

# Governance



## Board of Directors



### **Kjell Bjordal (1953) Board chair**

Business economist from the Norwegian School of Economics and Business Administration NHH (1976), law studies and Advanced Management Program at Wharton Business School (1989).

Board member since 2007 and board chair since 2013. Member of the remuneration committee since 2012 and committee chair since 2013.

Own business.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. CEO of NorAqua, finance director and CEO of the Glamox Group and director at Trøndelag Theatre. Board chair of the Nordlaks aquaculture group, Axio, the Research Council of Norway's oceans portfolio and Norsk Landbrukskjemi.

Attended 24 of 24 board meetings in 2022.

Holds 130,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



### **Christian Stav (1968) Deputy board chair**

Business economist from the Norwegian School of Economics and Business Administration NHH (1991), Master of Accounting NHH (1992), state authorised public accountant (1994), Master of Business Administration NHH (2003), Certified European Financial Analyst (AFA) NHH (2003).

Board member since 2019. Head of the internal audit committee, member of the risk committee since 2019.

Group CEO at Nord-Trøndelag Elektrisitetsverk (NTE)

Experience from accounting and advisory services, partner at EY Transaction Advisory Services, CFO at NTE.

Chair of NTE Energi AS, NTE Marked AS, NTE Elektro AS and NTE Telekom AS

Attended 21 of 24 board meetings in 2022

Holds 30,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



### **Mette Kamsvåg (1971)**

Business economist from the BI Norwegian School of Management (1994).

Board member since 2018. Member of the audit and risk committee as from 2018.

Self-employed.

Fifteen years' experience from IT and payment systems through various management positions with the Norwegian banks' payment and clearing house (BBS) and Nets. CEO at Nets from 2011 to 2014.

Board chair at Maritech Systems AS, Norkart AS and WebMed AS. Board member of Wordline SA. Industry adviser to Ferd AS.

Attended 24 of 24 board meetings in 2022.

Holds 5,600 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



**Tonje Eskeland Foss (1971)**

Post graduate degree in petroleum economics (1996).

Board member since 2018. Member of the remuneration committee as from 2018.

CEO at Frøy ASA.

Prior experience as director of strategy at Enova 2020-2022 and as regional director, Nord, at Atea. Nineteen years' experience in the petroleum industry in various positions and companies, including with AkerBP ASA.

Attended 18 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



**Morten Loktu (1960)**

Master of Science, Norwegian University of Science and Technology NTH (1984).

Board member since 2013. Member of the remuneration committee since 2013.

Own business.

Joined Equinor (at that time Statoil) in 1985 and has held various posts including in research and development. Executive director in charge of Equinor's technology organisation (2000-2002). Senior Vice President, research and development at Equinor (2005-2010). Area director, Equinor's production and development activity off Mid-Norway and North Norway (2011-2016). Group CEO, SINTEF Group (2002-2004). Board member of Salmar ASA, SalmarAkerOcean ASA and of Frøy AS.

Attended 21 of 24 board meetings in 2022.

Holds 15,000 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).



**Eli Skrøvset (1965)**

Business economist from the Norwegian School of Economics and Business Administration NHH (1990), AMP from Harvard Business School (2008).

Board member since 2022. Chair of the risk committee and member of the internal audit committee from 2022.

Director, Internal Audit, Bane NOR SF.

Previous experience as exec. director/CFO at Statkraft AS and Bane NOR SF, and exec. director /CFO at Export Credit Norway.

Board chair at Akershus Energi AS and deputy board chair at Veas AS.

Previously board member and head of the internal audit committee of several companies.

Attended 18 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

**Freddy Aursø (1972)**

Electronics engineer from the Norwegian University of Science and Technology (NTNU, 1998), MBA from Newcastle Graduate School of Business (2003).

Board member since 2022.

CEO at Lighthouse8.

Background as managing director of Global Media, Bigmouthmedia and LBi.

Chairman of Lighthouse8 AS, Lighthouse8 Pte Ltd, Lighthouse8 Pty Ltd and Lighthouse8 Ltd. Previously chair and board member of several companies in and outside Norway.

Attended 19 of 24 board meetings in 2022.

Holds no ECs in SpareBank 1 SMN as at 31 December 2021 (including any ECs held by related parties).

**Inge Lindseth (1963)**

Graduate in IT Management from Sør-Trøndelag University College (HiST) and in Project Management from BI Norwegian Business School.

Board member since 2019. Board member of the Finance Sector Union, region Trøndelag, as from 2020. Regularly attending deputy representative to the national executive of the Finance Sector Union.

Employee-elected chief union representative as from 2019.

Previously employee representative on the supervisory board. Previously specialist-in-charge / service desk manager in the technology, operations and security areas. Employed by SpareBank 1 SMN since 1982 in various positions and functions.

Attended 24 of 24 board meetings in 2022.

Holds 9,553 ECs in SpareBank 1 SMN as at 31 December 2022 (including any ECs held by related parties).

**Christina Straub (1974)**

Upper secondary school. Bankakademiet stage 1 and Insurance.

Board member since 2019.

Deputy head of the Finance Sector Union's branch at SpareBank 1 SMN from 2019. Employed at Vår Bank & Forsikring (part of SpareBank 1 SMN from 2000) from 1998 to 2001, and at TietoEvry from 2001 to 2006. Has held various functions at SpareBank 1 SMN since 2006, in recent years as brand manager (payments) and staff representative on various committees.

Four years' experience as pre-school director at Saxenborg Barnehage. Board position at Strindheim Håndball since 2015.

Attended 23 of 24 board meetings in 2022.

Holds 835 ECs as at 31 December 2022 (including any ECs held by related parties).

## Group Management



**Jan-Frode Janson (1969)**

**Group CEO**

Ph.D. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology NTNU (1996). Master of Science in Business from the Graduate School of Business in Bodø (1992).

Group CEO of SpareBank 1 SMN since 1 May 2019. Previously Group CEO of SpareBank 1 Nord-Norge and deputy managing director of Fokus Bank/Danske Bank. Has also held senior positions with Orkla and ABB.

Chairman of SpareBank 1 Betaling AS, Mavi XV AS and of SpareBank 1 SMN's subsidiaries EiendomsMegler 1 Midt-Norge AS and SpareBank 1 Regnskapshuset SMN AS. Board member of SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA, Vipps AS, VIPPS Holding AS, BankID BankAsept AS, Fremtind Forsikring AS and NTNU. Chair of Sector Committee, Banking and Capital Markets (BBK).

Holds 45,806 ECs as at 31 December 2022 (including any ECs held by related parties).



**Trond Søråas (1968)**

**Executive director – Group Finance and Governance**

Business economist from NHH Norwegian School of Economics, and authorised financial analyst (AFA) from the same institution (2006).

Joined SpareBank 1 SMN in February 2022. Previous experience from KLP Banken AS and BN Bank ASA, latterly as director, Economy and Finance, BN Bank ASA.

Chairman of SpareBank 1 SMN Invest AS and Gma Invest AS. Deputy chair of SpareBank 1 Markets AS. Board member of SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

Holds 10,000 ECs as at 31 December 2022 (including any ECs held by related parties).



**Astrid Undheim (1980)**

**Executive director – Technology and Development**

PhD in Communications Technology from the Norwegian University of Science and Technology (NTNU) (2009). Master of Science in Communications Technology from NTNU (2004).

Joined SpareBank 1 SMN in 2020, prior long experience with Telenor, latterly as head of the research department at Analytics & AI.

Member of the Council of Statistics Norway. Member of the 'Norway towards 2025 Commission' (2020-2021). Previous experience from several public committees.

Holds 384 ECs as at 31 December 2022 (including any ECs held by related parties).



**Ola Neråsen (1965)**

**Executive director – Risk Management**

Business economist from the BI Norwegian School of Management (1990), state authorised public accountant from NHH School of Economics and Business Administration (1994).

Joined SpareBank 1 SMN in 1997; executive director, Risk Management, since 2009. Previously with Deloitte and the Norwegian Armed Forces.

No board positions.

Holds 43,404 ECs as at 31 December 2022 (including any ECs held by related parties).



**Rolf Jarle Brøske (1980)**

**Executive director – Communications and Brand**

Studies in political science and history at Molde University College and the Norwegian University of Science and Technology (NTNU).

Joined SpareBank 1 SMN in 2016. Previously industrial policy director at Det norske Oljeselskap, and on the management team of Danske Bank (Fokus Bank). Adviser to earlier Minister of Trade and Industry, Børge Brende, and to the Mayor of Trondheim. Has held a number of political positions.

Board chairman of Brøske & Bianchi Wine Import AS. Board member of SpareBank 1 Spleis AS, Trøndelag Høyre, Sør-Trøndelag Høyre and the Nidaros Cathedral Boys Choir.

Holds 10,853 ECs as at 31 December 2022 (including any ECs held by related parties).



**Vegard Helland (1975)**

**Executive director – Corporate Banking**

Business economist from the Bodø Graduate School of Business (1999), and authorised financial analyst (AFA) from the NHH Norwegian School of Economics and Business Administration (2007).

Joined SpareBank 1 SMN in 2003, and has focused primarily on the corporate market. Executive director of Corporate Banking since 2010. Previously internal audit staff member and adviser with KPMG and as an analyst with Fontiera AS.

Chairman of SpareBank 1 Finans Midt-Norge. Board member of SpareBank 1 Markets AS, SpareBank 1 Factoring AS, SpareBank 1 Regnskapshuset SMN AS, Kredinor AS and Mavi XV AS.

Holds 35,842 ECs as at 31 December 2022 (including any ECs held by related parties).



**Nelly S. Maske (1975)**

**Executive director – Retail Banking**

Master of Science from South Bank University in London 2000, Bachelor's degree in business and administration from Sør-Trøndelag University College (1998).

Joined SpareBank 1 SMN in 2013. Executive director, Organisation and Development (2015-2018), assistant executive director, Retail Banking (2013-2015). Prior broad experience with the professional services firm Ernst & Young, latterly as director at Ernst & Young Advisory (2010-2013).

Chair of SpareBank 1 Gjeldsinformasjon AS. Board member of EiendomsMegler 1 Midt-Norge, SpareBank 1 Forvaltning AS and Julmas AS.

Holds 21,783 ECs as at 31 December 2022 (including any ECs held by related parties).



**Arne Nypan (1970)**

**CEO – SpareBank 1 Regnskapshuset SMN**

Master of Business Administration (MBA) from Lund University, Sweden (1997). Bachelor of Business Administration (B.Sc.) from Copenhagen Business School (1995). Officer training from the Norwegian Military Academy (1992).

CEO of SpareBank 1 Regnskapshuset SMN since June 2020. Previously CEO of SpareBank 1 Finans Midt-Norge (2013-2020), head of Customer Concept at SpareBank 1 SMN (2013), general manager at SpareBank 1 SMN (2003-2012). Previously with Innovation Strategic Consulting and Fokus Bank (Danske Bank).

Board member at SpareBank 1 Kreditt AS.

Holds 29,958 ECs as at 31 December 2022 (including any ECs held by related parties).



**Kjetil Reinsberg (1961)**

**CEO – Eiendomsmegler 1 Midt-Norge**

Graduate in real estate brokerage from BI Norwegian Business School (2008).

CEO of Eiendomsmegler 1 Midt-Norge since 1999. Previously with Storebrand Bank, Notar and Bedre Råd, and several years' experience from the construction industry.

Chairman of Brauten Eiendom AS. Board member of Eiendomsmegler 1 Norge, Agri Eiendom AS, Eiendom Norge Holding AS and Eiendom Norge.

Holds 16,358 ECs as at 31 December 2022 (including any ECs held by related parties).

## Corporate governance

SpareBank 1 SMN provides below an overall account of the institution's corporate governance policies and practice in conformity with the Accounting Act (Regnskapsloven) and the Norwegian Code of Practice for Corporate Governance (NUES). SpareBank 1 SMN reports its compliance for each point of the Code of Practice. Where the Code of Practice is not followed, a justification for the deviation is given and the institution's arrangements are explained.

### Accounting Act, section 3-3b, second subsection

The following explains how the Accounting Act section 3-3b, second subsection, is complied with at SpareBank 1 SMN.

The numbering shows the numbering in the subsection concerned.

**1. A statement of recommendations and rules for corporate governance which apply to the undertaking or which it chooses to follow.**

Policies and practice for corporate governance at SpareBank 1 SMN are based on Norwegian law. The group follows the Norwegian Code of Practice for Corporate Governance. Reference is made to point 1 of the Code of Practice below.

**2. Information on where recommendations and rules as mentioned in point 1 are publicly available.**

The Code of Practice for Corporate Governance is available at [nues.no](http://nues.no).

**3. A justification for any deviation from recommendations and rules as mentioned in point 1.**

Any deviations from the recommendation receive comment under the report on compliance with the Code of Practice below.

**4. A description of the main elements in the undertaking's and – for entities that are under the obligation to maintain accounting records and that prepare consolidated accounts – in the event also the group's systems for internal control and risk management associated with the financial reporting process.**

See the report regarding point 10 of the Code of Practice below.

**5. Provisions of articles of association which in whole or in part expand or diverge from the provisions of the Public Limited Companies Act chapter 5.**

See the report regarding point 6 of the Code of Practice below.

**6. The composition of the board of directors, corporate assembly, supervisory board and control committee; any working committees for these bodies, and a description of the main elements of applicable instructions and guidelines for the work of these bodies and any committees.**

See the report regarding points 6, 7 and 8 of the Code of Practice below.



**7. Provisions of articles of association which regulate the appointment and replacement of board members.**

See the report regarding point 8 of the Code of Practice below.

**8. Provisions of articles of association and authorisations which empower the board of directors to decide that the company shall repurchase or issue treasury shares or equity certificates.**

See the report regarding point 3 of the Code of Practice below.

## Norwegian Code of Practice for Corporate Governance

The following explains how the 15 points set out in the current Norwegian Code of Practice for Corporate Governance of 14 October 2021 are complied with at SpareBank 1 SMN.

**Point 1: Report on corporate governance**

There are no significant divergences between the Code of Practice and compliance with the Code of Practice at SpareBank 1 SMN.

The Code of Practice applies to the extent appropriate to savings banks with equity certificates. Any deviations are explained under the point concerned.

SpareBank 1 SMN has a distinct corporate governance policy and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the bank aims to assure sound management of its assets and to give added assurance that its stated goals and strategies will be realised. Good corporate governance encompasses the values, goals and overarching policies by which the bank is governed and controlled with a view to securing the interests of EC holders, depositors and other stakeholder groups. The bank adheres to the “Norwegian Code of Practice for Corporate Governance” to the extent appropriate to savings banks with equity certificates. The Code of Practice is available at [nues.no](https://nues.no).

Through its corporate governance the bank gives special emphasis to:

- a structure assuring targeted and independent management and control
- systems assuring monitoring and accountability
- effective risk management
- full information and effective communication
- non-discrimination of EC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

The staff must be recognised for their high ethical standards. To this end they must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed. The ethical rules deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant financial circumstances of the individual. This body of rules applies to all employees and elected officers in governing bodies.

All staff and elected officers are obliged to regard knowledge of the group's or a customer's circumstances as confidential. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work. Further, no SMN staff member may, via computer systems or by any other means, retrieve information about other colleagues or customers that is not necessary for his/her work. The bank's ethical rules stipulate that a staff member must immediately inform his/her superior or other contact persons if he/she learns of circumstances that breach applicable statutes and rules or constitute **significant** violations of internal provisions.

*Deviations from point 1 of the Code of Practice: None*

### **Point 2: Operations**

SpareBank 1 SMN's activities are made clear in the company's articles of association. SpareBank 1 SMN's object is to carry on business as a bank and to pursue and participate in activities that the savings bank is entitled to engage in under licences held and legislation in force at any and all times. The articles of association can be found in extenso on the bank's website, and SpareBank 1 SMN's goals and main strategies are set out in the annual report.

Long-range target rates of return are set for the business with a basis in strategies and objectives adopted by the board of directors. These are determinative for the bank's concrete goals, risk limits and capital management framework, and budgets etc. Where it is natural to do so, risk-adjusted targets are set and the required rate of return reflects the various risks incurred by the bank. Assessments of risk and capital are an integral part of the bank's management process and value creation.

Guidelines and various measurement variables have been developed by which the business units are monitored and managed in order to achieve the business goals. Forecasting and budget management are also utilised as effective tools for attaining the strategic objectives.

SpareBank 1 SMN wishes to promote a sustainable development of society through responsible business operations, which includes giving due consideration to ethics, the environment and social matters. A distinct strategy for managing the bank's corporate social responsibility (CSR) has been established. The board of directors has adopted the group's climate risk strategy.

Corporate social responsibility is an integral part of the bank's business activity and is given expression through strategies, measures and activities. Corporate social responsibility is reflected in the way resources are managed and through dialogue with the employees, EC holders, customers, local communities and other stakeholders. Furthermore, a purchasing strategy has been established which describes the bank's ethical framework, requirements on suppliers and the criteria applied when making purchases and procurements.

See also the webpages on sustainability and the CSR strategy in the Sustainability Library at [smn.no/barekraft](https://smn.no/barekraft).

*Deviations from point 2 of the Code of Practice: None*

**Point 3: EC capital and dividends**

The board of directors continuously assesses the capital situation in light of the group's goals, strategy and desired risk profile. As at 31 December 2022 SpareBank 1 SMN's common equity tier 1 (CET1) ratio was 18.9 per cent, and its total capital ratio was 23.1 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report. For a further account of the rules governing capital adequacy and the principles on which SpareBank 1 SMN bases its assessment of capital need, see the Pillar 3 report published at smn.no.

**Dividends**

SpareBank 1 SMN aims to manage the group's resources in such a way as to provide EC holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's EC.

The net profit for the year will be distributed between the owner capital (the EC holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the ownerless capital's share of the net profit for the year should be utilised for distribution to non-profit causes or transferred to the foundation Sparebankstiftelsen SMN.

When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital. The bank's supervisory board sets the annual dividend payout based on the board of directors' recommendation. The dividend policy is published on the bank's website.

**Acquisition of treasury equity certificates**

SpareBank 1 SMN's board of directors are authorised to buy treasury ECs for up to 5 per cent of the bank's owner capital. Such purchases shall be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the bank and/or in which it has a consensual security interest may not exceed 5 per cent of the bank's owner capital. Each EC may be bought at prices between NOK 1 and NOK 300. The authorisation is valid for 18 months as from the adoption of the resolution at the supervisory board's meeting on 25 March 2022.

**Increase of capital**

Authorisations to the board of directors to increase the bank's EC capital are given for specific and defined purposes. As at 31 December 2022 the supervisory board has authorised the board of directors to increase the capital of SpareBank 1 SMN in connection with the planned merger with SpareBank 1 Søre Sunnmøre, in keeping with the merger agreement entered into.

*Deviations from point 3 of the Code of Practice: None*

**Point 4: Non-discrimination of shareholders**

SpareBank 1 SMN has one class of equity certificates (ECs). Through the articles of association, and in the work of the board of directors and management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. The

bank abides by provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to a savings bank with equity certificates.

In the event of an increase of the EC capital, existing EC holders have pre-emptive rights unless special circumstances call for deviation from this rule. Any such deviation will be substantiated. Any exercise of the board of directors' authorisation to acquire treasury certificates shall be by trading on the securities market via the Oslo Stock Exchange.

In 2022 the employees were invited to purchase ECs under savings agreements of NOK 500, 1,000, 1,500 or 2,000 per month, to be deducted from salary. Each quarter ECs are purchased for the amount saved. SpareBank 1 SMN awards one bonus EC for every two ECs purchased through the arrangement. Allocation of bonus ECs takes place two years after commencement of saving and presupposes that the employee still owns the originally saved ECs and is still employed by the group. 1,062 employees availed themselves of the offer in 2022. They saved an average of about NOK 1,728 per month.

In order to strengthen the equity certificate as an attractive financial instrument and to increase investors' influence over decisions affecting the EC capital, the bank's articles of association require that a qualified majority of the representatives of the equity certificate holders must vote in favour of amendments concerning the owner capital in addition to a qualified majority of the supervisory board. A list of the matters to which this applies is set out in article 10-1 of the bank's articles of association which can be found on the bank's website.

*Deviations from point 4 of the Code of Practice: None*

#### **Point 5: Shares and transferability**

The bank's equity certificate is quoted on the Oslo Stock Exchange under the MING ticker symbol and is freely transferable. The articles of association contain no restrictions on transferability.

*Deviations from point 5 of the Code of Practice: None*

#### **Point 6: General meeting**

##### **Supervisory board**

The governance structure and the composition of the governing bodies of a savings bank differ somewhat from those of public limited liability companies; see the Financial Institutions Act's requirements as to what bodies a savings bank is required to have. The bank's highest body is the supervisory board comprising EC holders, customers, employees and representatives of the public authorities.

The supervisory board shall see to it that the bank operates in line with its mission and in conformity with law, its articles of association and decisions of the supervisory board.

The supervisory board has 32 members and 30 alternates with the following representation:

- EC holders: 12 members and 10 alternates
- the county councils of Trøndelag
- and of Møre and Romsdal: 3 members and 3 alternates
- customers: 9 members and 9 alternates
- employees: 8 members and 8 alternates

The supervisory board approves the group's annual financial statements and management report, including application of the profit for the year/distribution of dividend; it considers the board of directors' declaration regarding the determination of pay and other remuneration to senior employees, and considers the report on good corporate governance. The supervisory board's tasks are further described in the bank's articles of association which are available at smn.no.

The members of the board of directors, the group CEO and the auditor are also summoned to meetings of the supervisory board. They may participate in the proceedings but are not entitled to vote. The supervisory board chair presides over the meeting or, in the latter's absence, the deputy chair.

Notice of meetings of the supervisory board is sent to its members and is available on the bank's website at least 21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed to enable the members of the supervisory board to take a position on the matters to be considered. Minutes of the meetings of the supervisory board are made available on the bank's website.

A list of supervisory board members can be found at smn.no.

*Deviations from point 6 of the Code of Practice: Where the composition of the bank's bodies is concerned, SpareBank 1 SMN abides by laws and provisions that regulate financial institutions.*

#### **Point 7: Election committee**

The bank shall have an election committee consisting of five members and five alternates who are elected by the supervisory board for a two-year term. The election committee shall mirror the composition of members of the supervisory board and be composed as follows:

- Two members with two alternates shall be elected from among the members elected by the representatives of the equity certificate holders
- One member with one alternate shall be elected from among the members elected by the representatives of the customers
- One member with one alternate shall be elected from among the members elected by the representatives of the county councils
- One member with one alternate shall be elected from among the members elected by the representatives of the employees

The supervisory board establishes further instructions for the holding of the elections. The election committee's instructions clarify requirements on the board of directors as a collegiate body in terms of ensuring that the board of directors meets the bank's need for competence, capacity and diversity, as well as the individual board member's suitability.

The election committee shall prepare the customers' and the equity certificate holders' election of members and alternates to the supervisory board.

The election committee shall also prepare the election of:

- the chair and deputy chair of the supervisory board
- the chair, deputy chair and other members of the board of directors
- the chair, members and alternates to the election committee as dealt with in this chapter

The election committee shall give grounds for its nominations.

The election committee proposes fees for members of the respective bodies.

*Deviations from point 7 of the Code of Practice: All members of the election committee for the supervisory board are appointed from among the groups represented on the supervisory board, in accordance with provisions of the articles of association.*

### **Point 8: Board of directors, composition and independence**

See point 6 for information about the supervisory board. As of 31 December 2022 the board of directors consists of nine regularly attending members of whom two are employee representatives. Four of the nine members of the board of directors are women. Members of the board of directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position. The group CEO and other senior employees cannot be members of the board of directors. None of the members of the board of directors appointed by the supervisory board, with the exception of the two employee representatives, are in any employment relationship or independent contractor relationship with the group beyond their posts as elected officers. The board members' independence has been assessed by the election committee and are deemed to be independent, with the exception of the board members elected by the employees. The chair and deputy chair are elected by the supervisory board at separate elections for a two-year term.

The composition of the board of directors shall be based on the bank's articles of association, and requirements of the election committee's instructions. In the election of board members the criteria of competence, capacity and diversity are in focus. The individual director's background is described in the annual report. The board of directors meets at least 11 times each year, and the members' attendance at meetings of the board is stated in the annual report. The directors are encouraged to own the bank's equity certificates, and their respective holdings of ECs in SpareBank 1 SMN are shown under the presentation of the board of directors in the annual report and on the bank's website.

*Deviations from point 8 of the Code of Practice: None*

### **Point 9: Work of the board of directors**

The board of directors' work and procedures are regulated by board instructions, and annual plans are prepared for the work of the board. The board of directors manages the bank's operations in compliance with laws, articles of association and resolutions of the supervisory board. The board of directors is responsible for ensuring that the assets at the bank's disposal are managed in a safe and appropriate manner. The board of directors is also required to ensure that accounting and asset management are subject to satisfactory control. In addition the board of directors adopts all material strategies, including the bank's business strategies, risk management strategies, sustainability strategy and other strategies. Moreover, the board of directors adopts the budget, market and organisational objectives and risk profile. It is the board of directors that appoints and dismisses the group CEO.

The board of directors receives inter alia reports on profit performance and market developments, and on the status regarding the group's risk picture, compliance risk and reporting of anti-money laundering work for the group. The board of directors conducts an annual evaluation of its work and of its own competence. It reviews its working method, case handling, meeting structure and prioritising of tasks, and this provides a basis for any changes and measures needed.

**Independent consideration**

The board instructions stipulate that a director is barred from participating in the consideration of, or decision in, any matter whose significance to him/herself or to any related party is such that the director is to be regarded as having, directly or indirectly, a personal, financial or other vested interest in that matter. The same follows from the group's ethical guidelines. Each director is obliged to personally verify that he or she is not disqualified from participating in the consideration of a matter.

Any agreement between the bank and a director or the group CEO must be approved by the board of directors, as must any agreement between the bank and a third party in which a director or the group CEO has a particular interest. Directors are required to disclose on their own initiative any interest that he/she or any related party may have. Unless the director him/herself opts to step back from the consideration of or decision in a matter, the board of directors shall decide whether or not the director shall step back. The board's assessments of legal (in)capacity must be duly recorded.

Agreements of substantial financial significance between the bank and other group companies shall be presented to the board of directors for consideration.

**Board committees**

The board of directors has established a compensation committee, an audit committee, a risk committee and a technology committee consisting of members of the bank's board of directors. The members are appointed for a two-year term. The committees are preparatory and advisory working committees to the board of directors, and it is the board of directors that establishes the committees' mandates.

**Audit committee**

Pursuant to the Financial Institutions Act, section 8-19 subsection (2), the audit committee's tasks are to:

- prepare the board of directors' follow-up of the financial reporting process,
- monitor the internal control and risk management systems and the bank's internal audit
- issue an opinion on the election of the auditor,
- have ongoing contact with the bank's appointed auditor regarding the audit of the annual accounts,
- assess and monitor the auditor's independence and objectivity

The audit committee meets at least five times yearly ahead of the board of directors' consideration of the quarterly and annual reports.

**Risk committee**

The risk committee's tasks are regulated in the Financial Institutions Act section 13-6(4) and the Financial Institutions Regulations section 13-2. The risk committee shall contribute to ensuring that risk management and capital management support the group's strategic development and goal attainment, and at the same time ensure financial stability and sound asset management. The risk committee shall contribute to ensuring that the group's management and control arrangements are appropriate to the risk level and scale of the business.

The committee shall inter alia:

- ensure that risk management is in keeping with best practice and the board of directors' level of ambition

- review risk management strategies and policies as preparation for consideration by the board of directors
- contribute to ensuring that the group's capital adequacy is satisfactory in terms of the adopted group strategy
- contribute to ensuring that laws and regulations and internal rules that regulate the group are identified, implemented, complied with and overseen.

The risk committee meets at least five times yearly.

### **Remuneration committee**

The board of directors has established a remuneration committee which shall consist of at least three directors, one of whom shall be elected by the employees. The board chair is a permanent member of the committee and also chairs the committee. The committee members are appointed for two years at a time by the board of directors.

The committee prepares and presents matters to the board relating to the group's compensation policy, including:

- Remuneration policy
- Report on the implementation of remuneration arrangements
- Declaration regarding the determination of pay and other emoluments to senior employees that is submitted to the supervisory board
- Remuneration of the group CEO

The committee meets when convened by the chair, but at least once yearly and otherwise as and when required. The attendance of at least two members of the committee is required.

The board of directors has established the compensation committee's mandate.

### **Technology committee**

In 2021 the bank established a technology committee as a preparatory body for the board of directors in matters related to the group's strategic investments in technology.

The technology committee consists of at least two directors that are not employed in the SpareBank 1 SMN group. The board of directors shall also appoint the chair of the Technology Committee.

The committee shall inter alia:

- Ensure adequate strategic investment in the field of technology and digitalisation
- Ensure that strategic technology investments yield the desired value creation
- Assist the group management team in ensuring an adequate scope and pace of innovation
- Monitor and evaluate existing and future trends in technology/manufacturing which may impact the group's strategic plans

The committee meets when convened by the chair, but at least four times per year (once per quarter) and otherwise as and when required.

The bank will conduct an evaluation of whether the committee shall be made permanent.



*Deviations from point 9 of the Code of Practice: None*

### **Point 10: Risk management and internal control**

Sound risk and capital management are central to SpareBank 1 SMN's long-term value creation. Internal control shall help to ensure efficient operations and proper management of risks of significance to the attainment of business goals.

The group's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital management and capital calculation. The report is available at [smn.no](https://smn.no).

SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the bank's financial position. The bank's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The board of directors reviews the group's development in the main risk areas on a quarterly basis and reviews the internal control system on an annual basis. The board of directors has the main responsibility for setting limits to, and monitoring, the group's risk exposure. The bank's risks are measured and reported in accordance with the principles and policy adopted by the board of directors.

Risk management underpins the group's strategic development and goal attainment. Managements at the various companies in the group are responsible for risk management and internal control with the aim of ensuring:

- targeted, safe, high-quality and cost-effective operations
- reliable and timely reporting
- compliance with applicable laws and regulations as well as internal procedures and policies

The board of directors receives annually, from the internal auditor and external auditor, an independent assessment of the group's risk and internal control function. The board monitors compliance with adopted frameworks, principles, and quality and risk objectives through:

- quarterly reports from the group CEO and the risk management department
- quarterly reports from the compliance function
- quarterly reports/annual report from the internal auditor

SpareBank 1 SMN utilises the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework and the Control Objectives for Information and Related Technology (CobiT) framework as a basis for its principles of internal control and risk management.

Risk management is an integral part of the management's decision processes, and a central element in regard to organisation, procedures and systems. A risk management department has been established at SpareBank 1 SMN.

The risk management department is organised independently of the business units and reports directly to the group CEO. The department is responsible for the group's risk models and for further developing effective risk management systems. The department is responsible for independent risk assessment, risk reporting and overall risk monitoring in the group and reports periodically to the group CEO and the board of directors.

The bank's most important profit objective is to achieve a competitive return on equity. This is done inter alia through increased focus on risk pricing and risk-adjusted return. Principles and framework for internal control and risk management are enshrined in a separate policy. That policy sets out guidelines for the group's overall approach to risk management and is designed to ensure that the group has an effective and appropriate process.

### **Compliance**

The compliance function is organised independently of the business units. The function assesses the undertaking's policies, procedures and systems to ensure regulatory compliance, and provides advice to the management and other relevant personnel on measures to be initiated to ensure compliance with the prevailing body of rules. The function shall also establish guidelines and processes for managing compliance risk and ensure that compliance is monitored and tested through a structured and well-defined monitoring programme. The head of the compliance function reports periodically to the group CEO and the board of directors. Compliance reports are prepared on a quarterly basis.

The compliance function has established a specific responsibility for monitoring compliance with the Anti-Money Laundering Act and the Personal Data Act respectively.

Business lines and support functions along with subsidiaries are required to attend to compliance by operationalising the policy for compliance and identified compliance risks adopted by the board of directors.

### **Internal control in relation to financial reporting**

The board of directors of SpareBank 1 SMN has issued guidelines for the group's financial reporting. They conform to the current requirements imposed by the authorities and are designed to ensure relevant, reliable, timely and identical information to the bank's EC holders and the securities market in general. Group Finance is headed by the CFO and is organised independently of the business lines. The unit attends to financial reporting at both parent-bank and group level, and establishes guidelines for monthly, quarterly and annual reporting from the various business lines and subsidiaries. The CFO assesses the business lines' financial results and goal achievement on a continuous basis and sees to it that all entities perform in keeping with the group's overall financial objectives. The CFO reports directly to the group CEO.

The bank's Accounts Department and Finance Department are organised under Group Finance and prepare financial reports for the group. The departments see to it that reporting is carried out in conformity with applicable legislation, accounting standards, the group's accounting policies and the board of directors' guidelines.

Group Finance has established processes to ensure that financial reporting is quality assured and that any errors and deficiencies are followed up on and rectified as and when they occur. A number of control measures have been established to ensure that all financial reporting is correct, valid and complete.

Each quarter the external auditor conducts a limited audit of the group's interim financial statements. In addition a full audit is conducted of the group's annual financial statements.

For further information on risk management and internal control, see note 6 in the annual report concerning financial risk management and the group's report on capital requirements and risk management, the Pillar 3 report, which is available at [smn.no](http://smn.no).

**Internal audit**

The internal audit function is a tool used by the board of directors and the administration to oversee that the risk management process is targeted, effective and functions as intended. Internal audit services are delivered by KPMG and these services cover the parent bank and subsidiaries subject to the risk management and internal control regulations.

The internal audit function's main task is to confirm that the established internal control system functions as intended, and to ensure that risk management measures are adequate to the bank's risk profile. The internal audit function reports quarterly to the board of directors and the internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis.

The board of directors adopts annual plans and budgets for the internal audit function.

The internal audit function carries out the operational audit of units and business lines; it does not conduct a financial audit of the group. Annual audit plans are prepared which are discussed with the group management, considered by the risk committee and approved by the board of directors. The audit function's risk assessments determine which areas are to be reviewed. Separate audit reports are prepared containing results and proposed improvement measures which are presented to the responsible manager and the group management team. A summary of the reports is sent on a quarterly basis to the risk committee and the board of directors. Any consultancy services are provided within the scope of standards and recommendations applying to internal auditors (Institute of Internal Auditors Norway).

**Ethics and whistleblowing**

Ethical guidelines have been drawn up for the group and its employees, and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the group's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have been established for reporting should any member of staff learn of circumstances that breach external or internal regulatory provisions or of other circumstances which are likely to harm the group's reputation or financial situation. How a report is to be handled is decided by the recipient of the report, in consultation with the HR manager and legal services director. The bank has an agreement with KPMG which ensures that a whistleblower can report anonymously.

No reports were received by KPMG in 2022.

*Deviations from point 10 of the Code of Practice: None*

**Point 11: Remuneration to the board of directors**

The board members' fees that are recommended by the election committee and adopted by the supervisory board are not performance-related, and no options are issued to the directors. The board of directors' chair and deputy chair are remunerated separately, and directors participating in board committees receive additional remuneration for doing so. None of the directors appointed by the supervisory board perform any task for the group beyond that of serving on the board of directors. Further information on compensation to the board of directors and board committees is shown in the report on management pay which is published at smn.no.

*Deviations from point 11 of the Code of Practice: None*

**Point 12: Remuneration to senior employees**

The group has established a remuneration policy that is in accordance with the group's overarching objectives, risk tolerance and long-term interests. This policy is designed to promote and incentivise good management and control of the group's risk, to counter excessive or undesired risk-taking, to ensure sound and effective management of sustainability risk, to help pre-empt conflicts of interest and to be in accordance with applicable law and regulations. See the requirements of the Regulations on remuneration schemes at financial institutions, investment firms and fund management companies. The remuneration policy has special rules for senior employees. These rules also apply to other employees and elected officers performing tasks of material significance for the group's risk exposure and to employees and elected officers with control tasks.

The board of directors has appointed a compensation committee which acts as a preparatory body for the board in cases relating to the assessment of, and compensation to, the group CEO. The committee also recommends to the board of directors guidelines for remuneration to senior employees (the group management). See also the account of the board of directors' remuneration committee under point 9.

A description of remuneration to the group CEO and senior employees is given in the report on management pay which is published at smn.no. Further details of the bank's remuneration scheme are available on the bank's home page.

*Deviations from point 12 of the Code of Practice: None*

**Point 13: Information and communication**

The bank's information policy is designed to underpin the relationship of trust between the bank's EC holders, board of directors and management, and to ensure that the bank's stakeholders are at all times able to evaluate and deal with the bank. The bank's information policy is based on active dialogue in which openness, predictability and transparency are at centre stage.

The open information practice is in conformity with the bank's internal and external guidelines, with such limitations as follow from the duty of confidentiality and stock exchange rules in effect at any and all times.

Correct, relevant and timely information on the bank's progress and performance aims to instil investor market confidence. Information is communicated to the market via quarterly investor presentations, an investor relations area on the bank's website and stock exchange notices. The group's financial calendar is published on the bank's website.

Presentations for international partners, lenders and investors are also arranged on a regular basis. The board of directors has adopted a communications strategy indicating who can make statements on behalf of SpareBank 1 SMN and in what areas.

*Deviations from point 13 of the Code of Practice: None*

**Point 14: Takeover**

SpareBank 1 SMN's equity capital consists of owner (equity certificate) capital, ownerless capital and earned equity. The ownerless capital represents a 'self-owning' part of the savings bank which cannot be taken over by others through acquisition. A bank's ownership structure is also regulated by law such that approval is required for any acquisition entailing that a holding will represent 10 per cent or more of the bank'

s capital or voting rights. A list of the SpareBank 1 SMN's 20 largest EC holders is available on the bank's website at smn.no.

*Deviations from point 14 of the Code of Practice: Statutory limit on equity holdings*

#### **Point 15: External auditor**

The external auditor is appointed by the supervisory board upon the recommendation of the audit committee and nomination by the board of directors, and the auditor is identical for all companies in the group. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. The external auditor presents each year the principal aspects of a plan for the conduct of the audit. The external auditor attends meetings of the board of directors at which the annual accounts are reviewed and also meetings of the audit committee where the accounts are reviewed.

The board of directors holds at least one meeting each year with the external auditor without the group CEO or others from the day-to-day management team being present. Guidelines have been established for the day-to-day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor must at all times be within the scope of the Auditors Act. The board of directors informs the supervisory board of the external auditor's remuneration for the audit and any other services.

The external auditor provides the audit committee with a description of the main elements of the audit, including whether any significant weaknesses have been identified in the bank's internal control related to the financial reporting process. In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group over the course of the accounting year.

*Deviations from point 15 of the Code of Practice: None*