

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