General

SFDR[1] requires financial market participants and financial advisers such as SpareBank 1 Markets AS ('SB1M') to publish on their website information on their policies on how sustainability risks are integrated into investment decisions and investment advice, including whether and how adverse impacts of investment advice are considered, including wheter and how negative consequences of investment advice are assessed, and how remuneration policies are in accordance with the integration of sustainability risks in investment decision-making and investment advice.

Transparency of sustainability risk policies

Financial advisers are obliged to publish information about their policies on the integration of sustainability risks into their investment advice.[2]

Sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of investments.[3]

Examples of sustainability risks which are potentially likely to cause a material negative impact on the value of an investment, in the event they occur, are as follows:

- Environmental sustainability risks may include climate change, carbon emissions, air pollution, rising sea levels or coastal flooding or wildfires;
- Social sustainability risks may include human rights violations, human trafficking, child labour or gender discrimination;
- Governance sustainability risks may include a lack of diversity at board- or governing level, infringement or deduction of the rights of shareholders, health and safety concerns for the workforce, or poor safety measures on personal data or IT security

The sustainability risk can either represent a separate risk category or have a strengthening effect on other risk categories, such as market risk, liquidity risk, credit risk or operational risk.

Principal adverse sustainability impacts statement

The SFDR[4] requires financial advisers to publish information regarding whether or not they consider principle adverse impact of the investment advice on sustainability factors.

At precent time, access to information about exposure to sustainability risk is limited. It is challenging to procure satisfactory comparable data that can be used for investment advice.

SB1M acknowledges the importance of integrating sustainability risks in its investment advice. Currently, SB1M has chosen not to consider principal adverse impacts in its investment advice on sustainability factors in the manner contemplated by Article 4 (1) b of the SFDR, primarily as the

[1] Regulation (EU) 2019/2088, also known as the EU Sustainable Finance Disclosure Regulation ('SFDR'), establishes standardized disclosure obligations for financial market participants (providers of UCITS, AIFs, life insurance, pension products, investment companies and credit institutions that carry out portfolio management) and financial advisors.

[2] Cf. SFDR article 3

[3] Cf. SFDR article 2 (22)

[4] Cf. SFDR article 4

regulatory technical standards supplementing the SFDR which will set out the content etc required in the principal adverse sustainability impacts statement remain in a drafted version, and their application has been delayed. SB1M will review this position as soon as the regulatory technical standards come into effect.

Sustainability preferences for investment advice

As part of SB1M's client onboarding process, SB1M has established a regime to obtain information regarding the client's sustainability preferences in accordance with the requirements of the EU MiFID II Directive ('MiFID II')[5]. SB1M are in process to assess how sustainability preferences can be integrated into investment advice and inform about the risks related to environmental-, social- and governance risks (ESG).

SB1M is currently considering how sustainability risks may be merged when providing investment advice regarding instruments that are not financial products. In connection to this, SB1M will look to the delegated Commission Regulation 2021/1253, which amends MiFID II and integrates sustainability factors, risks, and preferences into the organizational and operational requirements for investments firms.

Sustainability Policy

SpareBank 1 SMNs sustainability Policy establishes standards and principles to ensure that the SpareBank 1 SMN group, including SB1M as subsidiary, operates in a sustainable manner and meets fundamental human rights, labour, environmental and anti-corruption responsibilities as set out in the UN Global Compact.

The Sustainability Policy is intended to support the employees in their decisions and daily work, as well as clarifying how sustainability work is integrated with the activities, management and control. The Sustainability Policy is supplemented by the company's Ethical Principles, Anti-corruption Policy and other relevant policies and standards.

Sustainability in remuneration

Financial advisers are required[6] to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks.

Integration of ESG is included in SB1M's remuneration policy. Variable pay must not be composed in a manner that motivates non-acceptable risk-taking, including ESG risks.

The board in SB1M has adopted the remuneration model and oversees the effect. A Remuneration Committee has been established to check compliance with the company's remuneration policy on behalf of the board. The company's internal audit annually carries out an independent check of SB1M's remuneration model, as well as it's compliance, and reports directly to the company's board.

[5] CF. MIFID II article 24(4)
[6] Cf. SFDR article 5