



dlr·kredit

February 2024

# Sustainability policy

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# 1. Sustainability at DLR Kredit

DLR is a major lender for agricultural and urban commercial customers of local and national banks across Denmark. Consequently, it is only natural for DLR to play an active part in financing the all-important sustainable transition of our joint customers. We consider this a part of our social responsibility. We work with our loan-distributing banks to encourage customers to move in a sustainable direction. It is more important for us to make a positive contribution to promoting sustainability initiatives for our borrowers than to exclude those who are not frontrunners. At the same time, DLR aims to operate a business that is responsible in every way and, and we endeavour to leave as few negative footprints as possible – in our business activities and in the running of our business.

Being a systemically important financial institution in Denmark, DLR is also under an obligation to run a responsible business strictly in accordance with legislative requirements and its values and business objectives. We strive to do so with due consideration to our stakeholders, who include borrowers, bond investors, shareholders, loan-distributing banks, authorities and employees.

## 1.1 Strategic approach to sustainability

Our strategic sustainability efforts reflect our key stakeholder groups: borrowers, shareholder banks, bond investors and employees. Furthermore, corporate governance is an independent focus area. Our strategic position on sustainability is largely defined by our stakeholders' preferences, expectations and requirements with respect to sustainability and our focus on responsible credit granting and corporate governance. DLR's approach to sustainability is a balancing act, where we take account of our shareholder banks' differing ESG policies, our borrowers' possibilities to transition and investors' wishes to reduce the CO<sub>2</sub> emissions financed by DLR's bonds. Another part of DLR's corporate social responsibility, and an important element of its risk management approach, is helping reduce sustainability risks through sustainability measures, such as collecting ESG data by asking ESG-related questions that motivate customers to be more sustainable.

This policy builds on DLR's principal stakeholders and focus on transparent corporate governance:

1. Borrowers
2. Shareholder banks
3. Bond investors
4. Employees
5. Corporate governance

Our approach to our principal stakeholders and corporate governance is described in greater detail in the remainder of this policy. Several of our focus areas 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 available on our website.

<b>Focus area</b>	<b>Policy</b>	<b>Reporting</b>
<b>Borrowers</b>	Credit policy	Risk and Capital Management Report Risk report in the lending area
	Policy for managing the risk of excessive leverage	ICAAP
<b>Employees</b>	Diversity policy	Sustainability Report
	Policy for gender diversity at other management levels	Annual Report and Sustainability Report
	Policy for gender diversity at the executive level	Annual Report and Sustainability Report
	Procurement policy	Sustainability Report
<b>Corporate governance</b>	IT security policy	Risk and Capital Management Report
	Remuneration policy	Annual Report
	Anti-money laundering and counter-terrorist financing policy	Risk and Capital Management Report
	Tax policy	Sustainability Report
	Anti-bribery and anti-corruption policy	Sustainability Report
	Data ethics policy	Risk and Capital Management Report
	Risk management policy	Risk report to the Board of Directors
	Policy for avoiding reliance on key employees	Risk report to the Board of Directors
	Policy for processing of personal data	DPO Report
	Whistleblower policy	Compliance Report

Focus area	Policy	Reporting
	Human rights policy	Sustainability Report

### Organisation of sustainability efforts at DLR

The sustainability policy sets the framework for our sustainability initiatives and demonstrates how we are taking social, environmental and governance responsibility in the day-to-day operation of DLR.

The overall responsibility for sustainability initiatives lies with the Board of Directors in collaboration with DLR's Sustainability Committee. On the basis of the sustainability policy, the Sustainability Committee will work to ensure integration and progress in DLR's sustainability efforts. To this end, the following main tracks have been defined for the work of the committee:

- A. Investors
- B. Borrowers
- C. ESG risks
- D. Shareholder banks
- E. Employees
- F. Sustainability data
- G. Transparency
- H. Governance

Those in charge of the tracks must ensure progress in assignments and projects in their own department and, as and when required, set up cross-sectoral working groups. At committee meetings, participants will discuss progress and status of the main tracks, providing information on legislative requirements and recommendations and sustainability initiatives undertaken by collaboration partners and competitors.

### 1.2 UN Sustainable Development Goals

DLR finances activities within several of the 17 UN Sustainable Development Goals (SDGs) and has selected five SDGs which we prioritise.



#### Goal 2: Zero Hunger

DLR's loans to farmers contribute to the production of healthy food with a low carbon footprint by global standards. A large part of Denmark's food production is exported – including to low-income countries. For example,

some Danish milk is used in the production of breastmilk substitutes which ensure healthy infant nutrition and help reduce hunger and malnutrition also in low-income countries.

**UN SDG 2.1**

By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

**UN SDG 2.2**

By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.

**Goal 7: Affordable and Clean energy**

As DLR offers green loans for the financing of renewable energy sources, DLR contributes to increasing the share of the total energy consumption covered by renewable energy. Moreover, DLR grants loans for properties with high energy efficiency ratings (properties with a grade A or B energy performance certificate) and energy upgrades that reduce energy consumption, thus contributing to energy improvements of the building stock in Denmark. More specifically, DLR contributes to targets 7.1-7.3 with the following UN indicators:

**UN SDG 7.1**

By 2030, ensure universal access to affordable, reliable and modern energy services.

**UN SDG 7.2**

By 2030, increase substantially the share of renewable energy in the global energy mix.

**UN SDG 7.3**

By 2030, double the global rate of improvement in energy efficiency.

**Goal 11: Sustainable Cities and Communities**

DLR offers green loans for energy improvements and energy-efficient buildings across Denmark, including urban as well as agricultural residential properties. Almost 20% of the energy-labelled urban commercial properties financed by DLR have a grade A or B energy performance certificate. More specifically, DLR contributes to target 11.3:

**UN SDG 11.3**

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

**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:

**UN SDG 13.2**

Integrate climate change measures into national policies, strategies and planning.

**Goal 15: Life on Land**

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

**UN SDG 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.

**UN SDG 15.a**

Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.



## 2. Borrowers

As one of the largest lenders to Danish agriculture, DLR plays an important role in financing the crucial green transition. For more than sixty years, DLR has been providing financing for agricultural development and to a large number of adjustments in the sector.

Likewise, DLR has for more than twenty years been financing commercial properties across Denmark. Cooperating with our shareholder banks, which have detailed knowledge of their local business communities, DLR contributes to supporting developments in peripheral regions, also in terms of investment in energy-efficient properties.

It is paramount for DLR to obtain solid data to document developments in borrowers' sustainability footprints over time. We do this by collecting information about customer ESG matters, and we use this data in connection with our lending process. Furthermore, DLR contributes by sharing ESG data with and by offering skills development to its business partners, which talk to the customers about ESG matters.

### 2.1 Transition offering business value

The green transition must, above all, make commercial sense for borrowers in terms of both risks and opportunities. DLR finances profitable investments by creditworthy borrowers and is an active lender that works together with the loan-distributing banks to encourage borrowers to move in a more sustainable direction.

Borrowers vary widely in how actively they work on sustainability. Some have come a long way and are already taking action to reduce their impact on the climate and the environment and adapt to climate change, while others have barely begun. Agricultural customers are generally well ahead of other industries in terms of data.

Common to many customers, however, is uncertainty about future rules and regulations on sustainability that in the years ahead will determine which sustainability investments are worth making. Evolving consumer preferences and market standards also play a key role for conditions in the market.

DLR plays an important role in facilitating, collecting and monitoring data on borrowers' green transition. We include ESG matters in the valuation of properties and in our credit process, and we also monitor and manage sustainability risks. We do not wish at this stage to impose sustainability requirements on borrowers beyond the actual sustainability requirements set out legislation in this area.

### 2.2 Green mortgage loans

In January 2021, DLR launched its first green loans for sustainable investments and properties. It is crucial to have transparent and common criteria for what is defined as 'sustainable', and our green loans are therefore to a

large extent based on the existing screening criteria in the EU taxonomy for sustainability<sup>1</sup>. The taxonomy serves as a common assessment basis for sustainable financing in the future.

Not all sectors and activities are covered by the first version of the screening criteria in the EU Taxonomy for sustainable investments. In 2020, the European Commission published its proposed criteria for the agricultural sector, but the proposal was later removed. Agriculture is expected to be included in a later addendum to the taxonomy.

We are following the EU's further taxonomy initiatives, especially in the agricultural area, and the expansion to include more sustainability criteria, e.g. for the protection and restoration of biodiversity and ecosystems and criteria for diversity and sustainable working conditions.

DLR's green loans are aimed at three focus areas: the agricultural sector, energy efficiency in commercial properties and renewable energy. These are three areas which offer huge climate potential and they face ambitious goals in the coming years. DLR grants green loans for the following purposes:

**Green buildings**, with a grade A or B energy performance certificate (A2020 and A2015 for properties built after 1 January 2021)

**Energyefficiency**, such as investments in buildings that reduce the energy consumption by at least 30%

**Green energy sources**, such as wind turbines, heat pump systems, hydropower facilities and solar power plants

**Green agricultural investments** that reduce the carbon footprint by at least 30%, including investment in pig barns with slurry acidification or pig farms with frequent slurry discharge and delivery to biogas facilities

**Farm properties with sustainability certification**, such as farms certified for organic production with or without organic livestock production

**Sustainability-certified forests** that are PEFC and/or FSC-certified

The green mortgage loans are firmly based on data, and a condition of being granted a green mortgage is that the borrower can document that the investment meets DLR's criteria. The documentation is based on, among other things, the screening criteria of the EU taxonomy, and the special criteria for green loans are specified e.g. in our description of DLR's loan types: <https://dlr.dk/laan-hos-os/laantyper/>.

The green loans are funded by the issuance of green mortgage bonds.

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<sup>1</sup> The taxonomy is a part of the EU action plan for sustainable finance.

In addition to financing with green loans, with its lending policy DLR also generally promotes sustainable developments in the Danish agricultural sector and business community. The great majority of the green assets financed by DLR are financed with conventional loans.

### **2.3 Financing for customers all across Denmark**

Properties and local communities all across Denmark offer obvious qualities, such as hobby farms, residential farms and properties in the countryside with views of fields and woods. We want to make financing available to everyone in search of an agricultural or commercial property, wherever it is located in the country. Through our shareholder banks, which are located all over Denmark and in the Faroe Islands and Greenland, we therefore make a strategic effort to grant loans to all creditworthy loan applicants regardless of geographical area, thereby contributing to growth and development in villages and rural areas.

At the same time, we focus on supporting the large number of important small and medium-sized enterprises in Denmark which make a difference in driving growth and development all across the country. The SME segment is the backbone of the Danish economy, accounting for 99% of all Danish businesses<sup>2</sup>. These businesses are also key players in the sustainable transition, where even small and initial measures in the individual business combine to make a huge impact, for instance with respect to reducing CO<sub>2</sub> emissions.

### **2.4 Microfinance to new generations**

DLR is also dedicated to securing the future of Danish agriculture by offering attractive mortgage loans to young farmers. It is essential to the development of Danish agriculture and the entire Danish food production that young people establish themselves as independent farmers. In addition to retaining skills in the agricultural sector, young farmers are also instrumental in ensuring innovation in the sector, because they tend to be quicker at embracing new technology and typically make larger investments. However, high equity requirements can make it difficult to set up or to transfer ownership of a farm.

DLR has therefore earmarked a loan pool of DKK 2bn for young farmers in all production areas, giving them access to microfinance on more beneficial terms than others. In this way, DLR helps promote the important development of Danish agriculture, thus retaining jobs in the food industry and securing a strong Danish food supply.

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

A sustainable business with a healthy portfolio of loans also requires a responsible credit policy – during both positive and negative economic cycles. A characteristic of DLR's customers is that mortgage financing represents a substantial proportion of their overall financing, and we therefore take a long-term and results-oriented approach during periods of crisis, during which even financially healthy businesses may face difficulty.

A defined goal in DLR's credit policy is to offer loans to creditworthy customers with viable and healthy business models in compliance with statutory requirements and regardless of the prevailing economic climate and the customer's industry or sector. Therefore, we always assess our customers individually and team up with the loan-distributing bank to identify appropriate solutions.

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<sup>2</sup> Source: Confederation of Danish Industry.

## **2.6 Action plan for reducing financed CO<sub>2</sub>e emissions**

On the basis of recommendations from Finance Denmark on how the financial sector could contribute to the sustainable transition, we publish an annual action plan for reducing DLR's financed CO<sub>2</sub>e footprint. In the action plan, we communicate specific targets and future initiatives to achieve the defined goals. The action plan is updated when the details of the climate levy on biological processes in farming have been adopted.

DLR's current calculations of financed CO<sub>2</sub>e emissions are based on Finance Denmark's CO<sub>2</sub>e model. Given DLR's substantial share of the agricultural market, this currently provides an adequate picture at portfolio level but does not reflect the actual performance of individual borrowers.

As is also the case with other banks, DLR's data are not yet good enough to measure CO<sub>2</sub>e reductions at the level of the individual farm/property.

When borrowers reduce their CO<sub>2</sub>e emissions, for example by optimising sustainability and energy use on the farm/property, this is not reflected in DLR's current calculations. There is therefore a need for better data so that DLR can follow reductions in individual borrower CO<sub>2</sub>e emissions and include them in our risk assessment of each exposure. DLR is working on collecting better sustainability data which also reflect reductions in CO<sub>2</sub>e footprint at the farm/property level, partly through the sector collaboration via e-nettet.

## **2.7 Monitoring of risks associated with borrower's ESG matters**

In accordance with current legislation, ESG risks form part of the risk management efforts and are a component of the risk assessment of the individual loan case and the monitoring of overall credit risk in the loan portfolio.

Our management of ESG risks is currently focused on identifying the extent of ESG risks for our customers and the properties put up as collateral for the loans. We must then ensure that knowledge about ESG risks in our loan portfolio is regularly updated, and finally that risks are reduced.

DLR presents data for ESG risks in the Pillar III appendix, which forms part of the risk and capital management reporting process. Credit risks are monitored in DLR's risk database, and the most significant credit risks are reported in DLR's risk overview. Movements in credit risk relative to the chosen risk tolerance are monitored in the risk database and risk overview.

## 3. Shareholder banks

Collaboration with the shareholder banks is a priority for DLR. It is advisers at these banks who distribute DLR's loans and handle contact with our shared customers.

The group of shareholder banks consists of small local, regional and large nationwide banks, each with its own approach to ESG and sustainability. We must take this into account in our day-to-day collaboration and accommodate specific requests. The collaboration with each bank must support our joint value creation, while we must also live up to our responsibility with respect to sustainability.

For DLR and the banks that distribute its loans, sustainability is a business area where DLR contributes to the banks' financing solutions so that customers benefit from sound advice and a competitive product range.

### 3.1 Sustainability as a business area for our shared customers

Together with the shareholder banks, DLR must offer attractive mortgage products to our customers, which may contribute, among other things, to finance the opportunities created by the sustainable agenda. It is the banks who talk to customers about how they can benefit commercially from incorporating sustainability into their business, and how they can address sustainability risks. DLR contributes by requesting customer details about their ESG factors, which we share with the banks, subject to customer acceptance. The bank may choose to use this specific and detailed information in its dialogue with the customers.

### 3.2 DLR as knowledge centre for sustainability

DLR aims to be a knowledge centre for sustainability. We are keen to share our knowledge with our partners so that our work creates value for everyone, including knowledge about legislation, regulation, sector standards and overall risk analyses.

Knowledge is shared in the form of presentations in networks, to advisers, by participating in panel discussions, at customer venues and training for executives and board members.

We also make a wide range of data available to the individual bank for use in areas such as risk management. We are constantly working on making even more sustainability data available to our partners, along with insights from our data at portfolio level.

We are also keen to talk to the banks about their insights in this area and our view of sustainable development, with the focus on opportunities and risks. It is the advisers at our shareholder banks in their day-to-day work with those applying for loans who get to talk to customers about how they can benefit commercially from incorporating sustainability into their business, and how they can address sustainability risks. DLR is keen to support this dialogue with information on how other customers are promoting sustainable development by seizing commercial opportunities and addressing risks, including video case studies.

### **3.3 Sharing of ESG data**

We currently share our customers' ESG replies with our shareholder banks. Furthermore, at portfolio level we make a range of ESG data available to them and want to share even more ESG data that we can collect at property level, among other things via sector collaboration.

### **3.4 Sustainability dialogue**

DLR holds meetings on sustainability with its shareholder banks during the year to discuss how DLR and the individual banks can help customers move in a more sustainable direction.

## 4. Bond investors

As a mortgage lender, DLR finances loans exclusively through the issue of bonds. The bond investors are therefore a key stakeholder group and collaboration partner for DLR. The group of investors consists primarily of financial and institutional professional investors in Denmark, with whom we maintain a close dialogue.

### 4.1 Green bonds

In September 2022, DLR started to issue green bonds to fund green mortgage loans. DLR has described the conditions for issuing green bonds in a Green Bond Framework. The Green Bond Framework follows ICMA's Green Bonds Principles (GBP).

ISS ESG has provided a Second Party Opinion of DLR's Green Bond Framework. ISS ESG finds that DLR's Green Bond Framework is fully compliant with the GBP principles and also assesses that DLR's eligibility criteria for green loans in all material respects comply with the screening criteria regarding climate change mitigation in the EU taxonomy for sustainability.

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

DLR's issuance of green bonds promotes the market for green bonds and, by extension, investors' possibilities of investing sustainably. Sustainable investments that meet our criteria for green loans facilitate the granting of green loans financed through the issuance of green bonds, which will benefit the green transition in the long run. At present, green loans only promote the green transition indirectly, as the assets would have been financed under more or less the same "conditions" with conventional bonds.

### 4.2 Meetings with bond investors

DLR holds regular meetings with bond investors, both individually and in connection with investor seminars. Investors generally have a strong interest in sustainability and DLR's approach to the customers' approach to the green transition. These meetings are an important part of the efforts to maintain a stable investor base so that DLR can continue to offer mortgages at competitive prices. At the meetings, we typically present DLR's work on sustainability and the green transition among our borrowers, receiving important input from investors about their expectations and requirements for DLR as a bond issuer.

DLR also gives presentations at external meetings for investors and market participants to contribute to dialogue and visibility around not only the challenges and dilemmas but also the opportunities associated with the sustainability agenda and to highlight DLR as a pro-active, important and knowledgeable player in the area. DLR also receives useful feedback and input which can be used to improve its day-to-day work on sustainability.

### **4.3 CO<sub>2</sub> reductions**

DLR is working actively to be able to document developments in the climate footprint of its loan portfolio, enabling DLR's investors to monitor reductions in the CO<sub>2</sub>e emissions they have financed via their purchase of DLR bonds. See the section on our CO<sub>2</sub> action plan on page 13.



## 5. Responsible employer

At DLR, we are committed to being an attractive workplace. Our culture is characterised by high professional standards and strong cross-organisational collaboration. We know that committed, highly qualified and responsible employees are crucial for DLR's ability to continue to generate good results in collaboration with the loan-distributing banks.

As a responsible employer, we have a responsibility for creating an environment in which employees thrive, feel respected and valued and in which there are equal opportunities for all. This is an important part of maintaining a healthy corporate culture.

### 5.1 Job satisfaction and commitment

At DLR, we take the responsibility for our employees' well-being seriously. We comply with legislation and current collective agreements, and we take various measures to improve our employees' job satisfaction and well-being. Well-being is about meaningful assignments and being able to plan your own working day. Well-being is also about feeling safe and having good relations with colleagues and being able to develop your skills to perform current and future duties.

Flexibility helps employees to plan their working day, and our work on flexibility therefore focuses on individual work planning and the sense of community at DLR. We are focused on ensuring that the flexibility options support each individual employee in striking the right work-life balance, but also that the flexibility does not impair the important sense of community between employees, the daily dialogue on solving tasks, the affiliation with DLR and the stimulating interaction, in which physical presence and proximity are key elements. We are operating a model where employees are able to work from home one day a week. This opportunity to work from home helps the individual achieve a more balanced working life and increases well-being. On Fridays, everyone must go into the office. This is part of our focus on supporting proximity and the sense of community, and this is when we hold department meetings, workshops and social arrangements.

The nearness also means that, each day, we give our employees a highly valued food experience in the middle of the day. We have an arrangement with Meyers Kantinedrift, which runs DLR's canteen with strict requirements on organic products, sustainability, animal welfare and quality, allowing us to meet with other people in the building. We also prioritise arranging various social events, such as a summer outing, Friday bar and after-work meetings with external speakers. DLR would like to promote joint in-house activities driven by employees, such as DLR's wine club and participating in the DHL relay race. In this way, we strengthen relations across the organisation.

### 5.2 Abusive behaviour

A key element of a safe organisational culture is that employees feel respected in their everyday work. We do not tolerate any form of abusive behaviour, including bullying, violence, sexual harassment or discrimination on account of gender, age, disability, ethnicity, cultural background, religion, sexual orientation, political views, etc.

DLR has drawn up clear guidelines for the prevention and handling of abusive behaviour, which all employees are familiar with. DLR's managers and employees are expected to prevent abusive behaviour from occurring, and they share a responsibility to inform a member of the management if they experience abuse themselves or witness a situation that may be characterised as abusive. DLR's managers also have a duty to address any situations of abusive behaviour which they might witness or of which they receive reports.

DLR's whistleblowing scheme provides a supplementary opportunity for DLR employees to report abusive behaviour. DLR's compliance officer manages and is in charge of the whistleblowing scheme and reports to the chairman of the Board of Directors.

### **5.3 Skills development**

The world is becoming increasingly complex amid growing demands on businesses and improving abilities to quickly adapt. This means employee capabilities must continuously be developed.

It is our responsibility to ensure that our employees feel equipped to solve their daily tasks and contribute to achieving DLR's goals. DLR is a knowledge-intensive business, which, in addition to financial insight, is also subject to high demands for expertise on aspects like the use of IT, IT security, GDPR, anti-money laundering and terrorist financing, sustainability and customers' ESG risks as well as a large number of legal requirements that are constantly evolving.

DLR is therefore constantly focused on strengthening the employees professional and personal capabilities, for instance through the recurring performance interviews. Here, we uncover our employees' individual needs and wishes.

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.

As DLR grows bigger and employs more staff, and as the ways in which we work change, developing our managers has become a special priority area. DLR has set up an in-house network for middle managers where new and experienced middle managers use each other as sounding boards in order to grow as leaders, both professionally and personally. New managers are offered a management training programme to prepare them to take on the role. Furthermore, DLR's management team assembles twice a year for a management seminar, where topical issues related to management, organisation and employees are discussed.

### **5.4 Diversity**

We strive to achieve an employee composition that reflects our customers and the world around us, and we value how different people can be, allowing us to benefit from a wider range of talent and opportunities, also in connection with promotion and recruitment.

At DLR, we focus on professionalism and personal skills. We recruit new employees to prepare DLR for the future, and hire new staff based on strong qualifications and skills and from a recruitment basis that is as diverse as

possible in terms of age, gender and ethnicity. We know that we must constantly seek to create awareness about the biases that could obstruct our diversity efforts.

We want to be an attractive workplace that promotes equal career opportunities for men and women and makes full use of the talent pool – both within our organisation and in society. We have adopted a gender-neutral remuneration policy and aim to increase the percentage of women in management, though DLR will at all times recruit the best qualified and – for the organisation – the best suited candidates.

The Board of Directors has defined a policy to increase the percentage of women both on the Board of Directors and at other managerial levels at DLR<sup>3</sup>. With due consideration to the qualifications of potential candidates and the requirement that DLR's Board of Directors maintains the necessary knowledge and experience with respect to the company's key risk areas, the Board of Directors will in the long term work to ensure an equal gender distribution on DLR's Board of Directors.

DLR complies with the recommendations issued by Finance Denmark (previously Danish Employers' Association for the Financial Sector) and the Financial Services Union from 2020. In addition, we regularly consider supplementary initiatives that, both internally and in connection with our recruitment process, may increase the proportion of female managers at DLR.

### **5.5 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 Finance Denmark (previously the Danish Employers' Association for the Financial Sector) and Financial Services Union Denmark. The collective agreement deals with working hours, remuneration, pension contributions, health and dental 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.

At DLR, the collective agreement is supplemented by our own policies and guidelines for working from home arrangements and part-time work, retirement, pension and insurance matters and ways of obtaining health-related assistance and support.

DLR respects the employees' right to unionise, and management cooperates closely with the union and health and safety representatives of the Joint Consultation and Health and Safety Committee.

### **5.6 Human rights**

We undertake 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.

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<sup>3</sup> See "Policy and targets for gender diversity on DLR's Board of Directors and other management levels" at [dlr.dk](http://dlr.dk).

## 5.7 UN SDGs within the organisation

DLR has selected four SDGs which we will focus on internally in our organisation.



### Goal 3: Good health and well-being

DLR supports good health and well-being among its employees, among other things by providing good physical working conditions at the office and at home for the employees who would like DLR to make office furniture and equipment available to them at their home address. DLR's employees are covered by medical and dental insurance and by group accident cover. Furthermore, DLR will reimburse employees who opt to receive an influenza vaccine.

#### UN SDG 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

### Goal 5: Gender Equality

DLR supports gender equality both when recruiting and when developing the organisation. The Board of Directors has issued a policy for increasing the share of the under-represented gender both at executive level and at other levels of management.

#### UN SDG 5.5

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

### Goal 8: Decent Work and Economic Growth

DLR's employees are covered by the standard collective agreement for the Danish financial sector, which deals with working hours, remuneration, pension contributions and various aspects of social welfare, including maternity/paternity leave, sick leave and leave to care for seriously ill children and other close relatives. The agreement also sets a minimum wage. Each year, DLR prepares gender-segregated wage statistics in areas which employ at least ten employees of each sex with the same work function. The equal pay statistics are reported to the Joint Consultation and Health and Safety Committee.

**UN SDG 8.5**

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

**UN SDG 8.8**

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

**Goal 12: Responsible Consumption and Production**

DLR is focused on reducing its own carbon footprint by regularly making adjustments to working processes, choice of partners, purchasing, waste sorting, in the canteen, etc.

**UN SDG 12.3**

By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

**UN SDG 12.5**

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

**5.8 Climate and environment at DLR**

As a business, we affect the world around us by the choices we make every day and the way in which we have designed our workplace and business. It is our goal to reduce DLR's negative footprint on e.g. the climate and the environment, and we do this by continually making small and large adjustments to work processes, selection of business partners, procurement, etc. We collect detailed data that will enable us to work with specific targets for the individual focus areas. We also launch initiatives to reduce DLR's climate and environmental impact, as described below.

**5.9 Energy consumption**

One of the key areas to reducing our carbon emission is the energy consumption of DLR's buildings. In recent years, we have made a range of energy-saving initiatives. Among other things, we are in the process of converting to LED lighting and have reduced electricity consumption per employee in recent years.

DLR uses district heating, which is based mainly on surplus heat from electricity production and exploitation of heat from waste incineration. 2020 was a milestone for DLR in terms of reducing our carbon footprint. We changed our procurement policy for electricity so that we only purchase green and renewable energy.

### **5.10 Water consumption**

As DLR is a mortgage credit institution, our water consumption derives exclusively from the day-to-day operations of the business and therefore has only a small environmental impact. However, as water is a finite resource, our focus will be on monitoring data on DLR's total water consumption throughout the organisation, enabling us to define targets and initiatives for specific water-saving solutions in our buildings.

### **5.11 Consumption and recycling**

At DLR, we make a committed effort to reduce our consumption and the volume of waste. Our focus on these areas include the following initiatives:

- Our discarded IT equipment is sold to a business which wipes all the data and passes it on for reuse. If it is not possible to reuse the equipment, it will be reprocessed and recycled into new materials to mitigate the environmental impact.
- Waste is sorted in all offices, in print rooms and in the canteen. Paper and cardboard are collected for recycling, used plastic folders and pockets are collected as soft plastic, and waste from cooking in the kitchen is collected as biowaste.
- We have reduced the use of disposable crockery and cutlery and instead use reusable cups, water bottles, etc.
- We continue to digitise work processes and have substantially reduced DLR's paper consumption, for example by reducing the volume of physical loan applications and letters by promoting a responsible printing culture with respect to e.g. material for meetings that may be accessed electronically.

### **5.12 Transport**

Traditionally, transport is an activity that has a negative impact on our climate. Consequently, DLR has taken a number of steps to minimise its environmental impact from transport:

- We make bicycles available to our employees to minimise the use of taxi services for meetings.
- DLR has made an agreement with the mobile bicycle repair workshop Ren Cykel, which at regular intervals stop by DLR's offices, offering cleaning, repairs and adjustments of our employees' bicycles.
- DLR offers its employees a business travel card as part of a gross salary scheme.
- DLR has established a charging point for electric cars at DLR's parking facilities which our employees may use.
- New company cars must meet a number of requirements with respect to energy-labelling/energy class.

## 6. Corporate governance

DLR's business model is established on long-standing relationships based on trust with our shareholder banks, bond investors and mortgage customers.

We understand the entire value chain from customer deliberations until the loan has been distributed, and we constantly endeavour to ensure that our business partners experience DLR as a decent, trustworthy and attractive partner. We undertake to create value for our customers and commit ourselves to helping resolve their challenges. We are there for them, also in times of trouble.

At the same time, we have a natural social responsibility as a mortgage credit institution to run a proper lending business, and we endeavour to be as transparent as possible, enabling our investors and the supervisory authorities to monitor and assess DLR's financial performance and loan portfolio.

### 6.1 Solid capital management structure

We aim to constantly maintain sufficient own funds to ensure that we can withstand significant economic setbacks in the sectors for which DLR provides financing and, thus, a strong foundation for running DLR as a sound mortgage credit institution – even during economic slowdowns.

DLR's own funds are mainly based on equity, and we have additional excess coverage relative to the regulatory capital requirements. DLR has defined 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 strong rating that makes it possible to sell bonds at competitive price levels – even during difficult market conditions.

At least every quarter, DLR's Board of Directors discusses and approves DLR's own funds and solvency need on the basis of a recommendation by the Executive Board, and at least once a year, the Board of Directors determines the risk areas, stress tests and benchmarks that should be taken into consideration.

### 6.2 Mortgage lending with little risk and limited advertising

DLR's product portfolio consists exclusively of long-term mortgage financing in the form of loans secured against real property for terms of up to 30 years. DLR offers no high-risk financial investment products. We have a fair advertising procedure and only advertise loan products to a limited extent and then only targeted at professional market players, such as business and agricultural customers – not retail customers. This helps minimise the risk that loans are raised for gambling or similar activities that could cause people to end up in endless debt.

We will always market ourselves in accordance with our core values and refrain from financing purposes other than sensible and financially sustainable long-term investments in society for our customers.

### **6.3 Imparting financial education and training**

DLR contributes to enhancing general financial understanding and imparting financial education via, for instance, Finance Denmark, of which DLR is a member, and which improves financial literacy among children and young adults.

DLR arranges training days for new advisers and customer employees at our loan-distributing banks and education through online channels available through the Education Centre of the Danish Financial Sector. DLR's training is focused on mortgage products, credit policy, LTV rules, the collaboration process and use of the DLRxperten platform in the daily interaction with DLR.

In addition, DLR plans and arranges DLR webinars on e.g. customer ESG matters, product launches of green loans and new functions in DLRxperten to prepare its partners for engaging with business and agricultural customers and providing advice.

DLR's website provides detailed reading materials and information for customers about mortgage loans, general loan terms and DLR's various loan types. Here, customers can calculate and get an overview of costs of raising a mortgage loan.

### **6.4 Combating financial crime and terrorist financing**

A key part of DLR's social responsibility is to make our organisation equipped to actively prevent money laundering, terrorist financing, corruption and tax evasion. Money laundering and other types of financial crime are particularly harmful to society, both in Denmark and abroad, and it is essential that DLR, as a financial enterprise, takes action to prevent DLR from being misused for financial crimes. One of the ways we do this is by employing DLR's Anti-Money Laundering and Counter-Terrorist Financing Policy, which describes how we specifically prevent financial crime.

Our anti-money laundering initiatives involve a risk assessment that is based on DLR's business model and determines the risk that DLR or its customers are used for money-laundering or terrorist-financing purposes. The risk assessment also provides a background for our prioritisation and preparation of relevant policies, systems and business procedures, and we strive continuously to strengthen our fight against financial crime so that our efforts reflect the risk associated with DLR's business activities.

As a mortgage credit institution, unlike a bank, DLR has no customer accounts that may be used for incoming and outgoing payments. We pay the proceeds of mortgage loans to customers, who repay the loans over a number of years. DLR monitors the loan to check whether something unusual happens in connection with the repayment, and it is DLR's duty – based on its knowledge of its customers – to identify and report any suspicious behaviour to the Money Laundering Secretariat, which forms part of the Special Crime Unit(NSK).

An essential element in the fight against financial crime is to ensure that DLR's employees are familiar with the rules and honour their obligation of remaining alert, as prescribed by the rules. With this in mind, DLR provides ongoing training for DLR employees who have customer contact or process data about customers in connection with DLR's lending activity, and we also provide video training material for all employees on our intranet.



### **6.5 Anti-corruption**

As part of its efforts to combat financial crime, DLR's Board of Directors has adopted an anti-bribery and anti-corruption policy, the aim of which is to minimise the risk that employees are exposed to or become involved in corruption as a consequence of being employed by a financial enterprise. Corruption may entail bribery, fraud, embezzlement and blackmail, but it may also involve services other than money transactions to gain benefits such as positive discrimination and shorter processing times.<sup>4</sup>

DLR denounces all forms of corruption and unfair business practices, and to minimise this risk, DLR has laid down a remuneration policy to ensure that no employees – neither managers nor staff – have financial incentive structures attached to their salaries in the form of variable remuneration components that depend on sales or growth targets or the like.

### **6.6 Whistleblowing protection**

The employees are often the first to detect any irregularities that may occur. DLR's whistleblowing protection scheme is therefore an important tool for combating financial crime. The scheme allows employees to report their suspicion of non-compliance with financial regulation, other serious offences or other serious matters on an external portal. This ensures anonymity for the employee, and the report is investigated carefully.

DLR places great emphasis on doing business in a proper and decent manner which inspires confidence, and therefore, the whistleblowing scheme should not in any way deter employees from reporting any suspicions of non-compliance with financial regulation directly to their superior or DLR's management team.

### **6.7 Data ethics and responsible processing of personal data**

At DLR, we constantly ensure that we process customers' and employees' personal data in accordance with the EU's General Data Protection Regulation (GDPR).

DLR's Data ethics policy outlines the overall framework and principles that determine how DLR gathers, processes and stores personal data, so the individuals registered may rest assured of a high level of protection at all times. Moreover, we continuously review and adjust both IT and physical processes to ensure compliance with good data processing practices.

Employees with access to personal data have signed a non-disclosure agreement and a confidentiality clause, and they receive comprehensive training in appropriate protection and responsible processing of personal data. DLR has nominated a Data Protection Officer (DPO). All employees are aware of who the DPO is and they are under an obligation to notify the DPO, if they experience or suspect a data security breach at DLR.

DLR has opted to supplement the mandatory GDPR policy with various data ethics protocols that are more far-reaching than legislative compliance and which are to ensure that when using technology, DLR always seeks to protect the privacy and fundamental civil rights of customers and employees. This means among other things

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<sup>4</sup>The international organisation Transparency International defines corruption as "the abuse of entrusted power for private gain".

that algorithms, machine learning and artificial intelligence will only be used to improve, and not impair, the position of our customers.

## **6.8 Complaints**

DLR constantly strives to create value for and be a trustworthy business partner to its business and agricultural customers. However, customers are free to lodge a complaint with DLR, if they are not satisfied with our loan application process. At dlr.dk, we provide guidance on how to lodge a complaint, and we have a clear process for handling complaints. All complaints are processed by DLR's complaints officer, and DLR's Executive Board also reviews all complaints on the credit institution's loan application process. Furthermore, an overview of complaints is 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.

*This "Sustainability Policy " was approved at DLR Kredit A/S' board meeting held on 9 February 2024.*