

## 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"> <li>No. of participants at meeting places and innovation activities under group auspices</li> <li>No. of participants in competence-raising and development programmes under group auspices</li> </ul>	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"> <li>Share of corporate customers with credit exposures (turnover &gt; NOK 400m, balance sheet total &gt; NOK 200m, no. of employees &gt; 250) that have a climate account</li> </ul>	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](https://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 <sup>1)</sup>	25 %	24 %	25 %

<sup>1)</sup> 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