

Principles for Responsible Banking

Reporting and Self-Assessment Template

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

How to use this template:

This template does NOT require your bank to produce an additional report. Rather, this template is designed for your bank to provide references/links to where in your existing reporting/public domains the required information can be found. The aim is to keep additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6.

Within this reporting template, there are six areas for self-assessment that are key to showing that your bank is fulfilling its commitments as a signatory of the Principles for Responsible Banking. They are highlighted.

1. Impact Analysis
2. Target Setting
3. Plans for Target Implementation and Monitoring
4. Progress on Implementing Targets
5. Governance Structure for Implementation of the Principles
6. Progress on Implementing the Principles for Responsible Banking

Only for these six highlighted items, it is required that:

- a) An assurer provides limited assurance of your self-assessment. 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.
- b) You provide your bank's conclusion/statement if it has fulfilled the respective requirements.

Accommodating different starting points:

Banks have different starting points and operate in different contexts. Your bank may not be able to provide all information required in this template the first time you report. That is fine. Your bank has up to four years from signing to bring its reporting fully in line with the requirements. Feedback, support and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
 <p>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.</p>		
<p>1.1 <i>Describe</i> (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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>SpareBank 1 SMN is the region's leading financial services group and caters to both the retail and corporate market. It is headquartered in Trondheim and the group has some 65 offices across the region. 14 of these are finance centres in which banking, accounting and estate agency businesses are present in the same location. With its subsidiaries included, the group has about 1,650 employees.</p>	<p>https://annualreport.smn.no/2021/this-is-sparebank1smn/index.html</p>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Sustainability is one of five strategic priorities in the group's business strategy, and the means of working towards sustainability are concretised in the sustainability strategy adopted by the board of directors. The strategy builds on the materiality and impact analyses carried out in autumn 2020 and is operationalised through objectives</p>	<p>https://annualreport.smn.no/2021/this-is-sparebank1smn/index.html</p>

	<p>and key results in all business lines. Coordination and development of an overall group standard for sustainability rests with the group's steering committee for sustainability.</p>	
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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.

<p>2.1 Impact Analysis:</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <ol style="list-style-type: none"> Scope: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> Identified and disclosed its areas of most significant (potential) positive and negative impact Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>[Your text here]</p> <p>Our materiality and impact analyzes is the basis of our sustainability strategy and business development activities. In our first quarter report 2021, we presented our first steps towards net zero.</p>	<p>https://annualreport.smn.no/2021/content/514/Responsible-operations-and-management.html</p> <p>!</p> <p>https://www.sparbank1.no/en/smn/about-us/investor/financial-info/quarterly-and-annual-reports.html</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>Our products and services have both positive and negative impact. Our analysis indicates that the positive impact primarily is within the social aspects of the SDGs. The negative impact is primarily within the climate and nature dimensions of the SDGs.</p>		

<p>2.2 Target Setting</p> <p><i>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</i></p> <p><i>Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</i></p> <p><i>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</i></p>	<p>[your text here]</p> <p>Target setting is an ongoing process in our group.</p> <p>In 2021, we changed the method for our carbon accounting report, to get a more granular measurement of scope 3 emissions.</p> <p>In December, we signed the PCAF network, to get a framework for estimating the climate footprint of our loanbook.</p>	<p>https://www.sparbank1.no/en/smn/about-us/investor/financial-info/quarterly-and-annual-reports.html</p> <p>https://annualreport.smn.no/2021/content/347/Carbon-Accounting-Report-Parent-Bank.html</p> <p>https://carbonaccountingfinancials.com/financial-institutions-taking-action#overview-of-financial-institutions</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.</p>		
<p>Target setting is an ongoing process in our group. More than 99% of our total emissions come from our loanbook. For the time being, we are searching for relevant targets on a sector level (absolute emissions, intensity), to help our customers to succeed in the green transition. Pathways and emission trajectories must be identified on a sector level.</p>		
<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>[your text here]</p> <p>In 2021 we published our sustainability strategy and climate strategy.</p>	<p>https://www.sparbank1.no/en/smn/about-us/sustainability/sustainability-library.html</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		

Our plans for target implementation and monitoring is work in process. Our long term targets needs to be addressed in short and mid term targets. Our model for performance management will be revised to include environmental performance.

2.4 Progress on Implementing Targets

For each target separately:

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

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

[your text here]

In 2021 SpareBank 1 SMN took its systematic work on responsible lending to corporate clients a stage further, and the board of directors adopted a new sustainability strategy. Work continues on new credit policy rules that impose expectations and requirements with regard to clients' ESG standards and when financing investments.

Mapping of ESG and environment standards at major loan clients is well under way on a sector by sector basis. Work is also ongoing to implement a tool to simplify mapping of all types of businesses regardless of sector. Credit policy rules and mapping are based on the EU taxonomy. In sectors where the taxonomy currently does not provide guidelines, the group's industry experts are consulted.

<https://annualreport.smn.no/2021/content/514/Responsible-operations-and-management.html>

<https://annualreport.smn.no/2021/content/486/People-and-organisation.html>

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We are working continuously with our customers and employees to strengthen our prerequisites to succeed in the green transition. Credit guidelines, competence programs and incentive structures are discussed to implement our targets effectively.



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.

<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>We will invest NOK 80 million of our community dividend in the next four years to help local businesses to succeed in the green transition.</p>	<p>https://annualreport.smn.no/2021/content/488/Community-dividend.html</p>
<p>3.2 <i>Describe</i> 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>Our network of stakeholders is expanding. Concept-and product development is an integral part of our business development processes. In 2021, we launched a customer solution in the retail market, which gives our customers the possibility to estimate their personal foot print based on own transactions.</p>	<p>https://annualreport.smn.no/2021/content/474/SpareBank-1-SMNs-stakeholders-and-memberships.html</p> <p>https://www.ted.com/talks/knut_elif_halgunset_banks_have_your_climate_trail_the_choice_is_yours_action</p>



Principle 4: Stakeholders

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

4.1 *Describe* which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

<https://annualreport.smn.no/2021/content/474/SpareBank-1-SMNs-stakeholders-and-memberships.html>



Principle 5: Governance & Culture

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

5.1 *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 effective implementation of the Principles.

The Group's sustainability strategy is the executive document for developing underlying guidelines and priorities. Our sustainability library is an open source for anyone who wants to follow our work and existing standards.

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

5.2 *Describe* the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

Corporate culture is the centre of our approach to sustainability. We have launched an internal project that addresses opportunities and areas of improvement in our culture. Sustainability practices is an integral part of the project.

<https://annualreport.smn.no/2021/this-is-sparebank1smn/index.html>

<p>5.3 Governance Structure for Implementation of the Principles</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. 	<p>[your text here]</p> <p>Our sustainability strategy outlines the governance structure for implementation of sustainability across entities across the Group. A dedicated ESG steering committee coordinates processes and initiatives in our common group approach to sustainability.</p>	<p>https://www.sparbank1.no/en/smn/about-us/sustainability/sustainability-library.html</p>
<p>Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		
<p>Governance structures, including an ESG steering committee, is in place.</p>		



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 Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

[your text here]

Our annual report gives the status for our work on sustainability, including GRI index and references to our sustainability web page.

Our reporting has been verified by a third party – Price Waterhouse Cooper/auditor.

<https://annualreport.smn.no/2021/this-is-sparebank1smn/index.html>

<https://annualreport.smn.no/2021/content/449/Auditors-report-sustainability.html>

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

SpareBank 1 SMN works systematically with implementing the principles for responsible banking. We have progress in the implementation, but we still have a lot of work ahead of us. Important areas are how to break down long term climate objectives to shorter term targets on sector level.

Annex: Definitions

- a. **Impact:** An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. **Significant Impact:** Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of *significant* impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.