



# EKF CSR Report 2019

---

# CSR Report 2019

---

CEO Statement	3
About this report	5
Who is EKF?	6
EKF and CSR	8
Engaging in responsible business conduct	10
Ensuring responsible transactions	14
EKF's environmental and social due diligence	20
Responsible transactions 2019	23
Responsible workplace	31
Consolidated ESG statement for 2019	34
Focus areas in 2020	36
Reporting practices	37
Stakeholder information	40
The Independent Auditor's Report regarding CO2 data	41



CEO statement

# CSR creates value for companies, people and the environment

---

*At the end of 2019, we said goodbye to a decade in which EKF was in great demand, alongside a drastically increasing focus on sustainability and the environment. At EKF we are pleased about this, because we have a clear aim to create measurable results for Danish companies, the Danish treasury and the environment.*

Growth and jobs have always been a key part of EKF's mission. In 2019, we helped to facilitate contracts for Danish exporters totalling DKK 15 billion, with the increased activity within the companies securing over 7,000 jobs in Denmark. Via Danish exporters, we contributed DKK 6.4 billion to Danish GDP, and the companies created DKK 2.2 billion in tax revenues. Overall this resulted in a profit of DKK 742 million to EKF.

We regard these results as proof that export credit is a solid instrument for building sustainable growth. While delivering results for both companies and the Danish treasury, we also helped to finance green projects that are expected to reduce CO<sub>2</sub> by 75 million tonnes during their useful life. This demonstrates that rational financial management, growth and an unstinting commitment to economic impact, environmental awareness and sustainability are well aligned.

We will need this going forward. Denmark aims to reduce CO<sub>2</sub> emissions by 70 per cent by 2030. Under the European Green Deal, in 2050 Europe will become the first climate-neutral continent, and under the 2015 Paris Agreement, the world pledged to keep global temperature rises below two degrees. At the same time, the COVID-19 has caused extensive uncertainty about the global economy. There are no easy solutions.

## **The green energy transition must point the way**

In December 2019, the Danish Parliament resolved to make an additional appropriation to EKF in the 2020 National Budget of DKK 14 billion to promote exports of Danish climate

technology. EKF will thus manage over half of the DKK 25 billion in Denmark's newly created Green Future Fund, and will continue to play a key role in the export of Danish climate solutions to the rest of the world.

EKF was instrumental in establishing the Danish wind industry's position of strength in the North Sea, and has recently helped to unlock the new offshore wind market in Taiwan. However Danish companies also have strong expertise in areas such as biogas, storage and efficient use of energy – areas that also have a positive impact on the environment. Developing new solutions is a key element of the green transition, and the huge number of innovative companies that EKF currently deals with make it clear that there are more new wind adventures and new technologies to come. It is crucial that Danish companies play a role.

Harnessing the potential for creating a positive environmental impact in the Green Future Fund is closely integrated with our aim of safeguarding both people and the environment in our transactions. Our work on operationalising the Green Future Fund will be a key focus area for EKF in 2020, and we look forward to continuing this journey.

## Ensuring Responsible Transactions

Our approach is based on a rigorous due diligence process in which we engage early on with our customers to identify, mitigate and manage environmental and social concerns in export transactions. The aim is not only to reduce the risks involved but also to maximise the potential value for people and the environment. Our CSR commitment does not end when a guarantee is issued for a given export transaction. Once the guarantee is issued, we devote a substantial amount of our internal CSR resources to monitoring the transaction. We closely follow the implementation of actions that have been identified together with the customer to mitigate environmental and social risks and impacts and use our leverage and engagement to foster positive change.

EKF works in accordance with international standards for export credit agencies, meaning that our transactions are benchmarked and monitored in accordance with the IFC Performance Standards on Environmental and Social Sustainability. We are also a signatory to both the Equator Principles and the UN Global Compact and continue to incorporate the Ten Principles of the UN Global Compact into the way we do business. At EKF we work continuously to improve our CSR approaches and procedures in line with the standards that we apply and in the changing contexts in which we operate. Ensuring proper environmental and social risk management allows us to engage in markets with high risks together with our customers, but these contexts also require us to work continuously on defining and realising our sustainability standards.

## The 2019 CSR Report

The CSR Report presents our alignment with international standards and principles and the integration of those into our business. It also serves as our annual Communication on Progress Report to the UN Global Compact. With this report we reaffirm our commitment to the UN Global Compact and its principles. We also confirm our ongoing commitment to stakeholders to be transparent and open about the way we continuously improve the integration of social and environmental standards and principles into our business.

**Kirstine Damkjær**



CEO of EKF



# About this report

---

*This report is our Communication on Progress to the UN Global Compact and presents EKF's work to promote the environmental and social sustainability of our transactions during 2019.*



## **CSR Report 2019**

The EKF CSR Report 2019 describes the non-financial performance of EKF, Denmark's Export Credit Agency, and is also our 10<sup>th</sup> Communication on Progress to the United Nations Global Compact. The reporting period is 1 January 2019 to 31 December 2019.



# Who is EKF?

---

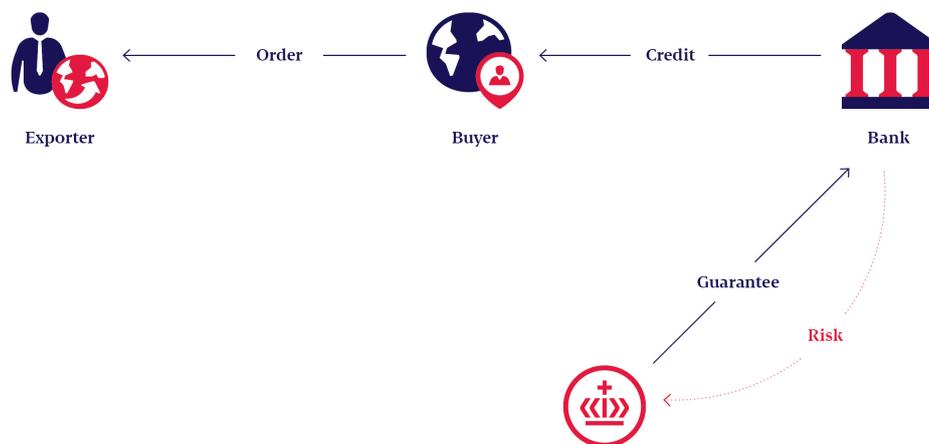
*EKF is Denmark's Export Credit Agency. We help Danish companies with their exports, investments and internationalization strategies by making it possible and attractive for customers abroad to purchase Danish products from Danish companies.*

We do so by providing financing and by insuring companies and banks against the potential financial and political risks. When we provide risk insurance to our clients, we do a thorough review of all project-related risk – including risks related to the environmental and social aspects of the transaction. We assist both large and small companies across different sectors and all over the world.

EKF offers different products to support Danish export abroad, and we are active all over the world. Our product portfolio evolves continuously and includes a wide range of funding solutions. Through our 98 years of operation, we have acquired unique expertise in financing trade and projects around the globe.

In 2019 EKF contributed to securing financing to Danish exporters worth DKK 15 billion.

## Process for a standard Export Credit



# EKF's value to Denmark

**GDP  
contribution**

DKK  
**6.4**  
billion



**Distribution  
to the  
Danish state**

DKK  
**640**  
million



**Export contracts  
worth DKK**

**15**  
billion



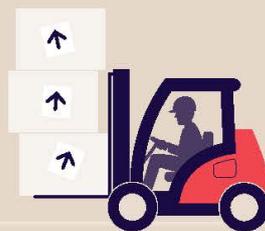
**Number of jobs  
created  
or retained**

**7,200**



**Tax revenue**

DKK  
**2.2**  
billion



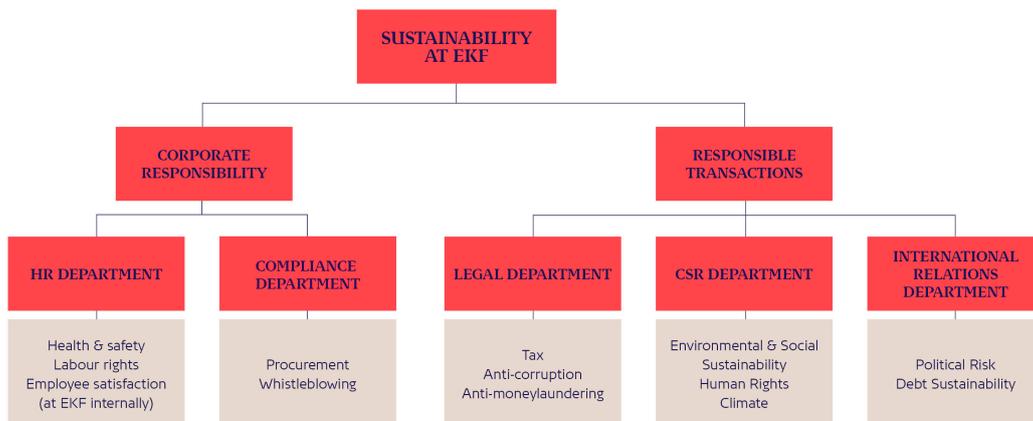


# EKF and CSR

*CSR and EKF's CSR department is a vital part of EKF's organisation and transactions.*

Understanding the risk of our transactions is a core element to the way we do business at EKF and fundamentally shapes the way that we are organised. We therefore analyse the financial risk of potential transactions, political risk and debt sustainability of buyer countries, the business integrity risk as well as the CSR/environmental and social (E&S) risks entailed. The latter is undertaken by the CSR department, which is a vital cog in the machinery of EKF. The CSR Department works with other departments to ensure that all sustainability aspects are considered and factored into transactions. The second pillar of CSR is EKF's own approach to incorporating E&S responsibility, which is primarily led by the HR Department and the Compliance Department. All these activities are underpinned by our CSR Policy.

## Organisation of sustainability at EKF



Each year, we prepare a Communication on Progress (COP) Report within the framework of the United Nations Global Compact, which tracks our performance and developments within CSR. This report covers both our work with (i) environmental and social risk management and sustainability in our transactions and (ii) our corporate responsibility, with regard to our employees and resource consumption.

The report presents key indicators for our CSR work in 2019, for our transactions and internally at EKF.

## **EKF Impact**

As an export credit agency, our impacts materialise in Denmark, in the buyer country and on a global scale. When EKF mobilises finance through either direct loans or guarantees for Danish exports and investments abroad, we support the creation of growth and jobs in Denmark through increased productivity of the Danish exporter. In the buyer country, we furthermore support economic growth and often contribute to investments in new or upgraded infrastructure such as a railway or a wind farm.

On a global scale, investments and business operations can have either negative or positive impacts, such as impact climate through the reduction of greenhouse gas (GHG) emissions.

In the buyer country, our engagement in a project has the potential to result in both negative and positive impacts on local people and on the environment. Our environmental and social due diligence therefore seeks to give us the best information possible on which to base our decision of what management measures the project needs to put in place to mitigate any negative impacts and leverage the positive impacts for us to engage – in short this is what we do when we ensure responsible transactions.

## **Current status**

Through our current business conduct, we promote sustainable finance through two main sets of “actions”:

### **Through our strategic engagement in sustainable business conduct:**

- › EKF is Denmark’s export credit agency. This means that we support export transactions for Danish companies by reducing risks and facilitating access to financial solutions. Through such transactions, EKF supports economic growth both in Denmark and abroad.

As Denmark’s export credit agency, we also participate in partnerships and international cooperation to promote sustainable business practices. This includes supporting Danish climate technology and promoting fair and equal conditions in world trade.

### **By ensuring that our transactions are responsible:**

- › We recognise our responsibilities as an export credit agency and are committed to ensuring that the transactions we support are responsible. Our transactions are carried out in accordance with international standards for environmental and social sustainability as well as official recommendations for debt sustainability in buyer countries. In practice, this means that while EKF does not have direct influence over the scope and content of a transaction, EKF seeks to ensure that the design, construction, operation and decommissioning of the transactions is carried out in line with international environmental and social sustainability standards including human rights<sup>1</sup>, and that the project in itself does not cause harm.

---

1. As defined in the Universal Declaration of Human Rights (UDHR) consisting of the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).



# Engaging in responsible and climate friendly business conduct

---

*EKF strives to be one of the most climate friendly export credit agencies in the world.*

EKF's engagement in sustainable business conduct stems from EKF's objectives to increase Danish exports and consequently to promote economic growth and job creation. The increased activity among Danish companies also strengthens Denmark's GDP.

A substantial number of Danish exporters are taking active steps towards the energy transition and EKF strongly supports their mission. With the issuance of guarantees worth DKK 17.8 billion in 2019 – about 86% went to wind projects – EKF is probably one of the most climate-friendly export credit agencies in the world.

Apart from clean energy, EKF's business contribution to other climate actions in 2019 involved:

- › Proposing and achieving agreement in the OECD on strengthening transparency and accountability regarding accountability for the climate impact of export credits. Work in the OECD is to be carried out in 2020.
- › EKF's renewed commitment to the Equator Principles IV, which recognises the role of EP Financing Institutions towards the 2015 Paris Agreement and integrates climate change assessment under the Equator Principles. The EP4 will be applicable from October 2020.
- › Issuance by EKF of the largest number of guarantees under the OECD Climate Sector Understanding<sup>2</sup>. Going forward, EKF has developed a carbon reduction accounting tool for renewable energy. The accounting tool provides a forecast for the reduction contribution of renewable energy projects.
- › Maintaining and strengthening our position as a leading ECA within clean energy, thus supporting the reduction of greenhouse gas (GHG) emissions.

---

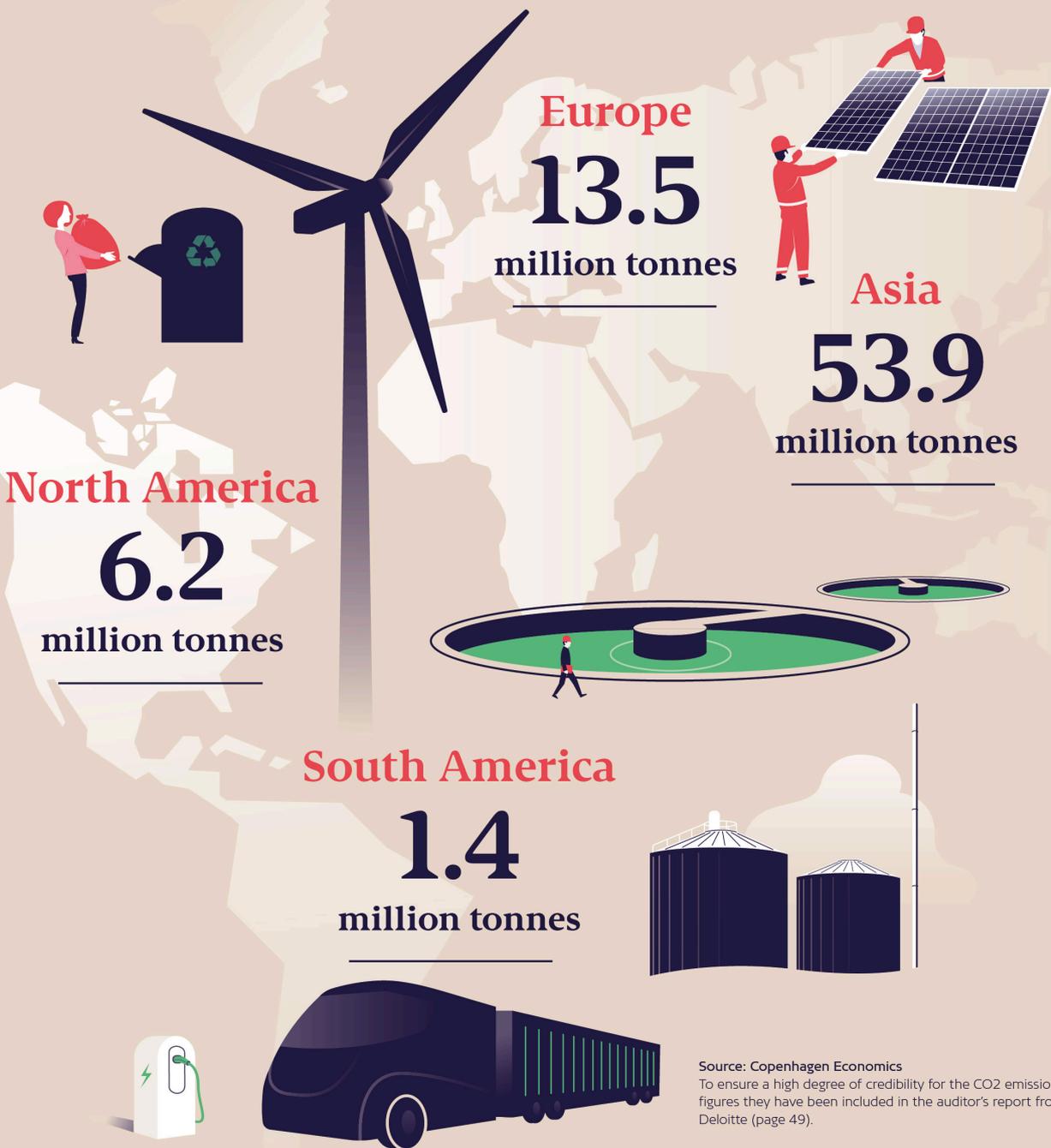
2. OECD Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects and OECD Sector Understanding on Coal Fired Electricity Generation Projects: [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/pg\(2020\)1%E2%80%8B](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/pg(2020)1%E2%80%8B)

# EKF's renewable energy projects reduce CO<sub>2</sub>

New guarantees from 2019 are expected to result in a reduction of

## 75 million tonnes

- approx. 1.5 times Denmark's annual CO<sub>2</sub> emissions\*



Source: Copenhagen Economics  
To ensure a high degree of credibility for the CO<sub>2</sub> emissions figures they have been included in the auditor's report from Deloitte (page 49).

\*During the useful life of green projects EKF helped to finance.

## **Strengthen the means of implementation and revitalize the global partnership for sustainable development**

Together with other dedicated export credit experts we develop new ideas and better practices for international financing and provide inspiration and innovation on a European, OECD- and global level.

In addition, we work closely with the Danish Ministries, business organisations, civil society and other stakeholders.

EKF works to ensure fair and equal trade conditions for exporters globally, especially through the OECD Arrangement on Officially Supported Export Credits. We are active contributors to the work on modernising the OECD Arrangement to make it fit for the rise of global supply chains and the increasing importance of non-OECD providers of official finance for trade and investments. Moreover, we help to ensure that new and innovative official financing instruments are included in the scope of the agreement to avoid trade distortion and a race to the bottom in the provision of official finance.

Our goal is to ensure the orderly and responsible use of official finance and to make sure that competition is based on the price and quality of exports and not on state budgets.

### **We participate in discussion in the following international organisations and associations:**

- › European Union: The European political and economic cooperation
- › The Organisation for Economic Co-operation and Development (OECD): international organisation developing economic and social standards and policies
- › The Paris Club: international association working with debtor countries
- › International Working Group: working for global export credit rules
- › The Berne Union: EKF is a member of the global association for the export credit and investment insurance industry

### **EKF and partnerships for environmental and social sustainability**

Environmental and social sustainability is a core parameter when EKF supports Danish export projects. EKF therefore also participates in international organisations and partnerships to ensure a level playing field for environmental and social sustainability including human rights in export credit finance projects. In 2019, we participated in the following partnerships, among others:

- › OECD E&S Practitioners: This group is mandated by the OECD Export Credit Group (ECG) to undertake technical work and inform the ECG discussions on potential environmental and social impacts of projects. The group meets regularly to share experience and discuss the practical implementation of the OECD's "Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence" This includes how to identify, assess and address the potential environmental, social and human rights impacts and risks.
- › The Danish 92 Group, a coalition of 23 NGOs, is an important stakeholder for EKF's responsibility activities and positions in international negotiations on export credits, sustainability, climate, environment, and social due diligence. EKF engages with the

Danish 92 Group on a regular basis to exchange experiences and we also consult with them when preparing Danish positions and mandates for international negotiations.

- › IFC Community of Learning: EKF participates and engages in IFC's Community of Learning knowledge-sharing events for financial institutions. Participation in IFC's Community of Learning allows EKF to draw on IFC expertise in applying IFC's Environmental and Social Performance Standards as well as benefit from knowledge sharing within a wide network of practitioners.
- › The Equator Principles (EPs) is a voluntary risk management framework, adopted by financial institutions, for determining, assessing and managing environmental, social and human rights risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

As the only Danish member of the Equator Principles Association, EKF has actively contributed to the revisions of the Equator Principles IV in 2019.



# Ensuring responsible transactions

---

*EKF is involved in transactions all over the world. We recognise our responsibilities as an export credit agency and are committed to ensuring that these transactions are carried out responsibly.*

We do so through our due diligence, where we reduce risk by identifying and addressing potential environmental, social and human rights impacts in a given transaction. We benchmark transactions against international standards in our due diligence process with the objective of identifying and mitigating negative environmental, social and human rights impacts. The fact that our transactions are required to align with recognised international standards for economic, environmental and social sustainability and human rights means that we protect people and the environment from needless negative impact.

## **Our CSR Framework: how we ensure responsible transactions**

Our commitment to responsible transactions is laid out in our CSR Policy, which states that we shall create value for our business partners and local communities through our business. As a state-owned enterprise EKF is obliged to work in accordance with the OECD Common Approaches, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN Global Compact.

EKF is also signatory to The Equator Principles, a risk management framework for determining, assessing and managing environmental and social risk in projects. Whenever EKF supports an export credit we expect our business partners to live up to the international standards for environmental and social sustainability.

To ensure responsible transactions, we focus on:

- › Environmental & Social Sustainability
- › Human Rights
- › Anti-corruption and tax
- › Debt sustainability of buyer countries

## EKF works in accordance with the following international E&S standards:

- › OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence
- › OECD Guidelines for Multinational Enterprises
- › The Equator Principles
- › UN Guiding Principles for Business and Human Rights
- › UN Global Compact Ten Principles
- › OECD Recommendation on Sustainable Lending Practices and Officially Supported Exports Credits

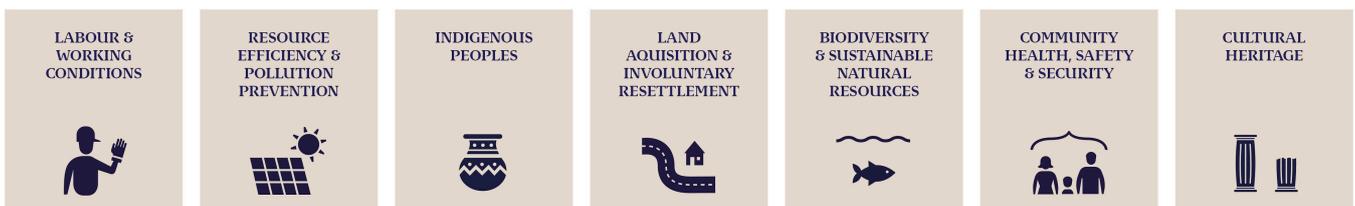
### Environmental and social sustainability

At EKF, environmental, social and human rights risks are evaluated in concurrence with financial risks. In accordance with the OECD Common Approaches for Export Credits, our work is based on environmental and social due diligence. Throughout our due diligence process, we apply the IFC Performance Standards as our benchmark for managing environmental and social risks in the individual transactions. We work closely with the project/sponsor, the contractor and/or the Danish exporter and aim to mitigate risks where necessary to be able to enter high-risk markets with our customers.

Our commitment to the OECD Common Approaches and the Equator Principles means that we scope projects and categorize them (see definitions p. 21). Following the categorization, we perform a thorough due diligence process, benchmarking the projects against primarily the IFC performance standards, but also other international standards.

The eight IFC Performance Standards for Social and Environmental Sustainability address the following areas:

## ENVIRONMENTAL & SOCIAL RISK MANAGEMENT



The keen focus on management structures and systems ensures that identified social and environmental risks are handled properly. We believe that this is value-adding for the Danish exporter and the sponsor, as proper management is conducive to a more efficient and successful export transaction and reduces potential delays and challenges in the long run.

Animal welfare is not covered in detail by the Performance Standards and EKF therefore assesses animal welfare in relevant transactions in accordance with Danish and EU legislation and best practices.

Climate change is addressed at different levels across the standards we follow, by the IFC Performance Standards, the OECD, as well as the Equator Principles. However, there is no

specific performance standard addressing climate change risks. The OECD Common Approaches require that projects emitting in excess of 25,000 tonnes CO<sub>2</sub>-equivalent annually shall report on their emissions and set targets for mitigation. EKF monitors performance in attaining the targets. The Equator Principles equally require climate change adaptation of projects. The latest revision of the Principles that will take effect in 2020 includes a Climate Change Risk Assessment of projects aligned with the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). A Climate Change Risk Assessment will be required:

- › For projects with potential adverse impact on environment and people and will include consideration of relevant physical risks as defined by the TCFD.
- › For all projects, in all locations, when combined Scope 1 and Scope 2 greenhouse gas (GHG) emissions are expected to be more than 100,000 tons of CO<sub>2</sub>-equivalent annually. Consideration must be given to relevant Climate Transition Risks (as defined by the TCFD) and an alternatives analysis completed which evaluates lower greenhouse gas intensive alternatives.

EKF has been an active partner in the review of the EP4 and has pushed for inclusion of the amendments that relate to climate change, human rights, indigenous peoples and new requirements of projects in designated countries.

## **Human rights**

Human rights considerations cut across the above focus areas. Our business builds on the OECD Guidelines for Multinational Enterprises and UN Guiding Principles for Business and Human Rights. This is reflected in our CSR policy.

We assess transactions for potential and actual human rights risks. The IFC Performance Standards is a robust framework and covers most of the human rights; however, in certain high-risk circumstances, it may be appropriate for EKF to complement the environmental and social review with a deep dive human rights due diligence process. For example, in the case of human rights impacts that are particularly grave in nature (e.g. threats to life, child/forced labour and human trafficking), widespread in scope (e.g. large-scale resettlement and working conditions across a sector), cannot be remediated (e.g. torture, loss of health and destruction of indigenous peoples' lands) or are related to the transaction's operating context e.g. conflict and post-conflict situations, systematic human rights abuses, systematic discrimination against particular rights holders, presence of vulnerable groups that are particularly sensitive to project impacts such as informal settlers, migrant workers, displaced people/refugees.

To establish which of the human rights impacts need to be addressed first, we prioritise the impacts based on severity, engage with the rights holders and develop mitigatory actions, which are included in the environmental and social action plan.

Following the assessment, EKF initiates a dialogue about actual and potential human rights with the project sponsor, if relevant, the contractor as well as other lenders' impacts. Lenders and the project agree on the necessary mitigation measures as well as monitoring and reporting requirements. Furthermore, we use our leverage to influence the project in several ways: through contractual conditions, through bilateral engagement, capacity building and through collective engagement with one or more other actors such as other lenders, relevant government institutions and embassies.

EKF's annual report includes a statement of corporate social responsibility including how human rights, social, environmental and climate issues as well as combating corruption are reflected in our business strategy and business activities (Section 99a, Danish Financial Statements Act).

## **Business integrity**

### **Anti-corruption**

In addition to environmental and social due diligence and risk management procedures, EKF performs anti-money laundering (AML) and counter terrorist financing (CTF) assessments of our customers to ensure that EKF is not misused for money laundering or terrorist financing. Prior to entering into an agreement with a direct contractual partner, we conduct Know your Customer check of the company and collect documentation to verify the owner and control. EKF is currently revising its anti-bribery procedures and working on implementing the revised OECD Recommendation on Bribery and Export Credits in its internal procedures measures to deter bribery in export credit transactions.

### **Know your customer-procedures**

EKF is subject to Danish anti-money laundering (AML) and counter-terrorist financing (CTF) rules and carries out extensive know your customers procedures in accordance with the rules. This means that:

- › Prior to entering into an agreement with a customer, an AML/CTF assessment of the company is carried out by EKF. We examine the company's ownership and control structure and identify and verify the identities of the beneficial owners.
- › The assessment is performed based on an overarching risk assessment in which EKF on a yearly basis reviews and assesses its business model for the inherent risk of it being exploited for money laundering and/or terrorist financing.
- › An enhanced customer due diligence process is performed when we consider that there is an increased risk of AML/CTF.
- › The assessment of the customer results in all customers being categorised as either low, medium or high risk.
- › We perform ongoing KYC and AML screening in accordance with the Danish AML regulation. EKF uses a risk assessment system to monitor AML risk continually.
- › In relation to sanctions, we screen all our customers against sanctions lists.

### **Tax transparency/evasion**

EKF assesses tax evasion in connection with its transactions. In 2019, EKF started the implementation of internal guidelines stipulating the systematic screening of major transactions for any relation to countries on EU and OECD lists of "tax havens". In case a major party involved in such a transaction is based in a listed country, an enhanced due diligence process will be conducted to ensure full transparency with applicable tax regulations.

### **Development of OECD guidelines**

The revised OECD Recommendation on Bribery and Officially Supported Export Credits was approved on 13 March 2019 by the OECD Council.

The revised Recommendation seeks to enhance measures to deter bribery in international business transactions benefiting from official export credit support, thereby taking a more stringent stance on the contemporary business environment and the challenges of doing business.

In the four-year process of developing the new guidelines, EKF has contributed to the process and provided input for the guidelines. Overall, our approach and input have been to advocate a more stringent approach to anti-bribery or anti-corruption because the modern business environment has changed a great deal since the original guidelines were published in 2009.

EKF has also initiated the internal process regarding updated internal procedures, guidelines

and declarations to be used in all transactions.

### **Training**

At EKF we put extensive efforts into training to ensure that our business is conducted ethically and responsibly.

In 2019 all employees were trained in our AML procedures including screening for bribery and adherence to GDPR guidelines to ensure compliance with regulatory requirements. All managers, from team leaders to directors, receive specific AML and GDPR training and must refresh their training annually.

### **Risk management and compliance**

EKF works actively on risk management before, during and after the granting of export credits and loans. The organisation is aligned to adhere to the risk management principles and operates in a stringent control environment.

The Board of Directors approves the general rules of a number of policies. Management is responsible for implementing the risk exposure framework in the business and for ongoing risk management. In close cooperation with the Heads of Department, who make up the first line of defence, Management assesses and handles the risks associated with individual business activities. EKF also makes use of cross-organisational risk coordination units. The risk management and compliance functions at EKF serve as a second line of defence, are independent of EKF's three business columns and report directly to EKF's Management .

Operational risk, including compliance risk, is managed across the organisation through internal guidelines and procedures drawn up in order to ensure an efficient control environment at EKF. We seek to minimise operational risks by e.g. separation of duties between performance and control of activities and by an authorisation structure.

Compliance risks are managed by continuous implementation and maintenance of efficient processes to ensure that EKF meets its obligations in accordance with relevant national and international regulations and relevant standards.

EKF's compliance department oversees EKF's compliance with external and internal regulations, while EKF's Head of Compliance is the Data Protection Officer (DPO) for EKF and oversees EKF's information security framework. In 2019 EKF has further optimised its compliance management processes among others through implementation of a GRC platform to support the compliance management activities and the compliance controls.

### **EKF has several guidelines and procedures**

This includes:

- › Processing of personal data
- › KYC and anti-money laundering
- › Anti-corruption and non-bribery
- › Sanctions
- › Procurement
- › Conflict of interest
- › Confidentiality
- › Prevention of market abuse
- › Whistleblowing procedures

### **Whistleblower portal**

EKF has implemented a whistleblower portal for employees that have a serious concern they want to address but are unable to discuss with their manager. We nurture a culture of openness and transparency, where employees are encouraged to address concerns with their manager, but the whistleblower portal serves as a 'vent' in extraordinary cases.

The concerns can be submitted to the hotline anonymously and are handled by an external partner that cannot be influenced by any employee of EKF. The use of an external partner guarantees impartiality and prevents identification of the individual notifying the concern.

### **Sustainable lending**

EKF applies the OECD Recommendation on Sustainable Lending Practices and Officially Supported Export Credits which seeks to mobilise the financing of development needs of lower income countries while at the same time ensuring that those countries do not amass excessive debt in the future.

The provision of official export finance to public buyers in such countries should reflect prudent credit policies and sustainable lending practices, that is, lending that supports a borrowing country's economic and social progress without endangering its financial future and long-term development prospects. EKF therefore takes into account the results of the most recent IMF/World Bank country-specific debt sustainability analyses (DSAs) and reviews the relevant programme or policy documents in relation to each transaction under consideration for support.

In cases where the Debt Sustainability Framework of the World Bank and IMF indicate the need for concessional lending to ensure debt sustainability, EKF may not be in a position to finance a particular transaction, as EKF lends on commercial terms. EKF assesses each individual case with reference to the Debt Sustainability Framework.



# EKF's environmental and social due diligence

---

*EKF's portfolio is diversified and the potential and actual environmental, social and human rights risks vary accordingly.*

To ensure that we focus on high risk transactions, EKF screens transactions to ensure that they meet our standards. This means that environmental and social sustainability is addressed in all our transactions, but that our approach varies according to the transaction's inherent sustainability risk and the type of guarantee that we issue. Our environmental and social due diligence procedure is based on three steps:

## **Step 1: Transaction screening**

When we receive a request to support a transaction from a Danish exporter, we screen the transaction's potential environmental, social and human rights risks.

The objective of the screening is to identify any risks of a magnitude which prevents us from avoiding, mitigating or offsetting the risks. If this is the case, the transaction will be rejected. For the remaining (majority) of our transactions, the screening identifies risk areas to be managed as the transaction matures. We screen the transactions keeping in mind the duration and type of transaction:

- › Small transactions with a short duration (under two years) or with low risk and an amount less than DKK 25 million, are required to sign an Environmental & Social Declaration.
- › Transactions in the above category but with a special risk profile are required to sign a tailored declaration and/or undergo our environmental and social due diligence process. This could for example be a transaction with potential impact on animal welfare or human rights.
- › Working capital guarantees are subject to a corporate assessment of the Danish exporter's management system.
- › Large-scale transactions (over DKK 25 million) with higher risks and long-term duration (over 2 years) are classified in accordance with the OECD Common Approaches with regard to their potential impact on the environment and people. A large proportion of our support to Danish exporters results in tangible infrastructure and construction outside of Denmark's borders (the buyer country), and we categorise

the potential impacts from these.

- › *Equator Principles*: The Equator Principles use a similar ABC categorisation. The Principles apply to project finance projects with a total capital cost of US 10 million or more and to project related large corporate loans. In those cases EKF applies both OECD CA and the Equator Principles.

#### **OECD Common Approaches categorisation of potential impact on the environment and people**

- › **Category A**: the project has the potential to have adverse environmental and/or social impacts that are irreversible and may affect environment and people beyond the immediate location of the project. EKF discloses all Category A projects on our website 30 days before Financial Close.
- › **Category B**: the potential impact on environment and people are few, site specific and easily mitigated.
- › **Category C**: projects have insignificant or no potentially adverse impacts on the environment and people.



### **Step 2: Environmental and social due diligence review**

All transactions classified as category A or category B are subject to an environmental and social due diligence review including human rights. In 2019, most of the large-scale and complex transactions involved infrastructure construction in the buyer country, such as a road, railway or wind farm.

Our review starts with the collection of relevant information and documentation from the exporter and the buyer. In close cooperation with both, we go through the documentation and address any identified gaps relative to the applicable benchmark standards, primarily the IFC Performance Standards and the World Bank Group Environmental, Health, and Safety Guidelines. For selected projects, and especially those in category A, we carry out a site visit focusing on environmental, social and human rights risk management together with an independent environmental and social consultant .

Based on this, we prepare an Environmental and Social Action Plan (ESAP) which identifies the gaps to be closed and the necessary actions to be taken to bring the supported transaction into full compliance with the applicable international environmental and social standards. The guarantee or loan documents stipulate that the projects must comply with the ESAP or other EKF environmental and social requirements.

### **Step 3: Monitoring**

We monitor our transactions according to their risk profile for as long as we are financially involved in the project. We do so in dialogue with the transaction partners and in line with the guarantee agreement and/or the loan documentation, which include both the ESAP as well as environmental and social covenants and undertakings. We also work with the transaction partners to address any new environmental, social and human rights risks, recognising that our transactions develop and change from the time when the ESAP is published. During the monitoring phase, we may also visit the site to follow the progress closely. For category A projects, an independent environmental and social consultant will be involved in the monitoring.



#### CASE: 640 MW OFFSHORE WINDFARM

## Clean energy for Taiwan

Around 8 km off the coast of the Yunlin region in the west of Taiwan, 80 wind turbines from Siemens Gamesa will make up the Yunlin Offshore Windfarm. With its 640 MW capacity, this will be Taiwan's largest offshore windfarm, which from 2021 will be powering more than 450,000 Taiwanese homes with green electricity. EKF is helping to finance the project with a guarantee of USD 500 million, representing 25% of the senior debt.

Taiwan was long forecasted as the next major market for offshore wind, and the consensus is that Taiwan is poised to be a crucial regional wind energy hub in the coming years. The clean energy produced will positively add to the energy supply of Taiwan and increase the share of renewable energy in the energy mix. EKF requires the transaction to be basically sound, create value for Denmark, and that it is conducted in a socially and environmentally responsible manner.



**The project will provide 450,000 households with clean energy in Taiwan and reduce CO2 emissions by 31.5 mio. tonnes globally.**



#### EKF safeguards the transaction

EKF works in close collaboration with the project, the buyer, and the exporter to ensure that the transaction is responsible. This is guaranteed through an environmental and social due diligence prior to financial close and subsequent monitoring. Our aim is to increase environmental and social synergies and to minimise possible negative impact. This project in particular focuses on robust baselines, risk assessments, mitigation and monitoring of the impact on marine mammals and birds.

EKF monitors labour rights, working conditions and health and safety for employees, minimising the impact on critical marine habitats, fair process and adequate compensation of the loss of income generating activities, adequate compensation for physically and economically displaced people, environmentally sound management of waste, a systematic approach to the management of environmental and social impacts and ensurance that emissions to air, water and soil are in line with international standards.

EKF fosters economic growth in the buyer country and in Denmark by being one of the enablers of the financing of the project. The projects creates jobs in Taiwan and in Denmark while also supporting the competitiveness of the Danish exporter.



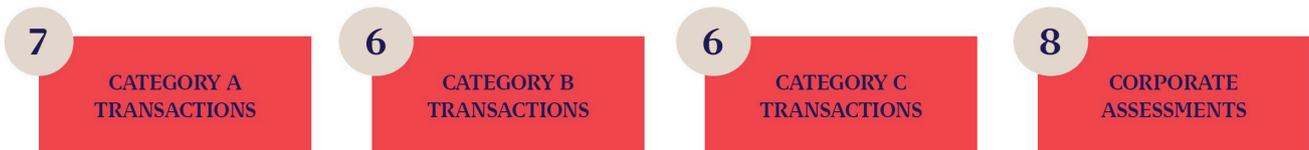
# Responsible transactions 2019

---

*Last year, EKF screened and classified 19 transactions in accordance with their potential impacts on the environment or people.*

In 2019, EKF issued new export credit guarantees worth DKK 15 billion and contributed DKK 6.4 billion to Denmark's GDP. These transactions supported the creation of 7,200 Danish jobs, and by the end of 2019 EKF had a total of 706 customers.

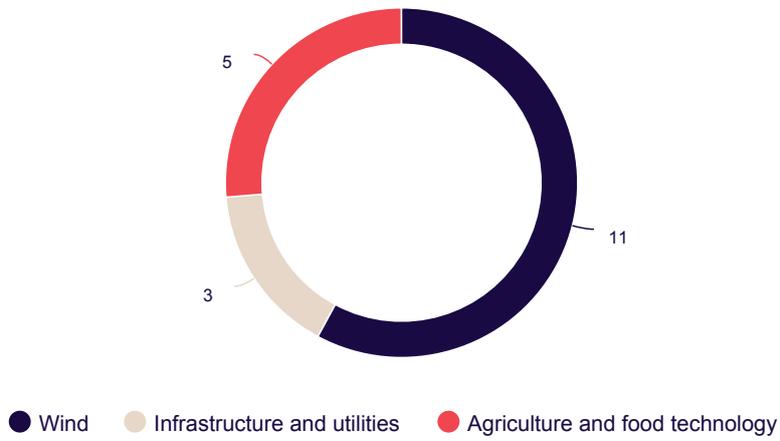
Out of all our transactions issued in 2019, EKF screened and classified 19 transactions in accordance with their potential impacts on the environment or people and performed corporate assessments of environmental and social management systems and human rights for 8 transactions.



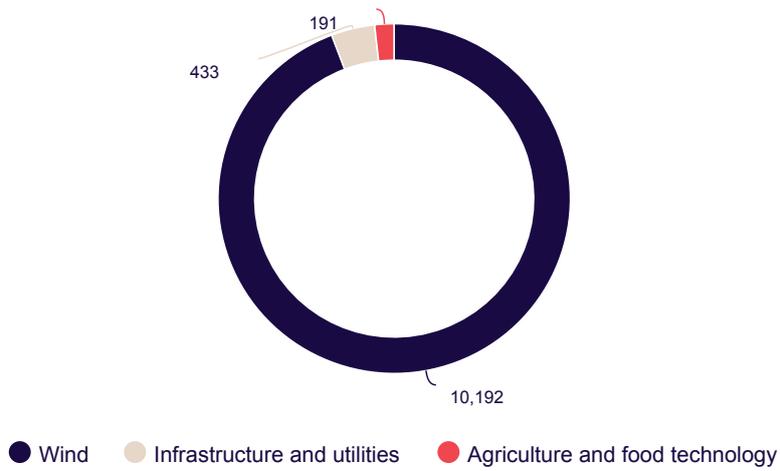
A large proportion of our support granted to Danish exporters results in tangible projects and improvements beyond Denmark's borders. In 2019, we supported a future increase in the share of renewable energy in Taiwan and access to irrigation equipment for rural farmers in Honduras, among others.

The 19 classified transactions were in three sectors: renewable energy, infrastructure and utilities, and agriculture and food technology. 11 of the 19 transactions were in wind power. Over their lifetime they are expected to reduce approximately 75 million tonnes CO<sub>2</sub>-equivalent or 1.5 times Denmark's emissions in 2019.

### Number of transactions per sector



### Value of EKF's involvement in million DKK



The total value of the medium- to long-term transactions with a high or medium potential to cause adverse environmental and/or social impacts that EKF supported in 2019 was DKK 10.7 billion. These transactions are the transactions classified as either Category A or B. The 2019 transactions can be seen below:

## Category A and B transactions

Project Sector	Buyer Country	Buyer	E&S Category (OECD)	Value of EKF involvement (DKK)
Wind	Chinese Taipei	Formosa 2 Wind Power Co., Ltd.	A	1,876,569,308
Wind	Chinese Taipei	Yunneng Wind Power Company Ltd	A	3,612,802,494
Infrastructure and utilities	Honduras	Secretaria de Agricultura y Ganaderia (SAG)	A	152,847,447
Wind	Italy	Eolica San Lupo S.r.l.	A	204,758,202
Wind	Norway	Midgard Vind Holding AS	A	1,175,797,019
Wind	Vietnam	Tan Hoan Cau Corporation JSC	A	149,358,295
Wind	Mexico	Golden Eagle	A	309,917,070
Wind	Argentina	Vientos de Necochea S.A.	B	163,089,361
Wind	Bosnia and Herzegovina	Ministry of Finance and Treasury	B	368,880,016
Infrastructure and utilities	Norway	Atlantic Sapphire USA, LLC	B	247,317,296
Agriculture and food technology	Romania	UMEX SA	B	178,579,126
Wind	Vietnam	Central Wind Power JSC	B	107,105,476
Wind	United Kingdom	NNG Offshore Wind Limited	B	2,186,644,925
<b>Total</b>				<b>10,733,666,034</b>

*Category A and B Transactions in 2019 with a high potential for causing adverse environmental and/or social impacts.*

EKF joined The Equator Principles in 2004 and has since applied this set of principles to the due diligence process of Large Corporate Credit projects and Project Finance transactions. In 2019 the following transactions were evaluated according to the Equator Principles.

## The Equator Principles

Project name	Sector	Project location	Classification (OECD/EP)	Reporting period (years)	Independent review
Formosa 2	Wind power	Taiwan	A/A	18	Yes
Yunlin	Wind power	Taiwan	A/A	18	Yes
San Lupo	Wind power	Italy	A/B	18	Yes
Golden Eagle	Wind power	Mexico	A/B	20	Yes
Magpie	Wind power	Norway	A/B	21,5	Yes
Necochea	Wind power	Argentina	B/B	15	Yes
Neart na Gaoithe	Wind power	UK	B/B	18	Yes
Atlantic Sapphire	Infrastructure and utilities	Norway	B/B	8	Yes

*The Equator Principles were applicable to 8 out of the 19 transactions.*

## The potential environmental & social impact of 2019 transactions

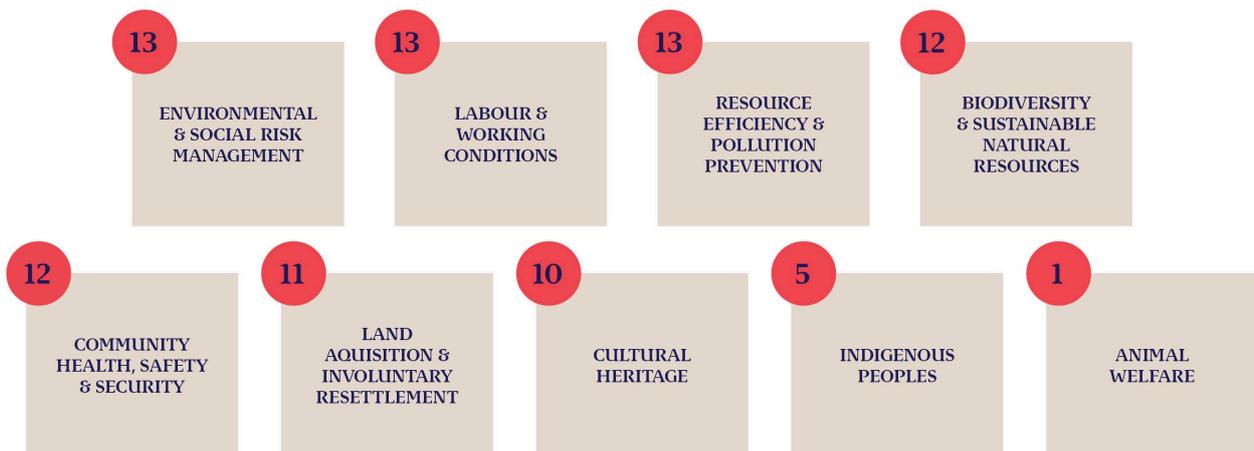
Each year, EKF takes a careful look at the outcomes of our due diligence processes to ensure responsible business transactions. We do so by focusing on the projects we have supported, which have a potentially large impact on people and the environment. Out of the 19 OECD categorised transactions, 13 were classified as either Category A or B. The categorisation indicates that the projects have either site specific environmental and social impacts or impacts that are irreversible and may affect environment and people beyond the immediate location of the project.

Following our CSR policy, these 13 transactions are subject to a due diligence review, in which we identify the major environmental social and human rights impacts and risk areas and ensure that the projects avoid, mitigate, and compensate these appropriately.

The focus of our due diligence review depends on risks in the transactions. For all 13 transactions we have focused on environmental and social management as we see this as a core component of a project's ability to manage its environmental and social (E&S) risks and impacts. It is therefore always included in our due diligence processes. Furthermore, all 13 transactions in 2019 were reviewed for potential issues with labour & working conditions and pollution prevention. One transaction was reviewed for potential animal welfare issues and nine transactions were reviewed for their potential impact on indigenous peoples.

The focus areas of our due diligence reviews do not necessarily imply that the transaction has negative impact as defined by the applicable international standards, but only that EKF has focused on this aspect when reviewing the transaction. If any gaps have been identified, rectifying and mitigating actions have been included in the transaction ESAP.

### Number of due diligence focus areas of 13 A and B transactions in 2019



Human rights considerations cut across the above focus areas. We screen all projects for potential human rights risks. If we think there is a potential or actual severe human rights risk, we then conduct a specific human rights due diligence process and enter into a dialogue with the project sponsors and possibly also the exporter and the construction firm. In 2019, none of our transactions required a separate human rights due diligence process.

## Potential social impacts of our 2019 transactions

In 2019, the 13 A and B projects had the following impacts on people:

### Local employment creation

Every year EKF participates in the financing of many projects around the world. Through our financial support EKF indirectly supports economic growth and local job creation in the countries where projects take place. We monitor and report on the extent of job creation associated with EKF's project transactions as an indication of a positive socio-economic impact. Data is collected during EKF's Environmental & Social Due Diligence (DD) process as part of an assessment of labour and working conditions (IFC PS2). Data is obtained from primary sources such as project feasibility studies, environmental assessments, due diligence reports or from direct correspondence with the project proponents. The data presented is an estimate based on the project information we have received.

**“ In 2019 EKF's share of financing created 1300 local jobs. ”**

Local employment impacts may vary significantly from year to year, as evidenced by a comparison of the number of jobs created in 2019 versus 2018. This is because local employment impact depends on the sectors included in our transactions for a given year.

### Involuntary displacement

At EKF, we work with the project to maximise the positive impacts and ensure that we minimise the negative impacts on both people and the environment. We are aware that some projects will adversely impact people living in the immediate vicinity of a project: in a worst-case scenario these people have to move from their home and/or change their source of income. When this happens, we ensure that the transactions live up to international standards by working with the project on land acquisition and involuntary resettlement, in line with IFC Performance Standard 5 in particular. We also pay special attention to vulnerable people who may be at heightened risk of project-induced negative impacts, such as indigenous people and informal settlers or street vendors without formal land rights.

**“ An estimate, as the procedures are still ongoing, is that our transactions in 2019 have the potential to involuntarily displace 5000. ”**

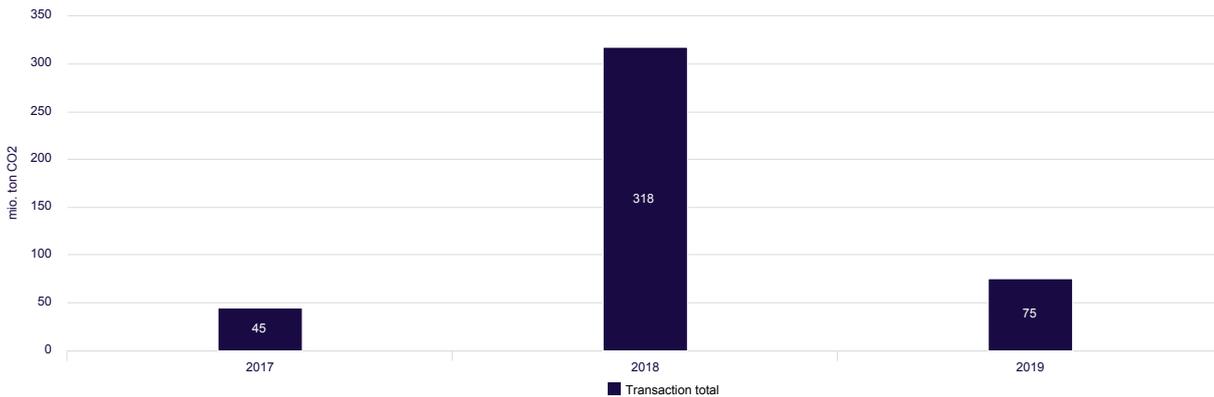
In 2019, the majority of the 5,000 persons impacted by our transactions are associated with offshore wind farms. These wind farms are situated near to shore, and within the fishing area of the local fishing association. The impact is related to economic displacement, as there will be restrictions on continued fishing activities, particularly during construction of the wind farms.

## Potential environmental impacts of our 2019 transactions

EKF reports on the “emissions saved” and “emission contributed” in transactions that we participate in. In 2019 EKF set out to improve the methodology for evaluating the positive environmental impacts from renewable energy projects. The new tool establishes a methodological shift from using a relative emission factor to a marginal emission factor.

### Annual greenhouse gas reduction

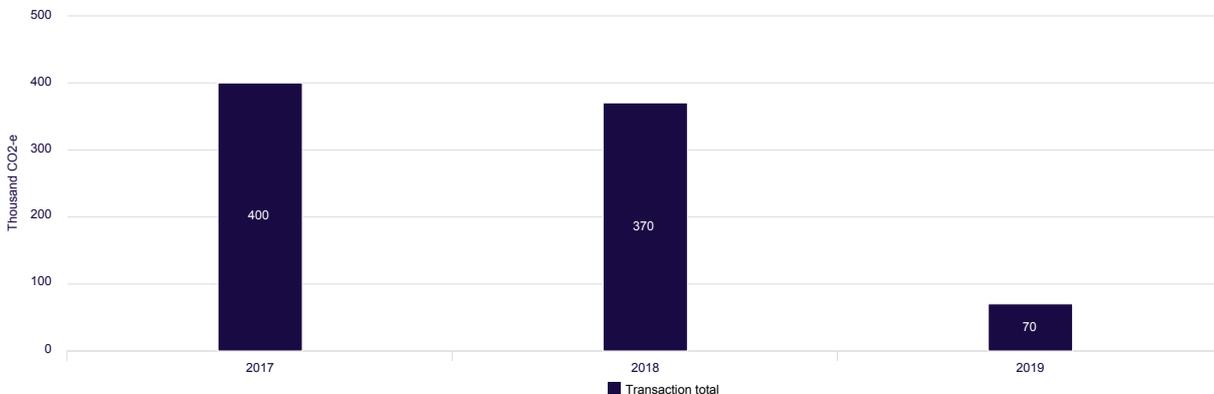
Some of the transactions that EKF supports have a climate change mitigating effect. This is especially the case for our support to renewable energy projects all around the world. In 2019, EKF transactions in renewable energy projects resulted in a reduction of 75 million tonnes CO<sub>2</sub>. The numbers below show the CO<sub>2</sub> from all our renewable energy transactions in the lifetime of the renewable energy project.



Annual reduction of CO<sub>2</sub> in million tonnes stemming from EKF's renewable energy support in the last three years. To ensure a high degree of credibility for the CO<sub>2</sub> emissions figures they have been included in an auditor's report from Deloitte, see *The independent auditor's report regarding CO<sub>2</sub> data*.

### Annual greenhouse gas emissions

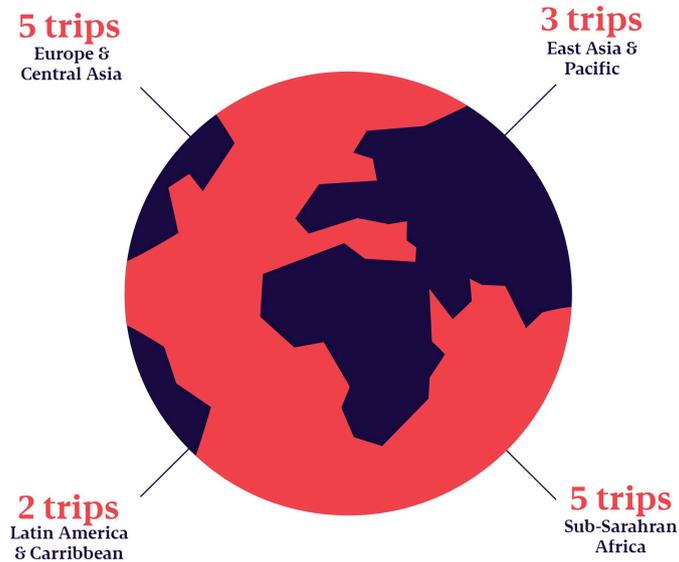
The transactions that we support have a potential impact on climate change through the greenhouse gases associated with the projects. In 2019, the 13 A and B projects were assessed to result in the following greenhouse gas emissions during one year of operation. The annual greenhouse gas emissions may vary significantly from one year to the next, as is also seen this year. This is because the greenhouse gas emissions figure depends on what type of sectors are included in the transactions from year to year.



Annual GHG emissions associated with EKF transactions that result in GHG emissions above 25,000 tonnes per year during operation. EKF's proportion relates to EKF's share of the financing.

## EKF actively engages with our projects

EKF guarantees financial transactions in over 100 countries and all regions of the world. Each year, EKF follows up on our portfolio of transactions. If applicable, this includes regular site visits from our CSR staff members. At EKF we also conduct site visits as part of our due diligence process for new transactions, which are classified as Category A-projects in accordance with the OECD Common Approaches.



EKF has a dedicated department to address the environmental and social risks from its transactions. The CSR Department actively engages with our projects, both during the due diligence phase before a funding application has been approved and in the subsequent implementation of the projects. During implementation, we place strong emphasis on monitoring project E&S performance and visit project sites and key actors to follow up on this. In 2019, our dedicated E&S staff conducted 15 site visits.



CASE: HONDURAS

## Irrigation for small scale farmers in Honduras

In 2019, EKF issued a guarantee covering the provision of irrigation equipment in Honduras. The Alto Aguan River Valley Irrigation Project is a project in the Olanchito and Arenal municipalities of northern Honduras. The Project was initiated by the government of Honduras, represented by the Secretary of Agriculture and Livestock (SAG).

The project objective is to “improve the socio-economic status of the population living in the Alto Aguan River Valley”. This will be achieved by supplying irrigation equipment to selected beneficiaries (app. 40 milk producers) in the area. A total of 4,000 ha will be irrigated. The project consists of 424 irrigation sets and accessories including pumps and generators, two drilling vehicles, and training.



**EKF has carried out environmental and social due diligence against relevant laws and regulation, OECD Common Approaches and IFC Performance Standards.**



The project is classified as a category A project according to the OECD Common Approaches, as it is located close to a critical habitat and could potentially have negative impact on endangered species. EKF has carried out environmental and social due diligence processes in line with relevant laws and regulation, OECD Common Approaches and IFC Performance Standards. An environmental and social action plan (ESAP) has been developed to avoid and mitigate the identified potential negative social and, especially, environmental impacts.

In 2020, EKF will be visiting the project with an independent consultant to follow up on the implementation of the actions in the ESAP. This includes reviewing the location of the irrigation equipment in relation to the dry forest critical habitat, the progress of planned training activities as well as monitoring of impacts on the environment, water levels, and communities.



## Responsible workplace

---

*EKF strives to be a responsible workplace both with regard to our employees, our office buildings and the materials that we use.*

Each year, we assess the performance of key parameters regarding our staff and the resource efficiency of our buildings and transportation needs. EKF publishes data on gender balance and corporate governance in our annual report.

At year-end 2019, EKF had a total of 142 employees. As required by the Danish Financial Statements Act, EKF aims at achieving equal distribution of men and women in managerial positions. The organisation monitors developments in this regard.

Well-being at work is followed up in an annual employee satisfaction survey conducted by an external and impartial partner.

### **EKF staff**

EKF is a knowledge-based organisation hence, the employees at EKF are essential. We highly prioritise wellbeing, health and safety, development and a balanced working life.

EKF continues to experience growth in the number of customers and in the volume of our transactions. Therefore, paying high attention to employee motivation and satisfaction continues to be a key focus area for EKF. At year-end 2019, EKF had a total of 142 employees. EKF expects an increase in the number of employees in 2020.

As required by the Danish Financial Statements Act, EKF aims at achieving equal distribution of men and women in managerial positions. The organisation monitors developments in this regard.

### **Resource efficiency**

In 2019, EKF's resource consumption associated with the running of offices and the performance of our services was consistent with previous years.

### **Emissions associated with EKF's energy use and transportation activity:**

Our total emissions of greenhouse gases – measured in CO<sub>2</sub> – from our internal resource consumption correlate to a total of 1,035 tonnes. Per employee this results in a CO<sub>2</sub> value of 7,300 kg. Divided into Scope 2 and Scope 3 (see description below), EKF's greenhouse gas emissions clearly reflect that our workplace is global.

# EKF's staff 2019



**2**  
**women** on paid  
maternity leave  
during the year  
3 in 2018



**1**  
**man** working  
part-time  
2 in 2018



**6**  
**women** working  
part-time  
8 in 2018



**7**  
**men** on paid  
paternity leave  
during the year  
10 in 2018



**42%**  
**women**  
in workforce  
44% in 2018

**36%**  
**women** in mana-  
gerial positions  
36% in 2018

# Resource efficiency

## Waste generation and recycling

**18**  
tonnes of  
waste generated  
20 tonnes in 2018



**5**  
tonnes of  
paper were recycled  
5 tonnes in 2018

## Resource consumption from our office buildings

  
**245**  
MVh of  
electricity  
242 MVh in 2018\*

  
**213**  
MVh of  
heat  
213 MVh in 2018\*

  
**1,079**  
m<sup>3</sup> of  
water  
1,079 m<sup>3</sup> in 2018\*

\*) Estimated partly based on 2018 figures

## Emissions associated with EKF's energy use and transportation activity

### Scope 2



**75**  
tonnes CO<sub>2</sub>-e  
from consumption of heat and electricity  
From heat and electricity consumption at our office premises  
Estimated partly based on 2018 figures

### Scope 3



**960**  
tonnes CO<sub>2</sub>-e  
from the use of airplane, taxi, own car and courier  
From the consumption related to our everyday work

91% of EKF's own GHG emissions come from our air travel

# Consolidated ESG statement for 2019

	Unit	2019	2018	2017
<b>EKF corporation environmental data</b>				
CO <sub>2</sub> -e scope 2	Tonnes	75		
CO <sub>2</sub> -e scope 3	Tonnes	960		
Waste production	Tonnes	18	20	22
Water consumption <sup>2</sup>	m <sup>3</sup>	1,079	1,079	899

<b>Transactions CO<sub>2</sub> data</b>				
CO <sub>2</sub> -e emissions from transactions, total <sup>1</sup>	Tonnes/year	70,000	370,000	400,000
CO <sub>2</sub> -e emissions reductions from transactions, total	Tonnes/lifetime	75,100,000	318,300,000	45,300,000

<b>EKF corporation social data</b>				
Number of employees, end of year	People	142	136	121
Percentage of women in workforce	%	42	44	49
Percentage of women in management	%	36	36	36
Women working part-time	People	6	8	5
Men working part-time	People	1	2	0
Employees on paid maternity leave during the year	People	2	3	3
Employees on paid paternity leave during the year	People	7	10	5
Days spent on training and education per employee	No.	3	3,2	1,31

<b>Transaction social data</b>				
Danish jobs secured		7200	12000	8,000
Local jobs during 1 year of construction, EKF share <sup>3</sup>	FTE	1,300	12,100	1,100
Local jobs during 1 years of operation, EKF share <sup>3</sup>	FTE	200	1,400	500
Involuntary displacement <sup>3</sup>	People	5,000	29 structures & 423 agricultural plots	21.600

**Governance data**

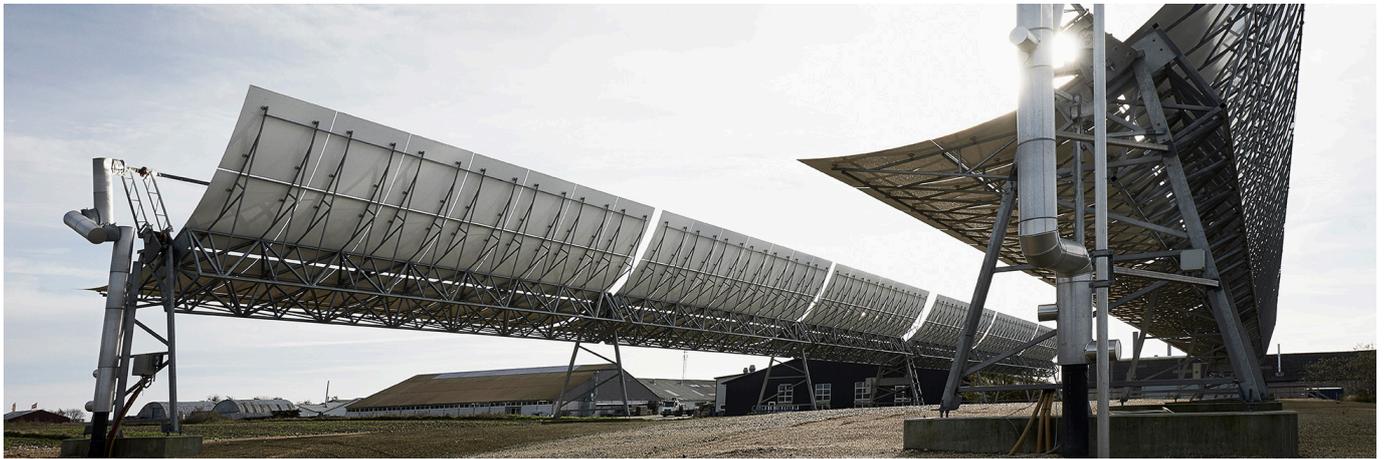
Transactions with a full E&S Due Diligence	Transactions	13	33	19
Corporate assessments	Transactions	8	5	3
Equator Principles	Transactions	8	15	5
E&S transactions visits	Trips	15	11	8
KYC: Anti-corruption and money laundering screening	Transactions	160	N/A	N/A
E&S monitoring cases	Transactions	103	N/A	N/A

<sup>1</sup>The figure only includes projects with emissions over 25,000 tonnes per year

<sup>2</sup>Estimated partly based on 2018 data

<sup>3</sup>Estimated based on available information at the time of reporting

For definitions and methodology please see 'Reporting Practices'.



## Focus areas in 2020

---

*The outbreak of the global COVID-19 pandemic at the beginning of 2020 has brought about a change. The full impact on the global economy and Danish exports is not yet known at the time of writing.*

It is, however, clear that it will take tremendous resources and efforts from our global society to mitigate the effects of the pandemic and to advance a global economy based on the principles of sustainable development and energy transition.

EKF is stepping up to support Danish export companies through a range of new guarantee and working capital products aimed at companies that are particularly impacted by the COVID-19 pandemic. Through our products targeting these companies we support Danish exports as well as retention of Danish jobs, and we enable our exporters to continue to work on the global market both now and in the future, when the effects of the pandemic have abated.

Alongside EKF's efforts to stimulate Danish exports we continue to focus on energy transition and climate change. In 2020 we will reinforce our efforts to support the export of renewable energy solutions in order to contribute to global CO2 reductions and strengthen our focus on how we can work with our customers and partners to enhance the export of green technologies and climate adaptation solutions.

Finally, we will begin the revision of our CSR-policy and materiality assessment and work on the implementation of the guidelines of the fourth version of the Equator Principles - EP IV that comes onto effect in the fall of 2020.

# Reporting practices

---

## Responsible transactions

Time period: This CSR Report covers the period 1 January 2019 to 31 December 2019.

### Reporting scope

The report includes indicators for selected transactions which have:

- › been closed within the period under review;
- › are classified as either Category A or B in terms of potential environmental and social impacts. Transactions classified as Category C are included in the overview indicators. The process used for classification adheres to the OECD Common Approaches.

### EKF scope

Where an indicator refers to EKF's scope, or part of a transaction, this refers to either:

- › the commercial/political risk that EKF covers for the transaction; or
- › when the transaction is project financing, this covers EKF's proportion of the full project financing

### Annual greenhouse gas emissions

In accordance with IFC Performance Standard 3, all transactions which will result in, or emit more than, 25,000 tonnes of CO<sub>2</sub> during one year of operation are required to annually report their GHG emissions to EKF. These emissions include (i) direct emissions from facilities owned by the company, and (ii) indirect emissions from off-site production of energy used by the project. EKF compiles this information for all transactions above the above-mentioned threshold. The indicator is based on the data available at the time of reporting.

### Greenhouse gas reduction

How we quantify CO<sub>2</sub> emissions reductions:

The independent economic consultancy Copenhagen Economics has developed a model capable of calculating carbon dioxide emissions reductions for the renewable energy projects EKF helps to finance, such as wind farms, solar power arrays and other energy sources that displace climate-pollutant CO<sub>2</sub>-based energy sources from the electricity grids in various countries.

CO<sub>2</sub> displacement is quantified as the marginally reduced emissions in a country's power system achieved from the project over the full span of the project's useful life. This means that the CO<sub>2</sub> displacement depends on the volume of energy supplied by the given energy technology and the project country's/region's power generation mix and demand.

The figure for marginally reduced emissions is obtained by comparing expected supply and for electricity in a given country. The marginally most cost-intensive energy technology is displaced by the introduction of increased capacity from new renewable energy sources.

Since electricity generation from wind and solar is variable over any year and 24-hour period, the most accurate figure is obtained from an estimated hourly capacity at country

level in the wind and solar model. The forecasted demand is then correspondingly determined per hour per country. In any country, wind, solar and other renewable energy sources will thus displace CO2 equivalents at differing intensities per MWh supplied.

The calculations are also based on the projects' predicted capacity in MWh, the projects' useful life (e.g. 25 years for a wind turbine) and geographical siting. The results show how many tonnes of CO2 equivalents these projects will avoid during their useful life.

In determining fossil fuel displacements in the renewable energy projects, CO2 includes both CO2 and CO2-e methane.

### **How we quantify economic impact**

EKF calculates the economic impact of our solutions and products on the Danish economy. Our calculations show how EKF makes a difference for Danish companies and for Denmark. The independent economic consultancy Copenhagen Economics devised a calculation model for EKF. The model contains figures from EKF's transactions and data from sources such as Statistics Denmark. The results show our economic impact in the form of jobs, for example. Both the data and figures are validated by Copenhagen Economics.

### **Focus areas for EKF's due diligence**

The focus areas are derived from the 8 IFC Performance Standards (IFC PS) for Environmental and Social Sustainability. Use of the focus areas approach reflects that a transaction has been assessed and benchmarked according to a specific IFC PS during EKF's due diligence process. It does not necessarily indicate that there is a residual negative impact with reference to that IFC PS.

### **Estimated local employment**

The number of jobs created is determined per transaction based on the information available at the time of reporting. The number of jobs created locally is reported for construction and operation, both for one year. This means that if the construction phase is longer than one year only the number of jobs corresponding to one year of construction is included in the indicator.

### **Estimated involuntary displacement**

In line with the IFC PS, involuntary displacement covers both people who have to move away from their house, and people who are economically displaced. The indicator is based on the data available at the time of reporting. When the information is only available at household level, the number of impacted people is calculated using recent estimates of average household size for the specific country from publicly available sources, such as the World Bank.

### **Internal resource consumption**

Heat, water, electricity, and solid waste consumption figures are derived for EKF's office building, factoring in EKF's share of the consumption, as we share our office building with other entities.

CO2 emissions from resource consumption:

*Electricity:* CO2 emissions from electricity are derived from EKF's consumption figures and incorporate the annual environmental declaration from the Danish TSO Energinet.dk.

*Heating:* CO2 emissions from space heating are derived from EKF's consumption figures and the annual environmental declaration from the district heating supplier, HOFOR.

*Flights and courier:* are derived from information from our suppliers. The flight emissions are

based on emissions factors for CO2 from the annually published figures from the UK Department for Environment, Food and Rural Affairs.

*Taxis and personal car use:* CO2 emissions are based on data from the taxicab service provider, which is aggregated at vehicle level. For all trips undertaken by employees in their own vehicles when the journey is official business (i.e. not including trips to and from work), we take an average emission factor per driven km. EKF does not own any company cars.

# Stakeholder information

---

The UN Global Compact Principles on human rights, labour rights, environment and anti-corruption as well as the UN Guiding Principles on Business and Human Rights form the basis for EKF's corporate environmental and social responsibility work. Furthermore, we work in accordance with the Equator Principles and the corporate responsibility principles outlined by the Danish government and the OECD.

This report contains information on the environmental and social impacts related to EKF's transactions as well as EKF's internal footprint. Furthermore, the report also includes our policy commitment, CSR achievements and challenges.

At the same time, the report constitutes our Communication on Progress under the UN Global Compact regarding human and labour rights, environment and anticorruption. EKF reports annually, and this report contains information pertaining to activities that took place in the fiscal year 1 January 2019 to 31 December 2019.

We acknowledge the diverse nature of our stakeholders and the fact that not all information is equally relevant to all readers of this report, who are therefore invited to select their areas of interest from this publication. In addition, this report can be generated as one entire report.

The purpose of this report is to provide stakeholders with information on EKF's CSR performance during 2019, integrating external and internal CSR efforts. The report is aimed at a wide range of EKF's stakeholders, including exporters, buyers, financial institutions such as banks and pension providers, the OECD, our peer export credit agencies and Danish and international ministries, civil society, trade and industry organisations as well as EKF's employees, Management and Board of Directors.

This CSR report is published in English and is available online at [www.ekf.dk](http://www.ekf.dk). EKF's executive management has approved this report. For further information, please contact our CSR Department:

[EKFCSR@EKF.DK](mailto:EKFCSR@EKF.DK)

# The Independent Auditor's Report regarding CO<sub>2</sub> data

---

## TO THE MANAGEMENT AND STAKEHOLDERS OF EKF DANMARKS EKSPORTKREDIT

We have audited EKF's data for the reduction of CO<sub>2</sub> equivalents from renewable energy projects presented in the table 'CO<sub>2</sub> reduction 2017-2019' in EKF's Annual Report 2019 ('the report') to obtain a high level of confidence. The data comprise the calculated reduction for the years 2017, 2018 and 2019.

We performed the audit to assess if the reported data are calculated in accordance with EKF's method for calculating the total reduction of CO<sub>2</sub> equivalents from renewable energy projects in which EKF participates in the financing. The method is described at a general level in the report.

We express an opinion providing reasonable assurance.

### Management's responsibility

The Management of EKF is responsible for collecting, calculating and presenting the data in the report. Management is also responsible for such internal controls as it determines is necessary to ensure that the reporting is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility on the basis of our work is to express a reasonable assurance opinion on the data for the reduction of CO<sub>2</sub> equivalents from renewable energy projects presented in the table 'CO<sub>2</sub> reduction 2017-2019' in the report. We have conducted our work in accordance with *ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and additional requirements under Danish audit regulation, to obtain reasonable assurance about our opinion. We have assessed the data from the criteria of completeness, reliability, materiality, neutrality and understandability in accordance with *ISAE 3000*.

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

Deloitte Statsautoriseret Revisionspartnerselskab is subject to the *International Standard on Quality Control (ISQC) 1* and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements in *FSR – Danish Auditors Code of Ethics for Professional Accountants*, which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have performed our work with the aim of obtaining a high level of confidence that EKF's data for the reduction of CO<sub>2</sub> equivalents from renewable energy projects are in all material respects fairly stated. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support

our opinion.

We performed our work in March 2020. Our work has involved a review of the underlying procedures, calculations and input data in the calculation model for Marginal Emission Factors that cover 119 specific countries and one generic country. We have performed interviews, including with representatives from Copenhagen Economics, which has developed the model, as well as sampled input data for calculating the distribution of solar and wind production capacity for 39 specific countries and a generic distribution for other countries in addition to demand across a single day and tested the controls performed on these calculations. We have validated tests of the calibration of capacity factors per country for the technologies wind, solar and other renewable energy sources as well as coal, gas and oil, and carried out sensitivity analysis of this. We have performed interviews and sample testing of demand and capacity data for electricity per country from source data and validated assumptions about the growth of these from 2040 to 2050. Furthermore we have validated the marginal cost ranking of the energy technologies wind, solar, other renewable energy sources, coal, gas and oil from external data sources. We have performed analytical tests including validating calculations through samples and examined the internal controls on the collection and calculation of the data concerned. We have conducted interviews with process and data owners in EKF and reviewed documentation for project data relevant for the calculations, such as the MW of the projects, the dates for drawing the credit as well as the size of projects and the country in which the project is established. We have tested that all relevant projects are included in the calculation, and that the reduction of CO<sub>2</sub> equivalents is calculated correctly.

We have not audited the project data extract from EKF's accounting system, which has already been audited by EKF's financial auditor.

### **Opinion**

Based on our work it is our opinion that EKF's data for the reduction of CO<sub>2</sub> equivalents from renewable energy projects presented in the table 'CO<sub>2</sub> reduction 2017-2019' in EKF's Annual Report 2019 are in all material respects fairly stated.

We draw the attention of Management and stakeholders to the fact that the reduction for the years 2017, 2018 and 2019 presented in the table 'CO<sub>2</sub> reduction 2017-2019' in the report concerns the entire reduction from the total energy projects in which EKF has participated with others in the financing, without regard to EKF's proportionate share in the financing.

*Copenhagen, 31<sup>st</sup> March 2020*

## **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56

Morten Egelund  
Identification No. (MNE): 21411  
*State-authorized public accountant*

Helena Barton  
*Lead Reviewer*