

Sustainability at RB Finance, Retail Banking Division, SpareBank 1 SMN

Sustainability at RB Finance

Retail Banking and RB Finance commit to the group's sustainability effort and to the joint initiative and governance structure established at group level. Reference is therefore made to the document "Sustainability strategy at SpareBank 1 SMN" for our overarching commitments as a part of the SpareBank 1 SMN group:

Sustainability strategy at SpareBank 1 SMN:

"SpareBank 1 SMN aims to stimulate the sustainable development of our region. This strategic priority is firmly anchored in the group strategy for 2020-2023. The group's sustainability strategy will enable our financial goals and create value for our customers, shareholders and employees by being a driver for the green transition, a partner for the inclusive development of society and a guide for responsible business culture. The group strategy is the steering document for the group's general policy on sustainability. That 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 contribute actively to collaboration for more sustainable value creation in our region. The policy is designed to contribute to the group's attainment of its financial goals in the long term; to ensure an overall and coherent group standard for sustainability irrespective of geographical location, customer group or organisational affiliation; to support staff and managers in their strategic decisions and day-to-day work; and to inspire the group's customers, suppliers and partners to commit to take account of the climate and environment, social conditions and responsible corporate governance."

For RB Finance, sustainability means to further this overarching ambition by creating value for, and together with, our personal customers and by helping to build strong local communities through our role as a financial services provider and financial adviser, and to conserve the planet by incentivising choices and options that promote a focus on the climate and the environment. Our advisory activity, and our financing solutions for personal customers, self-employed persons and agricultural clients underpin an overall goal of meeting the consumer needs of the present without compromising the ability of future generations to meet their own needs. We provide advice and offer finance within a framework of external law requirements and internal guidelines. This assures the propriety and prudence of our assessments and lending practice, good advisory services and safe and secure customer choices that meet identified customer needs through solutions tailored to the individual.

Sustainability, market and customer offering

RB Finance aims for sustainability and a green transition through concept and product development, a targeted focus on the customer when setting up a loan and collaboration both within the group and with partners and customers. A portfolio of green, sustainable financing products has been established and has grown. Examples of such products are green agricultural loans, green mortgages for young people and first-time homebuyers, and financing solutions for customers in a difficult financial situation. More and more customers are granted a green mortgage based on the home's documented energy efficiency, either in connection with home purchase or home rehabilitation. We are concerned to facilitate conversion or rehabilitation projects that make 'brown' homes 'greener', for example by

rewarding borrowers who make improvements that qualify for a reasonably priced, energy-efficient mortgage. RB Finance has good experience of collaborating on sustainability across the group, including with the estate agency arm, EiendomsMegler 1 Midt-Norge. Together we seek proactively to induce property developers, planners and homebuyers alike to make climate-friendly choices.

RB Finance is concerned to formulate sustainable, long-term financing solutions for customers in financial difficulties. In conjunction with SpareBank 1 Kreditt we offer refinance to improve the customer's debt-servicing ability at the same time as we clean up external debt commitments and move the entire loan exposure to our portfolio. Exposure monitoring is at centre stage and entails responsible-mindedness towards customers in a difficult financial situation. At RB Finance we are concerned to show flexibility and to be an adviser and partner for our customers in good and bad situations alike. RB Finance will by this means, and other measures, promote intra-group collaboration that supports sustainable products, solutions and customer concepts in our specialist field.

We know that home ownership is a key foundation for building a solid economic future. That is why RB Finance's aspires explicitly to facilitate young people's entry into the housing market. We do this by exploiting the leeway provided by the flexibility quota in the regulations governing financial institutions' lending practices. Further, we offer flexible solutions to customers who find themselves in a difficult life situation or experience events that require a structured response, for example loss of partner or of regular income. Thus we support the group's ambition to be a driver for the green transition, a partner for the inclusive development of society and a guide for responsible business culture.

According to materiality analyses, Retail Banking's greatest influence on sustainability is through the themes of property and agriculture. Retail Banking can for example positively impact the housing situation through its role of mortgage lender to personal customers. In this role it drives the inclusion of low-paid individuals and families in the housing market and provides financial services to vulnerable groups in the community. We also see Retail Banking and RB Finance as a driver in relation to property developers and the construction and real estate industry through their role of finance provider. We can actively choose which projects we offer financing to, and we contribute to sustainable development by offering favourable financing terms that encourage developers and homebuyers to make choices that reduce greenhouse gas emissions and energy consumption. We already note concrete instances of housing projects where this has brought results and we will maintain this approach ahead.

The credit business and internal governance model

The precept of sustainable lending is enshrined in the bank's credit strategy and the sustainability strategy.

In keeping with regulatory requirements we provide advisory services with a basis in objective assessment criteria and objective assessment sources. The advice we provide is accordingly founded in principles that take account of the risks incurred by potential borrowers. We are also required to provide advice and offer financing based on our knowledge of the local market and the customer. This supplements our objective assessment and takes account of the customer's personal situation and behaviour. By identifying customer needs and providing advice, we enable the customer to make informed choices and decisions

that will also meet needs arising out of future events with a bearing on the customer's finances. We offer our customers sustainable financing solutions, and we follow up on our commitments and the customer's commitments over the customer's life course.

Retail Banking will strengthen its provision of advice on sustainable solutions and on the theme of sustainability in all customer segments. Our advisers have the competence needed to provide guidance to customers on alternatives that support our goal of being an active driver of the green transition. We want our personal customers to be assured of our knowledge of sustainability and to make sustainable choices by for example offering them favourable terms and conditions on loan products and relevant concepts and solutions. By this means we can exert influence on the consumer stage, raise attention to and awareness of sustainability and the climate, and make it more attractive to opt for such solutions.

RB Finance underpins the credit strategy's express goal that: *"Greenhouse gas emissions from the loan portfolio shall be estimated and used as insight for targeted measures and initiatives. Greenhouse gas emissions and ESG risk shall be included as significant assessment criteria in connection with the granting and renewal of credit and follow-up of customers. Mortgage authorisations shall reflect the fact that ESG risk and greenhouse gas emissions entail increased risk for the bank."* RB Finance will follow up the group's determination to work purposively to reduce this risk and will support the group's aim to increase the share of loans that can be financed by green bonds. This promotes the objective of increasing the proportion of loans that qualify for green bond financing.

In 2021 the group took steps to measure greenhouse gas emissions from the loan portfolio. This lays a basis for instruments and measures targeting areas of the retail lending business where the greatest climate and environmental effect can be achieved.

The requirements on Retail Banking's lending activity are operationalised through our credit policy, procedures and guidelines which, together with our business strategy and chosen distribution model, constitute our framework for sustainable lending.

Quality in the lending process

Retail Banking aspires to offer relevant, knowledge-based advice in the field of sustainability, to practise propriety and prudence in its assessments and to offer favourable terms on green loans to our customers. This approach will incentivise customers to make sustainable choices.

Quality is crucial to sound management and control of the credit area. By applying a coherent overall approach to quality and compliance, our goal throughout is to assure the propriety of our assessments, and an acceptable risk to the customer in connection with approval, follow-up and termination of a loan. This makes for sustainable management of the loan portfolio and a sound trend in credit risk at Retail Banking.

We will not expose borrowers to debt commitments that are counter to good advisory practices or prudent lending practices. RB Finance will not expose customers to commitments in cases where the loan purpose is considered unwarrantable or where the customer has poor debt-servicing capacity.

RB Finance will abide by requirements and rules laid down in external regulations and laws to which we are subject, including the Act on Measures to Combat Money Laundering and Terrorist Financing. Our policies uphold the Know Your Customer (KYC) principle. We

strive to prevent misuse of the financial system for money laundering or terrorist financing purposes. Prevention of money laundering and terrorist financing is an important societal objective, and compliance with the above act is therefore fundamental to public confidence in the financial industry in general and SpareBank 1 SMN in particular. Compliance with the act reduces the money laundering risk associated with property transactions, the risk of tax evasion and avoidance and the risk of funds from criminal activities being used as a source of the capital that we lend to customers. Through sound governance and control we promote prudent and sustainable lending practices.