

Summary of the group's materiality analysis 2022



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Introduction

The purpose of this document is to summarise SpareBank 1 SMN's updated materiality analysis. The updates are intended to ensure consistency between the group's objectives and focal areas, stakeholders' expectations and new regulatory requirements.

We respond to stakeholders' demands and expectations in an open and constructive manner.

- Good stakeholder management provides us with 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 our region.

SpareBank 1 SMN has established a two-year cycle for materiality analysis updates.

Method and scope

Requirements on large corporates' climate and sustainability reporting are set out in the Corporate Sustainability Reporting Directive (CSRD). The directive applies a double materiality perspective to disclosable information. We have therefore, based on best practice, implemented a *double materiality analysis* in the present update. The analysis addresses both:

1. Environmental and social materiality – an assessment of our stakeholders' expectations
2. Financial materiality – an assessment of material financial risks and opportunities

The updated materiality analysis was prepared in a collaboration between the group's ESG Committee and EY Norway with a focus on the personal market, corporates, broker services and accounting services. The work was done in the period from week 44 to week 50 in 2022 and the results were presented to the bank's board of directors.

The group's methodological approach followed three steps:

- Step 1: Mapping of material themes by means of a stakeholder analysis, competitor analysis, analysis of mega trends and impact analysis
- Step 2: Mapping of business opportunities and risks related to these themes
- Step 3: Prioritisation and categorisation of themes based on their potential for creating new business

Mapping of material themes is based on a number of sources:

Interviews, discussions and workshops

- In-depth interviews with corporate customers with a view to prioritising materialities for this stakeholder group
- Interviews with the group management to obtain inputs on risks and opportunities in the sustainability field
- Discussion with Æra Strategic Innovation in order to take on board insights from SMN's innovation programme "Grønn Pådriver"

- Weekly workshops and discussions with the project's core team focusing on prioritising stakeholders and materialities, and on identifying and prioritising opportunities and risks
- Workshop with the ESG Committee to clarify and prioritise opportunities and risks

Surveys

- The project circulated without obligation digital surveys to customers with a view to prioritising materialities. The surveys were circulated to a total of 9,000 randomised customers evenly distributed across three categories:
 - Retail customers with residential mortgages
 - Retail customers with financial products
 - Small and medium sized businesses that are customers of Regnskapshuset
- The project circulated without obligation a digital survey to all 1,600 employees of the SMN Group with a view to prioritising materialities
- Insights were obtained from SpareBank 1 SMN's Sustainability Barometer
- Insights were obtained from SpareBank 1 SMN's Population Surveys for Trøndelag and Møre and Romsdal
- Insights were obtained from SpareBank 1 SMN's Economic Barometer

Reports and standards

- Previous Materiality Analysis from 2020 and the Impact Analysis from 2020
- ICAAP report for 2021
- Review of the SASB Materiality Finder
- Review of the MSCI Materiality Map
- PCAF report from Q4 2021
- Rating reports from Sustainalytics, MSCI and ISS

Analyses and market scanning

- Mapping of mega trends globally and for Mid-Norway
- Competitor analysis focusing on the activities of other financial groups and potential partners in the sustainability field
- Analysis of the impact of the bank's loan portfolios on the climate and society, using the UNEP FI Portfolio Impact Analysis Tool
- Impact analyses for Regnskapshuset and EiendomsMegler 1 based on, respectively, fee sizes and energy ratings

Summary of material themes

The group's materiality analysis update shows that while many of the expectations from 2020 still apply, new expectations for the group's work on regional development, circular economy and public health have come to the fore.

The group’s material themes in the next period are summarised in Figure 1:

Category	Prioritised material themes	Other material themes
Climate and environment (E)	Stimulate green transition of personal customers and corporates. Reduce carbon footprint in day-to-day operations and loan portfolios. Offer green products and services. Contribute to raising customers’ competence Contribute to management of climate risks	Stimulate sustainable consumption and life style. Stimulate a more circular economy. Contribute to protection of water and marine resources.
Social (S)	Stimulate innovation and sustainable economic growth. Stimulate local business development and value creation. Offer competence-raising programs to group employees. Seek new partnerships and collaboration in order to realise sustainability goals.	Promote diversity, inclusiveness and equal treatment. Contribute to greater awareness of the importance of a good quality of life and mental health.
Business ethics/corporate governance (G)	Prevent and combat economic crime and corruption. Strengthen data protection and cybersecurity. Comply with requirements and obligations on personal data processing. Observe ethical standards,	Set the stage for long-term returns and profits.

Illustration 1: Material themes for SpareBank 1 SMN

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
- Goal 16: Peace, justice and strong institutions
- Goal 17: Partnerships for the goals

Goal no. 17 is particularly central for SpareBank 1 SMN and underpins our vision: ‘Together we make things happen’

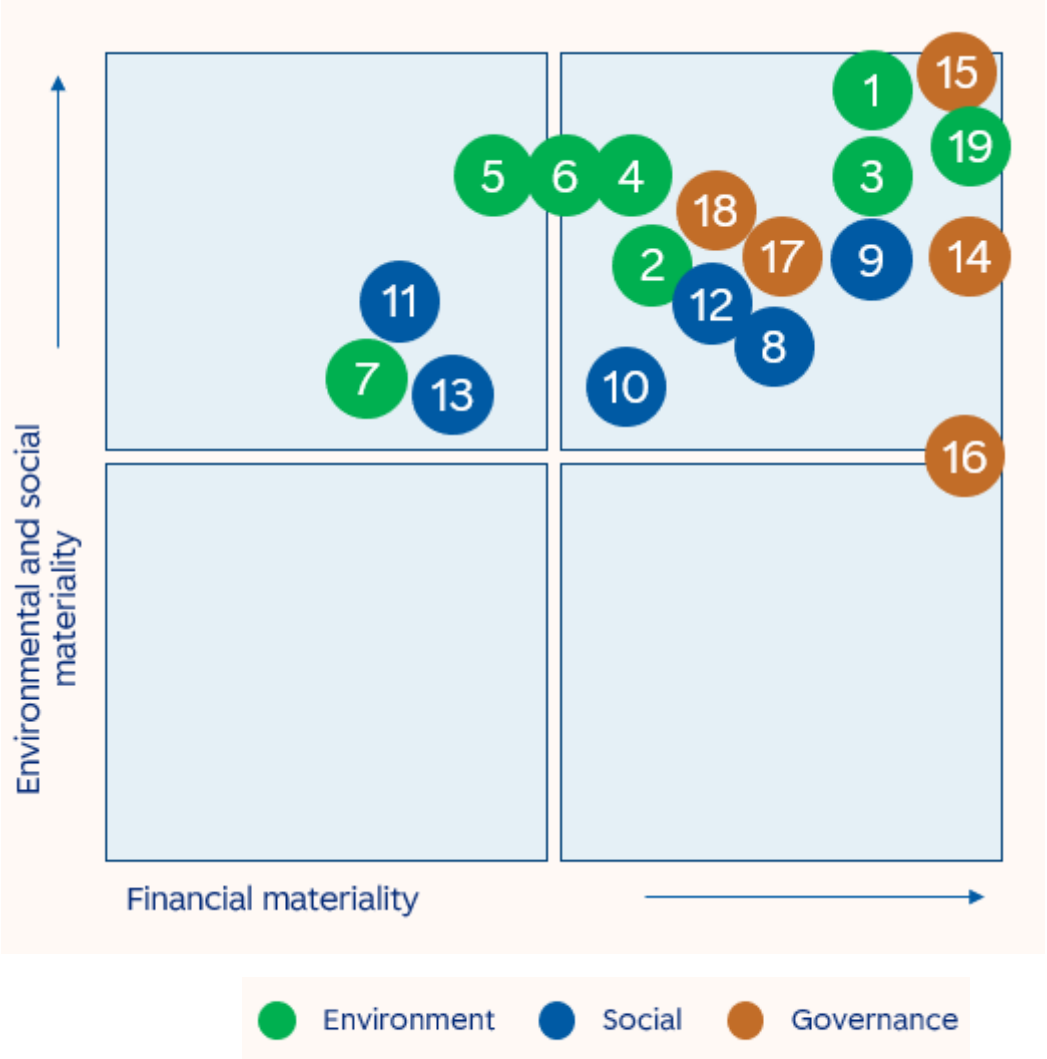
Based on the materiality analysis and the transition phase in which the region and the group currently find themselves, four focal areas will be at centre stage in the continuing effort to manage our environmental and social impact, and our financial impact:

1. Responsible lending and investment
2. Advisory services and customer offerings
3. Regional transition in Mid-Norway
4. Transition of the Group

Annex 1: Double materiality analysis at SpareBank 1 SMN

The Group has prioritised its most important materialities with a basis in the 19 unique materialities highlighted in the analyses

Prioritisation of the group’s materialities in terms of environmental and social materiality and financial materiality



SpareBank 1 SMN’s materialities:

1. Stimulate green transition of retail customers and corporates
2. Contribute to raising customers’ competence
3. Offer green products and services
4. Contribute to the management of climate risks
5. Stimulate a more circular economy
6. Stimulate sustainable consumption and life style
7. Contribute to the protection of water and marine resources
8. Offer competence-raising programs to group employees
9. Stimulate innovation and sustainable economic growth
10. Seek new partnerships and collaborations in order to realise sustainability goals

11. Promote diversity, inclusiveness and equal treatment
12. Stimulate local business development and value creation
13. Contribute to greater awareness of the importance of a good quality of life and mental health
14. Strengthen data protection and cybersecurity
15. Prevent and combat economic crime and corruption
16. Set the stage for long-term returns and profits
17. Comply with requirements and obligations on personal data processing and with GDPR.
18. Comply with ethical standards
19. Reduce the carbon footprint in operations and loan portfolios