

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Bond Asset Pool

Eika Boligkreditt AS  
28 January 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Bond</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Green Bond Principles, Draft Model of EU Green Bond Standard, Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex (March 2020 version)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Eika Boligkreditt Green Bond Framework (as of January 2021)</li><li>• Eika Boligkreditt Green Bond portfolio (as of 30.09.2020.)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• This SPO is valid as long as no new project categories are added to the Green Bond Framework and there are no material changes to the asset pool (e.g. addition of assets that does not follow the Eligibility Criteria as set out in the Green Bond Framework January 2021).</li></ul>

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## SCOPE OF WORK

Eika Boligkreditt AS (“Eika Boligkreditt” or “the issuer”) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the bond:

1. Eika Boligkreditt sustainability performance, according to the ISS ESG Corporate Rating.
2. Eika Boligkreditt Green Bond Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and on a best effort basis against the Draft Model of EU Green Bond Standard<sup>1</sup> (EU GBS).
3. The asset pool – whether the project financed aligns with the Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex<sup>2</sup> (EU Taxonomy) on a best effort basis.<sup>3</sup>

<sup>1</sup> Usability Guide EU Green Bond Standard (March 2020)

[https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teggreen-bond-standard-usability-guide\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teggreen-bond-standard-usability-guide_en.pdf)

<sup>2</sup> Taxonomy Report: Technical Annex (March 2020)

[https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

ISS ESG reviewed the alignment of the due diligence processes of Eika Boligkreditt for each project category to be (re-)financed under this instrument against the March 2020 version of the Taxonomy Report - Technical Annex as referred to by Eika Boligkreditt in its framework. The EU Commission released a Draft Delegated Act on the EU Taxonomy in November 2020, and the adoption by the Commission is as of now pending. The first company report and investor disclosures using the EU Taxonomy are due at the start of 2022, covering the financial year 2021. Thus, as of the date of publication of this SPO report, it is not possible to conclude to any definite alignment with the EU Taxonomy, which is not yet finalized and implemented, and the March 2020 version of the Technical Annex was used as reference point.

<sup>3</sup> ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for one financed project category.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>4</sup>
<p><b>Part 1:</b></p> <p><b>Issuer sustainability performance</b></p>	<p>The issuer itself shows a medium sustainability performance and has been given a rating of ‘C-’ which classifies it just below the Prime threshold of ‘C’ by the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 35<sup>th</sup> out of 129 companies within the Financial/Mortgages &amp; Public Sector Finance sector as of 28.01.2021. This equates to a high relative performance, with a Decile Rank<sup>5</sup> of 3.</p>	<p><b>Status:</b> <i>NOT PRIME</i></p> <p><b>Rating:</b> C-</p> <p><b>Decile Rank:</b> 3</p>
<p><b>Part 2:</b></p> <p><b>Performance against the draft of EU GBS and GBPs</b></p>	<p>The issuer has defined a formal concept for its Green Bond Framework regarding strategy and rationale, process for selection of Green Projects, Green Projects, Management of Use-of-Proceeds and Reporting. This concept is in line with the draft of EU GBS and the ICMA GBPs.</p>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Alignment of the asset pool with the EU Taxonomy</b></p>	<p>The green bonds will (re-)finance mortgages for energy efficient residential buildings in Norway. This use of proceeds category has a significant contribution to SDGs 13 ‘Climate Action’, and a limited contribution to SDG 11 ‘Sustainable cities and communities’.</p> <p>For this green project category, ISS ESG assessed the alignment of Eika Boligkreditt’s due diligence processes against the requirements of the EU Taxonomy. The issuer’s eligible category corresponds to the following EU Taxonomy category: “Acquisition and Ownership” (activity 8.4. of the EU Taxonomy).</p> <p>Based on robust processes for selection of Green Projects, the Green Bond asset pool is considered as aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards.</p>	<p><b>Positive</b></p>

<sup>4</sup> ISS ESG’s evaluation is based on the Eika Boligkreditt Green Bond Framework (January 2021 version), on the analysed green bond portfolio (30.09.20), and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 14.12.2020). ISS ESG reviewed the alignment of the framework with the EU GBS and the processes in line with the EU Taxonomy activity specific requirements for one financed project category.

<sup>5</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

## ISS ESG SPO ASSESSMENT

### PART I: ASSESSMENT OF EIKA BOLIGKREDITT'S ESG PERFORMANCE

**Methodological note:** Please note that this section of the SPO is extracted from the ISS ESG Corporate Rating of Eika Boligkreditt. As at the time of publication of this SPO, the ESG Corporate Rating does not reflect certain recent development, the assessment below has been partly amended.

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). "Prime" status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
EIKA BOLIGKREDITT	NOT PRIME	C-	3	MEDIUM

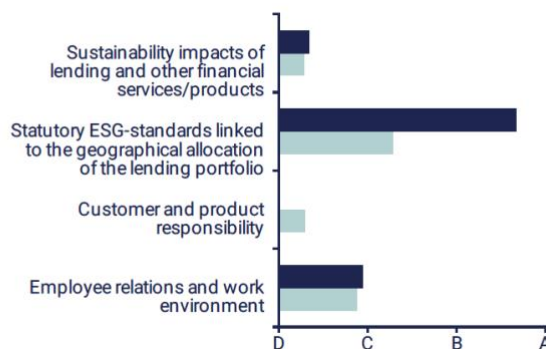
This means that in terms of industry-specific sustainability requirements the company performed in a medium way. However, compared to others in the industry Eika Boligkreditt performs well.

#### ESG performance

As of 18.01.2021, this Rating places Eika Boligkreditt 35<sup>th</sup> out of 129 companies rated by ISS ESG in the Financial/Mortgages & Public Sector Finance sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Key Issue Performance



#### Sustainability Opportunities

Eika Boligkreditt is a covered bond refinancing institute for local banks in Norway. All of the mortgages transferred to its book for refinance are covered by residential property and Eika Boligkreditt thus has some potential for facilitating social and affordable housing. In 2019, housing cooperatives, which frequently serve an affordable housing purpose, received about 7% of Eika Boligkreditt's total lending. Nevertheless, such lending does not constitute the main business of the company.

### *Sustainability Risks*

Eika Boligkreditt has a very moderate risk profile. All underlying loans are originated and covered by residential real estate in Norway, a country with high environmental and social minimum standards. However, additional safeguards for ensuring financed objects fulfil social and environmental criteria, appear not to be established. The company has implemented initial steps for limiting risks in its investment book, held only for liquidity reasons. Eika Boligkreditt is not responsible for distributing the loans itself, however, assumes some responsibility when the loans get transferred to its balance sheet. In this context, there is no evidence for a company approach on how it handles the risks in relation to the final retail customer, especially with regard to the treatment clients facing over-indebtedness. Also risks associated to its direct operational impacts remain limited. Its about twenty employees enjoy the relatively high labour conditions of Norway. Albeit its only scant efforts in terms of compliance, the risks arising from business ethics misconduct appear rather narrow, as the bank has no direct customer contact and mainly deals with the distributor banks and investors.

### *Governance opinion*

Independence of Eika Boligkreditt's board of directors and its chair is given, as neither the chairman nor any of his colleagues exert significant influence over the company's management decisions, thereby ensuring adequate oversight. Board committees regarding remuneration and nomination tasks exist, but their independence cannot be adequately assessed due to a lack of transparency by the company. There is no suggestion for board committees charged with audit affairs. Compensation is disclosed for the CEO, split up according to fixed amounts, variable performance-related and long-term components, but not for the entire executive management team. There is no evidence of board committees charged with sustainability affairs. In addition, it remains unclear whether the guidelines determining the executives' variable compensation encompass ESG criteria.

The company's ethical guidelines cover various relevant topics, e.g. corruption, conflicts of interests, insider dealings and money laundering, but most of them are referred to only in rather general terms and detailed provisions are missing. EBK also lacks transparency over its accompanying compliance measures. Eika has established its own whistleblowing procedure, in compliance with the requirements of the Working Environment Act for notifying irregularities in the business. 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 anonymized whistleblowing

### *Breaches of international norms and ESG controversies*

The company is not facing any controversy.

## PART II: ALIGNMENT WITH THE GBPs and DRAFT MODEL OF EU GREEN BOND STANDARD

### 1. Strategy and rationale (EU GBS)

Sustainability and corporate social responsibility (CSR) are becoming increasingly important strategic drivers in industry and commerce. The Eika Alliance takes responsibility for a development of society which is sustainable and not achieved at the expense of future generations. In light of banks in the Eika Alliance's role in the Norwegian society, the local banks intend to positively contribute to sustainable development, by establishing an overarching sustainability strategy and acting responsibly when conducting their business and operations.

In 2019, The Eika Alliance has worked on a strategy aimed at taking responsibility for defining the strategic level at which the Eika Alliance will pursue their sustainability related ambitions, with the emphasis on environmental, social and governance (ESG) criteria. 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.

Eika Boligkreditt as a group or through banks of the Eika Alliance, has adhered and contributed to several sustainability initiatives.

- Sustainability in Eika Boligkreditt 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.
- During 2020, Eika Gruppen has signed the UN's principles for responsible banking from the Paris agreement. Three of the larger banks in the Eika Alliance, respectively Sandnes Sparebank, Aurskog Sparebank and Lillestrøm Sparebank have also signed these principles.
- Eika Boligkreditt has performed an analysis of the carbon footprint of all the buildings within the cover pool<sup>6</sup> 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 for the establishment of the Green Bond Framework.
- In the fourth quarter 2020 the Eika Alliance banks launched an inaugural common green mortgage product.

In alignment with the broader Eika Boligkreditt corporate responsibility strategy, Eika Boligkreditt has established the Green Bond Framework to be able to issue Green Bonds to finance and/or refinance mortgages for energy efficient residential properties with lower energy needs and consumption.

<sup>6</sup> Usability Guide EU Green Bond Standard (March 2020)  
<https://eikbol.no/-/media/banker/eika-boligkreditt/pdf/ESG/Engelsk/2019-Eika-Boligkreditt---Carbon-and-energy-footprint.pdf>



Through the issuance of its green bonds, Eika Boligkreditt aims to make a substantial contribution to the achievement of certain EU Environmental Objectives and relative sub-targets:

- *EU Environmental Objective (1):* Climate Change Mitigation
- *Substantial contribution to Climate Change Mitigation (1.b):* Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption.

**Opinion:** ISS ESG considers the Strategy and Rationale description provided in Eika Boligkreditt's Green Bond Framework as aligned with the draft model of EU Green Bond Standard. The bonds' environmental objectives appropriately link to the issuer's strategy with the environmental objectives defined in the EU Taxonomy. The rationale for issuing green bonds is clearly stated. Further, Eika Boligkreditt described in its framework its sustainability strategy and associated key targets and achievements over the last few years, in relation with international sustainability commitments such as the UN SDGs and UNEP-FI Principles for Responsible Banking. Also, Eika Boligkreditt has performed an analysis of the carbon footprint of all the buildings within the cover pool which further shows its commitment to sustainability.

## 2. Process for Selection of Green Projects (EU GBS) – Process for Evaluation and Selection (GBPs)

Eika Boligkreditt will select and track the Eligible Green Loans based on information from the official Land Register. The information is received from third-party Eiendomsverdi<sup>7</sup>, which is an entity that supports the reporting of real estate data for a large number of Norwegian covered bond issuers and Norwegian banks.

Information from the Land Register regarding building year for all properties securing the loans in the Eika Boligkreditt Cover Pool are used to determine the Eligible Residential Green Buildings. Loans secured by mortgages on Eligible Residential Green Buildings are selected as Eligible Green Loans.

All residential mortgages within Eika Boligkreditt's Cover Pool, including the Eligible Green Loans, have been and will be originated in line with Eika Boligkreditt credit risk policies.

Eika Boligkreditt will be responsible for identification and record keeping of new and existing mortgages that meet the Eligibility Criteria. A green mortgage register of Eligible Green Loans will be kept by Eika Boligkreditt, and Eika Boligkreditt will select from the register the Eligible Green Loans available for green bond funding.

The Green Bond Committee will meet on a regular basis (at least annually) and will conduct an additional review on the selected mortgages to ensure ongoing compliance with the Eligibility Criteria.

Eika Boligkreditt ascertains, on a best effort basis, that all selected Eligible Green Loans comply with official national standards and local laws and regulations. It is part of the general transaction approval process within Eika Boligkreditt to ensure, on a best effort basis, that all activities comply with internal environmental and social standards.

<sup>7</sup> For more information, please see: <https://eiendomsverdi.no/>



**Opinion:** ISS ESG considers the Process for Selection of Eligible Green Projects described by Eika Boligkreditt Green Bond Framework as aligned with the draft model of the EU GBS. The issuer shows substantial contribution of the green eligible category to a selected environmental objective, selection criteria in line with the Technical Screening Criteria, alignment with the Do No Significant Harm criteria, and a process at a corporate level that aligns with Minimum Social Safeguards.

ISS ESG conducted a detailed screening of the procedure in place to identify eligible assets in line with the activity-specific requirements of the EU Taxonomy (see part III of this report).

Moreover, ISS ESG finds that the Process for Evaluation and Project Selection description provided by Eika Boligkreditt aligns with the GBPs. Roles and processes for the Project Evaluation and Selection Process are well described.

### 3. Green Projects (EU GBS) – Use of Proceeds (GBPs)

Eika Boligkreditt intends to allocate the net proceeds of the Green Bonds to a loan portfolio of new and existing mortgages (“Eligible Green Loans”) for energy efficient residential buildings in Norway (the “Eligible Residential Green Buildings”). The Eligible Green Loans are to be funded in whole or in part by an allocation of the bond proceeds.

Eika Boligkreditt has relied on the support of external green real estate consultant Multiconsult ASA to define the associated eligibility criteria below (the “Eligibility Criteria”).

All Eligible Green Projects align with case A “Acquisition of buildings built before 31 December 2020” of the EU Taxonomy, thus belonging to the top 15% low carbon residential buildings in Norway. They correspond in more detail to the following:

#### *New residential buildings in Norway (built after 2009)<sup>8</sup>*

- New or existing Norwegian apartments that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012<sup>9</sup>.
- New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). Hence, built after 2009.

#### *Residential buildings in Norway (built before 2009)*

<sup>8</sup> The Eligibility Criteria above will apply to residential buildings until there will be clear a definition of what NZEB (“Nearly Zero Energy Buildings”) corresponds to in terms of regulation, within the Norwegian context. In accordance with the EU Taxonomy document, buildings built from the 1st of January 2021 should meet the “NZEB – 20%” criterion, meaning that the net primary energy demand of the new buildings must be at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements. At this point in time, the concept of NZEB has not yet been defined in Norway. Eika Boligkreditt intends to closely monitor regulatory developments regarding this topic and intends to apply the EU Taxonomy Technical Screening Criteria for Green Buildings when there will be an exact definition of NZEB in Norway. Sources: [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-teg-finalreport-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-finalreport-taxonomy-annexes_en.pdf) and <https://www.epbd-ca.eu/wp-content/uploads/2018/08/CA-EPBD-IV-Norway-2018.pdf>

<sup>9</sup> Two-year lag between implementation of a new building code and the buildings built under that code must be taken into account. This means that all residential apartment buildings finished in 2012 and later and all other residential dwellings finished in 2009 and later are all eligible for Green Bonds under this criteria. This is in line with the criteria as set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>

- Existing Norwegian residential buildings built using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database.

### *Refurbished Residential buildings in Norway with an improved energy efficiency of 30%*

One of two criteria below must be met:

- Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction.
- Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m<sup>2</sup>, compared to the calculated label based on building code in the year of construction.

Where EPC labels are available to select eligible assets under this criterion, only labels of 'D' or better will be considered.

For the avoidance of doubt, any future changes to the Eligibility Criteria will not apply to Green Bonds issued before the date of the change.

**Opinion:** ISS ESG finds that the Green Projects description proposed by Eika Boligkreditt's Green Bond Framework aligns with the draft model of the EU GBS. Green Projects are defined in line with the EU Taxonomy activities, and the selection criteria clearly align with EU Taxonomy Technical Screening Criteria requirements<sup>10</sup>. The issuer links the eligible green project category directly to the EU Taxonomy Environmental Objectives and the UN SDGs.

Moreover, ISS ESG finds that the Use of Proceeds description provided by Eika Boligkreditt aligns with the GBPs.

## **4. Management of Use-of-Proceeds (EU GBS) – Management of Proceeds (GBPs)**

The Green Bonds net proceeds will be managed by Eika Boligkreditt in a portfolio approach.

Eika Boligkreditt intends to allocate the proceeds from the Green Bonds to a portfolio of loans (the "Eligible Green Loan Portfolio") that meet the Eligibility Criteria and in accordance with the evaluation and selection process presented above.

Eika Boligkreditt intends to designate sufficient Eligible Green Loans in the Eligible Green Loan Portfolio to ensure that the size of the Eligible Green Loan Portfolio matches or exceeds the total balance of all outstanding Green Bonds. When necessary, additional Eligible Green Loans will be added

<sup>10</sup> The Eligibility Criteria described in the Green Bond Framework will apply to residential buildings until there will be clear a definition of what NZEB ("Nearly Zero Energy Buildings") corresponds to in terms of regulation, within the Norwegian context. In accordance with the EU Taxonomy document, buildings built from the 1st of January 2021 should meet the "NZEB – 20%" criterion, meaning that the net primary energy demand of the new buildings must be at least 20% lower than the primary energy demand resulting from the relevant NZEB requirements. At this point in time, the concept of NZEB has not yet been defined in Norway. Eika Boligkreditt intends to closely monitor regulatory developments regarding this topic and intends to apply the EU Taxonomy Technical Screening Criteria for Green Buildings when there will be an exact definition of NZEB in Norway. Sources: [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/200309-sustainable-finance-eg-finalreport-taxonomy-annexes\\_en.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-eg-finalreport-taxonomy-annexes_en.pdf) and <https://www.epbd-ca.eu/wp-content/uploads/2018/08/CA-EPBD-IV-Norway-2018.pdf>

to the Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds.

During the life of the Green Bonds, and upon becoming aware, if a loan does not fulfil the Eligibility Criteria, Eika Boligkreditt will remove the loan from the Eligible Green Loan Portfolio and replace it, when necessary, as soon as reasonably practicable.

Eika Boligkreditt will hold or invest any unallocated Green Bond net proceeds, at its own discretion, in its liquidity portfolio in money market instruments.

**Opinion:** *ISS ESG finds that the Management of Use-of-Proceeds defined by Eika Boligkreditts Green Bond Framework aligns with the draft model of the EU Green Bond Standards. Proceeds are appropriately separated through a portfolio approach, and the Issuer describes the procedure in case of divestment from a pool no longer in line with the eligibility criteria. The expected allocated period is considered to be immediate or “as reasonably practicable”.*

*Moreover, ISS ESG finds that the Management of Proceeds description provided by Eika Boligkreditt aligns with the GBPs.*

## 5. Reporting (EU GBS and GBPs)

The Green Bond Principles require green bond issuers to keep investors and other stakeholders updated on the allocation of proceeds. In addition to information related to the projects to which green bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

On a best effort basis, Eika Boligkreditt will align the reporting with the portfolio approach described in "Handbook – Harmonized Framework for Impact Reporting (2020). The reporting is based on the Eligible Green Loan Portfolio and numbers will be aggregated for all Green Bonds outstanding.

Eika Boligkreditt intends to report to investors within one year from the date of a Green Bond transaction and annually thereafter, until the proceeds have been fully allocated. In case of material changes, revised reporting will be published.

### Allocation

The allocation report will provide, on an aggregated basis, on indicators such as:

- The size of the identified Eligible Green Loan Portfolio;
- The total amount of proceeds allocated to Eligible Green Loans;
- The balance (if any) of unallocated proceeds;
- The amount or the percentage of new financing and refinancing; and
- The geographical distribution of the Eligible Green Loan Portfolio, at country level.

### Impact

Where feasible, Eika Boligkreditt intends to report on the impact of the Eligible Green Project Portfolio. The Impact report may provide:

- A brief description of the Eligible Green Loans;
- The breakdown of Eligible Green Loan Portfolio, by nature of what is being financed (financial assets); and;
- Metrics regarding Eligible Green Loans' environmental impact.

Eika Boligkreditt has appointed a specialised green real estate consultant Multiconsult ASA to develop a methodology for impact estimation and calculation. The impact report will provide details, on an aggregated basis, on indicators such as:

- Estimated ex-ante annual energy consumption in kWh/m<sup>2</sup> or energy savings in MWh; and
- Estimated annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent.

Both the allocation report and the impact report will be made available on Eika Boligkreditt's website.

## External verification

### Second Party Opinion

Eika Boligkreditt will obtain an independent Second Party Opinion from ISS-ESG to confirm the validity of the Eika Boligkreditt Green Bond Framework. The independent Second Party Opinion will be published on the Eika Boligkreditt's website.

### Auditor's report and CBI

Eika Boligkreditt may request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.

Eika Boligkreditt will obtain CBI certification for its inaugural Green Bond, which is aligned with CBI's baseline for the Norwegian Low Carbon Residential Buildings:  
<https://www.climatebonds.net/standard/buildings/residential>.

ISS-ESG, an approved third-party verifier, has been appointed to confirm the framework's conformance with the Low Carbon Building criteria of the Climate Bonds Standard.

**Opinion:** ISS ESG finds that the Reporting proposed by Eika Boligkreditt's Green Bond Framework partially aligns with the draft model of the EU Green Bond Standards. The allocation and impact reports will be appropriately disclosed and publicly available. The allocation report will be published annually until allocation of proceeds.

Eika Boligkreditt describes how the impact metrics contribute to the environmental objectives of the bond, but do not link them to the Do No Significant Harm criteria.

The issuer commissioned a SPO and intends to seek post-issuance External Verification on each annual allocation and impact report.

Moreover, ISS ESG finds that the transparency on the level of expected reporting and on the type of information to be reported is aligned with the GBPs.

## PART III: SUSTAINABILITY QUALITY OF THE PROJECT CATEGORIES



### 1. CONTRIBUTION OF THE GREEN BOND PROJECT CATEGORY TO THE UN SDGs

Using a proprietary methodology, ISS ESG assessed the contribution of Eika Boligkreditt's Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainable Bond Framework and the issuer's specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
------------------------------------	--------------------------------	--------------------------	---------------------------------	-------------------------------------

The Green Bond project category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Mortgages for energy efficient residential buildings</b>	<b>Significant contribution<sup>11</sup></b>	
	<b>Limited contribution</b>	

<sup>11</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs.

The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Technical Annex (March 2020) for the activity 8.4. Acquisition and ownership. As the projects to be financed under the Use of Proceeds category "Private Mortgages" have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation by the projects is attested.

## 2. ALIGNMENT OF THE FINANCED ASSETS WITH THE EU TAXONOMY

ISS ESG assessed the alignment of the Green Bond pool and the due diligence and selection processes in place, with the EU Taxonomy.

### 2.1. Acquisition and Ownership (8.4.)

Projects under this category include acquisition and ownership of green residential buildings. All Green Projects are located in Norway. The results of this assessment are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
<b>1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
Case A – Acquisition of buildings built before 31 December 2020. The calculated performance of the building must be within the top 15% of the local existing stock in terms of operational Primary Energy Demand, expressed as kWh/m <sup>2</sup> y.	Eika Boligkreditt has relied on the support of external green real estate consultant Multiconsult ASA to identify the top 15% of the energy efficient buildings in Norway.	✓
<b>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</b>		
Reducing material physical climate risks	The processes for selection of Green Projects are aligned with Norwegian environmental legislations. Thus, environmental risk assessment is conducted at the planning stage and relevant measures are applied to reduce identified risks.	✓
Supporting system adaptation	The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national adaptation efforts.	✓
Monitoring adaptation results	Adaptation results can be monitored and measured against defined indicators and are reviewed by the issuer.	✓
<b>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</b>		
Not applicable		-
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>		
Not applicable		-
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		

No presence of substances of concern	Testing for contaminants and procedures for handling any contaminants are strictly regulated by national building legislations and prevent use of substances in concerns.	✓
<b>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
Location of buildings in protected and natural areas	The construction of building is strictly regulated by Norwegian legislation and therefore excluded from protected and natural areas.	✓
<b>CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN</b>		
Eika Boligkreditt has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Projects pool.		

### Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards. The results are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	Not applicable. Eika Boligkreditt operates only in Norway.	-
UN Guiding Principles on Business and Human Rights	Eika Boligkreditt' due diligence processes ensures the alignment and compliance with the UN Guiding Principles on Business and Humans Rights. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓
ILO Core Labour Conventions	Eika Boligkreditt due diligence processes ensure the alignment and compliance with the ILO Core Labour Conventions. Risks analysis processes are in place to identify any potential breach of this guideline at the Green Project level. Mitigation plans in case of breach are in place and Green Projects can be removed from the Green Bond pool in case of non-compliance.	✓



## DISCLAIMER

1. Validity of the SPO: This This SPO is valid as long as no new project categories are added to the Green Bond Framework and there are no material changes to the asset pool (e.g. addition of assets that does not follow the Eligibility Criteria as set out in the Green Bond Framework January 2021).
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Eika Boligkreditt's ISS ESG Corporate Rating.

# Eika Boligkreditt AS

## Company Information

Country  
Norway

ISIN  
XS1869468808

Industry  
Financials/Mortgage & Public Sector Finance

## Key Results

Rating  
**C-**

Decile Rank  
**3**

Transparency Level  
**Medium**

Performance score  
**40.47**

Status  
**Not Prime**

Prime Threshold  
**C**

## Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

## Transparency Level



## Decile Rank

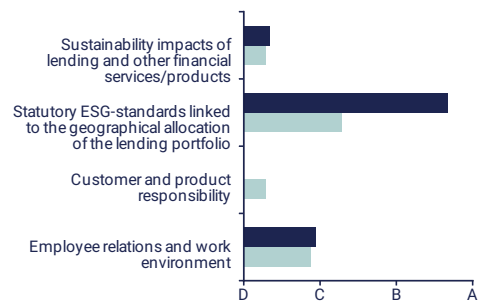


## Industry Leaders

Company name (in alphabetical order)	Country	Grade
Berlin Hyp AG	DE	B-
Nederlandse Waterschapsbank N.V.	NL	B
de Volksbank N.V.	NL	B

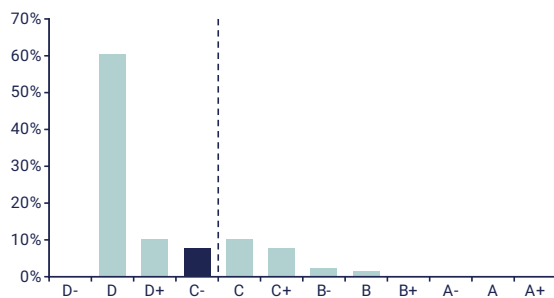
Legend: ■ Industry ■ Company --- Prime

## Key Issue Performance

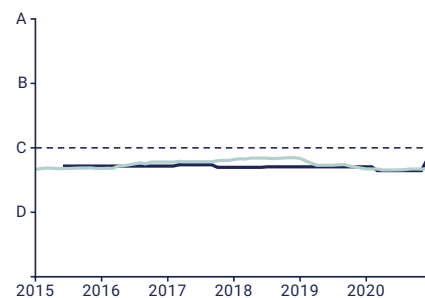


## Distribution of Ratings

129 companies in the industry



## Rating History



# Eika Boligkreditt AS

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Controversial Business Practices** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
  - Degree of verification of allegations and claims
  - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

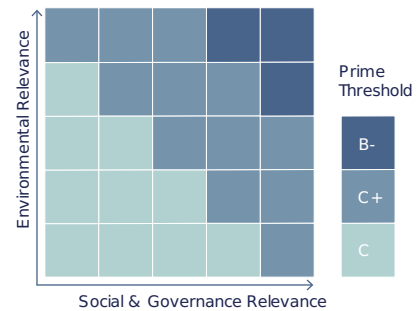
**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

# Eika Boligkreditt AS

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 2: Methodology

### ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the Eika Boligkreditt Green Bond project category contribute to related SDGs.

## ANNEX 3: Quality management processes

### SCOPE

Eika Boligkreditt commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the ICMA Green Bond Principles, and to the extent possible with the Draft Model of EU Green Bond Standard (EU GBS). Moreover, the assessment included whether the Green Bond project category aligns with the EU Taxonomy and associated technical annex, on a best effort basis.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, Draft Model of EU Green Bond Standard (EU GBS) and EU Taxonomy and associated technical annex.

### ISSUER'S RESPONSIBILITY

Eika Boligkreditt responsibility was to provide information and documentation on:

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level for EU taxonomy

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond Financing Framework issued by Eika Boligkreditt based on ISS ESG methodology and in line with the ICMA Green Bond Principles and Draft Model of EU Green Bond Standard (EU GBS).

The engagement with Eika Boligkreditt took place in November/December 2020.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.



## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

**Federico Pezzolato**

SPO Business Manager EMEA/APAC

[Federico.Pezzolato@isscorporatesolutions.com](mailto:Federico.Pezzolato@isscorporatesolutions.com)

+44.20.3192.5760

**Miguel Cunha**

SPO Business Manager Americas

[Miguel.Cunha@isscorporatesolutions.com](mailto:Miguel.Cunha@isscorporatesolutions.com)

+1.917.689.8272

For Information about this Green Bond SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

**Project lead**

Damaso Zagaglia  
Associate  
ESG Consultant

**Project support**

Maximilian Intrau  
Consultant  
ESG Consultant

**Project supervision**

Viola Lutz  
Associate Director  
Deputy Head of Climate Services