

# Sustainability strategy at SpareBank 1 SMN

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## Introduction

SpareBank 1 SMN is a one-stop provider of financial products and services. As a co-owner of SpareBank 1-alliansen, and through our own subsidiaries, we offer competitive products in the fields of financing, savings and investment, insurance and payment services, along with estate agency, leasing, accounting services and capital market services.

The group's primary target group is private individuals, businesses, the public sector and organisations in Norway, with particular emphasis on the counties of Trøndelag, Møre and Romsdal and Fjordane. That means that we are normally not directly involved in business activity outside the country's borders.

SpareBank 1 SMN aims to stimulate sustainable development of our region. This aim is a firmly anchored priority of the group strategy for 2020-2023. The group's sustainability strategy is designed to enable the achievement of our financial goals and to create value for our customers, owners and employees by being a

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

The group strategy is the governing document for the group's general policy on sustainability. The policy applies to all aspects of our business. At the same time we urge our customers, suppliers and partners to abide by our policy and to actively contribute to cooperation towards more sustainable value creation in our region.

The object of the policy is to:

- Contribute to the group's achievement of its financial goals in the long term
- Ensure an overall and coherent group standard for sustainability irrespective of geographical location, customer group and organisational affiliation
- Support staff and managers in their strategic decisions and daily work
- Inspire the group's customers, suppliers and partners to commit to take account of the climate and environment, social conditions and responsible governance

## Commitments

The group supports the following national and international agreements in its work to integrate sustainability into the business:

- UN Sustainability Goals
- Paris Agreement
- ILO Conventions 100 and 111
- UN Convention on Economic, Social and Cultural Rights
- Working Environment Act
- Equality and Anti-Discrimination Act

SpareBank 1 SMN has signed and/or given its endorsement to the following principles and standards:

- UN Principles for Responsible Banking
- UN Global Compact
- Partnership for Carbon Accounting Financials (PCAF)
- Task Force on Climate Related Financial Disclosure
- Global Reporting Initiative (GRI)
- Environmental Lighthouse Foundation
- Guide Against Greenwashing

## General policies

The SpareBank 1 SMN group commits to take account of the climate and environment, social conditions and responsible governance in all its activities, including development of the customer offering, advisory services and sales, investment and credit decisions, production, operations and procurement.

SpareBank 1 SMN shall not be complicit in the violation of human and worker rights, corruption, serious damage to the environment or other actions which may be construed as grossly unethical. The international commitments and policies apply to the SMN group's own activities, but the group also urges its customers, suppliers and partners to abide by them.

## Climate and environment

SpareBank 1 SMN shall be a driver for the green transition. This applies in our day-to-day operations, through our customer offering and to how we invest the group's social dividend. As a driver we commit to:

- Develop our business models in a manner that supports the European Union's climate goals

- Reduce the group's total CO2 emissions in keeping with national obligations under the Paris Agreement, both directly through environmental improvement of our own business, and indirectly as an investor, lender and purchaser
- Compensate for the group's direct greenhouse gas emissions
- Identify, manage and measure climate risk in our business, and to report in keeping with applicable standards
- Minimise serious damage to the climate, nature and the environment, including significant emissions of CO2 and irreversible damage to vulnerable areas, ecosystems or population groups
- Promote increased climate and environmental responsibility and encourage the development and dissemination of climate-friendly technology and circular solutions
- Avoid involvement in mining practices in areas where such practices may in the event of accident or external impact lead to irreparable damage to the environment
- Exclude actors that are involved in coal extraction and coal power
- Promote sustainable management of water resources by helping to ensure that activities that consume substantial water resources are not established in areas and regions with a known water shortage and where such establishment conflicts with the local population's right of access to clean water

## Social conditions

SpareBank 1 SMN shall be a partner for the inclusive development of society. This applies in our day-to-day operations, through our customer offering and to how we invest the group's social dividend. As a partner we commit to:

- Respect internationally recognised human rights, including those enshrined in the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights and the ILO's Core Conventions
- Promote inclusive and sustainable innovation in our local communities
- Contribute to financial inclusion for all people
- Exclude actors involved in controversial weapons production. We shall not contribute to the development, testing, production, storage or transport of controversial weapons, or of components intended for controversial weapons, including cluster weapons, anti-personnel mines, nuclear weapons, chemical weapons and biological weapons

- Never exploit crises, dependence on the bank or particular vulnerability of individuals or local communities
- Exclude actors involved in child labour and exploitation of minors
- Exclude actors involved in the pornography industry
- Exclude actors involved in the tobacco industry
- Survey the group's own value and supplier chain in order to uncover the risk of any actual or potential violations of human rights to which SpareBank 1 SMN may give rise, be complicit in or be directly associated with in its role as employer, investor, lender and purchaser
- Ensure an effective right of complaint for customers through appropriate processes
- Contribute to diversity and a fair transition, and ensure that discrimination on the basis of for example ethnic background, religion, sexual orientation, functional capacity, age or gender does not occur
- Support socially beneficial causes and safeguard important societal values in areas and industries in which the group operates

## Corporate governance

SpareBank 1 SMN shall be a guide for a responsible business culture. This applies in our day-to-day operations, through our customer offering and to how we invest the group's social dividend. As a guide we commit to:

- Maintain a high ethical standard, good corporate governance, including compliance with the principles of confidentiality, financial independence, loyalty and personal integrity
- Uphold an efficient, responsible and open business culture at all levels of the group
- Set requirements as to openness with regard to ownership structures, ultimate right holders and tax positions
- Actively combat economic crime, money laundering, bribery and terrorist financing, and to report suspicious transactions
- SpareBank 1 SMN shall pay the correct taxes according to current regulations, and we do not advise customers or business partners to set up international structures with the main purpose of avoiding taxes
- Contribute to openness and investigation upon any suspicion of corruption or other economic crime
- Safeguard data privacy and data/cyber security in our business
- Hold regular discussions on climate and environment, social conditions and governance with the group's stakeholders (customers, staff, owners,

authorities and others in the public arena), suppliers and portfolio companies

- Abide by the Guide Against Greenwashing's principles for responsible marketing and communication of sustainability
- Include requirements on sustainability in all procurement agreements and contracts
- Ensure relevant and consistent sustainability reporting to all target groups
- Document the follow-up of serious breaches of our sustainability policy

## Process and organisation

The accountability of the bank's board of directors and the subsidiaries' boards of directors for the sustainable development effort is reinforced on a regular basis. The board and group CEO with the group management directors and the subsidiaries' CEOs are responsible for compliance with the group's policy on sustainability. This is followed up on by the companies as part of their annual internal control process.

The group management directors and the subsidiaries' CEOs are responsible for operationalising the strategy within their respective areas of responsibility, and make an active contribution to ensuring that goals and measures are relevant to the group's activities.

The business line 'Group Finance and Governance' provides guidance and advice as regards developing, executing and maintaining the sustainability effort throughout the group. Responsibility for this rests with the sustainability officer at SpareBank 1 SMN.

## Governance and measurement

The group's materiality matrix underlies the themes which SpareBank 1 SMN is to be guided by, measure and report on. The matrix is the outcome of an analysis of themes that are of greatest importance for the group's long-term value creation, and themes to which the stakeholders attach importance. The matrix is updated every second year or when required.

SpareBank 1 SMN reports in accordance with the reporting standard Global Reporting Initiative (GRI). The group's reporting integrates both financial and non-financial results. The work is verified annually by an external auditor.

## Sustainability library

SpareBank 1 SMN has published a sustainability library at [www.smn.no](http://www.smn.no) which gives an overview of underlying governing documents, including:

- Sustainability policy
- Climate risk strategy
- Policy on retail lending
- Policy on corporate lending
- Policy on sustainability in agriculture
- Policy on governance
- Policy on distribution of securities funds
- Materiality matrix
- GRI index
- Ethical guidelines
- Anti-corruption policy
- Policy on data privacy
- Whistleblowing procedure
- Policy on business travel
- Policy on discrimination
- Guidelines for sustainable procurement
- Supplier sustainability declaration
- Guidelines on responsible marketing
- Guidelines on communication of sustainability

## Audit history

Date	Version	Description	Author
01.12.2020	0.1	Establishing ambitions and goals	Jan-Eilert Nilsen
05.12.2020	0.5	Consultation ESG committee	Jan-Eilert Nilsen
07.12.2020	0.6	Approval group management	Kjell Fordal
15.12.2020	0.7	Level of ambition approved by board of directors	Jan-Frode Janson
10.09.2021	0.8	Establishing strategy document	Jan-Eilert Nilsen
15.09.2021	0.8	Consultation ESG committee	Jan-Eilert Nilsen
17.09.2021	0.9	Approval group management	Kjell Fordal
24.09.2021	1.0	Approval board of directors	Jan-Frode Janson
15.12.2022	1.1	Tax policy added	Ola Neråsen
02.05.2023	1.2	Added Fjordane in the definition of our region.	Jan-Eilert Nilsen