

# SpareBank 1 SMN's Third Reporting for Signatories of the Principles For Responsible Banking

March 31<sup>st</sup> 2023

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Principles for Responsible Banking (PRB)

Reviewed version (V2) from September 2022



## Reporting and Self-Assessment Template

The following template sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking (PRB). Your bank discloses which actions it has undertaken to implement the PRB by self-assessing its progress on each of the 6 Principles. This template is therefore structured in accordance with the 6 Principles that signatories have committed to.

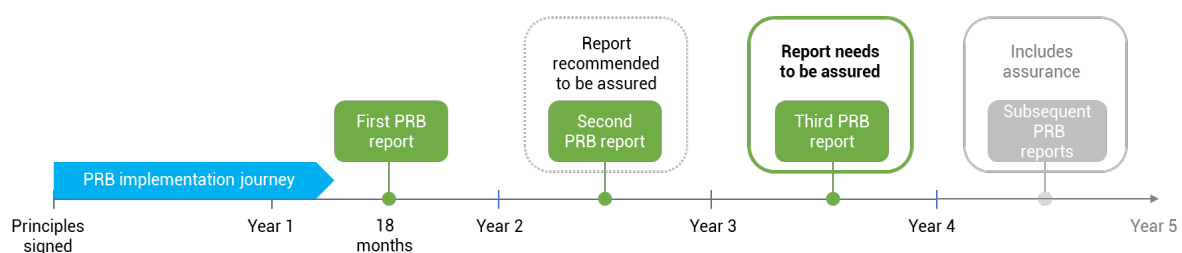
Three [Key Steps](#) are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also require a self-assessment summary to demonstrate the extent to which the bank has fulfilled the respective requirements of the Key Steps.

### Accommodating different starting points

Your bank has an initial four-year period from signing to implement the 6 Principles including to bring its reporting fully in line with the requirements. Your bank may not be able to provide all information required in this template in the first report. You should build on your implementation progress annually. Feedback, support, capacity building, training and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

### Timeline for reporting and assurance

Signatory banks need to report on their implementation of the Principles on an annual basis. The first PRB report has to be published within 18 months of signing the Principles, to give the bank some flexibility to align the PRB reporting with its reporting cycle. Publishing the first PRB report at any point earlier than 18 months after signing the Principles is therefore an option. After the first PRB reporting has been published, subsequent reports have to be published annually thereafter, i.e. within 12 months at the latest after the prior report<sup>1</sup>.



### Assurance

The last report within the initial 4 year implementation period (and subsequent reports thereafter) needs to be assured, which means that at least the third PRB report needs to be assured. Banks are encouraged to put the assurance process in place well before that and have earlier PRB reports already assured.

<sup>1</sup> Early reporting is permitted, although sufficient time to show progress from one year to the other should be taken into account.

All items that relate to the three [Key Steps](#) (highlighted in yellow) require limited assurance by year four of signing the PRB, undertaken by an independent third party with relevant expertise in the field. These are:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

An assurer provides limited assurance of your self-assessment in these listed areas. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted. Assurance requirements are described in more detail in the [Guidance for Assurance providers: Providing limited assurance for reporting](#).

## Purpose of the template

The purpose of this template is to assist signatories in disclosing their progress on implementing the PRB. The disclosed information is used by the UNEP FI Secretariat as the basis for the individual review of each bank's progress, as well as for reporting the collective progress made by the PRB Signatory Group. To measure collective progress in a consistent manner, some standardized questions to be completed by the banks are integrated into the template. The open questions give banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate.

# How to use this template

This template gives banks the chance to provide summaries of the annual progress made in implementing each Principle. It is designed for your bank to provide references/links to where in your existing reporting/public domains (websites) the required information can be found to support your answers. The aim is to keep any additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6. When referring to other documents, please specify the pages where the exact information appears.

The Reporting and Self-Assessment Template shall not be amended structurally and content-wise. The content and text of the template can be applied to corporate layout and designed accordingly, without omitting parts of the texts. The Reporting and Self-Assessment Template can be integrated into your bank's reports (annual report, sustainability report or relevant reporting formats) or can be published as a stand-alone document. It needs to be publicly available and will be listed on the UNEP FI Signatories page.

The reporting needs to be published in English. Information that is referenced to within the Reporting and Self-Assessment Template should also be available in English. Where that is not possible, it is recommended to include the summary of relevant information as text in the Template, so that all necessary information can be taken into account when the UNEP FI Secretariat reviews the bank's performance.

# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

## Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

SpareBank 1 SMN is an independent regional savings bank and the region's leading financial services group. Together with our subsidiaries and affiliates, we are a complete financial centre catering to both the retail and the corporate market. With subsidiaries included, we have about 1,650 employees at the end of 2022.

SpareBank 1 SMN is one of six owners of SpareBank 1-alliansen. Through this alliance 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.

### Links and references

Annual report 2022/This is SpareBank 1 SMN, page 7.

Annual report 2022/Note 8 Loans and advances to customers, page 132.

<https://annualreport.smn.no/2022/this-is-sparebank1smn/index.html>

<https://aarsrapport.smn.no/2022/note-utlaan-fordringer/index.html>

## Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

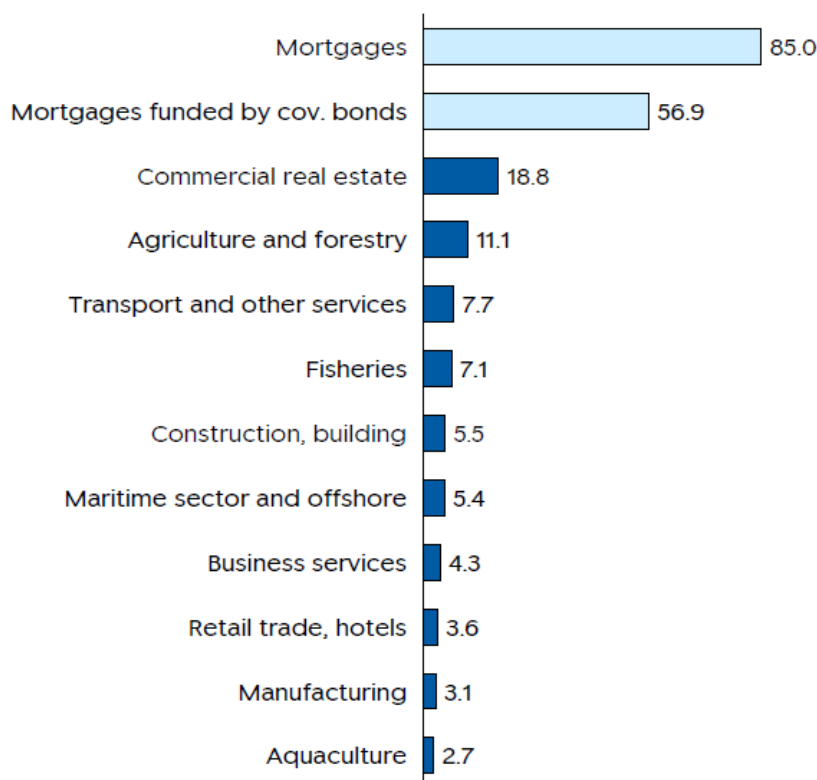
Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

**Response**

Distribution of the banks portfolio (NOK bn) in terms of segments:



**Links and references**

Annual report 2022/Sustainability and corporate social responsibility, page 14.

Annual report 2022/Obligations, page 15/16.

Fourth quarter presentation, page 25.

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

<https://www.sparebank1.no/en/smn/about-us/investor/financial-info/quarterly-and-annual-reports.html>

## Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

## 2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>2</sup> and fulfil the following requirements/elements (a-d)<sup>3</sup>:

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

### Response

The impact analysis was prepared by the group's ESG Committee in collaboration with EY Norway with a focus on the personal market, corporate market, broker services and accounting services.

### Links and references

Group impact analysis, page 3.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries<sup>4</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

### Response

The portfolio analysis was performed with a basis in UNEP FI Impact Analysis Tool v3. The tool is populated with the bank's and SpareBank 1 Finans' business data, which in combination with pre-completed data provides an estimate of the group's largest potential negative and positive impact areas.

Sector analyses were done with a basis in the SASB's Materiality Finder<sup>5</sup> and the MSCI's Materiality Map.

### Links and references

Group impact analysis, page 4.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<sup>2</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>3</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

<sup>4</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

<sup>5</sup> [Find Industry Topics - SASB](#)

<p>The bank's exposure to financed greenhouse gas emissions and ESG risks was obtained from the group's PCAF and ICAAP reports</p> <p>The analysis for Regnskapshuset was done by identifying which sectors account for Regnskapshuset's largest revenues.</p> <p>The analysis for EiendomsMegler 1 Midt-Norge is based on the distribution of energy ratings for dwellings sold since the start of 2021.</p>	<p><a href="https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html">us/sustainability/sustainability-library.html</a></p>
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**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>6</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

**Response**

- Large corporates representing the following sectors were interviewed: Fishery, Fish farming, Construction, Property and Shipping/Offshore. These customers cover five of the most relevant industries in the Corporate Portfolio.
- Digital surveys were sent (without obligation) to a randomised selection of 3,000 retail customers with residential mortgages, 3,000 retail customers with financial products and 3,000 small and medium sized businesses that are customers of Regnskapshuset.
- All 1,600 employees in the group had the opportunity to respond to the survey.

**Links and references**

Stakeholder dialogue, page 5.

Group impact analysis, page 4/5.

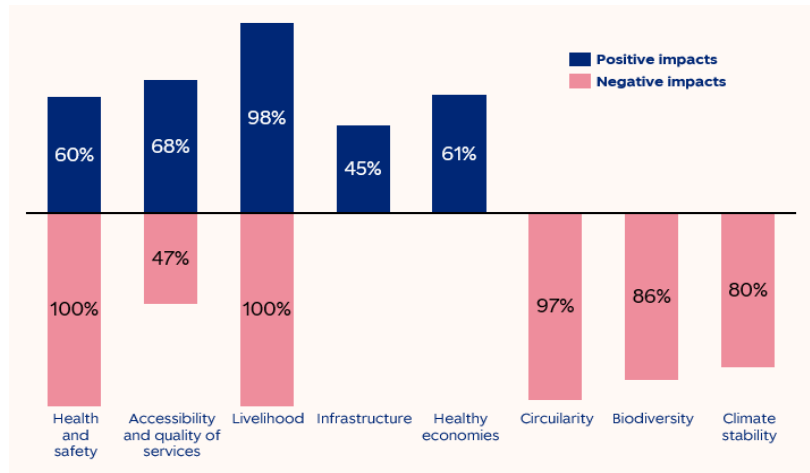
Group materiality analysis

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

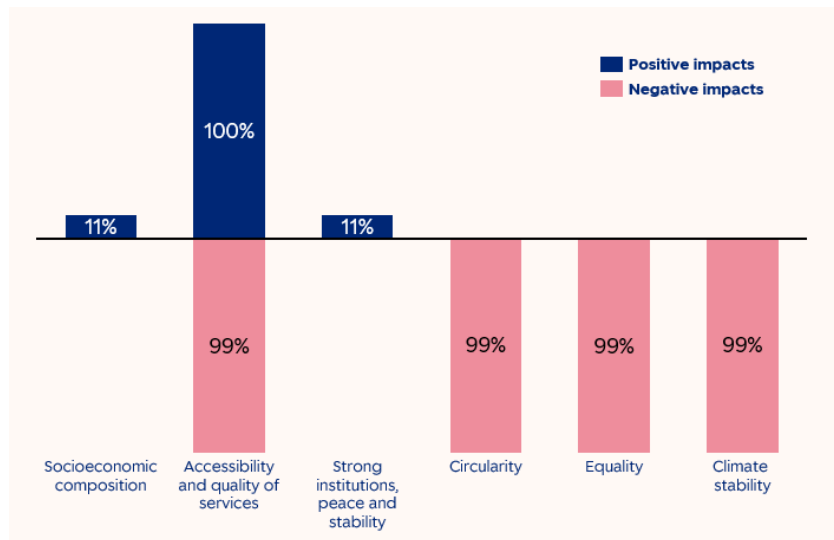
<sup>6</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.



Mai challenges corporate customers in our region:



Main challenges retail customers in our region:



Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>7</sup>? Please disclose.

*Response*

Our assessment of the Group’s positive impact areas:

*Links and references*

Group impact analysis, page 7/8.

<sup>7</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Livelihood	Availability of resources and services	Healthy economies
<ul style="list-style-type: none"> <li>Stimulate local business development and value creation</li> <li>Stimulate retention and recruitment of competences and working people in the region</li> </ul>	<ul style="list-style-type: none"> <li>Ensure fair access to finance</li> <li>Offer and strengthen social products and services</li> <li>Stimulate local business development and value creation</li> </ul>	<ul style="list-style-type: none"> <li>Set the stage for long-term returns and profits</li> <li>Stimulate innovation and sustainable economic growth</li> <li>Stimulate local business development and value creation</li> </ul>

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

Our assessment of the Group’s negative impact areas:

Circularity	Biodiversity	Health and safety
<ul style="list-style-type: none"> <li>Stimulate a more circular economy</li> <li>Stimulate sustainable consumption and lifestyle</li> <li>Stimulate a green transition for retail customers and corporates</li> </ul>	<ul style="list-style-type: none"> <li>Protect and restore ecosystems and biodiversity</li> <li>Contribute to the protection of water and maritime resources</li> <li>Prevent and combat deforestation</li> <li>Stimulate a green transition for retail customers and corporates</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to increased awareness of a good quality of life and mental health</li> <li>Strengthen data protection and cybersecurity</li> <li>Prevent and combat economic crime and corruption</li> </ul>

**d) For these (min. two prioritized impact areas): *Performance measurement:*** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.

*The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*

**Response**

Our insight from the impact analysis has resulted in four focal areas for performance measurement:

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

Based on the focal areas, the group has identified a number of key performance indicators.

**Links and references**

Group materiality analysis, page 4.

Annual report 2022/Four focal areas, page 16.

In terms of climate mitigation, we will measure green house gas emissions in our day-to-day-operations and in our portfolio. Transition plans will be developed on a sector basis, starting with agriculture, fishery, commercial buildings and households.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

In terms of circular economy, we will put focus on climate accounting, both in the value- and supplychain.

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

The key performance indicators will be integrated as part of our regular business management practices:

- The business units will develop business plans including ESG performance indicators
- ESG steering committee will coordinate best practice
- Group management will consider capacity and progress to improve performance and transition progress
- The board of directors will get regular updates on the group's performance

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>8</sup>

- |                          |   |                                      |                             |
|--------------------------|---|--------------------------------------|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

*Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify*

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication

<sup>8</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:  
(*optional*)

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>9</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>10</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

*You can build upon the context items under 2.1.*

### Response

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

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

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

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

Sustainable value creation is integral to the group's goals. We work with all UN sustainability goals on a broad front. However, based on our business lines and the updated materiality analysis, eight of those goals have somewhat higher priority.

- Goal 8: Decent work and economic growth
- Goal 9: Industry, innovation and infrastructure
- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action

### Links and references

Sustainability strategy, page 3.

Group materiality analysis, page 5.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<ul style="list-style-type: none"> <li>- Goal 16: Peace, justice and strong institutions</li> <li>- Goal 17: Partnerships for the goals</li> </ul> <p>Goal no. 17 is particularly central for SpareBank 1 SMN and underpins our vision: ‘Together we make things happen’</p>																					
<p><b>b) <u>Baseline:</u></b> Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.</p> <p><i>You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.</i></p> <p><i>A package of indicators has been developed for climate change mitigation and financial health &amp; inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the <a href="#">Annex</a> of this template.</i></p> <p>If your bank has prioritized climate mitigation and/or financial health &amp; inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:</p> <table border="1" data-bbox="240 904 1362 1066"> <thead> <tr> <th><i>Impact area</i></th> <th><i>Indicator code</i></th> <th><i>Response</i></th> </tr> </thead> <tbody> <tr> <td rowspan="3"><i>Climate change mitigation</i></td> <td>...</td> <td></td> </tr> <tr> <td>...</td> <td></td> </tr> <tr> <td>...</td> <td></td> </tr> </tbody> </table> <table border="1" data-bbox="240 1095 1362 1256"> <thead> <tr> <th><i>Impact area</i></th> <th><i>Indicator code</i></th> <th><i>Response</i></th> </tr> </thead> <tbody> <tr> <td rowspan="3"><i>Financial health &amp; inclusion</i></td> <td>...</td> <td></td> </tr> <tr> <td>...</td> <td></td> </tr> <tr> <td>...</td> <td></td> </tr> </tbody> </table>		<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>	<i>Climate change mitigation</i>	...		...		...		<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>	<i>Financial health &amp; inclusion</i>	...		...		...	
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<p>In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.</p>																					
<p><b>Response</b></p> <p>Based on the materiality analysis and the transition phase in which the region and the group currently find themselves, the group has identified a broad package of indicators:</p>	<p><b>Links and references</b></p> <p>Annual report, page 17.</p> <p><a href="https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html">https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html</a></p>																				

<sup>9</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank’s management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>10</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank’s targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

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

1) Based on existing framework as per 31.12.22

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

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

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

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>11</sup>): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

**Response**

	Results 2022	Target 2023
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<b>Sustainable transition of Mid-Norway</b>		
No. of participants in meeting places and innovation activities	0	7,000 participants 250 'youth enterprises'
No. of participants in competence and development programmes	31	50-100
Share of large corporate customers with credit commitments who have carbon accounting reports <sup>4)</sup>	Not available	25 %

**Links and references**

Annual report 2022/Four focal areas

<https://annualreport.smbn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

<sup>11</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p><b>Response</b></p> <p>We are in the process of preparing transition plans per industry that we finance. Based on our analysis, the preparation of transition plans will be prioritised with reference to each industry's emissions intensity.</p> <p>The transition plans will contribute to our effort to reduce financed greenhouse gas emissions and at the same time reduce our customers' vulnerability to climate changes, in particular transition risk.</p> <p>In 2022 we finalised transition plans for agriculture, and are drawing up transition plans for fishery, shipping, offshore and commercial property.</p> <p>Further consideration of negative impact for our customers, is work in progress. This will be solved through active dialogue and impact strategies.</p>	<p><b>Links and references</b></p> <p>Annual report 2022/Sustainability and corporate social responsibility</p> <p><a href="https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html">https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html</a></p>
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<h3>Self-assessment summary</h3> <p>Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...</p>			
	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes



	<input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The latest update of the materiality analysis showed that many of the expectations from 2020 still apply at the same time as new themes have come to the fore.

Based on the updated materiality analysis, we have revised our key figures in order to identify drivers which can boost the group's transition. New key figures require new tools and processes, and some figures were unavailable at the time of this reporting.

In the coming year we will give priority to collecting data on key figures which were unavailable at the time of reporting.

### Links and references

Group materiality analysis, page 4.

Annual report 2022/ Sustainability and corporate social responsibility, page 17.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

## Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>12</sup> in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>13</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

#### Response

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 main strategic tool in our next step is transition plans on sector level. These plans will be published consecutively on our sustainability library at [www.smn.no](http://www.smn.no).

#### Links and references

Sustainability strategy, page 2.

Stakeholder dialogue, page 2/3.

Q4 2022, Quarterly report and presentation, page 25

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<https://www.sparebank1.no/en/smn/about-us/investor/financial->

	<p><a href="https://www.unepfi.org/quarterly-and-annual-reports.html">info/quarterly-and-annual-reports.html</a></p> <p><a href="https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html">https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html</a></p>
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### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

#### *Response*

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

#### **Retail Banking**

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

#### *Links and references*

Annual report 2022/Stimulating green transition for retail customers and corporate customers, page 36.

Annual report 2022/Advisory services and customer offering, page 37.

Annual report 2022/Expanding the commercial offering of climate-friendly and social products and services, page 38.

Annual report 2022/GRI index, page 242.

<sup>12</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>13</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

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.

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

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

<https://annualreport.smn.no/2022/content/443/GRI-Index.html>

**Corporate Banking**

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

## Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

#### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>14</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

##### Response

Our continuous stakeholder dialogue provides us with inputs and expectations that contribute to the development of our knowledge base, priorities and customer offering:

- Good stakeholder management gives us valuable information and a better foundation for good decision making
- Our ownership model ensures that the local community is represented on the bank's governing bodies, and our business model builds on local knowledge and relations with the populace throughout the region.

We aspire to meet the demands and expectations of the group's various stakeholders in an open and constructive manner.

Our material stakeholder groups and stakeholder management process is described in the reference document.

##### Links and references

Stakeholder dialogue, page 2/3.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<sup>14</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

## Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

The following roles with ensuing descriptions are central to the policy:

Director, Group Finance and Governance (CFO) has overarching responsibility for the group's sustainability effort

Director, Risk Management has responsibility for sustainability as an integral part of the group's risk and capital management.

Director, Technology and Development (CTO) is responsible for sustainability as an integral part of the group's innovation and business development.

Directors and CEOs are responsible for preparing guidelines for and compliance with the group's sustainability strategy.

Group chief sustainability officer (CSO) is responsible for developing and managing the group's ESG knowledge base and sustainability strategy, directing the work of the group's ESG Committee, assisting customer acquisition when needed, and for representing the group at relevant venues and networks.

Links and references

Sustainability policy, page 3/4.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

Group accounting manager is responsible for integrated reporting of financial and non-financial information.

Finance manager is responsible for integrating sustainability into forecasts, planning processes and corporate governance.

Real estate and procurement manager is responsible for sustainability as an integral part of the group's property management and purchasing practices, including due diligence assessments of the group's suppliers.

Manager, Treasury is responsible for sustainability as an integral part of the group's funding and liquidity management, and in its own investments.

Director, Communication and Brand is responsible for the group's external and internal sustainability communication, and for ensuring that community dividend resources are not allocated to organisations that fall short of the group's expectations as to accountability in regard to climate and environment, social conditions and corporate governance.

Director, Legal Services is responsible for identifying new legislation and regulatory requirements governing the group. All managers and staff members in the group have an independent responsibility for ensuring compliance with the group's sustainability policy.

The Compliance Function is responsible for shaping and implementing relevant compliance checks, and for recommending improvements as and when needed. Observed weaknesses or breaches of compliance with this policy are communicated via a quarterly compliance report to the Board of Directors and the Group Management Team.

Governance structures:

- SpareBank 1 SMN's sustainability policy applies in full to subsidiaries and to partly owned companies/joint ventures where SpareBank 1 SMN has effective control through majority ownership, voting rules or operating responsibility.
- The group's sustainability efforts will be followed up as part of the respective companies' risk management and internal control process
- Significant failures of compliance with the group's sustainability strategy will be recorded as incidents in the Betr database



<ul style="list-style-type: none"> <li>• Policies and procedures published in the Sustainability Library will be in conformance with internal governance documents, processes and practices</li> <li>• The group’s ESG steering committee coordinates joint activities and processes in accordance with it’s mandate, and meets on a monthly basis</li> </ul>	
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## 5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

### Response

SpareBank 1 SMN will provide necessary and regular training programmes and guidance to ensure that group employees are in a position to assess the risk picture and to fulfil their obligations under this sustainability policy.

The Board of Directors, Group CEO and other executives have a particular responsibility for raising awareness and for setting a good example as role models of accountability in the climate and environment context. The tone from the top should be made visible through references to the sustainability policy.

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

In collaboration with the Norwegian University of Science and Technology (NTNU), 27 staff members are attending the study programme “Digital transformation and sustainability in the financial sector”. The programme comprises a number of themes:

### Links and references

Sustainability policy, page 3.

Annual report 2022/Strengthening role-Based competence-enhancing programmes with a focus on ESG for our own staff, page 40.

Annual report 2022/People and organisation, page 55.

<https://www.sparebank1.no/en/smn/about-us/sustainability/sustainability-library.html>

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>



artificial intelligence, the digital economy, block chains and cryptocurrency, transformation and sustainability.

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>15</sup> Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

#### Response

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

#### Links and references

Annual report 2022/Corporate banking, page 23.

Annual report 2022/Sustainable transition in SpareBank 1 SMN, page 45/46.

<https://annualreport.smn.no/2022/content/514/Sustainability-and-corporate-social-responsibility.html>

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

<sup>15</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.



## Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes       Partially       No

If applicable, please include the link or description of the assurance statement.

#### Response

See auditor's report, PwC.

#### Links and references

*Attachment*

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI  
 SASB  
 CDP  
 IFRS Sustainability Disclosure Standards (to be published)  
 TCFD  
 Other: ....

#### Response

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.

#### Links and references

Annual report 2022/GRI index, page 242.

<https://annualreport.smn.no/2022/content/443/GRI-Index.html>

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>16</sup>, target setting<sup>17</sup> and governance structure for implementing the PRB)? Please describe briefly.

<sup>16</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>17</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

<i>Response</i>	<i>Links and references</i>
<p>The next steps we will undertake in next 12 month -reporting period:</p> <ul style="list-style-type: none"> <li>• Prepare transition plans for material sectors</li> <li>• Prepare guiding principles for circular economy</li> <li>• Strengthen ESG data quality and architecture</li> <li>• Continued capacity building</li> </ul>	

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |  |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement             |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement          |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability    |
| <input type="checkbox"/> Conducting an impact analysis   | <input checked="" type="checkbox"/> Data quality         |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts        | <input type="checkbox"/> Access to resources             |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input checked="" type="checkbox"/> Reporting            |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

# Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.<sup>18</sup> The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

**How to use:** Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets<sup>19</sup> (highlighted in **green**) or to client engagement<sup>20</sup> targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.<sup>21</sup> Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

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<sup>18</sup> It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

<sup>19</sup> Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

<sup>20</sup> Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>21</sup> You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
  
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice <sup>22</sup> (pathway to impact)									Impact <sup>23</sup>		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	<b>Climate strategy:</b> Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	<b>Client engagement process:</b> Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No;  <i>If yes:</i> Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	<b>Financial volume of green assets/low-carbon technologies:</b> How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; <i>please specify</i> the definition of green assets and low-carbon technologies used	A.4.1	<b>Reduction of GHG emissions:</b> how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO <sub>2</sub> e (or applicable metrics) <sup>24</sup>
	A.1.2	<b>Paris alignment target:</b> Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No;  <i>If yes:</i> - please specify: to become <b>net zero by when?</b> - <b>Emissions baseline / base year:</b> What is the emissions baseline / base	A.2.2	<b>Absolute financed emissions:</b> What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO <sub>2</sub> e <i>(please also disclose what is excluded for now and why)</i>	A.3.2	<b>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:</b> How much does your bank lend to / invest in carbon-intensive	bln/mn USD or local currency, and/or % of portfolio	A.4.2	<b>Portfolio alignment:</b> How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio <i>(please specify which portfolio; for corporate and business clients: % of sectors financed)</i>

<sup>22</sup> Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

<sup>23</sup> Impact: the actual impact of the bank's portfolio

<sup>24</sup> If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

		year for your target? - <b>Climate scenario used:</b> What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			sectors and activities <sup>25</sup> ? How much does your bank invest in transition finance <sup>26</sup> ?			
<b>A.1.3</b>	<b>Policy and process for client relationships:</b> has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	<b>A.2.3</b>	<b>Sector-specific emission intensity</b> (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector ( <i>depending on the sector and/or chosen metric</i> ): kg of CO <sub>2</sub> e/ kWh, CO <sub>2</sub> e / m <sup>2</sup> ; kg of CO <sub>2</sub> e/USD invested, or kg of CO <sub>2</sub> e/revenue or profit					
<b>A.1.4</b>	<b>Portfolio analysis:</b> Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No;  <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	<b>A.2.4</b>	<b>Proportion of financed emissions covered by a decarbonization target:</b> What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% <i>(denominator: financed emissions in scope of the target set)</i>					

<sup>25</sup> A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

<sup>26</sup> Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.



	<b>A.1.5</b>	<b>Business opportunities and financial products:</b> Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
<b>B. Financial health</b>	<b>B.1.1</b>	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	<b>B.2.1</b>	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	<b>B.3.1</b>	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	<b>B.4.1</b>	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

						means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	<b>B.1.2</b>	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	<b>B.2.2</b>	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	<b>B.3.2</b>	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	<b>B.4.2</b>	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based



					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.					
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	Transactional data based. Measures the percentage of customers with effective access to a basic banking product. By effective we mean the usage beyond first access. Basic banking products vary by bank. Good examples are: checking accounts, payment accounts, credit cards, saving accounts, deposit accounts, e-	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.	

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3*	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			