

Sustainability report 2021

Bluestep Bank AB (publ)



Bluestep Bank.

A modern mortgage bank.

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Introduction

Bluestep Bank's sustainability report¹ has been produced with inspiration from the Global Reporting Initiative (GRI) Standards. It covers the 2021 calendar year and includes the parent company, Bluestep Bank AB, along with its subsidiaries and branches. The report also represents the company's communication on progress (COP) to the UN Global Compact.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Our aim is to enable economic empowerment for more people and set an example for responsible banking. Our vision is an inclusive society, where everyone can reach their financial potential with the support of responsible and transparent banking services.

Financial inclusion and responsible lending is at the core of Bluestep Bank's DNA. We intend to continue leading the way by integrating sustainability into everything we do and becoming an even better mortgage lender for our customers, our employees, our communities and future generations. With an ambition to really differentiate Bluestep Bank as the inclusive and responsible mortgage lender in the Nordic region, it is natural to be a member of UNEP



FI and a signatory of the Principles for Responsible Banking.

The past year in brief

In 2021 the Covid-19 pandemic continued to deeply impact individuals as well as society at large and it is of extra importance as a financial institute to be available to current and potential customers. By focusing on improving our products and processes, we at Bluestep Bank can make mortgages available to more people.

The set ambition is high in all parts of our sustainability efforts. The work of measuring, targeting and reducing the company's environmental footprint has led to an additional scope 3 category for the credit portfolio to the greenhouse gas protocol and the proportion of estimated data has decreased. During the year, Bluestep Bank launched green mortgages for both new and existing customers.

Bluestep Bank has intensified its focus on gender equality, diversity

and inclusion. During the year, the Board of Directors decided to expand the focus on the global sustainability goals from three prioritised goals to four. This has led to the inclusion of SDG's goal five, with a focus on gender equality. To map the current situation and to identify possible areas with improvement potential, Bluestep Bank now participates in the Jämix index from Nyckeltalsinstitutet, thereby receiving a way to measure development and the ability to compare with other companies in the industry.

Regarding governance, a review of the company's overall policy for governance and control is ongoing, as well as initiatives to strengthen transparency. During the year, Bluestep Bank published selected policies and key figures on the website providing good insight into the business.

Last but not least, in 2021 Bluestep Bank has chosen to be a signatory of the UN's initiative on Principles for Responsible Banking.

¹ Constitutes the statutory sustainability reporting in accordance with Act 1999:1559 on annual report in credit institutions and securities companies



Strategic sustainability KPIs and targets

Our sustainability efforts embrace our entire business. So, we are happy and proud to present our strategic sustainability KPIs below. Through

our sustainability strategy, we ensure a holistic perspective on our sustainability work.

The ambition is to be able to

present clear targets linked to the KPIs below. The decision and establishment of these began in 2021 and will continue in 2022.

The following are the targets that have currently been decided:

Gender equality	target date 2023
Share of women among employees	40%-60%
Share of women among management	40%-60%
Share of women among senior management	≥ 30%

Financial inclusion									
Customers with income other than from permanent employment ¹ portfolio % (year %)		Responsible lending, credit losses ² % portfolio % (year %)		Customer satisfaction index ³ % portfolio % (year %)		First-time buyers ⁴ portfolio % (year %)		Customers who have paid off unsecured loans and credits ⁵ portfolio % (year %)	
2021	21.2 (20.8)	2021	0.00	2021	89.9	2021	6.2 (9.2)	2021	62.3 (55.1)
2020	21.3 (20.1)	2020	0.17	2020	89.7	2020	5.9 (9.0)	2020	64.2 (60.5)
Environment (E)									
Carbon footprint ⁶ tonnes of CO ₂ e (prev. year)		Carbon intensity tonnes of CO ₂ e per employee		Gender equality percentage of women (prev. year)		Languages spoken number		Training in relevant policies %	Customer complaints number
Scope 1	3.2 (4.5)	2021	1.10	Senior Management	22 (38)	2021	27	2021	100%
Scope 2	20.9 (83.9)	2020	0.99	Management	34 (36)	2020	20	2020	100%
Scope 3	275.6 (212.5)			Employees	52 (50)				
Social (S)									
Governance (G)									

¹ Refers to credit portfolio mortgages (as at 31 Dec. excl. Finland) for customers who do not have a permanent job as their main source of income (self-employed included and pensioners excluded), this year's share in parentheses.

² Refers to mortgages.

³ Refers to an average during the year (excl. Finland).

⁴ Refers to credit portfolio mortgages (as at 31 Dec. excl. Finland) for customers where loans have been taken out for the purchase of permanent housing, the youngest borrower is under 30 years of age and any co-borrower is not a parent, this year's share in parentheses.

⁵ Refers to credit portfolio mortgages (as at 31 Dec. excl. Finland) for customers who had unsecured loans or credits that were settled in full or partly at the time of payment, this year's share in parentheses.

⁶ For more info see page 108.

How Bluestep Bank contributes to achieving the sustainable development goals



The sustainable development goals (SDGs) are part of the sustainability agenda adopted by most of the world's countries, and aims at achieving four things by 2030. To eradicate extreme poverty. To reduce inequalities and injustices in the world. To promote peace and justice. To solve the climate crisis. The SDGs provide a framework for this to become reality. Below we describe Bluestep Bank's role in achieving this vision.

Bluestep Bank has analysed the 17 SDGs in Agenda 2030 to identify where our business has the most impact, thereby also identifying what goals we can actively contribute to reaching.

Bluestep Bank has chosen to prioritise four SDGs that its Board of Directors determined were especially relevant and crucial for the business.

SUSTAINABLE DEVELOPMENT GOALS



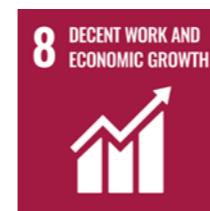
SDG 5 | Gender equality

Achieve gender equality and empower all women and girls

The overall goal is prioritised, no targets are selected.

How Bluestep Bank contributes:
By measuring, raising awareness and setting goals that actively steer towards increased gender equality.

Challenge:
There are industry challenges and inherited structural barriers.



SDG 8 | Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Bluestep Bank has two focus targets (2 of 12) under this goal, described below:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.
- **8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

How Bluestep Bank contributes:

By promoting the availability of mortgages and with a goal of helping customers to an improved financial situation and, based on the customers' individual financial needs, offer an individual solution. Bluestep Bank aims at helping customers who for some reason have been denied loans by traditional banks.

Through our business, we aim to contribute to growth and jobs. We strive to ensure compliance with international

guidelines and principles, and promote inclusive, equal workplaces that are characterised by diversity.

Challenge:

To ensure that our suppliers of products and services also comply with these principles and sustainability requirements.



SDG 10 | Reduced inequalities

The basis for a sustainable society is a fair distribution of resources and economic, social and political influence in society. The rallying cry of Agenda 2030, "Leave no one behind", and SDG 10 together underscore the importance of promoting a society where no one is excluded from progress.

Bluestep Bank has two focus targets (2 of 10) under this goal, described below:

- **10.1** By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.
- **10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

How Bluestep Bank contributes:

Through our products and processes, we at Bluestep Bank can make mortgages available to more people. The benefit is that more people get the chance to make their own choices about how they want to live. Research suggests that financial inclusion of more people, one of the core issues for Bluestep Bank, helps building stronger communities. Financial inclusion can contribute to greater equality and increased economic growth. By

continuing to develop and improve our products, we will help more people to a better financial situation and have the opportunity to get a mortgage. As a result, we at Bluestep Bank can continue to deliver value to customers, society, employees and owners.

Challenge:

Regulation and market practice have generally made it more difficult for, or completely excluded, certain groups from accessing the mortgage market.



SDG 13 | Climate action

Take urgent action to combat climate change and its impacts.

The overall goal is prioritised, no targets are selected.

How Bluestep Bank contributes:
By being a modern, digital mortgage bank without an office network that strives to have as low a climate impact

as possible in its own operations. Bluestep Bank continuously drives and develops resource- and energy-saving products and ways to work that accelerate digitalisation and contribute to climate-smarter lending. Green mortgages was launched during 2021.

Challenge:

Bluestep Bank is a company in a growth stage, and intends to further grow so we can help more people own their own home. The challenge is to reduce our climate impact as the company grows and the number of employees and offices increases.

Attractive workplace

Bluestep Bank embraces diversity among our customers and employees alike. To purchase a house, or to take control of your financial situation can be difficult and complex. Our employees diverse background facilitate communication and enables us to understand more people and their backgrounds and life situations.

Our values govern how we work, and we continuously strive to discuss, give feedback and develop our business based on our values.



Inclusive

Our business is about people and creating value that allows for inclusion of more people in society and enabling more people to become financially stable. We strive to understand individuals and to identify potential and willpower in our customers. The understanding of how peoples backstory can define their past, but doesn't dictate their future makes us able to provide value and find a deeper meaning in what we do and of our mission.

Passionate

Our greatest asset is the commitment and engagement that is shown by all of us working at Bluestep Bank. We show passion in our everyday work, something that shines through to our customers. We believe in peoples potential even when others do not have faith in their ability. We are passionate about changing the lives of our customers – little by little our passion enables for more people to live their life to the fullest, following their passions.

Innovative

We are a frontrunner in our industry – taking responsible lending seriously whilst also contributing with our solutions to help those who may not have other options. We create true win-win scenarios for all our stakeholders, which differentiate us from our competitors in the market. Through exceeding expectations and taking action to solving problems we are the thought leaders of our industry.

Responsible

We go beyond compliance. We have both the opportunity and the responsibility to change the way our customers are seen by traditional players in the banking sector. We do what we say and we own what we do and take ownership of our business – from start to finish.

Our employee survey shows that 95 percent of employees think Bluestep Bank is heading in the right direction, and 81 percent say that all in all the company is a very good workplace.

Diversion and Inclusion

Bluestep Bank's employees come from different backgrounds – in fact, more than 25 languages are spoken among our roughly 280 employees. Language skills and diverse backgrounds reduce barriers and increase understanding in general, which is essential in our business. We have a gender balance among our employees (50/50).

Gender equality

Bluestep Bank has an even gender distribution among our employees (50/50) and has an ambition that it should also be reflected among managers and senior management.

To easier be able to identify any areas with potential for improvement, Bluestep Bank participates in the Jämix index from Nyckeltalsinstitutet. The index consists of 9 areas and gives the company a way to measure development and also get a benchmark against other companies.

HR strategy

Dedicated employees represent our most important building block for achieving our long-term goals. Being well organised plays an important role in our ability to successfully cooperate and leverage the skills of every employee. We continuously strive to advance and improve

our organisation through a local presence with Nordic support.

To be a sustainable employer that attracts talented employees, we focus on leadership, culture, training and health.

Our leadership promise is to develop our employees so that we achieve our vision and goals together. We have a number of leadership behaviours linked to our values. We offer regular leadership

training, and as a result 89 percent of employees stated in our 2021 survey that they would recommend their manager to a friend.

We publicise the way we work and our workplace culture via our LinkedIn profile. When recruiting new employees, we use a competence-based recruitment process to ensure bias-free recruitment.

We continuously provide internal training about our products, our customer offering and other skill-enhancing initiatives. Bluestep Bank offers unique expertise concerning mortgages and financial inclusion and we actively engage in skills transfer. All employees receive a regular evaluation and follow-up of their performance and career path.

2021 has been a challenging year due to Covid-19 and our leadership team has been put to the test working to ensure that our employees have a healthy and

sustainable work environment.

Initiatives have been put in place to promote movement, such as daily digital training classes, exercise bracelets and online yoga classes. Our employees are covered by a health insurance policy that can be used for consulting with a professional provider about any anxiety or other health matters.

Work environment

Bluestep Bank takes a methodical approach to improving the work environment, to create a space where individuals feel good, perform optimally, are motivated, and feel that they are being protected from injury or illness on the job.

An important aspect of systematically managing workplace health and safety is the identification of primary risks. Bluestep Bank's starting point for assessing risks includes three main considerations: a systematic process for identifying operational risks, employee surveys, and annual health and safety inspections.

In each office, there is at least one person appointed as a health and safety representative. Health and safety representatives are the workers' representative in health and safety matters. They are appointed either by the trade union (if one exists) or by the workers.



Inclusive banking

Bluestep Bank is a challenger in the mortgage market and a modern alternative to traditional banks, with the aim of helping our customers gain a better financial situation and to offer them an attractive solution based on their individual financial needs. Bluestep Bank endeavours to help customers who, for one reason or another, have been denied loans by the traditional banks. The Bank offers mortgages in Sweden, Norway and Finland, as well as equity release in Sweden through 60plusbanken. In addition, Bluestep Bank also offers savings accounts.

Bluestep Bank was founded in 2004 to complement traditional banks by addressing the needs of a previously underserved segment of the mortgage market. There was, and still is, a need to provide mortgages to customers who are denied loans by other players. In the early days of Bluestep Bank's history, our customers were often people who were going through a tough period in their lives when they were unable to pay their bills on time – resulting in a bad credit history. A record of payment default carries a high risk of rejection in a credit application at the traditional banks.

In recent years, additional customer needs have arisen in pace with shifting lifestyles and employment patterns. Nowadays there are more flexible job arrangements, consultancy work, short-term contracts and self-employed people than ever before. While these forms of employment are increasing in the labour market, many mortgage lenders are striving to automate and digitise their credit granting processes. As a result, some customer groups who do not fit the model have been left out. The extra effort that we at Bluestep Bank have been making has opened up mortgage opportunities to more

customers, both historically and currently. These customers now have the chance to enjoy the benefits a mortgage can bring, enabling them to make the most of the many benefits of owning their own home.

60plusbanken

Under the brand 60plusbanken, Bluestep Bank offers equity release credits to customers aged 60 or older who own their home.

This means that we can help more pensioners to a better everyday economy and an increased quality of life. We do this by offering various solutions in a safe and responsible way to free up capital from the own housing. Through the 60plus loan and the increase in the value of the home, the customer can thus, for example, create a buffer or enable a renovation without selling the home.

Preventive insolvency management

For Bluestep Bank, guiding people towards a more secure future is a common thread throughout the customer journey, even when they face temporary financial difficulties in paying off their mortgage with our bank. It's the job of our collections department to lend a helping hand

and offer fit-for-purpose solutions. We manage the entire insolvency process, meaning that we at Bluestep Bank serve as our customers' point of contact and help them throughout the process. Early in the process, we reach out to people in different ways and together find a solution that helps the customer through their current situation.

Community engagement

Bluestep Bank collaborates with Mentor Sweden, a non-profit organisation that offers mentoring programmes to young people aged 13–17 and whose vision is to reduce inequalities in society. The programme's activities support these young people and help to boost their self-esteem by connecting them with an adult mentor they can talk to. This increases their chances of having a bright future, taking positive decisions and avoiding destructive lifestyles that involve violence and drugs.

During the year, Bluestep Bank's employees have been given the opportunity to participate in the organisation's Job Mentor programme, a much appreciated and mutually enriching experience for employees and students alike.

Climate-neutral banking

Bluestep Bank strives to have the lowest possible environmental impact in terms of offices and business travel. The goal of business travel is to make any trips as environmentally friendly and cost-effective as possible. Instead of traveling between offices, employees use telephone- and video conferencing whenever they can.

The head office in Stockholm is located in a building that holds the LEED Gold environmental certification. Bluestep Bank is working with the landlord to limit energy consumption with regard to heating, electricity and air conditioning.

As a company, Bluestep Bank has an ambitious goal to equip employees with what they need to raise awareness, and lead and develop resource- and energy-saving products and practices that help to reduce our environmental impact.

We have identified a focus area for developing reduction targets and action plans that aim to further reduce the environmental impact of our own operations. The targets will be presented in 2022.

Green Mortgages

To encourage more people to switch to a climate-smart home, Bluestep Bank launched Green Mortgage in 2021. The green mortgage gives a reduction on the interest rate and

creates incentives through a lower monthly cost.

Existing customers who qualify for a Green mortgage receive the interest discount automatically. Since the launch, in addition to green mortgages for existing customers, four new green mortgages have been paid out with a total volume of SEK 7,719,000.

Carbon footprint

Bluestep Bank uses the Greenhouse Gas Protocol (GHG Protocol) standard developed by the World Resources Institute and World Business Council for Sustainable Development.

Emissions by scope

Emissions, tonnes, CO ₂ e	2021	2020
Scope 1	3.2	4.5
Scope 2	20.3	83.9
Scope 3	275.6	212.5
Total	299.2	300.9
(per employee)	(1.10)	(0.99)

The table shows greenhouse gas emissions expressed as tonnes of CO₂ equivalent (CO₂e, market-based). Bluestep Bank's carbon footprint has been produced in partnership with the environmental consultancy U&We using the tool 'Our Impacts'. The full report is available on www.bluestepbank.com

Input data can be either actual (retrieved from the accounts, reports, etc.) or projected (estimated according to a calculation method). For 2021, 93 percent (previous year 96.3 percent) of emissions are based on actual data and 7.0 percent on estimated data. This means that the data quality is generally good.

We aim to reduce the percentage of projected data over time and to base the climate report as far as possible on actual data.

Scope 3 – Credit portfolio

Emissions, tonnes CO ₂ e	Total	Sweden	Norway
Per MSEK lending	5.44	4.81	6.30
Per employee	335.4	242.2	688.2
Per square metre	0.045	0.038	0.057
Total	95,922	48,438	47,484

The table shows greenhouse gas emissions expressed as tonnes of CO₂ equivalent (CO₂e, market-based). The scope has been the underlying collateral for mortgages in Sweden and Norway (Finland excluded) and calculation has been done in accordance with "PCAF The Global GHG Accounting & Reporting Standard for the financial industry".

EU Taxonomy

The EU Taxonomy is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. It recognises as green, or environmentally sustainable, economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming

any of these objectives and meeting minimum social safeguards.

Companies covered by the EU Non-Financial Reporting Directive ("NFRD"), ie large companies of general interest with more than 500 employees ("NFRD companies"), need to report in accordance with the taxonomy in their sustainability report. Bluestep is not covered by these requirements but reports on a voluntary basis and the information provided is in accordance with the transitional rules.

Eligible assets

(extended table and information in Note S6)

Assets	Assets in MSEK	Proportion of total assets, %
Taxonomy-eligible	18,289.5	92.7
Non-eligible	43.6	0.2
Green Asset Ratio (GAR): 0.06%		



Business ethics and governance

Responsible banking is an essential part of every aspect of our business. With sustainable and responsible, yet inclusive, lending at the forefront we safeguard that each of our customers gets an opportunity to better their financial situation.

At Bluestep Bank, we safeguard credit applications during our manual reviews. Although this entails much work on our part, it allows us to understand each customer's unique circumstances – in terms of the past, the present ability to pay, and the future. The higher level of manual work and customer interaction brings higher costs compared with fully automated processes. Customers' risk profiles can also differ. This is why Bluestep Bank sets individual interest rates. A thorough review of the credit application and risk-based pricing, combined with the reward of lower interest rates when the customer makes timely loan payments, contributes to sustainable lending.

Bluestep Bank is seeing that the increased digitalisation and automation of many credit-granting processes causes more individuals with a good credit rating to be denied a mortgage. This means that there is a greater need for Bluestep Bank's products. However, helping

customers who have previously been denied a mortgage requires careful and diligent analysis. Bluestep Bank conducts such an analysis based on an in-depth review of the individual's personal finances and an attempt to understand their future solvency levels. A central part of this analysis is the interaction between the customer and Bluestep Bank. Since the inception of this business model in 2005, we have been able to help many customers own their own home.

As part of ensuring that our policies are followed with regard to compliance and data management, all new employees are trained in an introductory programme. This programme includes a review of internal control functions and training on Bluestep Bank's practices around anti-money laundering (see below), anti-corruption and terrorist financing, as well as areas such as banking secrecy, the general data protection regulations (GDPR) and information security. For Bluestep Bank to ensure that all employees

have up-to-date knowledge in these areas, we have mandatory annual training. The training is followed by a test, which all employees passed in 2021. As a result of Bluestep Bank's work, we have a high internal risk awareness, as well as well-functioning processes and procedures. Bluestep Bank has never been subject to regulatory fines or sanctions. The Bank advocates an open, constructive dialogue with the authorities.

Principles for Responsible Banking (PRB)

In 2021, Bluestep Bank signed UN's initiative, the Principles for Responsible Banking.

The principles of responsible banking are a framework for ensuring that the signatory banks' strategy and practices are in line with the vision that society has set for its future in the goals of sustainable development and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose,



vision and ambition to sustainable financing and as a signatory bank, Bluestep Bank undertakes to incorporate these six principles in all business areas, at the strategic level, portfolio and transaction level.

Transparency

Transparency is an important part of providing credit responsibly, this includes ensuring that the customer understands the terms and conditions set out in the agreement. The understanding between customers and Bluestep Bank is furthermore grounded in our ability to speak to customers in their own language – our employees speak over 20 languages – and if needed an interpreter is hired to make sure the customer and the bank officer understand each other. Throughout the process, questions are asked to ensure that the customer understands the agreement and that any questions can be answered prior to payment. These are some examples of how Bluestep Bank

works to grant credit responsibly to more people. One indicator regarding the implementation of our business model is the size of Bluestep Bank's credit losses. Low credit losses suggest that we are succeeding in our efforts to provide credit responsibly.

During the year, Bluestep Bank published selected policies and KPIs on the website that should provide good insight into the business.

How the bank prevents fraud and money laundering

Bluestep Bank takes active steps to prevent the bank from being used as a target for money laundering and terrorist financing in accordance with applicable legislation and regulations. These steps include training staff internally, ensuring that processes and procedures are adapted to applicable legislation and regulations, and monitoring transactions. The risk assessment we conduct, which lays the groundwork for processes and procedures that address identified

risks, is another example of our preventive measures. If suspicious transactions are detected, they are reported to the relevant authority. Furthermore, the bank takes preventive steps to regularly train its staff by offering both annual training and targeted training, and by participating in forums with the aim of improving staff knowledge in this area.

The Anti Financial Crime division was launched in 2020 in order to bolster and concentrate efforts to combat money laundering and terrorist financing, and prevent the bank from being used for fraud. The division aims to strengthen anti-money laundering and anti-terrorist financing efforts as the first line of defence. It does this by working closely with the company's departments and managing operations in the context of money laundering and fraud.



Sustainability risks

Bluestep Bank strives for a high level of risk awareness and a sound risk management culture throughout the organisation.

A sustainability report contains sustainability information needed to understand a company's development, position and results as well as the consequences of doing business. This information should cover issues related to the environment, social conditions, staff, respect for human rights and the fight against corruption (detailed table and information in note S2).

Climate and environment

To expand our understanding of the financial implications of

climate change on Bluestep Bank's operations, Bluestep Bank aims for gradual implementation of the TCFD recommendations. TCFD stands for Taskforce on Climate-related Financial Disclosure and is a framework that guides organisations in identifying their climate-related financial risks and opportunities. The framework focuses on how climate change affects operations, unlike most other standards related to the climate issue which instead highlight the impact of the business on the climate. The TCFD recommendations

are based on governance, strategy, risk management, targets and metrics. In these areas, questions are raised about how the business manages and evaluates its climate-related financial risks, both physical and transition risks.

The full TCFD report is available on www.bluestepbank.com

Responsible sourcing and supplier code of conduct

Bluestep Bank's supply chain consists of suppliers of various services and goods. The four largest supplier

categories, consulting services, marketing and communication, property and office services, as well as software and IT services, make up the majority of Bluestep Bank's total purchase overhead.

Bluestep Bank has an overall routine whereby the majority of all contracts are reviewed internally by lawyers, thus identifying any shortcomings. An identified development area is to clarify Bluestep Bank's views and expectations of suppliers' sustainability efforts and compliance with international guidelines and principles. Our ambition is to take further steps forward in this area during 2022.

Risk management

Bluestep Bank strives for a high level of risk awareness and sound risk management culture throughout the organisation. A sound risk management culture refers to professional values, attitudes and behaviors needed to effectively manage risks and to make sound and informed decisions. Clear and documented internal policies, processes, procedures, routines, and control systems are implemented, including clear roles, responsibilities and authorities. Material risks are identified, assessed, managed, monitored and reported. To learn from realised risks, there is an implemented incident management process for reporting and prevent that occurred negative events might repeatedly occur.

The employees have a key role to play in identifying any irregularities that need to be corrected. There is also a whistleblowing process enabling employees to anonymously report unethical or illegal behaviour committed by the employees. Instructions about the service are available to all employees on the intranet. In 2021, no whistleblowing reports were received.

Environmental, social and governance (ESG) risk management framework

ESG supports the implementation and performance of the business strategy, as well as supports and facilitates the operations, and therefore are considered paramount for to conduct the business.

The Bank's ESG risk management aims to ensure that ESG risk-taking is consistent with set risk management strategies, and is integrated into the overall governance, internal control and risk management frameworks. The ESG risk management covers ESG risks the Bank is, or might be, exposed to in the business and the organisation in its efforts to achieve set goals for growth, profitability and financial stability. ESG risks are characterised in the context of the business and support function operations and the other risk categories in the risk universe.

The Bank defines ESG risk as the risk of economic loss, negative change in earnings or material change in risk profile due to external and internal contribution to climate change, natural resources, pollution and waste (Environmental), deficiencies in human capital, labour standards, including equality and diversity, and workplace health and safety (Social), and deficiencies in corporate governance and corporate behaviour (Governance).

There is an established sustainability organisation, and ESG strategy integrated with the business strategy and the risk management framework. ESG is primarily governed by the Sustainability Policy, and the ESG risk management in the Overall Risk Management Policy. In the Risk Management Strategy document, the risk appetite for ESG risk is stated as low, and there is separately set operational risk KRI and limits set.

ESG risk, as part of the risk universe, is identified, assessed, managed, monitored, controlled and reported as part of the overall risk

management framework, using the same methodology and processes as for operational and other operating-related risks. Potential impact on the viability and sustainability of the business model and long-term resilience of Bluestep Bank is thereby assessed.

Identified ESG risks are regularly assessed qualitatively based on probability and impact, in the Bluestep Bank ESG Material Assessment, and as part of the Bank's ICLAAP. When identifying and assessing ESG risks, the risk has been sub-categorised into physical and transitional environmental risks, social risks and governance risks.

The ESG risks are limited and mitigated through set risk appetite and risk tolerance, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank.

The impact of ESG risks materialises in the form of existing financial risks (e.g., credit-related risks, financial risks, operating-related risks, and other risks in the risk universe). ESG risks are proportionately incorporated as drivers of risks, in particular risks to capital, liquidity and funding. The assessment of the ESG risks is progressively and proportionally integrated into risk assessment procedures for assessment of the level of risk and the review of risk-specific controls.

The sustainability efforts, including ESG risks, are disclosed in the Annual and Sustainability Report, and the Risk Management function is internal reporting ESG risks to the Senior Management Team, the CEO, and to Board, and their respectively committees.

For more information on Bluestep Bank's risks and risk management, see the section 'Risk management' in our annual report.

Notes to Sustainability Report

Note S1 | Sustainability governance

At Bluestep Bank, the Board of Directors are ultimately responsible for ensuring that the business conducts active and long-term efforts to achieve sustainable development. The Board decides on strategy, goals and sustainability policy, and it monitors and evaluates Bluestep Bank's sustainability work.

The CEO serves as a guide and determines priorities and strategic choices in our sustainability efforts in accordance with the approved business strategy. The CEO ensures that the bank's sustainability efforts are supported by an appropriate organisational structure and commits to the resources needed to achieve the goals.

The sustainability manager leads and coordinates sustainability efforts at Bluestep Bank and actively uses the strategic sustainability agenda together with the CEO and the Board. The sustainability manager represents Bluestep Bank with regard to sustainability issues vis-à-vis our majority owner and in other external contexts.

To integrate and sharpen our focus on sustainability at the company, Bluestep Bank has a sustainability forum that meets regularly. This forum helps the sustainability manager to coordinate, manage and drive sustainability efforts at Bluestep Bank. The forum is chaired by the sustainability manager, who also appoints the members of the sustainability forum.

Sustainability framework

Bluestep Bank has adopted a sustainability policy to regulate our sustainability efforts. The policy, which is reviewed and adopted by the Board, describes Bluestep Bank's sustainability work and governance. The following are also important elements of the Sustainability framework for supporting our day-to-day tasks and managing risks in the business.

Policies	Commitments
Code of Conduct policy	UN Global Compact och Communication on Progress (COP)
Governance and control policy	UN Principles for Responsible Banking (PRB)
Ethical guidelines policy	Global reporting initiative (GRI) Standards
Conflicts of interest policy	Task force on Climate-related Financial Disclosures (TCFD)
Anti Money Laundering policy	
Remuneration policy	
Consumer protection policy	
Data protection policy	
Information Security Governing Policy	

Note S2 | Table Sustainability risks

A sustainability report contains sustainability information needed to understand a company's development, position and results as well as the consequences of doing business. This information should cover issues related to the environment, social conditions, staff,

respect for human rights and the fight against corruption. The following table has been developed in order to clarify how Bluestep Bank lives up to the rules in the Annual Accounts Act on sustainability reporting.

	Climate & Environment	Social conditions	Personnel	Human rights	Anti-corruption
Description	Ability to adapt operations to climate and environmental changes.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on social conditions.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on staff.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on human rights.	Corruption involves an act in which a person uses their position to achieve an undue advantage for his or her own benefit or that of another person.
Primary risks	Bluestep Bank's operations are exposed to transition risks if Bluestep Bank fails to adapt products and services to the future sustainable economy, which sets higher environmental and climate standards. Physical climate risk is primarily linked to climate and environmental risks in conjunction with lending. Future climate change may affect customers' ability to pay, as well as the value of assets and collateral.	Bluestep Bank is exposed to risks associated with social conditions during the purchase of services or goods.	In our own operations, the risk is mainly linked to Bluestep Bank as an employer. Risks related to staff include health and safety at the workplace, the presence of victimisation, compensation levels and workload.	Bluestep Bank is exposed to risks associated with human rights during the purchase of services or goods.	The risk of corruption is present in all parts of Bluestep Bank's business. The existence of corruption could seriously affect confidence in Bluestep Bank on the part of the public, owners, customers and employees, and thus the company's future competitiveness.
Governance	Sustainability policy, Risk policy	Consumer protection policy, Data protection policy	Sustainability policy, Ethical guidelines policy and Remuneration policy	Sustainability policy and Global Compact's 10 principles	Ethical guidelines policy and Remuneration policy
Targets and results	To be worked on and decided in 2022.	To be worked on and decided in 2021.	Presence of workplace victimisation Target: 0%, Actual 0%	Presence of human rights violations Target: 0%, Actual 0%	Presence of corruption Target: 0%, Actual 0%
Link to business strategy	Negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Reputational risk and sanctions.

Note S3 | Materiality analysis and stakeholder dialogue

Bluestep Bank conducted its first stakeholder dialogue and materiality analysis in 2019. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making. As its starting point, the analysis took the Sustainability Accounting

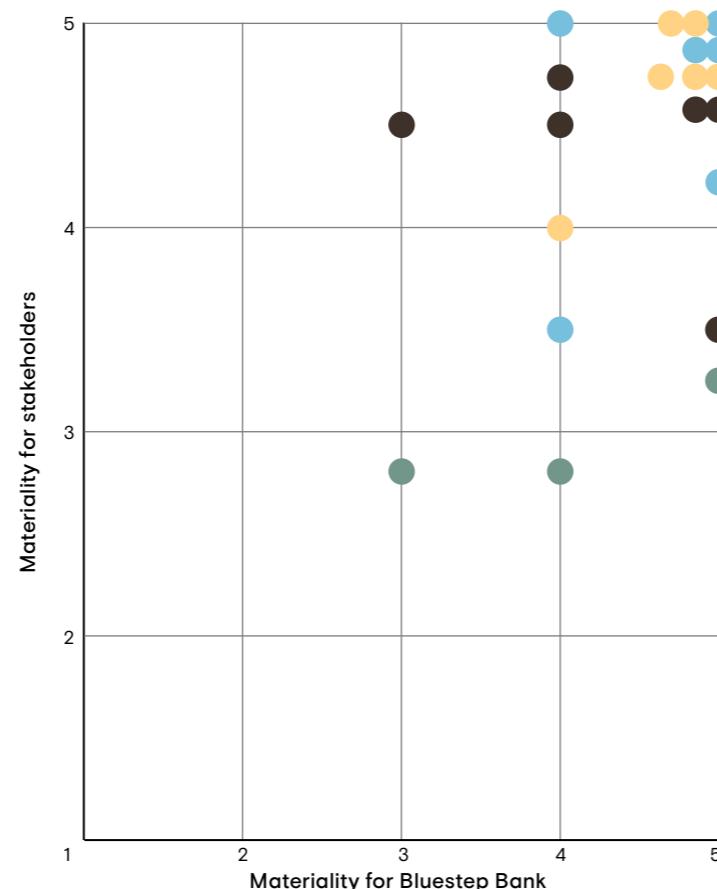
Standards Board (SASB), the UN's sustainable development goals, and Bluestep Bank's vision of financial inclusion for more people. Based on these areas, a questionnaire was created with accompanying explanations as well as background material for those who wanted further information.

Stakeholders	Customers	Employees	Owners / Investors	Partners / Suppliers	Government agencies
Communication via	Complaint management	Employee discussions	Dialogue	Agreements	Laws
	Customer meetings	Employee surveys	Sustainability review	Interviews	Reports
	Customer surveys			Procurement	Rules and regulations

These topics were discussed with customers who called Bluestep Bank over the course of a week and with a small group of selected employees from Bluestep Bank's various offices. A selection of Bluestep Bank's partners

The list of sustainability topics is presented below.

- Eco-friendly products
 - Environmental impact of the business
 - Adaptation and reduction of climate impact
 - Prevention of corruption and financial crime
 - Customer data and privacy
 - Community engagement
 - Attractive workplace
 - Diversity and equal opportunities
 - Financial inclusion
 - Stable IT systems
 - Sustainable procurement
 - Sound compensation
 - Transparency
 - Financial stability
 - Regulatory compliance
 - Financial results
 - Sustainable product innovation
 - Transparent terms and pricing
 - Transparent marketing
 - Brand
 - Partnership ecosystems



20 of the 21 sustainability topics identified in the stakeholder and materiality analyses are reported as

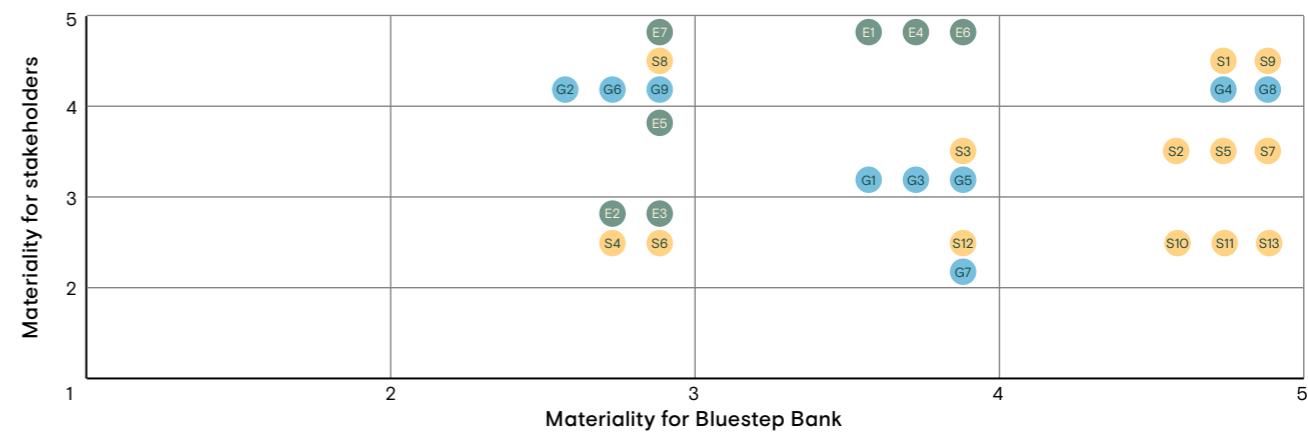
material and are grouped into four target areas as follows:

Attractive workplace	Inclusive banking	Climate-neutral banking	Business ethics and governance
Attractive workplace	Community engagement	Environmental impact of the business	Prevention of corruption and financial crime
Diversity and equal opportunities	Financial inclusion	Sustainable procurement	Customer data and privacy
	Financial stability	Sustainable product innovation	Stable IT systems
	Financial results		Sound compensation
	Brand		Transparency
	Partnership ecosystems		

At the end of 2021, a strategy review related to sustainability was carried out which included an update and review of the materiality analysis. Among participating stakeholders in the project were representatives from the owner, the Board, management and employees. The

g review largely confirmed the previous materiality analysis and resulted in several focus areas (highlighted in the table below) within the four target areas, with the aim of further bolstering and fleshing out the company's strategy for sustainable business.

Pillars	Internal topics	External topics
Environmental	E1 – GHG emissions E2 – Electricity & Heat E3 – Waste management E4 – Climate risk management	E5 – Green funding E6 – Green product E7 – Physical impacts of climate change
Social	S1 – Diversity & Inclusion S2 – Employee engagement S3 – Talent attraction S4 – Employee health & safety S5 – Responsible remuneration	S6 – Community engagement S7 – Customer welfare S8 – Human rights S9 – Pricing & affordability S10 – Financial inclusion & access S11 – Responsible lending S12 – Socially linked funding S13 – Financial literacy
Governance	G1 – Data ethics & privacy G2 – Responsible taxation G3 – Whistleblowing policy G4 – ESG governance G5 – Systemic risk management G6 – Financial crime (AML)	G7 – Industry engagement G8 – Transparency & disclosure G9 – Documenting PAIs



Note S4 | Key figures, employees, 2021

	Total	Sweden	Norway	Finland
Total number of employees at year-end¹	286	200	69	17
Number of limited-term employees, %	1	1	0	0
Number of part-time employees, %	7	7	6	12
Average age, years	37	39	33	34
Persons who left the company during the year	67	48	15	4
New hires during the year	49	32	10	7
Employee turnover, %	21	21	21	15
Gender distribution				
Women on the board, %	25			
Women in senior management, %	22			
Female managers, %	34	43	10	25
Female employees, %	52	53	54	29
Sick leave and wellness				
Short-term leave, %	1.6	1.4	2.0	0.9
Long-term leave, %	2.2	1.5	3.8	0.0
Total sick leave, %	3.8	3.1	5.8	0.9
Withdrawals of wellness allowances for all employees, %	90	89	-	100
Age distribution				
>29, %	24	35	33	27
30-39, %	37	49	39	40
40-49, %	21	13	22	19
50-59, %	14	1	6	10
60<, %	4	1	0	3

¹ Number of employees expressed in number of persons and not converted into full-time equivalents

Note S5 | Carbon footprint

Bluestep Bank uses the Greenhouse Gas Protocol (GHG Protocol) standard developed by the World Resources Institute and World Business Council for Sustainable Development.

The GHG Protocol divides emissions into three groups, or scopes. These are:

- **Scope 1** – Direct greenhouse gas emissions from the combustion of fossil-fuels, such as emissions from oil boilers and vehicles.
- **Scope 2** – Indirect greenhouse gas emissions from purchased energy used, such as electricity and district heating

- **Scope 3** – Other indirect greenhouse gas emissions, for example, from business travel, transport, paper consumption

The GHG Protocol covers seven greenhouse gases: These are: carbon dioxide (CO₂), methane gas (CH₄), nitrous gases (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF₃), sulphur hexafluoride (SF₆)

These gases have different global warming potentials. For example, CO₂ has potential 1 while CH₄ has potential 25. Therefore, total gases are converted to CO₂ equivalents.

Emissions by emission source

Emissions, tonnes CO ₂ e	Total		Sweden		Norway		Finland	
	2021	2020	2021	2020	2021	2020	2021	2020
Scope 1								
Owned/leased cars	3.25	4.49	3.25	4.49	0.00	0.00	0.00	0.00
Scope 2								
Electricity consumption	6.15	42.08	6.14	5.93	0.00	36.16	0.00	0.00
Heating	13.81	41.33	10.13	10.81	0.00	22.00	3.68	8.52
District cooling	0.38	0.48	0.38	0.48	0.00	0.00	0.00	0.00
Scope 3								
Water consumption	0.10	0.14	0.07	0.07	0.03	0.07	0.01	0.01
Waste (incl. road freight)	0.35	0.03	0.34	0.02	0.01	0.01	0.01	0.00
IT purchases	98.89	44.70	53.87	17.20	40.71	8.00	4.31	19.50
Paper and printed matter	5.03	6.28	4.98	5.89	0.04	0.34	0.01	0.06
Business travel	22.66	13.36	14.91	7.22	5.57	4.56	2.18	1.58
Hotel nights	5.63	4.72	4.02	1.10	1.40	3.47	0.20	0.16
Commuting	138.11	138.90	81.17	90.40	48.08	40.96	8.86	7.54
Other	4.87	4.33	3.02	3.77	0.91	0.26	0.94	0.30
Total	299.2	300.9	182.3	147.4	96.7	115.8	20.2	37.7
Key figures								
Per employee	1.10	0.99	0.98	0.69	1.40	1.52	1.12	2.69
Per MSEK lent	0.02	0.02	0.02	0.01	0.01	0.02	0.09	0.77
Per square metre (office space)	0.09	0.09	0.07	0.05	0.19	0.23	0.10	0.19

Note S6 | EU Taxonomy

Companies covered by the EU Non-Financial Reporting Directive ("NFRD"), ie large companies of general interest with more than 500 employees ("NFRD companies"), need to report in accordance with the taxonomy in their

sustainability report. Bluestep Bank is not covered by these requirements but reports on a voluntary basis and the information provided is in accordance with the transitional rules.

Extended table

Assets	Assets in MSEK	Assets share of Total Covered Assets, %		Assets share of Total Assets, %
		Total Covered Assets, %	Assets share of Total Assets, %	
Taxonomy eligible	18 289.5	92.9	92.7	
Taxonomy non-eligible	43.6	0.2	0.2	
Covered Assets not excluded by default from numerator	18 333.1	93.1	92.9	
Non-NFRD undertakings	0	0	0	
Derivatives, hedge accounting	114.6	0.6	0.6	
On demand interbanks loans	1164.1	5.9	5.9	
Cash and cash-related assets and other assets (e.g Goodwill, commodities etc)	78.1	0.4	0.4	
Covered Assets excluded by default from numerator	1 356.8	6.9	6.9	
Total Covered Assets	19 689.9	100	99.8	
Central governments, central banks, supranationals	0	-	0	
Trading portfolio	49.1	-	0.2	
Assets not included in Total Covered Assets	49.1	-	0.2	
Total Assets	19 739.0	-	100	

Taxonomy eligible

Consists of the assets that can be assessed under the taxonomy, at present a number of sectors are covered by the taxonomy, of which loans to households with residential properties as security is included.

Green Assets

In order for buildings to be classified as sustainable investments, they must have an energy class A or belong to the 15% that are most energy efficient.¹

For detached houses and apartments, properties with an energy class A have been included in green assets.

Green Asset Ratio (GAR) shows the proportion of exposures related to Taxonomy-aligned activities compared to total covered assets.

Taxonomy non-eligible

This category includes loans to households excluding mortgages, such as unsecured loans.

¹ The National Board of Housing, Building and Planning and the Swedish Energy Agency will investigate the role of the state in developing a method for determining which buildings are the 15 percent most energy efficient in accordance with the EU's taxonomy for sustainable investments. The National Board of Housing, Building and Planning and the Swedish Energy Agency must report the assignment to the Government Offices no later than 30 May 2022.

Note S7 | GRI Index

General disclosures

(SR = Sustainability Report, AR = Annual Report)

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
Organisational profile					
102-1	Name of the organisation		Bluestep Bank AB (publ)		
102-2	Activities, brands, products, and services	AR 2-7			
102-3	Location of headquarters		Stockholm, Sweden		
102-4	Location of operations		Sweden, Norway and Finland		
102-5	Ownership and legal form	AR 20			
102-6	Markets served		Mortgages in Sweden, Norway and Finland, and savings accounts in Sweden and Norway		
102-7	Scale of the organisation	AR 16,17			
102-8	Information on employees and other workers	SR 19		8	
102-9	Supply chain	SR 14		4.5	
102-10	Significant changes to the organisation and its supply chain				
102-11	Precautionary principle or approach	SR 3,4			
102-12	External initiatives		PRB, TCFD, Diversity Charter		
102-13	Membership of associations		Global Compact, UNEP-FI		
Strategy					
102-14	Statement from senior decision-maker	AR 8-11			
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	SR 5		10	
Governance					
102-18	Governance structure	SR 15, AR 94			
Stakeholder engagement					
102-40	List of stakeholder groups	SR 17,18			
102-41	Collective bargaining agreements		3% of employees have a collective agreement	3	
102-42	Identifying and selecting stakeholders	SR 17,18		3	
102-43	Approach to stakeholder engagement	SR 17,18			
102-44	Key topics and concerns raised	SR 17,18			

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
Reporting practice					
102-45	Entities included in the consolidated financial statements	AR 16,17			
102-46	Defining report content and topic boundaries	SR 17,18			
102-47	List of material topics	SR 17,18			
102-48	Restatements of information		No material changes		
102-49	Changes in reporting		No material changes		
102-50	Reporting period		1 January – 31 December 2021		
102-51	Date of most recent report		2020-04-23		
102-52	Reporting cycle		Updated annually as at 31 December		
102-53	Contact point for questions regarding the report		Björn Lander, CEO		
102-54	Claims of reporting in accordance with the GRI Standards		Produced with inspiration from GRI Standards		
102-55	GRI content index	SR 22-24			
102-56	External assurance		No		

Topic-specific disclosures

(SR = Sustainability Report, AR = Annual Report)

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Connection to materiality analysis
Economic performance						
201: Economic performance						
103-1,2,3	Management approach	SR 15				Inclusive and climate-neutral banking
201-1	Direct economic value generated and distributed	AR 16-23				8,10
201-2	Economic impacts and other risks and opportunities due to climate change	SR 9,10				13
205: Anti-corruption						
103-1,2,3	Sustainability governance	SR 15				Business ethics and governance
205-2	Communication and training about anti-corruption policies and procedures	SR 11,12				10
205-3	Confirmed incidents of corruption and actions taken		No corruption incidents were reported during the year			10

Environment

305: Emissions	Page reference	Comment	SDG	Climate-neutral banking
103-1,2,3	Sustainability governance	SR 15		
305-1	Direct (Scope 1) GHG emissions	SR 20		7,8
305-2	Energy indirect (Scope 2) GHG emissions	SR 20		7,8
305-3	Other indirect (Scope 3) GHG emissions	SR 20		7,8

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Connection to materiality analysis
Social						
403: Occupational health and safety						
103-1,2,3	Sustainability governance	SR 15				Attractive workplace
403-4	Health and safety topics covered in formal agreements with trade unions	SR 6		3	8	
404: Training and education						
103-1,2,3	Sustainability governance	SR 15				Attractive workplace
404-3	Percentage of employees receiving regular performance and career development reviews	SR 6			8	
405: Diversity and equal opportunity						
103-1,2,3	Sustainability governance	SR 15				Attractive workplace
405-1	Diversity of governance bodies and employees	SR 19		6	8	
406: Non-discrimination						
103-1,2,3	Sustainability governance	SR 15				Attractive workplace
406-1	Incidents of discrimination and corrective actions taken		No material incidents were reported during the year	6	8	
413: Local communities						
103-1,2,3	Sustainability governance	SR 15				Inclusive banking
413-1	Community engagement	SR 8				
417: Marketing and labelling						
103-1,2,3	Sustainability governance	SR 15				Business ethics and governance
417-2	Incidents of non-compliance concerning product and service information and labelling		No material incidents were reported during the year			
417-3	Incidents of non-compliance concerning marketing communications		No material incidents were reported during the year			

Bluestep Bank.

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