

Sustainability and corporate social responsibility

Sustainability is an integral part of our group strategy and is incorporated into all business lines and support functions including day-to-day operations, customer offering and distribution of community dividend.

We view sustainability as a financial risk and a business opportunity. Members of the group management team bear responsibility for achieving strategic goals for sustainability in their respective areas of responsibility. The work on sustainable development is regularly reviewed by the bank's board of directors and by the management boards of the group's subsidiaries. Relevant steering documents are publicly available in our Sustainability Library at smn.no/barekraft.

The operational work on sustainability is divided into three areas:

- Day-to-day operations
- Customer offering
- Community dividend

We conduct a continuous stakeholder dialogue with an ever growing network of stakeholders. This is part of our endeavour to ensure a coherent and long-term approach to how we are to create value for equity certificate holders, customers, employees and the community. A summary of the most significant stakeholders is shown below. More information is available in the document *Stakeholder Dialogue* in the sustainability library at smn.no/barekraft.



Figure 3: Overview of SpareBank 1 SMN's stakeholders

The dialogue with stakeholders is in the form of in-depth interviews, digital questionnaire surveys and direct dialogue. We also attach importance to information gained from other interaction with stakeholders, for example general meetings, customer surveys and meetings, participation in committees and initiatives addressing a broad range of societal issues.

In addition to the continuous stakeholder dialogue we perform a materiality analysis, updated every two years, in which we map environmental, social and financial materiality. Our framework conditions change in step with the development of society, and this analysis helps us to achieve conformance between our business's goals and focal areas, and the expectations placed on us by stakeholders.

The materiality analysis is prepared in terms of double materiality, and defines which financial risks and opportunities we and our stakeholders perceive to be most crucial for our ability to attain our long-term strategic goals*. It also helps us to identify those UN sustainability goals where our impact is greatest. Our analyses are publicly available in the Sustainability Library, and the matrix below summarises our double materiality analysis.

* See more about climate-related risks and opportunities under "Securing long-term profitability and competitiveness".



Figure 4: Double materiality analysis

Obligations

The group supports the following national and international agreements in the work on integrating sustainability into our business:

- UN's sustainability goals
- Paris Agreement
- ILO Conventions 100 and 111
- International Covenant on Economic, Social and Cultural Rights
- Working Environment Act
- Equality and Anti-Discrimination Act

We have signed and/or endorse the following principles and standards:

- UN Principles for Responsible Banking
- UN Global Compact
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate Related Financial Disclosure (TCFD)

- Global Reporting Initiative (GRI)
- Eco-Lighthouse Foundation
- Guide Against Greenwashing

See the enclosed overview of SpareBank 1 SMN's memberships of industry, lobby and other Norwegian and international organisations.

Four focal areas

The latest update of the materiality analysis showed that many of the expectations from 2020 still apply at the same time as new themes have come to the fore. Based on the year's analysis we have identified four focal areas with associated themes:

- Responsible lending and investments
- Advisory services and customer offering
- Sustainable transition of Mid-Norway
- Sustainable transition at SpareBank 1 SMN

Based on the updated materiality analysis, we have revised our key figures in order to identify drivers which can boost the group's transition. New key figures require new tools and processes, and some figures were unavailable at the time of reporting. These are marked "Not available" in the table below. In the coming year we will give priority to collecting data on key figures which were unavailable at the time of reporting. The overview below summarises key figures for each focal area with appurtenant themes.

	Results 2022	Target 2023
Responsible lending and investments		
Losses due to fraud	4,234,401	< 10,000,000
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	73 %	100 %
Corporate loan volumes with ESG score	11 %	75 %
Retail loan volumes with ESG score	0 %	20 %
Share of loans that meet requirements for green bonds	19.9 % ¹⁾	In process ²⁾
Reduction of total CO ₂ emissions from loan portfolios	1,077 (1000 tCO ₂ e)	1,000 (1000 tCO ₂ e)
Reduction of total CO ₂ emissions in day-to-day operations	20 (1000 tCO ₂ e)	16.4 (1000 tCO ₂ e)
Share of homes in the loan portfolio with energy rating	51 %	90 %
Share of commercial properties in the loan portfolio (>1,000m ²) with energy rating	Not available	75 %
Advisory services and customer offering		
Sales volume of products and services with an environmental benefit	1,003,000,000	2,000,000,000
Sales volume of products and services with a social benefit	0	
Category score for sustainability in Winningtemp ³⁾	7.3	7.4
Share of managers and employees in the group having completed e-learning course in ethics	92 %	100 %
No. of documented complaints of breaches of data privacy or loss of customer data	3	0
Sustainable transition of Mid-Norway		
No. of participants in meeting places and innovation activities	0	7,000 participants 250 'youth enterprises'
No. of participants in competence and development programmes	31	50-100
Share of large corporate customers with credit commitments who have carbon accounting reports ⁴⁾	Not available	25 %
Sustainable transition in SpareBank 1 SMN		
Share of group's significant purchases (> NOK 100,000) from suppliers with carbon accounting reports	Not available	50 %
Share of managers and employees having completed e-learning course in information security	93,2 %	100 %
Category score for diversity, inclusion and equality in Winningtemp	7.6	8

1) Based on existing framework as per 31.12.22

2) In accordance with EU Taxonomy Climate Delegated Act, buildings constructed on 1. January 2021 or later shall fulfill the criteria "NZEB -10%". In Norway, NZEB-definitions was announced 31. January 2023. A practical method of identifying NZEB -10% is not available, and access to reliable data is necessary to ensure a robust approach.

3) At the start of 2022 we introduced a new employee development tool, Winningtemp.

4) Large corporate costumers exceed two out of three following criterias: turnover, > MNOK 400, balance sheet total > MNOK 200 and number of employees > 250

Table 1: Focal areas with Key Performance Indicators

Responsible lending and investments

Lending to households and businesses is the group's core business. It is a consistent expectation from our stakeholders that lending and investment activities should stimulate local, sustainable business development and value creation. Four material themes feature in this focal area:

Material themes	Objective	Key figures	Responsibility
Prevent and combat economic crime and corruption	Ensure compliance with laws and regulations through updated risk assessments and effective combating of economic crime	<ul style="list-style-type: none"> ▪ Losses due to fraud ▪ Share of managers and employees having completed e-learning course in anti-money laundering and terrorist financing 	Exec. director, Technology and Development
Secure long-term profitability and competitiveness	Strengthen the group's growth and profitability through differentiated pricing of climate risk and active portfolio management	<ul style="list-style-type: none"> ▪ Loan volume to corporate and retail customers with ESG score ▪ Share of loans that meet the requirements for green bonds 	Exec. director, Corporate Banking Exec. director, Retail Banking
Reduce carbon footprint in day-to-day operations and loan portfolios	Reduce the group's financial risk by integrating climate and natural impact into advisory services, risk management and credit models	<ul style="list-style-type: none"> ▪ Reduction of total CO₂ emissions in the group's loan portfolios in line with transition plans towards net zero by 2050 ▪ 8% annual reduction of CO₂ emissions from day-to-day operations 	Exec. director, Group Finance Governance Exec. director, Risk Management
Stimulate green transition for retail customers and corporate customers	Actively promote reduction of customers' energy consumption through advice, product development and courses offered	<ul style="list-style-type: none"> ▪ Share of homes in the loan portfolio with an energy rating ▪ Share of commercial properties in the loan portfolio (>1,000m²) with an energy rating 	Exec. director, Corporate Banking Exec. director, Retail Banking Man. director, EiendomsMegler 1 Midt-Norge

Table 2: Responsible lending and investments – material themes

Preventing and combating economic crime and corruption

Our approach to the theme

Economic crime impacts individuals, businesses, clubs and associations and has major consequences for the economy. We recognise that combating and preventing economic crime is important for maintaining confidence in our products and services in a local, national and international perspective.

Anti-fraud

Swindle and digital fraud have largely replaced the classical crime of gain in society, and cases of fraud have risen sharply in number in recent years. In keeping with the steadily growing digital integration of society and its financial infrastructure, various forms of swindle and fraud are expected to continue at a high level or to increase in the years ahead.

The fraud sphere is wide ranging. From the classical types such as investment fraud and love scams to bank ID fraud and internet bank fraud, hacking of email, social media and telephones, to manipulation of documents and information. A growing proportion of fraud is carried out by means of social manipulation of the victim. This can be via direct human contact (e.g. phone scams involving seniors, so-called 'Olga' fraud), via falsified phone numbers, web pages or other information making it more difficult to uncover the perpetrator. The bank also comes across "mules" – persons and accounts used to move funds stemming from fraud between Norwegian and foreign accounts. A large proportion of the money in circulation from fraud ends up in foreign payment services and cryptocurrency.

In 2022 an average of 380 approaches to the bank's customer service centre are categorised as fraud without further specification. Eighty-two cases of defrauded amounts being returned to customers were recorded, altogether totalling NOK 4,324,000. A number of fraud cases involve money laundering, with funds stemming from fraud being passed on to other persons and accounts in Norway and abroad.

By the end of 2022 we had reported a total of 140 cases of fraud to Økokrim (National Authority for Investigation and Prosecution of Economic and Environmental Crime). About 30 per cent of these involved phishing where the victim was tricked into revealing bank ID codes, user name and/or password to their internet bank.

In 2023 our main priority in the anti-fraud sphere will be to put in place preventive measures to reduce the extent of fraud.

Anti-money laundering (AML) and terrorist financing

We are under a statutory obligation to implement measures to prevent and detect money laundering and terrorist financing.

The extent and complexity of economic crime have increased in 2021 and 2022, as reflected in tighter requirements for compliance with the AML legislation. We have stepped up efforts and initiated preventive measures to ensure that we have the framework, procedures and competence needed to carry out our social mission and to comply with government requirements. Several intermediate goals under UN sustainable development goal 16 "Peace, justice and strong institutions" play a part in our work and will guide the bank's priorities ahead.

The bank's board of directors has adopted overarching guidelines and risk assessment for the area. In 2022 thematic analyses were performed and procedures and internal control activities were further developed on an ongoing basis along with improvements to systems and processes. The number of staff dedicated to the anti-money laundering and terrorist financing effort has risen, and machine learning models for detecting the risk of money laundering and terrorist financing have been further developed with positive results in terms of accuracy. The internal audit function has conducted two anti-money laundering and terrorist financing audits – and the Compliance Department has provided ongoing feedback on improvement measures and compliance gaps, and run checks and controls on an ongoing basis.

Russia's invasion of Ukraine has prompted an augmented effort in complying with the sanctions rules. The bank was a part of the Finanstilsynet's thematic inspection in February of banks' compliance with the obligation to screen persons subject to international sanctions.

In 2023 our chief priorities in the AML sphere will be to continually improve current processes and procedures, ensure compliance in connection with the merger with SpareBank 1 Søre Sunnmøre and to equip ourselves for the future by acquiring the next generation of AML solutions.

Strategic accountability

We have in place ethical guidelines, an anti-corruption policy and whistleblowing procedures that explain the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas. Moreover, corruption risk is described in the statutory risk assessment of money laundering and terrorist financing.

Responsibility for the area

The head of the anti-economic crime department is the bank's anti-money laundering officer and has operative responsibility for the bank's handling of matters related to economic crime.

Objective

To prevent and guard against misuse of the financial system for money laundering and terrorist financing purposes, and to facilitate the prevention, detection and implementation of measures to reduce the extent of fraud against customers, employees and the bank.

Training

We engaged in coaching and attitude-moulding work among all managers and employees in the group in 2022. Group employees underwent compulsory e-learning courses related to anti-money laundering and terrorist financing. In addition "classroom tuition" was provided in this field, tailored to the respective employee groups. A number of employees gained certification in anti-money laundering and terrorist financing, and this will remain in focus in 2023.

Statistics

A total of 26,164 transactions were identified for further checks by the bank's transaction monitoring system. 500 cases were reported to Økokrim's financial intelligence unit (FIU).

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 we acknowledge our dependence on the trust and confidence of our customers and the market, and our aim is that the bank should be recognised for the high ethical standard of its staff and board members.

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." The bank's stance accords with UN sustainable development goal 16.5, and is about the importance of reducing the extent of corruption and bribery as a prerequisite for sustainable development.

The anti-corruption policy was revised and considered by the board of directors. The policy provides guides for the group's attitude to and work on preventing corruption.

The most significant corruption risks that have been identified relate to the funding process and approval of new suppliers and purchases.

The risk of irregularities/corruption upon approval of credit exposures applies in connection with the 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. Employees' positions shall be registered and approved by HR.

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 has whistleblowing procedures to ensure employees' right to report censurable circumstances. The whistleblowing procedures also apply in the event of corruption or other financial malpractices and describe how a disclosure is to be made, to whom and how such disclosures are to be handled. In 2022 zero cases of corruption or financial malpractice were reported.

Strategic accountability

We have in place ethical guidelines, an anti-corruption policy and whistleblowing procedures that explain the group's stance on corruption, how corruption is to be followed up and who has responsibility in the respective areas. Moreover, corruption risk is described in a statutory document entitled 'risk assessment, anti-money laundering and terrorist financing'.

Responsibility for the area

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

Objective for the area

The group has zero tolerance of any form of corruption.

Training

In December 2022 we arranged an 'ethics week', a three-tiered training programme presenting various ethical dilemmas. The programme was designed to enable employees to assess corruption risk and to recognise indicators of corruption or attempts at corruption. 92 per cent of employees of the parent bank, SpareBank 1 Regnskapshuset SMN and EiendomsMegler 1 Midt-Norge completed the programme.

Relevant steering documents

The following steering documents are at centre stage in this theme:

- Ethical guidelines
- Policy on measures to combat money laundering and terrorist financing
- Anti-corruption policy
- Whistleblowing procedure
- Bank card refund

Ensuring long-term profitability and competitiveness

Our approach to the theme

Sustainability represents both a financial risk and new business opportunities for SpareBank 1 SMN. The group's growth strategy will be realised through responsible lending and investment with differentiated pricing of climate risk and active portfolio management as strategic instruments. ESG scoring of corporate clients is in place, and corresponding tools are under assessment for retail customers. With a view to assuring long-term profitability, our lending will to an ever increasing extent fulfil the requirements imposed on green bond funding.

Retail Banking

Our credit strategy is adopted by the bank's board of directors. The scope for sustainable lending is established in this forum and is operationalised through the bank's credit policy and framework for the lending business. 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 is obliged to consider refusing loan applications where the purpose of the loan is unwarrantable, and in the case of customers with low debt-servicing ability.

In the group's updated materiality analysis, Retail Banking is considered to have greatest impact on the themes of households and agriculture. Funding granted to personal customers can have a positive impact on housing conditions, for example through the bank's role as a driver for the inclusion of low-income families in the housing market, and through offering other financial services with a positive effect on vulnerable groups in society.

Retail Banking also has a driver role in the construction industry. This is through its influence on property developers and collaboration with estate agents to form partnerships which can have a positive climate impact on construction projects and encourage an even more sustainable housing standard. Retail Banking also focuses on further developing its offering of green products, on coordinating with EiendomsMegler 1 Midt-Norge on concepts in the housing development sphere, and on coordinating with developers, estate agencies and public authorities to ensure that housing developers take account of house buyers' preferences as regards sustainability and by that means drive a green transition.

Integrating sustainability into the business was a prioritised development task in 2022. Work on a transition plan for the residential mortgage portfolio has started, and a transition plan for the agriculture portfolio is under implementation. Agriculture in the bank belongs under Retail Banking's portfolio, and includes the following segments: farming, forestry, animal husbandry, further processing of raw materials and provision of various services to farms. This is an important industry for us and is the bank's second largest industry portfolio. Our role under our agriculture policy is to assist in developing the region's agriculture. This implies a role in the evolution of the farm sector that is larger than merely being a supplier of capital.

We see ourselves as an important partner for agriculture at the local and regional level, but also nationally through good collaboration with the other banks in SpareBank 1-alliansen. Our ambition is to assist agriculture in achieving its goals set out in the Climate Agreement between agriculture and the government, and will offer favourable financing of initiatives that accord with the agricultural sector's Climate Plan.

SpareBank 1 SMN will support the sustainable management of natural resources and sustainable production on farms, and will collaborate with customers and relevant agricultural industry players to strengthen financial advice to that end. We have in addition established closer cooperation with SpareBank 1 Regnskapshuset SMN to offer specialist agricultural competencies in banking and accounting.

We will by that means incentivise customers and business connections to weigh up the current sustainability of their own business and how they can adapt to the green transition. We will in brief make it more attractive to opt for good, sustainable measures and solutions across our business lines. This will create the basis for long-term investments and environment-friendly management, and is in line with the stewardship precept: a farm property should be passed on in a better condition than when the present holder took it over.

The portfolio of green residential mortgages expanded in 2022. Energy classification of objects is now offered by Eiendomsverdi and we are working on solutions to put this information in place through labelling of objects in the bank's depository. This enables us to measure and develop the portfolio. Our collaboration with EiendomsMegler 1 Midt-Norge, under which we actively induce developers and consumers to make green choices, has borne fruit. We are cooperating more closely with SpareBank 1 Kreditt to progress our work with customers in financial difficulties. 2022 was a demanding year for our customers coping with higher housing and living expenses, and this work is therefore all the more important. Exposure monitoring was accordingly a priority area.

Corporate Banking

SpareBank 1 SMN has developed a comprehensive set of rules to ensure responsible and consistent lending practice. The aim is both to ensure low loan losses for the bank and to prevent customers from assuming obligations they cannot be expected to service. The rules are based on experience, analyses (including industry analyses), macroeconomic conditions and best practice. The framework is largely incorporated in the credit tool, thus ensuring that assessments and documentation of the framework are secured. An appropriate authorisation structure is in place to ensure thorough processing of loan applications. Regular training of credit officers is provided to ensure compliance with the rules and sound analysis of the customer's risk and servicing ability.

Risk related to sustainability has become an ever more important element of credit assessments. In 2022 we continued and further developed our systematic effort to ensure responsible lending to corporates, the bank's board of directors adopted a new policy on sustainability, and the first transition plans at industry level are under preparation. Work is ongoing to shape credit policy rules that impose requirements and expectations on customers' sustainability standards and in connection with financing of investments.

Mapping the sustainability and environment of major borrowers continues on an industry by industry basis. We have developed a new tool to simplify the mapping of all types of enterprise, independently of industry. This tool will be implemented in the credit process at the start of 2023. Credit policy rules and mapping are based on the EU taxonomy. In the absence of good guidance in the taxonomy within some segments, the group's and SpareBank 1-alliansen's industry experts are consulted. As and when data from various external sources become available, the aim is to automate data capture. All data will be assembled in a database to support reporting, analyses and further development of guidelines.

In our experience, access to relevant information remains limited. This is both because customers are not required by the authorities to report and because customer awareness varies widely. Until further notice we rely on challenging enterprises to compile and share information and data. Through this customer dialogue

we note a steadily growing awareness and commitment on the part of customers. Awareness and commitment are now markedly increasing in strength, particularly among the somewhat larger enterprises. This is reflected in practical action in the shape of deliberate environmental choices made by customers in connection with new investments. The bank also increasingly gives priority to customers and investments that meet the highest standard in the market.

Familiarity with our principles is required of all who are involved in lending to the business sector or in investment decisions related to the bank's or SpareBank 1-alliansen's investment decisions. For that reason continuous training is provided to all credit staff, and the principles imparted determine the projects to which the bank lends money. Those principles also govern how we conduct ourselves and exert influence in joint funding decisions where the bank itself is not in a dominant position.

The authorisation structure quality assures documentation of sustainability assessments.

The credit committees, in particular, focus attention on and quality assure those assessments.

Documentation of qualitative and quantitative sustainability assessments is a theme addressed by the internal audit function in the shape of a review of the ESG models and regular reviews of the quality of the lending process. Credit strategy and guidelines, including for sustainability, are revised at minimum on an annual basis.

Investments at SpareBank 1 SMN

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

- Own direct investments
- Investments by administrative services mediated through the bank
- Investments of funds from the community dividend fund and SpareBank 1 SMN Utvikling

Own direct investments

With regard to management of the group's liquidity risk, we have a portfolio consisting of liquid securities of high credit quality. The portfolio's composition and size are in conformance with steering documents for the liquidity area approved by the board of directors and with statutory requirements on liquidity management. In addition guidelines have been drawn up for sustainability in liquidity management. The group's investments in CDs and bonds total NOK 38bn at the end of 2022. In the course of 2022 we increased the portion invested in ESG-rated bonds. These are in all essentials issued by multinational organisations and covered bonds.

SpareBank 1 SMN Invest AS owns shares and units in regional enterprises and funds. Activity in this company is reduced, and the company will not be making investments in new individual companies. The portfolio will therefore be scaled back over time. The portfolio is worth NOK 580m at the end of 2022.

Investments made by administrative services mediated through the bank

We concerned to offer mutual funds with high ambitions in terms of sustainability. The mutual fund offering is built up through ODIN, which SpareBank 1 SMN indirectly co-owns through SpareBank 1 Forvaltning, 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 new 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.

Recent years have seen growing interest in sustainable and green funds in Norway. We wish to make it simple for customers to choose the most sustainable mutual fund available. To that end we map on an annual basis, together with the other SpareBank 1 banks, the sustainability performance of all mutual funds on the trading platform.

The criteria by which the funds are ranked conform to our own guidelines on sustainable distribution of mutual funds. 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 internet and mobile bank. You can read more about sustainability labelling of mutual funds at smn.no. We have 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 sustainability rating of C or higher under our sustainability labelling scheme.

SpareBank 1 Forvaltning was established in 2021 with a mission to increase saving and investment in the community. The company represents a concentration of competence in the saving and investment sphere and a significant strengthening of the customer offering for the entire SpareBank 1-alliansen. The company is directly owned by SpareBank 1-alliansen and LO Norway. SpareBank 1 Forvaltning assumes its social responsibility by contributing to a sustainable transition of society, and will be open about ESG performance and social responsibility. ESG considerations are an integral part of the management of all the company's investment products, and are reflected in internal processes that impact the environment, people and society. SpareBank 1 Forvaltning is licensed as an investment firm and wholly owns the shares of its subsidiary ODIN Forvaltning. At the end of 2022 the group had a total of 120 employees and just over NOK 125bn under management.

Our part-owned management company, 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 for 2022 is that one of ODIN's funds has the best rating, 'A', while all ODIN's other funds have the next best rating, 'B', under our fund sustainability labelling scheme.

Our offering of mutual funds with the best sustainability rating has been extended in recent years and consists of funds with both global mandates and sector-based and regional mandates.

Investments by SpareBank 1 SMN Utvikling and of community dividend

This receives further attention in the subchapter *Stimulating innovation and sustainable economic growth* and *Community dividend*.

Framework for issuance of green bonds

We have 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 Sustainable Development Goals.

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

We have 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 2022 we had issued green bonds worth NOK 22.46bn.

Climate risk and opportunities*Board of directors' involvement in climate-related risks and opportunities*

Climate risk responsibilities follow the group's ordinary responsibility structure, in conformance 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 steering documents and follow-up of reporting from the administration. The risk and audit committee monitors 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, including through the quarterly reporting, the annual report and as a routine item in the quarterly risk report.

The board of directors has approved, and will ahead revise, steering documents designed to manage climate risk, such as those entitled Sustainability strategy, Sustainability policy, Climate risk strategy and Credit strategy. Integrating climate risk into all steering documents, and revision, is a continuous process.

In autumn 2022 the board of directors held three consecutive meetings with a focus on sustainability, in particular on greenhouse gas emissions from our customers. The board has adopted an ambition to reach net zero emissions by 2050, recognised climate risk as a strategic opportunity and threat, and adopted a framework for the group's effort to help ensure that our customers are equipped for the future. This includes industry-by-industry transition plans, where transition plans for fishery and agriculture were discussed at the board's strategy gathering. The above three meetings provided updates for the board members and brought into relief the fact that the choices made by the group today could have major business consequences for us in the short, medium and long term alike.

Management of climate-related risks and opportunities

The group management team has set a clear direction for the work on climate risk by designating sustainability as one of five priorities of the group's strategy. The group strategy was adopted in 2019 and has boosted the pace of the group's work on climate risk.

Day-to-day operations follow the ordinary lines-of-defence structure and responsibilities. Roles and responsibilities in the climate risk effort, as part of the overall work on sustainability, are described in the document Sustainability policy.

Inasmuch as climate risk is included in all steering documents, responsibility for climate risk management is an integral aspect of the group's business. In 2022 SpareBank 1 SMN strengthened its effort with the establishment of the Sustainability strategy and Sustainability policy.

The group's ESG committee will contribute to the development and implementation of an overall methodology, process and group standard for sustainability at SpareBank 1 SMN. Climate risk management is a part of this effort. All business lines in the group have a representative on the committee who is designated by the director of the business line or the head of the subsidiary concerned. The committee's mission is to:

- be a driver and facilitator of the further development, intensification and integration of the work on sustainability in all business lines.
- be a driver and facilitator of sustainable development among our customers, suppliers and the wider community.
- coordinate activities and standards in the group and among jointly owned companies in SpareBank 1-alliansen.
- Develop competencies, frameworks, governance structures and culture.

Climate-related risks and opportunities in the short, medium and long term

We update annually a detailed mapping of climate risk using the TCFD template. Possible events are identified and risk is assessed over time. With regard to the group's lending activity, significant industries are reviewed jointly by the industry officer, the Credit Department and Risk Management.

The results of the analysis show that climate risk is primarily a risk through customers that we finance. The group, including the industries we finance, poses relatively low physical risk. The exception is fishery and aquaculture where the risk is moderate as a result of rising sea temperatures. Transition risk is more differentiated, The group is exposed to agriculture and ship-related segments, which in our analyses have high estimated greenhouse gas emissions that attract public attention. These industries have a conscious awareness of the issue and are making an active effort to reduce greenhouse gas emissions. The high emissions nonetheless render such industries vulnerable in a disorderly transition scenario pending reduction of the emissions. Our customers' transition risk is a climate-related opportunity for the group's business lines in terms of products and advisory services.

Demand for green loans is rising. This is particularly true of large companies, although green loans are also in demand by smaller businesses and residential mortgage borrowers. This product offers both an opportunity for increased sales and a motivation for our customers to make green investments. Green investments will help to reduce customers' vulnerability to climate risk.

Consequences for operations, strategy and financial planning

The results from the mapping of climate risk are used to assign priorities in the work ahead, to establish new policy rules as a framework for the lending business and to progress the work on transition plans towards net zero. Implementation places emphasis on supporting the sustainability strategy's goal of being a driver for green transition.

The results are used as an input to credit strategy. The aim is that priorities with regard to growth and adjustment of credit limits should help to ensure that climate risk is in line with the board's risk appetite.

We issue green bonds and have established a programme to ensure that the funds are utilised as intended. Moreover, Boligkreditt has funded its operations using green bonds.

The group offers green residential mortgages, construction loans and agricultural loans. This funding is offered in order to incentivise a green transition and thus reduced climate risk.

Climate scenarios' potential impact on operations, strategy and financial planning

SpareBank 1 SMN utilises the Network for Greening the Financial System (NGFS) scenarios to analyse the consequences of climate changes for the group's activities. We focus on the three scenarios "orderly transition", "disorderly transition" and "hot world". The group is developing transition plans to contribute to an orderly transition, but is preparing the business to be able to handle the other two scenarios. The qualitative analysis that has been carried out focuses on the two downside scenarios.

Quantitative analyses have also been carried out on the portfolio with a basis in the scenarios. In the case of transition risk we have examined how increased carbon prices in the NGFS scenarios impact the annual results of our corporate clients given estimated greenhouse gas emissions per client. The results confirm that if the polluter pays for its emissions, industries with high greenhouse gas emissions will face substantial costs.

Our assessment is that a disorderly transition will present the greatest challenge within the analysis horizon to 2050. We are therefore actively working to impose requirements and expectations on our customers to ensure that a green transition reduces vulnerability to a disorderly switch to a low emissions society.

Risk management

Identifying climate risk

We have several processes for the identification of climate risk. The bulk of our work on climate risk focuses on the lending business since it is here that we consider the risk to be greatest.

Mapping climate risk using the TCFD template provides a thorough analysis of events that can impact our customers, assessed at industry level. The process involves several departments with a view to ensuring all risks are assessed. Based on the results we consider a choice of risk management strategies.

Risk may vary within an industry. All corporate clients with a volume above NOK 10m (ERS6) are assessed using an ESG module developed by SpareBank 1-alliansen. The ESG score is the result of a joint alliance project whose mission is to provide good, updated assessments and to ensure good data capture. The longer-term ambition is to include ESG scoring in our credit models. In the case of fishery, the group has for several years produced a comprehensive ESG score using its own developed model, with assessments on a per-financed-vessel basis. Detailed scoring will continue in this segment.

Climate risk is an explicit assessment item for all loan applications sent to the Group Credit Committee. The adviser concerned must therefore make a separate assessment in addition to the ESG score.

Managing climate risk

The group's strategy on management of climate risk is primarily involves driving a green transition. We do this by providing advice and finance for transition. The group's own transition plans for the respective industries impose clear requirements and expectations on our customers, designed to assist management of the customer's climate risk. Together with business and industry we seek good solutions, and through our financing activity we foster transition.

Good policy rules contribute to effective defence against risk and set a clear boundary for our business. Where financing of commercial property is concerned, we apply stricter loan-to-value requirements to buildings that are old or energy-inefficient. This because we anticipate a need to upgrade to a modern energy standard in order to attract tenants and comply with public requirements.

Integrating climate risk into the risk management framework

Climate risk has to be integrated in the group's corporate governance. Climate risk accordingly needs to be included in all group strategies, policies and procedures. In addition to the Sustainability Strategy, Sustainability Policy and Climate Strategy, climate risk is fully integrated into the traditional risk management framework. The three documents mentioned above have functioned as guides for how other steering documents should integrate climate risk.

EBA guidelines impose comprehensive requirements on our climate risk effort, e.g. EBA GL 2020-06. Projects to ensure compliance contribute to an increased focus and quality of the work.

Climate risk is assessed through the ICAAP process. Our assessment in 2022 was that climate risk does not require a capital add-on, but rather a substantial focus on identifying and managing climate risk before losses are incurred.

Climate risk is a regular and distinct theme in the quarterly risk report. This is to ensure sufficient focus pending adequate integration into traditional risk categories.

Goals and method

Methods used to assess climate-related risks and opportunities, in line with strategy and risk management processes

The qualitative TCFD analyses of climate risk are conducted on significant activities in the group, with a focus on the largest industries in our loan portfolio. We consider each event separately and events as a whole per transition/physical risk on a scale from low to high risk. The risk assessment is also performed along a short, medium and long (2030+) time dimension.

Our analyses have identified greenhouse gas emissions as a risk to customers in our loan portfolio. This prompted the group to join the Partnership for Carbon Accounting Financials (PCAF) and in 2022 the group sought to improve the quality of its estimates. While the estimates are still subject to much uncertainty, they nonetheless serve as a guide in our strategy work. A detailed description of calculations and assumptions is provided in the document reporting the group's scope 3 downstream emissions.

Reporting of greenhouse gas emissions scope 1, 2 and 3

See the enclosure entitled Energy and Climate Account (scope 1, 2 and 3 upstream and downstream), and the chapter “Reducing the carbon footprint in day-to-day operations and loan portfolios”.

Goal of the work on managing climate-related risks and opportunities

The group aspires to contribute to net zero by 2050. This applies both to our own emissions and to emissions resulting from our activities. Efforts towards this goal will also contribute to a significant reduction in the group’s exposure to climate risk.

Our strategies related to climate risk are designed to ensure long-term, good profitability for the group. We are a major actor in the region and are thus dependent on the region’s successful transition to a low emissions society. We are therefore working to exploit the full capability of our group to contribute to the transition, through our subsidiaries and our dividend contribution to the regional community.

Relevant steering documents

The following steering documents are key to this theme:

- Guidelines on sustainable lending to retail customers
- Transition plan for sustainable agriculture
- Guidelines on sustainable lending to corporate customers
- Guidelines on sustainable distribution and recommendation of mutual funds
- Guidelines on sustainable governance
- Guidelines on sustainable liquidity management
- Green bonds framework
- SpareBank 1 Boligkreditt’s green bond framework
- Allocation report
- Green bond impact report
- Sustainalytics’ second party opinion
- Multiconsult’s report: SpareBank 1 SMN green portfolio impact assessment 2022

Reducing the carbon footprint in day-to-day operations and loan portfolios

Our approach to the theme

The banking and finance industry has negligible direct emissions, and our climate impact is in the main a consequence of the capital we manage through loans and investments. The climate impact of our loans and investments constitutes a considerable financial risk for us as a group. We recognise that SpareBank 1 SMN must as a major actor go to the fore and set an example in order for our customers to readjust, and avail themselves of our services in the future. In setting a good example we will reduce greenhouse gas emissions in our day-to-day operations, actively induce our customers to readjust, and integrate sustainability into our corporate governance, risk management and credit models. The PCAF, transition plans at industry level towards net zero by 2050 and internal governance tools are descriptive of how we have evolved in this area, and of how we will to a greater degree be in a position to follow up on and reduce our negative impact.

Greenhouse gas emissions from the group's loan portfolios

In the fourth quarter 2021 we committed to joining the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions working to harmonise and estimate greenhouse gas emissions financed by loans and investments. This commitment and partnership afford us access to among other things a methodology approved by the GHG Protocol to estimate greenhouse gas emissions from customers in our loan portfolio.

The PCAF estimates have a basis in three emission categories (scopes) consisting of direct and indirect emissions. Scope 1 represents emission sources related to business assets owned or controlled by the customer. Scope 2 represents indirect emissions stemming from the customer's consumption of energy, including electricity and district heating. Scope 3 represents indirect emissions which can be linked to the customer's activities but which are not directly owned or controlled by the customer. Scope 3 emissions are related either to the purchase of goods and services (upstream) or the sale of goods and services (downstream).

We assume that greenhouse gas emissions in our customers' scope 1 and scope 2 are to be included in the group's scope 3 downstream emissions. The PCAF has become the industry standard in banking and finance for estimating and reporting greenhouse gas emissions caused by the loan portfolio. The PCAF's foundation wall consists of estimated emissions based on income- or loan-based emission factors per industry. Our objective is to replace simple estimates either with emissions reported by the customer itself or with activity-based estimates.

The data quality of estimated greenhouse gas emissions, referred to by the PCAF as "data quality score", extends from 1 (based on the customer's own reported greenhouse gas emissions) to 5 (factor-based emissions). A low score denotes high data quality.

The table below shows estimated greenhouse gas emissions from our financing activity, i.e. the loan portfolio of the group including loans transferred to Boligkreditt. The estimated greenhouse gas emissions have a low score on data quality and a high level of uncertainty. Our objective to replace simple estimates with reported emissions and activity-based estimates has the potential to substantially change the figures.

	Lending balance (NOKbn)	Estimated greenhouse gas emissions (1000 tonnes CO ₂ e)		Emission intensity (tonnes CO ₂ e per NOKm loaned)		PCAF data quality score
		Scope 1 and 2	Scope 3	Scope 1 and 2	Scope 3	
Agriculture and forestry	10.7	544	258	51	24	3.4
Fishery	7.0	38	75	5	11	4.2
Aquaculture	2.3	15	29	6	13	4.0
Manufacturing and mining	2.5	28	170	11	69	4.0
Construction, power and water supply	4.4	9	127	2	29	4.3
Wholesale and retail trade, hotels and restaurants	2.8	22	36	8	13	4.1
Shipping and offshore	5.4	219	92	41	17	4.2
Property management	18.6	6	24	0.3	1	4.2
Business services	3.4	16	29	5	8	4.3
Transport and other services	5.3	135	103	25	19	4.1
Public administration	0	0	0	1	13	5.0
Other sectors	1.1	5	4	5	4	4.3
Wage earners ¹	134.9	16		0.1		3.0
Total parent bank incl. Bolig- and Næringskreditt²	198.3	1,054		5.3		3.3
Lending/leasing fossil-fuel cars (SB1 Finans)³	6.8	42.5		6.3		4.0

1) Wage earners (residential mortgages) are estimated based on financed buildings. Scope 3 not established

2) Loan balance is a little lower than in note 8. Accrued non-capitalised interest of NOK 462m and gross positions for cashpool accounts of NOK 428m are not included above.

3) Only 6.8bn of NOK12.1bn of the loan portfolio of SpareBank 1 Finans Midt-Norge AS is included. Refers to loan/leasing, fossil-fuel cars.

Table 3: Estimated emissions from the loan portfolio

Our estimates in the above table indicate that greenhouse gas emissions in the loan portfolio are concentrated on a small number of sectors, and a limited share of our loan volume. The graph below shows that four industries account for a mere 13.83% of lending but as much as 86.94 % greenhouse gas emissions. These industries are agriculture and forestry (50.55 %), shipping and offshore (20.36 %), transport and other services (12.50 %) and fishery (3.54 %).

We are in the process of preparing transition plans per industry that we finance. Based on the analysis (see graph below), the preparation of transition plans will be prioritised with reference to each industry's emissions intensity. The transition plans will contribute to our effort to reduce financed greenhouse gas emissions and at the same time reduce our customers' vulnerability to climate changes, in particular transition risk. In 2022 we finalised transition plans for agriculture, and are drawing up transition plans for fishery, shipping, offshore and commercial property.

As Norway's second largest bank for agriculture, we have a substantial bearing on this industry in our region. In 2022 our estimates of greenhouse gas emissions from the agriculture portfolio were of improved quality and we developed a transition plan to support the realisation of the agricultural sector's climate plan.

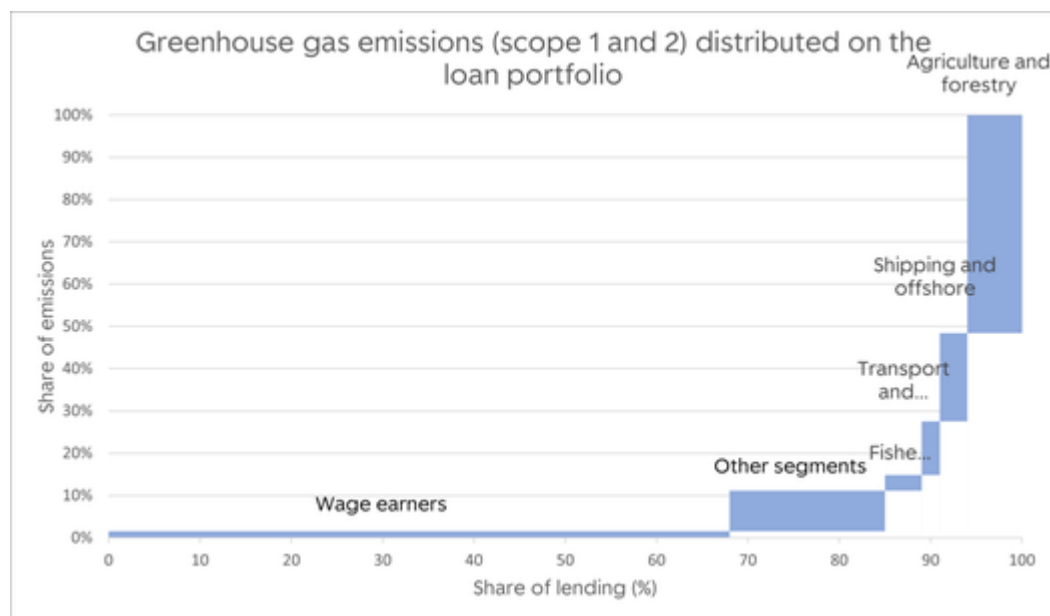


Figure 5: Distribution of the loan portfolio's greenhouse gas emissions

This is the first version of our estimated greenhouse gas emissions from the loan portfolio. The figures are attested by PWC with a moderate degree of certainty, but the calculations remain uncertain and must be treated accordingly. The figures indicate a direction for our work and for our future priorities, but we are cautious when it comes to taking strategic decisions given the substantial uncertainty. When, in future, we

measure changes in greenhouse gas emissions over time, historical figures will be revised to ensure that reported changes as far as possible reflect changes in actual greenhouse gas emissions, and not merely technical adjustments to the method of measurement.

Reported greenhouse gas emissions in table 3 will for all customers be calculated as our financed portion of the customer's assets. If SpareBank 1 SMN finances 5 per cent of a customer's assets, we take in 5 per cent of that customer's greenhouse gas emissions.

We have estimated the majority of our loan portfolio by using either an input factor or output factor. Currently a minority of our customers report their own greenhouse gas emissions and, for those that do report, the figures are not yet in the public domain, which impedes data collection. An overview of assumptions employed in estimating greenhouse gas emissions of industries from which we have obtained primary data follows below.

Fishery

For the fishery portfolio we have collected data on ship fuel consumption of our largest customers for a number of years. The figures are used to estimate greenhouse gas emissions of relatively good quality from the fishery portfolio. In 2021 this portfolio has the best data quality, 2.7, in the analysis. However, the data source has a one-year lag, and ship fuel consumption for 2022 is not available at the time of reporting. This reduces the fishery portfolio's data quality compared with previous years. We will update our emissions estimate in 2022 for internal purposes as soon the information becomes available.

Wage earners (residential mortgage loans)

For the residential mortgage portfolio we have estimated greenhouse gas emissions based on information on financed and mortgaged dwellings. Only 9 per cent of the dwellings lack information, and for as much as 47 per cent of dwellings we know floor area, construction year and energy rating. This information is used to estimate energy consumption. Greenhouse gas emissions are estimated using emission factors based on a physical production mix with an emission of 11 grammes of CO₂ per kWh. A large span is seen up to the European residual mix of 405 grammes of CO₂ per kWh and the Nordic electricity mix of 124 grammes of CO₂ per kWh.

Property management

The factor-based emissions for the property management portfolio indicate that a physical production mix is used, which supports choice of factor to ensure consistency in reporting. Indeed Norway's Energy Regulatory Authority (NVE) notes that the European residual mix is not suited to reporting greenhouse gas emissions:

"Using the CO₂ factor to calculate climate footprint would give the erroneous impression that electricity use in Norway is associated with high emissions. This could also give the misleading impression that reducing electricity consumption would bring substantial reductions in greenhouse gas emissions."

We have not included wood burning in our estimates, which would have raised estimated greenhouse gas emissions.

Fossil-fuel vehicles

For SpareBank 1 Finans Midt-Norge, greenhouse gas emissions are only estimated for NOK 6.8bn of NOK 12.1bn of financing for vehicles with petrol or diesel engines. We have employed an average mileage of 12,000 kilometres for all cars.

Agriculture and forestry

The first estimates of greenhouse gas emissions for the agriculture portfolio were based on emission factors per krone loaned. This yielded a total financed emission of 1.2 million tonnes of CO₂e for the agriculture portfolio. Given our market share and loan-to-value ratios, this is a substantially higher emission than that reported by Statistics Norway for Norway. In order to increase the level of precision, we have in 2022, in conjunction with Asplan Viak, estimated the greenhouse gas emissions of each farm based the information present in the agricultural grants register. The register provides an overview of livestock numbers, production and area managed. Recently we have also had access to Statistics Norway's basic data, enabling us to break down Statistics Norway's reported figures on a farm-by-farm basis.

Estimated greenhouse gas emissions are culled from our collaboration with Asplan Viak, while estimated emissions using Statistics Norway's basic data yield almost the same level of estimated greenhouse gas emissions. To convert methane and nitrous oxide emissions to CO₂e we have utilised GWP100 from the latest IPCC report. Due to the complexity of the calculations we have assumed a loan-to-value ratio of 75 per cent for all loans to agriculture. This is a conservative estimate, causing estimated greenhouse gas emissions from agriculture to be higher than they in fact are.

While the data quality of estimated greenhouse gas emissions for agriculture has improved, substantial uncertainty still attends the figures. We are still unable to measure the difference between good as opposed to poor agronomy. We expect our customers to take Agriculture's climate calculator into use and that this will improve our estimates of greenhouse gas emissions per farm and provide input to our plan for reduction of greenhouse gas emissions ahead.

In 2022 an analysis was made of the volume of carbon capture to which SpareBank 1 SMN contributes through its financing activity. The analysis is detached from the PCAF emission calculations, but is nonetheless an important aspect of what we fund. Carbon storage by woodland has risen sharply in Norway as a result of increased forestation in the period 1955-1992. Annual carbon storage in woodland has however fallen since 2009 due to low investment in silviculture, increased tree felling and a rising proportion of old woodland (<https://www.skogbruk.nbio.no/klimagassregnskapet-for-norske-skoger>).

SpareBank 1 SMN finances forest operations, and we have calculated our financed carbon storage based on our financed share. Our financed carbon storage is presented in Table 4.

	2021	2022
Forest area (decares)	1 484 753	1 519 291
Financed carbon storage (tCO ₂ e)	202 582	206 739

Table 4: Financed carbon storage

Energy and climate account

The energy and climate account for 2022 shows that our total climate footprint came to 1 097 527.78 tCO₂e. The group's upstream emissions are mainly related to consumption of electricity (783.05 tCO₂e), purchased goods and services (15 872.21 tCO₂e), business travel (2 382.82 tCO₂e) and capital goods (1 490.44 tCO₂e). The group's downstream emissions are caused mainly by lending to agriculture and forestry (544 194.41 tCO₂e), shipping and offshore (219 144.30 tCO₂e), transport and other services (134 548.53 tCO₂e) and fishery (38 158.43 tCO₂e).

A complete energy and climate account for both the parent bank and the group is attached to the annual report. It describes key figures, methodology, assumptions and limitations in detail.

Property management

SpareBank 1 SMN collaborates closely with Kjeldsberg Eiendomsforvaltning (KEF) in the field of property management and in energy and environmental follow-up of the group's activities. As part of this collaboration, KEF collects energy and environmental data on the building stock at a number of our offices, and building operators are ready to turn our rapidly to rectify faults. Moreover, clear requirements are imposed on our collaboration with the KEF in terms of annual reduction of energy from the property portfolio and active efforts to reduce the climate footprint, which all contribute to realising the group's sustainability strategy. A choice has been made to the effect that all electrical power purchased by the bank shall be 100 per cent renewable, which is assured through purchase of guarantees of origin.

Energy efficiency measures have been implemented at our head office in Trondheim with the support of Enova. For the period 1.1.2020 to 31.12.2022, total energy consumption was reduced by almost 1.2 million kWh, i.e. by 19 per cent compared with the reference year 2019.

We focus on sustainability when it comes to changes in office structure. One example is our finance centre in Molde which on 1 January 2024 is to relocate to a refurbished building in the town centre and aspires to certification under the BREEAM In-Use Excellent scheme.

We have for several years used Eco-Lighthouse as an environment management tool. In 2022 we continued our work to integrate this tool into our corporate governance model. Internal structures, procedures and processes underwent further improvement and monitoring tools were refined. In addition to the head office, three of the bank's finance centres were recertified on banking and finance criteria under the Eco-Lighthouse scheme. All finance centres will in the course of 2023/2024 be reviewed for recertification and assessed against banking and finance criteria under this scheme.

Reporting, follow-up and evaluation of the above have been well received by our staff. We are in the process of developing a governance system that will provide climate data at department level. This will help raise awareness and motivation in-house as regards sustainability in our core business, and will have utility value for all customers and partners of the bank. Work is also under way on an internet-based, interactive training system for all employees that addresses sustainability and the environment. Where the banking and finance criteria are concerned, the *Eco-Lighthouse index* has been developed to show how the bank implements the criteria, and to provide a straightforward tool to navigate relevant documentation. The index is available in our sustainability library at smn.no/barekraft.

Relevant steering documents

The following steering documents are central to this theme:

- Guidelines on sustainable lending to retail customers
- Guidelines on sustainable lending to corporate customers
- Guidelines for sustainable agriculture
- Transition plan for net zero emissions in agriculture
- Climate risk strategy
- Climate strategy
- Energy and climate account 2022, the Group

- Energy and climate account 2022, SpareBank 1 SMN
- Guidelines on sustainable procurement
- Policy on business trips

Stimulating green transition for retail customers and corporate customers

Our approach to the theme

Existing housing properties have low CO₂ emissions given the use of Norwegian location-based renewable electricity. Consumption of electricity, on the other hand, is high. Potential transition risks directly for our customers, and indirectly for us, include higher electricity prices, declining attractiveness and a value trend affecting mortgage size and risk/interest rate on residential mortgages. Risk increases in step with diminishing efficiency of buildings. The group's role in society is to stimulate sustainable development of Mid-Norway, and energy consumption is a central key figure in that transition. It means inter alia that we should actively promote reduction of customers' energy consumption through advice, product development and course offerings.

Retail Banking

With its large loan volume to households and the agriculture sector, Retail Banking has the potential to exert substantial influence on customers they are in close proximity to in their day-to-day business. In 2022 we developed a transition plan for the agriculture industry, and are currently drawing up a transition plan towards net zero for households. Putting our financial advisers in a position to be drivers of the green transition requires good tools, which is why we are developing an ESG tool to strengthen the quality of the credit process. Strategic goals for Retail Banking are revised in the group's materiality analysis, and we will develop plans to actively bring about a reduction in customers' energy consumption through advice, product development and course offerings in 2023.

Corporate Banking

Close to 50 per cent of our financed emissions arise from lending to corporates. In 2022 we developed a tool to simplify ESG mapping of all enterprises irrespective of sector, which will be implemented in all credit processes at the start of 2023. In addition to mitigating financial risk, this tool will enable us to identify relevant products and advice from which our corporate customers can benefit in collaboration with the group's other business lines and subsidiaries.

Key figures and results in 2022

Responsible lending and investments	Results 2022	Target 2023
Losses due to fraud	4,234,401	< 10,000,000
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	73 %	100 %
Corporate loan volumes with ESG score	11 %	75 %
Retail loan volumes with ESG score	0	20 %
Share of loans that meet requirements for green bonds	19.9 % ¹⁾	In process ²⁾
Reduction of total CO2 emissions from loan portfolios	1,077 (1000 tCO2e)	1,000 (1000 tCO2e)
Reduction of total CO2 emissions in day-to-day operations	20 (1000 tCO2e)	16.4 (1000 tCO2e)
Share of homes in the loan portfolio with energy rating	51 %	90 %
Share of commercial properties in the loan portfolio (>1,000m2) with energy rating	Not available	75 %

1) Based on existing framework as per 31.12.22

2) In accordance with EU Taxonomy Climate Delegated Act, buildings constructed on 1. January 2021 or later shall fulfill the criteria "NZEB -10%". In Norway, NZEB-definitions was announced 31. January 2023. A practical method of identifying NZEB -10% is not available, and access to reliable data is necessary to ensure a robust approach.

Table 5: Responsible lending and investments - key figures and results

Advisory services and customer offering

Good advice is a key aspect of the group's core competence. A typical expectation on the part of our stakeholders is that our customer offering should stimulate innovation and sustainable economic growth.

Four material themes feature in this focal area:

Material themes	Objectives	KPI	Responsibility
Expand the commercial offering of climate-friendly and social products and services	Create new, sustainable revenue flows through taxonomy-aligned product and service development	<ul style="list-style-type: none"> Sales volume of products and services developed to deliver an environment- and/or nature-related benefit 	Director, Corporate Banking
		<ul style="list-style-type: none"> Sales volume of products and services developed to deliver a social benefit 	Director, Retail Banking
			Managing Directors of relevant subsidiaries
Strengthen role-based competence-enhancing programme with a focus on ESG for own staff	Continuously develop motivated, competent and responsible staff who contribute to sustainable value creation for the group, our customers and local communities in Mid-Norway	<ul style="list-style-type: none"> Category score of at least 7.4 for sustainability in the employee development tool Winningtemp (WT) 	Director, Technology and Development
Maintain ethical standards	Ensure high awareness of and compliance with the group's ethical precepts in everyday business	<ul style="list-style-type: none"> Proportion of managers and employees in the group having completed e-learning course in ethics 	Director, Technology and Development
Comply with requirements and obligations on processing of personal data	Build and preserve stakeholders' trust and confidence in the group through responsible use and protection of data in digital customer solutions	<ul style="list-style-type: none"> No. of documented complaints related to breaches of data privacy or loss of customer data 	Director, Technology and Development

Table 6: Advisory services and customer offering – material themes

Expanding the commercial offering of climate-friendly and social products and services

Our approach to the theme

Developing new, sustainable revenue flows is a part of the group's growth strategy. With a view to assuring long-term profitability and competitive power, we are working to expand our commercial offering by means of a taxonomy-aligned development of products and services. This is an important step in complying with the demands and expectations we meet from customers, public authorities and other stakeholders. Our updated materiality analysis shows there is a need for products and services offering climate, natural and social benefits. We have strengthened our work on innovation to adapt business models and create new customer offerings that will help our customers succeed in their transition.

Retail Banking

We wish to incentivise our retail customers to opt for sustainability by offering attractive products. We offer green mortgages to customers who buy a new house with an A or B energy rating, who build a new house with an A or B energy rating, or refurbish an older house to an A, B or C energy rating. In order to qualify for a green mortgage, the customer must have an energy certificate as documentation. We also offer mortgages to young people and first-home mortgages, products offering equal opportunities to all.

We also offer green loans to energy-oriented initiatives under Enova's support arrangements. The object is to enable customers to implement energy-efficient measures secured on their own property. In conjunction with the energy supplier NTE we also offer finance on favourable terms to customers wishing to acquire a solar cell installation.

In addition we offer green deposits. This is a savings product for those who wish to be certain that their savings will contribute to reducing greenhouse gas emissions. Green deposits carry somewhat lower interest rates than other products, but on the other hand are used to finance green loans. We can accept green deposits matching our volume of green loans. We also offer green mutual fund products and green agricultural loans.

Corporate Banking

We do not wish to finance businesses or projects that do not meet our requirements, and existing business customers are expected to take steps to rectify any circumstances that breach those requirements. We are bound by loan agreements with existing customers, but failure to observe the bank's requirements does entail increased financial risk. This may result in new terms imposed on the borrower. Green deposits have also been established and green, purpose-based, loan products are under consideration. We consciously seek to prioritise loans that meet the requirements set for green bonds. Terms and conditions for financing new investments are influenced by risk related to ESG (loan-to-value ratio, repayment period and possibly pricing).

SpareBank 1 Regnskapshuset SMN

SpareBank 1 Regnskapshuset SMN has since 2018 worked to make sustainability a profitable business line. In the last quarter of 2022 the process was brought to completion and the specialist department "Sustainability reporting and advice" was established.

The department will offer interdisciplinary assistance on the preparation of, and advice concerning, energy and climate accounts, the transparency act, the EU taxonomy and recognised sustainability standards and frameworks. The department will be the company's most interdisciplinary department with staff trained in legal, economic and engineering disciplines, and will, with this mix of competencies, be equipped to meet present and future demand from customers in all segments with a variety of needs.

EiendomsMegler 1 Midt-Norge

The Nybygg ('New Build') department has since 2019 focused on assisting developers who wish to erect housing projects under green auspices. It is highly important that we, as Norway's largest provider of estate agency services in respect of new builds, play our part in facilitating sustainable new homes projects. Through close cooperation with Retail Banking and Corporate Banking we can offer financing solutions to developers and retail customers alike who wish to buy into the projects concerned. In addition, we set the stage for estate agent fees on better terms for customers who make use of BREEAM or Powerhouse.

In its communication with and advice to professional real estate actors, EiendomsMegler 1 Midt-Norge highlights sustainability as a crucial criterion for all actors intending to operate in the property sector ahead. This was why sustainability was the theme chosen for the 2022 annual customer conference 'Knutepunkt', a seminar for property owners and developers.

Insights regarding energy efficiency and sustainability also feature in market reports and customer seminars. For example, in spring 2023 we will focus on green financing and climate-certified property development projects.

Through competency enhancements targeting the company's own employees and customers, we will focus more closely on lowering the costs of printed media and printed marketing materials. These will be replaced with more profitable and sustainable digital solutions.

SpareBank 1 Markets

SpareBank 1 Markets is a major participant on the Oslo Stock Exchange when it comes to raising capital for "green" companies. In 2021 and 2022 share capital worth NOK 29bn and 2.8bn respectively was raised. For borrowers, NOK 3.3bn and 4.7bn was also raised in 2021 and 2022 respectively in green bonds. The company's analysis department also assesses companies in relation to ESG factors when performing analyses of companies listed on the Oslo Stock Exchange. For investors, a customer's preferences, or absence of such, as regards investments in terms of a green profile, will be part of the customer's profile ahead.

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge has offered green car loans to retail customers since 2018, and electric cars now account for 23 per cent of the company's private car portfolio. The company's manifestly largest climate impact is via its loan portfolio, and it is here that the largest measurable climate effects can be achieved. SpareBank 1 Finans Midt-Norge's strategy was updated in 2022 to incentivise corporate customers to choose equipment with a limited or positive climate impact rather than equipment with a negative climate impact. As part of this strategy, financing of objects with an unacceptable climate impact is not offered, typically older objects with outdated technology which should be taken out of circulation in a safe and secure manner.

Strengthening role-Based competence-enhancing programmes with a focus on ESG for our own staff

Our approach to the theme

By far our most important resource is our employees. If we are to succeed in delivering the best customer experiences today and ahead, we need staff who want to evolve and acquire new knowledge. The focus on competence in 2022 has been to create a strong learning culture, to ensure that the group's competency needs are met through targeted and effective measures, and to make it simpler to learn in everyday work. We have set up a dedicated learning portal to make it simpler to gain an overview of the group's learning programmes and to impart increased knowledge of our focus on competence. In 2022 sustainability, digital competence and ethics were at centre stage.

We intend to be a driver for green transition, and in 2022 sustainability became more integrated into the group's business models and employees' working day. Last autumn all employees took part in the Climate Competition in collaboration with Ducky. We are in addition running an ongoing innovation and business development programme together with Æra Strategic Innovation, and a course in BREEAM certification is planned for employees working with real estate under the auspices of EiendomsMegler 1 Midt-Norge.

In collaboration with the Norwegian University of Science and Technology (NTNU), 27 staff members are attending the study programme "Digital transformation and sustainability in the financial sector". The programme comprises a number of themes: artificial intelligence, the digital economy, block chains and cryptocurrency, transformation and sustainability.

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 2022. The object is to ensure high quality, and to inspire confidence and trust when dealing with customers. With a view to meeting the requirements of the Insurance Mediation Act and the Financial Institutions Act as to 15 hours' continuing education, all authorised advisers at the bank underwent comprehensive learning programmes in the following themes: good business practice, tools and measures for customers in financial straits, sustainability, ethics, anti-money laundering, anti-terrorist financing, and professional and product updating.

All employees also underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering. Further, the group applied a structured approach to raising awareness of our ethical guidelines. Through e-learning, ethical reflection and casework, employees gained an insight into various ethical dilemmas and how to manage them, by practising the principle of freedom of information and equality. The ethics week also focused on raising employees' awareness of the group's guidelines on corruption and on our role of maintaining a professional relationship with our customers, suppliers, competitors and the world at large.

We are keen that our employees should see the value of development and learning, and we urge all employees of the group to provide feedback on themes about which they wish to learn more, or less, and an evaluation of the training paths offered. This feedback is valuable in that it enables us to adjust training paths so that employees experience professional and personal development.

Read more about jobs and careers with SpareBank 1 SMN on our website, smn.no.

Relevant steering documents

The following steering documents are central to this theme:

- Description of Competency programme in sustainability

Maintaining ethical standards

Our approach to the theme

All staff members and elected officers must 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 are encapsulated in 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 attended to through good information and advice that enables them to make conscious and well-informed choices.

A set of guidelines has been drawn up 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 our ethical guidelines. New staff members receive a thorough introduction to the guidelines at an early stage of the employment relationship.

Relevant steering documents

The following steering documents are central to this theme:

- Ethical guidelines

Complying with requirements and obligations on the processing of personal data

Our approach to the theme

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 and are enshrined in our data privacy policy.

A designated data protection officer assists the group CEO in meeting requirements as to the 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 2022 the group sought to strengthen and improve its data privacy effort by raising awareness across the organisation of the requirements on personal data processing, and in interaction with SpareBank 1 Utvikling which is our most important data processor. The ambition for 2023 is to continue our work on training programmes and to continue efforts to close identified gaps.

We have a low threshold for reporting breaches of personal data security to the Data Inspectorate. The group received three complaints from customers related to personal data security in 2022, and reported ten deviations classified as leaks or loss of personal data to the Data Inspectorate. We received no penalty charges or injunctions from the Data Inspectorate in 2022.

Relevant steering documents

The following steering documents are central to this theme:

- Personal data protection policy at SpareBank 1 SMN
- Declaration on personal data protection

Key figure and results in 2022

Advisory services and customer offering	Results 2022	Target 2023
Sales volume of products and services with an environmental benefit	1,003,000,000	2,000,000,000
Sales volume of products and services with a social benefit	0	
Category score for sustainability in Winningtemp ¹⁾	7.3	7.4
Share of managers and employees in the group having completed e-learning course in ethics	92 %	100 %
No. of documented complaints of breaches of data privacy or loss of customer data	3	0

¹⁾ At the start of 2022, we introduced a new employee development tool, Winningtemp

Table 7: Advisory services and customer offering – key figures and results

Sustainable transition of Mid-Norway

One of our social roles is to stimulate a sustainable development of Mid-Norway. The financial sector is dependent on the trust and confidence of customers and the market. As a financial services group we play an important part in stimulating a sustainable development of our region. Our customers, partners and the community at large have a clear expectation that the company's day-to-day operations, customer offering and community dividend make an active contribution to that development. We must take the lead and set a good example, and two material themes feature in the focal area.

Material themes	Objectives	KPIs	Responsibility
Stimulate innovation and sustainable economic growth	As an arena builder we shall create local meeting places and stimulate cooperation. As an innovator we shall support innovation by laying development paths for talented individuals, entrepreneurs, growth businesses, spin-offs and established R&D entities. We shall collaborate with various specialist entities on competence-raising and development programmes for green innovation in business and industry, in particular SMBs	<ul style="list-style-type: none"> No. of participants at meeting places and innovation activities under group auspices No. of participants in competence-raising and development programmes 	Director, Communications and Brand
Contribute to strengthen transition efforts at businesses in Mid-Norway	Help businesses in Mid-Norway to succeed in their transition to a low-emissions society, through effective customer solutions and new partnerships	<ul style="list-style-type: none"> Share of large corporate customers with credit commitments who have carbon accounting reports 	Director, Corporate Banking Managing director, SpareBank 1 Regnskapshuset SMN

Table 8: Sustainable transition of Mid-Norway – material themes

Stimulating innovation and sustainable economic growth

Our approach to the theme

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 our 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 2022 is NOK 250m. The allocation is normally distributed relatively evenly between the community, grassroots sports, culture and business development. See samfunnsutbytte.smn.no for an overview of allocations.

As a driver for green transition we have in 2022 invested in initiatives aimed at assisting business and industry with their green transition. We worked with the independent research institute SINTEF and organised innovation courses in conjunction with Æra Strategic Innovation. For further information see the chapter on 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 our market area. SpareBank 1 SMN Utvikling has ownership positions with a book value of NOK 41m.

Relevant steering documents

The following steering documents are central to this theme:

- Strategy on community dividend
- Description of the innovation course "Green transition driver"

Helping to strengthen transition efforts in businesses in Mid-Norway

Our approach to the theme

The work on green transition in Mid-Norway is marked by differences between industries and by businesses' size. Our knowledge base shows that industries in our region differ in terms of how well they are prepared for society's expectations as to sustainable transition. Read more about this in our sustainability barometer for 2021 in the sustainability library at smn.no. The primary industries lead the field in the private sector. Transition risk is highest among the smallest companies in Mid-Norway. The smallest businesses are at risk of failing to meet the largest companies', and the local authorities', expectations as regards systematic sustainability efforts. A failure to transition on the part of small and medium-size businesses could increase the number of bankruptcies and diminish their earnings, and impact our financial risk. This is a new material theme in the updated materiality analysis, and our plans will be deepened and introduced in 2023.

Key figures and results in 2022

Sustainable transition of Mid-Norway	Results 2022	Target 2023
No. of participants in meeting places and innovation activities	0	7,000 participants 250 'youth enterprises'
No. of participants in competence and development programmes	31	50-100
Share of large corporate customers with credit commitments who have carbon accounting reports ¹⁾	Not available	25 %

1) Large corporate costumers exceed two out of three following criterias: turnover > MNOK 400, balance sheet total > MNOK 200 and number of employees > 250

Table 9: Sustainable transition of Mid-Norway – key figures and results

Sustainable transition in SpareBank 1 SMN

Transition under our own auspices is a prerequisite for achieving credibility and trust in helping our customers to succeed in their transition. Three material themes feature in this focal area:

Material themes	Objectives	KPIs	Responsibility
Stimulate responsible resource use in the bank's value and supplier chains	The group shall lead the way in setting a good example by reducing resource use and waste volumes through prevention, reduction, recycling and re-use	<ul style="list-style-type: none"> Share of the group's material purchases (>NOK 100,000) from suppliers with an energy and climate account 	Director, Group Finance and Governance
Strengthen data protection and cybersecurity	Ensure a systematic and risk-based approach in order to protect information values and avoid data going astray	<ul style="list-style-type: none"> Share of managers and employees in the group having completed the competence-raising and attitude-moulding programme for information security (Passopp) 	Director, Technology and Development
Promote diversity, inclusion and equality	Lead the way as an inclusive employer with equal opportunities for all	<ul style="list-style-type: none"> Category score of at least 8 for diversity, inclusion and equality in WT 	Director, Technology and Development

Table 10: Sustainable transition of SpareBank 1 SMN –material themes

Stimulating responsible resource use in our own value and supplier chains

One of our goals is to induce customers and employees to make conscious, personal and professional choices that contribute to making the group and the group's products more sustainable. One measure is to actively use our role as purchaser by enriching invoice information with questions about various suppliers' climate and environment profile. We seek by this means to actively induce suppliers to establish their own environmental certifications and climate accounts, and other goals in line with the Paris Agreement.

Our "Standard for Procurement" concretises a clearly defined framework with respect to purchases with a view to accommodating growing statutory requirements, as well as the aim of being a local and regional driver of the green transition. This standard contributes to strengthened internal control throughout the procurement process, and addresses in particular:

- Professionalisation of supplier management
- Sustainable procurement

Supplier management

We require suppliers to have in place guidelines in the sustainability sphere, and to translate them into action.

Suppliers shall, at minimum, observe and abide by local, national and international law, rules and principles (including provisions on matters such as wages, working hours, health, environment, security and corruption). As regards invitations to tender/purchase, we require offerors to document approved environmental certification.

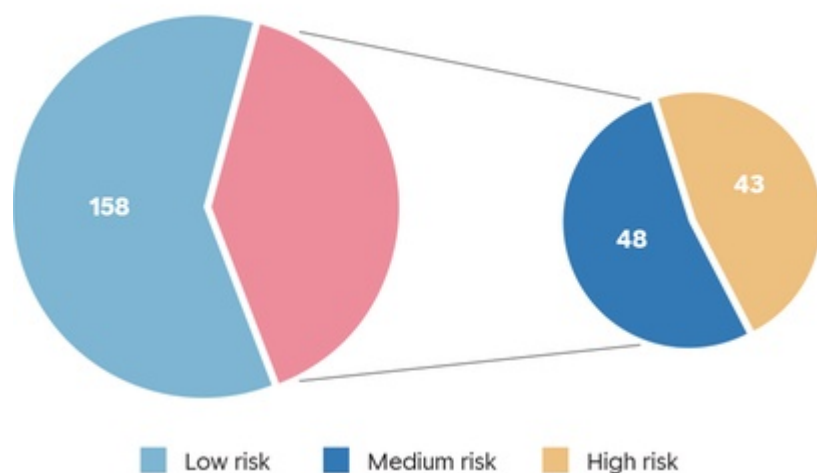
Suppliers undertake to act in an ethically correct manner in connection with production and contracts to deliver to SpareBank 1 SMN. They have a duty to warn, and it is enshrined in the contract documents that we a right of inspection and revision. The same requirements apply to the supplier's sub-supplier and any partner connected to a contract for delivery to us; see the Transparency Act. Any breach of the corporate social responsibility provisions is considered a breach of contract and may be a basis for cancelling the agreement or contract.

We are a substantial purchaser of goods and services, both locally and as part of the alliance SpareBank 1-alliansen. Allianseinnkjøp, the SpareBank 1 banks' central procurement entity, enters supplier agreements on commission from the banks, and follows up sustainability risk related to them. These agreements represent our most significant agreements. *Sustainability in procurement* is an integral aspect of the process at SpareBank 1 SMN and Allianseinnkjøp. Thorough ESG assessments are accordingly established in all purchasing practice.

Risk-based mapping of suppliers

Allianseinnkjøp's follow-up of suppliers in the sustainability sphere started in 2019 with a risk-based mapping of 249 existing suppliers. That review showed that 91 suppliers had some, or increased, risk of negatively impacting environmental, social and business-ethical matters. In 2020, 91 suppliers were subject to closer follow-up, and 43 were identified as relevant for additional follow-up. See the diagram below.

249 suppliers distributed by risk



- 158 suppliers assessed as low risk
- 48 suppliers assessed as medium risk – not subject to follow-up
- 43 suppliers assessed as high risk – subject to additional follow-up

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

In 2021 Allianseinnkjøp prepared, in conjunction with the banks, an “Action Plan for Sustainability in Procurement 2021-2022.” This shows how the banks are to proceed with supplier follow-up in the field of sustainability.

Three procurement categories singled themselves out: Administrative procurements, IT-related procurements and Purchase volume (the largest suppliers). The following factors were given emphasis when prioritising categories and selecting individual suppliers:

- Greatest risk of negative impact on environmental, social and business-ethical issues
- Largest turnover volume
- Core business
- Greatest opportunity to reduce the risk of negative impact on environmental, social and business-ethical issues

In the subsequent follow-up it was considered expedient to examine the individual supplier chains in depth rather than address the portfolio in breadth. This meant that 12 individual suppliers in the following purchase areas were selected and prioritised for follow-up in 2021-2022:

- Office furniture
- IT systems
- IT hardware
- Consultancy firms and staffing agencies

Transparency Act

The Transparency Act entered into force on 1 July 2022. As a result, Allianseinnkjøp (of which SpareBank 1 SMN forms part) shifted the focus of its follow-up of the 12 suppliers to the latter’s compliance with the Act and to their work on fundamental human rights and decent working conditions in their own supplier chains. The follow-up process was carried out as a combination of written in-depth surveys and one-on-one

meetings. In order to form an overall picture of the same among the remainder of the suppliers with higher risk, an in-breadth survey of 36 suppliers was initiated.

In-depth surveys

Suppliers of IT hardware and IT systems initially received surveys in the CEMAsys ESG Survey module. These were subsequently followed by one-on-one meetings on Teams. One-on-one meetings were held with suppliers of office furniture and consultancy firms and staffing agencies since this had proven most effective and useful. Ahead of the meetings the suppliers received questions which we expected to be answered at the meetings. Not all suppliers managed to comply, and follow-up meetings were arranged with several of them.

The following questions were asked with appurtenant findings.

Questions to suppliers	Findings
Goal of and strategy for sustainability effort?	All suppliers had goals and strategies in place
Process for supplier follow-up?	The majority had processes for supplier follow-up
Practical action vis-à-vis suppliers, incl. any finding of actual risk?	Fewer presented action plans/findings of actual risk in a readily accessible manner
Work on the Transparency Act?	The majority had started work, while some had little or no knowledge of the Act

Results from the in-depth surveys are presented in the table below.

Measurement parameter for 12 suppliers	Goal: all replies satisfactory	Result at survey	Result after agreed improvement
Goal of and strategy for sustainability	12	11	12
Process for supplier follow-up	12	10	12
Practical supplier follow-up	12	8	12
Work initiated on Transparency Act	12	6	12

Table 11: In-depth survey, material suppliers

Result after follow-up:

- Substantial improvement in work done on the Transparency Act for several suppliers
- Several strengthened their practical supplier follow-up
- Several suppliers reported that the follow-up yielded knowledge and motivation to work on sustainability

In-breadth survey

The in-breadth survey was conducted in the CEMAsys ESG Survey module in which 36 suppliers were asked whether they had in place a strategy and goal for the company's sustainability effort, and guidelines for their suppliers, and if they had worked on the Transparency Act. Replies were received from 18 suppliers. Suppliers from which no reply was received will be followed up in 2023.

The replies from the in-breadth survey show that the majority have in place a strategy and goals for the company's work on sustainability, and somewhat fewer have processes for supplier follow-up. Just over half of the suppliers who replied have carried out or started work on due diligence assessments.

The table below shows the results of the in-breadth survey.

No.	Question	Reply		
		Yes	No	In part
1	Do you have a strategy and goal for the company's sustainability effort?	17	1	NA
2	Have you established a process for sustainability follow-up of the company's sub-suppliers, incl. an exceptions handling procedure?	13	5	NA
3	Does the Transparency Act apply to your business?	17	1	NA
4	Have you performed a due diligence assessment in accordance with the Transparency Act?	3	7	8

Table 12: Result from in-breadth survey

Our supplier follow-up from 2019 to end-2022 is summarised in the table below.

Measurement parameter 249 existing suppliers	Target	Result			
		2019	2020	2021	2022
Risk assessment of suppliers	249	249			
Follow-up of suppliers with increased risk	91	16	91		
Suppliers for additional follow-up	43 (48)				
In-depth surveys, no. of suppliers	12			6	12
Suppliers with agreed improvement	NA				6
Suppliers with terminated agreement	0				0
In-breadth survey, suppliers who responded	36				18

Table 13: Supplier follow-up 2019-2022

Circular thinking

Inasmuch as SpareBank 1 SMN in 2020 and 2021 forged closer links with the subsidiaries as part of its group strategy, it is natural for the group to operate under a shared sustainability standard. We have co-located the parent company and subsidiaries in several locations. The group's procurement of the logistics system Loopfront, a database for reuse, enables us to reallocate fixtures and furniture in the office network instead of purchasing anew. Our furniture supplier has switched from being a pure furniture supplier to being an adviser on reuse and repair of used furniture, and to acting as Loopfront administrator.

100% definition

In parallel with our work in SpareBank 1-alliansen, we have, in line with the requirements as to environmental lighthouse certification, carried out a review of our own operating suppliers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Environmental Lighthouse schemes started in 2019. Our objective is that 100 per cent of our own operating suppliers should be environmentally certified by the end of 2022. The objective has been achieved, but this is a continuous ongoing process.

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.

Relevant steering documents

The following steering documents are central to this theme:

- Standard for procurement
- Guidelines for sustainability in procurement
- Supplier declaration on sustainability
- Standard contract appendix on sustainability
- Due diligence assessments at SpareBank 1 SMN (Transparency Act)
- Policy on business travel

Strengthening data and cybersecurity

2022 was marked by geopolitical turbulence resulting from Russia's invasion of Ukraine. The invasion prompted a significant strengthening of measures to ensure resilience to digital attacks. Risk assessments had been prepared prior to the invasion, and war was among the scenarios assessed against the background of the tense situation in Ukraine. Once the invasion materialised, the measures described in that scenario were rapidly put in place.

The greatest concern was that one of the warring parties might launch attacks targeting our services or shared financial structure. This concern grew as economic sanctions intensified. A further major concern was that malware intended for other targets could go astray and inadvertently strike us. Moreover, it was expected that criminals and other malicious elements would exploit the highly turbulent situation to launch digital attacks on us and others.

In June 2022 SpareBank 1-alliansen experienced a denial-of-service attack on our shared infrastructure which caused some minor operational disruptions, but together with our partners we succeeded in minimising the impact of the attack. In the aftermath it was concluded that those behind the attack sympathised with Russia and that the attack could thus be linked to the invasion.

Otherwise we, like the financial industry as a whole, have witnessed malicious attempted attacks on our infrastructure and services. We continue to see malicious actors phishing for bank card and bank ID information that can be misused for personal gain. High priority is given to security architecture and new security solutions geared to new threats. SpareBank 1 SMN accordingly participates in SpareBank 1-alliansen's work on security strategy, and in 2022, together with the rest of the alliance, we reinforced the competence, and clarified the mandate, of our joint security committee. The committee members are drawn from the banks making up the alliance.

We have high capacity to provide the requisite security, high business continuity and reliable customer services. Information security in the context of open banking, coordination and cloud services has a particular priority.

The information security policy is the basic steering 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. The outsourcing of critical or important services is a matter for the board of directors and is notified 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 both the internal and external audit functions in accordance with those regulations.

Responsibility for data and cyber security rests with the IT and Security Department at SpareBank 1 SMN. The department employs 18 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 cybersecurity and round-the-clock security monitoring and incident reporting. TietoEvry delivers a shared 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 general updates at least once a month and by security updates on an immediate basis.

We have 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-raising 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-raising and attitude-moulding courses.

Customers find tips and advice on safe and secure use of our services at smn.no.

Relevant steering documents

The following steering documents are central to this theme:

- Information security policy

Promoting diversity, inclusion and equality

Our approach to the theme

We work purposefully to ensure diversity, inclusion and equality in our development initiatives, recruitment processes, salary structure, and in the event of reorganisation measures and role changes. We believe that diversity makes for added perspectives and a more exciting, broadening and dynamic work environment. All employees in the group should feel that they belong and are treated equally throughout the employment relationship. 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.

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 40 per cent of managerial positions, and a clear ambition is to increase the share of women in weightier managerial positions. A good gender balance is sought at all levels of the organisation, and the proportion of women in managerial positions with personnel responsibilities in 2022 was 43 per cent, an increase of 1 per cent since 2021. The group management team now comprises nine persons, two of whom are women. The executive director of Technology and Development has a dedicated responsibility for monitoring the work to promote equal status and is our representative in the Women in Finance Charter.

SpareBank 1 SMN has established a forum for diversity, inclusion and equality. In 2022 the focus was on defining objectives and framework and to highlight the group's efforts in this area. In 2023 the forum's work will be prioritised and measures put in place. Diversity, inclusion and equal treatment are a long-term process, requiring a continuous effort at all levels of the organisation.

As a party to the Inclusive Employment Agreement, we commit to facilitating good dialogue and a relationship of trust between managers and staff with a view to reducing sickness absence. In 2022 our managers' support for follow-up of staff during sick leave was improved. Procedures for inclusive follow-up of staff upon falling ill were also improved, and guides and supporting materials have been established.

This year we marked World Mental Health Day by sharing tips each day for a week, inviting participation in a webinar through the Finance Sector Union of Norway and by reminding employees of the opportunities for support that are available to them through the employer should the need arise.

Relevant steering documents

The following steering documents are central to this theme:

- Mandate for the MIL forum
- Non-discrimination policy
- Report on "Women in Finance Charter"

Key figure and results in 2022

Sustainable transition of SpareBank 1 SMN	Results 2022	Target 2023
Share of the group's significant purchases (> NOK 100,000) from suppliers with a carbon accounting report	Not available	50 %
Share of managers and employees having completed e-learning in information security	93.2 %	100 %
Category score for diversity, inclusion and equality in Winningtemp	7.6	8

Table 14: Sustainable transition of SpareBank 1 SMN – key figures and results