clear procedures and a governing document designed to assure compliance with the anti-money laundering legislation, including an anti-corruption policy. The head of Economic Crime reports quarterly to the board of directors.

### **Responsibility for the area**

The anti-money laundering officer and the head of Economic Crime hold overarching responsibility the bank's handling of matters related to economic crime.

### **Objective of the area**

The objective is to guard against and prevent misuse of the financial system for money laundering and terrorist financing purposes, to safeguard the bank's customers against exposure to fraud, to prevent the bank's customers exposing others to fraud, and to prevent fraud against the bank itself.

### **Training**

SpareBank 1 SMN worked continuously in 2021 on training and attitude-moulding measures for all managers and employees. Efforts are also ongoing to put in place a structured, overall training plan.

### **Statistics**

61,117 transactions were identified for further checks in 2021 and 257 cases were reported to Økokrim. 20 cases were taken in for analysis by Økokrim.

## Anti-corruption

Corruption is a form of economic crime that is destructive for society as a whole and undermines lawful business activity and honest competition. As a financial services group, SpareBank 1 SMN acknowledges its dependence on the trust and confidence of its customers and the market, and its aim is that the bank should be recognised for the high ethical standard of its staff members and elected officers.

Zero tolerance of any form of corruption is enshrined in the group's ethical guidelines.

*“Corruption is not tolerated, whether 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 held personally liable.”*

Risk assessment is central to all development of products and services at SpareBank 1 SMN. The risk of corruption is invariably assessed (sustainability/ESG risk). The most significant corruption risks that have been identified relate to the financing process. One such risk may be in the form of irregularities/corruption related to the approval of credit exposures. This applies to financing of retail and corporate customers alike. Our ethical guidelines make clear that employees must avoid entering a relationship of dependence on the group's clients or suppliers, and that employees shall maintain a conscious alertness to attempted corruption and any form of facilitation payment.

When SpareBank 1 SMN purchases products from other suppliers, clear requirements are imposed on the supplier with regard to anti-corruption. These are formulated in a supplier declaration which is a standard annex to all contracts and is signed upon entry into a contract.

All employees are familiarised with the guidelines regarding anti-corruption through various training and attitude-moulding programmes. Should the guidelines nonetheless be breached, sanctions will be imposed on the individuals concerned. The bank operates an anti-corruption policy which describes the most important elements of the work of preventing and combating corruption and unethical conduct. These include adequate procedures and systems for whistleblowing and exceptions handling in connection with corruption.

There were no reports of corruption or suspected corruption at SpareBank 1 SMN in 2021.

### **Strategic basis**

Ethical guidelines and an anti-corruption policy which defines corruption, the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas.

### **Responsibility for the area**

The executive director of Technology and Development has overarching responsibility for the group's anti-corruption effort.

### **Objective of the area**

The group has zero tolerance of any form of corruption and works proactively to make this known to employees, customers, partners and shareholders. Corruption is also combated through the anti-money laundering effort.

## Training

SpareBank 1 SMN provides training and guidance to all employees to enable them to assess the risk picture for corruption, recognise indicators of corruption or attempts at corruption, and on how they should fulfil their obligations in accordance with policy. In autumn 2021 all employees attended an 'ethics week' in which e-learning and reflection tasks related to corruption were part of the programme.

## Compliance

SpareBank 1 SMN shall ensure that the body of rules and regulations governing its activities is identified, implemented, complied with and monitored. In the bank it is the compliance function that is responsible for uncovering and preventing risk related to compliance with external and internal rules. Its task is to perform risk assessments, to monitor and test compliance with rules and regulations, and to implement training activities and provide advice and guidance to the organisation in relation to rules and regulations.

The compliance function submits 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, instances of non-compliance, as well as complaints and correspondence with public authorities.

The regulatory framework applying to banking and finance is wide ranging and continually changing, so too in 2021. In 2021 there was a particular focus on compliance with the regulatory framework governing anti-money laundering, personal data protection and saving. This will continue into 2022, in tandem with continual monitoring of the regulatory picture to capture new developments necessitating follow-up by the group, such as the implementation of a new financial contracts act and new requirements in the sustainability sphere.

The bank's compliance function is also responsible for ensuring that the respective subsidiaries have in place functions that provide satisfactory internal controls pursuant to applicable requirements.

## Sustainability in property and procurement

### Property

SpareBank 1 SMN collaborates closely with Kjeldsberg Eiendomsforvaltning (KEF) in the fields of property management and energy and environmental monitoring of the group's business. As part of this collaboration KEF gathers energy and environmental data for the building stock at a number of SpareBank 1 SMN's locations, and building operators can be rapidly called out to the locations to repair any faults. The collaboration represents a unique duality in the management of the group's properties inasmuch as energy-intensive faults are rapidly uncovered and repaired without need of bureaucratic paperwork. Moreover, absolutely clear requirements are set in the collaboration between SpareBank 1 SMN and Kjeldsberg Eiendomsforvaltning in terms of annual energy reduction targets for the property portfolio which support the group's sustainable development strategy.

One energy efficiency initiative was implemented at the Head Office in Søndre gate in 2020/2021. This was in collaboration with building owner Entro and with support from Enova, a state-owned enterprise working for Norway's transition to a low emission society. This initiative yielded an energy reduction of about 20 per cent compared with the reference year 2019.

SpareBank 1 SMN has for several years used 'Environmental Lighthouse' as a tool for reporting sustainability parameters at area level. In 2021 it strengthened the tool's relevance and utility for the group. This was achieved by restructuring the oversight of the branch network and ensuring that banking and finance requirements that govern the bank's loan and investment portfolio are included in the follow-up performed through Environmental Lighthouse. The bank has accordingly decided on the establishment of a number of measuring points reflecting what portion of the portfolio can be classified as green/sustainable. The required reporting and follow-up at the local level has been well received among the bank's employees in their work with Environmental Lighthouse and will serve to boost internal awareness of and motivation with regard to the core business's sustainability. Furthermore, an 'Environmental Lighthouse index' has been devised in connection with the banking and finance criteria to show how the bank applies the criteria, and also to provide an easy-to-grasp tool to navigate relevant documentation. The index is available in our sustainability library at [smn.no/sustainability](https://smn.no/sustainability)

An aim of SpareBank 1 SMN is to encourage customers and employees to make conscious, personal and professional choices that contribute to make the group and the group's products more sustainable. A measure being planned through the ongoing processes is to actively turn SpareBank 1 SMN's procurement role to account by supplementing invoice details with questions on suppliers' climate and environmental profile. The bank seeks by this means to actively encourage suppliers to obtain their own environmental certifications and climate accounts, and set other objectives in keeping with the Paris Agreement.

### **Procurement**

SpareBank 1 SMN's procurement policy requires all purchase contracts to include documentation of corporate social responsibility. Suppliers shall at minimum meet and abide by the requirements of local, national and international laws, rules and principles (including provisions regulating matters such as remuneration, working time, health, environment, safety and anti-corruption). Where invitations to tender or bid are concerned, SpareBank 1 SMN requires offerors to document approved environmental certification.

Suppliers have a notification obligation, and SpareBank 1 SMN is entitled to conduct inspections and audits. Suppliers undertake to act in an ethically correct manner in connection with production and contracts for deliveries to SpareBank 1 SMN. The same requirements apply to the supplier's sub-suppliers and partners associated with any contract for delivery to SpareBank 1 SMN.

Any breach of the provisions governing corporate social responsibility is deemed to be a breach of contract and may give grounds to void the contract. A standard enclosure on SpareBank 1 SMN's corporate social responsibility shall be a part of all contracts underlying SpareBank 1 SMN's purchases.

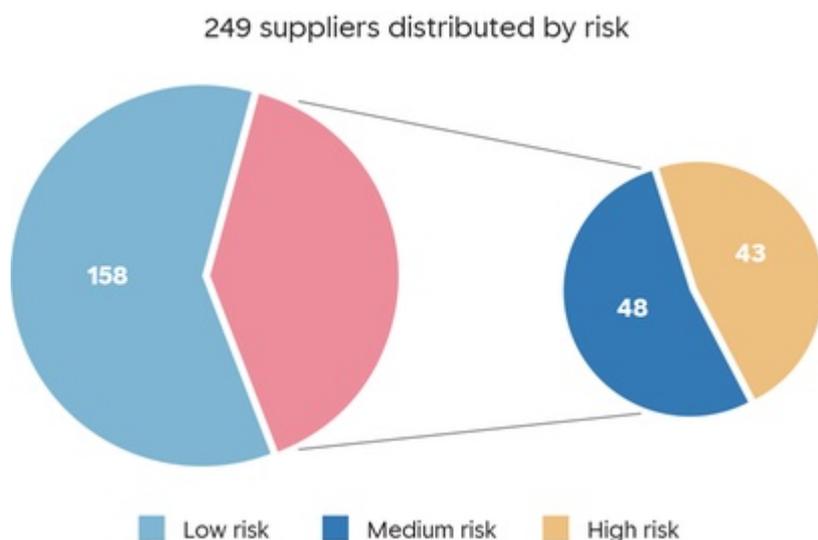
SpareBank 1 SMN is a substantial purchaser of goods and services, both locally and as an alliance bank. Sustainability in the group's purchases involves promoting suppliers' awareness of their supplier chain and of the effort they make to reduce negative impacts on the environment, social conditions and ethical business activity throughout their supplier chain. SpareBank 1 requires suppliers to have in place guidelines on sustainability, which must be translated into action.

Sustainability in procurement has become an integral part of the process at SMN, the alliance banks and suppliers. This means that thorough ESG assessments have been established in all procurement practice. In order to perform ESG assessments of suppliers, all purchasing standards were revised in 2019 in cooperation with all banks in SpareBank 1-alliansen. New guidelines for sustainability in procurement, supplier declarations and contract enclosures were also formulated.

### Follow-up of suppliers with an increased risk of negative impact

In 2019 a risk assessment was performed of 249 suppliers distributed by category. This revealed that 91 suppliers posed an increased risk of negative impact on the environment, social conditions or ethical business practices.

These 91 suppliers have now received closer attention and been asked to report their guidelines as to the environment, social conditions and ethical business practices in their trading. They were also asked to provide documentation of their environmental management system, and which factors they had identified as having the largest negative impact on the environment and social conditions. 43 of these 91 suppliers were then identified for further follow-up:



*158 suppliers considered to pose low risk are not being followed up*

*48 suppliers considered to pose medium risk are not being followed up*

*43 suppliers considered to pose increased risk are being followed up*

Of 43 suppliers, three main categories were selected for closer follow up:

- IT-related procurements: IT equipment
- Administrative procurements: Furniture
- Largest suppliers: IT services and consultants

In autumn 2021 an internal audit project was conducted in the procurement area. The object of the project was to evaluate the bank's procedures for entry into contracts, authorisations, along with its ongoing management of existing agreements. In addition, an assessment was performed of the quality of internal controls related to the establishment of new suppliers. Once the final report becomes available its findings will be incorporated in the continuing improvement effort in the procurement area in 2022.

### Conduct and results of the surveys

Two in-depth surveys were conducted in 2021 in two of the above procurement areas: IT equipment and IT services. The suppliers were asked to document their overarching guidelines, action plans and actual risk as regards sustainability in the supplier chain. All suppliers had guidelines in place whereas fewer had action plans. SpareBank 1 SMN received little information from the suppliers as regards *actual risk*.

Seeing which *specific* areas the individual supplier ought to focus on in order to reduce risk also proved to be a challenge.

Based on the survey findings, a focal area of the action plans both of SpareBank 1 SMN and SpareBank 1-alliansen in 2022 will accordingly be to follow up on and collaborate with the suppliers to identify actual risk in the supplier chains.

In addition, new surveys will be conducted of further suppliers and categories.

Goals for 2021	Results 2021	Goals for 2022	Goals for 2022-2024
Finalise action plan and follow up on certain categories in Q1	Action plan finalised	Compliance with the Transparency Act	Evaluate and further develop the work on sustainability in procurement
Follow up on other suppliers Q2 – Q4	Certain categories followed up on in Q2-Q4	Follow-up of certain categories	Improve systems and follow-up of suppliers
Introduce system support in the sustainability effort	System support introduced	Work with new suppliers	

### Circular approach

Inasmuch as SpareBank 1 SMN forged closer links with the subsidiaries in 2020/2021 as part of its group strategy, it is natural for the group to operate under the same sustainability regime when entering into new purchasing agreements. This enables the group to put substantial weight behind its requirements for sustainable solutions. Among the procurements resulting from the new group strategy in 2021 is Loopfront – a database promoting reuse. SpareBank 1 SMN uses the system to reallocate fixtures and fittings across the branch network instead of purchasing anew.

### 100% definition

In parallel with SpareBank 1 SMN's work in the alliance, the group has, in line with the requirements as to environmental lighthouse certification, carried out a review of its own operating suppliers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Environmental Lighthouse schemes started in 2019.

As a result of the group's survey and follow-up of its suppliers, 95 per cent of the group's operating suppliers were environmentally certified as at 31 December 2021. Follow-up is an ongoing activity and SpareBank 1 SMN's aim is for 100 per cent of its operating suppliers to be environmentally certified by the end of 2022.

## SpareBank 1 SMN's work on climate risk

SpareBank 1 SMN's work on climate risk builds on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the group's risk management principles. The group defines

climate risk as the risk of financial loss or weakened reputation which can either be related directly to climate changes (physical risk) or is a consequence of adjustments to a low-carbon economy (transition risk).

### **Management**

Responsibility for managing climate risk follows the ordinary responsibility structure in the group, in accordance with the group's risk management policy.

The board of directors of SpareBank 1 SMN has overarching responsibility for climate risk management through its approval of governing documents and follow-up of risk reporting. The risk and audit committee follows up the group's work on climate risk and submits its recommendations to the board of directors. Climate risk is reported on to the board of directors at least quarterly.

The group strategy defines sustainability as one of five main priorities in the period 2020-2023. As a step in the process of incorporating sustainability into the entire business, the group's sustainability strategy was adopted in 2021. The strategic guide for the group's work on climate risk is its role as driver of green transition among customers, partners and the business sector in the group's market area.

Identification and management of climate risk will be integrated into ordinary operations. A continuous effort is under way to incorporate climate risk in the group's strategies, policies, analyses, work procedures and in employee training.

### **Climate risk in the credit business**

Sustainability and climate risk are at centre stage of the credit strategy, which concretises ambitions related to the identification, measurement, management and follow-up of climate risk. The objectives will be attained through prioritised activities in the group and in collaboration with the banks making up SpareBank 1-alliansen. Work done in 2021 included:

- Assessment of sustainability and climate risk integrated into all sector analyses. For 2021 agriculture and commercial property were updated.
- Sustainability document for agriculture: the group's action plan for the transition to sustainable agriculture.
- Development of ESG classification tools for fisheries, commercial property and offshore.
- ESG classification of significant clients in the fishery and commercial property sectors. This is under way for offshore.
- Favourably priced green financing products for customers that meet climate requirements:
  - Green mortgages
  - Green house-building loans
  - Green agricultural loans

In the case of corporate clients, sustainability will be appraised in all credit cases, and is a control point applied by the group's credit committee. An ESG report is included in finalised credit cases.

The group's work on climate risk continues in 2022. Both progress made and challenges faced in this process are to be reported to the board of directors on a regular basis.

### **Greenhouse gas emissions**

The group is in the process of transitioning its own business in line with the goals of the Paris Agreement, with the aim of reducing greenhouse gas emissions from its own business by 8 per cent per year, and reports on this in its energy and climate account for 2021. This year the quality of measurement is boosted by use of the Klimakost model from [Klimakost.no](https://www.klimakost.no) (an environmentally extended input-output model). The group's direct emissions are relatively small but the symbolic value is important and helps the group to impose ESG requirements on suppliers and customers.

The group wishes to reduce its customers' greenhouse gas emissions. In 2021 the group accordingly joined the Partnership for Carbon Accounting Financials (PCAF). This is a global collaboration between financial institutions that is working to harmonise assessments and information on greenhouse gas emissions and is funded by loans and investments. The collaboration provides access to a framework, data, guidance and partners that enable the group to estimate greenhouse gas emissions in the loan portfolio under the applicable industry standard. Internally the estimates will be used to establish emission targets and to prioritise activities in the green transition effort. The information will also strengthen risk management by indicating customers' vulnerability to transition risk. SpareBank 1 SMN will publish the estimates of greenhouse gas emissions in the loan portfolio once the quality of the analysis is adequate to that end. The loan portfolio's climate burden is significantly larger than the group's own emissions.

## SpareBank 1 SMN's energy and climate account

As part of SMN continual effort to reduce emissions of greenhouse gases, the group has prepared an energy and climate account for 2021, based on the 'Klimakost' methodology. (See [Klimakost.no](https://www.klimakost.no) for more information on the methodology.) The energy and climate account shows overall emissions of greenhouse gases from the group's business, converted to CO<sub>2</sub> equivalents and stated in tonnes of CO<sub>2</sub> equivalents. The sum of all emissions is termed the organisation's climate footprint.

The energy and climate account is drawn up under the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol's Corporate Value Chain (Scope 3) Standard, and covers recorded emissions from the SpareBank 1 SMN group.

### Direct and indirect emissions

The climate account builds on three scopes comprising direct and indirect emissions. Scope 1 represents emission sources related to business assets owned by the group or over which it has operational control. Scope 2 refers to indirect emissions stemming from purchased energy consumed by the organisation. Scope 3 refers to indirect emissions stemming from purchased goods or services. These are emissions which can be linked indirectly to the organisation's activities but which are not directly owned or controlled by the organisation.

Calculations of the group's CO<sub>2</sub> emissions, both overall and per scope, are this year based on the Klimakost model developed by Asplan Viak. The model utilises an environmentally extended input-output model for the Norwegian economy to calculate a life cycle emission factor for the purchase of 1 NOK's worth of goods or services from a given sector. Based on this methodology an emission factor is computed per NACE sector which is then used to calculate the group's CO<sub>2</sub> equivalents per cost account.

**Second time at group level**

When consolidating the group's energy and climate account, the equity share method is employed, entailing that emissions from SpareBank 1 SMN's subsidiaries are recognised based on percentage of ownership. An energy and climate account was prepared for the first time at group level for the 2020 annual report. The group is working in a systematic and targeted manner to comprehend its influence on its surroundings.

In order to strengthen the knowledge base for our action plans, we have revised the methodology used to calculate the group's direct and indirect climate footprint. The group's energy and climate account for 2021 is prepared with a basis in Asplan Viak's Klimakost tool. The methodology is used by all companies in the group and will provide a more detailed picture of the group's significant emission sources. By utilising audited accounting information (and volume data) the method will help to streamline working processes and to follow up existing control systems. Data for jointly controlled businesses and related companies is not included. This is due to the level of difficulty involved in assembling correct data. In the longer term, related companies and jointly controlled businesses will also be included.

**Consumption and drivers of climate footprint**

The 2021 energy and climate account shows that SpareBank 1 SMN's total climate footprint amounted to 12,364.66 tonnes of CO<sub>2</sub> equivalents. The group's consumption relates mainly to consumption of energy, purchased goods and services, depreciation and business travel.

A complete energy and climate account for both the parent bank and the group is appended to this annual report.