

2021

# Corporate Social Responsibility Report



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This Corporate Social Responsibility Report also constitutes DLR's statutory report on corporate social responsibility for 2021. DLR's annual report for 2021 includes reference to the Corporate Social Responsibility Report for the financial reporting period from 1 January to 31 December 2021. The Corporate Social Responsibility Report has been prepared with due consideration to the provisions of section 135 of the Danish Executive Order on the Presentation of Financial Statements (the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.) and should be seen in the context of DLR's CSR policy, which is reviewed and approved annually by the Board of Directors of DLR. The most recent version of the policy was approved by the Board of Directors on 28 October 2021 and is available at [dlr.dk](https://dlr.dk).





## Preface by the Executive Board

We want to make a difference at DLR. As a mortgage credit institution, it is essential for DLR to play a significant role in the mortgage financing of the green transition and a more sustainable Denmark. Through our lending, and in collaboration with our loan-distributing banks, we can contribute directly to sustainable development.

Since January 2021, DLR's product range has therefore included green loans, which our partner banks can offer to our shared customers. It is important to us that anyone who wishes to contribute to a better climate and environment through green investments is offered the opportunity of green funding.

However, DLR's sustainability and CSR efforts go far beyond the financing opportunities we offer. At DLR, we constantly strive to conduct ourselves with integrity, whether this concerns our own environmental and climate footprint, our employees and many stakeholders, or the way we run our business.

Sustainability efforts are constantly evolving – also at DLR. This Corporate Social Responsibility Report provides an overview of where we are at going into 2022. We are continuously learning and will strive to be as transparent as possible in relation to our efforts and approach.

# About DLR

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 more than 60 years.

Today, our business also includes financing of commercial properties at large. We have been providing finance for commercial properties since 2001, and mortgage financing of urban commercial properties makes up an ever-increasing share of our overall loan portfolio, which broke down as follows at end-2021: agricultural properties 52.7%, urban commercial properties and cooperative housing properties etc. 41.6% and owner-occupied homes and residential farms 5.7%.

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 and loan distributors, authorities, employees and the wider community.

## Business model

### **Cooperative model between DLR and the loan-distributing shareholder banks**

DLR's financing of customers' agricultural and commercial properties is undertaken in collaboration with 46 national and local banks, which also own DLR. The business model is based on a daily and close interaction with advisers at DLR's loan-distributing shareholder banks with branches in Denmark, the Faroe Islands and Greenland. The shareholder banks own shares and hold capital equivalent to their shares of DLR's lending.

Our partner banks advise customers on DLR loans. They have insight into their customers' finances and can provide the best individual advice. The bank is remunerated for providing advice, loans, customer care and risk hedging through the provision of guarantees for the loans provided. The guarantee concept, which also includes the possibility of offsetting losses in commissions, ensures that any loss is mainly borne by the bank providing the loan.

In addition to being a professional sounding board for advisers at the banks, DLR is responsible for property valuations, credit processing and calculations of lending limits. DLR's lending is funded by the issuance and sales of bonds listed on the Nasdaq Copenhagen stock exchange.

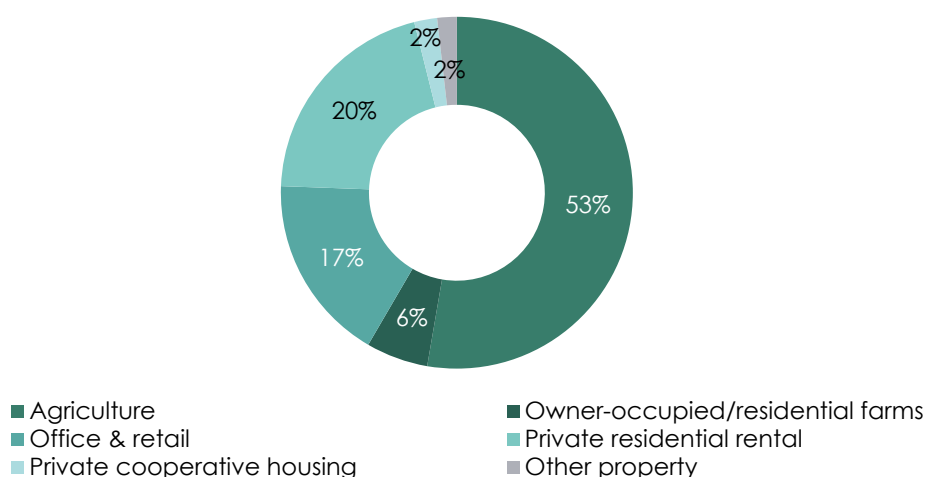
DLR is furthermore responsible for the management and risk monitoring of the loan portfolio and supports the loan distributors through system solutions for the collaborative process, including advisory services, loan applications, fixed-rate agreements, guarantee provisions, loan disbursements, profile shifting, portfolio overviews, etc.

## Business volume and market shares

At the end of 2021, DLR's loan portfolio amounted to DKK 176.1 billion. The total loan portfolio falls into 52.7% on agricultural properties, 41.6% on commercial properties and 5.7% on owner-occupied properties and residential farms.

In recent years, we have experienced an increase in lending to both agricultural and urban commercial properties. Lending to urban commercial properties has grown significantly faster than agricultural property lending, which means that the proportion of DLR's overall volume of agricultural loans has declined. At the end of 2021, agricultural loans accounted for 52.7% of DLR's total loans against 55% in 2020.

**Distribution by lending segments**



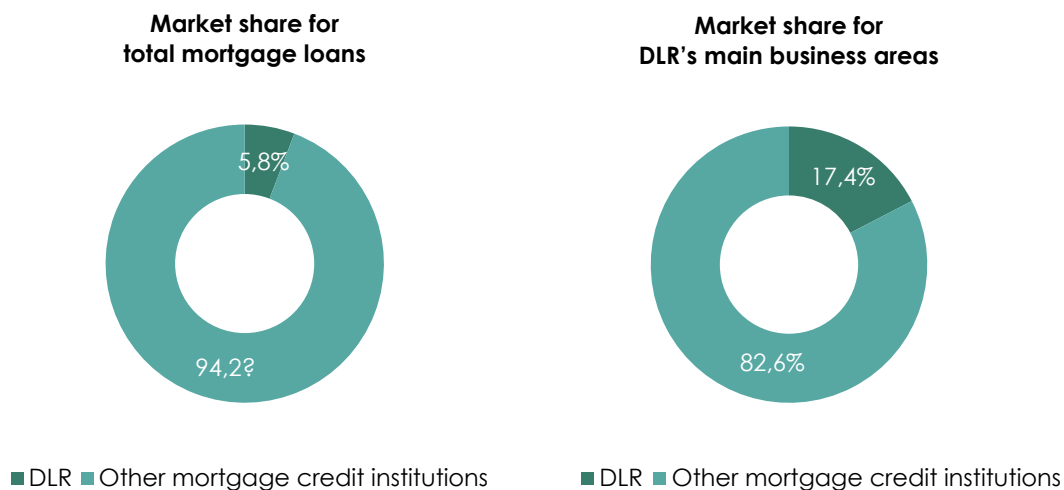
A significant proportion of the commercial lending growth is attributable to private residential rental properties. In 2021, private residential rental properties accounted for 43.6% of DLR's lending growth, and loans for residential rental properties amounted to DKK 31.6 billion or 20.5% of

the entire loan portfolio at end-2021. Office and retail accounted for 21.9% of the lending growth in 2021, and loans for office and retail properties had increased to DKK 30.3 billion at 31 December 2021.

At the end of 2021, DLR had provided loans to owner-occupied properties and residential farms totalling DKK 10 billion. Lending primarily covers residential farms in Denmark and owner-occupied homes in Greenland and the Faroe Islands. Lending to owner-occupied properties and residential farms rose by almost DKK 1 billion during 2021.

### DLR's market shares

DLR's loan portfolio of DKK 176.1 billion translates into a market share of 5.8% of the total mortgage lending provided by Danish mortgage credit institutions.



Looking only at DLR's main business areas, DLR has a market share of 17.4%. This may be broken into market shares of 35.6% for agricultural properties, 9.7% for private residential rental properties/cooperative housing properties and 11.3% for office and retail property. Over the past few years, DLR has increased its market shares within all these three lending segments.

# Financial ratios 2021

DKK 888  
million

Profit after tax

DKK 176  
billion

Loan portfolio

18.6

Total capital ratio

46

Loan-distributing  
banks

DKK 11.8  
billion

Net lending

DKK 36.6  
billion

Gross lending

240

Number of employees

AA

MSCI ESG rating

# Social and professional responsibility

## **Red Cross' Corporate Club**

DLR is a member of the Red Cross' Corporate Club (*Røde Kors' Erhvervsklub*), which contributes to the Red Cross organisation's important efforts to help people in need.

## **Save the Children's Corporate Club**

By providing financial support to Save the Children, DLR supports the fight for children's rights. The Save the Children fights for a world that respects children's rights and is committed to making sustainable improvements in children's and young people's lives.

## **Rural Youth**

DLR supports Rural Youth (*LandboUngdom*), which is committed to improving the conditions within e.g. transport, education and job opportunities in the countryside and in the rural areas. This is done through a mix of professional, social, learning and developing activities. The Young Farmers' Club is tasked with boosting activity and development, making young people believe in the future of the individual, the community and a life in the countryside.

## **Danish Food and Agricultural Journalists**

DLR collaborates with Danish Food and Agricultural Journalists (*Danske Fødevare og Landbrugsjournalister*), which focuses on strengthening its members' knowledge of and interest in food and agricultural production as well as their knowledge of the industry's significant role both nationally and internationally.

## **Think Tank Frej**

DLR has signed up for supporting membership and partnership of the Think Tank Frej (*Tænketanken 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".

## **World's Best Food Products**

DLR is a member of the World's Best Food Products (*Verdens Bedste Fødevarer*), a grassroots movement striving to unify the Danish population in supporting a visionary and sustainable food production.



# New initiatives in 2021

2021 became the year when DLR stepped up its CSR efforts, particularly in relation to sustainability. We have significantly organised and structured our CSR efforts in the organisation, while implementing lots of initiatives in several areas.

## **DLR's CSR policy**

We have published a 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 and funding
3. Social factors
4. Climate and environment
5. Business ethics

DLR's CSR policy is approved by the Board of Directors and available at [dlr.dk](https://dlr.dk). As CSR is an area that is constantly evolving, the CSR policy will be continuously adjusted.

## **CSR Committee established**

To ensure that DLR will proactively deliver on the five focus areas set out in the CSR policy and continuously comply with any requirements and expectations, DLR also established a CSR Committee in 2021. The CSR Committee consists of representatives from all parts of the organisation.

The CSR policy sets the direction for the Committee's work and describes the objectives to be pursued in the years ahead. The CSR Committee is charged with anchoring these efforts in the organisation based on DLR's four values: *cooperation, professionalism, integrity and action-oriented*.

## **Green framework**

DLR wants to play a key role in the green transition. Our objective is, together with the shareholder banks, to be a key player in financing the sustainable transition.

At the beginning of 2021, DLR published a green framework, defining the principles for its efforts under this objective, for example offering green loans on attractive and competitive terms and issuing green mortgage bonds. That way, we can 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. DLR's green framework is available at [dlr.dk](https://dlr.dk).



### **Green loans to finance sustainable investments and properties**

Since 2021, green loans have been part of the product range, which we and our partner banks offer to our shared customers. We offer green funding on attractive terms to both agricultural and commercial customers who want to take part in driving the green transition, while benefitting from the many new investment opportunities.

In collaboration with the banks, we want to give as many people as possible, including conventional farmers, the opportunity to invest in solutions that benefit the climate. It is important that anyone who wishes to contribute to a better climate and environment has the opportunity to do so. We are therefore working on growing our database and establishing further criteria. DLR's new green loans are described in further detail in this report in the section [Sustainable financing](#).

### **ESG rating upgraded to AA**

MSCI, which is an index provider that also rates businesses' sustainability efforts, upgraded DLR's ESG rating to AA in 2021. DLR was awarded the upgrade for having increased its transparency and published a CSR policy earlier this year, among other things, and for generally having strengthened its governance efforts.

### **Loans for properties for social, cultural and educational purposes**

Since the beginning of 2021, DLR has been offering financing of properties for social, cultural and educational purposes. DLR wants to support the social and cultural cohesion throughout Denmark, making villages and rural areas attractive places to live and work so they remain viable. As is the case with other property types, when financing this type of property, we assess whether the property is marketable, and whether it is suitable for alternative use.

# Responsible lender

## Long-term mortgage financing with limited risk for the borrower

DLR offers long-term mortgage financing. Our loans are secured against real estate for terms of up to thirty years. DLR's loans 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 thirty years. The borrower also has the option to apply for an initial interest-only period of up to ten years. We offer fixed-rate loans with an interest-only period of up to thirty years for cooperative housing properties.

Borrowers who make their mortgage payments on time and also have a customer relationship with DLR's partner banks may take advantage of our offer of an annual loyalty discount of 0.15%, which is calculated on the outstanding debt.

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. That way, the price for paying off the loan is transparent to the borrower.

DLR solely offers long-term mortgage financing. We offer no high-risk financial products.

At [dlr.dk](http://dlr.dk), the borrower can easily find information about:

- Our loan types
- The types of property we finance
- Our collaboration 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 Kredit", which is always appended to DLR's loan offers.

**DLR monitors customers' choice of loan type and interest rate profile**

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. DLR's Risk and Capital Management Report provides more details on this area. The report is available at [dlr.dk](http://dlr.dk).

## 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 creditworthy customers for good projects in compliance with statutory requirements, regardless of the prevailing economic climate. 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 monitors development in customers' finances and their timely mortgage payments**

DLR keeps a close eye on developments in its loan portfolio with regards to the financial strength of customers measured on the basis of, among other things, financial ratios, loan-to-value ratio based on current property valuations, the scope of 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





## ESG factors in the lending process

As part of its responsible credit policy, DLR focuses on ESG factors in connection with inspections and valuations of properties as well as on credit assessments of customers.

As regards the credit risk, we base our assessment on the assumption that customers and properties with ESG factors that are rated as good will be in a better position relative to the sustainable development in the years ahead. In addition, customers with good ESG factors will be more financially robust. However, we always take into account the risk of applying new technology, for example.

During 2021, DLR collected and processed ESG data which can be used to assess ESG factors of the lending process.

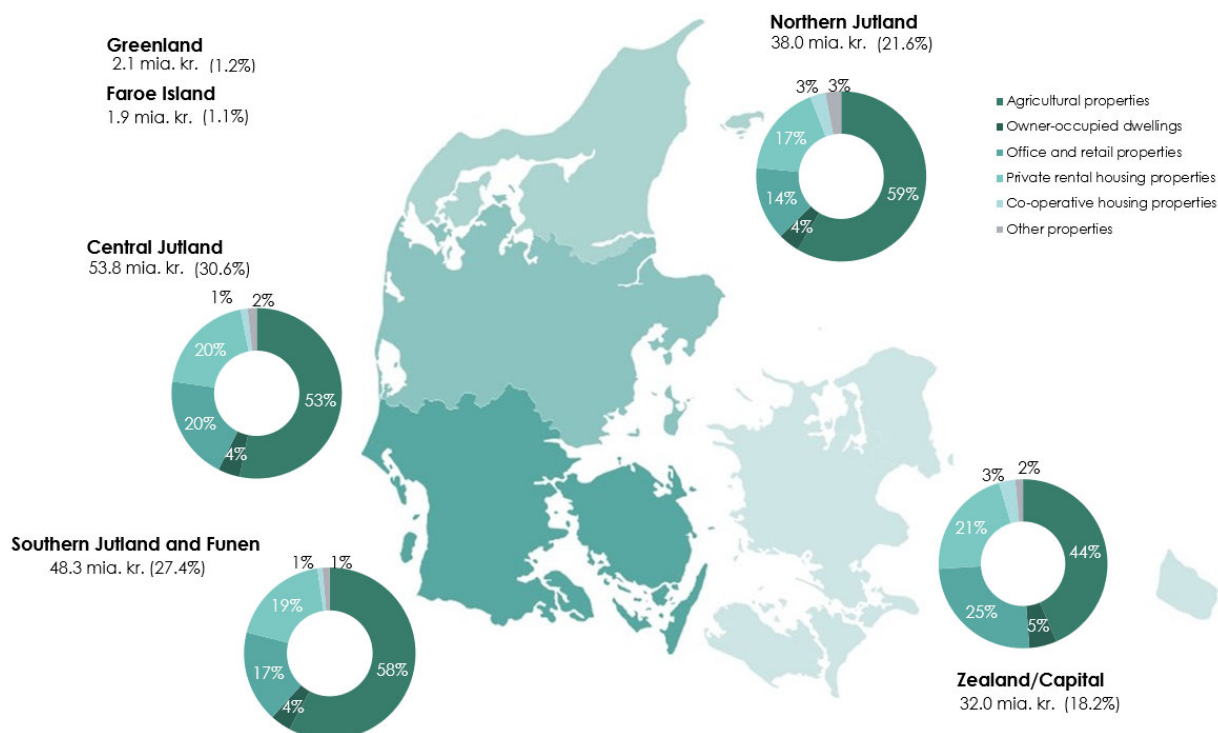


# Financing regardless of geographical location

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

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.

## Geographical breakdown of DLR's outstanding loans, end-2021



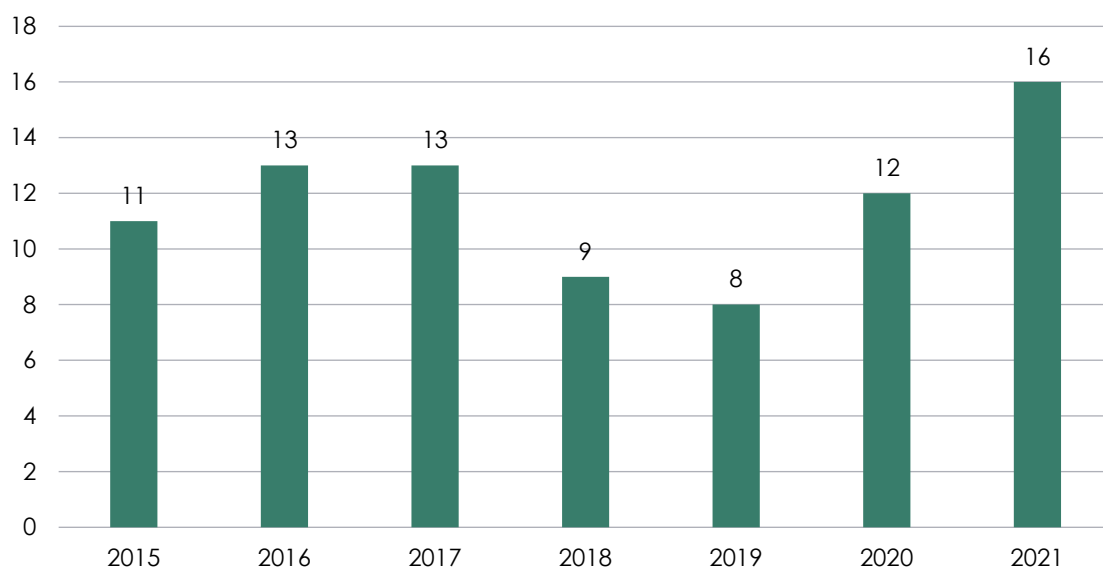
# Scheme facilitating ownership transfer and young farmers setting up

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 the wake of the financial crisis, a particularly strained period followed in which young farmers who wanted to establish themselves experienced limited financing opportunities. During this period, much attention was also focused on the agricultural sector's need for generational transfers of ownerships.

In 2015, DLR therefore set aside a loan pool of DKK 1 billion to improve financing opportunities for young farmers by offering establishment loans on financially favourable terms in collaboration with local and national banks.

At end-2021, DLR had granted loans of DKK 1 billion. The lending through the establishment scheme was spread across the three major agricultural production areas but the majority of the lending was provided to dairy production. At the beginning of 2022, the establishment scheme was expanded by an additional DKK 1 billion.

## Number of new customers under the establishment scheme for young farmers



# Collaboration with 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. We therefore work closely with bank advisers throughout the country and have a clear division of responsibilities.

The bank advisers provide advice and arrange loans. They know their customers and customers' finances and are familiar with DLR's products and lending policy. DLR advisers in the lending departments Commercial and Agriculture act as sounding boards for the bank advisers in connection with loan cases, just like the advisers can contact DLR's expert valuers for a discussion on the customers' properties. In every individual loan case, DLR is in contact with the borrower when our expert valuer is inspecting the customer's property prior to the internal valuation of the property, credit processing of the customer, calculation of the lending permit and preparation of the offer on the necessary terms and conditions which must be met before any disbursement of the loan.

If the borrower, following the disbursement of a 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 timely mortgage payments.

## **Close dialogue with banks' DLR 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 "DLR relations manager".



The DLR relations managers are important facilitators who provide the link between the banks and DLR. DLR reaches out to the DLR relations managers on a regular basis to get ideas, clarify needs and discuss potential opportunities for DLR through the cooperation, just like the DLR relations managers contact us when they have questions or requests.

#### **Co-determination on business development at DLR**

In autumn 2021, we held gatherings at Skanderborg Park with advisers and sales managers from a wide group of loan-distributing shareholder banks to take the temperature of the collaboration more carefully. The gatherings presented perfect occasions to obtain proposals for further digital initiatives for the benefit of the collaboration and our shared customers. In addition, we focused on requests for development of the daily interaction and relationship-promoting initiatives which we can implement in the years ahead, not least in relation to financing the sustainable transition.

#### **E-learning targeted at bank employees**

It is our task to 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 available free of charge to the banks' users via VidenBarometer.dk.

## Modules and contents of the e-learning course “Interaction with DLR Kredit”

### 1. Cooperating with DLR Kredit

- The advantages of the cooperative model – a win-win model
- DLR Kredit's loan types and bonds
- The Bank is remunerated for providing loans, customer care and risk hedging
- Guarantee concept to cover losses, if any

### 2. DLR loans for the commercial and agricultural sector

- Credit policy and regulation regarding Danish mortgage loans
- Inspection and valuation of properties
- Loan limits, terms and interest-only periods
- Credit assessment and what does DLR attach importance to?
- Who does what until the customer accepts DLR's offer?
- What should be included in the loan application via DLRxperten?

### 3. Disbursement and prepayment of DLR loans

- Who does what after the customer has accepted DLR's offer?
- Advice on types of disbursement and fixed-price agreements
- Disbursement request and loan settlement
- Temporary securities (mortgage deeds, margin guarantees and commitments)
- Repayment methods and advisory services via DLRxperten

### 4. DLRxperten

- Welcome to DLRxperten – general guidance on the platform
- DLR information – news, loan advice, declarations, contact DLR
- Customer – search, register, commitment, document archive, etc.
- Simulation – conversion, new loan, repayment
- Processing – loan application, offer, disbursement, guarantee account, fixed rate, profile shifting, repayment, cancellation
- Document handling – offer packages, document uploads
- Portfolio – search on customers, loans, expiry of interest-only period, consent, etc.
- Services – financial ratios, guarantees and provisions, spot rates

## Intro days for advisers and customer service employees

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 2021, some 300 advisers and 600 customer service employees attended. Due to the COVID-19 pandemic, we held no intro days in 2020. However, in the autumn of 2021, it once again became possible to arrange intro days, and we completed six days – two for advisers and four for customer service employees.



<b>Number of training sessions for banks</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Advisers	2	0	9	6	4	4*
Customer service employees	4	0	5	7	6	4*

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

# Sustainable financing

In collaboration with the shareholder banks, DLR offers financing of the sustainable transition in several fields. DLR has provided loans to energy-efficient buildings (energy label A or B) totalling DKK 8.4 billion. To this should be added financing of organic farms, sustainable stables, renewable energy sources and improvements, which also support the transition towards sustainability.

DLR's financing of the sustainable transition is made up of standard mortgage loans and special green short-term interest rate loans (green ARM Short), which are provided for green buildings, energy improvements, green energy sources, green agricultural investments and farm properties with sustainability certification.

At the beginning of 2021, DLR launched green loans, and the criteria have later been expanded, most recently in September 2021 with green agricultural investments, see the table below. Following the expansion, DLR now offers green loans for 1) pig barns with slurry acidification and 2) pig farms with frequent slurry discharge and delivery to biogas facilities.

As reliable and solid data becomes available, and the EU Taxonomy is expanded to include more sustainable criteria, including agricultural criteria, we want to extend DLR's green loans to include more types of investments and activities.

## Criteria for DLR's green loans

<b>Green buildings</b> <ul style="list-style-type: none"> <li>✓ New buildings constructed after 1 January 2021 with energy label A2020</li> <li>✓ Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B</li> </ul>	<b>Farm properties with sustainability certification</b> <ul style="list-style-type: none"> <li>✓ Farms certified for organic production with or without organic livestock production</li> <li>✓ Other certifications</li> </ul>
<b>Energy improvements</b> <ul style="list-style-type: none"> <li>✓ Investments in buildings that reduce energy consumption by at least 30%</li> </ul>	<b>Green agricultural investments</b> <ul style="list-style-type: none"> <li>✓ Pig barns with slurry acidification</li> <li>✓ Pig farms with frequent slurry discharge and delivery to biogas facilities</li> </ul>
<b>Green energy sources</b> <ul style="list-style-type: none"> <li>✓ Wind turbines</li> <li>✓ Solar power plants installed on buildings</li> <li>✓ Heat pump systems</li> </ul>	<b>More criteria on the way...</b> <p>Expanded with other sustainability targets, such as circular economy, biodiversity and aquatic environment</p>

The criteria are based on the EU Taxonomy for sustainable investments as regards buildings, energy improvements and green energy sources.

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 market-confirming standard providing assurance that they contribute to the green transition.

### **CO<sub>2</sub> footprint of the loan portfolio in 2021**

DLR's estimated calculation of the loan portfolio's CO<sub>2</sub>e footprint shows that DLR has financed CO<sub>2</sub>e emissions of 2,198,352 tonnes of CO<sub>2</sub>e, equivalent to 12.5 tonnes of CO<sub>2</sub>e per DKKm financed. The financed emissions derive from a range of greenhouse gases covered by the Kyoto Protocol, measured in CO<sub>2</sub>-equivalents (CO<sub>2</sub>e).

DLR's calculation generally adheres to the principles for measuring and calculating financed emissions provided in Finance Denmark's CO<sub>2</sub> model for the financial sector, see [https://finansdanmark.dk/media/48315/fida\\_co2model.pdf](https://finansdanmark.dk/media/48315/fida_co2model.pdf).

As for agricultural loans, DLR has chosen to calculate CO<sub>2</sub>e emissions based on a method developed by Senior Researcher Troels Kristensen from Aarhus University, see [https://pure.au.dk/portal/files/196779902/Klimaeffekt\\_ved\\_oml\\_gning\\_til\\_ko\\_jordbrug\\_04092020.pdf](https://pure.au.dk/portal/files/196779902/Klimaeffekt_ved_oml_gning_til_ko_jordbrug_04092020.pdf). The method is based on the standard number and species of animals as well as on the number of hectares of cultivated land. Data for these calculations was retrieved from DLR's own data bases.

DLR expects to receive data on CO<sub>2</sub>e emissions at farm level from SEGES later in 2022. DLR will subsequently use this data when calculating the CO<sub>2</sub>e emissions of its agricultural portfolio.

### **Agriculture**

DLR has financed CO<sub>2</sub>e emissions of 2,142,514 tonnes of CO<sub>2</sub>e in the agricultural sector, corresponding to 97.5% of DLR's total financed CO<sub>2</sub>e emissions. The majority of the emissions derives from the agricultural sector, despite agricultural loans only constituting about half of DLR's loan portfolio. As the agricultural sector reduces greenhouse gas emissions due to, among other things, the political agreement on reducing agricultural climate emissions, DLR's financed CO<sub>2</sub>e emissions will also be affected.

### **Urban commercial properties**

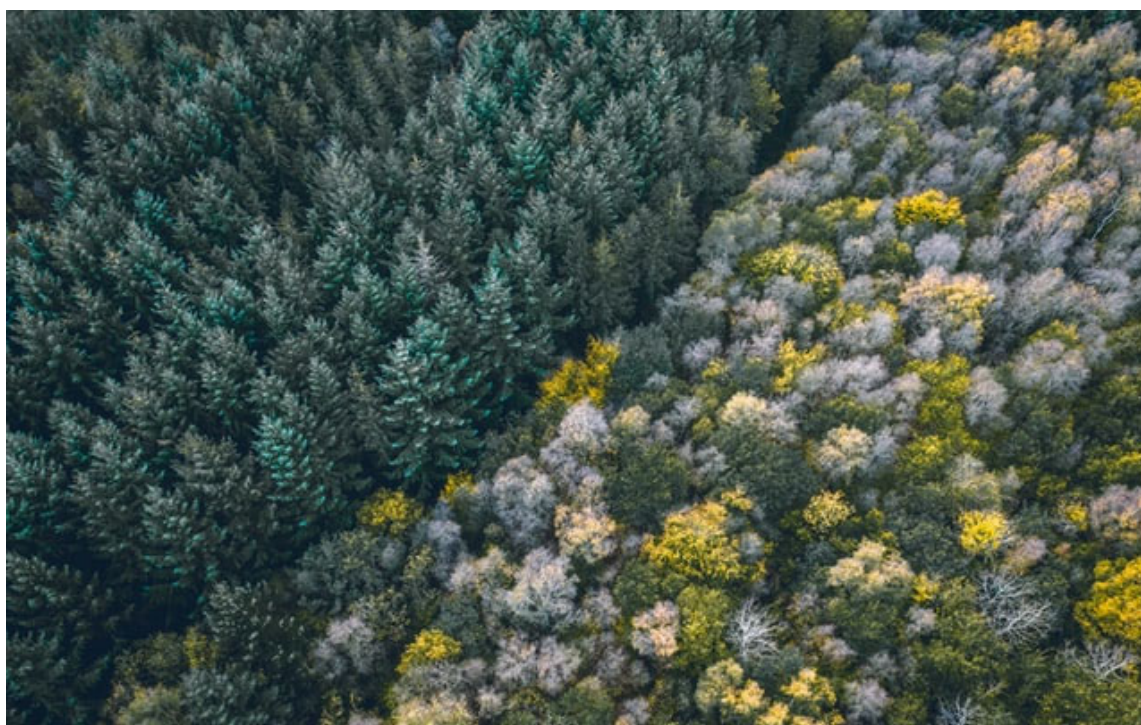
The remaining 55,839 tonnes of financed CO<sub>2</sub>e emissions which do not derive from agricultural loans primarily originate from urban commercial properties. Energy-efficient properties generate the lowest emission levels. The carbon footprint of DLR's loans for properties with energy labels A or B is 0.3 tonnes of CO<sub>2</sub>e per DKKb financed. By way of comparison, the footprint of the remaining energy-labelled loan portfolio constitutes 1.5 tonnes of CO<sub>2</sub>e per DKKb financed.

**Financial ratios for the estimated carbon footprint of DLR's loan portfolio end-2021**

Calculati on model	The building's energy label	Outstanding bond debt (DKKm)	CO <sub>2</sub> emissions (tCO <sub>2</sub> )	Financed CO <sub>2</sub> emissions (tCO <sub>2</sub> )	CO <sub>2</sub> emissions (t/DKKm)	Financed CO <sub>2</sub> emissions (t/DKKm)
Agriculture		91,224	4,366,647	2,142,514	47.9	23.5
Calcula- ted per energy label	A2020	498	42	25	0.1	0.0
	A2015	3,373	754	530	0.2	0.2
	A2010	1,961	787	461	0.4	0.2
	B	2,602	2,271	1,239	0.9	0.5
	C	6,045	8,479	4,744	1.4	0.8
	D	4,987	11,563	7,031	2.3	1.4
	E	2,749	8,919	5,987	3.2	2.2
	F	1,620	6,716	3,948	4.1	2.4
	G	1,051	5,477	3,401	5.2	3.2
Calculated on estimated energy labels		47,976	54,489	28,474	1.1	0.6
Calculation not possible		11,977	0	0	0.0	0.0
<b>Total</b>		<b>176,065</b>	<b>4,466,145</b>	<b>2,198,352</b>	<b>27.2</b>	<b>13.4</b>

Note: CO<sub>2</sub> refers to greenhouse gases measured in CO<sub>2</sub> equivalents.

Method for calculating the carbon footprint of DLR's loan portfolio is available here: <https://dlr.dk/investor/regnskaberrapporter/>



### Lending segments covered by the EU Taxonomy for sustainable investments

Many of DLR's lending segments are made up of sectors covered by the EU Taxonomy for sustainable investments. It may be concluded from the table below that 46.1% of DLR's loans are made to sectors covered by the taxonomy's first two objectives, which comprise climate change mitigation and adaptation ("eligible"). Thus, there is also a significant potential that DLR's loans may meet the taxonomy's more specific screening criteria, which will ultimately help decide whether or not our activities can be referred to as sustainable. The taxonomy's agricultural criteria are currently being prepared and will – once they come into effect – contribute to almost the entire DLR portfolio being covered by the EU Taxonomy for sustainable investments.

### Sectors covered by the EU Taxonomy for sustainable investments to which DLR provides loans (eligibility\*)

Property segmentation (cover pool)	Eligible	Outstanding bond debt (DKKm)
Cooperative housing	Eligible	763
Properties for social, cultural and educational purposes	Eligible	362
Owner-occupied	Eligible	10,067
Holiday homes	Eligible	447
Manufacturing and craft	Non-eligible	1,983
Office and retail	Eligible	29,929
Agriculture	Non-eligible	92,795
Private residential rental	Eligible	36,387
Subsidised construction of residential properties	Eligible	3,268
Other	Non-eligible	63
<b>Total</b>		<b>176,065</b>

\* In article 1 of the associated delegated act ([Delegated Act - article 8](#)) to article 8 of the taxonomy economic activities are defined as "eligible" if they are described in the delegated acts concerning climate criteria ([Delegated Act concerning climate criteria](#)), regardless of whether or not the economic activity meets the technical screening criteria.

The EU Taxonomy for sustainable investments is a classification system (taxonomy) with the purpose of promoting private investments which support sustainable growth and contribute to a net-zero economy. The taxonomy provides businesses and investors with a common language to identify the economic activities which are deemed as environmentally sustainable. The taxonomy is built on six EU environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy



5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

Taxonomy criteria for climate change mitigation and adaptation apply as of 1 January 2022.

Taxonomy criteria for the other environmental objectives take effect in the coming years.

### Every step towards sustainability counts

Every step made by DLR's borrowers towards sustainability counts, whether or not they are financed by a special green loan, and whether or not the steps include climate/environmental or other sustainability objectives.

With a business volume of more than DKK 176 billion at end-2021 and great customer diversity, DLR finances activities to a greater or lesser extent, within areas that support several of the 17 UN Sustainable Development Goals. We have not yet specified our efforts but it is worth mentioning our contribution to the four sustainable development goals which we would like to focus on.

### UN Sustainable Development Goals



#### Goal 7: Affordable and Clean energy

As DLR offers green loans for the financing of renewable energy sources, DLR contributes to ensuring access to sustainable and modern energy and to increasing the share of the total energy consumption generated by renewable energy. Moreover, DLR grants loans for properties with high energy efficiency ratings (properties with energy labels A or B), of which many are newly constructed and thus contribute to financing energy efficiency and improvements of the building stock in Denmark. More specifically, DLR contributes to targets 7.1–7.3 with the following UN indicators:

- By 2030, ensure universal access to affordable, reliable and modern energy services (7.1)
- By 2030, increase substantially the share of renewable energy in the global energy mix (7.2)
- By 2030, double the global rate of improvement in energy efficiency (7.3)

#### Goal 11: Sustainable Cities and Communities

DLR offers green loans for energy improvements and energy-efficient buildings. Almost 20% of the energy-labelled urban commercial properties financed by DLR have energy labels of A or B. More specifically, DLR contributes to target 11.3:

- By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries (11.3)

### Goal 13: Climate Action

DLR offers green loans for energy improvements, renewable energy sources and selected climate investments in pig barns. Thus, DLR indirectly finances the reduction of greenhouse gas emissions, contributing to Denmark reaching the goal of a 70% reduction relative to the 1990 level. More specifically, DLR contributes to target 13.2:

- Integrate climate change measures into national policies, strategies and planning (13.2)

### Goal 15: Life on Land

As DLR offers green funding to organic farms, DLR contributes to supporting sustainable use of ecosystems. More specifically, DLR contributes to targets 15.1 and 15.a:

- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements (15.1)
- Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems (15.a)



# DLR on the green agenda

We are working actively to strengthen DLR's 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 and sector collaborations in which DLR participates.

## **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 has developed 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, which is also used by DLR, is designed to present an opportunity to compare calculations across the sector. When developing the model, DLR found it very important that the working group was in dialogue with relevant authorities and other stakeholders

to ensure that the model would be based on scientifically recognised methodology while using the data already available.

#### **Working Group on Article 8 of the Taxonomy Regulation**

DLR sits on Finance Denmark's working group on article 8 of the Taxonomy Regulation. Article 8 of the EU Taxonomy Regulation defines transparency in non-financial sustainability statements. In its efforts, DLR attaches importance to complying with article 8 of the regulation resulting in publication of data that is comparable and may be used by investors in Danish mortgage bonds.

#### **ESG Risk Task Force**

DLR is 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.

#### **The Danish Climate Forest Foundation**

Jens Kr. A. Møller, Managing Director & CEO of DLR, is a member of the Board of Directors of the Danish Climate Forest Foundation (*Klimaskovfonden*). The purpose of the Danish Climate Forest Foundation is to make a difference to the climate on a day-to-day basis by ensuring specific climate compensation in Denmark. The national Danish Climate Forest Foundation will create more forest and fallow low-lying land for the benefit of the climate and a greener future. The foundation may be supported by private individuals, businesses, municipalities, regions and other bodies. In 2020, DKK 100 million was allocated to launch the Danish Climate Forest Foundation.

#### **Agriculture Committee**

DLR is an active member of Finance Denmark's Agriculture Committee, of which the purpose is, among other things, to follow and influence the national and international development within the regulation in the agricultural sector, affecting the financing of the sector and its business scope. This applies particularly to the area of sustainability where DLR has focused a great deal on achieving solid agricultural sustainability data which the financial sector can apply.





# 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.

DLR's electricity, heating, and water consumption levels are shown in the table below.

Consumption	2021	2020	2019	2018	2017
Electricity consumption KWH	545,121	569,808	582,070	592,581	593,564
Electricity consumption KWH per employee*	2,370	2,713	3,016	3,169	3,431
District heating consumption KWH	554,610	518,000	429,630	681,800	709,100
District heating consumption KWH per employee	2,411	2,467	2,226	3,646	4,099
CO <sub>2</sub> e emissions (tonnes)**	287	293	289	320	323
CO <sub>2</sub> e emissions (tonnes) per employee	1.25	1.39	1.50	1.71	1.87
Water consumption m3***	798	826	912	896	840
Water consumption m3 per employee*	3.5	3.9	4.7	4.8	4.9

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

\*\* Calculated as Scope 1 and Scope 2

\*\*\* Water consumption is measured as of mid-August. Water consumption for 2021 is thus consumption from mid-August 2020 to mid-August 2021.

## Electricity consumption

In the period 2016 to 2021, 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 and 2021, 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 factor may therefore lead to an increase in the figure for 2022.

DLR's electricity consumption primarily comprises electricity for IT hardware, lighting and cooling systems. DLR has already taken measures to reduce its electricity consumption, and it will therefore be difficult for DLR to significantly reduce its consumption further. DLR has considered installing solar panels on its head office roof to generate green electricity for its own use but chose instead to purchase green electricity. DLR therefore changed its procurement policy for electricity in 2020 so only green energy is purchased.

#### **District heating consumption**

DLR's head office is heated by district heating, and we saw a decline in the consumption for the period 2017-2021. At the beginning of 2019, DLR converted its district heating system from steam to water. The district heating consumption was not measured during the contract period, and the figure for 2019 is therefore too low and does not reflect the actual consumption.

DLR's heating consumption comprises heating of office facilities and hot water for DLR's employees. It will be difficult for DLR to make further reductions in its future heating consumption but, in the coming years, DLR will focus on any measures that may be taken to reduce its heating consumption.

#### **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 and 2021. The fall in 2020 and 2021 must to some extent be assumed to be affected by the fact that many employees worked from home, just as was the case for the electricity consumption.

DLR's water consumption primarily comprises the employees' daily consumption related to using the bathroom, washing hands, drinking water and operating the canteen. It will be difficult for DLR to make further reductions in its future water consumption but, in the coming years, DLR will continue its focus on any measures that may be taken to reduce its water consumption.

#### **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.

#### **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 cooperation 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.

We regularly collect discarded iPads and phones and donate these to We Do It, which passes the devices on to children and young people in financially deprived families.

**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 2022, 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.

# Responsible employer

At DLR, we attach great importance to being an attractive workplace, ensuring job satisfaction and providing equal opportunities for all employees. We know that committed, highly qualified and responsible employees are crucial for DLR's ability to continuously generate good results in collaboration with the loan-distributing banks.

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 we 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 comply with the growing volume of reporting requirements from the authorities and to meet business development requirements.

During 2021, the total number of employees increased from 226 to 240 people. DLR had 223 permanent employees plus 17 hourly-paid students in its Copenhagen-based office in Nyropsgade. In addition, there were 26 permanent expert valuers in the commercial area and 23 agricultural valuation experts on fixed-term employment contracts. The expert valuers have been recruited to handle valuation assignments within a specific geographical area and all work from home.

Employee numbers	2021	2020	2019
Permanent employees, year-end	223	213	196
- of whom part-time employees	14	15	17
Hourly-paid employees	17	13	20
<b>Total number of employees, year-end</b>	<b>240</b>	<b>226</b>	<b>216</b>
Agricultural valuation experts	23	26	26
New employees	46	33	46
Leavers	30	24	18
New employees as % of total number of employees	19	15	21

In 2021, we welcomed 46 new staff members. We emphasise diversity when recruiting new employees. During the recruitment phase, factors such as age distribution and gender composition are taken into account in addition to professional and educational background.

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.

Age, seniority and gender	2021	2020	2019
Average age this year	48	48	49
Average seniority in years	8.2	8.3	9.5
Proportion of women in %	35	40	40
Proportion of men in %	65	60	60

DLR recruits a wide range of employees from highly experienced employees – regardless of age to ensure that the right skills are available at all times, covering all disciplines – to trainees and student workers. We are able to offer young people study-related work experience, ensuring that their labour market attachment has a positive impact on their studies. If possible, we offer student workers permanent employment on completion of their study programmes.

We are very committed to properly introducing new staff to DLR to make them acquainted with DLR's business, strategic objectives and culture. We hold intro days for new employees on a regular basis, where our new colleagues meet a broad selection of managers and specialists from DLR, gaining an insight into the breadth of disciplines the organisation covers. In 2021, we held three intro days for new DLR employees and are planning another intro day for the beginning of 2022.





## 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 2021, we applied our new structure to staff appraisal interviews, and the results were promising. The new structure promotes a different kind of depth to the conversations.

At DLR, skills development 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.

All employees of the organisation complete a number of mandatory training programmes, such as GDPR awareness, cyber security risk and anti-money laundering and terrorist financing systems.

Skills development can be generated in many ways and may be anything from peer training, in-house and external courses as well as e-learning to help employees to be given new assignments or greater responsibility in their daily work. In collaboration with the Education Centre of the Danish Financial Sector, DLR has developed the e-learning course “Interaction with DLR Kredit”, which caters for advisers and customer-facing employees of the shareholder banks. The course is also used when introducing new employees to DLR's business model and collaborating with loan distributors.

## Focus on management

Along with the expansion of our organisation and departments, we have set up teams locally 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 management team of DLR assembles once a year for a management seminar, where topical issues related to management, the organisation and employees are discussed. As a consequence of COVID-19, the management seminar for 2021 was postponed to spring 2022, when the team will primarily discuss DLR's strategic direction and management focus areas as well as their experience with increased levels of working from home.

# COVID-19 and new working conditions

The COVID-19 pandemic has changed the way we work at DLR. As was the case for many other businesses in Denmark, the lockdown and rapid rise in the infection rate resulted in a large number of employees working from home for extended periods.

Over the past year, DLR followed the recommendations of the Danish authorities, with due respect for the individual employee and business area. Our focus has been on the different requirements of a long-distance management approach, and how important it is that our employees still thrive and feel safe.

In 2021, we conducted a mini workplace assessment (WPA) to support our efforts to ensure a sound physical and psychological working environment. Nearly 75% of our employees participated in the WPA, indicating that our employees were satisfied with our handling of the COVID 19 situation and comfortable returning to work. Many employees were also happy working from home, and nearly 64% of employees would like to use the option to work from home in the future.

Therefore, when Danish society reopened in 2021, DLR introduced the option for employees to work from home one day a week. It is crucial for DLR to maintain the cohesion of the organisation. We have no doubt that the individual employee works efficiently from home, and the opportunity of working from home helps the employee to maintain a better work-life balance. As an organisation, however, it is also important to establish and maintain social relations. Being physically present in the workplace is beneficial to both the individual employee and the organisation. We therefore focus both on creating cohesion at DLR and on finding the right balance in terms of providing flexibility in the employees' everyday lives.

## Working conditions

### **Well-defined labour rights**

DLR employees are 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, pension contributions, health insurance, holiday conditions, staff training and skills development as well as various social provisions, including maternity/paternity leave, illness and leave to care for seriously ill children or close relatives.



The collective agreement is supplemented with DLR's own guidelines as set out in our employee handbook. Here it is possible to find information about DLR's guidelines for working from home arrangements, retirement, pension and insurance matters and ways of obtaining health-related assistance and support. Other offers available to employees include contribution towards glasses for computer use, changing-room facilities at DLR and parking facilities.

DLR respects the employees' right to unionise and cooperates closely with the union and health and safety representatives of the Joint Consultation and Health and Safety Committee. DLR works systematically on maintaining a safe and healthy working environment and on ensuring that employees are aware of their own and their colleagues' safety. No occupational accidents were reported to DLR in 2021.

#### **Abusive behaviour**

DLR has clearly defined guidelines for the prevention and handling of abusive behaviour. DLR does not in any way tolerate any form of abusive behaviour, including bullying, harassment, sexual harassment, violence, threats of violence and discrimination, whether this is towards

employees, managers or guests. Abusive behaviour is completely unacceptable, regardless of form and how it occurs.

DLR monitors abusive behaviour on a regular basis. If employees experience or witness abusive behaviour, they can report this to their line manager, a union or health and safety representative, Human Resources or via DLR's whistleblowing scheme. DLR received no reports of abusive behaviour in 2021.

### **Human rights**

DLR's collaborative relationships are based on equal, respectful and appropriate relationships between managers and employees at all levels.

We strive to observe human rights and to treat our employees with dignity and respect. We support and respect the protection of internationally proclaimed human rights as described in the UN's Universal Declaration of Human Rights and in the ILO's conventions and recommendations. DLR will draw up a separate human rights policy in 2022.

DLR received no reports on or other indications of any human rights violations in 2021.

### **Social events at DLR**

A good working environment is also about creating a space for people to socialise. DLR's canteen is a popular place for our employees to relax and unwind in the middle of the day. The canteen is operated in cooperation with Meyers Kantinedrift – and is successful and long-lasting. Meyers Kantinedrift adheres to strict requirements for organic foods, sustainability, animal welfare and food waste. The focus is on choosing seasonal raw ingredients from the local environment.

In addition to lunch breaks where employees socialise across the organisation, DLR usually arranges Friday bars, summer and Christmas parties and local office events. The COVID-19 pandemic has made it difficult to meet across departments in 2021 – and we have missed it.

## **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 nine members, six of whom are elected at DLR's annual general meeting, whereas the remaining three are employee representatives. At the end of 2021, there were eight male and one female member, which means that men accounted for 89% of the members and women 11%.

In the short term, DLR's target is that 25% of the members of the Board of Directors should be women. Accordingly, DLR does not currently meet its target, and DLR's target is that 25% of the members of the Board of Directors should be women following the general meeting in 2022.

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 is the reason why DLR did not meet its target in 2021.

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 30 managers with professional and/or HR management responsibilities. Eight of these managers are women. In addition, there are nine project managers, five of whom are women.

<b>Gender composition of DLR</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>All employees of DLR</b>			
Total number of employees, year-end	240	226	216
Proportion of women in %	35	40	40
Proportion of men in %	65	60	60
<b>Executive Board</b>			
Number of Executive Board members, year-end	2	2	2
Proportion of women in %	50	50	50
Proportion of men in %	50	50	50
<b>Managers with professional and/or HR responsibilities</b>			
Number of managers, year-end	30	29	27
Proportion of women in %	27	21	19
Proportion of men in %	73	79	81
<b>Project managers</b>			
Number of project managers, year-end	9	8	5
Proportion of women in %	56	63	60
Proportion of men in %	44	37	40

# 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 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 constantly strive to ensure that personal data is processed in the best possible way and in compliance with the applicable rules. It is important to DLR that our customers and employees trust us to process their personal data in a safe and responsible manner with a strong focus on confidentiality.

DLR's policy in this area determines the overall framework and principles for how DLR processes personal data, including collects and stores 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 to ensure continuous focus on maintaining a high level of security. Errors are inevitable, and the DPO is the person to be notified if employees experience or suspect a data security breach.

New DLR employees are introduced to and trained in the processing of personal data. Moreover, all employees regularly complete training in the appropriate processing of personal data.



## Data ethics

In January 2022, DLR adopted a data ethics policy. This policy contains the framework for DLR's data ethical principles and conduct and is available at [dlr.dk](https://dlr.dk).

At DLR, we use data and our views on data ethics are as follows:

### *DLR's processing of customer data*

At DLR, we collect and store large volumes of data, including personal data. We are therefore aware of our great responsibility as a data controller and of the trust placed in us to use the data responsibly.

It is important to DLR that DLR's customers, employees and society have a high degree of trust in our ability to store their data. One of DLR's core values is *integrity*. For DLR, it is therefore a natural extension of this value to respect the privacy of our customers and employees, and DLR safeguards people's right to protect their privacy.

### *Openness and transparency about DLR's processing of customer data*

We strive to be open and transparent to our customers and the individual employee about the data we store in order to ensure our customers' integrity. Our customers must always be able to

obtain information about the personal data which we store about them and how and for what purpose we store the data.

To ensure our customers' insight into the data we store about them, we continually strive to make sure that our processing is as structured as possible so we always know what data we store about the individual customer at any given time.

#### *Procurement of data*

DLR solely collects and stores data which is necessary, and that DLR may lawfully process. DLR must always ensure that personally identifiable data is collected lawfully, for example pursuant to current legislation or according to agreement with or with the consent of the customer.

#### *DLR's focus on the community*

Besides our customer relationships, DLR has widespread contacts within the community. We are aware this means that we also have a wider responsibility when it comes to ethically correct data processing.

For example, we collaborate with the authorities and comply with our obligation to provide information as requested. We also collaborate with the authorities by reporting relevant information with respect to money laundering and other criminal activity.

#### *Data processing by third parties*

When DLR collaborates with third parties, e.g. DLR's loan-distributing banks, we ensure that the third parties protect our customers' data to the same high standard as we do.

DLR enters into data processing agreements with relevant third parties and monitor that such third parties comply with DLR's requirements, including our data ethics policy.

#### *Compliance within DLR and training of employee skills*

All managers and employees of DLR are bound by the data ethics policy. Managers have a special responsibility in this respect and should lead by example as well as ensure that all employees of DLR are aware of and comply with this policy.

DLR prioritises keeping our employees well informed about data ethics, data security and the appropriate handling of personal data by means of awareness campaigns and training at regular intervals.

# 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 Special Crime Unit (NSK).

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.

In February 2021, the Danish Financial Supervisory Authority issued an order to DLR relating to ongoing updating of Know Your Customer information. DLR complied with the Danish Financial Supervisory Authority's order in September 2021.

DLR is dedicated to transparency, and we have set up a subpage at [dlr.dk](https://dlr.dk/bekaempelse-af-hvidvask-og-terrorfinansiering/) (<https://dlr.dk/bekaempelse-af-hvidvask-og-terrorfinansiering/>) where we describe how DLR combats money laundering and terrorist financing. The website also contains a link to "DLR's Anti-Money Laundering and Counter-Terrorist Financing Policy".



# Anti-bribery and anti-corruption

DLR defines corruption as the abuse of entrusted power for private gain, and bribery is defined as giving another person money or goods to gain an unfair advantage.

When performing their jobs, DLR employees may be exposed to attempts at either bribery or corruption. At DLR, we do not tolerate any form of bribery or corruption or any other inappropriate business practice. DLR expects all its employees to adhere to that.

## Whistleblowing scheme

DLR places great emphasis on doing business in a proper and fair manner that everyone can have full confidence in. At DLR, we also attach great importance to having a working environment which promotes well-being and openness, and we therefore have guidelines on the prevention and handling of abusive behaviour. We ensure that all employees can feel safe approaching their line managers to discuss worries of any kind.

To support the values at DLR, we have had a whistleblowing scheme for many years, enabling our employees to report actual or suspected infringements of financial regulations. The opportunity to make a report via the whistleblowing scheme is a supplement to the direct and day-to-day communication in DLR.

In 2021, the whistleblowing scheme was significantly expanded so that, in addition to reporting suspicion of non-compliance with financial regulations, employees can now report abusive behaviour via the whistleblowing scheme. Reports may also be made on suspicion of infringement of other regulations or standards which DLR is required to observe, such as the rules on personal data, combating money laundering and the financing of terrorist activity.

Whistleblowing reports, which may be anonymous, are made to an external portal and investigated and processed within a reasonable timeframe by an appointed impartial person. The person who made the report is guaranteed feedback on the processing of the case, and a whistleblower is protected by the provisions of the Danish Whistleblower Act and thus against reprisals, provided the report is made in accordance with the rules.

Employees did not make any reports to DLR's whistleblowing scheme in 2021.

## 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 other quantitative or qualitative performance targets. Thus, the remuneration policy promotes sound and effective risk management which does not encourage excessive risk taking.

DLR's remuneration policy is consistent with DLR's business strategy and model, objectives, values and long-term interests.

## Marketing

Historically, DLR has only to a 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 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 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 lodge a complaint, and we have a clear

process for handling complaints. 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.



# ESG key figures and ratings

ESG key figures	Unit	2021	2020	2019	2018	2017
<b>Environmental data</b>						
Electricity consumption	KWH	545,121	569,808	582,070	592,581	593,564
Electricity consumption per employee*	KWH	2,370	2,713	3,016	3,169	3,431
District heating consumption	KWH	554,610	518,000	429,630	681,800	709,100
District heating consumption per employee	KWH	2,411	2,467	2,226	3,646	4,099
CO <sub>2</sub> e emissions calculated as scope 1 and 2	tonnes	287	293	289	320	323
CO <sub>2</sub> e emissions per employee	tonnes	1.25	1.39	1.50	1.71	1.87
Water consumption**	m <sup>3</sup>	798	826	912	896	840
Water consumption per employee*	m <sup>3</sup>	3.5	3.9	4.7	4.8	4.9
<b>Social data</b>						
Permanent employees, year-end	number	223	213	196	-	-
- of whom part-time employees	number	14	15	17	-	-
Hourly-paid employees	number	17	13	20	-	-
Employees, year-end	number	240	226	216	-	-
Agricultural valuation experts	number	23	26	26	-	-
New employees	number	46	33	46	-	-
Leavers	number	30	24	18	-	-
New employees of total number of employees	%	19	15	21	-	-
Average age	years	48	48	49	-	-
Average seniority	years	8.2	8.3	9.5	-	-
Proportion of women	%	35	40	40	-	-
Proportion of men	%	65	60	60	-	-

ESG key figures	Unit	2021	2020	2019	2018	2017
<b>Governance data</b>						
Board of Director members, year-end	number	9	11	11	-	-
Proportion of women on the Board of Directors	%	11	9	18	-	-
Executive Board members, year-end	number	2	2	2	-	-
Proportion of women on the Executive Board	%	50	50	50	-	-
Managers with professional and/or HR responsibilities, year-end	number	30	29	27	-	-
Proportion of women among managers with professional and/or HR responsibilities	%	27	21	19	-	-
Project managers, year-end	number	9	8	5	-	-
Proportion of women among project managers	%	56	63	60	-	-

\* 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 2021 is thus consumption from mid-August 2020 to mid-August 2021.



## ESG ratings

Since January 2020, Morgan Stanley Capital International (MSCI) has, on its own account, assigned ESG ratings to DLR. The first time MSCI rated DLR, we were assigned a rating of BBB (MSCI's rating scale runs from CCC to AAA). In September 2021, DLR's ESG rating was upgraded to AA as a result of our strengthened focus on and transparency about our ESG factors.

S&P Global Ratings (S&P) has issued ratings of DLR since 2012. In January 2022, S&P issued an ESG rating to DLR as supplement to its credit rating of DLR as an institution and of DLR's bonds. DLR was awarded ratings of E-2, S-2 and G-2.

Rating agency	Score	Comment
<b>MSCI</b>	AA	Since January 2020, MSCI has assigned ESG ratings to DLR. The first time MSCI rated DLR, we were assigned a rating of 'BBB'. In September 2021, DLR's rating was upgraded to AA as a result of our strengthened focus on ESG factors.
<b>S&amp;P</b>	ESG indicators: E-2, S-2, G-2	The rating means that the ESG factors play a neutral role in S&P's credit analysis of DLR. E=environment, S=social issues and G=governance 1=positive, 2=neutral, 3= moderately negative, 4=negative and 5=very negative

# Sustainable Development Goals

Sustainable Development Goals	Target	
<b>7. Affordable and Clean energy</b> 	7.1	By 2030, ensure universal access to affordable, reliable and modern energy services
	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix
	7.3	By 2030, double the global rate of improvement in energy efficiency
<b>11. Sustainable Cities and Communities</b> 	11.3	By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
<b>13. Climate Action</b> 	13.2	Integrate climate change measures into national policies, strategies and planning
<b>15. Life on Land</b> 	15.1	By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
	15.a	Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems



# Policies

DLR's CSR policy sets the overall framework and direction for DLR's CSR efforts. Several aspects of DLR's CSR efforts are also described in separate policies which elaborate on the implementation of specific initiatives, and some of the areas are reported on annually in various documents and at [dlr.dk](https://www.dlr.dk).

Area	Policy	Reporting
Responsible lender	Credit policy	Risk and Capital Management Report
	Policy and guidelines for DLR Kredit relating to the granting of credit as well as the monetary limits of the Executive Board's lending authority	Lending report to the Board of Directors
	Policy and guidelines on the handling of the risk of excessive leverage in DLR Kredit	ICAAP
Climate and environment	Procurement policy	Corporate Social Responsibility Report
Responsible employer	Diversity policy	Corporate Social Responsibility Report
	Policy and target for increasing the number of women at other management levels	Annual Report and Corporate Social Responsibility Report
	Policy for increasing the number of women in the top management body	Annual Report and Corporate Social Responsibility Report
	Employee handbook	Corporate Social Responsibility Report
Business ethics	IT security policy	Risk and Capital Management Report
	Policy and guidelines on remuneration	Annual Report
	Policy for preventing money laundering and financing terrorism	Risk and Capital Management Report
	Tax policy	Corporate Social Responsibility Report
	Policy die anti-bribery and anti-corruption	Corporate Social Responsibility Report
	Data Ethics Policy for DLR	Risk and Capital Management Report

Area	Policy	Reporting
	Policy and guidelines for non-financial risks for DLR Kredit	Risk report to the Board of Directors
	Policy and guidelines on ensuring adequate employee resources and avoiding reliance on key employees, etc. for DLR Kredit	Risk report to the Board of Directors
	Privacy policy	DPO Report
	Whistleblower policy	Compliance Report

