

2020

# Corporate Social Responsibility Report



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The report was prepared in February 2021

# Corporate Social Responsibility Report

DLR Kredit (DLR) has been financing Danish agriculture since 1960, when DLR was established as Dansk Landbrugs Realkreditfond. As a result, we have unique insights into and special ties with Denmark's agricultural sector, to which we have provided finance in good times and bad for 60 years.

Today, our business also includes financing of commercial properties at large. We have been providing finance for commercial properties since 2001, and this segment makes up an ever-increasing share of our overall loan portfolio, which broke down as follows at end-2020: agricultural properties 55.0%, urban commercial properties 39.5% and owner-occupied homes and residential farms 5.5%.

Financing of both agricultural and commercial properties is undertaken in close collaboration with national and local banks, which are also owners of DLR. This ensures close relationships with customers.

As a systemically important financial institution (SIFI), DLR is aware of the importance of mortgage financing to society and operates as a responsible business in compliance with both statutory requirements and our business objectives.

In all respects, we aim to run a responsible business in accordance with our core values, paying due regard to the interests of DLR's stakeholders, who include borrowers, bond investors, shareholders, loan distributors, authorities, employees and the wider community.

Corporate social responsibility is embedded in everything we do and is reflected in our lending and cooperation policies. CSR and sustainability are increasingly high on the DLR agenda, and in early 2021 DLR launched green loans to finance sustainable investments and properties.

## **CSR policy to be implemented in 2021**

At DLR, we consider corporate social responsibility a natural part of our business. We want to take responsibility for the way in which we affect the world around us – in all aspects of developing and running our business. This applies both in relation to our business areas and in relation to DLR as a company.



In 2021, we will publish DLR's CSR policy, which sets the framework for how we approach CSR in practice within five selected focus areas. These are the five focus areas which, combined, set the direction for identifying the specific objectives and initiatives to be addressed, implemented and reported on in our annual CSR reports.

1. Corporate social responsibility
2. Sustainable financing
3. Human resources
4. Climate and environment
5. Business ethics

CSR is an area that is constantly evolving. DLR's CSR policy will therefore be continuously adjusted.

#### **DLR offers long-term mortgage financing with limited risk for the borrower**

DLR offers long-term mortgage financing only in the form of DLR loans secured against real estate for terms of up to 30 years. These are standard mortgage loans offered on the basis of the restrictive provisions of the Danish Mortgage Credit Act on valuation and lending limits by property type and under the supervision of the Danish Financial Supervisory Authority.

The borrower can choose between a variable-rate loan and a fixed-rate loan. If the variable-rate loan is chosen, the interest rate will be reset biannually, annually or up to every five years. If the fixed-rate loan is chosen, the borrower can lock in the interest rate for up to 30 years. The customer also has the option to apply for an initial interest-only period of up to 10 years.

If the borrower makes the mortgage payments as agreed and on time, a DLR loan cannot be called in by DLR throughout the term of the loan. The bonds are listed on Nasdaq ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)), and the borrower has the option at any time to pay off the loan early by buying mortgage bonds at market price. This means that the price for paying off the loan is transparent to the borrower.

DLR offers no high-risk financial products.

On DLR's website, the borrower can easily find information about:

- Our loan types
- The types of property we finance
- Our cooperation with loan-distributing shareholder banks.

Besides, the borrower can read more details about our range of loans in the document **General loan terms and loan types at DLR**, which is always appended to DLR's loan offers. We endeavour to write our guidelines and documents in a clear and plain language to make them easily comprehensible to our borrowers.

DLR monitors risk in the portfolio of mortgage loans broken down by, among other criteria, distribution of loan types, interest rate profile, property categories, financial strength of customers and loan-to-value ratio, and the responsible employees report this on a monthly basis to the Executive Board and the Board of Directors. For more details, see DLR's Risk and Capital Management Report.

### **Responsible credit policy with a long-term perspective**

At DLR, we are committed to pursuing a responsible credit policy through all stages of the business cycle, during periods of economic expansion as well as contraction. We see a responsible credit policy as the basis for a healthy portfolio.

DLR's customer base is characterised by the fact that mortgage financing provided by DLR typically accounts for a significant portion of total financing, and the objective of our credit policy is to be able to offer loans to good customers for good projects in compliance with statutory requirements, regardless of the prevailing economic climate and the customer's industry or sector. Together with its partner banks, DLR has therefore actively granted loans to agricultural customers, even in the years in which the sector was facing particularly difficult conditions.

DLR closely follows developments in its loan portfolio in terms of financial strength of customers, loan-to-value ratio, agreements for extension of payment, arrears, debt collection cases, forced sales, impairment charges and losses, reporting thereon to the Executive Board and the Board of Directors at least once every quarter.

DLR has a carefully defined and standardised follow-up process for loans in arrears. At DLR, this responsibility lies with Special Exposures and Debt Collection. The process is governed by Danish law and subject to supervision by the Danish Financial Supervisory Authority.

### **Financing regardless of geographical location – also for properties in peripheral regions**

DLR's shareholders and, accordingly, its loan-distributing banks are geographically spread across Denmark, the Faroe Islands and Greenland.

We want to make financing available to everyone who owns an agricultural or commercial property, wherever it is located in the country – also in peripheral regions. We are committed to shouldering our share of this important social responsibility – a responsibility we take seriously.

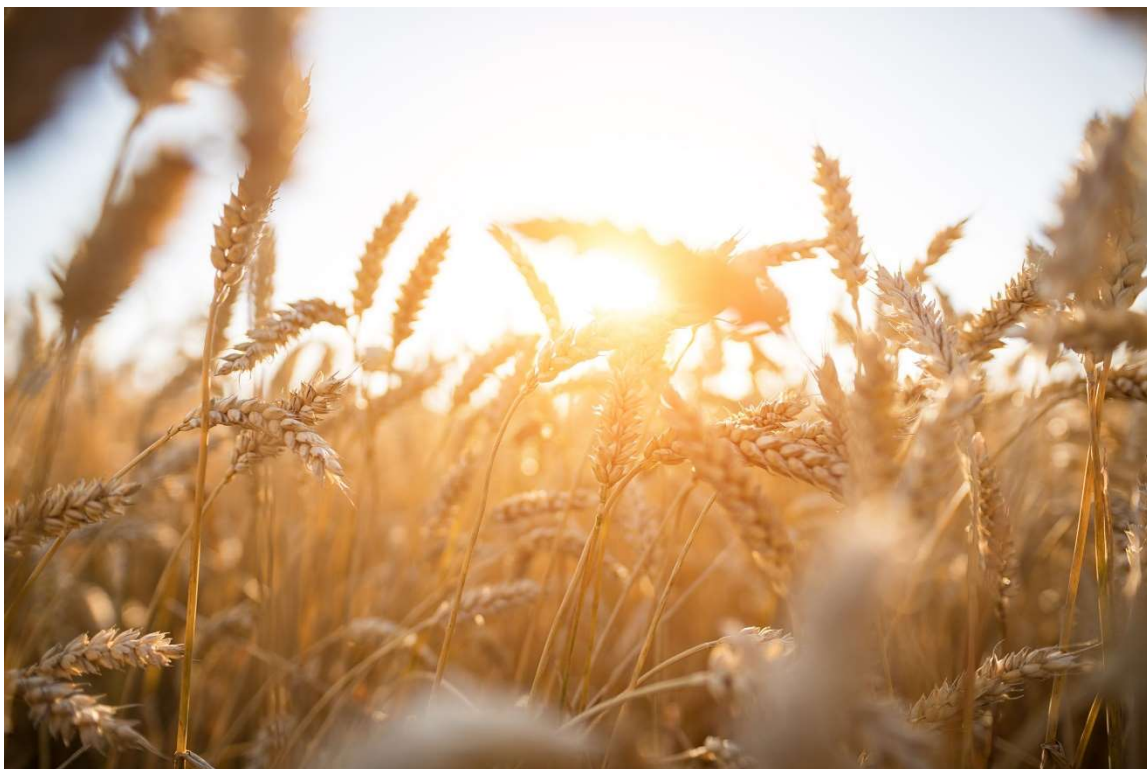
We therefore offer, after a thorough credit assessment and an assessment of the value and transferability of the mortgage, to grant loans to all creditworthy loan applicants regardless of geographical area. Lending is always provided in collaboration with one of DLR's partner banks that already knows the customer. This ensures a sound credit policy, while the individual borrower obtains a loan that is adapted to his or her individual needs and circumstances.

**Scheme facilitating ownership transfer and young farmers setting up**

Both the financing opportunities and changing economic trends may be crucial to the ability of young farmers to set up or generally to transfer ownership of a farm, for instance under an estate planning procedure.

In order to improve financing opportunities for young farmers, DLR has been operating a loan pool of DKK 1 billion since 2015, helping to facilitate the implementation of ownership transfers in the agricultural sector. This enables newly established farmers to gain access to financing on more affordable terms. We have subsequently seen a good deal of interest in the scheme in all production areas, and at the end of 2020, unexercised loan offers or disbursed loans amounted to just over DKK 750 million.

<b>Ownership transfer and young farmers setting up</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Number of new customers under the scheme	12	9	9	13	14	18



# Shareholders and loan distributors

DLR is an important business partner for the loan-distributing banks, who are also DLR's shareholders. We aim to have a capital structure with sufficient own funds to ensure that we can withstand significant economic setbacks in the sectors for which DLR provides funding.

Our own funds go beyond the regulatory requirements, and we pursue an objective of maintaining a buffer for LTV compliance with respect to issued covered bonds in order to absorb significant price falls for the mortgaged properties. At the same time, we endeavour to maintain sufficient own funds to support a rating that makes it possible to sell bonds at a competitive price level.

## **Cooperation with loan distributors**

The loan-distributing banks constitute our local presence all over Denmark. We therefore work closely with bank advisers throughout the country and have a clear division of responsibilities.

The bank adviser arranges and provides advice on mortgage finance and DLR's loans on our behalf. They know their customers and customers' finances and are familiar with DLR's products and lending policy. We act as a sounding board for the adviser when it comes to mortgage financing of commercial and agricultural properties. That is our area of experience and expertise. DLR is therefore in contact with the borrower in connection with our expert valuer's inspection of the customer's property prior to DLR's internal credit processing, valuation of the property, calculation of the lending limit and preparation of the offer. If the borrower, following the disbursement of a DLR loan, has any questions concerning his or her annual statement from DLR or mortgage payments, DLR employees are available to clarify the questions. DLR is also in contact with the borrower to address any temporary problems that may occur with mortgage payments, for instance in connection with the COVID-19 pandemic.

## **Close dialogue with banks' customer relations managers**

Successful cooperation and daily interaction are important factors to us – they are ultimately crucial to the mortgage loans chosen by our borrowers. We are therefore continuously making a huge effort to develop our skills and listen to our loan-distributing banks, enabling us to work constantly to be the best possible business partner for the benefit of our customers. In a move to achieve this goal, each partner bank has appointed a representative to serve as its "customer relations manager". The customer relations managers are important facilitators who provide the link between the banks and DLR. Once a year, we gather the customer relations managers to exchange experience and discuss potential development opportunities for DLR in our cooperation.

**E-learning and training sessions targeted at bank employees**

It is our task to help prepare our business partners adequately for providing advice on DLR's loans. As a result, we offer new advisers and customer service employees at the banks to attend training sessions on both mortgage finance and cooperation with DLR. This ensures that the customer receives the best advice and the right loan products. We do this by, among other measures, offering the e-learning course entitled "Interaction with DLR Kredit", which caters for advisers and customer-facing employees of the loan-distributing shareholder banks. The course, developed in collaboration with the Education Centre of the Danish Financial Sector, is open free of charge to the banks' users via VidenBarometer.dk.

In addition, since 2016, we have invited DLR's business partners to our training sessions. DLR's "intro days" have attracted immense interest, and in the period 2016 to 2020, approximately 250 advisers and 500 customer service employees attended altogether. Unfortunately, in 2020, we were unable to hold intro days due to the risk of coronavirus infection. When vaccinations, as expected, have become more widespread and the risk of infection has decreased significantly later in 2021, we look forward to being able again to start up our work on the organisation and delivery of training sessions.

<b>Number of training sessions for banks</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Advisers	0	9	6	4	4*
Customer service employees	0	5	7	6	4*

\* In 2016, training sessions were held as combined events for advisers and customer service employees.





# Sustainable financing

## Key role in the green transition

Denmark has set an ambitious target to reduce its carbon dioxide emissions by 70% by 2030. This will ensure that Denmark meets both the United Nations Sustainable Development Goals and the reduction targets of the Paris Agreement.

Denmark is already in the process of introducing measures towards the green transition, but there is still a long way to go. The ability to procure funding for the transition over the years ahead is a prerequisite for success. Banks and mortgage credit institutions therefore constitute a cornerstone of the transition. This also applies to DLR, which is a major lender to the agricultural sector and an important player in the financing of rental and commercial properties throughout Denmark.

DLR wants to play a key role in the green transition. Our objective is, together with the shareholder banks, to be an important source of funding for the transition to greater sustainability.

We will achieve this objective by offering **green loans** on attractive and competitive terms and by issuing **green mortgage bonds**. That way, we facilitate green funding solutions for the transition that is in increasing demand from all sides – customers, investors and decision-makers. Besides, we bring our knowledge and expertise into play as a sounding board for those who help drive the transition to sustainable practices.

Our attention is focused on the agricultural sector, energy efficiency in urban commercial properties and renewable energy. These are areas where DLR is best positioned to contribute. This is done together with our shareholder banks, which are located all over Denmark and play the key role in making DLR's green loans available to agricultural and business customers. Through a joint effort, we will ensure green funding and support the transition to a higher level of sustainability. DLR ensures that lending is firmly based on data and documentation, so that everyone can be confident at all times that the loans really benefit the climate and the environment.

## Focus area with strong potential

In particular, DLR can contribute in three areas – all three in cooperation with the shareholder banks:

- **The agricultural sector** plays a key role in the transition to sustainable practices. The need for financing the continued transition process will be substantial in the years ahead. DLR will therefore offer green loans to farmers who satisfy the criteria and are dedicated to protecting the climate and the environment.

- **A more energy-efficient building stock** is another prerequisite for attaining the goal. DLR will offer green loans for energy-efficient buildings and energy upgrades in urban commercial properties.
- **Renewable energy** is a third important key to an efficient transition. DLR will therefore offer green loans for the financing of renewable energy sources, such as solar panels, wind turbines and heat pump systems.

### THREE AREAS WITH HUGE POTENTIAL OF CLIMATE CHANGE MITIGATION

In all three focus areas for green loans, ambitious targets and major changes are envisaged for the coming years.

**The agricultural sector** will, according to the Climate Partnership for the Food and Agriculture Sector, be able to reduce its emissions by a total of 62% up to 2030. This equals 12.6 million tonnes in 2030. The Danish Agriculture and Food Council has adopted a vision of a climate-neutral Danish food industry by 2050.

**The energy consumption of buildings** can, according to the Climate Partnership for the Building and Construction Sector, be reduced by more than 3 million tonnes of carbon dioxide per year through energy efficiency improvement and energy upgrades, among other measures. Aalborg University estimates that the heat consumption of existing buildings, in a cost-effective manner, can be reduced by 40% up to 2050.

**Renewable energy** will increasingly be in demand as fossil fuels are being phased out. The Climate Partnership for the Energy and Utilities Sector has defined a target that we would reach climate neutrality by 2030 with a reduction from 13 million tonnes of carbon dioxide in 2019 to 1 million tonnes in 2030.

#### Green loans

Climate is in focus when DLR offers green loans. Selected investments or activities contributing to the reduction of greenhouse gases can therefore, as a general rule, obtain green funding from DLR. To qualify for a green loan, the investments must not be harmful to sustainability in any other manner, and the subject matter of the mortgage must be verified as "green".

As reliable and solid data becomes available, loans will be expanded to include a broader range of investments and activities in the agricultural sector. Here, too, documentation will be required to prove that they reduce the climate footprint.

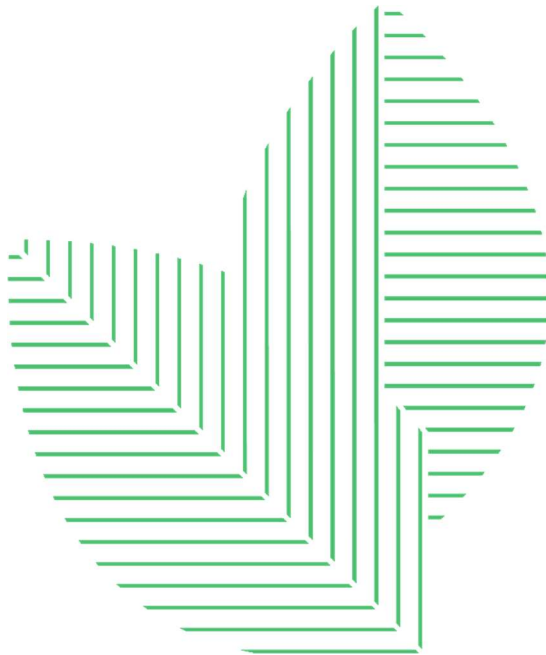
DLR will widen the criteria for green loans as and when the EU sustainability taxonomy becomes fully operable. For the moment, the taxonomy focuses on climate issues, but will, over the coming years, be expanded with other sustainability targets such as circular economy, biodiversity, aquatic environment, animal welfare, working conditions and other management practices. The loans are offered locally through the shareholder banks, thereby helping to support growth and the green transition in all parts of Denmark.

### **Green bonds**

DLR will finance the green mortgage loans with green mortgage bonds as soon as we have built up a certain volume of green loans. The starting point for the new mortgage bonds will be a green standard providing assurance that they contribute to the green transition. The green standard will clearly show:

- What the bonds finance
- How assets/investments are selected and subsequently monitored
- What degree of flexibility is allowed in spending the money from bond sales
- What information about the assets is provided
- What external controls are carried out

DLR gives priority to transparency, so it is clear to everyone which green loans are behind our green bonds. We will therefore determine and publish the volume and distribution according to the criteria for the green assets that our green bonds finance.



### **DLR on the green agenda**

DLR is working actively to strengthen its influence on defining the framework for the transition to sustainable practices. DLR is therefore in ongoing dialogue with relevant stakeholders on how sustainability can be defined and documented as we look to the future. This is for instance done in dialogue with representatives of local banks and national banks and their trade organisations. DLR also participates in central forums and working groups dealing with sustainable financing. Below follows a description of the working groups etc. in which DLR takes part.

### **Sustainable Financing Working Group**

Finance Denmark supports the European Commission's climate action plan and wants to contribute to a rapid and efficient Danish implementation of the United Nations Sustainable Development Goals and the reduction targets of the Paris Agreement. Under the auspices of Finance Denmark, a cross-sectoral Sustainable Financing Working Group has been set up, on which DLR is represented. The working group aims to ensure that Finance Denmark can influence national and international sustainability initiatives of relevance to its members while ensuring a coherent strategy for Finance Denmark in terms of sustainable financing. One of the objectives of DLR's work is to ensure that future initiatives in connection with the implementation of the pan-European taxonomy for sustainable activities, including issuance of green bonds, will be able to accommodate the special Danish mortgage-credit model, which is the main source of financing for agricultural and commercial properties in Denmark.

### **Green Mortgages Working Group**

In addition, Finance Denmark has set up a Green Mortgages Working Group, in which DLR also takes an active part. Based on energy labelling and environmental standards for different property types, the working group has uncovered to what extent Danish mortgage loans can be described as green and, accordingly, open up the possibility of financing through issuance of green mortgage bonds. The working group is trying to influence the setting of standards etc. in various EU forums based on how energy efficiency is a component of Danish mortgage lending terms. In this context, DLR emphasises the need to ensure that the working group focuses on all types of property, including buildings that are not subject to energy labelling requirements, which is especially true of agricultural and industrial properties.

### **Carbon Footprint Model Working Group**

DLR also sits on the Carbon Footprint Model Working Group under the auspices of Finance Denmark. The working group is tasked with developing a quantitative model for how Danish banks, mortgage-credit institutions and investment funds can assess the carbon footprint of the activities they finance. The model is designed to present an opportunity to compare calculations across the sector. It is important to DLR that the working group is in dialogue with relevant authorities and other stakeholders to secure a model based on scientifically recognised methodology while using the data already available.



**ESG Risk Task Force**

DLR is also a member of the Task Force of the European Banking Federation (EBF), which monitors and discusses the risks associated with environmental, social and governance (ESG) issues in the financial sector. The Task Force is engaged in a dialogue with authorities and others and ensures that EBF members are kept up to date. It is crucial to DLR that the discussions and dialogue are based on facts and specific circumstances that can reduce risks associated with environmental, social and governance issues.

**Supporting membership of the Think Tank Frej**

DLR has signed up for supporting membership and partnership of the Think Tank Frej, Denmark's first and only independent food-policy think tank. The Think Tank Frej conveys knowledge, promotes dialogue and supports cooperation between food manufacturers and consumers with the aim of "creating an increasingly sustainable food market in Denmark".

# Human resources

In recent years, DLR has seen a significant rise in the number of employees. Firstly, we have experienced several years of strong lending activity and have therefore continuously taken on more staff in our lending department to process loan and remortgaging applications. Secondly, more employees have been recruited elsewhere in the organisation to gain greater benefit from business data and to comply with the growing volume of reporting requirements from the authorities. At the same time, the IT area has been strengthened to meet business development requirements.

During 2020, the total number of employees increased from 216 to 226 people. DLR has 188 permanent employees plus 13 hourly-paid students in its Copenhagen-based office in Nyropsgade. In addition, there are 25 permanent appraisal experts in the commercial area and 26 agricultural appraisal experts on fixed-term employment contracts. The appraisal experts have been recruited to handle valuation assignments within a specific geographical area and all work from home. In-depth knowledge of local markets is given high priority in DLR's recruitment process for appraisal experts.

<b>Employee numbers</b>	<b>2020</b>	<b>2019</b>
Permanent employees, year-end	213	196
- of whom part-time employees	15	17
Hourly-paid employees	13	20
Total number of employees, year-end	226	216
Agricultural valuation experts	26	26
New employees	33	46
Leavers	24	18
New employees as % of total number of employees	15	21

<b>Age, seniority and gender</b>	<b>2020</b>	<b>2019</b>
Average age this year	48	49
Average seniority in years	8.3	9.5
Proportion of women in %	40	40
Proportion of men in %	60	60

At DLR, we attach importance to building a workplace where our employees constantly develop and thrive. We have many high-seniority employees, and we take this as a sign that DLR is an attractive workplace. Moreover, the high seniority adds great value because we operate in a diverse range of fields that require a high degree of professional skills, experience and specialist knowledge.

New employees also benefit from the vast experience DLR has accumulated in all disciplines. In the recruitment phase, we emphasise diversity. When new staff are taken on, factors such as age distribution and gender composition are therefore taken into account in addition to professional and educational background.

In 2020, despite the challenges of COVID-19, we welcomed 33 new staff members. The average age of a DLR employee is currently 48.3 years, and the average age of newly recruited staff was 40.6 years in 2020. In recent years, DLR has given priority to the employment of student workers and trainees, but we have also built a tradition for taking on highly experienced employees regardless of age to ensure that the right skills are available at all times, covering all disciplines. We believe that we can offer young people study-related work experience and that their labour market attachment therefore has a positive impact on their studies. If possible, DLR offers student workers permanent employment on completion of their study programmes.

A couple of times a year, we hold intro days for new employees to give them a deeper insight into DLR's business, strategic objectives and culture. During the day, our new colleagues will meet a broad selection of managers and specialists from DLR, gaining an insight into the breadth of disciplines DLR covers. In 2020, we held two intro days. The last intro day was held externally, allowing us to comply with current coronavirus restrictions.

When an employee chooses to seek new challenges or retire, the employee will be invited to an exit interview with HR. We hold these interviews to allow the employee to bring his or her employment to a successful conclusion, but also to give DLR a chance to assess whether there are specific matters we need to pay attention to.

### **Skills development**

At DLR, the focus has always been on ensuring that our employees have ample opportunities to build and refine their knowledge, skills and competences on an ongoing basis. In 2020, we once again turned the spotlight on skills development among managers and employees alike by stepping up efforts in the area through a new structure for staff appraisal interviews, slated for implementation in early 2021.

Skills development at DLR is defined to mean "developing and upgrading new knowledge and skills in the individual, in the team, within a certain professional area of the business or throughout DLR". It can be professional, social and personal skills that are instrumental in driving up the level of skills of the workforce and, as a result, taking DLR's business and organisation to a higher level, as well.



### **Focus on management**

As DLR grows, we are increasingly focusing attention on efforts to strengthen and develop our managers. The organisation has developed more rapidly in recent years. Along with the expansion of our departments, we have set up teams locally in the departments and appointed new team managers. We continue to focus on supporting an organisational culture characterised by a flat management structure and strong cooperation between the organisation's numerous players with widely differing responsibilities and duties.

The members of the extended management team of DLR assemble once a year for a two-day management seminar, where topical issues related to management, organisation and employees are discussed. In 2020, as a consequence of COVID-19, the management seminar was held virtually and in a shortened version with special focus on leadership challenges and experience associated with working from home, including the motivation and well-being of managers and employees.

### **COVID-19 and altered working conditions**

In 2020, the COVID-19 pandemic changed the way we work at DLR. DLR has therefore launched various new initiatives with the aim of offering our employees the best possible and safest working conditions – whether they work from home, work in the office or inspect properties to be approved for DLR funding.

Over the past year, DLR followed the recommendations of the Danish authorities, which meant that close on 80% of all employees worked from home. Our focus is on the fact that long-distance



management requires a different management approach, including more frequent contact with employees. As the coronavirus situation has evolved, we have also increased the level of management information through a larger number of virtual briefing meetings and regular staff notifications on the DLR intranet.

DLR makes office furniture and equipment available to employees to ensure that their home workplaces are set up appropriately. Furthermore, employees have been able to participate in preventive gym exercises with a physiotherapist on Teams. At the same time, the physiotherapist could offer advice on how to set up the home workplace to suit the individual employee's specific needs. DLR's intranet gives access to various exercise programmes that are suitable for preventing injuries from sedentary computer work.

## **Working conditions and employee care**

### **Collective agreement**

DLR is covered by the standard collective agreement of the Danish financial sector, which means that many employee-related working conditions have been negotiated between the Danish Employers' Association for the Financial Sector and Financial Services Union Denmark. The collective agreement deals with working hours, remuneration, measures paying due regard to the interests of special groups of employees, holiday conditions, staff training and skills development as well as various social provisions, including allocation of care days, pregnancy, maternity/paternity leave and other types of leave.

The new collective agreement, OK2020, took effect on 1 April 2020, remaining in force until 2022. The OK2020 agreement introduced an all-inclusive salary arrangement for employees with flexible planning of working hours and a fixed monthly salary from DKK 53,000. Besides, a general pay increase of 2% has been agreed for 2020, 1.2% for 2021 and 1.0% for 2022. In addition to the general pay increase, OK2020 provides for a local salary pool of 0.8% in 2021 and 1.0% in 2022.

The collective agreement is supplemented with DLR's own guidelines as set out in our HR policy. More information about this can be found on DLR's intranet and in the staff manual. Here it is possible to find information about DLR's guidelines for agreed working from home arrangements, retirement, pension and insurance matters and ways of obtaining health-related assistance and support. DLR's guidelines for preventing and handling abusive behaviour, including sexual harassment, can also be found here. Other offers available to employees include contribution towards glasses for computer use, changing-room facilities at DLR and parking facilities. DLR's intranet may also be consulted for information about the work of the Joint Consultation and Health and Safety Committee.

### **DLR's staff canteen**

The staff canteen at DLR is operated in cooperation with Meyers Kantinedrift. Our cooperation with canteen operator Meyers Kantinedrift is successful and long-lasting, and the canteen is a popular place for DLR employees to relax and unwind in the middle of the day. Meyers Kantinedrift adheres to strict requirements for organics, sustainability and animal welfare. The focus is on choosing

seasonal raw ingredients from the local environment. In 2020, canteen staff were highly imaginative in adapting the lunch scheme to the various COVID-19 measures, including social distancing and hygiene requirements.

### Social events

Over the year, DLR holds several events for its employees, and the departments have the opportunity to organise their own social activities paid for by DLR. The purpose of these events is to contribute to attaining high health and safety standards that can ensure the individual employee's well-being and affiliation with DLR and, at the same time, promote day-to-day collaboration in the departments and across the organisation.

In 2020, due to the risk of coronavirus infection, we regrettably had to cancel a large number of events at DLR. Unfortunately, this also necessitated the cancellation of the planned anniversary celebration for employees and their companions on the occasion of DLR's 60th anniversary in October 2020.



### DLR's values

In 2018, we initiated a value process which actively involved all employees and managers and pursued the objective of making DLR a value-based organisation to a greater extent. During 2018 and 2019, everyone in the organisation worked with DLR's four values: "cooperation, professionalism, integrity and action-oriented". Employees and managers discussed at departmental level what each value actually means for their work and for DLR as an organisation. This fostered a series of specific focus areas and initiatives for the future work on developing the organisation.

### **Diversity and the underrepresented gender**

The Board of Directors has formulated a policy and set targets for the underrepresented gender in the supreme governing body. In addition to the members of the Board of Directors who are elected by the employees, DLR's Board of Directors consists of executive board members of local and national banks in Denmark, and the gender composition therefore reflects the composition of the executive boards of DLR's shareholder banks.

DLR's Board of Directors consists of 11 members, six of whom are elected at DLR's annual general meeting, whereas the remaining five are employee representatives. At the end of 2020, there were 10 male and one female member, which means that men accounted for 91% of the members and women 9%. The number of women on the Board of Directors was reduced by one during 2020 because a female employee representative stepped down due to retirement and was replaced by a male alternate.

DLR's target is that 25% of the members of the Board of Directors should be women by 2021, and, accordingly, DLR does not currently meet its target. The target will be taken into account when considering the composition of DLR's Board of Directors.

Given the traditional composition of DLR's Board of Directors, the target is considered ambitious. This is because the AGM-elected members of DLR's Board of Directors are extensively members of the executive boards of DLR's shareholder banks, which historically have been overrepresented by men. This circumstance, combined with the replacement among the employee-elected members, is the reason why DLR did not meet its target in 2020.

When assessing potential Board candidates, DLR's Nomination Committee attaches importance to the nominated candidates being at all times the most suitable irrespective of gender, ethnicity, religious affiliation, etc. If two candidates are deemed to be equally qualified, the candidate that represents the underrepresented gender on the Board will be proposed as a member.

DLR's Board of Directors and Nomination Committee have adopted a diversity policy that aims to broaden the composition of the Board of Directors. Particular emphasis has been placed on the need for diversity with respect to professional background, business experience, gender and age. DLR's Nomination Committee has concluded in its assessment of the Board's qualifications that DLR's Board of Directors is currently sufficiently diverse. Diversity considerations always play a role in the nomination of potential future Board candidates at DLR.

DLR's Nomination Committee and Board of Directors have also drawn up a policy to increase the proportion of the underrepresented gender at DLR's other management levels. By other management levels is meant leading positions other than those on the Board of Directors. More specifically, DLR's ambition is to increase the proportion of the underrepresented gender at the other management levels. Given these circumstances, a policy and target have been established for the underrepresented gender at DLR's other management levels. The proportion of the underrepresented gender must be increased subject to DLR at all times employing the best qualified and – for

the company – best suited candidate. Besides, DLR regularly considers initiatives which – both in-house and in connection with the recruitment process – will increase the share of the underrepresented gender in the longer term.

DLR's Executive Board consists of two members. When a male Executive Board member retired in 2019, a female executive took his place, meaning that an equal gender split has now been achieved on the Executive Board. In addition to the Executive Board, DLR currently has 29 managers with professional and/or HR management responsibilities. Six of these managers are women. In addition, there are eight project managers, five of whom are women.

<b>Gender composition of DLR</b>	<b>2020</b>	<b>2019</b>
<b>All employees of DLR</b>		
Total number of employees, year-end	226	216
Proportion of women in %	40	40
Proportion of men in %	60	60
<b>Executive Board</b>		
Number of Executive Board members, year-end	2	2
Proportion of women in %	50	50
Proportion of men in %	50	50
<b>Managers with professional and/or HR responsibilities</b>		
Number of managers, year-end	29	27
Proportion of women in %	21	19
Proportion of men in %	79	81
<b>Project managers</b>		
Number of project managers, year-end	8	5
Proportion of women in %	63	60
Proportion of men in %	37	40





# Climate and environment

At DLR, we are aware of the impact our organisation has on the climate and the environment. We strive to gradually reduce our own footprint. We do this by continually making small and large adjustments to work processes, selection of business partners, procurement, etc.

<b>Consumption</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Electricity consumption KWH	569.808	582.070	592.581	593.564	582.248	565.780
Electricity consumption KWH per employee*	2.713	3.016	3.169	3.431	3.529	3.471
Water consumption m <sup>3</sup> **	826	912	896	840	689	930
Water consumption m <sup>3</sup> per employee*	3,9	4,7	4,8	4,9	4,2	5,7

\* Employees are the average number of employees (FTE) over the year, see the financial statements for the year in question.

\*\* Water consumption is measured as of mid-August. Water consumption for 2020 is thus consumption from mid-August 2019 to mid-August 2020.

## Electricity consumption

In the period 2015 to 2020, electricity consumption per employee showed a declining trend, which is linked, among other factors, to a range of energy-saving initiatives. The figures for 2020, however, must be assumed to be positively affected by the fact that many employees worked from home as a result of the COVID-19 pandemic and, therefore, consumed electricity at home, which has naturally not been taken into account in this statement. This may also lead to an increase in the figure for 2021.

In 2020, DLR changed its procurement policy for electricity so that only green energy is purchased.

## Water consumption

Water consumption per employee in the years 2017 to 2019 showed a slightly declining trend, while a sharper fall was seen in 2020. The fall in 2020 must to some extent be assumed to be affected by the fact that many employees worked from home. See the comments under electricity consumption.

Fluctuations in water consumption in 2015 and 2016 were due to the replacement of radiators that required water filling and are therefore not directly linked to daily water consumption.

In the years ahead, DLR will continue to focus on initiatives to reduce water consumption.



### Energy report

In Q1 2021, DLR will receive an energy report focusing on the possibilities of making improvements inside DLR's buildings. After the report is received, it will be decided whether or not investments should be made to commence improvement works on the properties.

### Switching from energy-saving light bulbs to LED bulbs

For the past many years, all light sources at DLR were energy-saving light bulbs. In connection with a rebuilding project in 2018, we started switching to LED bulbs – a process that is still ongoing as our buildings are being rebuilt or refurbished. The goal is to switch to 100% LED bulbs.

### DLR bikes for meetings

DLR's office premises are located in central Copenhagen. To minimise the use of taxi services for meetings, we make bicycles available to our employees.

### IT equipment

It is important to us that our IT equipment has the longest possible life and the least possible impact on the environment. As well as placing demands on our IT equipment suppliers, we have therefore entered into a collaboration with a company that buys our discarded IT equipment, cleans it and passes it on for reuse. If it is not possible to reuse the equipment, it will be reprocessed under proper conditions and recycled into new materials.

### Cleaning

Our cleaning provider only uses cleaning products that fully comply with the standards set by several of Europe's and the Nordic countries' toughest eco-labelling schemes. They mainly include the EU Flower, the Nordic Swan Ecolabel and a wide range of European certificates.

### Better waste sorting

Waste is sorted in all offices and in all print rooms at DLR. We use the official pictograms we have received from the Danish Waste Association. All paper is collected, shredded and recycled. Used plastic folders and pockets are collected as soft plastic. Cardboard is sorted and sent for recycling. Catering waste from the staff canteen is very limited and collected as biowaste.

### Reduced paper consumption

DLR is committed to continuously reducing paper consumption and therefore works overall towards a higher level of digitisation.

In recent years, we have increasingly reduced the volume of paper letters sent by regular mail, and we have introduced automatic sign-up to e-Boks (online digital mailbox) for our customers. Letters from DLR are now generally sent digitally to e-Boks mailboxes except for the few customers who do not have e-Boks accounts. DLR also uses the option of digital signing in e-Boks. Loan offers and documents from DLR are therefore widely sent to our customers' e-Boks mailboxes for digital signature. This has been conducive to reducing paper consumption significantly without compromising the level of information to customers and business partners.

The continued digitisation of DLR's work processes has meant that we virtually no longer receive physical loan applications, which has considerably reduced our internal paper consumption in connection with the processing of loan applications and loan handling.

During the COVID-19 pandemic, when many employees worked from home, everyone increasingly resorted to the use of digital solutions, reducing paper consumption even further. In 2021, DLR will proactively continue to pursue a responsible printing culture, where employees are more aware of their print consumption and look into digital solutions to the tasks.

In connection with communication and meetings of the Board of Directors, numerous pages of written material are always produced for consultation. Since 2016, the Board of Directors has had access to this material in a digital Board forum, and Board members have also been provided with iPads. This has significantly reduced the amount of printed material for Board meetings. In 2020, practically all Board meetings were held digitally to avoid the risk of infection, which was naturally another contributing factor to reduced paper consumption.

### 2021 targets

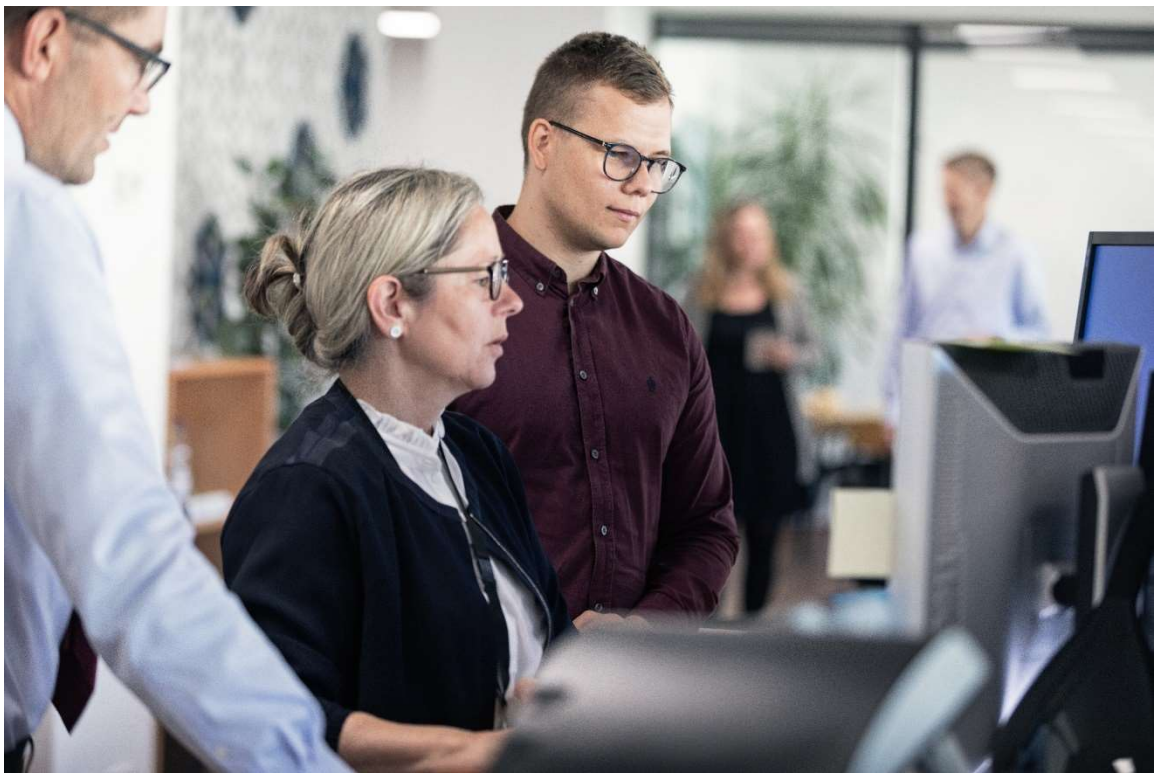
#### Rolling out a green procurement policy

At DLR, we aim to take responsibility for green and sustainable development. Therefore, through our green procurement policy, we will support the transition by placing environmental demands on our procurement choices. Environmental considerations are taken into account on equal terms with other considerations in our future-oriented purchases for day-to-day operations and in the procurement of IT equipment, furniture and tools and equipment. This means that DLR, with due

consideration to price and quality, will buy products and services which have the least possible impact on the environment during their life cycle – from raw materials for production to use, disposal and recycling. In 2021, DLR's green procurement policy will be rolled out in the organisation.

# Business ethics

Part of DLR's corporate social responsibility, as we see it, is to make the organisation adequately equipped to ensure confidential processing of personal data through an active approach and to prevent money laundering, terrorist financing, corruption and tax evasion. Our business model is based on long-standing, trusting customer relationships, which are reflected in our remuneration policy and our marketing of DLR at all times.



## **General Data Protection Regulation**

The General Data Protection Regulation (GDPR) of the European Union lays down rules for the protection of individuals with regard to the processing of personal data. At DLR, we continuously work to ensure that personal data is processed in the best possible way and in compliance with the applicable rules.

DLR's policy in this area determines the overall framework and principles for how DLR processes personal data, including collects and retains such data, to give data subjects assurance of a high level of protection at all times.

The policy also provides a launch pad for preparing business procedures which, together with in-house training, are the foundation for a culture where all employees help ensure that the fundamental principles of good data processing practices are complied with at DLR. Moreover, we work continuously to review both IT and physical processes to ensure a high level of protection.

In the context of GDPR compliance, DLR has appointed a Data Protection Officer (DPO). The role of the DPO is, among other responsibilities, to inform and advise the organisation and employees on data protection. In addition, the DPO is the person to be notified if employees experience or suspect data security breach.

### **Data ethics**

DLR will develop a CSR policy in 2021, which will also include a data ethics policy on employees' processing of customer data. The policy will complement the general code of conduct for the processing of customers' personal data. The starting point for DLR's future data ethics policy is, among other core principles, that we process customers' and employees' data with respect. DLR perceives considerations of data ethics to be more far-reaching than compliance with legislation.

We endeavour to develop a 'positive mistake culture' among employees where openness about errors and mistakes paves the way for improvements. We will assign priority to openness and transparency about the ongoing challenges of handling personal data, allowing businesses, organisations and authorities to learn from each other's experience.

Employees working with customers' personal data are required to sign a non-disclosure agreement (declaration of secrecy) and a confidentiality clause and to receive necessary training in how to process personal data.

DLR exchanges information with shareholder banks only if the customer's consent has been given and/or a bank has provided a recourse or non-recourse guarantee to DLR for the customer's liabilities. DLR will only disclose customers' data to authorities when disclosure is required by law, a judicial decision or a decision by a public authority.

### **Money laundering and terrorist financing**

Combating money laundering and terrorist financing is an important social mission to which DLR is strongly committed. It is DLR's duty – based on the knowledge of our customers – to identify and report suspicious behaviour to the Money Laundering Secretariat, which forms part of the State Prosecutor for Serious Economic and International Crime (SØIK).

DLR's anti-money laundering efforts are based on a risk assessment made in the context of DLR's business model. Against the background of the risk assessment, we determine the risk that DLR or our customers are used for money laundering or terrorist financing purposes. The risk assessment allows priority to be given to the effort and the establishment of relevant policies, systems and business procedures.



An essential element in the fight against money laundering and terrorist financing is to ensure that DLR's employees are familiar with the rules and comply with the obligation of attentiveness prescribed by the rules. With this in mind, DLR provides ongoing training to DLR employees who have customer contact or process data about customers etc. in connection with DLR's lending activity.

As a mortgage-credit institution, unlike a bank, DLR has no customer accounts that can be used for incoming and outgoing payments. DLR's business model means that DLR pays the proceeds of a mortgage loan to a customer, and the customer will then repay the loan over a number of years. DLR monitors the loan to check whether something unusual happens in connection with the repayment.

DLR is dedicated to transparency, and in 2020 we set up a page on our website (<https://dlr.dk/bekaempelse-af-hvidvask-og-terrorfinansiering/>), where we describe how DLR combats money laundering and terrorist financing. Here a link to "DLR's Anti-Money Laundering and Counter-Terrorist Financing Policy" can be found.

### **Anti-corruption**

Transparency International defines corruption as "the abuse of entrusted power for private gain". Corruption can include behaviours like bribery, fraud, embezzlement and blackmail. However, corruption does not necessarily involve a transaction of money. Corruption can also include the provision of services to gain benefits such as positive discrimination and shorter processing times. There is a risk that DLR employees may be exposed to corruption or that our employees may resort to corruption.

DLR denounces all forms of bribery, corruption and other unfair business practices and expects all employees of DLR to do the same.

### **Whistleblowing scheme**

DLR places great emphasis on doing business in a proper and fair manner that everyone can have full confidence in. In order to support this approach, we have set up a whistleblowing scheme that enables our employees to report actual or suspected infringements of financial regulations. All whistleblowing reports, which can be anonymous, are made to an external portal and are investigated carefully.

### **Remuneration policy prohibits quantitative components**

DLR has no sales function and, in accordance with our remuneration policy, does not offer managers and employees variable remuneration components that depend on sales targets, growth targets or similar qualitative performance targets.

### **Marketing**

Historically, DLR has only to a very modest extent engaged in activities for the marketing of its business. For a number of years, marketing was restricted to advertising in agricultural media – primarily local/regional agricultural media, where the purpose was to ensure that the agricultural customers

knew who were DLR's expert valuers in the local/regional area covered by the relevant agricultural medium.

DLR has personal customers in Greenland and on the Faroe Islands. In Denmark, we finance residential and hobby farms. DLR has not yet conducted marketing activities targeted at personal customers.

We have always been – and will remain – strongly committed to marketing ourselves in accordance with our core values. We have no interest in providing funding for purposes other than sensible and sustainable long-term investments in society for our customers, with whom we pride ourselves in having a long-standing relationship of trust.

### **Complaints**

Customers who are not satisfied with DLR's loan application processing may lodge a complaint with DLR. At [dlr.dk](http://dlr.dk) we provide guidance on how to complain. All complaints received are dealt with by DLR's complaints officer in Legal Affairs and Regulation and are presented to DLR's Executive Board. Complaints are reported to the Board of Directors once a year.

If a personal customer who does not act on behalf of a company is still dissatisfied, the customer has a right of appeal to the Danish Mortgage Credit Complaints Board.

Customers residing in the EU may file a complaint about DLR's loan application processing by using the European Commission's online platform for alternative dispute resolutions.

# dlr·kredit

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