

Our sustainability effort



Introduction

SpareBank 1 SMN aims to stimulate a sustainable development of our region. This is laid down as a strategic priority and is an integral aspect of the group strategy for the current period. The group's sustainability strategy is designed to render our financial goals achievable and to create value for our customers, owners and employees through being a:

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

The strategic objective for our climate readjustment is to reduce the group's total greenhouse gas emissions by 90-95 per cent (achieve 'net zero emissions') by 2050. A key milestone in this effort is to cut emissions by 50-55 per cent by 2030. As a natural follow-up to this ambitious objective of net zero emissions, we have in 2023 committed to the Science Based Targets initiative (SBTi). Information on what our commitment entails for SpareBank 1 SMN is explained more fully in the chapter entitled "Reducing the carbon footprint in loan portfolios".

Sustainability is integrated into all business lines and support functions in the group, including day-to-day operations, customer offering and distribution of community dividend. We view sustainability both as a financial risk and a business opportunity. Members of the group management team have responsibility for achieving strategic sustainability goals in the areas for which they are responsible. The group's sustainability efforts are 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 and are referred to under each significant topic in this annual report.

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 our creation of 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 5: 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 double 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 the materiality analysis, and its process, helps us to achieve conformance between our goals and focal areas on the one hand, and the expectations placed on us by stakeholders on the other.

The group's double materiality analysis is a foundation for achieving both the group's financial goals and its sustainability goals. In addition the analysis creates the basis for our compliance with existing and new regulatory requirements. The analysis identifies the most important themes of our impact on the environment and society, and society's financial impact on SpareBank 1 SMN. It also helps us to identify those UN sustainability goals where our impact is greatest.

Our analyses are publicly available in the Sustainability Library. Figure 4 shows the methodology underlying the preparation of our double materiality analysis.



Figure 6: Double materiality analysis

Our obligations

We support the following national and international agreements in our work on integrating sustainability into the 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 (UNEPFI)
- UN Global Compact (UNGC Norway)
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate-Related Financial Disclosure (TCFD)
- Global Reporting Initiative (GRI)
- Science Based Targets initiative (SBTi)
- 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.

Our focal areas

The latest update of our double materiality analysis, which was carried out in autumn 2022, showed that many of the expectations from 2020 still applied at the same time as some new themes came to the fore. Based on this analysis we identified four focal areas with associated material themes:

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

These focal areas form the basis for our key performance indicators (KPIs) which function as drivers for our transition. Goal attainment and status as regards these KPIs are reported to the group management and the bank's board of directors on a quarterly basis.

This year we have targeted our work towards completing the KPI table. Completing the KPIs has required new tools, data points and work processes, and the work has taken somewhat longer than envisaged. The overview below summarises key figures for each focal area with appurtenant themes.

	Target 2023	Result 2023	Target 2024
Responsible lending and investments			
Losses due to fraud ¹⁰⁾	< 10.000.000 NOK	15.660.000 NOK	< 22.500.000 NOK
Share of managers and employees having completed e-learning course in AML and anti-terrorist financing	100 %	97 %	100 %
Corporate loan volumes with ESG-score	75 %	87 %	90 %
Retail loan volumes with ESG-score ¹⁾	20 %	0 %	20 %
Share of loans that meet the requirements for green bonds	Under development ³⁾	19,1 % ²⁾	Under development ³⁾
Total greenhouse gas emissions from loan portfolios	1.000 (1000 tCO ₂ e)	1.034 (1000 tCO ₂ e)	SBTi ⁴⁾
Share of homes in the loan portfolio with energy performance certificates	90 %	42 %	70 %
Share of commercial properties in the loan portfolio (>1.000 m ²) with energy performance certificates	75 %	21 %	90% of new grants
Advisory services and customer offering			
Sales volume of products and services with an environmental benefit ⁵⁾	2.000.000.000 NOK	2.516.000.000 NOK	3.000.000.000 NOK
Sales volume of products and services with a social benefit ⁶⁾		0	
Category score for sustainability in WinningTemp ⁷⁾	7.4	7.3	8
Share of managers and employees having completed e-learning course in ethics	100 %	94 %	100 %
No. of documented complaints of breaches of data privacy or loss of customers data	0	12	0
Sustainable transition of Mid-Norway			
No. of participants in meeting places and innovation activities	7.000 participants 250 entrepreneur- and youth enterprises	5.790 participants 300 entrepreneur- and youth enterprises	6.000 participants 250 entrepreneur- and youth enterprises
No. of participants in competence and development programmes	50-100	270	500
Share of large corporate customers with credit commitments who have carbon accounting reports ⁸⁾	25 %	24 %	25 %
Sustainable transition in SpareBank 1 SMN			
Share of Group's significant procurements (> NOK 100,000) from suppliers with carbon accounting reports	50 %	68 %	80 %
Share of managers and employees having completed e-learning course in information security	100 %	90 %	100 %
Category score for diversity, inclusion and equality in WinningTemp ⁹⁾	N/A	N/A	N/A
Total greenhouse gas emissions from day-to-day operations	16,4 (1000 tCO ₂ e)	18,5 (1000 tCO ₂ e)	SBTi ⁴⁾

- 1) The model for ESG-scoring of our retail loan portfolio is at the reporting date not yet developed by the SpareBank 1 Alliance.
- 2) Based on existing framework per januar 2024.
- 3) An official definition of the 15 % most energy effective buildings is not available, and access to reliable data is necessary to ensure a robust approach.
- 4) Our targets related to greenhouse gas emissions is as of 2023 under development in conjunction with our commitment to SBTi.
- 5) Products and services with an environmental benefit is defined as green products from our product hierarchy. This deviates from the EU Taxonomy. Our disclosures related to the EU Taxonomy can be found under the focal area "Responsible lending and investments".
- 6) Our customers offering is a result of demands from the municipalities in our portfolio, and we have no specific products and services serving a social benefit as per 2023.
- 7) Our employee development tool.
- 8) "Large corporate customers" exceed two out of three following criterias: turnover > 400 MNOK, balance sheet total > MNOK 200 and number of employees > 250.
- 9) We have updated the sustainability module in WinningTemp, and this key performance indicator is now a part of the key performance indicator "Category score sustainability in WinningTemp".
- 10) Losses due to fraud is defined as expenses due to fraud committed to the banks customers, repaid by the bank

Up-coming statutory requirements and regulation

Financial undertakings' reporting requirements will burgeon in the years ahead, much due to the financial sector's important role in the transition to a low emissions economy in Norway as elsewhere. In 2023 SpareBank 1 SMN took several steps to prepare to accommodate the new regulatory requirements as and when they occur, including:

- Strengthening and co-locating the group's specialist sustainability units.
- Rescheduling the updating of the group's double materiality analysis to the first quarter 2024.
- Developing the first version of a group-wide framework for reporting and publishing sustainability information.
- Revising the mandate for the group's ESG committee in which competence development as regards reporting and the reporting framework is one of several updates.
- Organising courses in how to implement up-coming reporting requirements and standards.
- Informing the audit committee about wider responsibilities and tasks imposed by new sustainability reporting requirements.

Sustainability Directive

The Corporate Sustainability Reporting Directive (CSRD) entered into force in the EU on 1 January 2023, replacing the Non-Financial Reporting Directive (NFRD) with effect from January 2024. The Securities Trading Act Committee delivered its report on implementation of the CSRD in Norwegian law, and Norway is expected to follow the same timetable as the EU. SpareBank 1 SMN will be subject to a reporting requirement for the reporting year 2024, with its first report due in 2025.

The CSRD is operationalised through a comprehensive set of reporting standards termed European Sustainability Reporting Standards (ESRS) which cover material themes within the EU's Green Deal in the environmental, social and economic context.

As a stock-exchange-listed credit institution, we are encompassed by the first 'wave' of reporting for the reporting year 2024. We have launched a number of initiatives in-house to ensure our readiness to accommodate the requirements upon their entry into force in Norway.

We have in 2023 carried out a project to map and understand the consequences of up-coming statutory requirements and regulation. The working group has comprised experts from the sustainability department at SpareBank 1 Regnskapshuset SMN along with key personnel from risk management, the group accounting department and compliance. The mandate was to draw up a groupwide framework for the reporting and publishing of sustainability information.

As a part of the SpareBank 1 Alliance we also maintain a close dialogue with other banks in the SpareBank 1 Alliance in order to identify shared data needs, assess joint initiatives and create a common understanding of how the legislation affects us as banks. Several initiatives have already been launched related to understanding the ESRS and the data needs to which ESRS gives rise.

The comprehensive reporting requirements ensuing from the CSRD have introduced a need for further reorganisation and distribution of the responsibility for reporting on sustainability within the SpareBank 1 SMN Group. For us the operational aspect of sustainability has throughout been strongly imbedded in the respective specialist and business lines in the group, while reporting and structuring has belonged under Group Finance and Governance.

An ambition is to utilise the requirements of the CSRD to gear up our structures, our employees and our business model in a direction that promotes long-term sustainable value creation. The broad, complex, and to some extent radical requirements of the CSRD offer both an opportunity, but also a need, to further involve the group's specialist and business lines in the reporting. In the course of 2024 we will to a greater degree involve key personnel in the specialist and business lines as contributors to the preparation and updating of guidelines, action plans, key figures and objectives.

Group Finance and Governance will retain overall responsibility for understanding and implementing the legislation and any changes and updates, and key personnel in the specialist and business lines will handle specific tasks related to various material themes. We believe that this type of organisation puts the group in a better position to accommodate up-coming statutory requirements and regulatory measures.

Updating of SpareBank 1 SMN's double materiality analysis

We have since 2020, with a two-year interval for updating, prepared a materiality analysis for the group. The update helps to ensure that we always take into account changes in our stakeholders' perspective and preferences. In 2020 we prepared a simple materiality analysis with a focus on impact materiality - how SpareBank 1 SMN impacts the climate, environment and people.

When updating the materiality analysis in late autumn 2022, we opted to broaden our perspective with the inclusion of financial materiality as a dimension of our materiality analysis. This resulted in a double materiality analysis which formed the basis for the content and structure of our reporting for 2022. This structure is retained in 2023.

A double materiality analysis will now become mandatory for the first time through the implementation of the Corporate Sustainability Reporting Directive (CSRD) in Norwegian law. The double materiality analysis forms the foundation for our reporting in keeping with the ESRS, and the process, and the result, are important for maintaining our focus in the years ahead, both in our reporting and governance. We have

carried out a preliminary mapping of our present double materiality analysis in terms of topics and subtopics to identify which material themes are most likely to be relevant for us to report on when the CSRD enters into force.

Our ambition is to update the group's double materiality analysis early in 2024. With the experience and competence we gained from the process in autumn 2022, we feel well equipped to prepare a double materiality analysis in line with the new requirements of ESRS. We are bringing this work forward in 2024 to ensure that guidelines, action plans, KPIs and objectives are in line with the ESRS requirements.

EU Taxonomy

The EU Taxonomy took effect in Norway on 1 January 2023 with the first reporting due in 2024 (for the reporting year 2023). As a credit institution we are a highly important actor in the allocation of capital to sustainable economic activities, and are accordingly a part of the first wave of reporting on the Taxonomy in Norway.

The Taxonomy is the EU's classification system for identifying sustainable economic activities, and sets criteria for what economic activities are to be considered, or not considered, sustainable. The Taxonomy comprises six environmental objectives, of which the first two (climate change mitigation and climate change adaptation) apply to reporting in 2023. The four remaining environmental objectives are not expected to be incorporated in the EEA Agreement before year-end, and will only become reportable for the reporting year 2024.

Other work on the EU Taxonomy, including methodology, calculations, assumptions, challenges and opportunities are described more fully in the focal area entitled 'Responsible lending and investments'.

Responsible lending and investments

Lending to households and businesses is the group's core activity. A consistent expectation from our stakeholders is that lending and investment activity 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 	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 	Director, Corporate Banking Director, Retail Banking
Reduce carbon footprint in 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 from loan portfolios in line with transition plans towards net zero by 2050 8% annual reduction of CO2 emissions in day-to-day operations 	Director, Group Finance and Governance 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 dwellings in the loan portfolio with an energy rating Share of commercial properties in the loan portfolio (>1,000m²) with an energy rating 	Director, Corporate Banking Director, Retail Banking CEO, 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 committed by way of banks and financial institutions is growing in scale, and the continual professionalisation of criminals means that criminal activities are increasingly complex. For us, prevention and combating of economic crime and corruption are a pivotal task. This task is required of us by law, and supports the trust and confidence placed in Norway's welfare society and financial industry both nationally and internationally. The above theme is material to all our stakeholders, and we devote considerable resources to the work involved.

Work on prevention and combating of economic crime

Economic crime signifies unlawful, profit-motivated acts that impact individuals, businesses and society, and may have negative consequences for confidence in Norway's welfare society. Moreover, it appears from various threat assessments that banking and finance are increasingly vulnerable to employees who commit criminal acts alone or through close links to criminals.

As an 'obliged entity' under the anti-money laundering legislation, SpareBank 1 SMN has a statutory obligation to institute measures against money laundering and terrorist financing. On 1 January 2023 a new Financial Contracts Act entered into force designed to strengthen consumer protection. The Act assigns the bank a statutory obligation to cut down processing time for complaints related to fraud.

Many measures large and small have been taken to guard against, detect and deal with economic crime in 2023.

Strategic accountability with regard to economic crime

Most important guidelines: Group policy and overarching guidelines on money laundering, terrorist financing and sanctions, policy on internal malpractices and corruption.

Responsibility for the area: The head of the anti-economic crime unit is the bank's anti-money laundering officer. The director of Technology and Development has chief responsibility for anti-fraud and internal malpractices and corruption.

Objective: To preserve the confidence of public authorities, customers, partners and competitors through prevention, detection and handling of transactions with links to money laundering, terrorist financing and other economic crime.

Fraud

Development and trends in 2023

The bank has noted an increase in fraud and attempted fraud against our customers in 2023. Overall figures for our customer-facing activities – from customer service centre, complaints department to units combating economic crime – show a continued increase in fraud compared with previous years. This is in line with reports from public authorities and bodies as well as other financial institutions in Norway in the past year.

In 2023 a marked trend has been an increase in fraud linked to fake investments and an increase in fraud linked to digital second-hand markets. We see a continued high incidence of phone scams involving seniors (so-called 'Olga fraud'), at the same time as our security systems have prevented and halted a considerable number of attempted phone scams in 2023, compared with 2022.

Measures and anti-fraud efforts in 2023

In 2023 we updated our risk assessments in the fraud prevention area together with other Alliance banks as part of a long-term strategic enhancement of the anti-fraud effort in the SpareBank 1 Alliance. 2023 saw several major fraud cases in which the bank took a leading initiative at the national level with regard to the police and the prosecuting authority, and where the outcome of the cases has in large measure been beneficial to society. 2023 has also been a year in which we took a visible position in the media with a fraud prevention message. In addition we held a series of talks and customer meetings at local level whose focus was on advice and guidance on how to avoid being defrauded.

Expected development in 2024

In step with a steadily growing digital integration of society and further digitalisation of payment and financial services, we expect fraud committed against the bank and our customers to remain on a high and rising level in the coming year. On a general basis, digitalisation – as a positive force in society that increases values, reduces transaction costs and realises gains – will also open the way for transnational fraud,

upscaling and intensification of attacks, effective sharing of criminal knowledge and new technology, as well as rapid changes in modus and attack vectors against banks and their customers. The growth of fraud must also be viewed in the light of a changing geopolitical picture: fraud undermines and weakens trust among citizens, and the trust citizens place in society's major participants, such as banks. This can serve the purposes of criminal actors.

Money laundering and terrorist financing

SpareBank 1 SMN is under a statutory obligation to implement measures to prevent and detect money laundering and terrorist financing. In our annual report for 2022 we wrote that our chief priorities in the money laundering and terrorist financing sphere were to improve processes and procedures, ensure compliance in connection with the merger with SpareBank 1 Søre Sunnmøre, and to acquire the next generation of anti-money laundering (AML) solutions. In addition, our framework for anti-money laundering, anti-terrorist financing and sanctions has been updated. A major survey of the risk posed by various types of correspondent banking connections has been carried out, and the quality and effectiveness of 'know your customer' processes in the personal market has been improved.

Our group policy and overarching guidelines in this area set requirements for internal control and communication procedures designed to ensure compliance with the anti-money laundering legislation. A total of 27,805 transactions were identified for further checks by the bank's transaction monitoring system. 610 cases were reported as suspicious to Økokrim's financial intelligence unit (FIU).

All employees underwent training activities in 2023. 97 per cent of assigned e-learning coaching in economic crime was completed, and specific training was provided to specialist units, both on a 'classroom' basis and through tailored e-learning and certification programmes.

Internal malpractices and corruption

Internal malpractices and corruption are destructive for society as a whole and undermine lawful business activity and competition. Involvement in internal malpractices and corruption can damage the group's business and reputation, and may result in criminal punishment, loss of contract or other financial loss.

Malpractice as a concept covers both criminal and non-criminal offences and may be committed through for example embezzlement, theft, fraud, corruption, breach of confidentiality or ethical guidelines.

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

The anti-corruption policy has been revised to cover all forms of internal malpractices. It has been reviewed by the board of directors and provides guides for the group's stance and work on preventing internal malpractices and corruption.

The most significant risks of internal malpractices and corruption that have been identified are vulnerabilities related to employees, misuse of accesses and exploitation of systems. Over the year a number of measures have been devised to map vulnerabilities and implement measures to reduce the risk of internal malpractices and corruption.

Our ethical guidelines make clear that employees must avoid entering into a relationship of dependence with 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 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 where there is a suspicion of internal malpractices or corruption. Whistleblowing may be done anonymously. Four cases were reported in 2023.

Training

Each year all group employees undergo a mandatory ethics update as a means of promoting ethical awareness and professional integrity. The theme for the 2023 ethics week was impartiality and conflicts of interest. To date 94 per cent of our employees have completed the programme.

Relevant steering documents

The following steering documents are central to this theme:

- Group policy and overarching guidelines on money laundering, terrorist financing and sanctions
- Policy on internal malpractices and corruption
- Ethical guidelines

Ensuring long-term profitability and competitiveness

Our approach to the theme

Our long-term profitability and competitiveness are dependent on our successful achievement of a green transition in close interaction with our customers, suppliers and business partners. To that end, ESG scoring of corporate clients forms an integral part of the credit process. Corresponding tools will also be introduced for our retail customers. We have brought in a clear differentiation of loan-to-value ratios, loan instalment profiles and dividend payment potentials for companies, depending on how we view ESG risk at customer level. Through these changes in the credit process, the group's lending business will increasingly meet 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. This 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 refuse 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. Finance 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, including our focus on a financial health team.

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

Lending to agricultural customers 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. In terms of loan volume we are the second largest bank for agriculture in Norway. 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 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 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.

In the course of 2023 we were given the opportunity to retrieve "estimated energy labels" from Eiendomsverdi. If these energy labels are approved for use, it will enable the energy status of many properties that lack energy data to be estimated. Hence only a small proportion of properties financed by us will be left without an energy label. This lays the basis for incorporating an advisory solution and ESG in credit assessments.

2023 was a demanding year for customers with large mortgages, large dependant burdens and low incomes. Our response was to introduce a financial health team – a measure designed to address the problem of unmanageable debt in a more coherent manner with a focus both on financial challenges and health challenges, and the reciprocal effect these issues can have on one another. This initiative is expected to help those of our customers who are struggling with unmanageable debt challenges.

Corporate Banking

Risk related to sustainability is an integral part of the credit assessment of our corporate customers, and is a routine element in credit cases and risk management. This type of risk constitutes credit risk on a par with other possible risk drivers. Under our credit strategy we work purposefully to reduce both ESG risk and greenhouse gas emissions from our loan portfolio in keeping with our goal of net zero emissions in our loan portfolio by 2050. We have prepared a document entitled "Guidelines for managing risk related to ESG" as an overarching guideline for our customer advisers.

The group will work purposefully to reduce both ESG risk and greenhouse gas emissions from the loan portfolio. We set guidelines for relevant industries that address ESG-related risk, thereby ensuring that decisions are made on a solid basis and in accordance with the group's sustainability strategy.

ESG model and credit assessment

Our ESG model is a key tool in assessing our corporate customers' ESG risk. The model has been developed by the SpareBank 1 Alliance for the purpose of detecting credit risk related to ESG, where the

customer is scored on a scale from 1 to 10. The questions posed in the ESG model are tailored to the segment in which the customer operates, alongside assessments concerning climate risk (physical risk and transition risk), social risk factors (e.g. worker rights and human rights), as well as governance. The ESG model is a tool available to financial advisers in the customer dialogue, partly with a view to the ESG assessment, but also with a view to discussing the risk picture for the customer's industry, and to highlighting steps the customer can take to reduce their own ESG risk.

When using our ESG model we require classification of ESG risk level in the case of all exposures of NOK 10 million or more. Risk classification is updated at least annually and in the event of significant changes. Risk level is categorised as low, medium or high.

For 2023 our aim was to assess 75 per cent of all existing and new credit exposures of NOK 10 million or more using our ESG model. As at 31 December 2023 the proportion was 87.2 per cent, i.e. well above target. For 2024 we have set a target of 90 per cent.

We will continue, together with the SpareBank 1 Alliance, to further develop the ESG model in terms of functionality, questions asked, weighting and data. For new and existing customers with credit exposures below NOK 10 million the ESG model sets no requirement as to ESG classification, although a verbal ESG assessment is required in the event of observed negative discrepancies.

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 moneys from the community dividend fund and SpareBank 1 SMN Utvikling

Own direct investments

In managing 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 for sustainable liquidity management have been drawn up. The group's investments in CDs and bonds total NOK 34bn at the end of 2023. In the course of 2023 we have continued to build up the share of bonds that meet ESG criteria, and have considered and participated in a number of issues denominated in NOK and EUR through the year. This amounts to NOK 2.7bn for 2023. These are in all essentials bonds 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.

Investments made by management services mediated through the bank

SpareBank 1 SMN is not a manager of mutual funds, but is a distributor of such funds. As a distributor, we are concerned to offer mutual funds with high ambitions in terms of sustainability. The mutual fund offering has been built up through ODIN, which SpareBank 1 SMN indirectly co-owns through SpareBank 1 Forvaltning, in addition to mutual funds from other fund managers.

Together with the other banks in the SpareBank 1 Alliance, we wish to make it simpler for our customers to invest in mutual funds that are appropriate to the customer in terms of return and risk, but also with a view to sustainability.

We have guidelines on sustainable distribution and recommendation of mutual funds. The guidelines are drawn up followed up together with the other banks in the SpareBank 1 Alliance. Through our guidelines we have defined what we encourage, expect, and demand of managers of the mutual funds that we distribute to our customers. If a manager breaches the requirements and, after dialogue with us, opts not to change their practices, we will halt distribution of the mutual fund concerned.

In addition to the above, we have established our own labelling scheme in which the various funds are given a sustainability rating based on compliance with our expectations. Briefly, we expect managers of the respective funds to be active owners and to exclude companies and sectors in order to ensure a more sustainable development for the company in isolation, but also for the community and the environment. We consider these factors important for the value created by the companies for their owners who are in turn our customers.

In light of a sizeable ongoing revision of the labelling scheme in the second half of 2023 we have deferred the process of obtaining new sustainability information from fund managers for 2023. We will ahead rely to a greater degree on the Sustainable Finance Disclosure Regulation (SFDR), and on more objective sustainability information provided by a supplier of sustainability data in the labelling arrangement, and less on information obtained directly from the fund managers. We expect the new labelling arrangement to be phased in during the first half of 2024.

The table below shows the distribution of ratings under the labelling arrangement for 2023. Only one change in rating is seen for funds in distribution in 2022.

ESG score	2023	New funds 2023
A	12	1
B	179	3
C	17	0
D	4	0
E	0	0
F	1	0
Total	213	4

Table 3: Distribution of ESG-score funds

By far the majority of funds we distribute have a B rating, and we consider these funds to have a good approach to sustainability. Revision of the labelling arrangement is partly designed to enable funds to be differentiated from one another to a greater degree, so as to reduce the concentration of funds with a B rating. Only one fund has moved from an A rating to a B rating compared with the previous ESG scoring. In order to receive an A rating, a fund must in addition to meeting all the expectations imposed, be classified as an Article 9 fund under the SFDR.

All fund managers state that they have signed up to the UN Principles for Responsible Investment and report on compliance.

Investments of moneys from the community dividend fund and SpareBank 1 SMN Utvikling

This receives further attention in the chapter 'Community dividend' and 'Stimulating innovation and sustainable economic growth'.

Framework for issuance of green bonds

In keeping with the group's sustainability strategy, SpareBank 1 SMN has drawn up a framework for the issuance of green bonds (Green Bond Framework). The framework was drawn up in keeping with ICMA Green Bond Principles. The framework supports the UN Sustainable Development Goals, and all qualified loans in the portfolio can be related to one or more of the following sustainability goals:

Qualified loans are grouped in categories:


- No. 7: Affordable and clean energy
- No. 8: Decent work and economic growth
- No. 9: Industry, innovation and infrastructure
- No. 11: Sustainable cities and communities
- No. 12: Responsible consumption and production
- No. 14: Life below water
- No. 15: Life on land

Qualified loans are grouped in categories:

- Green homes and commercial buildings
- Environment-friendly and sustainable management of living natural resources and land use
- Circular economy adapted products, production technologies and processes with selected sustainability certifications
- Clean transport
- Renewable energy


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

As at 31 December 2023 we had issued green bonds worth NOK 23.8bn.

Qualifying assets in the portfolio total NOK 34bn. Further details about the issuances can be found in the [green bond allocation report](#) published in our sustainability library at smn.no. 

SpareBank 1 SMN's green bond framework – brought to completion in January 2024 – is an update of the existing framework for green bond issuance with an eye to the EU taxonomy. Some divergences from the taxonomy remain, mainly due to two items:

- Grandfathering of loans – i.e. loans which qualified at the time of granting, but where the collateral for the loan would not have qualified today.
- Sectors and certifications that are not a part of the taxonomy today such as fishery, aquaculture and Eco-Lighthouse.

For other differences between SpareBank 1 SMN's framework and the taxonomy, we refer to the description provided in the  SPO from Sustainalytics, which has evaluated the framework.

Climate risk and opportunities

Climate risk denotes the risk of financial loss or impaired reputation which can be related either directly to climate change (physical risk) or as a consequence of adjustments towards a low emissions society (transition risk).

Loss as a result of climate risk will materialise through the traditional risk categories such as credit risk, market risk and operational risk. Climate risk is thus a driver of risk, not a risk category in its own right. The group considers climate risk to be a material financial risk, and until such time as climate risk is fully integrated into the traditional risk categories and the group's corporate governance, climate risk will receive added focus in our risk management.

We utilise the Task Force on Climate-Related Financial Disclosures (TCFD) framework to guide our work on, and reporting on, climate risk.

Management

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 through the quarterly reporting and as a routine item in the risk report, and annually through the annual report and the ICAAP.

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

In 2022 the board of directors adopted an ambition to achieve net zero emissions by 2050, recognised climate risk as a strategic opportunity and threat, and adopted a framework for transition plans towards net zero. In 2023 the board of directors took the net-zero ambition a step further by committing the group to the Science Based Targets initiative (SBTi). The group must, by 2025, draw up plans and emission paths towards net zero in 2050 and have them validated.

Management of climate-related risks and opportunities

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

Day-to-day operations follow the ordinary lines-of-defence structure and responsibilities, where the group CEO has highest responsibility. Roles and responsibilities in the climate risk effort, as part of the overall work on sustainability, are specified in the document Sustainability policy. Inasmuch as climate risk is included in all steering documents, responsibility for climate risk management is an integral part of the group's business.

The group's ESG committee will contribute to the development and implementation of a groupwide 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 mandate was revised in October 2023 and shall inter alia:

- Monitor ESG trends and developments
- Encourage further development and intensification of the work on integrating sustainability across all parts of the group in line with applicable strategic initiatives
- Contribute to developing active impact strategies and transition plans that assist the group's customers, suppliers and business partners in achieving the necessary readjustment
- Contribute to making clear the group's ESG data needs as a basis for overall corporate governance and preparation for meeting new regulatory requirements
- Contribute to developing competencies as regards relevant frameworks and regulatory requirements

Strategy

SpareBank 1 SMN is concerned to create sustainable profitability and growth. The group's climate risk strategy shall underpin these objectives as follows:

- The long-term goal shall be reached by identifying, assessing and managing future climate risk related to the group's activities, primarily through being an active driver for the green transition.
- We shall develop and maintain knowledge, tools and methods for identifying climate risk at customer level and quantifying risk at aggregated portfolio level.
- Policy and authorisations shall be designed so as to form an effective framework for the business, with the aim of keeping the group's exposure to climate risk within the board of directors' adopted risk appetite.
- We shall actively work to reduce climate risk in the loan portfolio by providing advice, transition financing and in the final instance by turning away customers or suppliers who either fail to meet the minimum requirements as to sustainability or whose commitment to transition is inadequate.

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

The group updates annually a detailed survey of climate risk using the TCFD template. With regard to the group's lending activity, significant industries are reviewed jointly by the industry officer, the Credit Department and Risk Management. Potential threats and uncertainties are identified and risk is assessed over the short, medium and long term. Where significant financial risks are identified, the ESG model can be adapted to identify vulnerable customers. Finally, the choice of risk management strategies is considered, including development of new policy rules.

The results of the analysis show that climate risk is primarily a risk through loans to customers. Our loan portfolio poses relatively low physical risk, with the exception of fishery and aquaculture where the risk is moderate due to the expected rise in sea temperatures. Transition risk will impact most businesses in the transition towards the low emissions society. We are 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, for example through the climate plan for agriculture (*Landbrukets Klimaplan*) and the International Maritime Organisation (IMO).

In addition to posing a transition risk, the customer's transition presents a climate-related opportunity for the group's business lines when it comes to products and advisory services. We note a rising demand for green loans among larger 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 can help to reduce customers' vulnerability to climate risk, but can also pose a financial risk to the customer if the investment is too high or the choice of technology is wrong.

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. The results are also used as input in the work on credit strategy. The ambition is that priorities for growth and adjustment of credit boundaries should help ensure that climate risk is within the board of directors' risk appetite.

Implementation of measures places emphasis on supporting the sustainability strategy's goal of being a driver for green transition. In 2023 transition plans for agriculture, fishery and commercial property were brought to completion or were updated.

Climate risk is integrated into corporate governance through KPIs, as shown in the KPI table in the introduction to this annual report.

We issue green bonds and have established a programme to ensure that the funds are utilised as intended. The green bond framework was revised in 2023. In addition, Boligkreditt has funded its operations using green bonds. We offer green residential mortgages, construction loans and agricultural loans.

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". Our transition plans are developed in order to contribute to an orderly transition, but they also prepare our business to handle the other two scenarios. The qualitative analysis that has been carried out focuses on the two downside scenarios.

Quantitative analyses have been carried out on the portfolio with a basis in the scenarios. In the case of transition risk in the portfolio of loans to business and industry 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.

In 2023 the banks in the SpareBank 1 Alliance further developed the stress test model for credit risk to include climate scenarios and climate-related variables. This work continues in 2024.

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 in our activities. 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.

The previously mentioned mapping of climate risk using the TCFD template provides a thorough analysis of events that can impact our customers, assessed at industry level.

Vulnerability to climate risk is likely to vary within an industry. All corporate clients with a volume above NOK 10m, along with agriculture customers, are assessed using the SpareBank 1 Alliance's shared ESG model. The model assesses customers' transition risk, physical risk, social conditions and corporate management. The model was developed with the aim of providing good, updated risk assessments and to ensure good data capture. Preliminary results from the model strengthen our assessment that transition risk poses a bigger challenge to our customers than physical risk.

Climate risk is an explicit assessment item for all loan applications submitted by corporate and agriculture customers. The adviser concerned must accordingly make a separate assessment of the customer's vulnerability to climate risk in addition to assigning an ESG score.

Managing climate risk

Our strategy on management of climate risk primarily involves driving a green transition for our customers through providing advice and finance for transition. Our transition plans for the respective industries impose clear requirements and expectations on our customers, designed to assist management of the customer's climate risk.

Good guidelines help to guard against credit risk and set clear boundaries for the lending business. Where financing of commercial property is concerned, we apply stricter loan-to-value requirements to buildings that are old or energy-inefficient. This is because we anticipate a need to upgrade to a modern energy standard in order to attract tenants and to comply with government requirements.

Integrating climate risk into the risk management framework

Integrating climate risk into corporate governance is an ongoing process, and entails the need to incorporate the effect of climate risk into all group strategies, policies and procedures. In addition to its inclusion in the Sustainability Strategy, Sustainability Policy and Climate Strategy, climate risk is integrated into the traditional risk management framework as a risk driver. The three documents mentioned above have acted as guides to how other steering documents should integrate climate risk.

EU (EBA) guidelines impose comprehensive requirements on our climate risk effort, e.g. the guidelines on loan origination and monitoring. Internal projects have been carried through to ensure compliance which in turn contributes to an increased focus and quality of the work done.

Climate risk is considered a risk driver in the bank's ICAAP.

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 has prompted the group to join the Partnership for Carbon Accounting Financials (PCAF). In 2023 we sought to improve the quality of the estimates and to adapt the methodology to Finance Norway's guide on financed greenhouse gas emissions. While the estimates are still subject to much uncertainty, they nonetheless serve as a guide in our work on strategy. A detailed description of calculations and assumptions is provided in the chapter entitled 'Financed emissions'.

Where financed properties are concerned, Eiendomsverdi has delivered an energy performance certificate for properties holding such a certificate, and has estimated energy ratings for remaining properties. Eiendomsverdi has for all properties delivered estimates of energy consumption which are used to estimate greenhouse gas emissions. The table below shows the number of financed commercial buildings with a usable area above 1,000m², and dwellings, distributed by energy rating. The figures are inclusive of loans transferred to SpareBank 1 Boligkreditt/Næringskreditt.

ENERGY RATING	No. of dwellings		Accumulated share	No. of commercial buildings		Accumulated share
		Share			Share	
A	463	1 %	1 %	3	0 %	0 %
B	3,453	4 %	5 %	30	4 %	4 %
C	3,858	5 %	10 %	30	4 %	8 %
D	4,759	6 %	16 %	51	7 %	15 %
E	5,054	6 %	22 %	26	3 %	18 %
F	6,730	8 %	31 %	15	2 %	20 %
G	8,590	11 %	42 %	8	1 %	21 %
Energy certificate expired	4,190	5 %	47 %			
No energy certificate, but built after 2010	8,084	10 %	57 %	122	16 %	37 %
No energy certificate	34,062	43 %	100 %	484	63 %	100 %
Total no. of properties	79,243			769		

Table 4: Distribution energy rating

The table shows that many dwellings can benefit from energy efficiency upgrades. The bank offers favourably priced green construction loans or green loans for energy-efficiency measures to customers wishing to upgrade their home to a better energy rating.

Physical climate risk

Our TCFD analyses indicate that we have a degree of vulnerability to ocean warming through our customers in the fishery and aquaculture industries. Moreover, properties in unfavourable locations in terms of rising sea level, flooding or landslides will be more vulnerable in a warmer and more extreme climate.

Properties we finance through residential mortgages and commercial mortgages have been linked up to the NVE's risk maps. Data are delivered by Eiendomsverdi, and then tied in with our lending. We have chosen the following activation thresholds for flagging properties for possible physical risk.

- Sea level: 200-year storm surge, current scenario
- Flooding: 20-year flood, now-scenario or 200-year climate-adjusted scenario
- Quick clay landslide: Medium probability, current-scenario
- Mountain slide: Danger zone unstable or 100-year zone

- Snow slide: Precautionary area inspected

The table below shows total outstanding loans, including loans transferred to SpareBank 1 Boligkreditt, that are secured by real property. Agriculture customers are included under corporate customers.

NOK million	Personal customers	Corporate customers	Total loans	Share
Total loans	152,971	38,599	191,570	
- of which exposed to climate risk				
Flooding	822	1,715	2,537	1,3 %
Snow slides	2,966	1,041	4,007	2,1 %
Mountain slides	76	109	184	0,1 %
Quick clay slides	3,881	668	4,549	2,4 %
Sea level	2,122	3,345	5,467	2,9 %
Total exposed to risk¹⁾	9,362	6,470	15,832	8,3 %

1) The total exposed to risk is smaller than the sum total of risk groups. This is because some properties are included in two or more risk groups.

Table 5: Exposure physical risk

The NVE's risk map shows only hits where mapping has been carried out, apart from sea level, which is modelled for all properties. Moreover, flagging gives no indication of whether safety measures have been put in place.

Municipalities showing the most hits for snow slides are Ørsta, Ålesund, Rauma and Oppdal. For quick clay slides, Trondheim municipality is overrepresented. This is both because most of the group's lending is to this municipality and because many quick clay sites have been identified.

Reporting of greenhouse gas emissions scope 1, 2 and 3

See the enclosed climate account, the chapter "Reducing the carbon footprint in day-to-day operations" and the chapter "Greenhouse gas emissions from the group's loan portfolios" for our reporting on upstream and downstream greenhouse gas emissions for 2023.

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

Our goal in managing climate-related risks and opportunities refers both to our opportunity to impact our surroundings and to how our surroundings impact us. More precisely this means:

- Net zero by 2050, both as regards emissions from day-to-day operations and emissions as a result of our lending business
- Long-term sustainable profitability and growth through management of climate risk
- Successful transition of local corporate and retail customers towards a low emissions society.

We are a substantial actor in the region and we seek to use the group to contribute to the transition through the bank, our subsidiaries and our contribution to the regional community.

Relevant steering documents

The following steering documents are central to this theme:

- Guidelines on sustainable lending to retail customers
- Transition plan for sustainable agriculture
- Guidelines on sustainable lending to corporate customers
- Transition plan for commercial property

- Transition plan for fishery
- Guidelines on sustainable distribution and recommendation of mutual funds
- Guidelines on sustainable governance
- Guidelines on sustainable liquidity management
- Green bond framework
- SpareBank 1 Boligkreditt's green bond framework
- Allocation report 2023
- Green bond impact report
- Sustainalytics' second party opinion. Multiconsult's report.

Reducing the carbon footprint in loan portfolios

Our approach to the theme

The financial 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 carbon footprint in our loan portfolios constitutes a growing financial risk for us as a group. We recognise that SpareBank 1 SMN must as a major regional financial actor go to the fore as a driver for green transition in our region.

Our driver role entails reducing greenhouse gas emissions through exerting active influence on our customers, while at the same time continuing to integrate material sustainability factors into corporate governance, risk management and credit models. Our transition plans towards net zero emissions at industry level, changes in credit policy and commitment to SBTi are examples of our systematic effort to follow up and reduce our overall climate footprint.

Our commitment to the Science Based Targets initiative

The transition to a low emissions society is dependent on the financial industry, but preparing key performance indicators, objectives, calculations and results poses a challenge given inadequate principles and definitions to support emissions reduction and little in the way of standardised measuring and calculation methods. There is also a notable lack of definitions of what are considered to be effective emission reduction strategies. Our commitment to the Science Based Targets initiative (SBTi) will help us to resolve the problems mentioned.

The SBTi is a global, voluntary body whose mission is to assist companies, including financial institutions, in setting ambitious, science-based climate targets in line with the latest climate science. The initiative came about in response to the gap in evidence after COP21 (Paris Agreement) in 2015, when global pledges were not sufficient to prevent global warming above 1.5 degrees. The initiative is a global collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wildlife Fund (WWF).

As a natural follow-up to the series of three board meetings entitled 'climate transition towards 2050', at which the group's strategic objective of net zero emissions by 2050 was adopted, the board of directors resolved in August 2023 that validated targets should be drawn up in line with the SBTi for all key sectors in the group's loan portfolio. A commitment to cut emissions in keeping with a 1.5 degree emissions path was submitted to the SBTi on 6 October 2023. The commitment entails that SpareBank 1 SMN, over the next two years, will draw up, and obtain approval of, short-term and long-term targets with appurtenant action plans for the period to 2050.

The project group, headed by the group's chief sustainability officer, comprises persons from corporate banking, retail banking, risk management, finance and group accounts with varying backgrounds, competencies and areas of responsibility in the group. The purpose of this organisational set-up is to ensure objectivity, expertise and breadth of viewpoints, discussions and results. In addition to setting up the internal project group we have identified a need to discuss calculation methods and other methodology with the SpareBank 1 Alliance and other banks during the preparation of our own targets. Involving external actors ensures additional collaboration with banks whose preparatory process is under way or that have already prepared science-based targets.

The latter part of 2023 was devoted to understanding how the framework will impact our objectives, including our understanding of the framework's definitions, principles, rules and measuring and calculation methods. Based on this understanding we shall in the course of 2024 improve our measurement of greenhouse gas emissions, identify key emission reduction measures, prepare a methodical approach and commence goal formulation. We are concerned that our stakeholders should have insight into the status of the overall effort, and will therefore be open about the progress made with the validation process. Information will in the course of the validation process (2024-2025) be shared in relevant communication channels.

Greenhouse gas emissions from the group's loan portfolios

In 2021 the group committed to the Partnership for Carbon Accounting Financials (PCAF), a global collaboration between financial institutions that seeks to harmonise and estimate greenhouse gas emissions financed by loans and investments. This commitment and partnership afford us access to a methodology approved by the GHG Protocol to estimate greenhouse gas emissions from customers in our loan portfolio. The PCAF has become the industry standard in banking and finance in terms of estimating and reporting greenhouse gas emissions produced by financed activities.

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).

Our customers' scope 1 and scope 2 are included in the group's scope 3 downstream emissions. Financed greenhouse gas emissions are calculated by multiplying the customer's total greenhouse gas emissions by the financed portion of the customer's assets. If the bank finances 5 per cent of a customer's assets, we take in 5 per cent of that customer's greenhouse gas emissions.

The foundation wall of the PCAF methodology 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 relative to loan balance). A low score denotes high data quality. Most customers are measured using the factor-based method. Estimated greenhouse gas emissions presented below generally have a low score on data quality and a high level of uncertainty.

This year the methodology for estimating greenhouse gas emissions from the loan portfolio has been updated with a number of changes to bring it more into line with Finance Norway's "Guidelines for calculating financed greenhouse gas emissions". Emission factors are also updated* and substantially changed. The changes in measuring method are so large as to require historical figures for 2022 to be estimated anew using the updated method of measurement, with the exception of Wage earners. This is 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.

* Upon the recommendation in PCAF_EXIOBASE-Methodology_2023.pdf we have switched from Norwegian emission factors to EU factors. Some extreme values have been adjusted with reference to the PCAF's recommendation. This applies in particular to oil-related activity.

The table below shows estimated greenhouse gas emissions from the group's loan portfolio including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, both for 2023 and with new calculation of the 2022 figures. A complete climate account for both the parent company and the group is enclosed with this annual report.

	Lending balance (NOKm)		Estimated greenhouse gas emissions (1000 tonnes CO ₂ e)		Emission intensity (tonnes CO ₂ e per NOKm loaned)		PCAF data quality score	
	2023	2022	2023	2022	2023	2022	2023	2022
Agriculture and forestry	12	11	603	518	50.4	48.4	3.3	3.4
Fishery	5	7	69	96	12.7	13.7	2.8	2.6
Aquaculture	2	2	14	18	6.3	7.6	2.5	2.9
Manufacturing and mining	3	2	62	50	21.2	20.4	4.1	3.9
Construction, power and water supply	6	4	19	14	3.2	3.3	4.2	4.3
Wholesale and retail trade, hotels and restaurants	3	3	28	25	10.8	9.0	4.1	4.1
Shipping and offshore	6	5	107	118	17.9	22.0	4.0	4.1
Property management	21	19	4	3	0.2	0.2	3.4	4.2
Business services	4	3	6	5	1.4	1.4	4.3	4.3
Transport and other services	5	5	76	69	14.1	13.0	4.2	4.1
Public administration	0	0	0	0	1.4	0.7	4.9	5.0
Other sectors	1	1	3	3	2.0	2.8	4.2	4.3
Wage earners ¹⁾	153	135	19	16	0.1	0.1	3.0	3.0
Total lending incl. SB1 Bolig- and Næringskreditt²⁾	222	198	1,012	935	4.6	4.7	3.2	3.3
Lending/leasing cars (SB1 Finans Midt-Norge)³⁾	7.7	6.8	38.6	42.5	5.0	6.3	3.0	3.0

¹⁾ Wage earners (residential mortgages) are estimated based on financed buildings. For 2022 the previous year's figures are used, i.e. new figures using the updated measuring method have not been calculated. Scope 3 not established.

²⁾ The loan balance is slightly lower than in the lending note. The difference is that accrued non-capitalised interest and gross positions for cashpool accounts are not included above.

³⁾ Only NOK 7.7bn of NOK 12.6bn of the loan portfolio of SpareBank 1 Finans Midt-Norge AS is included. Refers to lending/leasing, fossil-fuel cars.

Table 6: Estimated emissions from the loan portfolio

The estimates build on location-based emission intensity levels for electricity consumption (19 grammes of CO₂e per kWh for 2023). If emission intensity is changed to the European residual mix (502 grammes of CO₂e per kWh), this affects estimated emissions for wage earners and property management. Total greenhouse gas emissions would then have increased by 524 thousand CO₂e, from 1,012 thousand CO₂e (using location-based emission intensity) to 1,536 thousand CO₂e (using market-based emission intensity).

Our estimates in the above table continue to indicate that greenhouse gas emissions in the loan portfolio are concentrated on a small number of sectors, and account for a limited share of our loan volume. The graph below shows that four industries account for a mere 13% of lending but as much as 85% greenhouse gas emissions. These industries are agriculture and forestry (60%), shipping and offshore (11%), transport and other services (8%) and fishery (7%).

Greenhouse gas emissions have risen by 8%, which is less than the increase in lending. The increase in lending is attributable to the merger with SpareBank 1 Søre Sunnmøre, inflation and growth in financial assets. In the case of agriculture, activity-based emissions have increased since we have financed more of the commodities produced. For fishery, emissions are reduced due to a reduction in lending volume and fewer financed vessels.

The changes in emissions from 2022 to 2023 are small relative to measurement uncertainties. We cannot use the figures to draw a conclusion as to whether greenhouse gas emissions from lending activity have changed in the period.

Revised figures for 2022 show a decline in total greenhouse gas emissions for 2022, from 1,054 thousand CO₂e to 935 thousand CO₂e, with major differences between industries. This is mainly attributable to substantial changes in emission factors delivered by the PCAF. The group will in 2024 collaborate with other Norwegian banks to ensure greater stability in emission factors ahead.

Work on transition plans per industry is a continual process. Based on the analysis (see the graph below), the preparation of transition plans will be prioritised based on emission contributions. 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 change, known as transition risk. In 2023 we finalised transition plans for fishery and commercial property, whereas agriculture was finalised in 2022. A transition plan for ship-related segments and residential mortgages is in progress.

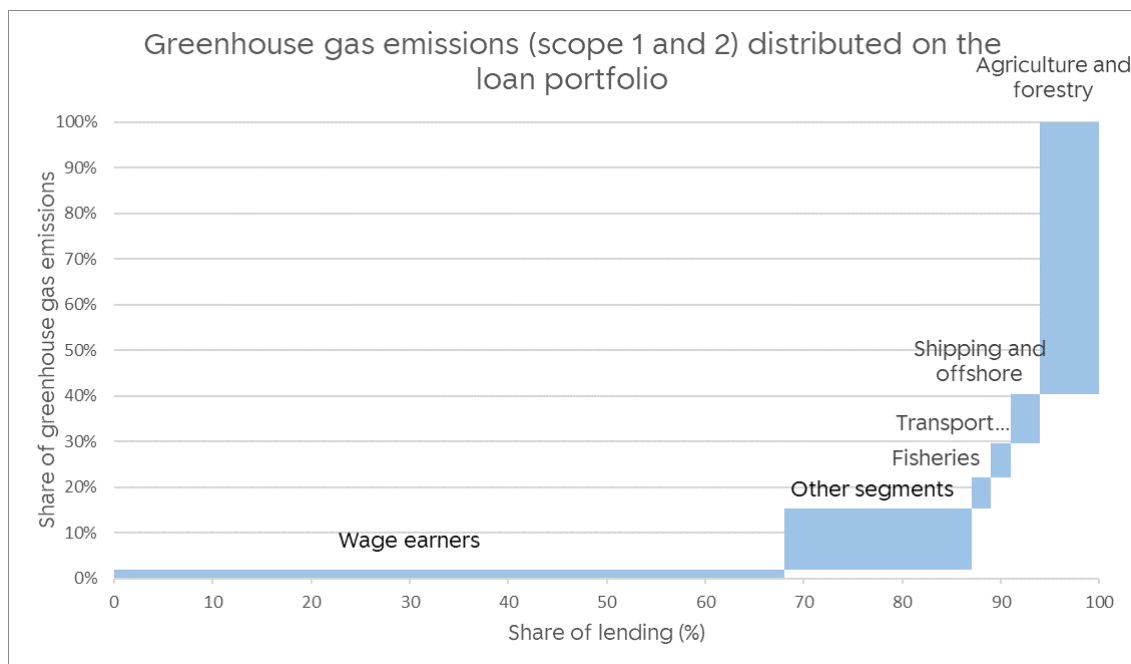


Figure 7: Distribution of the loan portfolio's greenhouse gas emissions

This is the second version of our estimated greenhouse gas emissions from the loan portfolio. The figures remain highly uncertain and must be treated accordingly. The figures indicate a direction for our work and for our future priorities, but we are cautious with regard to strategic decisions given the substantial uncertainty. When, ahead, 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.

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 the greenhouse gas emissions of industries from which we have obtained primary data follows below.

Fishery

For the fishery portfolio we have for a number of years collected data on ship fuel consumption of our largest customers. The figures are used to estimate greenhouse gas emissions of relatively good quality from the fishery portfolio. This portfolio has the best data quality in the analysis. However, the data source has a one-year lag, and ship fuel consumption for 2022 is used to estimate the customer's emission intensity for 2023. Where a customer's financing has risen from 2022 to 2023, estimated emissions have risen correspondingly.

Wage earners (residential mortgage loans)

In the case of the residential mortgage portfolio, estimated greenhouse gas emissions are delivered by Eiendomsverdi AS, and prepared by Simenergi AS. Greenhouse gas emissions are estimated using emission factors based on a physical production mix with an emission of 19 grammes of CO₂e per kWh. We have above also presented estimated greenhouse gas emissions based on a European residual mix, of 502 grammes of CO₂e per kWh.

Property management

Greenhouse gas emissions from financed commercial property are estimated by retrieving information on each individual building, i.e. property type, usable floor space and energy label, where this exists. Information about the building is then combined with PCAF emission factors, either per square metre or per building.

Fossil-fuel vehicles

For SpareBank 1 Finans Midt-Norge, greenhouse gas emissions are only estimated for NOK 7.7bn of NOK 12.6bn of financing used to finance vehicles with petrol or diesel engines. We have employed an average mileage of 12,000 kilometres for all cars.

Agriculture and forestry

In the annual report for 2022, estimated greenhouse gas emissions from agriculture were estimated based on emission factors from Asplan Viak which were in turn linked to information at individual farm level culled from the agricultural grants register. The register provides an overview of livestock numbers, production and area managed.

In the present report the emission factors are replaced with figures from Finance Norway's guidelines, the so-called PLATON factors. This has in isolation yielded a 50 per cent increase in emissions, although the increase is compensated for by the fact that farms with no activity recorded in the agricultural grants register are now estimated as dwellings, whereas their previously very high emissions were estimated using the factor-based method.

Although the data quality of estimated greenhouse gas emissions for agriculture is relatively speaking good, 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.

Carbon capture 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>)

A large proportion of farms financed by the bank include forestry in their activities. A total of 1.6m decares of productive woodland are registered to our customers. Adjusted for financing rate and multiplied by a factor for area-based capture from woodland (0.2464 tCO₂e per decare), the financed portion of carbon capture in woodland is calculated at 255 thousand tCO₂e. This is a highly uncertain estimate and should not be used to offset financed emissions.

Taxonomy

The EU Taxonomy Regulation - (EU) 2020/852 - establishes a Europe-wide classification system that helps companies and investors to identify environmentally sustainable economic activities.

This classification standard aims to promote sustainable investments and economic activities by providing companies and investors with clear guidelines and criteria for assessing and reporting on sustainability aspects of their businesses and projects. The EU Taxonomy Regulation sets concrete requirements as to

what activities can be considered sustainable and criteria that must be met in order for a company's activity to be regarded as sustainable.

The Act on Sustainable Finance incorporates the Taxonomy Regulation with ensuing Commission Regulations into Norwegian law. The Taxonomy Regulation entered into force in the EEA Agreement on 15 December 2022 with effect from 1 January 2023.

In order for an activity to be regarded as taxonomy-aligned, it must be considered to substantially contribute to at least one of the Taxonomy's six environmental objectives (technical screening criteria), while doing no significant harm to any of the other five objectives. The activity must moreover comply with minimum social and governance safeguards. For 2023 all six environmental objectives must be reported on.

The six overarching climate and environmental objectives are:

1. Climate change mitigation.
2. Climate change adaptation.
3. Sustainable use and protection of water and marine resources.
4. Transition to a circular economy, waste prevention and recycling.
5. Pollution prevention and control.
6. Protection and restoration of biodiversity and ecosystems.

Premises

The requirements for companies due to report on sustainability for 2023 are laid down in EU 2013/34, the Non-Financial Reporting Directive (NFRD). Institutions subject to the NFRD are both financial and non-financial large public interest entities. Where SpareBank 1 SMN is concerned, it is our financial activities that are assessed under the six climate and environmental objectives. For the reporting year 2023, mandatory reporting applies only to objectives 1 and 2. For the reporting year 2024, reporting on objectives 3 to 6 (see above) will also be mandatory.

For credit institutions, reporting in line with the taxonomy is to be on a proportional consolidation basis in line with EU 575/2013. For 2023 this means that we at SpareBank 1 SMN include reported figures from our subsidiaries, related and jointly controlled companies based on the share of capital held. For an overview of the companies involved, see note 39 in the annual report – Investments in owner interests.

Below follows an overview of exposure categories reported on for 2023:

Reporting category	Description/definition	Taxonomy-aligned activities	Data collection
1 Financial undertakings	Financial undertakings or holdings in financial undertakings (which are not held for trading purposes)	Gross exposure to NFRD undertakings that have submitted taxonomy reports multiplied by GAR. Also includes special purpose bonds	Reporting based on the company's/customer's own reporting to SpareBank 1 SMN. Few reports submitted by the reporting date for 2023.
2 Non-financial undertakings subject to NFRD	Based on screening of our loan portfolio, our customers are essentially small/medium undertakings with no reporting obligation for 2023	None	Reporting based on the company's/customer's own reporting to SpareBank 1 SMN. No voluntary reports submitted by the reporting date.
3 Households – mortgages	This category deals with loans secured on dwellings able to meet requirements as to climate change mitigation and climate change adaptation (objectives 1 and 2)	Assessment based on construction year, energy consumption and doing no significant harm to climate adaptation	All data used in the classification are delivered by Eiendomsverdi. Specifically, energy consumption is obtained for dwellings with a valid energy certificate, and all dwellings are checked against the NVE's risk map for flooding, high water levels and landslide. Selection criteria are described below the table.
4 Households – car loans	This category deals with loans to households secured on electric cars	None	We lack information on electric car tyres. All electric car loans are therefore excluded since most car tyres lead to environmental damage.
5 Local authorities	This category deals with exposure to local and regional authorities	None	Local authorities are not subject to NFRD and no voluntary reporting submitted.
6 Non-financial, not subject to NFRD	Small and medium-sized enterprises	None	This category not to be included in the numerator when calculating GAR for 2023 due to no reporting obligation. No voluntary reporting submitted by reporting date.
7 Other assets not included in calculation of GAR	Government securities, exposures to central banks and trading portfolio	Not relevant	Not relevant
8 Off-balance-sheet assets – financial guarantees and assets under management subject to NFRD	Guarantees or assets under management	None	Reporting is based on the company's/customer's own reporting to SpareBank 1 SMN. No voluntary reporting for 2023 submitted by reporting date.

Table 7: Overview of exposure categories

For the reporting category “Households – mortgages”, upper threshold values for green dwellings' energy consumption are set in cooperation with Multiconsult. For dwellings built from 2021 onwards we have utilised an adjusted “Guide on calculation of primary energy needs in buildings and energy frames for almost-zero-energy buildings”, including all dwellings with energy rating ‘A’. For dwellings built before 2021, the NVE's recommendation for energy consumption in “Mapping of the building stock with the EU taxonomy for environment-friendly investments in mind” is taken as a basis. This requires a valid energy certificate for the dwelling, which is a stricter criterion than that employed in our green bond framework, in which all dwellings built between 2012 and 2020 are included as green dwellings.

As regards the assessment of no significant harm to the objective of climate adaptation, dwellings exposed to physical climate risk (flooding, storm surge, rockslide and landslide) are excluded. This is the same assessment as that applied in chapter 9.2.6 (Physical climate risk).

Taxonomy-related KPIs for 2023

Under EU 2021/2178 (Disclosures Delegated Act) Annex V, we are obliged to report on a number of KPIs. KPIs we are obliged to report on for 2023 are:

1. *Green asset ratio (GAR) stock*

Total value of sustainable exposures on the balance sheet over total assets (total assets correspond to points 1 to 6 in the table above).

2. *Green asset ratio (GAR) flow*

Total value of new sustainable exposures in the current year over total assets.

3. *Financial Guarantees (FinGuar)*

The share of financial guarantees for debt instruments which finance taxonomy-aligned activity over total financial guarantees (point 8 in the table)

4. *Assets under Management (AuM)*

shows the share of assets under management belonging to undertakings that finance taxonomy-aligned economic activities over total assets under management (point 8 in the table)

Key performance indicators related to *Fees and commissions (F&C)* and *Trading Book* are not mandatory for 2023 reporting, and will not become mandatory until reporting year 2026.

Calculation of Green asset Ratio (GAR), Stock	Exposure*)	Of which taxonomy-aligned	Per cent of total assets
Financial undertakings	23,472	79	
Households	184,182	17,008	
Local authorities	1,224		
Total	208,878	17,087	64%
Other assets not included in numerator	91,263		28%
Total Covered assets	300,141		92%
Assets not included in GAR scope	24,441		8%
Total assets¹⁾	324,582		
Green Asset Ratio for the group- total taxonomi aligned assets over covered assets (GAR, Stock)			5.7 %

¹⁾ GAR is based on exposures and balance sheet in accordance with the scope of consolidation for supervisory purposes (FINREP) pursuant to part II, chapter 2, section 2 of Regulation (EU), no. 575/2013.

Table 8: Calculation of GAR

For detailed results of the year's calculations, see the Annex VI form in enclosures.

Challenges in 2023 and opportunities ahead

The main reporting challenge in 2023 has been access to data and data quality. SpareBank 1 SMN's customer portfolio consists largely of small and medium-sized undertakings which are not subject to the NFRD reporting obligation. Moreover, reporting by undertakings subject to the NFRD and any voluntary reporting from undertakings not subject to the NFRD, becomes available at a later point in time, making it a challenge to include such information in reporting for 2023.

In the years ahead more undertakings will be covered by the taxonomy. As more undertakings become subject to the reporting obligation, this type of data is expected to become available in the public domain. The same applies to an industry-wide solution for the car segment as regards tyre information, information

on circular economy etc. Such solutions will simplify and improve the quality of companies' reporting in coming years.

Relevant steering documents

The following steering documents are central to this theme:

- Guidelines for sustainable lending to retail customers
- Guidelines for sustainable lending to corporate customers
- Guidelines for sustainable agriculture
- Transition plan for net zero emissions for agriculture
- Transition plan for net zero emissions for commercial property
- Transition plan for net zero emissions for fishery
- Strategy for climate risk
- Climate strategy
- Climate account 2023, group
- Climate account 2023, SpareBank 1 SMN

Stimulating green transition for customers

Our approach to the theme

The group's societal role is to stimulate a sustainable development of Mid-Norway. In order to achieve a successful transition we are reliant on the success of our customers. Stimulating a green transition for our customers is accordingly a core task today and in the period ahead. Moreover, this is a clear expectation apparent in the group's stakeholder dialogue where customers large and small, companies and private individuals alike, provide feedback and demand products and services that spur necessary change. The active influence we exert employs tools such as ESG assessment at customer level, credit policy and pricing, transition plans towards net zero emissions at industry level, advisory services and customer meetings, development of green products and services, along with competency-building measures for companies in the region.

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 interact with in their day-to-day business. In 2023 we worked on joint projects in the ESG sphere with the other banks in the SpareBank 1 Alliance. These involve customer-facing initiatives related to the advisory role, but also regulatory requirements and reporting. Work has for example been done to introduce estimated energy ratings as a basis for measuring greenhouse gas emissions from residential property.

With a basis in this work, new initiatives were launched at year-end which will be pursued into the coming year. The most important ongoing initiatives are the establishment of an ESG model for the retail market, an advisory tool for assessing climate risk, including physical risk, and making credit assessments, and a financial health team. Moreover, both Retail Banking and the unit responsible for agriculture are working on a collaborative dimension as a social actor with a view to product development aimed at offering relevant solutions to our customers.

Corporate Banking

Our credit strategy establishes boundaries and strategic guidelines for the lending business, including an ambition to achieve net zero CO₂ emissions in the loan portfolios by 2050, and a halving by 2030.

In addition to conducting a systematic ESG assessment of all corporate customers, we are well under way to establishing transition plans at industry level with a view to achieving net zero emissions. The transition plans are a central, overarching tool in our effort to steer the loan portfolio towards net zero, and aim to meet our science-based objectives towards 2050 and 2030. The plans illustrate goals, measures and key performance indicators and will support our corporate customers in their process of adapting to an emissions path towards net zero.

Transition plans will be prepared for all key industries in the loan portfolio as a step in supporting our customers' successful transition. Our transition plans sum up what we expect of our customers, and how we as a driver can support them in their work. We have published "transition plans towards net zero" for the Commercial Property and Fishery segments in our Sustainability Library at smn.no. Transition plans for further segments will be prepared and published in 2024, in the first instance for shipping.

Our most important measures in 2024 are to further develop and analyse data culled from our ESG model, to establish transition plans for further industries, to develop green products for our customers and to enhance competencies in sustainability both internally and externally.

Relevant steering documents

The following steering documents are central to this theme:

- Sustainability policy
- Climate strategy
- Sustainability strategy
- Strategy for climate risk
- Guidelines on sustainable agriculture
- Guidelines on sustainable lending to retail customers
- Guidelines on sustainable lending to corporate customers

Key figures and results 2023

Responsible lending and investments	Target 2023	Results 2023	Target 2024
Losses due to fraud	10,000,000 NOK	< 15,660,000 NOK	< 22,500,000 NOK
Share of managers and employees having completed e-learning course in anti-money laundering and anti-terrorist financing	100 %	97 %	100 %
Loan volume to corporate customers with ESG score	75 %	87 %	90 %
Loan volume to retail customers with ESG score ¹⁾	20 %	0 %	20 %
Share of loans that meet the requirements for green bonds	Under development	19,1 % ²⁾	Under development ³⁾
Total greenhouse gas emissions from loan portfolios	1,000 (1000 tCO ₂ e)	1,034 (1000 tCO ₂ e)	SBTi ⁴⁾
Share of dwellings in the loan portfolio with an energy rating	90 %	42 %	70 %
Share of commercial properties in the loan portfolio (>1,000m ²) with an energy rating	75 %	21 %	90% of new loans granted

¹⁾ The ESG scoring model for the retail market portfolio has so far not been prepared by the SpareBank 1 Alliance.

²⁾ Based on the existing framework as per January 2024.

³⁾ An official definition of the 15% most energy-efficient buildings is not yet available. Access to reliable data is needed to ensure a robust approach.

⁴⁾ Our objectives as regards greenhouse gas emissions are under preparation as from 2023 in connection with our commitment to SBTi.

Table 9: 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 and customer offering. A recurrent 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	Key figures	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 Sales volume of products and services developed to deliver a social benefit 	Director, Corporate Banking Director, Retail Banking Managing directors of 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 guidelines 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 10: Advisory services and customer offering – material themes

Expanding our 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. In order to ensure long-term profitability and competitive power, we are giving increasing focus to expanding our commercial offering of products and services that feature climate, natural, societal and social benefits. This is an important step in complying with the demands and expectations we meet from customers, public authorities and other stakeholders. We have strengthened our work on innovation, both within the SpareBank 1 Alliance and within our own group, in order to further develop business models and create new customer offerings.

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 and sustainable mutual fund solutions. These are savings products for those who want to be certain that their savings will contribute to reducing greenhouse gas emissions. Green deposits carry somewhat lower interest rates than other products, but are on the other hand used to finance green loans. We can accept green deposits matching our volume of green loans.

In 2023 we established a financial health team. The object is to offer improved and more focused crisis preparedness to customers who are struggling with unmanageable debt problems. We do this by establishing an interdisciplinary team including expertise in financial advice (in the bank), debt advice (external) and psychology specialist competence (external). Research shows the reciprocal effect between financial problems and mental health problems. The team's object is provide customers facing major debt challenges with the best help they can get. By this means we shoulder an important responsibility for the particular customer, but also a social responsibility.

Corporate Banking

As part of the green transition for our customers we have set about establishing products for our corporate customers related to sustainability financing and transitional financing. We already employ repayment profiles and other loan terms and conditions that take account of a customer's sustainability profile, for example energy ratings for buildings. These are aspects of the advice given to our corporate customers with a view to reducing greenhouse gas emissions/intensity and ESG risk. We have introduced differentiation of LTV-ratios and repayment profiles and the option of paying dividend to companies that depends on how we view ESG risk at customer level. All else equal, buildings in a low energy category will be entitled to borrow less and be subject to a shorter repayment period.

Sustainability is an important aspect of the customer dialogue in general and of assessments using the ESG model. Sustainability assessments are an integral part of the credit evaluation of loan customers, but also important for awareness raising and enhancing the competency of adviser and corporate customer alike.

We have set up a sustainability area for our customer advisers in Corporate Banking to facilitate access to tools, presentations, transition plans and internal course programmes in the sustainability area.

SpareBank 1 Regnskapshuset SMN

The process of turning sustainability into a profitable business line at SpareBank 1 Regnskapshuset SMN was initiated in 2018, and at end-2022 the department "Sustainability reporting and advice" was established – at that time with only one staff member and an interim manager.

In the space of just a year the department has grown considerably: four new appointments, including manager and chief adviser, and further senior staff taking up duties in the new year. We believe that the mix of economists, jurists and engineers with varying length of service and experience will create a unique specialist entity from which SpareBank 1 SMN's customers, and the group, will draw great benefit in the years ahead given the growing pressure of regulation and expectations on the business sector.

Demand for the department's broad range of services has risen considerably in 2023 – from help in setting science-based targets to the drawing up of environmental product declarations. We note that preparation of climate accounts and compliance with the Transparency Act accounted for the bulk of the demand from our customers.

- The demand for climate accounting stems from increased regulatory pressures on large enterprises and credit institutions, as well as the increased weight given to climate and environment considerations in public procurements.
- Demand related to the Transparency Act stems from a direct statutory requirement that impacts other undertakings under the Accounting Act, and more of the group's customers are turning to the department for assistance with parts of, or with the entire, reporting process.

The factor common to these two services is that they represent a particularly important linkage with our customers – reporting is an annual recurrence, and the customer remains with SpareBank 1 Regnskapshuset SMN.

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. In May 2023 EiendomsMegler 1 Midt-Norge organised a property seminar with the theme *The green transition will present challenges and an opportunity to develop both residential and commercial property*. A market report was also prepared under the theme *Sustainability* for new buildings and commercial property.

Insights regarding energy efficiency and sustainability also feature in market reports and customer seminars where we will continue to focus on green financing and climate-certified property development projects.

Through competency enhancements targeting our 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 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge's greatest environmental impact is via its lending business. The loan portfolio chiefly comprises financed objects such as cars, other vehicles and machines. Incentivising customers to reduce their climate footprint by opting for vehicles and equipment with limited emissions rather than an outdated car fleet or machine park will have a bearing on the group's climate impact. Green car loans make for a steadily growing share of electric cars in the portfolio. Electric cars now account for 28.7 per cent of the private car portfolio. Green financing in the business and industry sector is also more in evidence with the first electric construction machines and lorries.

Business development and innovation

We at SpareBank 1 SMN aspire to being a catalyst for sustainable growth and innovation. Exploratory innovation in the group is defined by an innovation process comprising four stages. The process starts by understanding new trends likely to impact the banking and finance sector. Those trends refer both to new technology and customer behaviour, and are evaluated in light of sustainability goals with the main focus on technology, society and industry. The next step is to explore the trends in greater depth in order to assess their relevance and potential. Based on insights from innovation exploration, concepts are developed which can be transformed into new products and services. Examples of trends subject to particular exploration during the course of the year are generative artificial intelligence, digital outsidership and the circular economy.

In 2022 we held, together with Æra, a wide-ranging course in sustainable innovation for 30 group employees. The course participants continued work on their respective areas in 2023. The department concerned has focused specifically on two growth platforms. These platforms will be part of SpareBank 1 SMN's innovation process to develop, test and implement new products and services which not only promote our business mission but also contribute to sustainable development.

Relevant steering documents

The following steering documents are central to this theme:

- Sustainability strategy

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

Our approach to the theme

In order to deliver the best customer experiences today and ahead we must be certain that our staff are updated on legislation and themes of importance for our customer service. It is our employees who operationalise sustainability at SpareBank 1 SMN, and it is our employees who speak with the customers. Our most important resource is without doubt our employees. Without skilled, motivated staff who want to evolve their competencies in sustainability, we will not succeed in transitioning our day-to-day operations, our customers or in creating new, sustainable revenue flows as part of the group's growth strategy.

Focus on competence in 2023

In 2023 we focused on creating a strong learning culture, on ensuring that the group's competency needs are met through targeted and effective measures, and on making it simpler to learn in our everyday work. Our proprietary learning portals make it simpler to gain an overview of the group's learning programmes and to familiarise our employees with our increased commitment to competence. In 2023, competence building in the field of sustainability, digitalisation and ethics was at centre stage.

We aspire to be a driver for green transition, and in 2023 sustainability became more integrated into the group's business models and employees' working day. We have sought to harness the effects of

competence-building programmes in the sustainability field that were held in conjunction with Æra in 2023. We also made available a broad range of courses and learning resources linked to sustainability in general and to sustainable finance in particular.

Financial advisers, both in Retail Banking and Corporate Banking, underwent a series of training programmes and competency updates as regards professional skills, products, advisory activities and ethics in 2023. The object is to ensure high quality, and to inspire confidence and a sense of security when dealing with customers. With a view to meeting the requirement of the Insurance Mediation Act and the Financial Institutions Act as to 15 hours' continuing education, all authorised advisers at the bank underwent comprehensive programmes on the following themes: good business practice, instruments and measures for customers in financial straits, sustainability, ethics, anti-money laundering, anti-terrorist financing, as well as professional and product updating.

Moreover, all employees underwent training programmes in data and information security along with mandatory courses in personal data protection and anti-money laundering. Further, the group worked in a structured manner to raise awareness of our ethical guidelines. Through e-learning, ethical reflection and casework we put impartiality and conflicts of interest at centre stage. In addition to tuition and awareness-raising, a set of new procedures for registering offices and positions, roles and business activity was drawn up. New and improved system support for these processes was also devised, and managers and employees were given instruction in the use of these solutions.

In autumn 2023 it was decided to designate employee competence and development as one of our key focal areas in 2024. The upshot is an internal academy, to be established in 2024, that will assemble the group's competency resources and ensure increased quality of competence-building work in the years ahead.

We are keen that our employees should see the value of development and learning, and we urge all group employees 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 adapt training paths to ensure 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

We are dependent on the trust and confidence of our customers, investors, business partners and public authorities. Our ethical guidelines underpin this trust and confidence. The guidelines deal with attitudes and values, and are designed to promote an awareness of and compliance with the ethical standard required of employees and employee representatives in SpareBank 1 SMN in decisions they make in their day-to-day business. Breach of, or non-compliance with, these guidelines entails a high risk of reputational loss. Integrity and trust are crucial to ensuring success as the leading financial services group in our region.

Ethical standards at SpareBank 1 SMN

All staff members and employee representatives 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, supported by 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

In an increasingly data-driven world, personal data going astray poses a considerable risk to companies and private individuals alike. 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. Compliance with the personal data legislation is therefore critical to the confidence enjoyed by the group and its reputation. SpareBank 1 SMN's obligations are described in detail at smn.no and are enshrined in our data privacy policy.

Our work on personal data protection

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 2023 the group continued work to strengthen and improve its data privacy effort by raising awareness across the organisation of the requirements on personal data processing, including strengthening the interaction with SpareBank 1 Utvikling – which is our most important data processor. The ambition for 2024

is to continue work on strengthening the interaction with SpareBank 1 Utvikling, training measures and strengthening the first line.

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 2023, and reported twelve 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 2023.

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 2023

Advisory services and customer offering	Target 2023	Results 2023	Target 2024
Sales volume of products with an environmental benefit ¹⁾	2,000,000,000 NOK	2,516,000,000 NOK	3,000,000,000 NOK
Sales volume of products with a social benefit ²⁾			
Category score for sustainability in WinningTemp ³⁾	7.4	7.3	8
Share of managers and employees in the group having completed e-learning course in ethics	100 %	94 %	100 %
No. of documented complaints of data privacy breaches or loss of customer data	0	12	0

¹⁾ Products and services with an environmental benefit is defined as green products from our product hierarchy. This deviates from the EU Taxonomy. Our disclosures related to the EU Taxonomy can be found under the focal area "Responsible lending and investments"

²⁾ Our customer offering is a result of demands from the municipalities in our portfolio, and we have no specific products and services serving a social benefit as per 2023.

³⁾ Our employee development tool

Table 11: 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 its 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. Two material themes feature in this focal area.

Material themes	Objectives	Key figures	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 under group auspices 	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 corporate customers with credit exposures (turnover > NOK 400m, balance sheet total > NOK 200m, no. of employees > 250) that have a climate account 	Director, Retail Banking Managing director, SpareBank 1 Regnskapshuset SMN

Table 12: Sustainable transition of Mid-Norway - material themes

Stimulating innovation and sustainable economic growth

Our approach to the theme

The world's climate researchers are agreed that we cannot continue on our present path. Unsustainable patterns at society level nourish unsustainable business models and behaviour that are not compatible with an emissions-free, nature-positive and circular economy. Innovation and sustainable economic growth are therefore a prerequisite for a successful transition to a low emissions society. Our role of regional financial services group is important – as community builder, investor and requirements specifier in our work with customers.

Investment of community dividend

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 over 33 per cent, and the same share of our annual dividend is accordingly earmarked for non-profit causes.

In December 2023 the strategy for community dividend was renewed with minor changes whereby our green-driver role, community building, sports and outdoor recreation, art and culture, as well as innovation

and value creation were defined as separate focal areas, each in their own right. Community dividend resources will ahead in larger measure be distributed to green projects in order to support our role as a green driver in Mid-Norway.

The funds are held in an account with SpareBank 1 SMN, and the provision for distribution in 2023 was NOK 230m. 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 2023 invested in initiatives designed to assist business and industry in 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 reinvest and manage donations from SpareBank 1 SMN to non-profit business and development projects, seedcorn activities or other non-profit causes that involve an ownership role and that stimulate innovation and value creation in our market area. At year-end SpareBank 1 SMN Utvikling holds ownership positions with a book value of NOK 42.7m.

Relevant steering documents

The following steering documents are central to this theme:

- [Community dividend](#)

Helping to strengthen transition effort of small and medium-size businesses

Our approach to the theme

A failure to transition on the part of businesses in the region could diminish their earnings and increase the number of bankruptcies, whereas a successful transition could bring increased competitive power and more jobs in the region. Our financial risk will be impacted by the business segment's success, or lack of success, in this respect. Reinforcing the transition effort in the region is accordingly a prioritised task, both strategically and operationally. As referred to previously, our tools and instruments are designed to underpin this work.

Status as regards the region's transition

In order to ensure relevancy and correct priorities, we prepare each year a sustainability barometer for businesses, local authorities and the populace. This knowledge base gives us insight into the ongoing transition effort, while at the same time affording the region insight into key hypotheses underlying the work on sustainable development in Mid-Norway.

There is no unwillingness towards green transition among companies in Mid-Norway, but there is much uncertainty as to what regulatory requirements apply, what work methodology should be followed and what priorities should be assigned. The work on green transition in Mid-Norway is reflects industry differences and businesses' size. Our knowledge base shows that industries in our region differ in terms of how well they are prepared for new regulatory requirements and for society's expectations as to sustainable transition. Transition risk is highest among the smallest companies. The smallest businesses are at risk of

failing to meet the largest companies', and the local authorities', expectations as regards systematic sustainability efforts. At the same time we note that risk comprehension is growing, and that more and more businesses view the sustainability effort as strategically important. Read more about this in our sustainability barometer for 2023 in the sustainability library at smn.no.

Community dividend

The Mid-Norwegian community is our largest individual stakeholder, and community's share of our net profit is termed community dividend. The profit is allocated to non-profit and charitable causes which build and develop the region. Read more about community dividend in the chapter entitled Community dividend.

The strategy for community dividend was revised in 2023, and the green driver role was highlighted as one of a number of focal areas. We have utilised resources from the community dividend fund to strengthen the transition effort of businesses in the region through:

Establishment of "Såkorn 1 Midt"

As an initiative in favour of innovation and value creation we established a foundation – Såkorn 1 Midt. An allocation of NOK 150m was made for the purpose of contributing capital to green start-ups in an early phase to enable more ideas and businesses to see the light of day and become established in the region. Efforts are under way to raise a matching amount from other investors in the region.

Competence as the key to green transition

As a driver for green transition for business and industry we held a course in innovation for small and medium-sized businesses in Mid-Norway in 2022 and 2023. The course attracted a total of 60 participating firms in Trøndelag and in Sunnmøre in these two years and the initiative will continue in spring 2024.

Young people for the future

Over the course of the anniversary year we wished to enable more young people to translate words into action for a better world. In conjunction with the United Nations Association of Norway and the World Federation of United Nations Associations (WFUNA) we organised an eight-month-long sustainability programme for 100 young people from across the world. About half the participants were from Mid-Norway. The young people learned about sustainability work and project management, and ran projects themselves in their local communities. We then assembled them all as crew aboard the tall ship Statsraad Lehmkühl and sailed along the coast of Mid-Norway on our voyage for the future.

In our ports of call we engaged more than 3,000 school students in innovation activities for the future, together with Ungt Entreprenørskap, MOT and the United Nations Association of Norway. Among other things we extended an invitation to the youth conference 'Action, Please', where young people themselves were asked to find solutions to challenges as regards plastic waste, outsidership and recycling.

Corporate Banking

We have in the past ten years prepared industry analyses for the most important industries in the customer portfolio. In addition we publish shorter, half-yearly industry updates (industry indicators). Knowledge of industries is an important part of the credit process in terms of insight into drivers and risk factors for each industry and how these develop over time, in addition to understanding the customer and the customer's needs. Industry analyses afford a basis for determining the further development of the portfolio and the criteria to be set for loans, including factors related to sustainability.

Our transition plans describe how we practise our role as a driver for green transition within the industries we finance. Requirements and expectations are formulated with a view to reducing the customer's climate risk, which is a financial risk driver at SpareBank 1 SMN, and will play a part in ensuring a sustainable transition and development in our region.

We wish to create greater awareness of climate risk among our customers and to motivate customers to establish action plans to reduce their own emissions. Credit exposures of NOK 10m or more receive an ESG assessment and are scored on a scale from 1-10 in our ESG model, which will be an important factor in the credit assessment of our customers.

As at 31 December 2023 we have published transition plans for the commercial property and fishery industries. Further transition plans will become available in 2024 and onwards, in the first instance for shipping. The transition plans, with requirements and expectations, are a tool on this transition effort and are an integral part of the customer dialogue and assessment.

Relevant steering documents

The following steering documents are central to the above theme:

- Sustainability barometer 2023
- Transition plan fishery
- Transition plan agriculture
- Transition plan commercial property

Key figures and results in 2023

Sustainable transition of Mid-Norway	Target 2023	Results 2023	Target 2024
No. of participants in meeting places and innovation activities	7,000 participants	5,790 participants	6,000 participants
No. of participants in meeting places and innovation activities	250 start-up and youth enterprises	300 start-up and youth enterprises	250 start-up and youth enterprises
No. of participants in meeting places and innovation activities	50-100	270	500
Share of large corporate customers with credit exposure that have a climate account ¹⁾	25 %	24 %	25 %

¹⁾ Large customers exceed two of the three following criteria: turnover > NOK 200m, balance sheet total > NOK 200m, no. of employees > 250

Table 13: Sustainable transition of Mid-Norway – key figures and results

Sustainable transition of SpareBank 1 SMN

We at SpareBank 1 SMN aspire to be a driver, partner and guide in the work on sustainable development in our region. Our own transition is a prerequisite for achieving credibility and trust in helping our customers to succeed in their transition.

We have committed to integrating the UN Principles for Responsible Banking (UNEPFI) into both our business strategy and core activities, and we work on a broad front with the UN Sustainable Development Goals through our double materiality analysis. In so doing, we wish to set the standard for sustainability efforts in the financial field in our region.

Four material themes feature in this focal area:

Material themes	Objectives	Key figures	Responsibility
Stimulate responsible resource use in our own value and supplier chains	The group shall lead the way, setting a good example by considerably reducing resource use and waste volumes through prevention, reduction, recycling and re-use	Share of the group's material purchases (> NOK 100,000) from suppliers with a 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	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	Category score of at least 8 for diversity, inclusion and equality in WT	Director, Technology and Development
Reduce carbon footprint in day-to-day operations	Reduce carbon footprint in line with target pathways towards net zero emissions by 2050	8% annual reduction in CO2 emissions in day-to-day operations	Director, Group Finance and Governance

Table 14: Sustainable transition of SpareBank 1 SMN – material themes

Stimulating responsible resource use in our own value and supplier chains

Our approach to the theme

Our value and supplier chains are essential for our ability to comply with our strategic initiatives and to achieve our objectives. As a major financial services group, and part of the SpareBank 1 Alliance, we are a substantial purchaser of goods and services, and our procurement practice has a bearing on transition nationally and regionally. As a financial group, we are a service-providing knowledge enterprise and have a large potential to influence for example greenhouse gas emissions, worker rights and equality through the value and supplier chains of which we are a part. We are therefore reliant on our ability to stimulate responsible resource use on the part of suppliers and business partners by setting clear requirements in the context of climate and environment, social conditions and ethical governance. We must in addition be able to point to concrete, successful transition activities in our day-to-day operations in order to heighten our credibility in our dialogue with customers.

Present status

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.

SpareBank 1 SMN's procurements are undertaken both at central level and in our market areas, and it is important for us as a purchaser to maintain a conscious awareness of resource use, and to continually strive for an overview and control over our supplier chains. Our "Standard for Procurement" concretises clear guidelines with respect to procurements with a view to accommodating growing statutory requirements, as well as the aim of being a local and regional driver of the green transition. We require:

- Suppliers, at minimum, to observe and abide by local, national and international law, rules and ethical principles (including provisions on matters such as wages, working hours, health, environment, security and corruption).
- Suppliers to have in place guidelines for sustainability which are supported by action. The standard contracts embed our right to demand insight into, and monitor compliance with, our requirements. Non-compliance is regarded as breach of contract and may provide grounds to terminate the agreement or contract. The same requirements apply to a supplier's sub-suppliers and any partner connected to a contract with us. The requirements set by us comply with the Transparency Act.
- As regards invitations to tender/purchase, we require offerors to document approved environmental certification, and to have in place, or to be planning to establish, a climate account.

We retained the following focal areas in 2023:

Professionalisation of the supplier chain

By mapping our suppliers' climate accounts we have helped to put this matter on the agenda for those who have yet to establish such an account. Our tender templates now include a climate account as a qualification requirement.

Contribute to responsible resource use and circular thinking

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. In 2023 we ran two pilot projects in which activities related to re-use, repair, redesign, transport and recycling were put on a systematic basis. Through the logistics system we have access to computations that show actual savings enabled by emission reductions which provide us with insights for further improvement efforts.

100% definition

In line with the requirements as to Eco-Lighthouse certification, we have conducted a review of our own operations service providers. Work on identifying suppliers that are environmentally certified under the ISO 14001, EMAS or Eco-Lighthouse schemes started in 2019. Our objective was that 100 per cent of our own operations service providers should be environmentally certified by the end of 2022. The objective was achieved, but maintaining a 100 per cent level 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.

As a result of our requirement for a climate account, a new dimension has been added under the 100 per cent definition. Our long-term objective is that 100 per cent of our suppliers should have a climate account in place. In the first instance priority is given to mapping and exerting influence on suppliers from whom we purchase goods and services worth more than NOK 100,000 per year. This work continues in 2024.

At year-end we have documentation showing that nine of our ten largest suppliers have a climate account in place.

Collaboration with SpareBank 1 Utvikling

Allianseinnkjøp is the SpareBank 1 Alliance's central procurement entity and enters supplier agreements on commission from the banks. These agreements represent our most significant agreements.

Like Procurement at SpareBank 1 SMN, Allianseinnkjøp expects suppliers and business partners to have a conscious awareness of sustainability risk in their own business and supplier chain. Suppliers are required to have in place guidelines with regard to sustainability, and that these are underpinned by action.

Compliance with the Transparency Act is also required along with maintaining a climate account and a plan for transition to net zero.

In 2023 we focused on six areas in our work with the supplier chain:

- Internal guidance on sustainable procurements
- Summary of the Transparency Act – how to get under way in a simple manner
- Standard contract appendix on sustainability
- EU Corporate Sustainability Reporting Directive
- Policy on supporting fundamental human rights and worker rights
- SpareBank 1 SMN's statement on due diligence assessments

Allianseinnkjøp's and SpareBank 1 SMN's work with the Transparency Act

"Sustainability in procurement", a phrase in use since 2019, means that thorough ESG assessments are a part of all purchasing practices. Supplier follow-up in the sustainability area has since 2019 been based on the OECD's guide on due diligence assessments, the same guidelines as are pivotal in the Transparency Act. Under the Transparency Act we are obligated to publish a statement on our due diligence assessments by 30 August 2023. The statement was published on 21 June 2023.

In Mid-Norway, SpareBank 1 SMN has mapped local and relatively minor suppliers. These have been asked to sign the Alliance's "Requirements on suppliers concerning sustainability and business-ethical matters". Work with due diligence assessments of minor local suppliers will continue in 2024. Through an earlier risk-based mapping of 249 existing Alliance suppliers, twelve suppliers were in 2022 selected for scrutiny of their compliance with the Transparency Act.

Below follows an extract from our due diligence assessments undertaken in 2022:

Statement on due diligence assessments in 2022				
Actual and potential negative consequences for human rights and decent working conditions are mapped and assessed in the following manner:	These suitable measures are initiated to halt, prevent or limit negative consequences:	By this means we monitor the implementation and results of measures:	By this means we have communicated to affected stakeholders and rightholders how negative consequences are handled:	By this means we ensure or collaborate on remediation and compensation where this is required
Follow-up of twelve selected suppliers in the sustainability area with in-depth surveys. The suppliers are in office furniture, IT equipment, IT services and consultancy firms and staffing agencies. They were chosen based on criteria such as risk of negative impact, risk mitigation potential, largest turnover volume and core business	Selected suppliers' failure to apply due diligence assessments in accordance with OECD guidelines was responded to with deadlines for improvement.	Deadlines for rectifying deficiencies, follow-up meetings etc., where rectification was unsatisfactory	This is described in inputs to the banks' annual reports and in quarterly meetings with the Alliance (liaison committee, purchases) where achieved improvements are reported.	Most suppliers had guidelines etc. in place, while 6 of the 12 that had not commenced due diligence pursuant to the Transparency Act have done so following feedback from Allianseinnkjøp. All suppliers have now documented their guidelines etc., and have given an account of their due diligence assessments.

Table 15: Statement on due diligence assessments in 2022 in accordance with the Transparency Act

All 12 suppliers have provided a statement on their due diligence assessments: A review of the statements shows that the suppliers attach most weight to the general description of the business's organisation, area of operation, guidelines etc. There is less information on actual negative consequences and material risk of negative consequences brought to light through their due diligence assessments.

Follow-up of the statements in 2023

Two of the suppliers have been subject to further follow-up – a sizeable supplier of IT equipment and a sizeable supplier of IT services. Both suppliers were informed that our assessment of their statements was that insufficient weight was given to information about actual negative consequences and material risk of negative consequences; see the Transparency Act, Sections 5(b) and 5(c). A response was requested. The supplier of IT equipment was in addition asked to give an account of enquiries at one of its sub-suppliers of electronic components in China.

The supplier of IT equipment has provided more specific information about actual findings in 2022 at six sub-suppliers in Asia who had 'discrepancies related to indicators of modern slavery as regards costs of recruiting, travel, medical treatment and accommodation. There was one instance of a passport and a month's pay being withheld and one case of forced overtime. The supplier also writes that they 'in collaboration with the Responsible Business Alliance (RBA) have demanded that sub-suppliers halt the unlawful practice and implement an on-site audit. Further, about USD 0.8m was reimbursed to 200 employees in 2022'.

At the sub-supplier in China, whom the supplier of IT equipment was asked to make a statement on, 'discrepancies were brought to light as regards overtime work, housing allowance and national insurance contributions. This is an indication of systemic faults in control processes and is being followed up on'.

The supplier of IT services has not made the statement readily accessible on its website as required by the Transparency Act, but instead makes reference to its location in the annual report. We do not consider this sufficient. The supplier responds that "it is relevant to view the statement together with other content in our

sustainability reporting, where a number of other areas are also involved in our work with fundamental human rights and decent working conditions”. Here reference is made to chapters on responsible sourcing, employee experience, diversity and inclusion” and “cybersecurity & privacy”.



While it may be of interest to view the supplier’s statement in conjunction with other information on sustainability work, this cannot wholly or in part replace the statement which according to the Transparency Act shall be made readily accessible on their website. In addition, it should be noted that it is not easy to see what the statement in the annual report actually comprises and what is to be regarded as relevant additional information as stated by the supplier. That said, we consider this supplier’s general work on sustainability to be very good.

Alliansekjøp comments

Alliansekjøp works for increased awareness, competence and compliance with sustainability in purchasing. We collaborate in particular with the sustainability and procurement entities in the banks and product companies to that end.

The banks and product companies expect SpareBank 1 Utvikling to report on the procurement area in accordance with the EU standards for 2024 (cf. CSRD). This is a collaboration where those in need of the report notify the desired reporting area to SpareBank 1 Utvikling based on their own stakeholder and materiality analysis. SpareBank 1 Utvikling’s first independent reporting under the CSRD will be for the accounting year 2025.

Complete statements are published at

-  SpareBank 1 SMN Statement on due diligence assessments
-  SpareBank 1 Utvikling DA – Statement on due diligence assessment

Our due diligence assessments for 2023 will be published by 30 June 2024 at smn.no/bærekraft.

Relevant steering documents

The following steering documents are central to the above theme:

- Standard for procurement
- Requirements on suppliers as to sustainability and business-ethics matters
- Supplier declaration on sustainability
- Standard contract appendix on sustainability
- Policy on business travel

Strengthening data- and cyber-security

Our approach to the theme

Data- and cyber-security are closely linked to other security challenges in today’s digital society, including geopolitics, global and local value and supplier chains and crisis management. Our reputation and the trust and confidence we enjoy in the market are therefore impacted by our digital defence and robustness in the face of cyberattacks and denials of service by malicious actors. Customers regard data- and cyber-security as a basic premise for their bank, and non-compliance could lead to loss of existing and new customers alike. For us, this is a continual and particularly important effort in terms of complying with current laws and

regulations, maintaining confidence and credibility as a financial services group, and protecting customers' security in the best possible manner.

The threat picture in 2023

Geopolitical unrest has also been a feature of 2023, in view of ongoing wars in Ukraine and Gaza. It is a lasting concern that some warring parties in the above conflicts could endanger our services or shared financial infrastructure through targeted or arbitrary digital attacks.

We also find ourselves at a point where an economy under pressure after a number of base rate hikes, along with expensive food and electricity, bring added pressures to individuals and financial institutions. Such changes affect the threat picture in the data- and cyber-security sphere and how we seek to strengthen and maintain our digital resilience.

We have also experienced denials of service targeting the financial sector, including the SpareBank 1 Alliance. The attacks have not led to significant operational disruptions, and together with our partners we have managed to limit the effect of the attacks to a minimum. The motives for such attacks are often political, and the attacks often turn out differently from those that are financially motivated. Threat actors' objective is to sabotage or create disquiet and uncertainty around bank services' stability and availability.

Focus and priorities

Digital value chain security is an area that has come more into focus in 2023. Digital value chains are complex, can traverse national borders and include several layers of sub-suppliers. The transparency of the digital infrastructure and its components diminishes when more and more systems need to function and communicate together, at the same time as outsourcing is made use of. Criminal actors will continue to attempt to exploit supplier chains' lack of transparency ahead. Allowance must be made for this through close monitoring of suppliers' security as well as our own.

Card and bank ID information remains attractive for malicious actors intent on using the information for personal gain. We therefore give high priority to security architecture and new security solutions. Together with the rest of the Alliance we have again in 2023 reinforced competencies in the cybersecurity sphere. We exchange security-technical assessments and experience via our Alliance-wide security committee whose members are drawn from the banks making up the SpareBank 1 Alliance.

Our focus is on data- and cyber-security at the technical, human and organisational level. Alongside technical security measures, work on a good security culture is at centre stage through attitude-moulding efforts and awareness-raising and training initiatives. Our established competence-building and attitude-moulding programme for information security, Passopp, strengthens the security culture across the entire organisation. We make active use of Passopp results to plan and prioritise future competence-building and attitude-moulding courses in the security sphere.

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.

In addition, our IT and Security 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 the SpareBank 1 Alliance. 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.

The information security policy is the basic steering document for all information processing. The policy was updated in 2023 to accommodate changes in the threat picture, regulatory changes and new technological solutions including use of artificial intelligence. 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). Given changes in the threat picture and the high complexity of value chains, we strengthened our capacity to follow up outsourced functions in 2023.

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. In 2023 the Storting adopted a new Act on Digital Security which will apply to providers of socially important services in the field of bank and financial market infrastructure. The act builds on the Network and Information Security Directive (NIS1), which is the EU's legislative measure to ensure a high common level network and information system security across the entire Union. For financial sector entities, the EU's Digital Operational Resilience Act (DORA) will strengthen financial institutions' digital resilience through ICT risk management. Such regulatory changes will affect our ongoing work on data- and cyber-security in the years ahead.

Responsibility for data- and cyber-security rests with the IT and Security Department at SpareBank 1 SMN. The department employs 20 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.

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

At SpareBank 1 SMN 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 and inclusiveness make for nuanced and varied views on everyday questions and issues and, by the same token, a more exciting, broadening and dynamic work environment. We strive to ensure that employees have a sense of belonging and are treated in an even-handed manner

throughout the employment relationship, and we make 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.

Present status

We have signed the Women in Finance Charter which commits us to set 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 2023 was 45 per cent, an increase of two per cent since 2022. The group management team now comprises ten 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 diversity, and is our representative on the Women in Finance Charter.

We have established a forum for diversity, inclusion and equal treatment. The forum follows up on action plans and initiatives scheduled for implementation. 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 2023 the focus was on ensuring that procedures for inclusive follow-up of staff upon falling ill were improved, and HR is working closely with managers to ensure sound guidance and support in follow-up processes.

For this year's World Mental Health Day the theme was '#Lagplass', designed to spur a common effort against loneliness and outsidership. We marked the day by underscoring the need to belong, generosity and inclusion, and by sharing tips on what staff and managers can do to contribute. We also provided information on opportunities for support that are available to staff 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"

Carbon footprint in day-to-day operations

Our approach to the theme

Although the financial industry has negligible direct emissions, and our climate impact is in the main an indirect consequence of the capital we manage through loans and investments, we need to readjust our day-to-day operations if we are to achieve our short-term and long-term objectives. Moreover, in order to fulfil the role of green driver for our customers we need to point to metrics, action plans and successful climate and environmental measures in our own day-to-day operations. We also believe that readjustment of our day-to-day operations instils pride and increases our employees' awareness of the theme in the customer dialogue.

Greenhouse gas emissions from day-to-day operations

Our location-based climate footprint totalled 18,553 tCO₂e in 2023, an increase/reduction of 4 per cent compared with 2022. Consumption of electricity (151 tCO₂e), goods and services purchased (14,462 tCO₂e), business travel (2,056 tCO₂e) and capital goods (1,599 tCO₂e) are the largest drivers behind greenhouse gas emissions in our day-to-day operations, accounting for 1.8 per cent of our overall greenhouse gas emissions. The remaining 98.2 per cent stems from our financed emissions.

A complete climate account for the parent company and the group is enclosed with this annual report. It describes KPIs, methodology, assumptions and boundaries in detail.

Focus on circular economy

A more resource-efficient and circular economy is needed if we are to attain the objectives to which we have committed ourselves both at SpareBank 1 SMN but also internationally and nationally. In 2023 we set up an internal project group with resources from several business lines to develop a framework for circular transition in the group. Two stages are involved: the first focusing on the group's day-to-day operations, the second focusing on the loan portfolios.

A number of driving forces, among them regulatory requirements, obligations, public guidelines, strategic goals and results of stakeholder dialogues lead us in the direction of greater circularity within all aspects of our day-to-day operations. The switch to a more circular economy is a challenge that requires competence-building, a broad-based commitment, accountability in all parts of the group, and close collaboration with the regional community. We are under way on planning internal circular pilot projects with a view to instilling a broad-based commitment and learning on the path towards phasing more circularity into our day-to-day operations.

Circular economy is expected to be standardised and to play a substantial role in business and industry in years to come, and we wish, as a green driver, to take on our share of the responsibility for the transition.

Property management

We collaborate closely with Kjeldsberg Eiendomsforvaltning (KEF) in the field of property management and 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. It has been decided that all electrical power purchased by the bank shall be 100 per cent renewable, which is assured through purchase of guarantees of origin.

We focus on sustainability when it comes to changes in office structure. One example is our finance centre in Molde which has relocated to a refurbished building in the town centre and aspires to certification under BREEAM In-Use Excellent – a project giving high priority to re-use of furniture and fixtures. Further, a pre-project has started at our building in Steinkjer, also aspiring to BREEAM In-Use Excellent certification. With support from Enova we have started work on energy mapping of buildings we own in Steinkjer, Ålesund and Volda. The energy mapping will indicate potential energy and cost savings for those properties and appropriate measures to be taken.

Against the background of the group's sustainability strategy and climate strategy with appurtenant climate goals, the focus on sustainability in day-to-day operations will be strengthened in 2024. This will be done through a structured process incorporating a long-term strategy for attaining our goals in 2030 and 2050. The focus will be on energy efficiency enhancement and certification of group properties, but also on leased office areas through dialogue with landlords with a view to implementing measures in conformance with the group's strategy for sustainability and the environment.

We have for several years used Eco-Lighthouse as an environment management tool, and in 2023 we continued our work to integrate this tool into our corporate governance. Internal structures, procedures and processes underwent further improvement and monitoring tools were refined. We have for example introduced environmental groups in all locations in order to further strengthen the local footing and follow-up. Moreover, an arena has been established for all environmental officers in the group with a view to ensuring a shared understanding of their role, knowledge/experience sharing, and a strengthened sense of belonging and ownership. In 2024 an endeavour will be made to strengthen the role of environmental officer even further. In the course of 2023 seven locations underwent a recertification process against banking and finance criteria. All finance centres will in the course of 2024 be audited for recertification and assessed against banking and finance criteria through Eco-Lighthouse. 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 branch office level. This will help to raise internal awareness of, and motivation with regard to, the sustainability of 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.

Relevant steering documents

The following steering documents are central to this theme:

- Climate strategy
- Energy and climate account 2023, Group
- Energy and climate account 2023, SpareBank 1 SMN
- Guidelines on sustainable procurement
- Policy on business travel

Key figures and results 2023

Sustainable transition of SpareBank 1 SMN	Target 2023	Results 2023	Target 2024
Share of the group's purchases (NOK >100,000) from suppliers with a climate account	50 %	68 %	80 %
Share of managers and employees having completed e-learning in information security	100 %	90 %	100 %
Category score for diversity, inclusion and equality in Winningtemp ¹⁾	I/A	I/A	I/A
Total greenhouse gas emissions from day-to-day operations	16,4 (1000 tCO ₂ e)	18,5 (1000 tCO ₂ e)	SBTi ²⁾

¹⁾ We have updated the sustainability module in WinningTemp, and this key performance indicator is now a part of the key performance indicator "Category score sustainability in WinningTemp"

²⁾ Our targets related to greenhouse gas emissions is as of 2023 under development in conjunction with our commitment to SBTi

Table 16: Sustainable transition of SpareBank 1 SMN – KPIs and results

People and organisation

Our HR strategy clarifies the direction, goals and framework for our efforts in the field of 'people and organisation'. Our staff are the group's most important resource, and in order to deliver the best possible customer experiences SpareBank 1 SMN is dependent on a diversity of staff who are committed, competent, enquiring and development oriented. Our action plans are designed to ensure this, and the HR strategy defines clear goals and measures along the dimensions of organisation, people, management and culture.

The HR strategy and action plans have a basis in business goals and strategies for both the group and the business lines, along with relevant drivers and regulatory requirements. In 2023 the merger with SpareBank 1 Søre Sunnmøre was in particular focus, and we were eager to ensure a successful merger process and a good introduction to the group for our new colleagues in Sunnmøre. It was also a year of technological development in the artificial intelligence field, and large language models achieved a breakthrough. The group worked in a structured manner to make new technology and new working tools available with a view to enhancing employees' efficiency and effectiveness in their day-to-day work.

Organisation

Goal: See to it that the organisational set-up, structures, systems and processes underpin the group's business needs and ensure goal attainment and development

Salary and bonus arrangements

Salary and bonus arrangements are further described in the report on remuneration of senior employees published at smn.no/barekraft.

Processes

In 2023 we continued work on reinforcing the effects of "One SMN", with a focus on cooperation models and synergies across customer-facing activities and specialist departments. In 2023 we saw benefits brought by the model, and continued work on assembling business lines under the same roof at a number of locations in the region. This provides a basis for stronger specialist teams, even clearer ownership of the workplace and increased staff satisfaction.

The merger with SpareBank 1 Søre Sunnmøre was much in focus in 2023. The merger added 72 new staff members. In that connection a new division was established including employees both from SpareBank 1 Søre Sunnmøre and from SpareBank 1 SMN's other offices in Sunnmøre and in Fjordane. A management team was established for the division, and Stig Brautaset was appointed executive director representing the division in the group management. Staff competencies were mapped, and new roles and organisational structure were drawn up. We have set much store on ensuring that our new colleagues from SpareBank 1 Søre Sunnmøre should get off to a good start with us, and a wide-ranging introduction and training programme was organised to that end.

Hybrid working day and everyday balance

SpareBank 1 SMN aims to be a workplace where employees experience a good balance between work and leisure. The group's life phase policy is designed to accommodate employees in all phases of life.

Arrangements involving flexible working hours and working from home are available, enabling employees to adapt their working day to their family situation. We have good procedures for the hybrid working day that ensure a good, decent work environment for our employees and that our employees' needs and expectations are attended to.

Organisational and employee development

Committed and contented employees who experience a feeling of mastery, job satisfaction and personal development are crucial for our success. In 2023 we devoted much effort to the development and follow-up of Winningtemp, our tool for measuring employees' commitment, satisfaction and their experience of their working day. The insights gained from use of this tool makes it simpler for the group management team, other managers and staff members to focus on and apply measures to specific areas that we need to strengthen, develop or change. The results from these 'temperature' measurements are integrated into the group's business goals and are followed up on by the respective management groups. In 2023 we continued the work of sharing knowledge and experience of best practice between managers to ensure that the tool makes an impact on the organisation and the individual employee.

Whistleblower programme

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

Information on employees' right and obligation to report censurable circumstances is readily accessible on SpareBank 1 SMN's intranet pages. Four reports were registered in 2023.

Winningtemp also circulates questions on themes such as discrimination, equal treatment and harassment. Where an employee responds with low scores, HR are immediately alerted (anonymously) and they follow up the matter via an anonymised dialogue function built into the tool.

Worker rights

We respect and take account of international worker and human rights. A policy document has been drawn up and published on the group's web pages which specifies the conventions, frameworks and policies by which the group's companies abide.

The right to organise is important. A substantial proportion of our employees are members of a trade union, and the group attaches much importance to good cooperation with the unions. Joining a union is a voluntary matter, and the group does not discriminate against employees who are not organised. 77 per cent of group employees were covered by a collective bargaining agreement in 2023.

Salary and employment conditions

We aspire to competitive remuneration models, and a continuous effort is made to that end. Fixed remuneration is the largest single element of overall remuneration followed by pension benefits, collective benefits and insurances.

In order to ensure consistency and equal treatment in the determination and assessment of salaries, we employ Korn Ferry's method of job evaluation to define position levels.

We have for several years worked for equal pay for women and men. In 2023 women's share of men's pay was 91 per cent across the group. Women's share of men's pay for managers in the group was 84 per cent. There are variations within the various subsidiaries, position levels and management levels.

Health and physical activity

A systematic effort is made in terms of health, environment and safety, primarily in dialogue with the health and safety officer, HR and managers at department level. We wish to lay a basis for employees to keep fit.

In 2023 'Hjertebank' was launched as a new concept to facilitate better physical and mental health, and replaces our previous programme entitled Better Shape. The Hjertebank concept will achieve full effect and become a focal area for the entire group in 2024. Its mission is to build a sense of community and culture, and to stimulate individuals and departments to keep fit through enjoyable competitions and keep-fit activities.

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

It is well documented that physical activity helps to reduce sickness absence. As a party to the Inclusive Employment Agreement, we consider it very important for employees on sick leave to stay in touch with their work colleagues, thereby making it as easy as possible to make a rapid return to work. In collaboration with the Norwegian Labour and Welfare Administration (NAV), the group accepts employees in need of job training.

Sickness absence in the bank was 5.2 per cent in 2023, while for the overall group the figure was 6.3 per cent.

Management

Goal: To ensure that our managers are secure and capable in the exercise of their management role and have relevant management support and good management tools

In 2023 our management workshops focused on shared expectations made of the group's managers, on digitalisation and change, and on managers' role as facilitators and role models. Development processes were carried through with selected manager groups where development, improvement of group processes, and interaction were focal areas, areas that are crucial in order for manager groups to create the desired results.

Moreover, all managers in the group have had access to an external portal providing digital courses with a variety of themes of relevance in a manager's working day. We have also set up a dedicated manager portal on which management processes and management tools are available to enable our managers to master the role of manager to the best possible extent.

Our managers have also been offered a digital nanograd – a concept developed by in-house experts in technology and digitalisation in the group. About 20 managers availed themselves of this offer in 2023.

People

Goal: To ensure that we attract, develop and retain the best and the right staff

A belief that employees perform better if they experience a sense of mastery, confidence and autonomy, and have a meaningful working day, is an important governance principle for us.

Recruitment and employer branding

In 2023 we appointed about 300 persons to various roles in the group. This includes internal candidates and processes where employees may have transferred between departments or companies within the group.

We recognise that we are an attractive employer, and our job vacancies attract well qualified applicants. Universum's survey of students' perception of employers ranks SpareBank 1 SMN in fourth place on the list of the most attractive employers in Norway for economics students.

We aim to be an attractive employer for a broad diversity of people, and work actively to that end in our communication and recruitment processes.

Our objective is that both women and men should be among the shortlisted candidates ahead of the final decision on who is to be offered an open position. In 2023 this objective was achieved in a majority of appointment processes. The group makes a purposeful effort to ensure a wide diversity of applicants for posts in the group, of candidates invited for interview and of appointees.

We have in recent years consciously sought to ensure that our mode of communication in recruitment processes and employer branding contributes to our standing as an attractive employer for men and women alike. Our applicants' gender distribution shows that we have a gender balance and that a relatively identical share of men and women apply to our positions. The same picture is reflected in appointments which in 2023 shows a good gender balance.

In the recruitment process the emphasis is on objective and fair selection criteria, and we employ well validated testing tools to provide a picture of candidates that is as objective as possible.

We also see the need to be a visible, attractive employer for candidates from a wider range of disciplines and fields of study. An active effort is made to increase the diversity of applicants through vacancy announcements, collaboration across more fields of study and visibility across a broad selection of education institutions and disciplines.

The group's new employer branding strategy was adopted towards the end of 2023. This, together with our continued systematic effort with regard to our recruitment processes, will reinforce our attractiveness and ensure that we attract and appoint persons with diversified backgrounds.

Enhancing our employees' competency in sustainability and our ethical guidelines is further described as material themes under the focal area "Advisory services and customer offering".

Culture

Goal: To develop a shared "One SMN" culture that contributes to customer growth, continuous improvement and that makes SpareBank 1 SMN the region's best place to work

The group's ambitions for a shared culture

We have in recent years made an effort to implement shared cultural ambitions for the entire group. The need to create shared characteristics and ambitions for all employees has been an important extension of strengthening the group model after the organisation change in 2020/2021. Our shared ambitions as regards workplace culture across business lines are summed up in three overarching principles:

- Creating customer value
- Shaping the future
- Being a team player

Active use was made of workplace culture aspirations in our 200th anniversary celebrations in 2023, and we made a conscious effort to create a sense of belonging and collective identity within the group. While looking back on 200 valuable years, we also look forward to size up how we can shape the future, remain relevant and create value for our customers.

Staffing

Group	2023	2022
No. of FTEs, incl. subsidiaries ¹⁾	1 545	1 592
No. of FTEs, parent company ²⁾	798	664
Sickness absence ³⁾	6.3 %	4.8%
Share of women ⁴⁾	56 %	56 %
Share of women in management positions ⁵⁾	45 %	43 %
Women's share of men's pay ⁶⁾	90 %	90 %
Average age	41.2	42.4
Average length of employment	7.8	8.7
No. of recruitments, internal ⁷⁾	13	21
No. of recruitments, external	292	208
Staff turnover ⁸⁾	9.2 %	10.7 %
Share of employees covered by collective bargaining agreement	77 %	77%

1) No. of staff adjusted for FTE percentage

2) Figures taken from the FTE application and showing FTE obligation

3) Sickness absence, group. 2022 figure shows sickness absence, bank

4) Applies to permanent staff

5) Includes basic salary to permanent staff. Applies to internal recruitment at the bank

6) Applies only to parent company employees distributed by position level

7) Applies to internal recruitment at the parent company

8) Includes employees who have quit their position and left the group.

Table 17: Staffing, Group

Age groups' gender distribution

Age	Women	Men	Total
18-29	162	167	329
30-39	270	209	479
40-49	105	160	365
50-59	224	130	208
60-69	113	95	185
70-79	0	2	2
Total	836	763	1 737

Table 18: Age and gender distribution

Distribution, staffing agency

FTEs are calculated under same assumptions as other staffing, and convey FTEs (parent company) in the total staffing overview.

FTEs through staffing agency	2023	2022
Retail Banking	25.8	42.4
Corporate Banking	12.9	5.7
Other	5	1
FTEs (staffing agency)	43.7	49.1
FTEs (parent company)	798	664
FTEs (staffing agency) in % of FTEs in parent	5.48 %	7.39 %

Table 19: FTEs through staffing agency

Distribution of new employees

In 2023 new employees totalled 229, of which 179 were women and 113 men (permanent staff).

Age	Women	Men	Total
18-29	65	48	113
30-39	60	40	100
40-49	25	15	40
50-59	25	7	32
60-69	4	3	7
Total	179	113	292

Table 20: Distribution of new employees

Distribution by employment type and gender

Employee type	Women	Men	Total
Permanent	960	747	1 707
Full-time	899	723	1 622
Part-time	61	24	85
Apprentice¹⁾	7	12	19
Full-time	7	12	19
Temporary²⁾	6	2	8
Full-time	1	2	3
Part-time	5	0	5
Trainee EM1³⁾	14	16	30
Full-time	12	15	27
Part-time	2	1	3
Total	987	777	1 764

1) Apprentices are employed in a training programme lasting 2 years. Upon completion of their apprenticeship they take the trade examination.

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

3) Trainees in SpareBank 1 SMN are employed on a temporary basis for up to three years as part of a training programme while completing a bachelor's degree.

Table 21: Distribution by employment type and gender

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