

ANNUAL REPORT

2022-2023



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Chairman's Address

Dear members,

It is safe to say that much has happened in our time at Efling in the past year. Conflicts over strategy and methods in the labour movement reached a peak during the early 2022 leadership and board elections. There, my fellow members and I on the Battle List gained the mandate of union members to lead this largest union of general workers in Iceland and to continue the important and necessary transformation that began with the historic election of the B-list in 2018.



Sólveig Anna Jónsdóttir
Chairman

This transformation is about making Efling a leading provider of services to union members, the legitimate owners of the union, but above all, about making Efling a democratic and open union where the participation of Efling members is at the forefront. In doing so, Efling can become one of the most powerful organizations of working people in Iceland and play a key role in the fight for economic justice and equality in our society. Our struggles as Efling union members revolve around incredibly important issues. It is about respecting working people and recognizing the fundamental importance of Efling members in all production of value in this society.

We fight for the realization of actual power for low-wage workers in society so that the

economic and political elite are simply forced to consider our interests and needs. There is still a long way to go, but we will not let our courage falter.

Since 2018, Efling members have repeatedly taken a leading position in the labour movement. Despite working long days in mentally and physically taxing jobs, Efling members have made time to take the fight for a better life into their own hands. Despite increasingly violent opposition from the power elite, Efling members do not give in to intimidation. The determination and courage of the Efling union negotiating committee and those who went on strike in the difficult labour dispute in the capital area this winter won the admiration of large parts of the public.

Dear members,

We can learn a great deal from the events of the past year. One example is that despite the elite's focused efforts to prevent it, the strikes of union members achieved gains from the strikes. The increases in pay and benefits achieved in comparison to the SGS agreement for Efling members who work in the private labour market went to those who went on strike. All of Efling's strike actions from 2019 have resulted in gains for those members who struck. And it is precisely for this reason that the power elite wants to strip us of our independent bargaining rights and deprive us of the most sacred right of working people, the right to strike to push for better working conditions.

We can also learn from the behaviour of the political power elite towards the Efling negotiating committee and Efling's union members. It is now clear that the workforce in the capital area receive no refuge from those who govern our country. It was an unforgettable lesson when those ministers who claim to stand with workers and the labour movement did everything in their power to undermine our chances of making an Efling agreement for Efling members. We will not forget this betrayal.

The lesson we draw from everything that has happened is that nothing will change unless we change it ourselves. We cannot wait for the power elite to deign to take our needs into account.

Dear members,

We cannot wait for the Icelandic labour movement to finally take a stand with those who struggle for the lowest wages and keep everything going with their work. No, we understand that we ourselves must become a force for social change if we are to have a real impact. We understand that solidarity with ourselves and with each other is key. And we understand that our union, Efling, can be an agent for the change that our tough struggle for justice and equality needs.



Ljósmynd/Suphawut Yoophithakwong

Dear members,

We, members of Efling, come from all corners of the world. We speak countless languages and have different customs and traditions. But we have shown and proven that we have a shared understanding that our solidarity is the most powerful weapon we possess. Our self-respect and respect for each other, hard work and courage, life experience and enthusiasm should all fuel our fighting spirit even more. We hold our heads high and know that we cannot be forced to comply.

Dear members,

I am proud of our achievements. We continue to build our union. The forces who oppose progress must admit defeat. Efling's democratic and social spaces are open to all who want to participate. We continue to meet, talk, and listen to each other. We continue to fight together, women and men, people born in Iceland and those who have moved here, people of all ages. We do not talk down people's expectations of what can be achieved in the struggle for better conditions for labour. No, we build our power and demand respect, thereby increasing our chances of success. We intend to succeed simply because we need to. We take risks and do not let ourselves be discouraged. We look to the history of the labour movement and admire the tremendous achievements that have been made there, and we look out into the world and see that labour struggles are awakening everywhere. We understand that the unions of working people can be the most powerful tool to take on the ruling and dangerous class struggle of the rich.

Dear members,

I believe in the right of workers to fight for economic justice with the weapons most likely to succeed. Those weapons are solidarity and strike actions. Gross and disrespectful attempts have been made to break down our solidarity and to deprive us of that weapon, the strike.

They have not succeeded. Those who have attacked our struggle have had to back down. There are great challenges ahead. The economic violence of the political and economic ruling class plays havoc with the lives of a large group of Efling members and is eroding their standards of living. Inflation, interest rate hikes, coordinated low-wage policies, and a housing market that has been handed over to speculators. The ruling class shows indifference to the consequences of the situation it is responsible for, and continuously reveals its class hatred towards working and low-wage people. But precisely because of the misery that is apparent to us, we make the decision to strengthen our solidarity even further, to acknowledge for

ourselves that we simply cannot and must not give up. We intend to win because failure is not an option.

The struggle of Efling members for power, respect, and economic justice is just beginning. I am proud to stand by your side in this battle.

Sólveig Anna Jónsdóttir

Chairman of Efling

The Managing Director's Introduction

Transformation in Turbulent Times

In 2022, the operation of the Efling office has been marked by challenges and transformations. Following a course-defining decision by the board last spring regarding human resources, a period of build-up began around mid-year with the hiring of new management, staff, and policy formation in line with board priorities. Such changes often bring numerous opportunities for improvements in operations, but also challenges as a large part of the workflow was being reprocessed. Such transformations usually entail significant costs. This was also the case for Efling, with a negative operating result of the year at 16.8 million kr.



Perla Ösp Ásgeirsdóttir
Managing Director

The operating result can mainly be attributed to the following factors:

- Payments from the sickness benefits fund increased significantly, especially daily allowances, which rose by 420 million kr. year-on-year.
- Paper assets were written down to the tune of 284 million kr. due to the Finance Minister's planned actions on the ÍL-fund.
- An increase in costs due to specialists relating to legal assistance and hiring costs for staff.
- Changes in accounting entries of dues from Gildi, which now uses shorter settlement periods, leading to lower outstanding claims to the tune of 287 million kr.

On the other hand, fixed operating costs have been reduced with the measures implemented last spring, and considerable savings have been achieved due to the reduction in positions and the in-housing of parts of our legal services.

Policy Formation and Priorities

During autumn, policy was formulated by staff in the Efling office. Given the short tenure of a large part of Efling staff, there was a unique opportunity to shape the internal work of the office and its focus in services for members. The board's policy on making Efling Iceland's leading edge union was a guiding light in that work.

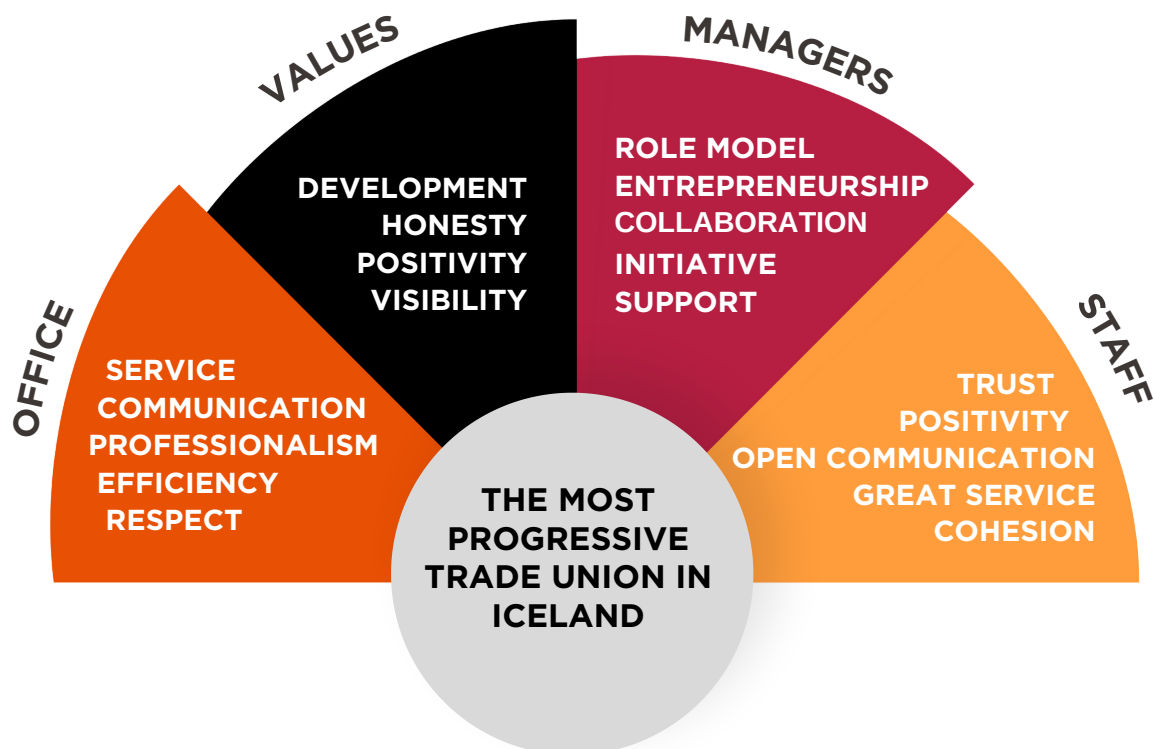
There was a strong consensus among staff on the outcome of the policy formation. Managers and staff in the Efling office emphasize building transparent, efficient, and cost-effective services for members, modernizing members' access to the office's services thus ensuring a good utilization of the funds with which we are entrusted.

Respect, helpfulness, and solidarity are the focus of staff collaboration, and managers

support staff in daily work. It is important to rely on independence in work methods as the number of permanent staff has been halved since the end of 2021.

Following the learning period that the latter half of 2022 has been, we will build exemplary services with integrity, positivity, and progress in mind.

Efling's policy



Office-Related Projects and Operations

Since mid-2022, the focus of the office's activities has revolved around streamlining the office's operational environment, leveraging technology for better service and simpler processing, good management, collaboration, and policy formation. Following this, the policy making and projects of Efling's office will focus on IT and continued development until at least the end of 2023. Part of this is the redesign of Efling's website, the implementation of the Tótal membership system, and self-service on My Pages. An improved digital platform has made digital services for members more accessible and simpler, at the time or place they choose. Efling's members work in demanding jobs at various times and locations, and Efling wants to meet their need through continued digital development.

During the year, the foundation was laid for the collaboration of five trade unions in the operation of the Tótal membership system, which was designed by a union for unions. Until now, Efling had used the Jóakim system from the pension fund associated Reiknistofa Lífeyrissjóða, which had served its purpose well in its time, but its design did not meet modern requirements for IT infrastructure. The implementation of Tótal will both reduce IT-related operating costs and ensure a solid operational foundation and access to the development of the core system in service to members.

The union's investments were also reviewed regarding risk diversification and increased profitability of Efling's own capital. All transactions of the union were transferred to Landsbankinn hf. The asset portfolio was

was simplified, as well as financial management of current accounts. In addition, the union's paper assets were transferred to Landsbankinn for management. The union held both ÍL-fund bonds and parts of funds that invested in such bonds, resulting in a loss of 284 million kr. on financial assets due to the write-down of such bonds. If the current risk policy had been implemented before this event, the union's losses would have been much lower.

The Workplace

The foundation of good operations and service to members is a strong and cohesive group of employees. It can truly be said that the performance of Efling's office staff has been exemplary. With unity, patience, and resourcefulness, this group has managed to solve various complex and demanding tasks while adapting to a new work environment, new computer systems, and last but not least, serving the members. At the turn of the year, the number of Efling's office staff was 26, which is a reduction by half from the previous year. One of our main goals has been to harmonize responses and shorten the processing time of members' cases, and this work is already starting to yield results.

During the year, the human resources framework was simplified in view of the reduction in staff, an equal pay system was established, and the Equality Office certification was obtained at the beginning of 2023. Efling is now a modern workplace where employees' opinions are measured monthly with HR monitor, and the results are used for management and staff discussions and workplace improvements.

Emphasis is placed on mutual flexibility of the workplace and staff with everyone's interests in mind. Efling is a family-friendly workplace with an emphasis on the health and well-being of employees. This supports the ability and competence of employees to serve Efling's members diverse needs.

In the coming year, the focus will be on increasing staff education on work-related issues, implementing performance reviews, knowledge sharing, and professional development. Professional development and employee well-being ensure that we can provide exemplary service to Efling members and maintain operational efficiency.



Projects for the Coming Year

Information technology and good governance, along with continued operational efficiency, will be at the forefront of projects in the next six months. Efling has high hopes for the collaboration on the Tótal membership system to deliver both better service and simplify processes related to the union's finances. Collaboration on the operational issues of trade unions is an aspect that Efling believes should be explored further for the benefit of the unions. The investments and efficiency measures

undertaken in the past year will, other things remaining equal, result in efficient operations and cost-effective office management of Efling. Additionally, apart from IT changes, particular attention is paid to in-housing a portion of legal services and a new partner for legal services for members.

Determination and Courage

The year 2022 was a challenge for all stakeholders of Efling. But challenges bring opportunities that we, who work for and with Efling, have used as well as can be expected and anticipate that the results will be reflected in the coming years. I would like to thank the chairman and board members of Efling for their outstanding cooperation during the year and look forward to working together in 2023; cooperation characterized by professionalism, trust, and determination for the benefit of the union. The indecision that characterizes some boards does not apply to the Efling board.

As a manager, I am so grateful to have outstanding support from the management team and colleagues to lead Efling into a new era. My warmest thanks to you all. Finally, I would like to especially thank the members of Efling for their patience and understanding during times of change. For your sake, we will become the most progressive trade union in Iceland.

Perla Ösp Ásgeirsdóttir

Managing Director of Efling

Numerical Information Regarding Members and Funds

In 2022, dues-paying members were 41,543 or 3,564 more than the previous year. Of these, 23,229 were men, 18,281 were women and 33 were gender fluid. Since some of them pay dues only part of the year, the average number of dues-paying members during the year was 27,786. The number of employers paying dues in 2022 were 3,910 in 2022 compared to 3,621 the previous year. Dues of the union were distributed in the following way in various funds:

Union Fund

Dues to the union fund are 0.7% of gross wages. Of those, 15% go to the strike fund and 6% to the educational fund. The equity of the membership fund stood at almost 2.3 billion kr. at the end of 2022 and decreased by 1.2% during the year.

Strike Fund

The strike fund receives 15% of union dues paid to the union fund so it can therefore be said that 0.1% of gross wages go there. The equity of the strike fund amounted to almost 3.1 billion kr. at the end of 2022 and increased by 4.9% during the year.

Educational Fund

The Educational Fund receives 6% of the union dues so 0.04% of gross wages go to it. The equity of the Educational Fund's amounted to 230 million kr. at the end of 2022 and increased by 12.8% during the year.

Sickness Benefits Fund

The negotiated dues paid to the Sickness Benefits Fund are the employers' contribution of 0.75% to 1% of gross wages. The equity of the fund amounted to 5.6 billion kr. at the end of 2022 and decreased by 6.4% during the year.

Grants Fund

The income of the Grants Fund is a 5% contribution from the collected dues in the Sickness Benefits Fund. The equity of the grants fund stood at 174 million kr. at the end of 2022 and increased by 15.7% during the year.

Rehabilitation Fund

The operation of this department at Efling is one of the key pillars in the large task of reducing the burden of disability among members. The demand for work rehabilitation has increased in recent years and there is a good chance that this outfit can reduce sickness benefits and pension payments. This department is not operated with a view to collecting funds.

Summer House Fund

The negotiated dues of the summer house fund are a 0.25-0.33% contribution of gross wages paid by employers. The summer house fund also receives rental income. The equity of the Summer House Fund, mostly tied up in summer houses amounts to 2.4 billion kr. at the end of 2022 and rose by 22% during the year.

Education and Membership Affairs

Education and Courses

At the beginning of the fall of 2022, Efling's comprehensive educational program for the 2022-2023 working year was announced. No educational leaflet was issued; instead, a size A3 poster was printed in English, Icelandic, and Polish and a mass email sent to all Efling union members' email addresses. Detailed information about each course was posted and updated on the union's website.

Professional Courses

A large part of the educational program consists of professional courses that benefit Efling union members in various industries. Most of these courses are fully funded by Efling's vocational training funds and are therefore free of charge for union members.

Some of the courses are part of more extensive educational pathways that lead to recognition with a changed job title and wage bracket. For example, this applies to the "félagsliðagátt" and "leikskólaliðabréf" pathways, which are organized in cooperation with Mímir, Menntaskólinn í Kópavogi, and Borgarholtsskóli.



| REGISTRATION FOR PROFESSIONAL COURSES | STUDENTS |
|---------------------------------------|------------|
| Félagsliðagátt | 17 |
| Fagnámskeið umönnun 1 - Fall2022 | 18 |
| Fagnámskeið umönnun 2 - Fall2022 | 11 |
| Fagnámskeið umönnun 1 - Spring2023 | 28 |
| Fagnámskeið umönnun 2 - Spring2023 | 12 |
| Fagnámskeið eldhús 1 - Fall2022 | 14 |
| Fagnámskeið eldhús 2 - Spring2023 | 27 |
| Leikskólaliðabréf - Spring2023 | 9 |
| Fagnámskeið eldhús 3 - Spring2023 | 20 |
| Fagnámskeið leikskóla 1 – Spring2023* | 17 |
| Fagnámskeið leikskóla 2 – Spring2023* | 10 |
| Total | 183 |

*Note, these courses had not been held when the report was published.

In total, 183 Efling union members registered for various professional courses

Rights Courses

The Efling educational program also includes courses on various rights-related issues that have been popular among Efling members for years. These include a rights course that covers general rights and obligations in the labour market, the course was taught in Icelandic with English interpretation on January 18th and in Polish on January 25th. The retirement course is usually one of the most popular on the union's educational program, and this time, over 90 Efling members were registered for it. The Icelandic version of the course was taught on November 14th and 15th and repeated on March eighth and ninth.

A course in English was held on March 14th and in Polish on March 15th. Special courses on pension rights are scheduled for early May, held in Icelandic, English, and Polish. A course on the Icelandic tax system in English and Polish was also offered and held on February 21st and 23rd.

| REGISTRATIONS FOR RIGHTS COURSES | STUDENTS |
|---|----------|
| Rights and duties of renters | 10 |
| Retirement course (Icel.) - Fall2022 | 36 |
| Rights and duties in the labour market (Icel.) | 21 |
| Rights and duties in the labour market (Polish) | 27 |
| The Icelandic tax system (English) | 41 |
| The Icelandic tax system (Polish) | 36 |
| Retirement course (Icelandic) - Spring2023 | 22 |
| Retirement course (Polish) | 45 |
| Retirement course (English) | 24 |
| Pension rights (Icelandic)* | 1 |
| Pension rights (English)* | 2 |
| Pension rights (Polish)* | 5 |
| Total | 270 |

*Note, these courses had not been held when the report was published.

All the rights courses were held at the Efling Community Centre, where exemplary facilities for courses and lectures are available, and catering was provided. In recent years, the union has placed increased emphasis on offering courses in English and Polish. In total, 270 Efling members have registered for rights courses during the year.

Power and Participation in Negotiations

A group of active union members attended a free online course offered by the Rosa Luxemburg Foundation, led by labour organizer Jane McAlevey. About thirty members attended the course three times on Saturdays at the Efling Community Centre. The content and focus of the course proved useful when the Efling negotiating committee began its work in autumn. The main objective of the course was to demonstrate how labour unions can use the direct participation of large groups of union members as a method to achieve success in collective bargaining.



The course also discussed how this “big and open” approach strengthens the work of labour unions in general and promotes worker solidarity. Real-life examples where this method has been used and yielded success were covered during the course. Workers who have used the “big and open” methodology in wage disputes with employers delivered lectures, sharing their experiences, and answering participants’ questions.

Social events

Christmas Ball

The Efling Christmas Ball was held on Saturday, December 10th, 2022, in Gullhamrar, Grafarholt. The Yule Lads visited, and the house band provided music for dancing and singing.

Christmas Market

The Efling Christmas Market was held the weekend of December third to fourth, 2022. Members had the opportunity to book a booth for free and sell their crafts or other products. All booths were booked and filled with a variety of exciting items. Cocoa, gingerbread, and live music were offered, creating a cosy and enjoyable Christmas atmosphere.



May Day Café

Efling members gathered in force for the labour day demonstration and a protest meeting held at Ingólfstorg Square. After the march, people went to Valsheimili for Efling's May 1st coffee. Coffee and refreshments were provided. Additionally, an ice cream truck was present, and children could have their faces painted.



Union rep work

Union Rep Courses

The organization of Efling's union rep courses underwent a complete change in the fall of 2022. Instead of the courses being taught at Félagsmálaskóli alþýðu, Efling has taken full responsibility for organizing trustee courses. Now, the courses are taught one full day per month from September to May, or four times before the New Year and five times after the New Year.

With this arrangement, newly appointed reps never have to wait longer than four weeks to attend a course with other reps.

At the same time, this arrangement promotes reps maintaining connections with the union and other union reps, as well as their continuing education on things they need in their work.

Attendance was good at the courses each time, with no fewer than 47 people and 55 at most. A total of 115 union reps attended a course at some point over the winter. A variety of lectures were offered on labour rights, history and society, collective bargaining, and the role of union reps.

| Union rep courses 2022-2023 | Average response through the winter (on a 1-5 scale) |
|---|--|
| How enjoyable was the course (1-5)? | 4.42 |
| How useful was the course (1-5)? | 4.37 |
| How was the management and execution of the course (1-5)? | 4.67 |

**HÁMARKS ÁBYRGÐ
= LÁGMARKS LAUN?**

**Til að manna
mikilvægustu
störfin þarf
mannsæmandi
laun**

The course material was translated into English and Icelandic, and reading material and slides were made available on the course website either before or after each course. All courses had text interpretation on screen between Icelandic and English. After each course, participants were asked for feedback in an anonymous survey, and efforts were made to adjust the course organization according to the suggestions. Below is an excerpt of the responses.

Feedback samples on the Efling union rep courses

| |
|---|
| Never learned so much so fast, thoroughly recommend these courses. |
| Very satisfied to get a good explanation of the collective agreement and the SGS dispute. |
| Good discussion on the topics we learned. |
| Well organized, good group. |
| I am very grateful that there is always new material. |
| Positive atmosphere in the course. |
| No this is terrible. |
| You always learn something new in these courses. |
| Organizers and lecturers are good and hoping they keep on getting better... |
| The questions and answers are so satisfying. I hope next time it will be more. |
| Lunch was good as usual, and nice to see so many participate in discussions. |
| Great food, especially the pastries, and I'm glad we also get theory from Stefán, not just the basic rights (which are also welcome, but a well-rounded course is great). |
| The course was fun, interesting and informative. |
| If there are complex calculations, do more to explain them, don't just put them up there. |
| Joy, nice to meet people in different occupations. |
| I enjoyed the small groups sharing their discussions. |
| Good to be able to ask and get good answers. |
| I feel people have little interest in history and are more interested in current affairs. |
| The course was good . Coming from a first timer 😊 |
| Good food, good yoga, good atmosphere. |
| Very interesting and interactive with other people , the time for the topics was good not so exhausted. |
| Well executed, we who came to the course were very well cared for. |
| Great to learn about vacation rights. |

The union Rep System

The maintenance of the union rep system has been under continuous review in the past semester. Much work is involved in overseeing elections and appointing new reps, as well as ensuring that employers have been notified about the appointment of new reps.

In workplaces where union reps are needed, Efling members can contact the union office themselves to obtain information on how best to advertise for interested individuals to take on the role of a rep. The office has also taken the initiative to advertise for union reps, and the efforts of members have been utilized for this purpose.

A total of 71 trustees were appointed between June 1st, 2022, and April 15th, 2023. In the spring of 2023, the board approved written guidelines on the appointment and duties of union reps, outlining their mutual obligations and those of the union. The document was presented to the delegate council and to union reps at the course.



Union work

Delegate Council

The Delegate Council is the backbone of Efling's union work and is the highest authority in the affairs of the association. In it, 115 Efling members hold seats in addition to the board. The Delegate Council met four times in the fall of 2022 and as often in the spring, according to the meeting schedule. Information on the council's work can be found on its landing page.

Members' Meetings

Several meetings were held with groups of members, which were generally well attended and lively. Notable among these were numerous meetings with groups involved in strike actions, such as hotel workers, fuel truck drivers, and Samskip cargo truck drivers. A large meeting of hotel workers was held on March 30th, which around seventy people attended.

ASÍ and SGS Congress

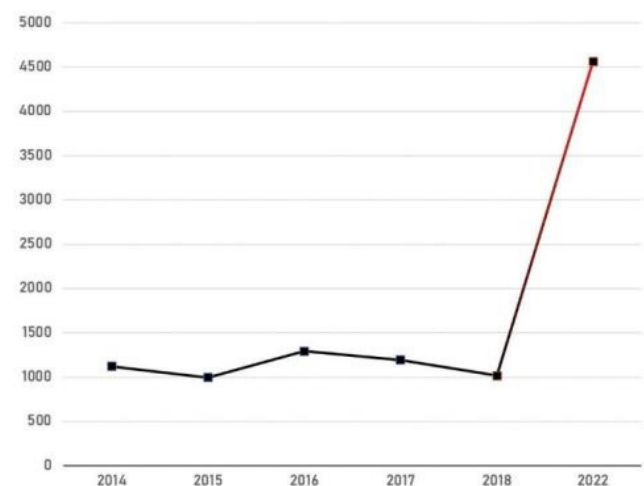
Efling had 54 representatives at the ASÍ Congress, held from October 10th to 12th, 2022, and at the continuation congress from 27th to 29th April of 2023. Efling also had 62 representatives from its membership at the SGS Congress in the spring of 2022.

Wage Survey

In the fall of 2022, the union conducted an extensive wage and attitude survey in collaboration with Gallup. 4,562 members responded to the survey, which is a much higher participation rate than in previous comparable surveys of the association. The union's delegates were specifically mobilized to encourage their colleagues to participate, and this seems to have been successful.

**Vissir
þú að**
90,7%
Eflingarfélagi
vill leggja áherslu á
hækkun lægstu launa
í kjarasamningum?

Participation in Efling's wage survey from 2014:



In the previous wage surveys, the response rate had been highest in 2016, with 1,294 responses. However, it should be noted that in earlier surveys, the sample size was much smaller, as low as 3,000, and the surveys also reached members of other labour unions in the Southwest region. Opening the sample to all Efling members, among other things, made much higher participation possible this time.

The decision to translate the survey into the ten most common languages of the members had a very positive effect on the response rate. The survey's sample included nearly 36 thousand kennitala, and the overall response rate was 12.79%. Participation of members of Icelandic origin was just below this average at 12%, but much higher among many groups of foreign members. Here are some groups of immigrants where the response rate was above average:

Vissir
pú að
65%
Eflingarfélagið
lifir við viðvarandi
fjárhagsáhyggjur?

The results of the survey were presented to the Delegate Council and at the negotiation committee meetings, and selected results were made public. The findings highlighted significant financial concerns among Efling members, which weighed most heavily on women, renters, and members of foreign origin. A comparable wage survey among workers in Akureyri, conducted by Gallup for the trade union Eining-Iðja, showed lower overall wages for workers in the capital region despite longer working hours. The survey also provided clear indications of Efling members' strike readiness, which was later confirmed in strike ballots.

| Country | Percentage | Number of answers |
|-------------|------------|-------------------|
| Philippines | 25 % | 96 |
| Thailand | 24% | 51 |
| Vietnam | 22% | 56 |
| Lithuania | 16% | 295 |
| Portugal | 15% | 53 |
| Poland | 15% | 941 |
| Latvia | 14 % | 126 |

Publication and Promotion

The union maintained a strong presence in the public discourse through advertising campaigns and on social media throughout the past year. The union's Facebook page was regularly updated, and many news items and updates were posted on the website www.efling.is.

Efling's newsletter was sent out regularly to members' email addresses and was opened and read by many thousands of members. Almost all this content was available in Icelandic, English, and Polish.

VIÐERUM
MEIRA VIRÐI!  EFLING



Wage Research and Economic Analysis

The association has continued its independent work and dissemination of information in the field of wage research, analysis, and statistical work over the year, as in previous years. Stefán Ólafsson, a specialist in standard of living research, has led this work. At the end of 2021, the publication of Efling Economic Analysis began, discussing important aspects of members' living conditions, under the slogan "Facts about the standard of living of low-wage workers." Each issue discusses individual aspects of living wages in a clear and focused manner, showing their importance and where the burden falls on low-wage workers in Icelandic society.

The Economic Analysis is available on the Efling website. In addition, Stefán has authored numerous articles and reports on topics related to Efling collective bargaining, as well as preparing and implementing material for contract demands, giving lectures at Efling courses, and working with the union's leadership on various communications.

Board Work

Elections were held in the association early in 2022, and the Battle List led by Sólveig Anna Jónsdóttir emerged victorious. The new board took over at the annual general meeting on April 8th and has met 25 times since then. The chairperson presided over the meetings, and the minutes were documented by the association. Operational matters were a significant part of the board's work, which approved and implemented an extensive reorganization in the spring of 2022.

Collective Bargaining and Negotiating Committee Work

Collective bargaining shaped the union's work throughout the winter of 2022-2023. Nominations for members of the negotiation committee were requested and advertised on September 20th and the committee was appointed at a Delegate Council meeting on October 20th. Work on drafting the demands then began, which were subsequently submitted to the Confederation of Icelandic Enterprise (SA) on October 31st. The first negotiation meeting was held at Efling's Community Centre on November 4th.

Negotiations with SA proceeded very slowly, especially after SGS signed a contract without consulting Efling on December 1st.

It was clear that SA's intention was for Efling to adopt the agreement unchanged, without any adjustments due to the composition and special circumstances of Efling's membership. Most of the SGS affiliates, the State Mediator, and other elite actors in Icelandic society supported this. The union criticized the agreement and insisted on Efling's independent right to negotiate.

Illegal Intervention by the State Mediator

The wage dispute gradually began to revolve around whether Efling actually had independent bargaining rights. Instead of advocating for substantive discussions and compromise, the State Mediator chose to impose a mediation proposal on Efling on January 26th. The timing of the proposal was clearly intended to prevent Efling's announced strike actions at Iceland Hotel hotels from commencing. In violation of the law, the State Mediator neglected all consultation with Efling before submitting his proposal and also neglected to bring the disputants together for proper negotiations. From the outset, the union rejected the proposal as lawless and meaningless. At the same time, the union saw the State Mediator as lacking the authority to demand the handing over of a voter registry from the union. The legitimacy of this position was confirmed by a District Court ruling on February 13th.

In their public statements, the Minister of Labour and the Prime Minister have never acknowledged the legal violations of the state mediator's office against workers and low-wage earners, only discussing the need to change labour market legislation. It must be considered unusual for the majority representatives in the Icelandic Parliament to respond to legal violations by blaming the laws, rather than focusing on those who break the laws according to confirmed court rulings.

Successful Strikes

The Efling negotiating committee spent a considerable amount of time preparing for strike actions. Among other things, negotiating committee members visited all Iceland Hotel workplaces to inform union members about the planned strike actions and held other meetings with union members.

Despite relentless propaganda and threats from both SA and the owners of Iceland Hotels, union members approved the strikes by an overwhelming majority. Efling strike plans also held up against SA litigation before the Labour Court. The strikes began on February 7th. Subsequently, the association announced strike actions at the Berjaya hotel chain, Reykjavik Edition hotel, at Samskip, at Skeljungur, and at Ólíudreifing. All these strike notices were approved by a convincing majority and with good participation. An exemption committee was operational, which approved all exemption requests related to public safety. Due to SA's lockout announcement, the negotiating committee chose by a strong majority not to announce the strike actions that were also approved on February 20th among security guards, cleaning staff, and other hotel employees.

In total, 1,433 Efling members participated in strike elections in January and February concerning 5 separate strike notices. Of those, 1,088 voted in favour of the actions, or 76%. This is a significantly greater support for strike actions than in the union's wage and attitude survey conducted in the fall of 2022.



Efling Members Strong, Visible and United

Union members of Efling demonstrated their unity and fighting spirit with mass gatherings and protest actions, which were the most attended and powerful seen among workers in the general labour market in decades.

Protests outside the Ministers Residence on February 10th led to the chairperson of Efling and representatives of the union's members obtaining a meeting with the Prime Minister, who nevertheless showed the same indifference to the demands and circumstances of members on that occasion as on all other occasions when she had the opportunity to express herself about the historic struggle of low-wage workers in this wage dispute.



Real Talks Lasted for a Few Days in February

Following the verdict of the Landsréttur, Aðalsteinn Leifsson, the State Mediator, withdrew from overseeing the wage dispute between Efling and SA. On February 14th, Ástráður Haraldsson was appointed in his place. Due to the growing burden of strikes and the failure of Aðalsteinn Leifsson's mediation proposal, the Confederation of Employers finally came to the negotiating table on February 15th. On the evening of February 16th, the negotiating committee decided to give serious talks with SA under the guidance of the new mediator a chance and postponed strike actions for three days.

In these talks, Efling stretched as far as possible and demonstrated great flexibility and willingness to negotiate. However, it was not enough, and SA drove the talks to a standstill on February 19 even though there was very little difference, only between 0 and 10 thousand kr. in seniority increments compared to the SGS agreement.

Lockout Prevented

Rather than bridging the gap with their counterpart through fair compromise, SA decided to impose a lockout on all Efling union members in the general labour market on February 22, after the election had concluded. The purpose of the lockout was to empty Efling's strike fund, to intimidate Efling union members into submission, and to pressure the authorities to take a stand with SA in the wage dispute. Efling declared from day one that the union's strike fund would not be used to subsidize this vile act. It soon became apparent that there were

significant cracks in the ranks of employers, many of whom declared themselves not bound by the lockout order. Furthermore, a survey among Efling union members revealed that many employers did not dare to provide any information to their employees about their position on the lockout, obviously trusting that this threat would not be enforced. As a result, the lockout was unilaterally postponed by SA with three days' notice on February 27. The enforcement of this threat, which was an attempt to mark the beginning of a new and unprecedented chapter in the history of the Icelandic labour market, will not be soon forgotten.

Dispute Ended with a Legally Submitted Mediation Proposal

The appointed state mediator in the wage dispute between Efling and SA presented a mediation proposal on March 1st. In its main points, the mediation proposal was in line with the SA's collective agreement with SGS. The proposal included that contract's wage table as well as other provisions, for example on increases in December supplements, holiday supplements, and bonuses in fish processing. All increases in wage levels and general increases up to the amount of 33,000 kr. were valid from November 1st, 2022. In the mediation proposal, the retroactivity of these increases was guaranteed. The mediation proposal deviated from the SGS agreement in that it created a new job title for general hotel staff. General staff, including hotel cleaners, were placed one bracket higher in the table than before.

Additionally, the proposal included a separate agreement on the implementation of a bonus for drivers at Skeljungur and Ólíudreifing for transporting hazardous materials (ADR). Similarly, an agreement was reached with Samskip on a 28% increase in benefits in the workplace agreement and an increase in the bracket for drivers with ADR licenses by one. These changes took effect from February 1st, 2023.

There was also a change in the name of the department. In the first part of 2022, the department was called the Wage Affairs Department, but with the organizational changes, the department was renamed the Labour Rights Department as it better describes the department's work. The term labour rights refers to the department's core function of safeguarding rights in the labour market, rights based on laws and collective agreements.



Wages and Rights

2022 was an eventful year for Efling, as the employment terms division's activities evidenced. One of the division's biggest challenges this year was the necessary, policy-setting organizational changes of the board, which began in spring and led to significant personnel changes in the labour rights division. These changes also offered a unique opportunity for the division to rethink its operations, scrutinize processes and procedures, improve working methods, and ensure better services to members.

At the end of the year, six individuals worked in the Labour Rights Department, in addition to the department manager, which is a significant reduction from the previous year when 12 people worked in the department. During the year, internal processes were thoroughly reviewed, and preparations were made to increase the number of staff to eight, which is the current number. This is a diverse but cohesive group, and great emphasis was placed on the department's staff being able to serve union members in as many languages as possible.

Today, Efling can provide its members with services in English, Polish, Lithuanian, Ukrainian, Romanian, Spanish, Russian, and other languages. Efling is well aware of the need for language skills, as about half of its 28,000 members are foreign-born and don't have Icelandic as a first language. In addition to this, union members can request the assistance of an interpreter. Many cases were received by the Labour Rights Department in 2022. It was common for cases to involve layoffs where people's legally mandated rights to, for example, notice periods or vacation pay were not respected. There were also many cases involving incorrectly calculated or wrongly paid wages. The number of cases is similar between years, but for various reasons, the processing time of cases was unnecessarily long, and one of the main objectives of the Labour Rights Department has been to shorten processing time, and as the year progressed, we saw progress in this regard.

The Labour Rights Department has made great efforts to build the knowledge of its staff and increase professionalism in communication. Part of this is the considerable time spent on successful staff training, which is one of the main factors in the department's improvements. As part of this, the Labour Rights Department and the Service Department began preparations for a collaboration project to coordinate information and messages and increase the cooperation between the departments. The goal of Efling is that this will further improve services and shorten case processing times in 2023.

There was also considerable work put into examining work processes, defining service levels, and coordinating case registration. This work is one of the main pillars of the work ahead and is expected to benefit union members in the coming year. As part of this review, two new email addresses were established: vinnurettindi@efling.is for union members and atvinnulif@efling.is for employers who need to contact Efling. This change is intended to simplify the service.

Another change in the operation of the Labour Rights Department was the introduction of a new archiving system. Implementing it has taken time, but as time goes on, it will simplify the department's operations, increase the security of personal information, and improve case documentation, as well as providing the necessary overview of the progress of cases.

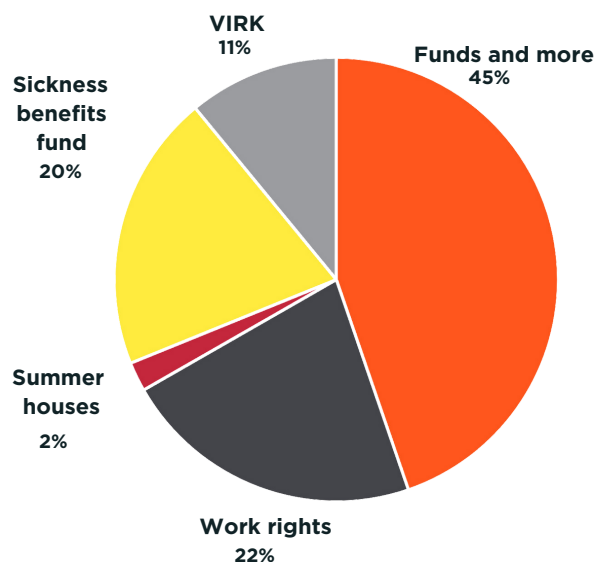
During the year, there was also a change in the opening hours of the office, which is now open from 9 am to 3 pm from Monday to Thursday, and from 9 am to 2 pm on Fridays. This change was implemented because the department's analysis shows that many more union members are using digital communication channels, and in order to serve this group, part of the day must be dedicated to this work.

Another significant change during the year was the hiring of a lawyer for the department. This is part of a policy aimed at increasing professional expertise within the department, as well as reducing operating costs by outsourcing fewer cases.

This change has proved very successful for the department and has had a significant and positive impact on its operations.

After an eventful year, the Labour Rights Department looks brightly towards the future. The organizational changes and the extensive work put into restructuring, process review, and changes in procedures will yield significant benefits for the union members in 2023 in the form of shorter case processing times and better service. The department enthusiastically welcomes new challenges and looks forward to serving union members in 2023.

Efling office visits in 2022



Service Department

Service department operations in 2022

The service department is the front line of Efling's office, answering general inquiries from Efling members at the office, over the phone, or via email. The department also processes applications for sickness benefits, grants from the sickness benefits-, holiday-, and education funds, and handles online sales for Efling, accessible through My Pages. A total of 7,663 visits were made to the Efling office in 2022. Excluding the closures due to Covid-19 in 2021, the number of members visiting the office has continued to decrease from year to year.

Members are increasingly seeking services digitally, either through email or My Pages.

My pages

Efling's My Pages were launched in March 2021. Initially, it was only possible to apply for grants from the sickness benefits and education funds, see one's history of dues payments, check the status of submitted applications, and access the summer house booking site. My Pages have been under continuous development since the beginning. In 2022, an online store for travel vouchers, the Camping Card, and the Fishing Card was added.

Development continued on My Pages, and the latest addition is that members can now submit applications for sickness benefits through the website, making all aspects of the department's services available online.

My Pages were developed with the guiding principle that the page should be equally accessible via computers and mobile devices. About 65% of visits to My Pages in 2022 were from mobile devices, which is a 10% increase from the previous year.

Sickness Benefits Fund

Sickness Benefits

In 2022, 1,312 members received sickness benefit payments totalling 1,208 million kr. Payments for sickness benefits increased by 53% from 2021, and the number of members who received payments increased by 41%.

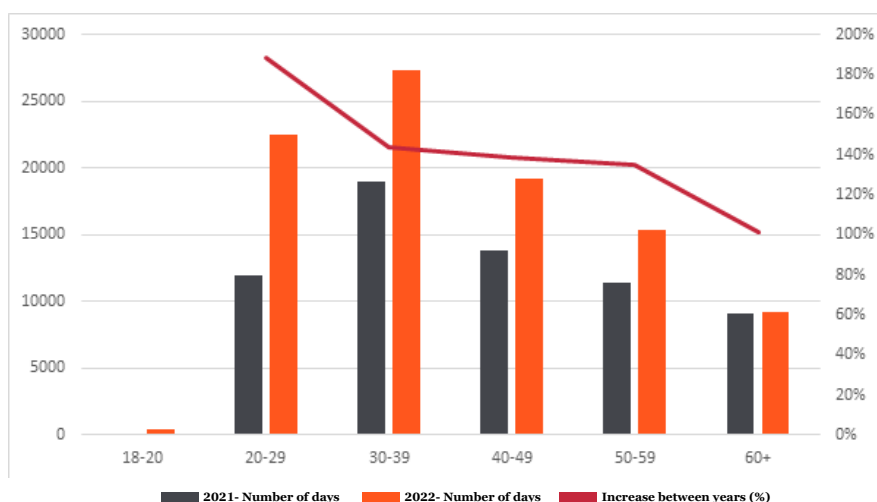
There has been a significant increase from 2021 in the number of members who have received sickness benefit payments from Efling. This marked increase is present across all age, gender, and ethnicity groups to varying degrees.

When the trend is examined based on age, then the sharpest increase can be seen in the under-30 age range. There is a significant increase in the number of days paid for in the younger age groups. For those aged 20-29, the number of days paid has increased from 6,320 days in 2021 to 15,817 days in 2022. There has not been a significant increase in the length of time (measured in days) that individuals are paid sickness benefits for, this marked increase is rather tied to the large increase in the number of individuals who claim payments from the Sickness Benefit Fund.

Grants

In 2021, 9,950 grants were paid from the sick leave fund to 6,168 members. A total of almost 195 million kr. was paid in grants, and payments increased by just over 6% year-on-year. Fitness grants were the most common type, followed by grants for therapy sessions, which increased by 23% between years. Most grant recipients were aged 20-29, and more women than men used the fund's grants.

Development of sickness benefit payments for different age groups in 2021 and 2022



Following policy decisions by the board in the first part of 2022, the average processing time for sick leave fund applications decreased and was only two days in the last quarter of 2022. With policy changes and changed priorities, significant progress has been made in efficiency regarding processing times, to the benefit of members.

Education Fund

In 2022, 5,183 grants were paid to 4,142 members. The number of grants increased by 14%, and about 13% more members applied for grants compared to the previous year. A total of 340 million kr. was paid, an increase of just over 27% between years. The average processing time for education fund applications was about seven days at the beginning of the year. By the last quarter of 2022, the processing time had decreased to five days. Due to the nature of applications and the complexity of the application process, it has not been as successful in shortening processing times as in the Sickness Benefits Fund. With the arrival of the Tótal membership system, opportunities will arise in 2023 to further shorten processing times.

Summer Houses

It is safe to say that the environment of summer houses at Efling has undergone significant changes in recent years, with a substantial increase in our offering and a change in the age composition of the portfolio. With a high rate of renewal, a large portion of the vacation homes are now new or recent, which has changed the maintenance needs and created more room for adding summer houses.

The largest single project has been the construction of a neighbourhood of twelve new houses in Stóra- Fljót near Reykholt in Bláskógabyggð, which are now in full use and enjoy enormous popularity all year round. With their arrival, it can be said that the focus of Efling has shifted there, as the houses themselves, the entire environment, the views, and the location are first-class and truly at the forefront in terms of demands and quality. Alongside this project, construction has continued in the Svignaskarð complex, where eleven new houses have been built in recent years, bringing the total number of houses in this well-established vacation area to 17, in addition to three separate houses on the land.

The Efling Vacation Fund owns the land in Svignaskarð and has been a leader in the development and strengthening of the complex there over the years.

In addition to this, properties have been added elsewhere in the country. There's demand for houses in towns that are popular for vacation stays, such as Stykkishólmur and Akureyri. To meet this demand, two row house apartments were purchased in Stykkishólmur last year in addition to the one already there, and a row house apartment was also purchased in Akureyri, bringing the total to four row houses and four block apartments.

A recent and outstanding summer house, Skarðslækur, was also purchased, standing alone in a very beautiful and lush environment in the land of Svignaskarð.

Finances

It is safe to say that the Vacation Fund stands on solid ground, with strong finances and well-equipped to deal with continued growth and expansion of houses. Despite extensive construction and property improvements, there has been a good surplus from the fund's operations in recent years, and revenues exceeded expenses by well over 200 million kr. in the last operating year. As before, the largest portion of the fund's revenue comes in the form of dues, with a smaller portion being rental income from vacation homes, accounting for about 20% of revenues. The assets in vacation homes and vacation communities are just over 2 billion kr.

Construction – Operations

Although there is a lot of activity due to the new projects mentioned here, the day-to-day management of summer houses remains the most important aspect of the operation. This includes all traditional maintenance, supervision, and regular renewal of summer house equipment.

With increasing utilization of houses, both in summer and winter, there is a greater need for constant supervision and more regular maintenance of the houses and all the equipment. Increased usage calls for faster renewal, and attempts are made to respond to this as quickly as possible. The most significant maintenance projects of the year, however, were improvements to row houses in Stykkishólmur, which are still ongoing, and at row house apartments in Akureyri. Work began on rebuilding two Efling vacation homes in Illugastaðir in Fnjóskadalur, extensive improvements to roofs and exterior walls of houses in

Einarsstaðir in Fljótshálsa, and renewal of the exterior of houses in Ölfusborg, to name a few. In addition to traditional operation of summer houses, the holiday fund also offers Fishing and Camping Cards, discount vouchers at Icelandair and Úrval Útsýn, and hotel subsidies for members who buy accommodation on domestic trips. In total, about 4,500 Efling members directly enjoy the Vacation Fund's services in the form of holiday homes and card sales.



Next steps

Today, the Efling Vacation Fund has 71 holiday homes and apartments and has grown rapidly in recent months. The Vacation Fund's board has recently discussed the next major steps to further improve its offering. There is a strong desire to continue construction and increase holiday options to meet the growing demand of members. For this purpose, the Vacation Fund's board approved negotiations for the construction of 4 new summer houses in Svignaskarð, and the union's board confirmed this with their approval. Construction will begin this year, and some of the homes will be in use by the first half of 2024. This is an important milestone in expanding options every year.

Future possibilities for development have also been discussed for the long term. The Vacation Fund owns land that is strongly considered in this context, such as the land in Svignaskarð, a plot of land in Skorradalur, and another in Stóra-Fljót in Bláskógabyggð. In Svignaskarð, only a small part of the land is in use today, including the complex and three individual houses owned by Efling. There could be great opportunities in the future to build tourism facilities for Efling members and plan further construction.

Other possibilities on the union's land are also being explored, such as building in Hvammur in Skorradalur and Stóra-Fljót, but no decisions have yet been made.

VIRK Vocational Rehabilitation

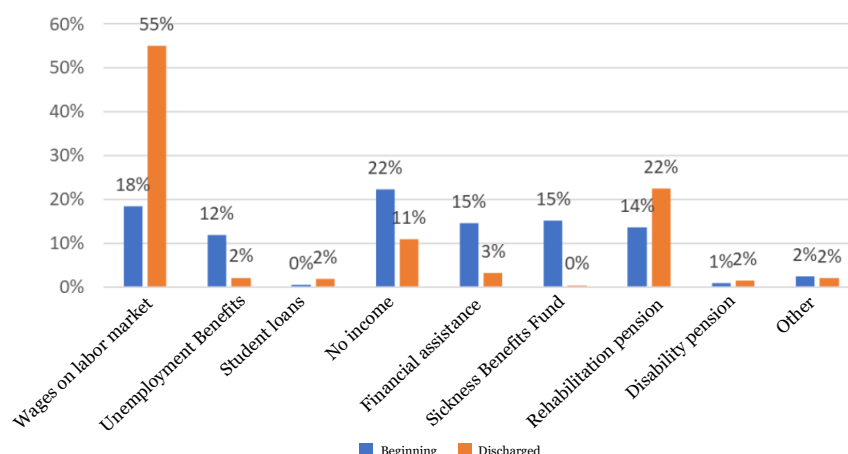
Following illness or accidents, Efling members are eligible for vocational rehabilitation at VIRK. In total, there are six VIRK counsellors supporting Efling members in returning to the labour market. VIRK counsellors serve between 35-40 individuals at a time. The service is individually tailored and personally adapted to the needs and

health restrictions of each member. The service is extremely valuable for Efling members as well as society as a whole. A member, along with their counsellor, always sets a goal at the beginning of vocational rehabilitation aimed at returning to the labour market.

VIRK Vocational Rehabilitation Success

In total, 217 Efling members completed vocational rehabilitation at VIRK in 2022, and 84% of them had employment capacity. About 60% had income from wages, student loans, or were actively seeking employment at the end of vocational rehabilitation, which is considered a good result compared to about 30% who had that income registered at the beginning of vocational rehabilitation. The gender ratio was 40.1% male members completing the service and 59.9% female members. The majority of members were aged 20-39, and the average service duration for Efling members was 12.8 months. The picture shows that Efling members' income improved at the end of vocational rehabilitation at VIRK.

Income of members whose service concluded in 2022, at the start and end of rehabilitation





Gildi Pension Fund 2022

The return on the insurance division of Gildi was not good in 2022, as market conditions were difficult, and few asset classes yielded positive returns. The net nominal return was -2.2%, which meant a real return of -10.6%. Both foreign and domestic equities generally yielded negative returns, excluding unlisted

investments in equities, venture capital funds, real estate funds, and infrastructure funds. The return on the fund's bonds was negatively affected by the rising interest rate level and increased inflation. The strengthening of foreign currencies against the krona reduced the negative return for the year.

Net Nominal and Real Return (All Divisions)

| | NET NOMINAL RETURN | NET REAL RETURN |
|------------------------|--------------------|-----------------|
| Mutual pension | -2,2% | -10,6% |
| Future vision 1 | -5,8% | -13,9% |
| Future vision 2 | -4,4 | -12,6% |
| Future vision 3 | -9,1% | -0,2% |

Gildi is the largest pension fund in the country, with 263,689 members having rights in the mutual pension division at the end of 2022. Members in the fund's private pension division were 37,077. In 2022, 7,537 employers paid contributions to the fund for 57,580 members. Total contribution payments amounted to 41,943 million kr. The fund's operating expenses in 2022 totalled 1,325 million kr.,

compared to 1,154 million kr. in 2021. Total salary payments amounted to 781 million kr., of which salaries for the board, audit committee, and CEO amounted to 63.3 million kr. The fund's staff numbered 46 at the end of 2022, compared to 41 at the end of 2021. The full-time equivalents were 42.4 in 2022 and 39.9 in 2021, increasing by 2.5 between years.

Year-end Status by Division

The fund is divided into three divisions; mutual pension division, private pension division, and specified personal savings division. The net assets of the mutual pension division for pension payments amounted to 905,475 million kr. at the end of 2022, decreasing by 3,000 million kr. during the year. The net assets of the private pension division amounted to 7,033 million kr. at the end of 2022. The specified personal savings division was established on July 1, 2017, and its net assets at the end of 2022 totalled 743.8 million kr. Within the specified personal savings division, there are three investment paths, which are the same as in the fund's private pension division.

Dues, Number of Members, and Salary Payers

The fund's pension payments in 2022 amounted to a total of 23,742 million kr., compared to 21,004 million kr. in 2021. Retirement pensions amounted to 15,691 million kr., disability pensions to 6,679 million kr., spousal pensions to 1,177 million kr., and child pensions to 181 million kr. Temporary pay-outs of private equity amounted to 14 million kr. In the mutual pension division, there were 17,495 retirement pensioners, 6,736 disability pensioners, 2,019 spousal pensioners, and 1,055 child pension recipients. The total number of pension recipients was 27,305.

Disability Pension – Disability Contribution

Disability pension payments, as before, account for a high proportion of the fund's

pension payments and are the highest among Icelandic pension funds. To equalize the position of pension funds due to differing disability burdens, pension funds have received a contribution from the state, paid from payroll taxes. The contribution amounted to approximately 2,238 million kr. in 2022, and Gildi used it as in previous years to increase pension payments for pensioners and contributions for fund members by 4%. However, the fund's board considers the contribution to be insufficient and the distribution between pension funds not well enough implemented to equalize their position. It is now clear that the disability contribution is not enough to support a 4% increase. In line with the fund actuary's proposal, the fund's board will propose at the 2023 annual meeting that the contribution be used to increase contributions by 3.6% and pension payments by 3%, with the change taking effect at the beginning of 2024.

Actuarial Assessment

An actuarial assessment was conducted on the status of the mutual pension division of the fund based on the year-end 2022. The overall position of the fund is negative by 63,455 million kr. or about 3.9%, compared to a positive 1.4% at the end of 2021. The weakening of the actuarial position in 2022 can be largely attributed to negative real returns on assets and increased accrued liabilities due to a 9.3% increase in the consumer price index.

New Mortality and Surviving Dependant Tables and Changes to Rights

The Minister of Finance and Economic Affairs issued new mortality and surviving dependant tables in December 2021, following the opinion of the Icelandic Actuarial Society. These tables introduce a new method for assessing mortality and survival probabilities, assuming that each cohort of men and women have their own survival probabilities. It is also assumed that younger cohorts will live longer than older ones with projections into the future. Gildi's pension fund board decided to implement the new tables in its actuarial assessment for 2021. As a result, the fund's liabilities increased, and the fund's rights table proved too high compared to these new assumptions. The fund's board proposed countermeasures as a result, which were approved at the annual general meeting in April 2022. The measures assumed that the pensionable age of the fund's members would remain unchanged, but their rights would be recalculated based on the new assumptions.

It was assumed that earned rights would decrease with age so that accrued liabilities would remain unchanged overall upon the introduction of the new survival probabilities. All cohorts then received the same 15% increase in rights. The overall effect of the measures was positive for the earned rights of all fund members, but the impact varied by cohort, ranging from 1.2% to 10.3%. A new rights table was introduced for the future, which is lower compared to the age of 67, due

to the new assumptions assuming a longer life expectancy for cohorts. If life expectancy continues to increase in line with the forecast (which is regularly reviewed), the rights table will need slight downward adjustments every few years, all else being equal. The Ministry of Finance and Economic Affairs confirmed the changes on December 13, and the changes took effect on January 1, 2023. Pension payments for January 2023 to old-age pensioners aged 67 and older and disability and spouse pensioners increased by 10.5%.

Fund Member Loans

In 2022, the fund granted a total of 954 new member loans amounting to 22,564 million kr., while in the previous year, 1,005 loans were granted amounting to 20,623 million kr. There is a slight decrease in the number of loans between the years, but on the other hand, the total amount of loans increased, which can be explained by the rising property prices and the fact that Gildi increased the maximum loan amount in 2021. Significant changes occurred in the fund's loan terms in 2022 as interest rates in Iceland generally increased. Among other things, the increases in the Central Bank of Iceland's key interest rates had an impact.



Foreign Investments

Gildi's strategy and part of the fund's risk management is to have a well-diversified portfolio that does not rely solely on the Icelandic economy. The fund's foreign currency investments amounted to 300,495 million kr. at the end of 2022 and decreased by 19,357 million kr. from the previous year. The fund purchased foreign securities worth 11,500 million kr. more than it sold during 2022. Alongside the depreciation in foreign markets, the proportion of the fund's foreign currency investments decreased from 36.3% at the beginning of the year to 33.9% at the end of the year. Gildi has set goals for further foreign investments in the coming years, with an emphasis on increasing diversity in asset allocation within foreign asset classes. This, in turn, reduces risk concerning domestic assets. The fund expects increased permissions for Icelandic pension funds to invest abroad in the coming years, but under current law, the weight of foreign assets may not exceed 50%. In its investment policy, the fund sets a target for the proportion of assets in foreign currencies. The fund's goal for the joint insurance division assumes that the weight of foreign currency assets will increase to 37% in 2023. At the same time, the goal for the weight of foreign assets in the fund's specialized investment paths is lower: 26% for Future Vision 1, 18% for Future Vision 2, and 0% for Future Vision 3.

ÍL Fund Bonds

On October 20th, 2022, the Minister of Finance and Economic Affairs announced possible measures regarding the situation of the ÍL Fund (formerly the Housing Financing Fund) and requested discussions with the

owners of HFF bonds about a settlement based on principal and accrued interest and indexation. Following the announcement, market yield requirements increased, and the value of the bonds in the fund's possession decreased by an average of 13.4%. Gildi and other pension funds have rejected negotiations with the government on a settlement unless it is based on full obligations according to the terms of the bonds and considers future interest payments, as the bonds have no redemption rights.

Shareholder Policy

The board of Gildi has continued to follow the emphases set in the fund's shareholder policy, which was approved at the beginning of 2015 and updated in the fall of 2018. The shareholder policy sets the strategy and corporate governance of the Gildi Pension Fund as an owner in the companies it invests in. The board, as an owner and investor in the market, aims to promote increased transparency. One goal is to act as an owner in companies where the fund is a shareholder to promote long-term interests and sustainability of the companies, as well as responsible corporate governance. The fund has deliberately conveyed its priorities to the companies that fall under its shareholder policy. For example, Gildi exercised its voting rights either by voting against proposals or for changes in remuneration policies and/or proposals on stock options at the annual general meetings of Icelandair, Marel, Skeljungur, Arion, Síminn, and Kvika. Gildi also published an overview on its website of how the fund exercises its voting rights at the annual general meetings of its portfolio companies, a practice that has been in place since 2016.

Efling - Trade Union

Consolidated Financial Statements

2022

Efling - trade union
Guðrúnartúni 1 105
Reykjavík
kt. 701298-2259

Efling - Trade Union

Consolidated Financial Statements

2022

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Independent auditor's report

To the Board of Directors and Members of Efling - Trade Union

Opinion

We have audited the Consolidated Financial Statements of Efling -Trade Union for the year ended December 31, 2022 which comprise the endorsement by the Board of Directors, the Income Statement, the Statement of Financial Position, the Statement of Cash Flows for the year then ended and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the Financial Position of Efling -Trade Union as at December 31, 2022, and its Financial Performance and its cash flows for the year then ended in accordance with the Icelandic Annual Accounts Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Efling -Trade Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Annual Accounts Act, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors are responsible for assessing Efling -Trade Union ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Efling-Trade Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kópavogur, April 24, 2023

Deloitte ehf.

Árni Þór Vilhelmsson

State Authorized Public Accountant

Examiner's opinion

We signed examiners who are elected by members, have reviewed this consolidated financial statement and with reference to the auditor's report, we propose that it will be approved.

Reykjavík, April 24, 2023

Valtýr Björn Thors

Examiner

Magnús Freyr Magnússon

Examiner

Endorsement by the Board of Directors

The Financial Statements of Efling-Trade Union 2022 have been prepared in accordance with Financial Statement act no. 3/2006 in Iceland with the exception of the requirements for presentation of equity account which consists of unrealised share in profit of associates because Efling -Trade Union is an non-profit organization.

Loss for the year 2022 was -9.402.449 ISK. According to the balance sheet, the company's assets amount to 13.950.276.745 ISK, book value of equity at year end is 13.752.352.084 ISK and the company's equity ratio is 98.58%.

The Board of Directors refers to the Consolidated Financial Statements regarding changes in the Company's equity and disposal of the year.

The main role of Efling-Trade Union is to work on collective wage agreements, interpret them in favor of its members, to build up rights in funds for members and to defend their rights in collective agreements and labor disputes, in regards to accident-and sickness benefits, recreational-and educational matters. Efling-Trade Union provides its members with diverse services in these areas.

It is the opinion of the Board of Directors and Managing Director of Efling-Trade Union that these Financial Statements present all the information necessary to show the position at year-end, the operating result for the year and the financial developments during the year. The Board of Directors and Managing director of Efling -Trade Union hereby confirms the Consolidated Financial Statements for 2022 with their signature.

Reykjavík, April 24, 2023

Board of Directors

Sólveig Anna Jónsdóttir
Chairman of the Board

Guðbjörg María Jósepsdóttir

Innocentia Fiati

Ísak Jónsson

Kolbrún Valvesdóttir

Michael Bragi Whalley

Olga Leonsdóttir

Stefán E. Sigurðsson

Sæþór Benjamín Randalsson

Managing Director

Perla Ösp Ásgeirsdóttir

Income statement 2022

| | Notes | 2022 | 2021 |
|--|-------|----------------------|----------------------|
| Operating revenue | | | |
| Fees | | 2.641.367.293 | 2.430.019.099 |
| Rental income from summerhouses | | 72.884.680 | 73.866.031 |
| Other income | 3 | 62.784.894 | 126.399.974 |
| | | <u>2.777.036.867</u> | <u>2.630.285.104</u> |
| Operating expenses | | | |
| | 4 | 160.595.320 | 132.464.495 |
| | | 1.413.065.142 | 975.749.529 |
| Union fees to ASÍ & SGS | | 163.201.324 | 148.612.225 |
| Benefits and grants | | 8.338.441 | 6.778.086 |
| Summerhouses operation costs | | 5.684.632 | 6.479.345 |
| Other cost of the recreational fund | | 19.549.267 | 64.066.405 |
| Members education | | 33.036.284 | 22.595.192 |
| Promotions and marketing | | 12.496.195 | 638.600 |
| Meetings, publishing and members tours | | 108.453.436 | 93.612.846 |
| Collective wage agreements cost | 5 | 542.170.680 | 692.828.346 |
| Union fees registration service | 6 | 282.136.570 | 223.193.285 |
| Salaries and related expenses | 11 | 43.394.465 | 54.566.525 |
| Other operating expenses | | <u>2.792.121.756</u> | <u>2.421.584.879</u> |
| Depreciation | | | |
| | | (15.084.889) | 208.700.225 |
| Operating (loss) profit | 7 | 408.978.476 | 183.181.736 |
| | 8 | (9.967.406) | (3.860.644) |
| Financial income | 9 | (284.207.738) | 255.066.922 |
| Financial expenses | 17 | (109.120.892) | (99.977.593) |
| Exchange rate difference in Securities | | <u>(9.402.449)</u> | <u>543.110.646</u> |
| Capital income tax | | | |
| (Loss) profit for the year | | | |

Balance Sheet at 31 December 2022

| Assets | | Skýr. | 31.12.2022 | 31.12.2021 |
|--|----|-------|-----------------------|-----------------------|
| Non-current assets | | | | |
| Summerhouses | 10 | | 2.063.969.704 | 1.614.304.533 |
| Real estate, land and real estate rights | 11 | | 401.134.137 | 408.378.496 |
| Equipment | 11 | | 87.763.492 | 93.546.337 |
| Securities and securities funds | 12 | | 4.908.255.531 | 5.652.459.844 |
| Restricted bank deposits | 13 | | 5.164.096.996 | 5.315.591.191 |
| | | | <u>12.625.219.860</u> | <u>13.084.280.401</u> |
| Current assets | | | | |
| Outstanding union fee | 14 | | 234.383.657 | 440.717.769 |
| Trade receivables | 15 | | 11.583.108 | 19.424.182 |
| Other receivables | 15 | | 85.753.079 | 13.930.192 |
| Cash and cash equivalents | 15 | | 993.337.041 | 371.319.181 |
| | | | <u>1.325.056.885</u> | <u>845.391.323</u> |
| Assets | | | <u>13.950.276.745</u> | <u>13.929.671.724</u> |
| Equity and liabilities | | | | |
| | 16 | | | |
| Equity | | | 501.041.825 | 258.085.039 |
| Revaluation reserve | | | 13.251.310.259 | 13.260.712.708 |
| Retained earnings | | | 13.752.352.084 | 13.518.797.747 |
| Equity | | | | |
| Non-current liabilities | 17 | | 43.826.115 | 237.048.227 |
| Deferred capital income tax | | | 43.826.115 | 237.048.227 |
| Current liabilities | 18 | | 154.098.546 | 173.825.750 |
| Other current liabilities | | | 154.098.546 | 173.825.750 |
| Liabilities | | | <u>197.924.661</u> | <u>410.873.977</u> |
| Total equity and liabilities | | | <u>13.950.276.745</u> | <u>13.929.671.724</u> |

Statement of Cash Flows 2022

| | Skýr. | 2022 | 2021 |
|--|-------|--------------------|----------------------|
| Operating activities | | | |
| Operating (loss) profit | | (9.402.449) | 543.110.646 |
| Depreciation | 10 | 43.394.465 | 54.566.525 |
| (Decrease) increase in operating liabilities | | (193.222.112) | 25.608.812 |
| Exchange rate difference in Securities | | 280.492.351 | (259.925.851) |
| Cash generated from operations | | 121.262.255 | 363.360.132 |
| Decrease (increase) in operating assets | | 142.352.295 | (73.013.090) |
| (Decrease) in operating liabilities | | (19.727.204) | (6.852.722) |
| Net cash from operating activities | | 243.887.346 | 283.494.320 |
| Investing activities | | | |
| Purchases of property and equipment | 10 | (237.075.646) | (271.462.292) |
| Sales of securities | | 832.486.616 | 257.739.242 |
| Installments of securities | | 230.488.687 | 241.270.324 |
| Purchases of securities funds | | (599.263.338) | (614.070.484) |
| Restricted bank deposits decrease (increase) | | 151.494.195 | (52.847.631) |
| | | 378.130.514 | (439.370.841) |
| Net decrease in cash and cash equivalents | | 622.017.860 | (155.876.521) |
| Cash and cash equival. at the beg. of the year | | 371.319.181 | 527.195.702 |
| | | 993.337.041 | 371.319.181 |
| Cash and cash equivalents at the end of the year | | | |

Notes

1. General information

Efling - Trade Union was founded in December 1998 and began its operations at year end 1999. Members are around 28.000. Efling - Trade Union is domiciled in Iceland and the company's head office is at their legal residence in Guðrúnartúni 1, 105 Reykjavík.

The main role of Efling - Trade Union is to work on collective wage agreements and interpret them in favor of the members also to establish rights in funds for members and to defend their rights in collective agreements and labor disputes, defend their rights for accident- and sickness benefits, recreational- and in educational matters. Efling - Trade Union provides its members with diverse services in these areas.

2. Accounting policies

Basis of preparation

The Consolidated financial statements of Efling - Trade Union for the year are prepared in accordance with Financial Statement act no. 3/2006 in Iceland. The Consolidated Financial Statement is prepared in Icelandic króna.

The Principal Accounting Policies adopted are set out below.

Estimates and decisions

At the making of the annual report, the management, in accordance with laws on Financial Statements, need to make decisions, estimate and draw conclusions which affect assets and liabilities at the reporting date, information in the notes and income and cost. All conclusions and estimates are based on knowledge and experience and other relevant factors and make up the basis for decisions made on book value of assets and liabilities which cannot be ascertained by any other mean.

Changes to accounting estimates are recognized in the period they incur.

Revenue recognition

Union fees are entered in the income statement when payment is made on the basis of payment report from Gildi pension fund, which is in charge of collecting of the Eflings's union fees.

Lease income from summerhouses is accounted for as revenue when the summerhouse is used.

Interest income is recognized for the relevant period in accordance with applicable principal and interest rate.

Borrowing costs

All borrowing costs are recognized in the period they incur. Borrowing cost are capitalized and depreciated during the loan

Property and equipment

Property and equipment are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to Efling - Trade Union and the cost of the asset can be measured in a reliable manner. Property and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of a property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use.

The depreciable amount of the asset is allocated on a fixed annual percentage of the historical cost over its useful life, less residual value.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Recreational fund's ownership in joint property of summerhouses is calculated as a share in net assets of the summerhouses at year end 2021. Summerhouses are valued to the current property valuation price at year end 2022.

Power station at Hvammi is valued at the purchase price less depreciation. Depreciation is based on 10 years of service life.

Notes

2. Accounting policies (continued)

Taxation

Efling - Trade Union is a tax exempt and does not pay any income tax but pays even though a capital income tax.

Financial assets

Securities, other than shares, listed on a regulated securities market are capitalized on market prices at year end, which is considered to be the price on the last registration date of the year. Other securities are recognized as an asset based on their yield on the purchase date. Shares are capitalized at the original purchase price.

Union fees receivables

Union fees receivables are stated at nominal value.

Trade payables

Trade payables are valued at nominal value and accounts payable in other currencies have been booked at the exchange rates prevailing on the balance sheet date.

3. Other income

| | 2022 | 2021 |
|----------------------------|-------------------|--------------------|
| Rental income | 21.120.547 | 16.485.207 |
| Commission from Virk | 41.664.347 | 107.436.593 |
| Other income | 0 | 2.478.174 |
| | <u>62.784.894</u> | <u>126.399.974</u> |

4. Benefits and grants

| | | |
|--|----------------------|--------------------|
| Sickness benefits | 1.208.421.594 | 787.716.322 |
| Physiotherapy and rehabilitation | 19.999.526 | 16.049.571 |
| Glasses and contacts | 33.065.512 | 32.512.405 |
| Preventive grants | 6.300.282 | 2.982.300 |
| Physical fitness | 68.380.681 | 57.825.396 |
| Death benefits | 15.577.179 | 20.708.970 |
| IVF | 6.795.218 | 8.708.549 |
| Hearing aid | 2.992.677 | 2.930.797 |
| Laser eye surgery | 3.664.610 | 5.693.500 |
| Psychological therapy | 40.531.209 | 35.672.602 |
| Other grants | 7.336.654 | 4.949.117 |
| | <u>1.413.065.142</u> | <u>975.749.529</u> |

Notes

5. Salaries and related expenses

| | 2022 | 2021 |
|--|--------------------|--------------------|
| Salaries | 426.197.454 | 554.084.524 |
| Pension fund | 63.570.502 | 78.778.760 |
| Other salary-related expenses | 42.227.496 | 49.850.240 |
| Other employee expenses | 10.175.228 | 10.114.822 |
| | <u>542.170.680</u> | <u>692.828.346</u> |
| Number of positions in the end of year | | |
| Average number of positions | 26 | 58 |
| | 39 | 57 |

6. Other operating expenses

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Auditing and preparing of financial reports (Deloitte chf.) | 8.057.614 | 9.063.198 |
| Accounting assistance (Deloitte chf.) | 5.136.534 | 4.789.769 |
| Legal assistance regarding collective issues | 55.359.587 | 45.224.328 |
| Legal assistance other issues | 27.018.245 | 9.781.762 |
| Other expert's costs | 30.096.748 | 6.824.319 |
| Car expenses, taxis and vans | 2.618.958 | 1.929.899 |
| Paper, printing, magazines, telephone costs and postage | 8.033.570 | 12.153.433 |
| Computer system operation | 40.948.106 | 37.693.029 |
| Employee courses | 1.432.284 | 1.003.866 |
| Employee recruitment cost | 14.563.800 | 4.497.802 |
| Equipment maintenance | 218.715 | 1.928.942 |
| Canteen operation | 11.648.419 | 13.672.080 |
| Flowers and gifts | 43.850 | 35.295 |
| Sanitary ware, cleaning, garbage and other costs | 17.241.282 | 17.628.938 |
| Rent and other real estate cost | 59.718.858 | 57.459.773 |
| Starfsafl's part of the operation cost | 0 | (493.148) |
| | <u>282.136.570</u> | <u>223.193.285</u> |

7. Financial income

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Interest income on bank deposits | 393.006.124 | 167.644.318 |
| Interest income on membership fees and union fees | 13.268.473 | 7.844.723 |
| Interest income on other receivables | 6.579 | 5.511.095 |
| Dividend | 2.697.300 | 2.181.600 |
| | <u>408.978.476</u> | <u>183.181.736</u> |

8. Financial expenses

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Commissions on securities purchases | (1.652.681) | (1.587.596) |
| Other interest expense | (6.087.677) | (2.273.048) |
| | <u>(9.967.406)</u> | <u>(3.860.644)</u> |

Notes

9. Exchange rate difference of securities

| | 2022 | 2021 |
|--|---------------|-------------|
| Interest and exchange rate difference on securities holdings | (284.207.738) | 255.066.922 |
| | (284.207.738) | 255.066.922 |

10. Summerhouses

| | Fasteignamat |
|---|------------------------|
| Share ownership in summerhouses | |
| Summerhouses Ölfusborgum | 31.470.929 |
| Summerhouses Illugastöðum | 5.423.721 |
| Summerhouses Flókalundi | 2.111.999 |
| Summerhouses Svignaskarði | 14.213.579 |
| Ölfusborgir 10 houses | 174.174.517 |
| Illugastaðir 2 houses | 29.050.000 |
| Svignaskarð 17 houses | 432.280.000 |
| Svignaskarð/Fróðhús, land with buildings and residential building at Skarði | 86.552.000 |
| Einarsstaðir 3 houses | 46.000.000 |
| Akureyri 4 apartments, 4 townhouses | 310.450.000 |
| Hvammur 1 house with summer cottages lands | 94.480.000 |
| Power station Hvammi | 3.212.959 |
| Flókalundur 2 houses | 16.080.000 |
| Úthlíð 2 houses | 51.670.000 |
| Kirkjubæjarklaustur 2 houses | 33.100.000 |
| Svignaskarðsland 2 hús | 57.850.000 |
| Stykkishólmur 3 hús | 96.750.000 |
| Brekkuskógur 3 houses | 110.500.000 |
| Hellishólar | 45.250.000 |
| Hólmavík | 17.400.000 |
| Stóra-Fljót Reykholti, 12 hús | 405.950.000 |
| Summerhouses total | 2.063.969.704 |
| | Fasteignir og lóðir |
| | 1.614.304.533 |
| Position at the beginning of the year | 206.708.385 |
| Purchases of property | 242.956.786 |
| The year's assessment change according to the real estate valuation of the land | 2.063.969.704 |
| Year-end position | |

Notes

11. Property, equipment and depreciation

| | Equipment and furniture | Buildings and land | Total |
|---|----------------------------|-----------------------|---------------|
| Cost of valuation | | | |
| At beginning of year | 183.734.376 | 784.354.127 | 968.088.503 |
| Additions | 30.367.261 | 0 | 30.367.261 |
| At end of year..... | 214.101.637 | 784.354.127 | 998.455.764 |
| Accumulated depreciation | | | |
| Accumulated depreciation..... | 90.188.039 | 375.975.631 | 466.163.670 |
| Depreciation during the year..... | 36.150.106 | 7.244.359 | 43.394.465 |
| At end of year | 126.338.145 | 383.219.990 | 509.558.135 |
| Carrying Amount | | | |
| Book value at beginning of year..... | 93.546.337 | 408.378.495 | 501.924.833 |
| Book value at end of year..... | 87.763.492 | 401.134.136 | 488.897.629 |
| Depreciation rat | 12-25% | 0-1% | |
| The assessment- and insurance value for the Company's assets is analyzed as the following: | | | |
| | Assessment value | Insurance value | Book value |
| Iðnó, Vonarstræti 33% share | 76.986.775 | 241.612.405 | 13.982.003 |
| Breiðamörk 19 | 58.300.000 | 85.950.000 | 47.776.033 |
| Guðrúnartún 1 | 1.067.150.000 | 1.715.500.000 | 339.376.101 |
| | 1.202.436.775 | 2.043.062.405 | 401.134.137 |

Efling - Trade Union owns 28,33% of the property in Vonarstræti 3. Reykjavik city owns 55% of the property and the Sjómannafélag Íslands owns 16,67%. Reykjavik city is responsible for the operation and maintenance of the property Vonarstræti 3. Efling - Trade Union owns an art museum valued at kr. 10.377.000 at the end of the year.

Notes

12. Securities and securities funds

| | 31.12.2022 | 31.12.2021 |
|---|----------------------|----------------------|
| Securities funds | | |
| Funds at Landsbanka Íslands hf. | 3.324.288.022 | 2.018.237.625 |
| Funds at Arion banka hf. | 383.865.252 | 762.034.233 |
| Funds at Íslandsbanka hf. | 0 | 453.291.700 |
| Funds at Íslensk verðbréf hf. | 0 | 150.128.290 |
| | <u>3.708.153.274</u> | <u>3.383.691.848</u> |
| Securities listed on the market: | | |
| Government guaranteed securities..... | 1.198.888.900 | 1.715.311.779 |
| Securities issued by credit institutions..... | 653.981 | 638.793 |
| Local government securities..... | 0 | 551.794.526 |
| | <u>1.199.542.881</u> | <u>2.267.745.098</u> |
| Other securities | | |
| Other securities | 559.376 | 1.022.898 |
| | <u>559.376</u> | <u>1.022.898</u> |
| | <u>4.908.255.531</u> | <u>5.652.459.844</u> |

On October 20, 2022, the Ministry of Finance and Economy announced possible actions regarding the status of the ÍL-fund. Subsequently, there was trading on the bond market with the classes HFF150224, HFF150434 and HFF150644 at a yield that reflects the calculated principal of the bonds plus accrued interest and premiums.

13. Restricted bank deposits

| | 31.12.2022 | 31.12.2021 |
|--|----------------------|----------------------|
| Restricted bank deposits - Landsbanki hf. | 4.739.588.832 | 3.016.876.860 |
| Restricted bank deposits - Íslandsbanki hf. | 0 | 1.033.783.175 |
| Restricted bank deposits - Arion banki hf. | 424.508.164 | 1.264.931.156 |
| | <u>5.164.096.996</u> | <u>5.315.591.191</u> |

14. Outstanding union fees

| | 31.12.2022 | 31.12.2021 |
|------------------|--------------------|--------------------|
| Union fees | 234.383.657 | 440.717.769 |
| | <u>234.383.657</u> | <u>440.717.769</u> |

This year, a change was made in the methodology regarding the period of the union fees receivables in such a way that the period February 2022 – January 2023 will reflect the union fees receivables for the year 2022, while in the comparative year the union fees receivables reflected the period March 2021 – February 2022. Therefore, there is only one month outstanding from Gildi at the end of the year 2022, but they were two the year before. The union fees for the month of February 2023 are ISK 287.040.770 and if the same method had been applied as in the comparative year, the union fees receivables would have been ISK 521.424.427 at the year end 2022. Also, the union fees for the year within the income statement would have been higher by ISK 287.040.700.

Notes

15. Other financial assets

Trade receivables

| | 31.12.2022 | 31.12.2021 |
|----------------------------|-------------------|-------------------|
| Domestic receivables | 11.583.108 | 19.424.182 |
| | <u>11.583.108</u> | <u>19.424.182</u> |

Other receivables

| | 31.12.2022 | 31.12.2021 |
|--------------------------------|-------------------|-------------------|
| Virk Endurhæfingarsjóður | 0 | 8.941.812 |
| Other receivables | 85.753.079 | 4.988.380 |
| | <u>85.753.079</u> | <u>13.930.192</u> |

Cash and cash equivalents

The Company's cash and cash equivalent consist of cash and bank balances.

| | 31.12.2022 | 31.12.2021 |
|--|--------------------|--------------------|
| Current account - Landsbankinn hf | 981.845.945 | 276.990.976 |
| Currency account - Landsbankinn hf | 7.968.261 | 7.751.657 |
| Current account - Íslandsbanki hf | 2.599.301 | 155.295 |
| Currency account - Íslandsbanki hf | 872.032 | 848.371 |
| Current account - Arion banki hf | 26.002 | 85.407.882 |
| Cash in hand | 25.500 | 165.000 |
| | <u>993.337.041</u> | <u>371.319.181</u> |

16. Equity

| | Endurmats- reikningur | Óráðstafað eigið fé | Samtals |
|--------------------------------|--------------------------|------------------------|-----------------------|
| Equity 1.1.2021 | 253.560.460 | 12.717.602.062 | 12.971.162.522 |
| Fixed assets revaluation | 4.524.579 | 0 | 4.524.579 |
| Operating profit | <u>0</u> | <u>543.110.646</u> | <u>543.110.646</u> |
| Equity 1.1.2022 | 258.085.039 | 13.260.712.708 | 13.518.797.747 |
| Fixed assets revaluation | 242.956.786 | 0 | 242.956.786 |
| Operating loss | <u>0</u> | <u>(9.402.449)</u> | <u>(9.402.449)</u> |
| Equity 31.12.2022 | <u>501.041.825</u> | <u>13.251.310.259</u> | <u>13.752.352.084</u> |

Notes

17. Deferred capital income tax

| | 31.12.2022 | 31.12.2021 |
|--|---------------|--------------|
| At beginning of year | 237.048.227 | 211.439.415 |
| Paid capital income tax during the year | (302.343.004) | (74.368.781) |
| Changes in deferred capital income tax liability | 109.120.892 | 99.977.593 |
| Balance at year end | 43.826.115 | 237.048.227 |

During the year, Efling – Trade Union decided to transfer all of its securities holdings to Landsbankinn. As a result of these changes, the Trade Union sold its securities holdings in Íslandsbanki and Íslensk Verðbréfaeign in full, together with a large part of its securities portfolio in Arion banki. The Trade Union will complete this journey in the year 2023, and then its securities portfolio will be entirely held by Landsbankinn. As a result of this change, the deferred capital income tax was largely paid, and thus the deferred capital income tax decreased from ISK 237 million to ISK 44 million.

18. Trade and other payables

| Trade payable | 31.12.2022 | 31.12.2021 |
|-----------------------------------|-------------|-------------|
| Operating expenses, payable | 154.098.546 | 173.825.750 |
| | 154.098.546 | 173.825.750 |

19. Approval of Financial Statements

The Financial Statements were approved by the Board of Directors and authorized for issue on April 24, 2023.

Efling - Trade Union

Condensed Consolidated Financial Statements

2022

Efling- union
Guðrúnartún 1
105 Reykjavík
kt. 701298-2259

Condensed Income Statement in 2022

| | Member fund | Sickness benefits fund | Recreational fund | Labor Dispute fund | Educational fund | Rehabilitation fund | Grant fund of Efling | Transfers | CFS total 31.12.2022 | CFS total 31.12.2021 |
|--|--------------|------------------------|-------------------|--------------------|------------------|---------------------|----------------------|-----------|----------------------|----------------------|
| Operating revenue | | | | | | | | | | |
| Union fees | 762,420,603 | 1,185,351,918 | 380,361,457 | 160,263,447 | 64,105,378 | 20,000,000 | 68,864,490 | | 2,641,367,293 | 2,430,019,099 |
| Rental income from summerhouses | 0 | 0 | 72,884,680 | 0 | 0 | 0 | 0 | | 72,884,680 | 73,866,031 |
| Other income | 0 | 21,120,547 | 0 | 0 | 0 | 41,664,347 | 0 | | 62,784,894 | 126,399,974 |
| | 762,420,603 | 1,206,472,465 | 453,246,137 | 160,263,447 | 64,105,378 | 61,664,347 | 68,864,490 | 0 | 2,777,036,867 | 2,630,285,104 |
| Operating expenses | | | | | | | | | | |
| Fees to ASf and SGS | 160,595,320 | 0 | 0 | 0 | 0 | 0 | 0 | | 160,595,320 | 132,464,495 |
| Benefits and grants | 6,747,830 | 1,359,165,521 | 0 | 0 | 0 | 0 | 47,151,791 | | 1,413,066,142 | 975,749,529 |
| Summerhouses operation costs | 0 | 0 | 163,201,324 | 0 | 0 | 0 | 0 | | 163,201,324 | 148,612,225 |
| Other cost of the recreational fund | 0 | 0 | 8,338,441 | 0 | 0 | 0 | 0 | | 8,338,441 | 6,778,086 |
| Members education | 0 | 0 | 0 | 0 | 5,684,632 | 0 | 0 | | 5,684,632 | 6,479,345 |
| Promotions and marketing | 5,613,053 | 2,698,584 | 9,482,143 | 323,830 | 1,215,770 | 0 | 215,887 | | 19,549,267 | 64,066,405 |
| Meetings, publishing and members tours | 32,738,986 | 0 | 94,291 | 0 | 203,007 | 0 | 0 | | 33,036,284 | 22,595,192 |
| Collective bargaining cost | 0 | 0 | 0 | 12,496,195 | 0 | 0 | 0 | | 12,496,195 | 638,600 |
| Union fees registration service | 43,896,188 | 45,713,628 | 17,945,833 | 0 | 467,811 | 97,172 | 332,804 | | 108,453,436 | 93,612,846 |
| Salaries and related expenses | 426,552,371 | 18,881,655 | 43,415,282 | 0 | 32,145,489 | 21,175,883 | 0 | | 542,170,680 | 692,828,346 |
| Other operating expenses | 143,622,008 | 74,683,203 | 39,418,350 | 8,693,932 | 11,324,156 | 60,000 | 4,334,921 | | 282,136,570 | 223,193,285 |
| Depreciation | 21,213,517 | 20,039,070 | 1,965,126 | 0 | 0 | 176,752 | 0 | | 43,394,465 | 54,566,525 |
| | 840,979,273 | 1,521,181,661 | 283,860,790 | 21,513,957 | 51,040,865 | 21,509,807 | 52,035,403 | 0 | 2,792,121,756 | 2,421,584,879 |
| Operating (loss) profit | (78,558,670) | (314,709,196) | 169,385,347 | 138,749,490 | 13,064,513 | 40,154,540 | 16,829,087 | | (1,5084,889) | 208,700,225 |
| Financial income | 108,007,250 | 159,242,641 | 31,176,650 | 85,497,433 | 16,346,824 | 0 | 8,707,678 | | 408,978,476 | 183,181,736 |
| Exchange rate difference in Securities | (42,476,316) | (177,214,776) | (921,192) | (61,886,908) | (1,708,546) | 0 | 0 | | (284,207,738) | 255,066,922 |
| Financial expenses | (1,885,754) | (3,681,186) | (3,957,883) | (42,4443) | (18,140) | 0 | 0 | | (9,967,406) | (3,860,644) |
| Capital income tax | (33,964,510) | (44,964,665) | (9,796,580) | (16,981,795) | (1,497,653) | 0 | (1,915,689) | | (109,120,892) | (99,977,593) |
| | 29,680,670 | (66,617,986) | 16,500,995 | 6,204,287 | 13,122,485 | 0 | 6,791,989 | 0 | 5,682,440 | 334,410,421 |
| (Loss) profit for the year | (48,878,000) | (381,327,182) | 185,886,342 | 144,953,777 | 26,186,998 | 40,154,540 | 23,621,076 | 0 | (9,402,449) | 543,110,646 |

Condensed Balance Sheet at December 31, 2022

| Assets | Member fund | Sickness benefits fund | Recreational fund | Labor Dispute fund | Educational fund | Rehabilitation fund | Grant fund of Efling | Transfers | CFS total 31.12.2022 | CFS total 31.12.2021 |
|---|---------------|------------------------|-------------------|--------------------|------------------|---------------------|----------------------|---------------|----------------------|----------------------|
| Non-current assets | | | | | | | | | | |
| Summerhouses..... | 0 | 0 | 2,063,969.704 | 0 | 0 | 0 | 0 | 0 | 2,063,969.704 | 1,614,304.533 |
| Real estate, land and real estate rights..... | 61,758,036 | 339,376,101 | 0 | 0 | 0 | 0 | 0 | 0 | 401,134,137 | 408,378,496 |
| Equipment..... | 48,301,623 | 33,145,709 | 6,316,160 | 0 | 0 | 0 | 0 | 0 | 87,763,492 | 93,546,337 |
| Securities and securities funds | 1,140,858,480 | 2,670,176,775 | 0 | 1,097,220,276 | 0 | 0 | 0 | 0 | 4,908,255,531 | 5,652,459,844 |
| Restricted bank deposits..... | 495,621,457 | 2,268,244,509 | 262,215,578 | 1,799,108,186 | 190,457,339 | 0 | 148,449,927 | 5,164,096,996 | 5,315,591,191 | 5,315,591,191 |
| | 1,746,539,596 | 5,310,943,094 | 2,332,501,442 | 2,896,328,462 | 190,457,339 | 0 | 148,449,927 | 0 | 12,625,219,860 | 13,084,280,401 |
| Current assets | | | | | | | | | | |
| Outstanding union fees..... | 88,948,150 | 111,767,862 | 33,667,645 | 0 | 0 | 0 | 0 | 0 | 234,383,657 | 440,717,769 |
| Trade receivables and other receivables..... | 7,484,978 | 78,280 | 5,493,663 | 0 | 84,279,266 | 0 | 0 | 0 | 97,336,187 | 33,354,374 |
| Receivables from funds..... | 200,859,349 | 127,566,592 | 0 | 216,782,694 | 104,450 | 0 | 34,114,296 | (579,427,381) | 0 | 0 |
| Cash and cash equivalents..... | 573,209,180 | 125,476,261 | 168,767,581 | 7,107,822 | 102,594,448 | 0 | 16,181,749 | 993,337,041 | 371,319,181 | 371,319,181 |
| | 870,501,657 | 364,888,995 | 207,928,889 | 22,390,516 | 186,978,164 | 0 | 50,296,045 | (579,427,381) | 1,325,056,885 | 845,391,324 |
| Assets total | 2,617,041,253 | 5,675,832,089 | 2,540,430,331 | 3,120,218,978 | 377,435,503 | 0 | 198,745,972 | (579,427,381) | 13,950,276,745 | 13,929,671,724 |

Condensed Balance Sheet at December 31, 2022

| Equity and liabilities Equity | | | | | | | | | | |
|-------------------------------------|---------------|------------------------|-------------------|--------------------|------------------|---------------------|----------------------|---------------|----------------------|----------------------|
| | Member fund | Sickness benefits fund | Recreational fund | Labor Dispute fund | Educational fund | Rehabilitation fund | Grant fund of Efling | Transfers | CFS total 31.12.2022 | CFS total 31.12.2021 |
| Revaluation reserve..... | 0 | 0 | 501,041,825 | 0 | 0 | 0 | 0 | 0 | 501,041,825 | 258,085,039 |
| Retained earnings | 2,254,739,884 | 5,565,993,934 | 1,919,318,766 | 3,106,925,324 | 230,257,474 | 0 | 174,074,877 | 0 | 13,251,310,259 | 13,260,712,708 |
| | 2,254,739,884 | 5,565,993,934 | 2,420,360,591 | 3,106,925,324 | 230,257,474 | 0 | 174,074,877 | 0 | 13,752,352,084 | 13,518,797,747 |
| Non-current liabilities | | | | | | | | | | |
| Deferred capital income tax..... | 7,399,815 | 25,433,495 | 0 | 10,992,805 | 0 | 0 | 0 | 0 | 43,826,115 | 237,048,227 |
| | 7,399,815 | 25,433,495 | 0 | 10,992,805 | 0 | 0 | 0 | 0 | 43,826,115 | 237,048,227 |
| Current liabilities | | | | | | | | | | |
| Unpaid operating expenses..... | 84,020,185 | 50,290,364 | 18,115,101 | 66,731 | 1,606,165 | 0 | 0 | 0 | 154,098,546 | 173,825,750 |
| Payables to funds..... | 270,881,369 | 34,114,296 | 101,954,639 | 2,234,118 | 145,571,864 | 0 | 24,671,095 | (579,427,381) | 0 | 0 |
| | 354,901,554 | 84,404,660 | 120,069,740 | 2,300,849 | 147,178,029 | 0 | 24,671,095 | (579,427,381) | 154,098,546 | 173,825,750 |
| | 362,301,369 | 109,838,155 | 120,069,740 | 13,293,654 | 147,178,029 | 0 | 24,671,095 | (579,427,381) | 197,924,661 | 410,873,977 |
| Total equity and liabilities | 2,617,041,253 | 5,675,832,089 | 2,540,430,331 | 3,120,218,978 | 377,435,503 | 0 | 198,745,972 | (579,427,381) | 13,950,276,745 | 13,929,671,724 |

The Board of Efling - Union from the Annual General Meeting 2022 till the Annual General Meeting 2023

Chairman:

Sólveig Anna Jónsdóttir

Vice Chairman:

Agnieszka Ewa Ziolkowska

Secretary:

Ólöf Helga Adolfsdóttir

Treasurer:

Ísak Jónsson

Board members:

Guðbjörg María Jósefsdóttir

Innocentia F. Friðgeirsdóttir

Kolbrún Valvesdóttir

Michael Brage Whalley

Olga Jónsdóttir

Saviour De-Graft Ametefio

Stefán E. Sigurðsson

Sæþór Benjamín Randalsson

Úlfar Snæbjörn Magnússon

Boards of Efling - Union Funds 2022-2023

Educational Fund:

Michael Bragi Whalley, formaður
Sólveig Anna Jónsdóttir, varaformaður
Karla Barralaga Ocon
Innocentia F. Friðgeirsdóttir
Barbara Maria Sawka

Substitute Board members:

Ian Phillip Mcdonald
Björn Páll Fálki Valsson

Sickness Benefits Fund:

Sólveig Anna Jónsdóttir, formaður
Agnieszka Ewa Ziolkowska, varaformaður
Olga Leonsdóttir
Kolbrún Valvesdóttir
Ragnar Ólason

Substitute Board members:

Szymon Kulakowski
Alma Pálmaðóttir

Summer House Fund:

Ólöf Helga Adolfsdóttir, formaður
Guðbjörg María Jósepsdóttir, varaformaður
Stéfan E. Sigurðsson
Reynaldo Curato Renegado
Mateusz Kowalczyk

Substitute Board members:

Magdalena Kwiatkowska
Anna Sigurlína Tómasdóttir

Strike Fund:

Sæþór Benjamín Randalsson, formaður
Úlfar Snæbjörn Magnússon, varaformaður
Eva Ágústsdóttir
Andrea Jóhanna Helgadóttir
Ísak Jónsson

Substitute Board members:

Valtýr Björn Thors
Ruth Adjaho Samúelsson