

October 2024

Sustainability and Corporate Social Responsibility Policy

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1. Sustainability and corporate social responsibility at DLR Kredit

DLR is a major lender for agricultural and urban commercial customers of local and national banks across Denmark and in Greenland and the Faroe Islands. Therefore it is only natural for DLR to play an active part in financing the all-important sustainable transition of our joint customers. We consider it a part of our social responsibility that we work with our loan-mediating banks to encourage customers to move in a sustainable direction. At the same time, DLR aims to operate a business that is responsible in every way, and we endeavour to leave as few negative footprints as possible – both in our business activities and in the running of our business.

1.1 Strategic approach with due consideration to key stakeholders

Being a systemically important financial institution (SIFI) in Denmark, DLR is 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-mediating banks, authorities and employees.

DLR's strategic approach to sustainability and social responsibility is defined by our stakeholders' preferences, priorities, expectations and requirements with respect to sustainability. This is reflected in our ongoing focus areas and specific sustainability initiatives, which are defined by a desire to make a positive impact, while continuously aligning with the perspectives of our stakeholders.

In our approach to sustainability, we thus take account of our shareholder banks' differing ESG policies, our borrowers' possibilities to transition and investors' wishes to reduce the CO₂ emissions which are indirectly financed by DLR's bonds. Another part of DLR's corporate social responsibility, and an important element of its risk management approach, is helping manage sustainability risks through measures, such as collecting ESG data by asking customers ESG-related questions that motivate them to be more sustainable. As a responsible employer, we also have a responsibility for creating an environment where employees thrive, develop and feel included, respected and valued.

DLR is a signatory to the UN Principles for Responsible Banking. Thus, we are committed to promoting sustainability and continuously increasing our positive impact while reducing the negative impact of our business activities through impact analyses.

DLR also contributes to achieving the following UN Sustainable Development Goals: Zero Hunger, Affordable and Clean Energy, Sustainable Cities and Communities, Climate Action and Life on Land.

2. Active lender

In collaboration with the loan-mediating banks, DLR offers financing for the green transition to the Danish agricultural sector and commercial properties throughout Denmark and in Greenland and the Faroe Islands.

We finance profitable investments by creditworthy borrowers and are an active lender that works together with the loan-mediating banks to encourage borrowers to move in a more sustainable direction. Our approach as a lender is that the sustainable transition must, above all, make commercial sense for borrowers in terms of both risks and opportunities. Thus, it is more important for us to contribute to promoting sustainability initiatives for our borrowers than to exclude those who have yet to start transitioning to sustainable operations or investing in relevant energy-efficiency initiatives in buildings.

It is paramount for DLR to document developments in borrowers' sustainability footprints over time. Among other things, we do so by collecting information about customer ESG matters, which we include in the valuation of properties and in our credit process. We do not at the current stage impose sustainability requirements on borrowers beyond the requirements set out in legislation.

2.1 Green mortgage loans and bonds

With its lending policy, DLR generally promotes sustainable developments throughout the country. The great majority of the green assets financed by DLR are financed with conventional loans, either because the loans have been disbursed before DLR started to offer financing in green bonds, or because customers have opted for a loan type which DLR does not offer to fund using green bonds, for example because of the liquidity in the bonds.

Furthermore, we follow the recommendations of Finance Denmark on how the financial sector could accelerate the sustainable transition of the economy. One of the recommendations is "More sustainable products on the shelves", which encourages the sector to offer loan and investment products for green and sustainable activities. DLR therefore offers green loans targeting three focus areas: the agricultural sector, energy efficiency in commercial properties and renewable energy. These are three areas which offer a huge climate potential and they face ambitious goals in the coming years.

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

The 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 for sustainable activities, and the special criteria for green loans are specified e.g. in the description of DLR's loan types: <https://dlr.dk/laan-hos-os/laantyper/>.

2.2 Financing for customers all across Denmark

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 also in villages and rural areas.

DLR's borrowers are primarily 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 businesses¹. These businesses are also key players in the sustainable transition, where even small measures in the individual business combine to make a huge impact, for instance with respect to reducing CO₂ emissions.

2.3 A helping hand to new generations

We are working to secure 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 the new generation can establish themselves as independent farmers. High requirements for own funds 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 more beneficial financing terms.

2.4 Action plan for reducing financed CO₂e emissions

On the basis of recommendations from Finance Denmark on how the financial sector could contribute to the sustainable transition, DLR publishes an annual action plan for reducing its financed CO₂e footprint. In the action plan, we communicate specific targets and future initiatives to achieve the defined goals.

DLR's current calculations of financed CO₂e emissions are based on Finance Denmark's CO₂e model. As is also the case with other banks, DLR's data are not yet good enough to measure CO₂e reductions at the level of the individual farm/property. DLR has been developing and improving the underlying data, also for individual farms and properties, and participates in sector partnerships.

2.5 Monitoring of risks associated with borrower's ESG matters

In accordance with current legislation, ESG risks form part of DLR's 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.

In our management of ESG risks we focus 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

¹ Source: Statistics Denmark, 2022

in DLR's risk overview. Movements in credit risk relative to the chosen risk tolerance are monitored in the risk database and risk overview.

2.6 Collaboration with the loan-mediating banks

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 its loan-mediating banks, 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. Knowledge and dialogue

It is important for DLR to contribute with knowledge where it can make a difference. At the same time, we wish to engage in dialogue about the sustainable transition across stakeholders and societal actors, so that we view things from multiple perspectives and continuously expand our understanding.

3.1 Sector collaboration etc.

DLR is a member of Finance Denmark (*Finans Danmark*) and the Association of Mortgage Banks (*Realkreditrådet*) and takes an active part in a number of committees under Finance Denmark. DLR also participates in various working groups and sector collaborations focusing on sustainability, ESG risks, carbon footprint standards and development and improvement of ESG data. DLR also collaborates with CONCITO, Denmark's green think tank, and is a part of the biodiversity partnership at the think tank Frej.

3.2 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. When interacting with investors, we are always open to feedback, which we can use in our sustainability efforts, and we listen to the expectations and requirements placed upon us as a bond issuer. We also work to promote understanding of the climate work being done in agriculture, the need for food, and the fact that financing food production will always result in some CO_{2e} emissions. We think it more relevant to look at developments in the overall portfolio's sustainability and realistic reductions, than to look at the actual climate footprint of the individual farm, given the uncertainty around measurements of the climate impact of biological processes.

3.3 Loan-mediating banks

In addition to the day-to-day interaction with the loan-mediating banks, DLR contributes by offering education to the banks, which talk with customers about ESG matters. We are keen to share our knowledge with the banks so

that our work creates value for everyone, including knowledge about legislation, regulation, sector standards and overall risk analyses. We also make a wide range of ESG data available to the individual bank for use in areas such as risk management, customer relations and the like.

As an active lender, DLR regularly holds individual and joint meetings on sustainability with the banks to discuss how we can join forces to help customers move in a more sustainable direction. The continuous feedback from the collaborating banks is a prerequisite for us to move in the right direction and at the right pace, so that we can support the banks and help the customers in the best possible way on their sustainability journey.

4. Responsible business operations

DLR's business model is established on long-standing relationships based on trust with our shareholder banks, bond investors and mortgage customers. We therefore see it as part of our corporate social responsibility to be as transparent as possible externally, while ensuring that the organisation is internally equipped to actively safeguard the confidential handling of personal data and prevent the misuse of DLR for financial crime, including money laundering, financing of terrorism, corruption, and tax evasion.

4.1 Responsible employer

DLR is committed to being an attractive workplace, both with a view to retaining employees and attracting new staff. We comply with legislation and collective agreements in force from time to time, and we take various measures to improve our employees' job satisfaction and well-being. 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.

We do not tolerate any form of abusive behaviour, neither bullying, violence, sexual harassment nor discrimination on account of gender, age, disability, ethnicity, cultural background, religion, sexual orientation, political views, etc. DLR has established a whistleblower scheme that allows for the reporting of abusive behaviour on an anonymous basis.

5. Sustainability governance

The Board of Directors outlines the strategic direction for DLR's sustainability initiatives and discusses DLR's overall sustainability and corporate social responsibility approach at board meetings and board seminars.

The Sustainability and Corporate Social Responsibility Policy provides the framework for DLR's initiatives in the area. The overall responsibility for sustainability and social responsibility initiatives lies with the Board of Directors of DLR. The Executive Board has set up a Sustainability Committee to ensure focus on the area. The Sustainability Committee consists of representatives from relevant areas of the business, including the Executive Board.

On the basis of the policy, the Sustainability Committee will work to ensure integration and progress in DLR's sustainability efforts. The committee monitors regulatory and market requirements relevant to DLR and ensuring compliance with applicable rules and regulations and the recommendations and market standards the sector has agreed on under the auspices of Finance Denmark etc. The committee regularly reviews new business opportunities, product offerings and value creation for the collaborating banks.

It is also responsible for updating policies in relation to specific sustainability initiatives to be submitted to and approved by the Board of Directors. These include the credit policy, the human resources policies and the procurement policy.

The Executive Board and the other internal committees at DLR (Credit Risk Committee, Liquidity and Market Risk Committee, IOC Risk Committee, Data Committee and IT Committee) are also informed about work in DLR's sustainability committee. The Board of Directors is updated on selected matters and progress at board meetings and is responsible for approving DLR's Sustainability and Corporate Social Responsibility Policy.

6. Policies

Several of our sustainability and social responsibility focus areas are also described in separate policies, and some of the areas are reported on annually in various documents available on our website.

	Policy	Reporting
Active lender	Credit policy	Risk and Capital Management Report Risk report in the lending area
	Policy for managing the risk of excessive leverage	ICAAP
Transparent corporate governance	IT security policy	Risk and Capital Management Report
	Remuneration policy	Annual Report

Policy	Reporting
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
Human rights policy	Sustainability Report
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

This "Sustainability and Corporate Social Responsibility Policy" was approved at DLR Kredit A/S' board meeting held on 31 October 2024. The policy will be presented to the Board of Directors for approval again no later than 12 months from now.