

CSR Report 2018



About this report



The 2018 CSR Report describes the non-financial performance of EKF, Denmark's Export Credit Agency and is also our Communication on progress to the United Nations Global Compact. The reporting period is 1 January 2018 to 31 December 2018.



EKF CSR report

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A record year

This Communication of Progress Report marks a decade of EKF's commitment to The UN Global Compact and our pledge to incorporate the Ten Principles of the UN Global Compact into the way we do business.

In 2018, EKF experienced a higher demand for export credits than ever in our almost 100-year history. We issued more than DKK 33 billion in new guarantees and close to DKK 90 billions in commitments. This contributed to creating and retaining over 14,000 Danish jobs. Furthermore, EKF created economic impact and paid DKK 140 million in dividend on the net profit of the year to our owner - the Danish state.

EKF's work is demand-driven, and in 2018, we issued far more guarantees to renewable energy and energy solutions than to any other sector. This substantial commitment to wind reflects Denmark's position as a world leader in wind technology.

We firmly believe that the transactions we engage in should benefit companies, employees and local communities. We are proud of our impact and are confident that we will sustain our positive contribution domestically and abroad in 2019.

Responsible credits and guarantees

A central element in our "Prudent growth" strategy is to apply a range of international standards and frameworks to our business activities. The aim is to reduce social and environmental risks in our vast portfolio of transac-



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KIRSTINE DAMKJÆR

tion and to create positive outcomes for stakeholders. At the core of every guarantee, there is a solid environmental and social due diligence process, as well as stringent monitoring throughout EKF's involvement. In our experience, we are most successful in safeguarding people and environment, when we create understanding and alignment with our business partners.

Consequently, our work to apply Corporate Social Responsibility (CSR) already begins in the early conversation with a potential customer and continues throughout the period in which EKF is involved in a project and has the opportunity to influence it. Environmental and human rights aspects and social sustainability are integral parts of EKF's initial screenings, risk assessments and regular follow-up. Most importantly, we apply the IFC' Environmental and Social Performance Standards on our largest projects. In 2018 EKF benchmarked 26 new projects against IFC Performance Standards and conducted more than 11 site visits to ensure progress on each of them. EKF's requirements often contribute to developing the projects standards for environmental and social sustainability and bring projects in compliance with international standards.

Safe-guarding our transactions in 2019

In 2019, we will continue to serve our more than 750 customers and safeguard our common transactions, by applying international standards on CSR and our expert knowledge. We will continue our commitment to a strong due diligence process on new projects and stringent monitoring of on-going projects. We feel that our deep understanding of local conditions and risk based CSR enables us to enter into markets, with high potential and with risk.

We will also focus our efforts on developing an increasingly digitalized approach to the management of environmental, social and governance data. The objective is to improve our effectiveness in the due diligence process to the benefit of our customers and business partners.

Fundamentally, our success depends on understanding and alignment with our business partners. We hope that our continued commitment to the UN Global Compact will help us create stronger ties to our customers, employees and to the communities we serve. Our contribution is to share this information in our 2018 Communication on Progress report and to continue our support to the UN Global Compact Principles.

Kirstine Damkjær





CSR in EKF

For EKF, safeguarding our portfolio of projects by handling potentially negative impacts with due diligence is essential to being a successful export credit agency. Consequently, we have adopted a thorough risk-based approach to our due diligence.

We recognise that managing potential adverse impacts is our responsibility as a financial institution and as a representative of the State of Denmark. We believe that CSR is a business enabler that informs our decisions and that it is a driver for our responsible growth strategy.

We aim to mitigate risks where it is needed and to the extent that it is possible before they materialize. Thereby we are able to enter into high-risk markets with our customers.

CSR governance

Overall, EKF is governed by the Act on EKF, it sets the direction for how we act as an independent public company. Our business strategy is to deliver “Prudent Growth” and our CSR commitment is further elaborated in our CSR Policy.

CSR policy

Our policy on CSR states that we shall create value to our business partners and to the local communities through our business. We see it as our responsibility to ensure that our business partners are made aware of the international standards and that we expect them to live up to the standards in order to cooperate with EKF.

It is our goal to assess social and environmental risks as **early in the process as possible.**



Our CSR policy refers to a number of international standards and agreements, but most importantly, we are committed to the OECD Common Approaches. The agreement sets a common approach for undertaking environmental and social due diligence. The purpose is to identify, consider and address the potential environmental and social impacts and risks relating to applications for officially supported export credits. This is as an integral part of our decision making and management system.

The policy in operation

Accordingly, our commitment to the common approaches means that we scope projects and categorize them. 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 IFC performance standards cover eight overall categories:

- Management systems
- Labour conditions
- Resource efficiency
- Community impacts
- Resettlement and livelihood restoration issues
- Biodiversity
- Indigenous people
- Cultural heritage

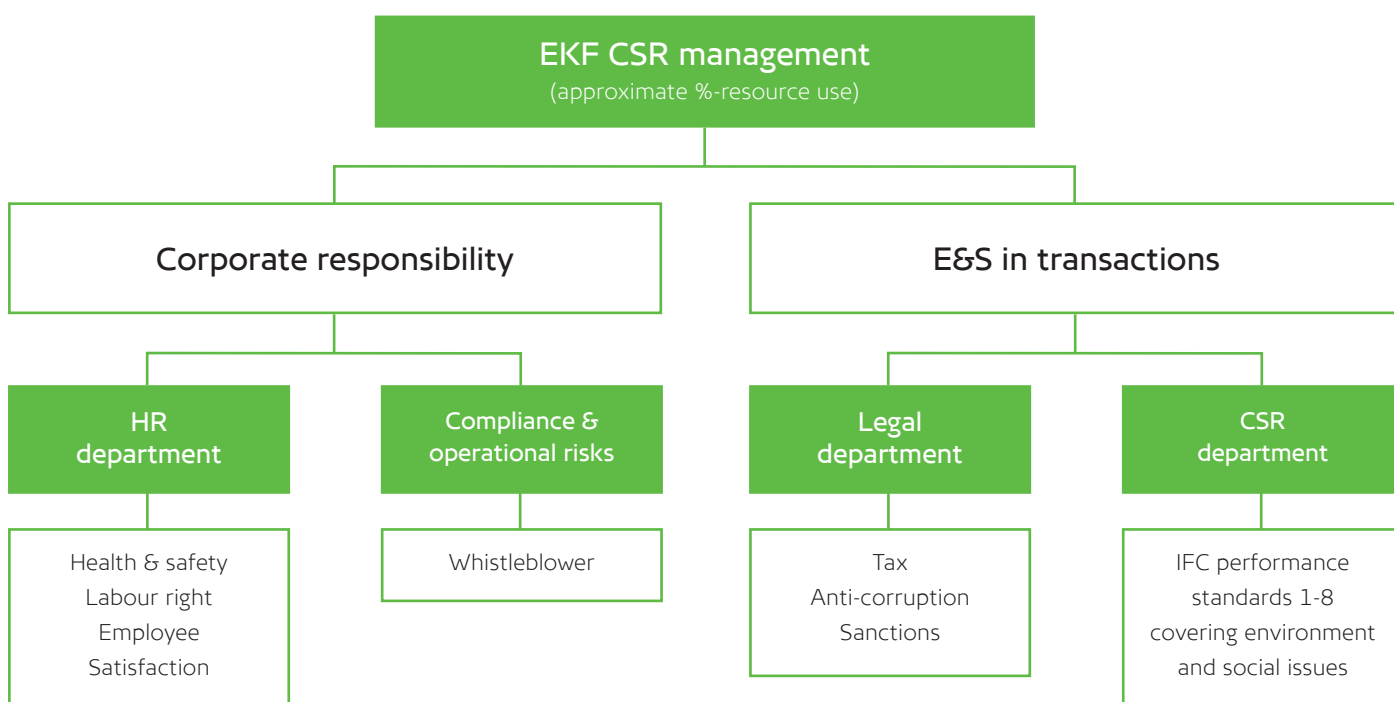
The goal of the due diligence process is to develop an Environmental and Social Action Plan, an agreement that will ensure that the given project complies with IFC standards. The Action Plan is the primary tool to proactively mitigate CSR related issues that may arise in relation to a project, and it is a central element of the loan agreement.

The project and the implementation of the Environmental and Social Action plan are monitored throughout the loan process.

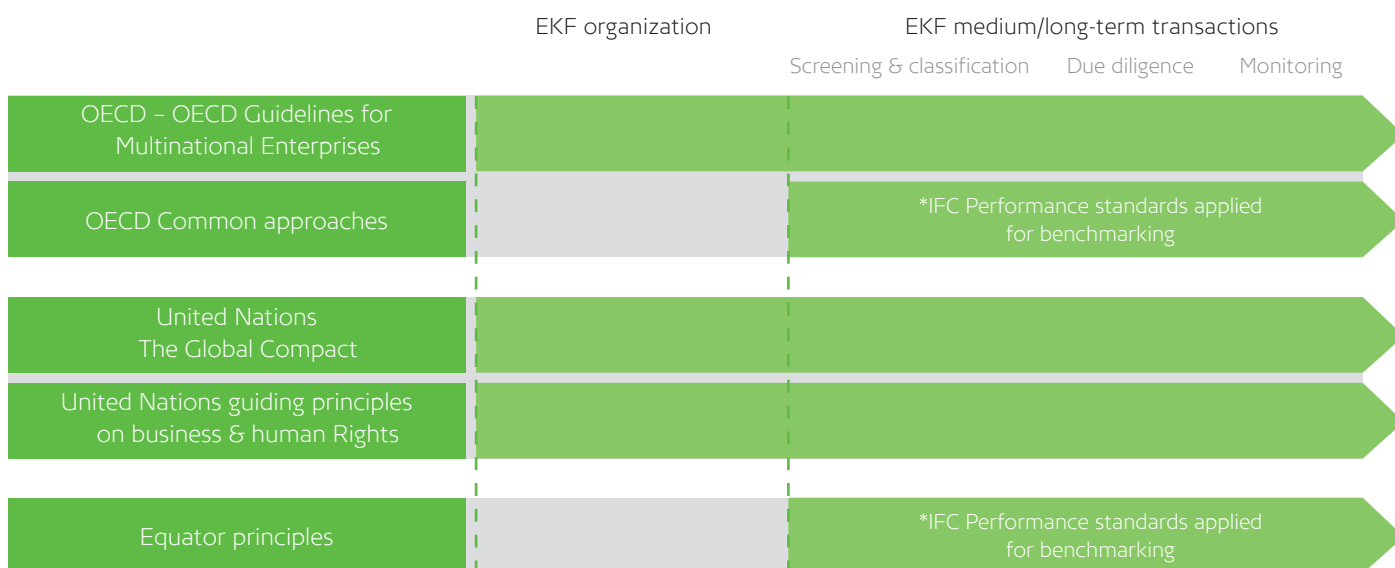
Risk-based approach

2018 was a record year with the highest demand for export finance in EKF’s almost 100-year history. It was also a particularly notable year by record-high financing of very large infrastructure and energy projects, in high-risk markets, which can have many potential adverse CSR related impacts. Consequently, we have adopted a risk-based approach to CSR, which enables us to support our business where it is needed the most.

It is our goal to assess social and environmental risks as early in the process as possible.



International standards applicable to EKF

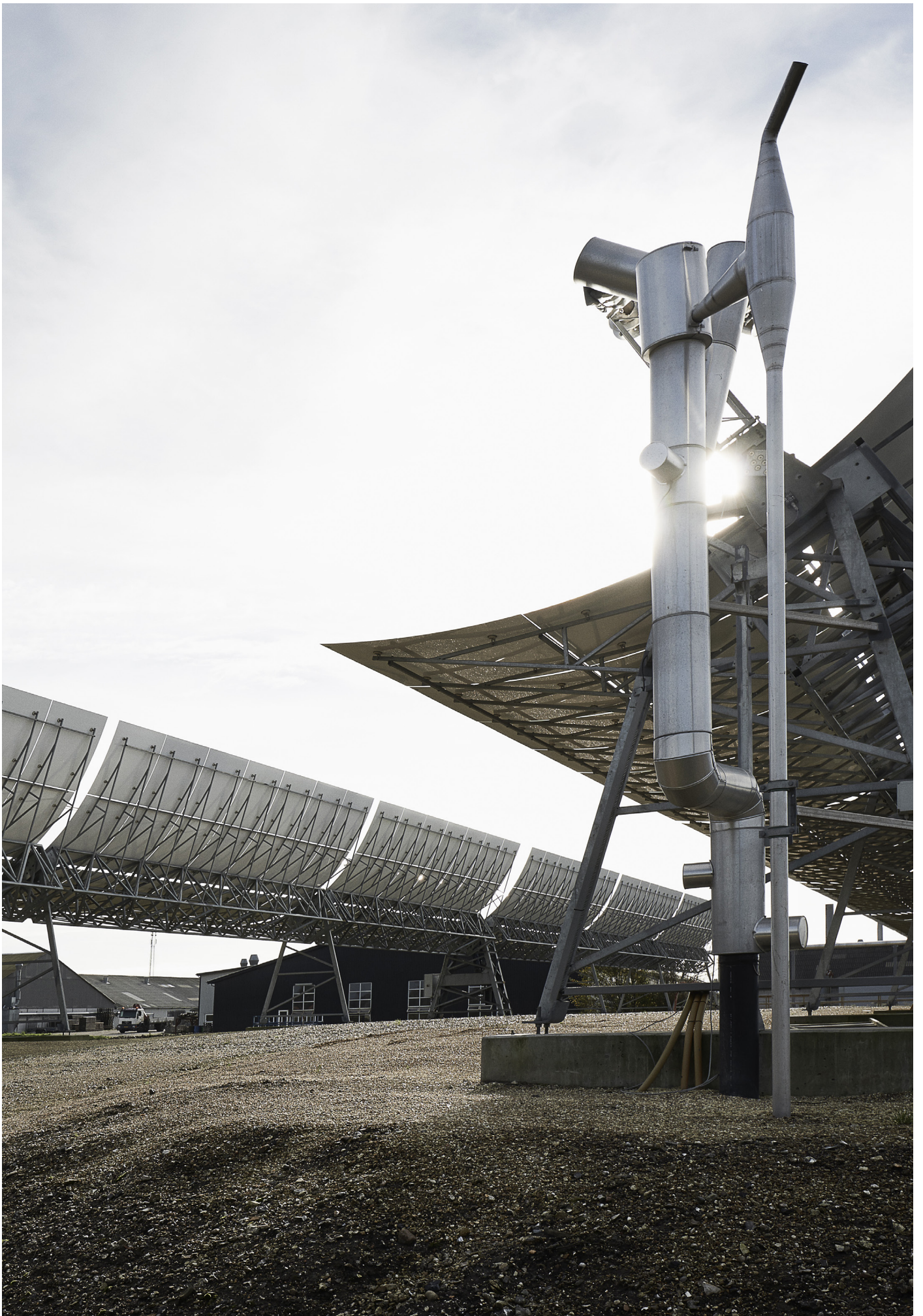


To the extent that it is possible, we mitigate risks where needed before they materialise. We manage risks together with our business partners and we ensure a stable and predictable process for the benefit of all.

The IFC and World Bank framework that we use as a benchmark on all relevant projects remains the same, but the individual impacts and risks of every project vary considerably. Thus we adopt a due diligence process that is appropriate for the particular type and scale of the project and its associated risks. The context and the type of projects we finance vary subsequently, and impacts are managed on an individual case basis.

Our CSR risk assessment is an integral part of our overall commercial risk assessment on our large business transactions and we put a substantial effort into benchmarking against international standards. If a gap occurs, we handle it as a risk and incorporate mitigation measures into our loan and guarantee agreement with our business partners.

We regularly monitor progress and follow up with our business partners to ensure that they manage the identified risks in accordance with our agreements.





Responsible business conduct

EKF is committed to ensuring fair, transparent and high ethical standards of business conduct when we operate. Corruption undermines social and economic development, destabilises the business environment and has a significant negative impact on the markets we serve, and some of those markets are perceived as high risk in terms of compliance issues. Therefore we have a strict zero tolerance towards corruption and bribery.

Internal policies and our process for prevention of bribery are instruments for our employees to safeguard themselves. They describe how to handle bribery, and how to avoid any situations that could put EKF employees in a dilemma. The policies outline bribery and its many forms such as active/passive bribery attempts, facilitation payments, and agent fees.

We believe that our internal policies safeguard both our employees and our business, to the benefit of all our stakeholders.

Assessments of customers

In EKF, we have a clear procedure, describing the steps that must be taken to ensure that we are not participating in any forms of money laundering or are in any way financing any terrorists. A core element is our anti-money laundering (AML) and counter terrorist financing (CTF) assessment of our customers.

Prior to entering into an agreement with a direct contractual partner, we conduct an AML and CTF assessment of the company, its management including its board of directors and the ultimate beneficiaries.



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

We believe that this strong know-your-customer procedure enables us to operate freely because our due diligence mitigates the risk that our customers are involved in illegal activities.

Another central element of the procedure is that all relevant customers must sign declarations on anti-bribery and transparency, before EKF issues a guarantee. They declare that they have adequate procedures in place to prevent bribery and corruption and that they must inform us if they are or have been involved in any cases regarding bribery or corruption.

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 approach the challenges that come with doing business. The guideline is expected to be implemented internally in EKF in 2019.

In the four-year process of developing the new guidelines, EKF has semiannually contributed to the process and provided input for the guideline. 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 guideline was published in 2009.

Training

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

All employees are trained in our internal guidelines and procedures such as AML including screening for bribery issues. All managers from team leader to board of directors participate in specific training and have to refresh their training annually.

Whistleblower portal

EKF has implemented a whistleblower portal for employees if they have a serious concern that they want to address, but cannot discuss with their manager or other colleagues. 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 should there be an extraordinary case.

The concerns can be submitted to the hotline anonymously, and are handled by an external partner, that cannot be influenced by anybody in EKF. The use of an external partner ensures objectivity and that there will be no way of backtracking to the individual submitting the concern.



Our CSR process

To EKF social and environmental responsibility is an enabler when helping Danish exporters in their internationalisation, because the due diligence process helps us mitigate potential issues early, hopefully resulting in fewer challenges and delays.

We believe that our CSR process adds value to the Danish exporters because fewer local challenges and delays will help them focus on achieving our common goal.

Five steps when assessing CSR aspects in export projects



EKF FOLLOWS THESE FIVE STEPS WHEN ASSESSING CSR ASPECTS IN EXPORT PROJECTS:



Step 1: CSR screening & classification

During the initial phase, EKF establishes an overview of the export project and classifies the project according to OECD Common Approaches. Export projects below DKK 25 million usually require a signed statement together with limited documentation.

Larger export projects require a deeper CSR evaluation and monitoring during the entire project period.

In accordance with The OECD Common Approaches, we classify projects based on the severity of potential adverse environmental or social impacts.



Step 2: Due diligence process

Moving on to the next phase, EKF gathers documentation on the export project and assesses its social and environmental impact.

During this due diligence phase, EKF asks the exporter to contribute relevant environmental and social impact assessments, certificates, applications, and permissions. In some cases, EKF also conduct a site visit. On large projects, environmental and social impact assessments are thoroughly assessed to determine any gaps between the relevant standards. Hereafter a environmental and social action plan (ESAP) is developed.



Step 3: Recommendation and decision

Based on our research EKF prepares a recommendation for the board of directors on the social and environmental impacts of the export project. The board of directors includes the recommendation in its final decision on financing of the export project.

This decision is based on input from many internal and external stakeholders, and CSR risks are evaluated on equal terms with financial risks.



Step 4: Agreement

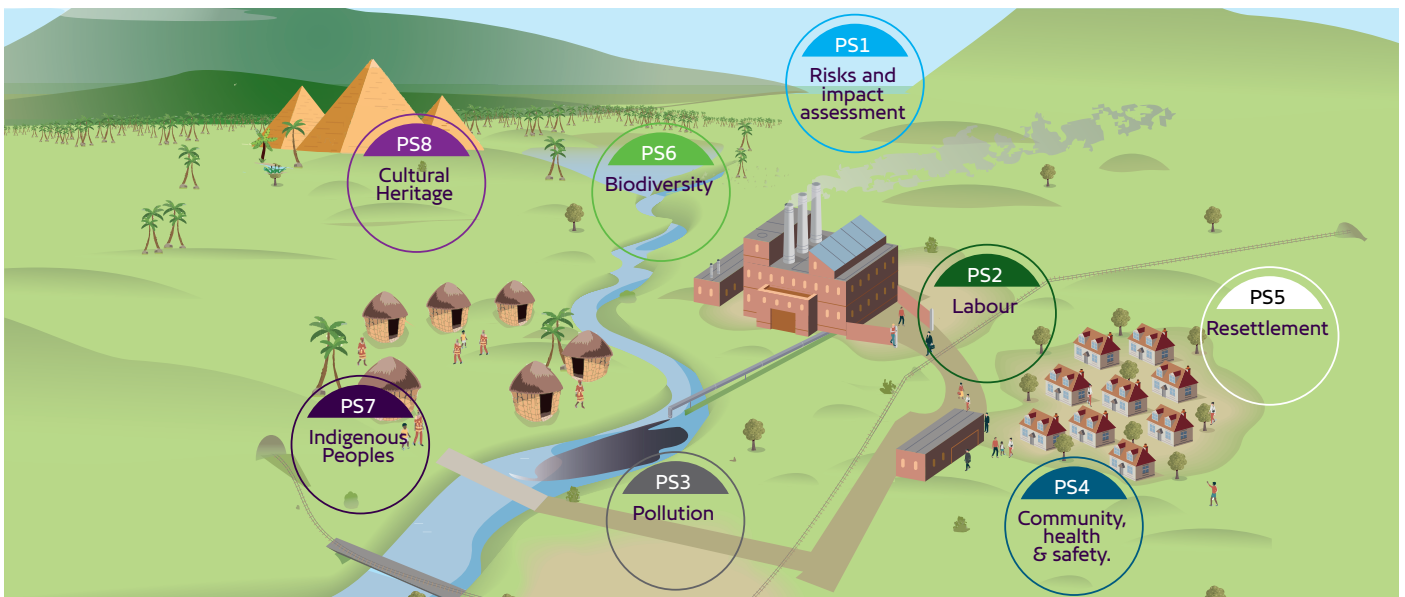
If the project is approved by senior management or board of directors, the financial and CSR related the risks are deemed manageable, and we go ahead with the project. The ESAP is a central part of the agreement.



Step 5: Monitoring

EKF monitors the export project as long as EKF is financially involved and ensures that the ESAP is implemented accordingly and that any issues that may arise are handled in line with our standards.

During the monitoring phase, EKF may visit the site and ask for updated documentation such as environmental reports and social reports.





Human rights

Impact through business

Our business conduct builds on the OECD Guidelines on Multinational Enterprises and United Nations Guiding Principles for Business and Human Rights (UNGPs). This is reflected in our CSR policy.

Throughout our due diligence process we use the IFC Performance Standards as our benchmark for compliance. This includes bringing projects to engage with rights holders and mitigate potentially adverse impacts. We see a substantial overlap between the IFC Performance Standards and the UN Guiding Principles and the Universal Declaration on Human Rights.

It is our experience that we create the best results by engaging with our business partners.

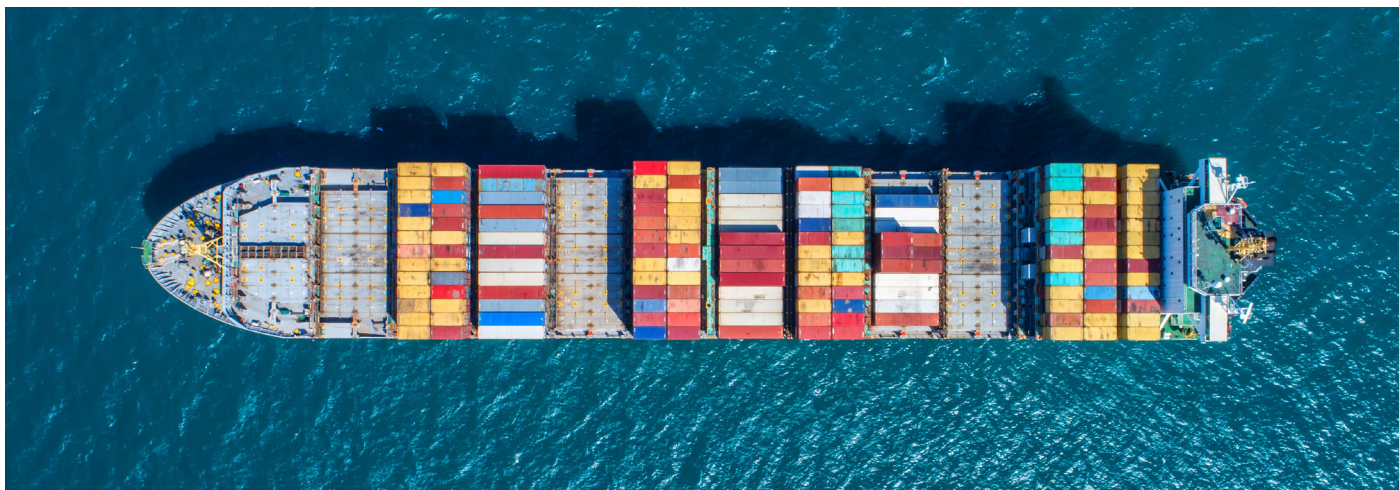
Consequently, EKF advocates for identifying and implementing mitigating measures in contract negotiations with Danish exporters and the international buyers.

Impact through business

Through our work with the IFC performance standards we positively impact Human Rights on projects relevant projects in our portfolio.



Note: This is not an exhaustive list but an example of the overlap between the Universal Declaration on Human rights and IFC Performance Standards.



CSR

business impacts

In 2018, EKF issued new export credit guarantees worth DKK 33.7 billion. Each year, we analyse the environmental and social impacts associated with our medium/ long-term project transactions. The transactions in our portfolio are classified as A, B, or C in line with the OECD Common Approaches.

Of the medium/long-term guarantees issued in 2018, 28 had potentially adverse environmental and/or social impacts, hence were classified as A or B projects. Two projects were both classified as Category A projects due to their potential impact on animal welfare. Those two falls outside the OECD Common Approaches and are therefore excluded from the calculation of impacts.

Five of the 33 transactions were considered to have very little or no environmental and/or social impacts (classified as C projects), and are therefore not included in the calculations.

In 2018, 15 transactions also fall under the Equator Principles.

Separately, EKF approved 188 working capital guarantees and export credit guarantees.

Transactions classified as A or B

According to the OECD Common Approaches, EKF classifies projects as category A,B or C projects. The classification indicates the review and assessment processes required for a project. Category A projects require an extensive assessment of environmental and social risk, while category B projects are typically smaller, have fewer impacts and therefore do not require the same level of assessment. C projects are projects with very low or no environmental and social impacts.

Overview of transaction	2018	2017	2016
Transactions (category A, B and C)	33	19	28
Equator principles transactions	15	5	8
Working capital guarantees and capital expenditure guarantees	188	242	260
Customers	750	769	701

OECD Common approaches A & B projects	Country	OECD Category	Value of EKF involvement (million EUR)
Road transport	Turkey	A	41.9
Road transport	Turkey	A	345.2
Road transport	Angola	A	246.2
Wind power	United Kingdom	A	280.7
Wind power	Senegal	A	121.9
Cement/lime/plaster	Bangladesh	A	22.7
Wind power	Belgium	A	100.0
Wind power	United Kingdom	A	898.1
Wind power	Turkey	B	184.1
Cement/lime/plaster	Bangladesh	B	9.0
Wind power	Argentina	B	104.4
Wind power	Turkey	B	8.3
Power generation/non-renewable sources	Bermuda	B	78.7
Wind power	Sweden	B	232.5
Wind power	Chinese Taipei	B	1,174.6
Wind power	Argentina	B	134.2
Misc	Turkey	B	3.5
Wind power	Belgium	B	99.9
Wind power	Argentina	B	61.3
Water supply and sanitation	Chile	B	22.7
Wind power	Sweden	B	180.0
Cement/lime/plaster	Bangladesh	B	30.4
Engineering	India	B	34.5
Biomass	United States	B	17.5
Wind power	Sweden	B	208.3
Cement/lime/plaster	Saudi Arabia	B	6.4
Total			4,647.7

Industry overview	Number	EKF amount (M EUR)
Wind	14	3,788
Infrastructure and utilities	6	742
Agriculture and food technology	3	8
Cement	4	68
Manufacturing industry	3	37
Biomass and gas	1	17
Other	2	6
Total	33	4,667

Local employment impacts

Estimated local employment impact	2018	2017	2016
Employment generated 1 year of construction, man-years, EKF proportion	12100*	1100	1000
Employment generated average annual during operation, man-years, EKF proportion	1400	500	200
Total employment generated	13500*	1600	1200
Estimated value in EUR million	148	30	25
Estimated value in EUR per 1,000 EUR of EKF involvement	32	28	17

* The increase in local employment is largely due to labour intensive infrastructure projects.

International standards applied

No. Projects	A projects	B projects	Total
IFC PS 1 Assessment and management of environmental and social risks and impacts	10	18	28
IFC PS 2 Labor and working conditions	8	18	26
IFC PS 3 Resource efficiency and pollution prevention	7	16	23
IFC PS 4 Community health, safety, and security	6	15	21
IFC PS 5 Land acquisition and involuntary resettlement	6	11	17
IFC PS 6 Biodiversity conservation and sustainable management of living natural resources	7	17	24
IFC PS 7 Indigenous peoples	0	6	6
IFC PS 8 Cultural heritage	7	12	19
Animal welfare	2	0	2

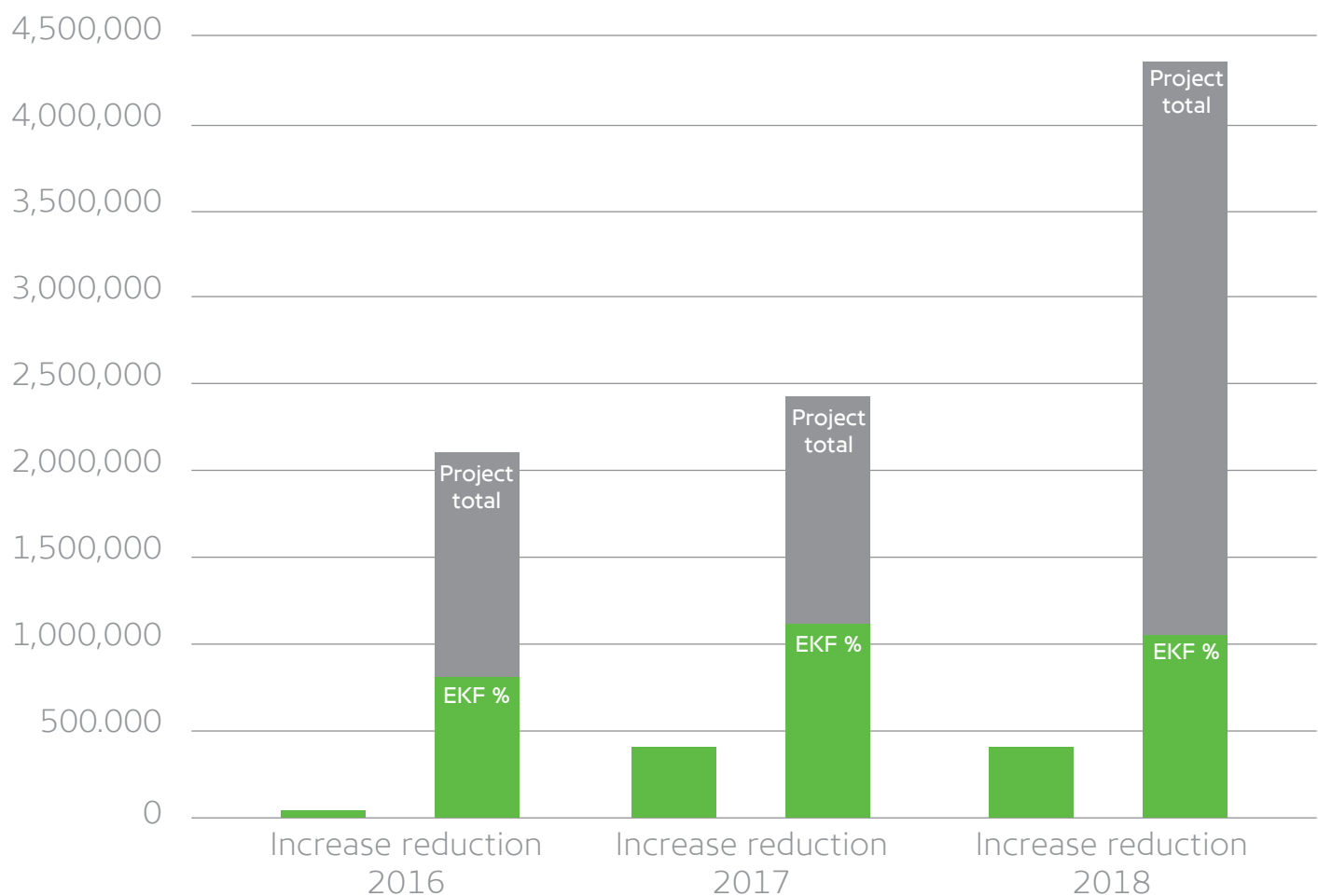
Climate change impacts

Annual GHG emissions associated with EKF financed projects	2018	2017	2016
Total emissions in tonnes, one year	370,000	400,000	50,000
Total emissions in tonnes, one year, EKF %	351,500	380,000	50,000
Relative CO _{2e} reduction in tonnes, one year	4,340,000	2,440,000	2,100,000
Relative CO _{2e} reduction in tonnes, one year, EKF %	1,044,000	1,099,000	800,000
Value of relative reduction in EUR million	26	9	5
Value of relative reduction in EUR per million EUR EKF involvement	5290	7800	3400
Relative reduction as % of Denmark's annual emissions	2.1%	2.3%	1.5%

CO_{2e} impacts

Annual ghg emissions associated with EKF financed projects.

Tons CO_{2e}



Number of site visits

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. In 2018, our CSR staff conducted 11 site visits.

Site visit overview	2018
Total	11
Countries visited	
Mexico	4
Senegal	1
Iceland	1
Bangladesh	1
Turkey	2
Vietnam	1
Iran	1

Internal resource & consumption

EKF internal impacts are the results of our endeavors to be a responsible corporate citizen and an attractive employer.

Resource consumption	2018	2017	2016
Electricity			
total (in MWh)	243	240	250
per employee (in kWh)	1,870	1,876	1,983
per m ² (in kWh/m ²)	24	24	25
Heat			
total (in MWh)	210	210	216
per employee (in kWh)	1,591	1,641	2,025
per m ² (in kWh/m ²)	31	31	32
Water			
total (in m ³)	899	899	863
per employee (in m ³)	6.81	7.03	6.85
per m ² (in m ³ /m ²)	0.27	0.27	0.26

* Not all data is available at the time of reporting and the numbers are therefore partly based on consumption figures from the previous year

CO ₂ -e contribution based on EKF consumption and transportation	2018
total (tonnes)	720
per employee (kg)	5600
% of emissions attributed to air travel	88%
% of emissions attributed to electricity consumption*	7%
% of emissions attributed to heat consumption*	2%
% of emissions attributed to travel by taxi and own car	3%
% of emissions attributed to the use of courier	0.02%

* Heat and electricity emissions for 2018 are partly based on available data from 2017

Staff Diversity

At year-end 2018, EKF had a total of 136 employees.

The number of women in the workforce at year-end 2018 was 60, accounting for 44% of the total workforce. The presence of women in EKF's management was 36% in 2018.

As required by the Danish Financial Statement Act, EKF maintains a policy toward an equal distribution of men and women in management, and monitors developments in this regard.

Staff diversity	2018	2017	2016
Number of employees, end of year	136	121	No data
Percentage of women in workforce	44%	49%	-
Percentage of women in management	36%	36%	-
Percentage of employees with a university degree	75%	74%	-
Average age	44.6	43.8	-
Average years of service	6.7	6.7	-

* No reporting was conducted in 2016.

Health and safety

In 2018, the average number of days lost through illness per employee was 4.07 which is a decrease compared to the 4.6 days per employee in 2017.

There is also a decrease in the average number of days lost due to long term illness, which was 1,6 days in 2018 and 2.3 in 2017.

In 2018, EKF maintained continuous focus on stress management, for example by organising workshops on the topic alerting our employees to signs of stress, how to avoid it, and how to handle it if it does occur.

Health and safety	2018	2017	2016
Average number of days lost through illness per employee (short term illness)	4.07	4.6	No data
Average number of days lost through long term illness (>30 days) per employee	1.6	2.3	No data

UN Global compact references

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	Page 14-15
Principle 2	Make sure that they are not complicit in human right abuses.	Page 14-15
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining	Page 16-20
Principle 4	The elimination of all forms of forced and compulsory labour.	Page 16-20
Principle 5	The effective abolition of child labour.	Page 16-20
Principle 6	The elimination of discrimination in respect of employment and occupation.	Page 16-20
Principle 7	Business should support a precautionary approach to environmental challenges	Page 16-20
Principle 8	Undertake initiatives to promote greater environmental responsibility.	Page 16-20
Principle 9	Encourage the development and diffusion of environmentally friendly technologies.	Page 16-20
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	Page 10-12

