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# Sustainability and societal engagement

## Eika's impact on the world at large

Economic growth and prosperity are intrinsic benefits which as many people as possible should have the opportunity to share in – but activities which contribute much of a positive nature may also have negative aspects. By contributing to growth, new companies, new homes, production and financing together with the local banks, the Eika group also helps to reduce greenhouse gas (GHG) emissions, consumption of materials and resources, and pressure on the natural environment.

The cumulative effect of centuries of growing emissions and discharges, resource consumption and loss of global biodiversity is reaching a level where people's future livelihoods are under threat. In coming years, humanity must reduce the negative consequences of its activities on the world at large to ensure that today's prosperity is not maintained at the expense of coming generations or the rights of the world population as people and workers.

Eika has big opportunities to contribute to sustainable development – and thereby also a great responsibility to ensure the sustainability of its business model. In order to achieve that, the group must first understand its impact on the world today.

## Societal engagement

The local banks in Norway were established to contribute to financial and social sustainability in their respective communities. By creating opportunities for companies, jobs, residential mortgages and saving, they have contributed to a vigorous local society and inclusive economic progress. Eika's sustainability work builds on the commitment of the local banks to sustainable development over more than 150 years, both in its own work and by supporting the efforts of the local banks.

Eika's societal engagement is no longer confined to economic and social sustainability – this today involves both taking care of the local community and overcoming major global problems such as

Stakeholder analysis for Eika Gruppen



climate change, loss of biodiversity and lack of respect for human rights. The financial sector plays an important role in the transition to greater sustainability locally, nationally and globally. As one of Norway's largest and most important players in this industry, Eika is conscious of its duty to make the necessary changes and accept responsibility for the group's impact on the world through its operations and value chain.

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 the 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 (Global reporting initiative (GRI) 2-23 b ii). Closeness to customers also gives the local banks a good basis for offering relevant products to the growing group of customers concerned about sustainability (GRI 3-3 for GRI 201).

Stakeholders

Eika has identified its most important stakeholder groups and significant issues for its interaction with these. The most important of them

are the local banks, employees, customers, partners, government agencies, investors, local communities and society as a whole. Further important sub-categories of these groups are presented in the stakeholder overview on this page. The stakeholder analysis is the result of a cross-disciplinary collaboration involving all Eika companies, and is entrenched in the group management and board.

Extensive contacts are maintained through various channels with important stakeholder groups, and the local banks deal with and communicate significant issues of concern to their own customers and communities. Eika conducted questionnaire-based surveys of employees and local-bank customers in 2021 in order to identify important issues for sustainability work. During 2022, the group carried out in-depth interviews with a sample of local-bank customers. As a result, its annual sustainability week was also extended in 2023 to local-bank customers, providing advice aimed at increasing their awareness of simple steps they can take in their daily lives. Furthermore, Eika conducts regular employee and alliance surveys as well as being involved in a number of other relevant fora for dialogue. During 2022, the group participated in a range of discussions and collaborations on sustainable development with business partners and suppliers, industry associations and the alliance banks.

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 in local growth and sustainable development, for customers and the local community".

The Eika vision of “We strengthen the local bank” describes the group’s 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.”

International and national initiatives supported by Eika

Eika draws on recognised national and international initiatives in its work on sustainability.

- UN sustainable development goals (SDGs)
- UN principles for responsible banking
- UN principles for responsible investment (PRI)
- UN Global Compact
- Eco-Lighthouse
- Norwegian guide against greenwashing
- Women in Finance Charter
- Roadmap for green competitiveness in the Norwegian financial sector

UN SDGs

Sustainability in Eika builds on the UN 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 corporate social (CSR) responsibility.

The group influences several of the SDGs, but sees that its impact may be greater for some selected targets than for others. Eika Boligkreditt supports the following SDGs and consider 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.

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 key performance indicators.

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](http://eikbol.no/Investor-relations/green-bonds)). The company’s ambition was to set a goal for the climate footprint of the







residential mortgage business during 2021. This target could not be met because Eika Boligkreditt is a financing source for lending activities in the alliance banks. A goal of net zero emissions in the residential mortgage business conducted through the company must be pursued via interaction with the setting of such objectives by the owner banks. A sectoral collaboration is under way through Finance Norway, with Eika participation, to prepare for measuring the climate footprint and determining an industry standard for this activity in the financial sector. Eika Boligkreditt expects the work will

mean that its owner banks also set targets on net zero emissions in their residential mortgage portfolios, which is a precondition for establishing similar goals for lending activities through Eika Boligkreditt.

**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 derived 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 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 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
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

KPI	SDG	Status 2022	Status 2021	Goal
Employee satisfaction, index 0–100	8	<b>89</b>	88	≥80
Sickness absence	8	<b>3.7%</b>	1.8%	≤2.5%
Ambitions for internal promotion to senior posts	8	<b>3 of 3</b>	0 of 1	Qualitative assessment
Female proportion, employees	8	<b>4 of 18=22.2%</b>	5 of 19=26.3%	Short-term: ≥30% / Long-term: ≥40%
Female proportion, board	8	<b>1 of 6=16.67%</b>	1 of 6=16.67%	≥2 of 6=33.33%
Serious HSE incidents	8	-	-	-
Alliance satisfaction, index 0–100	11	<b>85</b>	87	≥80
Achieve roughly the same credit spread for covered bond financing as comparable issuers would have done for the same tenor, issued volume and issue date	11	<b>0.7 bp</b>	0.5 bp	< +3 bp
Share of green mortgage collateral in the cover pool	13	<b>22.1%</b>	21.4%	≥ 20%
GHG emissions, CO <sub>2</sub> equivalent, residential mortgage business	13	<b>184 200 t CO<sub>2</sub> (European mix)</b>	192 300 t CO <sub>2</sub> (European mix)	Not specified
GHG emissions, CO <sub>2</sub> equivalent, other business	13	<b>18.9 t CO<sub>2</sub></b>	9.5 t CO <sub>2</sub>	≤ 21.6 t CO <sub>2</sub> in 2025, down 27.3% from historical average (2012–19)

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 Romerike Sparebank – have also signed these principles.

As part of the post-signing process, Eika Gruppen conducted an impact analysis in 2021 with the aim of learning more about how its business affects the wider world for good or ill (the analysis is published in its entirety (in Norwegian only) at <https://eika.no/eika-alliansen/eikagruppen/baerekraft>). Some minor adjustments were made to the materiality analysis in 2022 by adapting the main sectors to the updated sustainability strategy, and plans call for the analysis to be revised in 2023. A strategic choice has been made to

carry out this analysis on behalf of both Eika Gruppen with subsidiaries and the alliance banks, since opportunities to exert influence are largely channelled through the latter. The analysis was carried out using tools and approaches (where possible) which accord with the recommendations from the UNEP FI. Emphasis has been given to conducting the analysis with a high level of detail and for all relevant products. Its findings identify three areas which will receive particular attention in Eika Gruppen’s future work on sustainability – resource effectiveness, waste and climate. These all receive considerable attention already in the group. Combined with findings from other analyses conducted internally, including on stakeholders and materiality, insights from this work will help to shape Eika Gruppen’s continued commitment to sustainability. By publishing

this report, the group hopes that the analysis and its findings can also help other undertakings in shaping their sustainability commitment for the time to come.

UN principles for responsible investment

Eika Kapitalforvaltning has adopted the UN PRI in order to prepare and formalise its work on sustainable investment. The UN PRI represent the biggest global reporting project for responsible investment, and can be regarded as the global norm for best practice in the area. They challenge and inspire to take further account of environmental, social and governance (ESG) considerations in investment activities. The annual reporting will also be useful for customers wishing to make sustainable choices.



### **UN Global Compact**

The Global Compact is the UN's organisation for sustainable business, and has formulated 10 principles which provide guidance for companies on ensuring responsible operation, including human rights, labour relations, anti-corruption and the climate/environment – including the precautionary approach. Eika bases its work with sustainability on these principles.

### **Eco-Lighthouse**

The Eco-Lighthouse is a Norwegian national standard for environmental management, with EU recognition. While work on the UN principles deals with the way the world at large is affected by Eika's products, services and value chain, Eco-Lighthouse certification ensures a properly-anchored concentration on environmental management, reducing and handling waste, and energy use and transport in addition to internal processes for sustainability of the group's own operations and products. Eika and its four locations in Gjøvik, Hamar, Oslo and Trondheim were Eco-Lighthouse certified during 2021 in accordance with the set of common criteria as well as the sets for tenants, banking and finance, and insurance. Annual climate and environmental reports are also prepared for the business.

### **Guide against greenwashing**

Eika has signed the guide against greenwashing as one of several measures to entrench a secure sense of how the group will work on sustainability and communicate about its efforts. The guide provides advice on decision-making, and can be a source of new, sustainable ideas and ways of working. Eika will give priority to measures which have real effect.



### Women in Finance Charter

The Women in Finance Charter aims to help increase the proportion of females in senior positions in Norway's financial sector. Eika recognises the importance of this, and signed the charter in the autumn of 2021. Its goal is for women to hold 40 per cent of its managerial and specialist posts.

### Roadmap for green competitiveness in the Norwegian financial sector

Eika take a fundamentally positive view of industry collaboration on sustainability efforts. It uses the roadmap as drawn up to support its work on CSR and sustainability.

### Strengthening the banks as drivers of sustainable growth and development

Eika exerts its biggest impact on the world at large through the local banks. By strengthening these in terms of sustainability, the group can help to reduce actual negative effects of the value chain on climate/the environment and social conditions through raising awareness, enhancing insight, and customisation.

The group will contribute to sustainability work at the local banks in such areas as bank systems and services, customer interfaces, procurement, expertise and insight. This requires that deliveries to the banks accord with ever-growing demands for and expectations of sustainability. Eika will offer relevant courses and competence enhancement for advisers, and communicate well and effectively with the banks about sustainability in the group's products. It will equip the banks to provide good advice and understanding to customers on sustainability, and communicate

relevant requirements in this area to the customer. The banks will receive regular information on where demands and expectations are expected to increase in the future, and Eika will promote experience-sharing within the alliance in the sustainability area.

The local banks account for the bulk of the alliance's direct contact with customers and society. Offers to customers, risk management in the customer relationship and other contributions to the bank's local community are important components in sustainability work by the alliance. Eika's contribution is largely indirect, through the provision of systems, tools and expertise to the banks and their staff. With its deliveries, Eika will support sustainability work at the local banks directed at both their customers and their own operations.

An important precondition for Eika's ability to strengthen the local banks is the way it discharges its role as a reliable financial player with good management and control.

Important milestones in this respect include the following.

- Launching green residential mortgage products (2020 and 2021).
- Incorporating sustainability assessments in credit evaluations for business customers of the banks, with associated courses and webinars (2021). A total of 8 200 ESG evaluations were conducted in the alliance during 2022.
- Impact analysis for Eika Gruppen and the alliance banks (2021).
- Updated ESG courses for employees throughout the alliance, launched in the autumn of 2022, and made mandatory by a number of the banks. More than a third of the alliance workforce have completed the course's foundation module.

- Eika's sustainability week was staged for the third time in January 2023. All employees in Eika Gruppen, Eika Boligkreditt and the local banks were offered daily professional messages, articles and activities during this period. The purpose was to increase their expertise on and engagement with sustainability. The 2023 week was also extended to customers of the local banks through a separate customised programme.

Furthermore, Eika gave priority in 2022 to supporting familiarisation at the banks with ever-growing demands and expectations. Eika Gruppen, for example, supported the banks in connection with the Norwegian Transparency Act, guidance on materiality analyses and sustainability reporting, and an overall assessment of how the market's expectations are expected to increase in the time to come. Priorities are set on the basis of extensive dialogue with the local banks and knowledge about the expectations of customers, investors and the government.

### Driver for climate- and environment-friendly value creation

The world faces an acute climate and environmental crisis. As a financial institution, Eika has great opportunities – and responsibilities – for promoting climate- and environment-friendly value creation. Through the shaping of its services and products as well as conscious choices for the value chain, the group can reduce emissions/discharges and other negative impacts on the natural environment. The ambition is to comply with the Paris agreement on net zero emissions in Eika's operations and products by 2050 at the latest, while simultaneously respecting the upper limits of the planet's other tolerances. This is in line with the group's obligations under the UN principles for responsible banking.



Efforts will be pursued in 2023 to enhance the environmental dimension throughout the group, including nature risk, and to look more closely at the best way Eika can incorporate a precautionary approach in line with the UN principles on responsible business.

Eika prepares an annual climate accounting. During 2022, the group participated in a work group established by Finance Norway to develop guidance for calculating financed emissions. A priority project for 2023 is to calculate scope 3 emissions from Eika’s products, in part through a work group under the UN principles for responsible banking. This will provide an important basis for setting relevant sub-goals aimed at achieving net zero emissions.

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 (NFRD), 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.



First line of defence

Second line of defence

Third line of defence

▷ Instructions, parameters and authorities      ◀ Formal reporting



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 2022

Great attention was devoted during 2022 to the transition to a new core banking system. In that connection, work has been done from the third quarter of 2021 to assess risk and identify associated measures required in relation to the changeover. Overarching attention has been paid to ensuring that the new solution meets necessary requirements on functionality, reporting, operation, processes and legal compliance for Eika Boligkreditt.

Eika Boligkreditt devotes continuous attention to money laundering and terrorism financing. Where the new core banking system is concerned, the company has concentrated on a satisfactory anti money laundering (AML) module to meet the company's requirements for independent and enterprise-focused risk assessment. Other high-profile issues include measures to ensure that Eika Boligkreditt operates in compliance with the applicable regulations. It has been necessary to revise the routines and acquire more specific and detailed information about customers classified as high risk.

The company has outsourced such activities as management of the lending and borrowing systems as well as the operating system and various support systems. Outsourcing is therefore of critical



significance for the operational business. Its scope has increased with the transition to the new core banking system because the banks manage the residential mortgages while Eika Boligkreditt receives activity reports. The company is therefore pursuing a project to establish a robust control regime for following up Eika Gruppen and subcontractors.

Work was initiated in 2022 on strengthening credit quality in the company's residential mortgage portfolio through continued development of today's framework and models for credit risk management.

Where sustainability and CSR are concerned, attention has been devoted to further analysis of climate risk – including physical and transition risk – in the residential mortgage portfolio as part of the internal capital/liquidity adequacy assessment processes (ICAAP/ILAAP). Eika Boligkreditt's strategy will incorporate considerations related to climate and sustainability risk, and its risk strategies will deal with this issue – including explicit reference to credit cases in the company's credit manual. Sustainability courses tailored for various parts of the Eika Alliance were run by the Eika School in the fourth quarter of 2022. Furthermore, compliance checks of the ESG





area were conducted during the year with attention concentrated on liquidity and financing, as well as publication of information on the company's website.

The framework related to data protection was established in its current form in 2018. As in earlier years, great attention was devoted to compliance with the general data protection regulation (GDPR) – including a particular concentration on erasing personal data in accordance with the company's internal routine for storage periods.

#### **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 individual 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 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, and are reliable, engaged and brave. 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 is in overall charge of 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 for 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

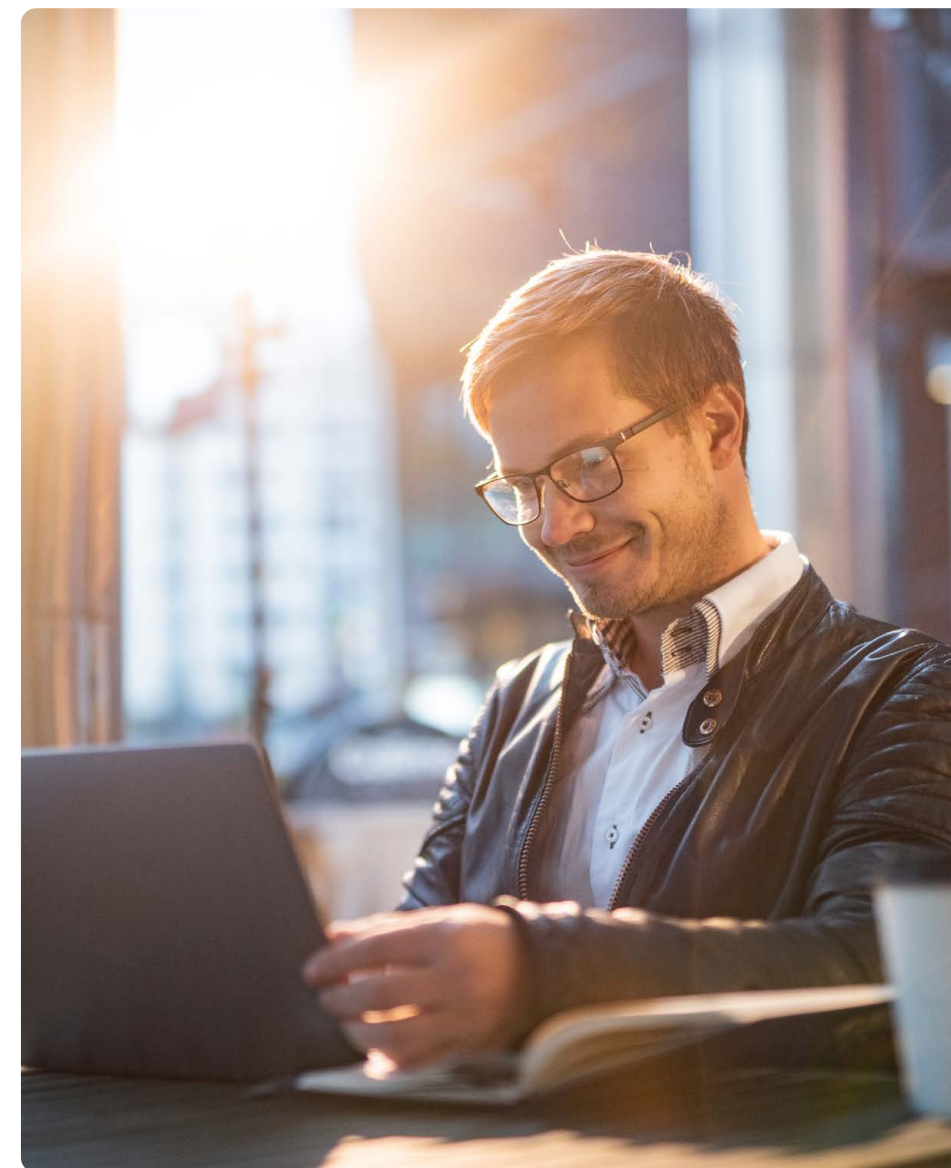
The compliance function is charged with identifying and preventing risk posed by failure to comply with the regulations. Compliance risk is part of Eika Boligkreditt's operational risk, defined as the risk that the company incurs government sanctions or suffers financial or reputational loss because 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 annual 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 by the directors.

### IT security

Eika Security is a department which works on incident management related to cyber security and crime. Based in Gjøvik, it shares premises with the Eika Service Centre.







All network traffic in Eika is monitored by systems which can pick up and detect malicious activity. Threat actors are constantly coming up with new tactics and techniques for getting past these protections. That therefore calls for personnel with the expertise to handle incidents and keep systems updated, and who are familiar with the threat picture. Eika Security is staffed by highly competent security personnel who deal on a daily basis with cyber incidents and who are familiar with the threats directed at the banking sector. The

department also works on cyber crime, with all payments made via online and mobile banking monitored to prevent fraud.

Eika Security is also part of an industry collaboration within the relevant disciplines, which means it stays informed at all times on current trends in both security and swindles.

In addition to monitoring and incident management, the centre contributes:

- expertise to projects
- support and advice
- information and training
- threat and risk assessments.

**Data protection**

Eika Boligkreditt processes large volumes of personal data and is subject to the relevant regulations. Requirements for such processing are defined in Norway's Personal Data Act, which implements the EU's GDPR. The company has developed guidelines for processing personal data which ensure compliance with the overall parameters in this area. Furthermore, a number of operative routines have been drawn up to ensure compliance during day-to-day work with the parameters in the overall guidelines.

Processing personal data is defined in the personal data regulations as “any and all use of personal data, such as collection, registration, alignment, storage and disclosure or a combination of such uses”. The processing done by the company must be documented along with assessments made in relation to this processing, and managers in the company are responsible for seeing that their subordinates are adequately informed about the regulations and for ensuring compliance with the guidelines.

One deviation was registered by the company in the data protection area during 2022, compared with two the year before. This incident related to follow-up of the banks in the AML area. No cases were reported in 2022 to the Norwegian Data Protection Authority. Eika

Boligkreditt was not made subject to an order or sanctions from the authority in the data protection area during either 2021 or 2022.

Eika Boligkreditt's clients have the right to access their personal data held by the company. A dedicated routine has been developed for access to personal information stored about an individual. The routine for enquiries from the registered person is intended to ensure that the company complies with its duty to provide information under the individual's right of access pursuant to the Personal Data Act, and in particular that their personal data is protected against unauthorised access. Eika Boligkreditt's website contains information about data protection, including its data protection declaration, and contact details concerning enquiries by the registered person.

**Green bond framework**

Eika Boligkreditt introduced a green bond framework on 4 February 2021. ING Bank was 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 mortgage collateral in the cover pool subject to the reporting requirements in the framework.

The purpose of the framework is to finance the most energy-efficient mortgage collateral in the cover pool through the issue of green bonds. Identification of the most energy-efficient mortgage collateral 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).

These requirements were tightened in 2022 for mortgages in the cover pool to require TEC 10 and TEC 17 for other small residences as well.

- 2. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy classes A, B or C for loans entered in the cover pool before 31 December 2020. The requirements have been tightened to energy class A or B for loans entered in 2021 or later.
- 3. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy class C or 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.

The tightening of the criteria implemented in 2021 and 2022 reflected the need to ensure that the mortgage collateral for new loans approved/transferred to Eika Boligkreditt which qualify pursuant to the first two criteria are among the 15 per cent most energy-efficient residential units in Norway. Eika Boligkreditt has identified just over 8 500 residential mortgages totalling NOK 20 billion which meet these criteria. Of mortgage collateral added to the cover pool in 2022, 22.1 per cent met the criteria set for energy-efficient residential units. The company has established a strategic target that more than 20 per cent of new residential mortgages will finance energy-efficient residential units.

Clarification of the national definition for a near-zero emission building was provided by the Norwegian government on 31 January



2023. The EU taxonomy distinguishes between requirements for existing (year of construction 2020 or earlier) and new (year of construction 2021 and later) buildings under the environmental goal of limiting GHG emissions. Where new buildings are concerned, the requirement in the EU taxonomy is an energy efficiency corresponding to zero-emission buildings minus 10 per cent. Eika Boligkreditt will begin the process of updating its green-bond framework during the first quarter of 2023 in order to distinguish between requirements for new and existing buildings in the framework, and expects to have completed this work by 30 June.

A second successful EUR 500 million issue of green covered bonds was conducted by Eika Boligkreditt in the bond market on 14 September 2022. This demonstrated yet again that the Eika Alliance can achieve long-term green financing in the international financial market.



## 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 repurchase agreements and deposits in banks with a minimum A-/A3 rating.

Eika Boligkreditt has chosen not to invest in enterprises which the ethical council for Norway's government pension fund global (SPU) has placed 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
- unacceptable GHG emissions
- cluster weapons
- nuclear weapons
- anti-personnel mines
- tobacco production
- sale of military materials to certain states.

More information on companies excluded can be found here: [www.nbim.no/en/the-fund/responsible-investment](http://www.nbim.no/en/the-fund/responsible-investment).

Eika Boligkreditt has also chosen to extend its exclusion list to include all companies in the following industries and sub-industries specified by the global industry classification standard (GICS).

- **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 uncertainties over working conditions and safety in many parts of the world. The company also distances 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.
- **Arms production** – armed conflicts are a constant threat in large parts of the world. The arms trade also gives rise to corruption and serious human rights abuses. Eika Boligkreditt will actively disassociate itself from all companies involved in producing, trading and/or maintaining nuclear, biological or chemical weapons, cluster bombs or anti-personnel mines. The same applies to producing, trading and/or maintaining important components for such weapons. Exporting arms to areas where human rights are violated is unacceptable. Nor must profits be made from arms sales at the expense of the primary needs of the inhabitants.

Fund management in Eika is pursued under the vision “So we don't invest in just anything”. Daily efforts are made to promote sustainability in funds and saving products. This work reflects a long-term strategy and investment philosophy anchored in the UN PRI.

The main purpose of the strategy is to reduce sustainability-related risk in the savings products. It will also ensure that the funds invest in companies which operate responsibly, and which Eika believes to offer the best basis for providing a good long-term return for its customers. This also means that Eika does not contribute to financing companies which breach important and basic sustainability principles.

Eika Kapitalforvaltning signed the UN PRI in 2021. Together with existing ESG guidelines, this provides a solid foundation and a clear ambition and direction for its sustainability work. Signing commits the company to integrate ESG at all levels in managing and reporting Eika Kapitalforvaltning's activities, and to implement ESG in the savings and investment products Eika manages. Requirements are also set for satisfactory ESG reporting by the companies invested in. Eika will also be an active owner and collaborate with other investors to promote responsible investment.

The ESG guidelines adopted by Eika Kapitalforvaltning also specify further detailed requirements for the companies and industries it can invest in. This ensures consistency in the requirements set for the various companies in different markets, and documents that Eika is actually doing what it says it is. The ESG strategy means that communication related to ESG in Eika's funds will be clear and support the goal that the group's funds are competitive on ESG

over time compared with similar funds and pure environmental funds. In-depth ESG information was available for 97 per cent of Eika Kapitalforvaltning's equity investments in 2022, compared with 94 per cent the year before. The carbon footprint of these investments, measured in tonnes of CO<sub>2</sub> per USD million invested, was 122.62 in 2021 and 132.33 in 2022.

An ESG policy established for liquidity portfolios owned by the alliance banks has been adopted by 80 per cent of them.

Eika Kapitalforvaltning shares information with Eika Boligkreditt on companies/issuers which it excludes and which do not appear on the exclusion list from the SPU. Eika Boligkreditt also excludes these companies/issuers when managing its liquidity portfolio.

Through the Eika Kapitalforvaltning investment process, companies are also excluded if:

- they do not engage with observing the following international norms and standards:
  - UN Global Compact (UNGC)
  - UN guiding principles on business and human rights (UNGPs)
  - OECD guidelines for multinational enterprises
- they have a substantial ESG risk as classified by Sustainalytics
- they have a high or very high carbon footprint as classified by Sustainalytics
- they are excluded by three other large Norwegian fund managers, which may be a requirement for distributing Eika funds through the pension savings platforms of associated groups.



More on the ethical guidelines for investment can be found here (in Norwegian only): <https://eika.no/spare/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 for making sure that customers do not take on commitments they cannot service, and for 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 differs a little between these two classes of customers.

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 loan-to-value (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.

### Non-performing loans

Pursuant to IFRS 9, provisions for loss must be recognised on the basis of expected credit loss given relevant information available at the reporting date. The retail market is less exposed to losses on lending for residential purposes than other segments and sectors. Eika Boligkreditt's lending is confined to residential mortgages with a generally low LTV ratio, and is therefore less exposed to loss.

The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2022. The European Banking Authority (EBA) published new recommendations in September 2016 on the definition of non-performing loans, which came into force on 1 January 2021. Previously, the general rule was that loans were regarded as non-performing if a claim had fallen due more than 90 days earlier and the amount was not insignificant. Pursuant to the new EBA recommendation, the company is obliged to conduct various additional assessments related to the likelihood of default. These assessments must take account of the

customer's overall debt liabilities, possible cross-exposure from loans to the same debtor, the level of materiality limits and the quarantine period after discharge.

Losses in the accounts are calculated on the basis of the IFRS 9 loss model. Non-performing loans are presented in step 3, where an individual impairment per customer is made without using models. The low LTV ratio on the residential mortgages in the cover pool and the provision of guarantees against losses to the company from the owner banks reduce the provision for loss. Eika Boligkreditt has calculated that the expected loss on loans amounted to NOK 2.1 million at 31 December 2022, compared with NOK 43 000 a year earlier. The increase in calculated expected loss at 31 December 2022 primarily reflects a change to the company's method for calculating LTV. New expectations of future house price developments are applied in the calculation. The provision of NOK 1.16 billion in credit guarantees by the owner banks at 31 December 2022 means the company recognised no accounting loss in the fourth quarter of 2022.

On the basis of the new standard for assessing non-performance, non-performing loans at 31 December 2022 are calculated to total NOK 23.7 million or 0.02 per cent of gross residential mortgage lending.

### 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 requirement: energy class A or B. These mortgages are offered when buying or building an environment-friendly residence. During 2022, Eika Boligkreditt established and paid out on 91 green residential mortgages totalling NOK 314 million. 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, were introduced in the first quarter of 2021.

### Standardisation 2.0 and common credit manual

Eika Gruppen AS signed a contract with Tietoevry in December 2020 on the delivery of a new core banking system. This agreement was entered into on behalf of all the banks in the Eika Alliance with the exception of those in the Local Bank Alliance and Surndal Sparebank, which were both on their way out of the alliance. Today's core banking system is delivered by Danish computer specialist SDC. The contract with Tietoevry is expected to provide substantial cost savings for the alliance banks in Eika compared with the existing agreement. It runs for five years with opportunities for extension. This contract will strengthen the long-term competitiveness of the alliance banks through substantially improved cost efficiency, strengthened development capability and increased strategic flexibility. The banks will acquire a forward-looking IT platform which lives up to steadily growing customer expectations for digital solutions and services. In accordance with the conversion plan, the first banks were transferred to the new system in September 2022 and the final batch will convert during the fourth quarter of 2023. In

connection with this changeover from the autumn of 2022, management of residential mortgages in Eika Boligkreditt's cover pool will transfer from today's system supplied by Banqsoft to the new core banking system from Tietoevry. Mortgages in Eika Boligkreditt will be converted in parallel with the change from SDC to Tietoevry at the individual bank.

In the second half of 2021, the Eika Alliance banks decided to establish a common credit manual with the aim of reducing workloads and the risk of being inadequately updated on compliance with legislation and statutory regulations in the individual bank. Since residential mortgages in the company's cover pool are managed through the loan system in the banks, Eika Boligkreditt considers it a natural extension that its credit manual is also coordinated with and integrated in the new common manual. Work on a common credit manual was pursued during much of 2022, and the end result was launched and adopted by the banks and Eika Boligkreditt in mid-February 2023.

### 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 a minimum of three percentage points from the relevant interest rate.

- **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 the total mortgages it grants per quarter outside Oslo, and eight per cent in Oslo. This is followed up and reported at an aggregated level, which means the reporting must cover both mortgages carried on the bank's balance sheet and those which are placed with Eika Boligkreditt.

### 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 once before the final examination. The latter comprises a total of 55 questions on the various subject areas, and takes 90 minutes.

Knowledge of sustainability among bank employees is the key to good work with and advice on this subject. In 2022, the Norwegian Finance Industry's Authorisation Schemes (FinAut) offered authorised life and general insurance advisers a refresher module on sustainability. This will be made available as part of the annual refresher package. All candidates to be authorised, regardless of scheme, must meet an expertise requirement which covers increased understanding of the basic sustainability topic, climate risk, ESG criteria and the EU's work on sustainable finance.

### 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 2022. 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 2022, the average LTV ratio in the cover pool was 51 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 in exceptional

circumstances 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.

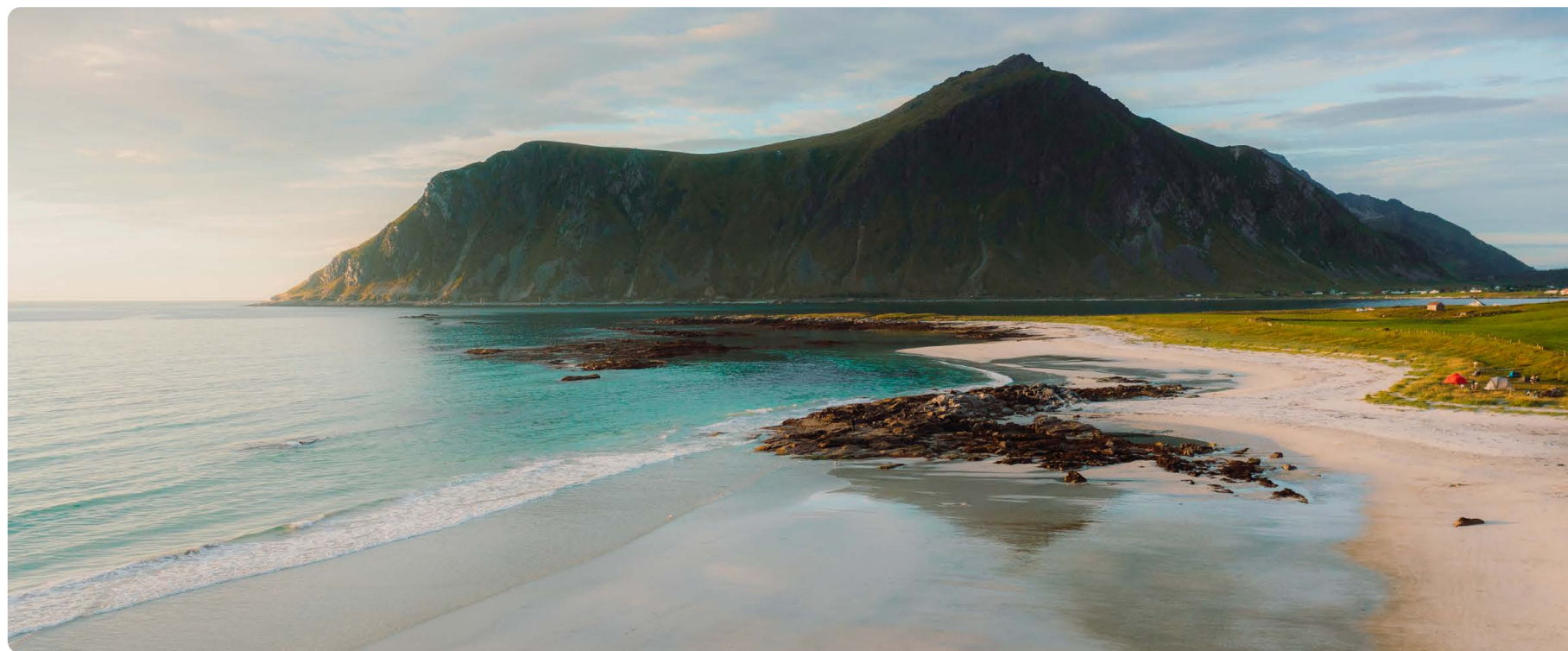
Pursuant to Norwegian law, the mortgagor(s) must be an adult and legally competent at the origination of the mortgage. This means that a mortgagor cannot be under 18 years of age (a minor) or placed under legal guardianship (see section 1 of the Norwegian Guardianship Act). No absolute upper age limit 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 2022, the average LTV ratio for this type of mortgage in Eika Boligkreditt was 26.9 per cent.

### **Green homes**

Eika Boligkreditt has carried out an analysis of its cover pool which specifies 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, 8 442 of the 49 836 residential units in the cover pool at 31 December 2022 (31 December 2021:

8 398) qualified as green homes, as did 49 of the 480 residential cooperative buildings. 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 had an estimated annual energy requirement of 973 gigawatt-hours (GWh) in 2022 (2021: 994 GWh). The average requirement for the mortgage-financed share of the green residential units was 116



kilowatt-hours per square metre (2021: 118 kWh/sq.m), 53 per cent lower than the average for Norwegian residential units. The mortgage-financed share of the green homes in the cover pool reduced the carbon footprint of residential units covered by mortgages from Eika Boligkreditt by 8 900 tonnes of CO<sub>2</sub> per annum (2021: 8 800 t/CO<sub>2</sub>) 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 with the aim of incorporating 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 the 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 facing residences in the cover pool. Measuring the climate footprint of residences in the cover pool uses the same method applied by Multiconsult in its analyses. This company quality-assured the results obtained at 31 December 2022 while preparing its annual CO<sub>2</sub> 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 share in the residence. If the company finances 50 per cent of the LTV 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 krone covered through Eika Boligkreditt.

The company also works actively to map the physical climate risk posed by the mortgage collateral 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.

Hazard maps are prepared by the NVE for quick clay, flooding and landslides in steep terrain, and by the Norwegian Mapping Authority for storm surges (sea levels). The table below breaks down the overall loan value of the mortgage collateral in Eika

Boligkreditt's residential mortgage portfolio by the various hazard zone categories.

Physical climate risk (figures in NOK million)		2022	Cumulative
Flood zone		1 340	1 340
Flood zone	10-year	91	91
Flood zone	20-year	65	156
Flood zone	50-year	52	208
Flood zone	100-year	98	305
Flood zone	200-year	373	679
Flood zone	500-year	126	805
Flood zone	1000-year	535	1 340
Storm surge		342	342
Storm surge	20-year	201	201
Storm surge	200-year	108	309
Storm surge	1000-year	34	342
Landslide		235	235
Rock hazard zone	100-year	7	7
Rock hazard zone	1000-year	142	148
Rock hazard zone	5000-year	194	342
Quick clay		1 700	1 700
High hazard		262	262
Medium hazard		889	1 150
Low hazard		1060	2 210

Where years are specified in the hazard maps, these refer to how frequently buildings in the relevant zone are affected by the relevant risk. As the overview shows, mortgage collateral in the Eika Boligkreditt portfolio has a relatively low exposure to climate risks with the highest probability.

In areas where climate changes indicate an expected increase in water flow above 20 per cent, a hazard zone is produced for the 200-year flood in 2100. Exposure rises by NOK 44 million, or about 12 per cent, from NOK 373 million to NOK 417 million. Similarly, storm surge hazard zones have also been calculated for 2050 and 2090. Exposure to 200-year storm surges in 2090 is estimated at NOK 148 million, up by almost 40 per cent from the same risk category today.

Natural perils cost Norway's insurance companies some NOK 830 million in 2022, almost a doubling from the year before. Storm damage accounted for 68.5 per cent of the 2022 claims, floods for 21.8 per cent and landslides for 8.4 per cent. Claims met by the Norwegian Natural Perils Pool are divided between the companies by their market share, which ensures that no individual insurer is hard-hit by such disasters. However, this arrangement also prevents premiums being differentiated by the risk posed to real property. Established by the Norwegian government in 1979, the pool covers damage to real property as a result of storm, flood, landslide, storm surge, earthquake and volcanic eruption. The insurance companies settle with each other through the scheme, while customers deal only with their own insurer. Torrential rain, which has become more common in recent years, is not covered by the pool. According to a climate report published by Finance Norway in March 2022, intense downpours cost almost as much as the claims met through the pool over the past 10 years. Total compensation paid for natural and weather damage over the past decade came to more than NOK 28 billion for buildings and contents. Claims directly related to torrential rain are price-differentiated. Insurance premiums are higher for houses with flat roofs than those with pitched roofs, for example,

because the former suffer more water damage. If torrential rain causes rivers to break their banks, claims arising from such flooding will be settled through the pool.

The Norwegian mortgagee guarantee pool is a collaboration in the insurance sector which aims to safeguard mortgagees (financial or residential mortgage institutions) if a mortgagor has failed to secure the insurance they are required to hold. The guarantee replaces insurance certificates for real property with a normal sales value of NOK 12 million or below, and provides the mortgagee with compensation even if the mortgagor has neglected to secure or maintain insurance. This scheme evens out that risk between the insurance companies. Most companies offering fire insurance are pool members. Eika Forsikring has belonged since 1 January 2000.

A precondition in Eika Boligkreditt's mortgage terms is that the mortgage object is insured. As a consequence of the insurance pools described above, the general rule is that the financial risk associated with natural perils falls on the insurance sector and that proactive risk management related to physical climate risk for real property should be pursued at the insurance companies rather than by the mortgagee. The exception will be claims made on mortgage collateral where no insurance is in place and which is not covered by the mortgagee guarantee pool. No cases in Eika Boligkreditt have led to identified loss. The company wants the residual physical risk in its residential mortgage portfolio to be low, and feels this has been achieved through a requirement in the mortgage terms on insuring the mortgage object.



## EU taxonomy

Eika Boligkreditt was not subject to reporting requirements related to the EU taxonomy in 2022. Residential mortgages account for 75.7 per cent of the company's total assets. These loans will be covered by the taxonomy regulations (taxonomy eligible). Other assets subject to the taxonomy regulations are the company's derivatives and substitute assets (excluding exposures to central governments and supranational issuers), which account for 4.1 and 15 per cent of total assets. In order for the company's residential mortgages to be categorised as green (taxonomy aligned) pursuant to the taxonomy regulations, the mortgaged object must be among the 15 per cent most energy efficient residences in Norway and built before 2021. At 31 December 2022, 11.1 per cent of the company's total assets could be categorised as sustainable residential mortgages (taxonomy aligned).



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.

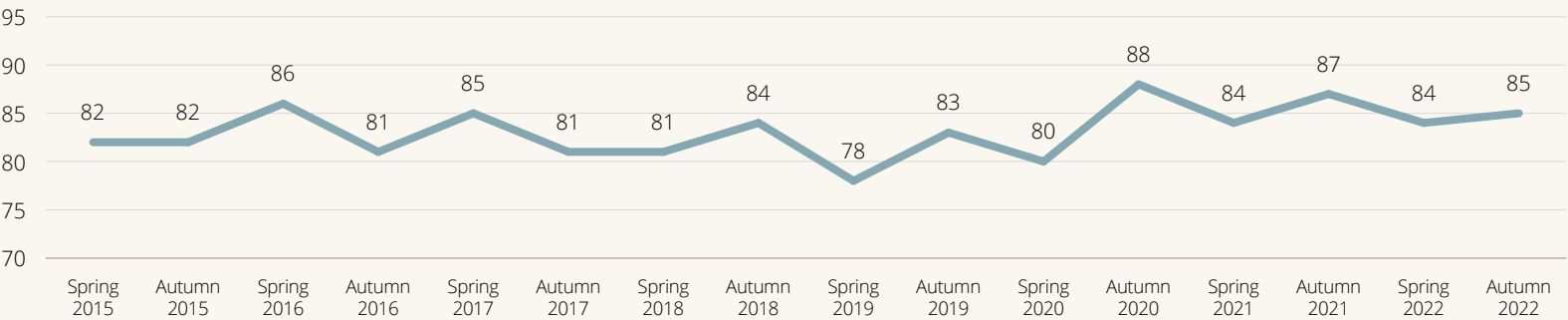
Measures are given priority where areas for improvement have been identified. Eika Boligkreditt's ambitious goal for overall satisfaction by the owner banks is 80 points or better out of 100. The most recent assessment, carried out in the autumn of 2022, gave the company a score of 85 points.

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

I am very satisfied with the deliveries our bank receives from Eika Boligkreditt

Best score is 100



are discharged by the owner banks as distributors. Eika Boligkreditt has established policies to combat money laundering and 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 2022. 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 18 permanent employees at 31 December 2022. 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 2022.

The Eika Alliance has a common digital learning platform (learning management system – 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, development and identifying competence are important instruments 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 17 sub-sectors. The average score in 2022 was 89, with sub-sector scores ranging from 81 to 95.

As part of being an attractive employer, 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.

Overall sickness absence in 2022 amounted to 3.7 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 business 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	56%
Specialists and support functions	
Women	83%

Average pay for women is 56 per cent of the male average in the company. In the sub-category of specialists and support functions, which involves 13 full-time equivalents including four women, average pay for females is 83 per cent of the male rate. The remaining five employees are in the company’s management (five men). 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, 11.1 per cent belong to the Finance Sector Union. The company has a majority of males both in its operative management (five men and no women) and among specialists and support functions (nine men and four women). As described above, Eika Boligkreditt wants to work for equality and diversity. Its specialised mandate on behalf of the owner banks requires leading-edge expertise. Most of the company’s employees therefore have higher education, and qualifications corresponding to a master’s degree are sought when recruiting staff.

Because it also has relatively few directly-employed personnel, Eika Boligkreditt has chosen the following KPIs in relation to equality and diversity – a female share of the company workforce of ≥ 30 per cent in the short term and ≥ 40 per cent in the long term, a female share of directors of 33.33 per cent and an ambition of internal promotion to senior positions where qualitative assessments are made.





Three internal promotions were made in 2022, and women accounted for 22.2 per cent of the workforce and 17 per cent of the board at 31 December 2022. All other things being equal, it would be desirable to increase these proportions when making new appointments and when electing new directors. This could help to increase the share of women in the company's management, control bodies and board sub-committees.

Two new employees were appointed in 2022 and two departed. 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	1	0	0	0
Men	0	0	0	1

That represented a staff turnover of roughly 11 per cent for Eika Boligkreditt in 2022. The company's workforce corresponds to 18 full-time equivalents.

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	0
Men	0	1	0	4

Specialists and support functions	< 30	30–40	41–50	> 50
Women	1	1	0	2
Men	4	4	1	0

Board of directors	< 30	30–40	41–50	> 50
Women	0	0	0	1
Men	0	0	1	4

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 reliable, engaged and brave.

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

- 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 these recruits. 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 whistleblowing procedure. Eika Boligkreditt believes that openness and good communication in the organisation promote the workplace culture. It therefore wants to facilitate a corporate culture where irregularities are raised, discussed and solved. The whistleblowing procedures, which comply with the requirements of the Working Environment and Transparency Acts, help to support an open culture where trust and dialogue prevail between employees and management. This procedure is updated as required to comply with new provisions for notifying irregularities in the business. Its purpose is to reduce the risk of internal wrongdoing and to take care of the employee's right and duty to blow the whistle. In that way, the procedure can help to promote respect for fundamental human rights and decent working conditions in the company. 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 other ethical norms, fundamental human rights and decent working conditions. The procedure also makes provision for employees to notify anonymously if they so

wish. Eika Boligkreditt received one whistleblowing notification in 2022. An overview of notifications received in the past three years is presented below.

Notifications received	2020	2021	2022
Number	0	0	1

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 in terms of recycling and so forth.
- The company must ensure that contracts for procurement of goods and services are entered into on the best possible terms, 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.

Eika Boligkreditt’s suppliers must comply with national and international 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 could result in cancellation of the contract. [Click here](#) to access the policy.

A project was initiated in Eika during 2021 to establish a risk assessment methodology for negative social or environmental effects in the value chain. This work formalised ESG requirements for suppliers and their sub-suppliers, and the follow-up of these by the contract owner. The project resulted in a new policy document on procurement in the first half of 2022.

Eika Gruppen is both a major supplier to Eika Boligkreditt and the local banks, and responsible for substantial procurement on their behalf. Eika Gruppen secured Eco-Lighthouse certification in 2021, and part of its certification deals with procurement work and suppliers. Eco-Lighthouse certification of Eika Gruppen AS thereby means that a substantial proportion of purchases made in the Eika Alliance will be quality-assured to this standard.

Pursuant to the Norwegian Transparency Act, the company is required to conduct due diligence assessments as specified by the OECD’s guidelines for multinational companies in order to take care of fundamental human rights and decent working conditions in its operations. Such evaluations can be described as a process where a company identifies, prevents, restricts and accounts for its handling of existing and potential negative consequences of its business. The assessment must be carried out regularly and be proportionate to the undertaking’s size and nature, the context in which it operates, and the level of seriousness and probability of negative consequences for fundamental human rights and decent working conditions. As part of the process, Eika Boligkreditt identifies and



assesses actual and potential negative consequences for fundamental human rights and decent working conditions which its business has either caused or contributed to, or which are directly related to its business, products or services through the value chain or commercial partners.

Eika Boligkreditt has a low risk profile, and its business is located exclusively in Norway with strict requirements applied for environmental protection and social rights. The company wants to contribute to sustainable development of the environment, people and society, which includes taking responsibility for fundamental human rights and decent working conditions being respected in connection with its business. Eika Boligkreditt's suppliers and business associates provide written confirmation that they will comply with its procurement policy. Furthermore, business associates receive a questionnaire when a commercial relationship is established which is reassessed regularly and ensures that Eika Boligkreditt is able to conduct detailed mapping of the associate's impact. Due diligence assessments by the company have not identified actual negative consequences or significant risk of such outcomes for fundamental human rights and decent working conditions in the business.

The due diligence processes are broadly entrenched in the company, and all managers provide annual confirmation that the requirements of the Transparency Act are met in their area of activity.

### **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 Cemsys. 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, earning 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.

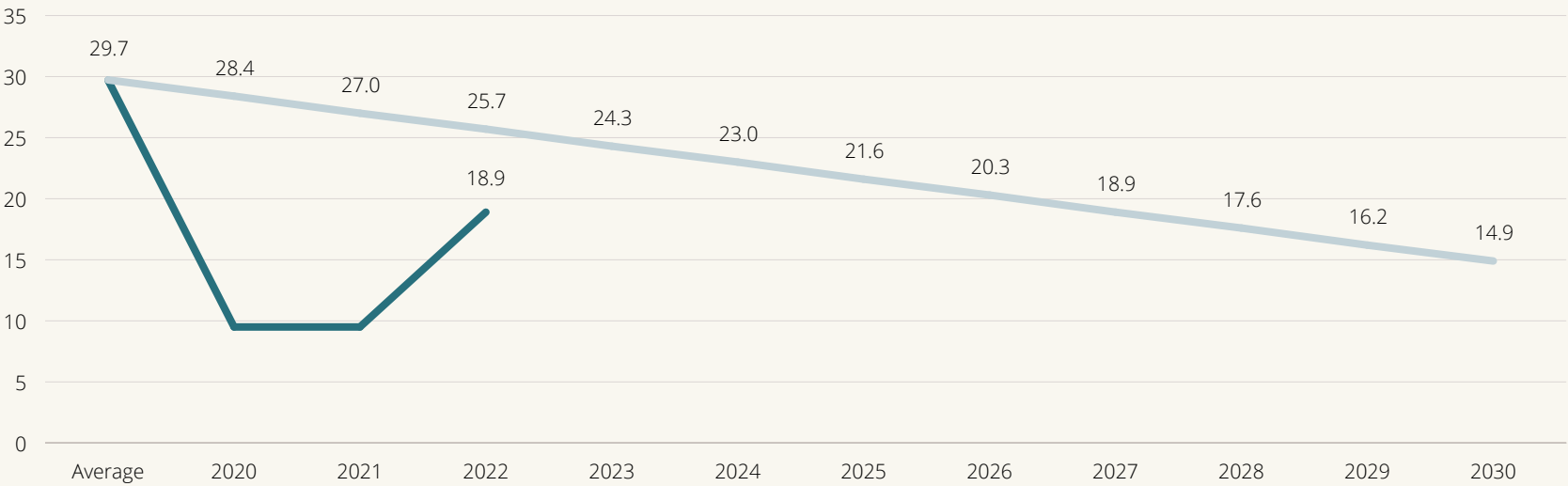
The owner banks are widely spread geographically, which has been a contributory factor in Eika Boligkreditt's extensive and growing use of video and web conferencing in connection with training and information flow. This not only safeguards the environment but also reduces unnecessary travel time and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



Goal annual GHG emissions towards 2030

Tonnes of carbon equivalent



Overviews of the company's GHG emissions and energy consumption have been prepared for 2020, 2021 and 2022. These analyses are based on direct and indirect usage related to Eika Boligkreditt's activities. Total GHG emissions in 2022 are estimated at 18.9 tonnes of CO<sub>2</sub>, up by 100.4 per cent from the year before. This increase was a direct consequence of the reopening after the Covid-19 pandemic. Eika Boligkreditt personnel could once again travel, as reflected in the big rise for scope 3 business travel. Compared with the last year of normal operation in 2019, however, emissions were reduced by 6.1 tonnes of CO<sub>2</sub> equivalent. The board has established a management indicator for the company's overall GHG emissions,

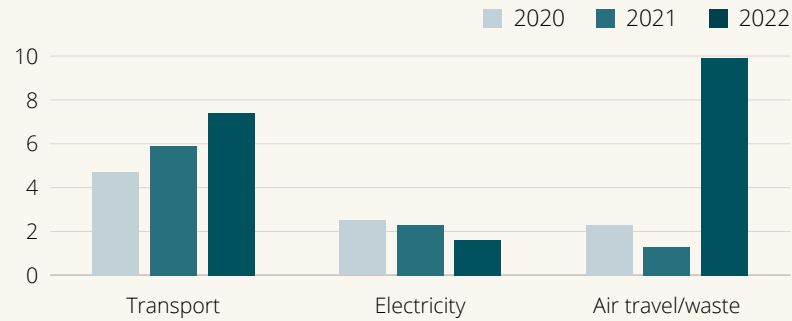
where the desire is a development trajectory which represents a 50 per cent reduction in emissions up to 2030 compared with the 2012–19 average. [Click here](#) to access the full analysis.

To ensure that the goal for 2030 is reached, the company has specified an annual sub-goal for itself. This was set at 25 tonnes of CO<sub>2</sub> equivalent for 2022. The climate footprint provides a general overview of the company's GHG emissions converted to tonnes of CO<sub>2</sub> equivalent, and comprises information from both internal and external systems. This analysis has been conducted in accordance with the GHG protocol initiative, an international

Annual GHG emissions

Tonnes of carbon equivalent

	2020	2021	2022
Transport	4.7	5.9	7.4
Electricity	2.5	2.3	1.6
Air travel/waste	2.3	1.3	9.9
Total	9.5	9.5	18.9



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 CO<sub>2</sub>, CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrous oxide), SF<sub>6</sub>, NF<sub>3</sub>, HFCs and PFCs.

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