



eika. Boligkreditt

Corporate social responsibility and sustainability 2020

At your side.

Corporate social responsibility and sustainability

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Unstad, Lofoten, Nordland



Efjord, Ballangen, Nordland

Sustainability and societal engagement

Eika will take responsibility for a development of society which is sustainable and not achieved at the expense of future generations.

Norway is embarking a far-reaching transformation up to 2030, where cuts in greenhouse gas (GHG) emissions, other climate-related changes, new requirements, competitive changes and tighter government budgets will put pressure on Norwegian local communities and companies.

The role of the local banks as drivers of growth and development for private customers, businesses and Norwegian local communities will be more important than ever in this future. Their advisory services and closeness to customers make them key players in the restructuring of small Norwegian companies, and in securing new activity and jobs when unsustainable operations must be replaced. Closeness

to customers also gives the local banks a good basis for offering relevant products to the growing group of customers who are concerned about sustainability.

Eika Gruppen and Eika Boligkreditt help support the financial results and market position of the banks, providing an important foundation for the contribution of the latter to a sustainable society. Sustainability is also pursued when developing products, bank systems and tools, when building expertise for bank employees, and by ensuring good environmental management and sustainable choices in bank organisations and in relation to suppliers and partners.

Collectively, the Eika Alliance already contributes in many areas to sustainability

for Norway and Norwegian local communities. But this contribution will need to be increased even further in coming years.

Sustainability is defined as a development of society which meets contemporary requirements without destroying the opportunities for future generations to satisfy their needs. It applies to economic, social, institutional and environmental aspects of society. At its core, the finance sector's corporate social responsibility (CSR) is to create value and operate profitably – but not at the expense of other people and the environment or at odds with basic ethical principles.

Vision and purpose

Eika's core business strengthens the local banks through good and cost-effective provision of products and services for modern and efficient bank operation. Its primary purpose is to "secure strong and caring local banks which serve as a driving force for local growth and sustainable development, for customers and the local community".

The Eika vision of "We strengthen the local bank" describes its desired future development. Its core business thereby supports the moral and ethical compass of the local banks and the societal engagement discharged by the local savings banks in the Eika Alliance. The motto is: "Present locally – with people you can meet and forge relationships with. Advisers who create a sense of security between people and an assurance that you are making the financial choices which are right for you."

Eika and the sustainability targets

Eika's work on sustainability in 2020 defined the strategic level at which Eika and the Eika

Alliance will pursue their sustainability-related ambitions, with the emphasis on environmental, social and governance (ESG) criteria. A new executive vice president was recruited by Eika Gruppen in the spring of 2020 with responsibility for coordinating sustainability work in the alliance. In the summer, the sustainability department was expanded with another adviser, and a specialist committee for sustainability was appointed in the autumn with broad participation from the group, a selection of owner banks and Eika Boligkreditt. The goal has been to develop an integrated strategy for the whole Eika Alliance which sets a common

standard for ambitions and goals, based on a suitable ESG framework for sustainability. The level of ambition backs sustainable local growth and change, sustainable financial products, and responsibility and sustainability in internal operations.

Sustainability in Eika builds on the UN sustainable development goals (SDGs), which represent the world's shared schedule for eliminating poverty, combating inequality and halting climate change by 2030. Coming into effect on 1 January 2016, these objectives provide many companies with a roadmap for their strategies on environmental and social responsibility.

Eika has influence on several of the SDGs, but sees that its impact may be greater with some selected targets than with others. Eika Boligkreditt supports the following SDGs and considers that the most relevant approach is to give particular emphasis to:

- SDG 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 11: sustainable cities and communities – make cities and local communities inclusive, secure, resilient and sustainable
- SDG 13: climate action – act urgently to combat climate change and its impacts.



UN Sustainable Development Goals

These targets support a number of sub-goals. Eika wants to:

- contribute to better utilisation of resources
- work to end the link between economic growth and environmental damage
- achieve full and productive employment and decent work for all
- protect labour rights and promote a safe and secure working environment for all employees
- stimulate and expand access to banking, insurance and financial services for all
- support positive economic, social and environmental links between urban areas, their hinterlands and thinly populated areas
- ensure that everyone has access to satisfactory and secure homes and basic services at an affordable price
- strengthen the ability to withstand and adapt to climate-related hazards and natural disasters

- strengthen the ability of individuals and institutions to counter, adapt to and reduce the consequences of climate change as well as their ability to give early warning, and strengthen knowledge and awareness of this.

To operationalise these sustainability goals, Eika Boligkreditt has established a scorecard with 11 management indicators.

Seven of these management parameters are new in 2020. Where calculating the climate footprint of the residential mortgage business is concerned, see the separate report prepared by Multiconsult (eikbol.no/Investor-relations/green-bonds). A goal for the climate footprint of the residential mortgage business will be set in 2021. GHG emissions for the rest of the business were sharply reduced during 2020 because the coronavirus outbreak eliminated work-

related air travel after 12 March. Following the roll-out of vaccines, Eika expects business travel to recover to some extent but not to the pre-coronavirus level because a number of physical meetings/conferences will be replaced by virtual forms of interaction.

Principles for responsible banking

Different principles and practices exist for work on sustainability. The UN environment programme finance initiative (UNEP-FI) launched its principles for responsible banking in the autumn of 2019. These provide guidance for banks in their sustainability efforts, and support society's overarching sustainability goals and the Paris agreement – which enshrines the 2°C ceiling for global warming.

In 2020, Eika Gruppen signed the UN's principles for responsible banking from the Paris agreement, and undertook to observe

and comply with these. Pursuant to the principles, Eika Gruppen must:

1. align its business strategy to accord with and the needs of individuals and society's goals, as expressed in the SDGs, the Paris climate agreement and relevant national frameworks
2. continuously increase its positive impacts while reducing the negative impacts on people, the climate and the environment resulting from its activities, products and services, and, to this end, establish and publish specific targets for areas involving the most significant impacts
3. work proactively with the local banks to encourage sustainable practices and enable activities which create prosperity for both present and future generations
4. collaborate proactively with relevant stakeholders to achieve society's overarching goals

KPI	Sustainability goal	Status 2020	Status 2019	Target
Employee satisfaction, index 0-100	8	87	86	≥80
Sickness absence	8	0.45%	0.50%	≤2.5%
Ambition for internal promotion to senior positions	8	2 of 3	1 of 1	Qualitative assesement
Female proportion of employees	8	5/19=26.3%	5/20=25%	Short-term ≥30%, Long-term ≥40%
Female proportion of directors	8	1/6=16.67%	0/6=0%	≥2/6=33.33%
Serious HSE incidents	8	0	0	0
Alliance satisfaction, index 0-100	11	88	83	≥80
Achieve about the same credit spread for covered-bond financing as comparable issuers would have done for the same tenor, issue volume and issue date	11	1.3 bp	1.4 bp	< +3 bp
Share of green mortgaged properties added to the cover pool	13	23.40%	22.50%	≥ 20%
GHG emissions, CO ₂ equivalent, lending business ¹	13	114.6 tonnes CO₂ (financed share)	248.1 tonnes CO ₂ at Q4 2019 (whole housing stock)	Target to be set in 2021
GHG emissions, CO ₂ equivalent, other business	13	9.5 tonnes CO₂	21.8 tonnes CO ₂	≤ 21.6 tonnes CO ₂ in 2025, down 27.3% from historical average (2012-19)

¹ From 2021, the company's share of financing (LTV) for each mortgaged property is taken into account when calculating GHG emissions related to the residential mortgage business. This is described in more detail in the section on measuring climate footprint and risk associated with the mortgaged properties in the cover pool on [page 16](#).

5. implement effective management tools and a culture of sustainable activity in order to reach its goals for responsible and sustainable banking
6. periodically review its individual and collective implementation of these principles and be transparent about and accountable for its positive and negative impacts on society's overarching goals.

Among other consequences, signing these principles calls for an analysis of the company's climate footprint, a specification of how it will achieve its goals, and regular reporting of the status for this work. So far, three of the larger local banks in Eika – Sandnes, Aurskog and Lillestrøm Sparebank – have also signed these principles.

Eika Boligkreditt furthermore regards Finance Norway's Roadmap to green competitiveness as a good guideline for the industry. This notes that Norway faces not only challenges but also big opportunities in the transition to a low-emission society. In the time to come, the company must handle risks associated with climate change, share in the available opportunities for a sustainable development of society, and continue to manage its societal engagement. Work on sustainability in Eika Boligkreditt will continue to find support in this roadmap.

Strengthening the local community

Eika Boligkreditt is firmly embedded in the various local communities through its owner banks. Many of these have histories extending back to the 19th century, and have been and remain an important contributor to the self-government, self-financing and development of their local communities.



Lillestrøm, Viken



Oppheimsvatnet, Voss, Vestland

Their primary attention is directed at private customers, combined with local small-scale industries and the primary sector, and lending has been financed almost entirely through deposits.

Ever since the owner banks were established, they have made donations to philanthropic causes in their local communities (about NOK 200 million annually), including culture, sports, clubs, societies and other

beneficial purposes. Increased market shares and high levels of customer satisfaction and loyalty confirm the important position and significance of the owner banks in their local communities. The alliance has developed a Local Value (<https://lokalverdi.no>) concept for crowdfunding with the involvement of the local bank. This allows enthusiasts to raise money for ideas and projects in their own community with bank assistance. That

makes it easier than ever to collect funds for new ideas and projects at local level.

Despite enormous social and structural changes since the first of the owner banks were established, it is not difficult to recognise the profile and role of these institutions today. As a result of such factors as the sharp increase in house prices over the past 20 years, the owner banks have become more dependent on external financing. For

many of them, the growth in their lending and their overall loan portfolios have exceeded their total deposits. The establishment of Eika Boligkreditt is a direct consequence of this trend.

Through long-term and competitive funding, Eika Boligkreditt enhances the competitiveness of its owner banks and helps to reduce their risk exposure. That makes it indirectly an important contributor to strengthening a great many local communities in Norway. Profits made by Eika Boligkreditt are also returned directly to these communities in the form of commissions and dividends paid to the owner banks.

Management and control

Requirements for risk assessments, routines and reporting in the sustainability area are expected to become stricter in the years ahead, in part through the adoption of the EU's taxonomy, the introduction and revision of the non-financial reporting directive (NFDR), and increased emphasis on sustainability in the capital requirement regulations and regulatory practice.

Effective risk management and good internal control are crucial for ensuring that goals are met, and form part of the ongoing management and follow-up of the business. Through good risk management and control, Eika Boligkreditt will be able at all times to identify, assess, deal with, monitor and report risks which could prevent its attainment of approved goals. The company's parameters for risk management and control define its willingness to accept risk and its principles for managing risk and capital. Risk management and control cover all types of risks which Eika Boligkreditt might be exposed

to. Dealing with and controlling risk depends on its materiality. Risk management covers control, avoidance, acceptance, sharing or transfer of the risk to a third party. Controls embrace the organisation and division of labour, monitoring, reporting, and system-based and manual controls. They also cover values, attitudes, organisational culture, training and expertise, ethical guidelines, routines and procedures.

Eika Boligkreditt has established an independent risk management and compliance function, which continuously monitors and reports on whether risk management is complied with, functions as intended and is kept within approved limits. This function is organised in accordance with the principle of three lines of defence. Eika Boligkreditt's business is subject to extensive legislation, which regulates its various governance bodies and their composition.

Particular issues in 2020

The whole Eika Alliance has devoted great attention since 2018 to compliance with Norway's new Anti-Money Laundering (AML) Act. In that connection, Eika Boligkreditt has participated in a joint project run by Eika Gruppen to coordinate risk assessments and access to the relevant systems. The company received an internal auditor's report in the autumn of 2018 which identified various areas requiring improvement in its AML work. It has updated overall guidelines, business-oriented risk assessments, and internal routines for ensuring compliance and consistency (red thread) from risk drivers to control mechanisms. A new AML handbook and supplementary agreement with the owner banks have also

been developed. Training was provided for the board, employees and the distributor banks. A new internal auditor's report on 4 December 2019 assessed the company's work with the recommendations in the previous report from 2018. This found the status to be satisfactory and concluded that Eika Boligkreditt had implemented measures which satisfied the recommendations made in 2018. Remaining measures are being followed up through the action plan. The company has also devoted attention to changes in the regulations on processing personal data in connection with the Schrems II judgement.

Eika Boligkreditt has pursued annual ICAAP/ILAAP processes, with attention concentrated on new appendices to circular 12/2016, including P2G and describing the main features of the recovery plan in the ICAAP document, and on ensuring that quantification of effects on capital and liquidity for each measure in the action plan is updated as part of the ICAAP/ILAAP process.

Everyday management and follow-up

Eika Boligkreditt's vision is to strengthen the local bank. Its main purposes is to ensure access for the local banks in the Eika Alliance to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the tenor of loans, their terms and the depth of access. Generally speaking, financing through Eika Boligkreditt has longer tenors and substantially better borrowing costs than an indi-



Bøkeskogen, Larvik, Vestfold og Telemark

vidual owner bank could achieve on its own account. That is precisely why the company has become strategically important for the banks – contributing to increased competitiveness and lower risk exposure.

The strategic direction being taken by Eika Boligkreditt observes the principles for managing with a balanced scorecard and provides a basis for implementing that approach alongside projects and action

plans. In addition, the company prepares budgets and forecasts, financial and non-financial measurement criteria, authorisations, policies and routines which are reported on and followed up as part of management in the company. Action plans and the status of risk and measures are carefully monitored and incorporated in ongoing management and board reporting over the year. Eika Boligkreditt is managed



Barcode, Bjørvika, Oslo

in accordance with approved risk strategies, and guidelines have been developed for risk reviews intended to ensure that the company and outsourced activities deal with risk in a satisfactory manner. The values of Eika Boligkreditt reflect the company’s characteristics – professional, involving and long-term. Risk management and control in the company are rooted in these values together with approved strategies. The strategies are further broken down into operational action plans, which provide specifications, priorities, allocation of responsibilities and deadlines. Given the guidance and parameters in the strategic and action plans, risk management and control are built up around and within the business processes

established to deliver the strategy. Management and control are thereby tailored to the business processes and specific requirements. This challenges and focuses risk management and control on the contribution to value, the commercial benefit and the most significant conditions which really mean something for meeting the targets.

Role of the board

The board has adopted an instruction which specifies rules for its work and consideration of issues. Its annual plan covers duties specified in legislation, statutory regulations, official requirements, the articles of association and so forth. The board is responsible for determining the company’s overall goals

and strategies, including risk strategies and the risk profile as well as other key principles and guidelines, in addition to management of the company. It also ensures a prudent organisation of the business. The board has established a separate instruction for the CEO. Board meetings are held in accordance with the annual plan, and as and when required. The board has appointed risk and compensation committees to prepare matters for consideration in these areas.

Role of the CEO

The CEO conducts day-to-day management of Eika Boligkreditt and has overall responsibility for all the company’s operations. Responsibility for implementing strategies

and policies approved by the board rests with the CEO. The latter ensures that risk management and control are implemented, documented, monitored and followed up in an acceptable manner, and ensures that the necessary resources, expertise and independence are provided for the risk management and compliance function. In addition, the CEO ensures that Eika Boligkreditt’s risks are managed within the board’s approved parameters. Furthermore, the CEO will continuously follow up management and control in all parts of the company’s business.

Risk management function

The risk management function ensures that management and the board are adequately

informed at all times about the company's risk profile through quarterly risk reporting and annual assessments of risk and capital requirements. It is responsible for continued development and implementation of an integrated framework for risk management, and for ensuring that this accords with external and internal requirements. That means policies and strategies must be in place which ensure the company is managed with the aid of goals and parameters on the desired level of risk, and that such policies and strategies are operationalised in an efficient manner. Ensuring clear responsibilities and roles plays a key role in management and control, along with follow-up of compliance through risk parameters and

operational guidelines. The risk management function reports on a quarterly basis to Eika Boligkreditt's executive management and board.

Compliance function

The compliance function is charged with identifying and preventing risk from failure to comply with the regulations. Compliance risk is part of Eika Boligkreditt's operational risk, defined as the risk that the company incurs government sanctions or suffers financial or reputational loss because it fails to comply with legislation, statutory regulations and/or standards. The compliance function will have a preventive, advisory and monitoring role in the company, with

responsibility for plans and testing in accordance with risk-based controls. It reports on a quarterly basis to the executive management and board of Eika Boligkreditt.

Internal audit

The internal audit function provides independent confirmation that risk is dealt with in a satisfactory manner and that communication and interaction work between the lines of defence. It represents the company's third line of defence. Eika Boligkreditt's independent internal audit function has been outsourced to PwC. The board approves annual plans for the internal audit function, which reports directly to the board. These reports are considered on a continuous basis.

Green bond framework

Eika Boligkreditt introduced a green bond framework on 4 February 2021. ING Bank has been used as an adviser for the framework, ISS ESG conducted a third-party assessment, and Multiconsult has been the adviser for the climate-footprint analyses of the mortgaged properties in the cover pool subject to the reporting requirements in the framework.

The purpose of the framework is to finance the most energy-efficient mortgaged properties in the cover pool through the issue of green bonds. Identification of the most energy-efficient mortgaged properties is based on the following criteria:

1. Newer residential units
 - a. Flats built in accordance with the technical building regulations applicable from 2010 (TEC 10) and 2017 (TEC 17).
 - b. Other small residences built in accordance with the TEC applicable from 2007 (TEC 07), 2010 (TEC 10) and 2017 (TEC 17).
2. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy class A, B or C.
3. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy class D, which show:
 - a. a minimum improvement of two points on their energy class compared the TEC specification for their year of construction
 - b. a minimum improvement of 30 per cent in their calculated energy requirement compared with the specified TEC class for their year of construction.

These criteria ensure that the mortgaged properties are among the 15 per cent most



energy-efficient residential units in Norway. Eika Boligkreditt has identified NOK 16.4 billion in residential mortgages for just over 8 000 mortgaged properties which meet these criteria. Of residential mortgages added to the cover pool in 2020, 23.4 per cent met the criteria set for energy-efficient residential units. The company set a strategic target in 2020 that more than 20 per cent of new residential mortgages would finance energy-efficient residential units.

Responsible investment

At any given time, Eika Boligkreditt has a substantial portfolio of liquid investments held as part of the requirements it is subject to as a credit institution.

These holdings largely comprise bonds issued by states, banks, financial institutions, local authorities and county councils, in addition to offset agreements and deposits in banks with a minimum A-/A3 rating.

Eika Boligkreditt has chosen not to invest in enterprises placed by the ethical council of Norway's government pension fund global (SPU) on its list of excluded companies. The latter fall into the following categories:

- serious violations of human rights
- severe environmental damage
- serious violations of the rights of individuals in war or conflict
- gross corruption
- other serious breaches of fundamental ethical norms
- cluster weapons
- nuclear weapons
- anti-personnel mines
- tobacco production
- sale of military materials to certain states.



Geilojordet, Geilo, Viken

More information on companies excluded can be found here: www.nbim.no/no/olje-fondet/ansvarlig-forvaltning/utelukkelse-av-selskaper.

Eika Boligkreditt has also chosen to extend its exclusion list to include all companies in the following Global Industry Classification Standard (GICS) industries and sub-industries.

- **Coal** - fossil fuels are significant contributors to negative climate impacts. Coal-based electricity generation makes a negative contribution to the climate as well as being associated with uncertain-

ties over working conditions and safety in many parts of the world. The company has also distanced itself from the establishment of new coal mines.

- **Tobacco** - globally, tobacco kills more than seven million people a year (NHI.no). In addition, it imposes huge health costs and lost production revenues.
- **Gambling** - some people suffer serious problems from an addiction to gambling, which often affects families and children. A large unregulated gambling market with little transparency exists internationally.

In addition, casino and gambling activities pose a high risk of criminal behaviour, such as money laundering and bribery.

Eika Kapitalforvaltning, whose activities include managing the Eika funds, the Eika Forsikring portfolio and the liquidity reserves of most local banks in the Eika Alliance, manages these assets in accordance with more detailed ESG guidelines. Eika Kapitalforvaltning shares information with Eika Boligkreditt concerning Norwegian companies/issuers which it excludes, since

these are not included in the exclusion list from the SPU. Eika Boligkreditt also excludes these companies/issuers from its investment universe for managing liquidity reserves. More on companies excluded can be found here (in Norwegian only): <https://eika.no/spare/fondssparing/barekraftige-investeringer>.

Responsible provision of credit

Eika Boligkreditt's ambition is to be a responsible provider of credit and to help ensure that the local banks fulfil their role as attentive advisers to their customers. Responsible provision of credit is important in making sure that customers do not take on commitments they cannot service, and in helping the local banks to support a green transition where customers are informed of sustainable and competitive solutions. Eika Boligkreditt provides both credit to private customers and mortgages for residential cooperatives, but its approach to these two classes of customers differs a little.

The basic principle of sustainable residential mortgages in the private market is further enshrined in the strategy of the local banks for sustainability in their lending, and in their credit policy for private customers. These demands are also operationalised through Eika Boligkreditt's credit strategy, which describes specific requirements related to such aspects as AML, the black economy, the LTV ratio and assessing the customer's risk classification. In this way, the local banks contribute in collaboration with Eika Boligkreditt to ensuring that customers do not take on excessive debt.

The local bank also advises customers when not to borrow, based on the purpose of the loan. That may apply, for example,

if customers want a loan to send money to unknown people, to free up a lottery prize or inheritance, or for other typical swindles.

Green residential mortgages

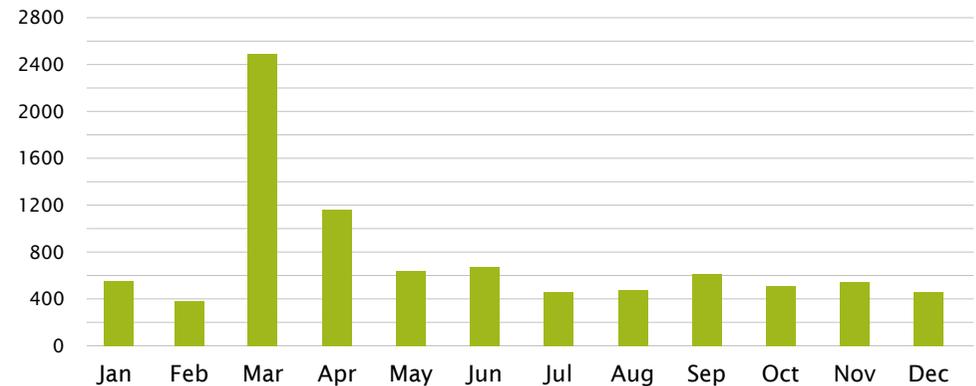
The Norwegian bank market is characterised by strong competition. In order for the banks to succeed in the fight for customers, Eika Boligkreditt must offer competitive products which encourage climate- and environmentally-intelligent behaviour among customers of the banks. The company offers green residential mortgages, and this product will be continually developed to ensure that it is relevant to the market at all times. To qualify for one of these green mortgages, the residence must meet the following requirements: energy class A or B. These mortgages are offered when buying or building an environment-friendly residence.

Green mortgages for upgrading existing residences to a higher environmental standard, and for environmental measures which provide a minimum 30 per cent improvement in energy efficiency, are under development and will be introduced in the first quarter of 2021.

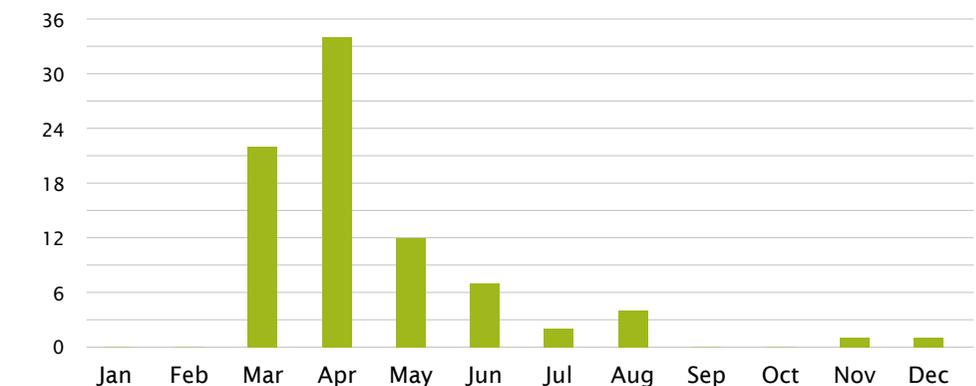
Covid-19

The coronavirus pandemic and the introduction of strict infection controls created a need for extraordinary measures in Norwegian finance and monetary policies in 2020. These are temporary, and will be phased out when the uncertainty and the financial position normalise. When society was shut down in March 2020, many customers needed help with their mortgage conditions. Eika Boligkreditt contributed by providing interest-only terms and payment holidays for personal

INTEREST-ONLY MORTGAGES APPROVED IN 2020



PAYMENT HOLIDAYS APPROVED IN 2020



customer who were laid off or affected in other ways.

Mortgage regulations

Both the banks and Eika Boligkreditt are subject to the mortgage regulations, and check compliance with these. The main provisions cover the following.

- **Ability to service the debt** - the

mortgagee must assess the mortgagor's ability to service the mortgage given their income and all relevant outgoings, including interest payments, mortgage instalments and normal living expenses. In assessing the mortgagor's ability to service the mortgage, the mortgagee must allow for an increase of five percentage points from the relevant interest rate.



Midtbyen, Trondheim, Trøndelag

- **Debt-to-income ratio** - total debt must not exceed five times the mortgagor's annual income.
- **LTV ratio** - the mortgage must not exceed 85 per cent of a prudent valuation of the residence at origination.
- **Instalments** - where a mortgage exceeds 60 per cent of the value of the mortgaged residence, the mortgagee must require an annual repayment of at least 2.5 per cent of the mortgage principle.

The flexibility quota allows a mortgagee to grant mortgages which fall short of the requirements in the residential mortgage regulations for up to 10 per cent of its total mortgages granted in every quarter outside Oslo and eight per cent in Oslo. This is followed up and reported at an agree-

gated level, which means the reporting must cover both mortgages carried on the bank's balance sheet and those placed with Eika Boligkreditt. The coronavirus pandemic prompted the government to increase the flexibility quota for financial institutions from 10 to 20 per cent. This easing was introduced with effect from the second quarter and extended to the third, but not the fourth. Eika Boligkreditt is not subject to the residential mortgage regulations at the sole lender level, but the owner banks consolidate the residential mortgages they have financed through Eika Boligkreditt with the loans they have funded over their own balance sheet. Use of the flexibility quota increased somewhat, particularly in the second quarter, but returned to a normal level in the fourth quarter.

	1st quarter	2nd quarter	3rd quarter	4th quarter
Flexibility-quota mortgages nationally, excl Oslo (in %)	7.2%	8.4%	8.0%	7.5%
Flexibility-quota mortgages, Oslo (in %)	5.2%	12.3%	10.5%	7.8%

The Eika School

The alliance has its own Eika School, which provides teaching and courses required for filling many of the different roles in the local banks. All financial advisers in a bank, for example, must be authorised pursuant to Norway's AFR certification scheme. Acquiring this qualification includes taking and passing a test covering:

- parameters for giving credit
- credit assessment and products
- relevant collateral and mortgages
- information/explanations to the credit customer, dissuasion and proposals for solutions
- documents in the credit process
- follow-up during the life of the mortgage, redemption and default.

The training programme begins with a self-assessment and a test to assess the adviser's level of knowledge. The adviser then goes through the course and is given access to technical literature, refresher questions and exercises. They are tested and can also take a trial exam on one occasion before the final examination. The latter comprises a total of 55 questions on the various subject areas, and takes 90 minutes.

At the beginning of 2021, the Eika School unveiled a separate course on ESG risk. This provides an introduction to the subject, with particular emphasis on climate risk. It is aimed primarily at those bank advisers who work with credit assessment of business customers, and provides sufficient background understanding to be able to use the new ESG questions integrated in the credit portal. Four other sustainability-related courses were provided by the school

in 2020, which also staged a sustainability week in early 2021 to highlight and focus extra attention on work by the alliance in this area.

Customer complaints

As a general rule, Eika Boligkreditt is not in direct contact with the end customer. By agreement, the bank is the intermediary between Eika Boligkreditt and the customer and thereby the point of contact for the latter. If a customer of the bank wants to make a complaint about aspects of a mortgage held by Eika Boligkreditt, they must do so in writing to the bank. On request, the bank is required to give the customer information in writing about its complaint handling procedures, including details about how to complain.

A complaint received by the distributor bank which concerns Eika Boligkreditt must be forwarded in writing to the latter. If the customer has completed the complaint form made available by the individual bank, this is passed on in its entirety to Eika Boligkreditt. The complaint must include the grounds for making it and other possible details relevant to the case.

Eika Boligkreditt has well-established complaints procedures, which are readily accessible to customers. All cases are dealt with by dedicated complaints staff. The banks also conduct quarterly reviews of lessons learnt from complaints in their own internal complaints committees. These assess the need to change policies, routines, marketing and products.

The management system for the product areas is evaluated annually, based on complaints and incidents over the preceding

year. No customer complaints were received in 2020. The last time the company received a customer complaint was in 2016.

LTV ratio

As a general rule, loans must be secured with a first preferred mortgage on the main mortgaged property. To the extent that a second preferred mortgage is involved, the sum of the first and second preferred mortgages must not exceed 75 per cent of the mortgaged property's value for residential properties and 50 per cent for holiday homes. At 31 December 2020, the average LTV ratio in the cover pool was 47.4 per cent.

Residence in Norway

The company's credit manual specifies as a general rule that all mortgagors in Eika Boligkreditt must be private customers, but mortgage finance can also be extended to residential cooperatives. A further condition is that lending must be for residential mortgages, and must therefore be defined separately from commercial finance. Where private mortgagors are concerned, a fundamental requirement is that the mortgage sought can be serviced from income which does not derive from the mortgaged property.

Pursuant to Norwegian law, the mortgagor(s) must be an adult and legally competent at the origination of the mortgage. This means that a mortgagor cannot be under 18 years of age (a minor) or placed under legal guardianship (see section 1 of the Norwegian Guardianship Act). No absolute upper age limit has been set for mortgagors. Mortgagors must also be permanently resident in Norway.

Mortgages for residential cooperatives

Eika Boligkreditt also finances mortgages for residential cooperatives, but these differ in certain respects from ordinary residential mortgages for private individuals. That includes the possibility of a somewhat higher risk concentration. As one of the few issuers of covered bonds offering this type of financing, Eika Boligkreditt has therefore chosen to maintain strict standards related to a good financial position, many residential units and a very low LTV ratio. At 31 December 2020, the average LTV ratio for this type of mortgage in Eika Boligkreditt was just under 21.7 per cent.

Green homes

Eika Boligkreditt has carried out an analysis of its cover pool which defines three criteria for classifying the mortgaged property as one of the 15 per cent of residential units in Norway defined as energy-efficient – popularly known as “green homes”. These criteria are based on building standards, energy certificates and refurbishments which provide a minimum 30 per cent improvement in the unit's energy efficiency. This accords with the principles enshrined in the Climate Bond Initiative, an international scheme with the sole purpose of promoting a rapid transition to a low-carbon and climate-robust economy through the role which the bond market can play. Based on this analysis, 8 087 (compared with 6 933 at 31 December 2019) of the 55 000 residential units in the cover pool qualify as green homes. When analysing the climate footprint of the residential mortgage business, account has been taken of the company's LTV ratio in each residence. This provides a more accurate



picture of the company's climate footprint and the improvement in energy efficiency. Eika Boligkreditt's overall portfolio has an estimated annual energy requirement of 929 gigawatt-hours (GWh). The average requirement for the mortgage-financed share of the green residential units is 120 kilowatt-hours per square metre (122 kWh/sq.m in 2019), which is 52 per cent lower than the average for Norwegian residential units. The mortgage-financed share of the green homes in the cover pool reduces the carbon footprint of residential units covered by mortgages from Eika Boligkreditt by 9 300 tonnes of CO₂ per annum compared with the figure if these homes had an energy efficiency corresponding to the Norwegian average. [Click here](#) to access the full analysis.

This work has been done by Eika Boligkreditt primarily because measuring the status of the climate footprint for the assets financed by its mortgages represents a first step towards fulfilling an ambition to reduce this footprint for residential units financed by the company over time. The analysis results will provide input to processes under way in the Eika Alliance to incorporate the climate risk and footprint in its credit processes. A secondary motive for such an analysis is to provide a key element in a green framework which the company can use for issuing green bonds.

Measuring climate footprint and risk associated with residences in the cover pool

Eika Boligkreditt started work in 2020 on establishing an internal measurement and reporting regime for continuous monitoring of developments both in the climate footprint

mentioned above, and in the physical climate risk faced by residences in the cover pool. Measuring the climate footprint of residences in the cover pool used the same method applied by Multiconsult in its analyses. This company quality-assured the results obtained at 31 December 2020 in connection with preparing its annual CO₂ and climate footprint report for Eika Boligkreditt.

The company utilises energy and climate risk data supplied by Eiendomsverdi in its analyses. Every quarter, the residential mortgage portfolio is run against Eiendomsverdi's registers to obtain updated market values for the residences as well as data on such variables as energy class, area, TEC standard and selected environmental factors per residence. Climate risk data provided by Eiendomsverdi are taken in turn from the Norwegian Mapping Authority, the Norwegian Water Resources and Energy Directorate (NVE) and the Norwegian Geotechnical Institute (NGI).

As mentioned in the previous section, both the total climate footprint and the energy saving made by green homes in the portfolio are estimated on the basis of Eika Boligkreditt's LTV in the residence. If the company has an LTV of 50 per cent in a residence, for example, its climate footprint is estimated as half of that residence's total footprint. Also used when estimating the energy saving from green homes, this method reflects a desire to highlight the marginal climate footprint and energy saving contributed by each mortgage-kroner covered by Eika Boligkreditt.

The company also works actively to map the physical climate risk posed by the mortgaged properties in its cover pool. This

work aims initially to identify which residences are vulnerable to damage today and in the future as a result of natural disasters such as floods, landslides and extreme weather as well as rising sea levels. Eika Boligkreditt will also study opportunities to include various climate scenarios in these analyses. This work has continued into 2021.

Eika Boligkreditt as a supplier

The company has a clear goal of being predictable and providing a high level of transparency with regard to the processes and changes which occur within the applicable parameters. This is achieved in part through good and clear communication and through placing the needs and risk exposure of the banks at centre stage. A high level of availability and good correspondence between promise and performance are also crucial factors. Eika Boligkreditt works actively to maintain a high score in the annual Alliance survey, which measures the satisfaction of the owner banks with the company's deliveries in terms of product and service quality.

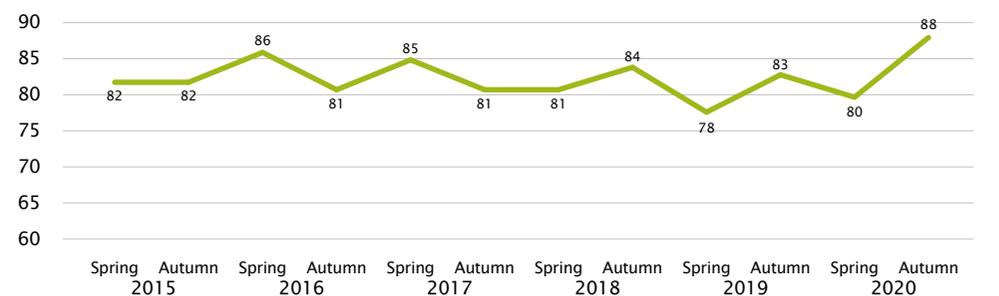
Measures are given priority where areas for improvement have been identified. Eika

Boligkreditt's ambitious goal for overall satisfaction by the owner banks is 70 points or better out of 100. The most recent assessment, carried out in the autumn of 2020, gave the company a score of 88 points.

Financial crime

Eika Boligkreditt regards combating financial crime as an important part of its CSR. The purpose of this work in financial institutions is to protect the integrity and stability of the international financial system, undermine the funding of terrorism, and make it harder for criminals to benefit from their crimes. As a credit institution, Eika Boligkreditt has a statutory reporting obligation pursuant to the AML regulations and is also subject to the sanctions regulations. In its collaboration agreement with the owner banks, the company has outsourced the implementation of customer measures and associated services related to the AML and sanctions regulations in order to ensure that its obligations pursuant to these regulations are discharged by the owner banks as distributors. Eika Boligkreditt has established policies to combat money laundering and

I AM VERY SATISFIED WITH THE DELIVERIES OUR BANK RECEIVES FROM EIKA BOLIGKREDITT



funding of terrorism as well as internal routines for continuous follow-up of customer relationships and transactions in order to identify possible suspicious transactions pursuant to the AML regulations. The company has established electronic monitoring which regularly provides notification of suspicious transactions. These are then followed up, initially with the relevant bank, and if necessary reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim). No cases were reported to Økokrim in 2020. Eika Boligkreditt has appointed its own money laundering officer, who has special responsibility for following up the AML and sanctions regulations.

Employees, equal opportunities and diversity

Eika Boligkreditt had 19 permanent employees at 31 December 2020. In addition, the company has entered into an agreement with Eika Gruppen on purchasing services in a number of areas. Eika Boligkreditt's mortgage customers are primarily serviced by the owner banks. The working environment is regarded as good, and no personal injuries or occupational accidents were recorded in the workplace during 2020.

The Eika Alliance has a common digital learning platform (LMS), which makes courses and training programmes available to employees. Its own curricula and the finance industry's certification schemes form the basis for the alliance's goals on and responsibility for developing employee competence. Together with good adviser practice, the industry's procedures and rules as well as the bank's personnel manual form

the basis for policies, guidelines and commitments.

The alliance belongs to the certification scheme for financial advisers, which requires the use of specific programmes for employee development.

Conversations on goals and performance are an important instrument for ensuring follow-up of and progress by employees. The company's personnel manual specifies that all employees will have a conversation with their immediate superior twice a year on their own development and performance.

Eika Boligkreditt makes active efforts to

maintain a good internal working environment and to ensure that employee rights are well looked after. This is done in part through extensive cross-department work and information flow where appropriate. An employee satisfaction survey (MTU) is also conducted annually. Scores from this have been very high, and the findings are reviewed and evaluated with a view to further improvements. The annual MTU measures the results for a total of 13 sub-sectors, based on responses to 49 questions. The average score in 2020 was 87, with sub-sector scores ranging from 78 to 91.

As part of being an attractive employers, Eika Boligkreditt offers or covers the cost of a number of benefits over and above those required by law:

- it covers the difference between full pay and benefits paid by the Norwegian Labour and Welfare Administration (NAV) while on paternity leave
- it operates flexible working hours
- employees are covered by employer's liability, health and travel insurance paid by the company
- it belongs to the AFP early retirement scheme.



Lindesnes, Agder

Overall sickness absence in 2020 amounted to 0.45 per cent of total working hours. Eika Boligkreditt aims to be a workplace which:

- is forward-looking and development-oriented
- contributes to resolving important social challenges
- contributes to higher participation in work
- increases value creation and provides a competitive working environment
- reflects the expectations of the market and society, and is open to new commercial opportunities.

This means the company wants to work actively, purposefully and in an planned manner to promote equal opportunities and prevent discrimination, regardless of gender, pregnancy, paternity or adoption leave, carer responsibilities, ethnicity, religion, beliefs, disabilities or medical conditions, union membership, social background, age, political affiliation or sexual orientation. The company's policy includes regulations on equal opportunities which aim to prevent discriminatory treatment in such cases as pay, promotion and recruitment.

Average female pay as a proportion of the male average is presented below.

All employees	
Women	61%
Specialists and support functions	
Women	77%

Average pay for women is 61 per cent of the male average in the company. In the sub-category of specialists and support functions, which involves 13 work-years including four women, the average pay for females is 77

per cent of the male rate. The remaining six employees are in the company's management (five men and one woman). Lower average pay for women in the company reflects differences in length of service and level of responsibility. The company also has relatively few employees, which may produce big variations in average pay for each group.

Eika Boligkreditt has entered into a company pay agreement in addition to the main collective pay settlement and the central agreement negotiated between Finance Norway and the Finance Sector Union. The company agreement covers all employees except the CEO and other senior operative executives. Of the company's employees, 10.5 per cent belong to the Finance Sector Union.

The company has a majority of males both in its operative management (five men and one woman) and among specialists and support functions (nine men and four women). Women accounted for 26 per cent of its workforce at 31 December 2020, virtually unchanged from a year earlier. All other things being equal, it would be desirable to increase this proportion when making new appointments.

Two new employees were recruited in 2020 to replace departing personnel. These recruits, a man and a woman, are both new graduates and below the age of 30. The age and gender composition is presented in the table.

Appointments	< 30	30-40	41-50	> 50
Women	1	0	0	0
Men	1	0	0	0

Departures	< 30	30-40	41-50	> 50
Women	0	1	0	0
Men	0	1	1	0

That represented a staff turnover of roughly 15 per cent for Eika Boligkreditt in 2020, which was higher than in 2019 and high compared with earlier years. Work-years were reduced by 0.8 in 2020.

The age distribution between women and men by job category is presented in the table.

Operative management	< 30	30-40	41-50	> 50
Women	0	0	0	1
Men	0	0	0	5

Specialists and support functions	< 30	30-40	41-50	> 50
Women	2	0	0	2
Men	2	6	1	0

Board of directors	< 30	30-40	41-50	> 50
Women	0	0	0	1
Men	0	0	2	3

Ethics and anti-corruption

Like the rest of the Eika Alliance, Eika Boligkreditt AS is dependent on trust and a good reputation. A great responsibility accordingly rests both on the company and on the individual employee to act ethically towards customers, owner banks, investors, partners, colleagues and the world at large. The purpose of Eika Boligkreditt's ethical guidelines is to describe its standards in this area.

All Eika Boligkreditt's employees must behave and work in compliance with applicable legislation, statutory regulations and internal guidelines. They are all expected to do their job in an ethical and socially acceptable manner, and in line with the company's core values of being professional, involving and long-term.

It is often the case that no unambiguous answer exists to the question of what behaviour will be ethically acceptable in given circumstances. A possible guideline is that the following questions should be answered with an unqualified "no".

- Would I dislike it if this became known to the management or my colleagues at work?
- Could this in any way undermine trust in Eika Boligkreditt or the alliance were it to be reported in the media?
- Could the action conflict with the interests I am charged with protecting as an employee of Eika Boligkreditt, or be perceived as a benefit I am receiving by virtue of my position?

The guidelines regulate such matters as the individual employee's relationship with customers, suppliers, competitors and the world at large. All employees must avoid forming any kind of dependent relationship with customers or business connections, and must be fully conscious of attempts at corruption or forms of influence-peddling. The ethical guidelines make the company's zero tolerance of corruption clear, and employees must in no circumstances give or receive any form of inappropriate benefit - direct or indirect - through or in connection with Eika Boligkreditt's business operations. All new employees must read the ethical guidelines as part of their introduction programme, and ethics are on the agenda at fixed meetings for them. Eika Boligkreditt adopted updated ethical guidelines in March 2019. [Click here](#) to access the guidelines.

In addition to its ethical guidelines, the company has established its own whistle-

blowing procedure. This complies with the requirements of the Working Environment Act for notifying irregularities in the business, and is updated as required to comply with new provisions. The purpose of the procedure is to reduce the risk of internal wrongdoing and to take care of the employee's right and duty to blow the whistle. Examples of irregularities which could form the basis for whistleblowing are provided in the procedure, such as improper behaviour, corruption, illegal acts, financial crime, unethical or damaging activity, or breaches of the ethical norms of others. The procedure also makes provision for employees to notify anonymously if they so wish. An overview of notifications received in the past three years is presented below.

Notifications received	2018	2019	2020
Total	0	0	0

Responsible procurement

Eika Boligkreditt has established a policy for procurement which specifies that documented CSR must form part of all purchase agreements. This policy covers contracts for procuring goods and services for Eika Boligkreditt. Eika Gruppen has established a procurement policy which also covers purchases made on behalf of Eika Boligkreditt.

The company's procurement must accord with the following general principles.

- Products or services procured must be environment-friendly and sustainable, with attention paid to the life cycle of a product with respect to recycling and so forth.
- The company must ensure that contracts for procurement of goods and services are entered into on the best possible terms,



Lunde bru, Etnedal, Innlandet

- and its purchases must be as cost-efficient as possible.
- Eika Boligkreditt must maintain the integrity of its procurement processes in relation to applicable regulations, and primarily make purchases on the basis of competitive tendering.

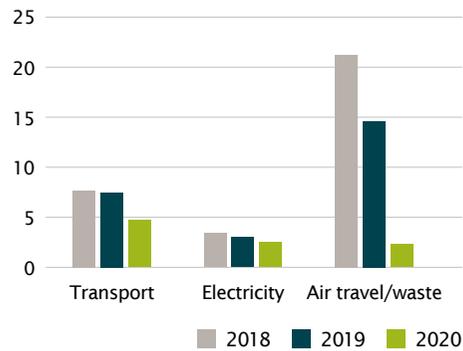
- Procurement processes must meet requirements for equal treatment, predictability, transparency and verifiability.
- In its procurement processes, Eika Boligkreditt must ensure that no questions can be raised concerning conflicts of interest arising from the relationship between its

employees and the supplier company or their personal interests. The company has established a policy for dealing with conflicts of interest.

Furthermore, Eika Boligkreditt's suppliers must comply with national and international

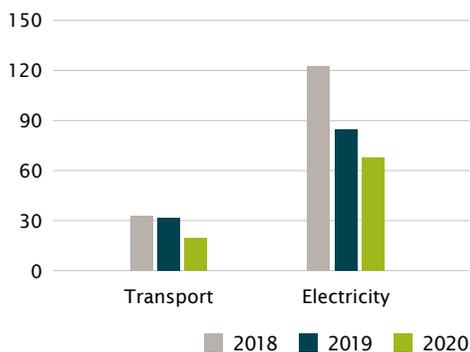
ANNUAL GHG EMISSIONS

Tonnes of carbon equivalent	2018	2019	2020
Transport	7.7	7.5	4.7
Electricity	3.4	3.0	2.5
Air travel/waste	21.2	14.6	2.3
Total	32.3	25.0	9.5



ANNUAL ENERGY CONSUMPTION

MWh	2018	2019	2020
Transport	33.0	31.7	19.5
Electricity	122.6	84.6	67.7
Total	155.6	116.4	87.2



legislation and regulations as well as internationally recognised principles and guidelines. These include provisions related to human and labour rights, the environment, corruption, AML and funding of terrorism. They must also see to it that possible sub-suppliers comply with the same principles and rules.

Suppliers must sign a self-declaration that they comply with the obligations specified in the guidelines, and have a duty to notify Eika Boligkreditt in the event of actual or suspected breaches of these. Breaches of the provisions result in cancellation of the contract. [Click here](#) to access the policy.

Eika Gruppen and its subsidiaries are in the process of securing Eco-Lighthouse certification. The group is both a major supplier to Eika Boligkreditt and the local banks, and responsible for substantial procurement on their behalf. Part of the certification relates to its procurement work and its suppliers. Eco-Lighthouse certification of Eika Gruppen thereby means that a substantial proportion of purchases made in the Eika Alliance will be quality-assured to this standard.

Environment- and climate-friendly operation

Eika Boligkreditt wants to have the smallest possible negative impact on the natural environment, and entered into an agreement in 2013 with CO₂fokus. The latter has developed a dedicated energy and climate accounting (environmental report) for the business.

Eika Gruppen, which leases offices to the company, has energy- and heat-saving installations to help limit consumption. Hydropower has also been chosen as the sole energy source, giving the premises a

Clean Hydropower certification. The latter contributes to an increased commitment to environment-friendly energy. All areas also have round-the-clock energy saving through regulation of temperature and lighting.

The owner banks are widely spread geographically, which has been a contributory factor in Eika Boligkreditt’s extensive and growing use of video and web conferencing in connection with training and information flow. This not only safeguards the environment but reduces unnecessary travel time and effort in a busy day.

Eika Boligkreditt has a conscious attitude to the use of paper and electronic templates and documents, as well as to postage costs. Reducing paper consumption to a necessary minimum is a clear objective.

An overview of the company’s greenhouse gas (GHG) emissions and energy consumption has been prepared for 2018, 2019 and 2020. This analysis is based on direct and indirect usage related to Eika Boligkreditt’s activities. Its total GHG emissions in 2020 are estimated at 9.5 tonnes of CO₂, down by 15.5 tonnes or 62 per cent from the year before. Energy consumption was down 20 per cent by area from 2019 and 25 per cent in total. Reductions were also achieved both in emissions per work-year and per NOK million in turnover. The board has established a management indicator for the company’s overall GHG emissions, where the desire is a development trajectory which represents a 50 per cent reduction in emissions up to 2030 compared with the 2013-19 average. [Click here](#) to access the full analysis (in Norwegian only).

The climate footprint provides a general overview of the company’s GHG emissions



Undredal, Aurland, Vestland

converted to tonnes of CO₂ equivalent, and comprises information from both internal and external systems. This analysis has been conducted in accordance with the GHG protocol initiative, an international standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). It ranks today as the most important standard for measuring GHG emissions from an enterprise. The protocol divides the amounts released into three main segments or scopes, which include both direct and indirect emissions. Reporting takes account of the GHGs CO₂, CH₄ (methane), N₂O (nitrous oxide), SF₆, HFCs and PFCs.

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