

# Summary of the group's materiality analysis 2020

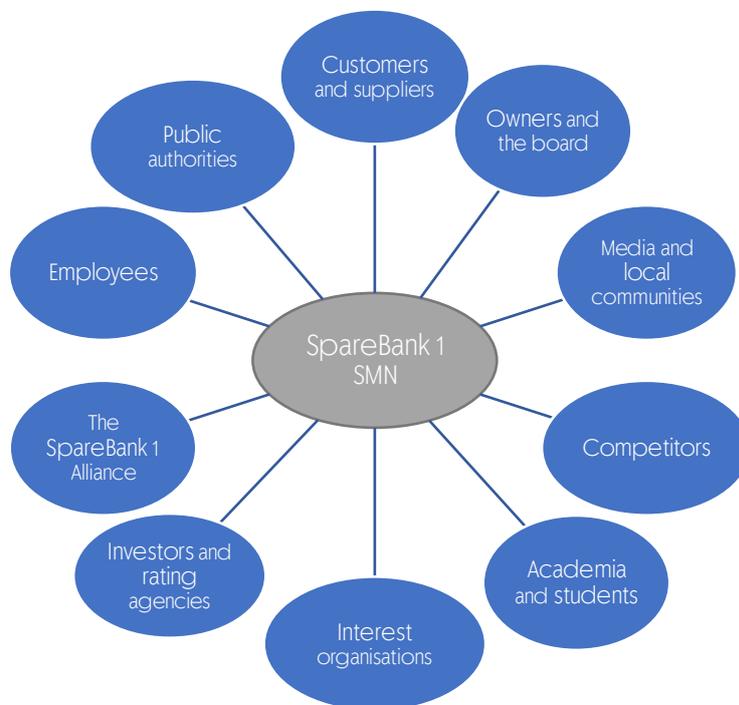


## Introduction

SpareBank 1 SMN wishes to identify and engage with stakeholders on a continual basis with a view to developing the group's knowledge base and setting of priorities. The ownership model ensures that the local community is represented on the group's governing bodies, and the business model builds on local knowledge and relations with the populace throughout the region.

Good stakeholder management provides SpareBank 1 SMN with valuable information and a better foundation for good decision making. We meet the demands and expectations of the group's stakeholders in an open and constructive manner.

An overview of material stakeholders is given in figure 1:



*Figure 1: General stakeholder map*

In addition to the ongoing stakeholder dialogue<sup>1</sup> we perform, every three years, a structured materiality analysis as part of our strategy cycle. In autumn 2020 we updated our analysis from 2017. The updated materiality analysis and the impact analysis form part of our knowledge base for defining goals and measures under the group's sustainability strategy.

This document summarises the outcome of the group's updated materiality analysis.

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<sup>1</sup> Extracts from the ongoing stakeholder dialogue in 2020 are shown in annex 1

## Method and scope

The updated materiality analysis was prepared jointly by the group's ESG committee<sup>2</sup> and PwC Norway with a focus on retail banking, corporate banking, estate agency services, accounting services, investment banking and external capital.

The project was carried through in the period from week 37 to week 51 in 2020, and followed a planned project schedule<sup>3</sup>.

The survey was conducted in the form of digital focus group interviews with a selection of the group's stakeholders. The interviews were conducted by PwC in a standardised format with a time frame of up to 60 minutes.

The interviews were conducted by PwC based on a fixed agenda. The agenda comprised:

- Clarification of terms and definitions
- Elucidation of the purpose of the interview
- Three standard questions

The interview guide set three standard questions focusing on the current situation, a review of material sustainability themes in our context and a discussion of what would be a correct level of ambition under the group's business strategy.

The standard questions asked in the interviews were:

1. How do you view the group's sustainability effort today?
2. Which sustainability themes (ESG) should the group prioritise ahead, with a basis in:
  - a. Customers and others' expectations for sustainability performance
  - b. Risks and opportunities with a bearing on sustainability performance
  - c. The themes on which the group has the greatest impact
3. What is a correct level of ambition within the various material themes?

The interview schedule was defined by the group's ESG committee. The committee's assessment was that the ongoing stakeholder dialogue together with the insight gained from the 20 focus group interviews with selected stakeholders would provide a good data set for the analysis<sup>4</sup>.

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<sup>3</sup> The project schedule is shown in annex 2

<sup>4</sup> The interview schedule is shown in annex 3

### Summary of material themes

The materiality matrix maps the material sustainability themes based on the impact of the group’s activities on the various themes (x-axis), and the impact of the group’s management of the various themes on stakeholders’ decisions related to SMN (y-axis).

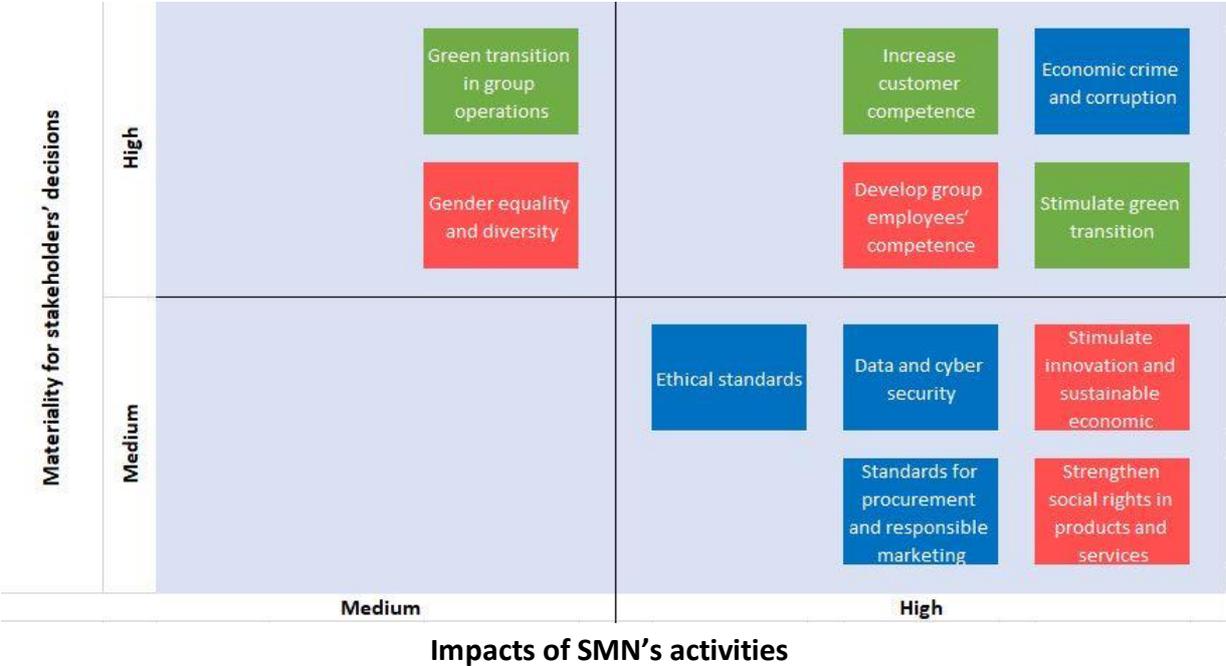


Figure 2: The group’s updated materiality analysis

The materiality matrix underlies the priorities set for new initiatives in the group’s work with sustainability.

Prioritised material themes	Additional themes
Preventing economic crime and corruption	Strengthening customer competence
Stimulating green transition in the customer offering	Ethical standards
Stimulating innovation and sustainable economic growth	Data and cyber security
Gender equality and diversity	Standards for procurement and marketing
Competence development for group employees	Green transition in the finance house

Table 3: Material themes in the group’s sustainability effort

The underlying data are worked up and grouped in group-wide priorities, suggested priorities in the business lines and priorities in the distribution of community dividend. This material forms part of a comprehensive final report utilised in developing a group-wide standard for sustainability at SpareBank 1 SMN.

**Annex 1: Extract from the ongoing stakeholder dialogue in 2020**

Stakeholders	Material themes	Arena
Customers	Financial advice Customer offering Terms and conditions Trends and developments in the market Technical support Topical themes in our region Sustainability	Customer meetings (physical, digital and telephone) Finance house and divisional offices Customer centre Chat (Robot-Anne) Digital bank Conferences Customer satisfaction surveys Service/accessibility measurements Complaints arrangement Social media
Employees	Well-being Competence needs Remuneration Work environment Health, environment and safety  Sustainability Work-related issues Individual issues and needs	Organisational surveys Career appraisal interviews Department meetings Management workshops Regular meetings with employee representatives and safety delegates  Working groups, ad hoc Peer panel, ad hoc
Owners	Financial results Return Credit quality Dividend Rating scores (credit, ESG) Sustainability	Profit presentations Investor meetings Stock exchange notices Supervisory board meetings Theme meetings Webpages Social media
SpareBank 1-alliansen	Strategy Product and service development Marketing Operation of IT infrastructure Crisis management Standardisation of policies and procedures Expertise and experience sharing Sustainability Strategic procurement and supplier follow-up	Formal councils and committees Informal forums Working groups, ad hoc
National and local authorities	Government crisis packages Laws and regulations Reporting Material themes in sustainability  Crisis management Tender processes	Informal meetings with government departments Meetings with the Financial Supervisory Authority Meetings with the Data Inspectorate Meetings with county governors and local authorities in our region

Rating agencies and analysts	Credit quality Green bond framework Sustainability, performances and methods	Regular meetings (physical, digital, telephone, email) Webpages
Competitors	Sustainability	Irregular meetings (physical, digital, telephone) Industry associations Local councils and committees
Interest organisations and business networks	Local business development Economic barometer Sustainability barometer Sustainability strategy in day-to-day operations and customer offering Procedures for procurement and purchases Theme meetings Sustainability methodology development	Informal meetings (physical, digital, telephone, email) with Framtiden i våre hender ('Future in our hands'); the Consumer Council; Ethical trade Norway; Stiftelsen Miljømerking ('Swan ecolabel'); Environmental Lighthouse Foundation; the <b>UN Environment Programme Finance Initiative</b> (UNEP FI); UN Global Compact Norway; student organisations and various industry organisations in our region
Academia	Innovation Regional development Collaborative projects	Meetings with SINTEF, NTNU, Ikuben Molde, Framtidslab Ålesund, Handelshøyskolen BI
Clubs and associations	Support for various causes	Informal meetings with and visits to various segments of the region's community life

## Annex 2: Project schedule

### PROJECT SCHEDULE: Materiality and impact analysis SMN

Ongoing activity		
Completion		
Milestone		
Project phase	Task	Responsible entity
Phase 1: Project schedule	Start-up meeting	PwC/Core team SMN
	Draw up project schedule	PwC
	Approve project schedule	Core team SMN
Phase 2a: Data gathering for materiality analysis	Prepare draft interview template	PwC
	Identify stakeholders relevant for interview, and discuss possible group interview	Core team SMN
	Approve interview template	Core team SMN
	Plan and agree interview (approx. 14 – 17)	PwC/Core team SMN
	Conduct interview with internal stakeholders	PwC
	Possible training of selected representatives to conduct interviews with external stakeholders	PwC/representatives of SMN
	Conduct interviews with external stakeholders	Representatives of SMN
Reporting of status to ESG committee	PwC/Core team SMN	
Phase 2b: Data gathering for impact analysis	Review of UNEP tools, clarifications, delimitations, definitions, documentation	PwC/Core team SMN
	Discuss needs/challenges related to 22 ESG dimensions for Norway/Central Norway	PwC/Core team SMN
	Obtain data on business activities and their share (% of gross income) of the portfolio	Core team SMN
	Obtain data from Retail Banking (per product, per type of customer)	Core team SMN
	Obtain data from Corporate Banking (outstanding loans/exposure per sector)	Core team SMN
	Obtain data from EiendomsMegler 1 Midt-Norge	Core team SMN
	Obtain data from SpareBank 1 Regnskapshuset SMN	Core team SMN
	Obtain data from SpareBank 1 Markets	Core team SMN
	Reporting of status to ESG committee	PwC/Core team SMN
Phase 3: Analysis, completion and report	Prepare draft materiality analysis and matrix	PwC
	Prepare draft impact analysis	PwC
	Review of draft materiality analysis and matrix; adjustments	PwC/Core team SMN
	Review of draft impact analysis; adjustments	PwC/Core team SMN
	Completed materiality analysis and matrix	PwC
	Completed impact analysis of most important ESG impact areas	PwC
	Prepare draft final report for ESG committee	PwC
	Present the draft final report to ESG committee	PwC
	Adjust the draft final report per order of ESG committee	PwC
	Final report considered by ESG committee with recommendation for next step	PwC
		ESG committee

### Annex 3: Interview schedule

Public authorities	Employees	Management team in the business lines	Product/specialist managers	Customers	Investors	BoD/Group management team	Interest organisations
Trondheim municipality	Peer panel	Retail Banking	Head of procurement	To be completed as and when required	BNP Paribas	Board chair	To be completed as and when required
South Trøndelag county council	Chief employee representative	Corporate Banking	Marketing, digital sales and brand		ING Bank	Board member	
County governor of Trøndelag	Chief safety delegate	Group finance and governance				Group CEO	
Group management team	HR	Technology and development					
Sustainability Centre	Corporate Banking, Retail Banking, Risk, Accounts, EM 1	Communication and society					
		SB 1 Markets					
		Eiendomsmegler 1 Midt-Norge					
		Regnskapshuset SMN AS					
		SB 1 Finans Midt-Norge					
		Spire Finans					
		SB 1 Kapitalforvaltning					
1 interview	1 group interview	11 group interviews	2 interviews		2 interviews	3 interviews	