



RESPONSIBILITY REPORT **2019**



KOMMUNEKREDIT

SUSTAINABLE FINANCE



MISSION

KommuneKredit must create financial latitude for Danish local authorities by providing funding and financial advice at the lowest possible cost.



VISION

We want to be the best funding option for our customers, regardless of the given conditions.

We want to be contemporary, efficient and engaged, while focusing on high quality, steadiness and stability.

RESPONSIBILITY AS ONE OF FOUR COMPANY VALUES

The four values are: Competent, Solution-driven, **Responsible** and Inclusive. Read about our [values](#)

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GENERAL INFORMATION

Reporting Party

KommuneKredit (the Credit Association for Municipalities and Regions in Denmark)

Address

Kultorvet 16
DK-1175 Copenhagen K
Denmark

Incorporation

KommuneKredit is domiciled in Copenhagen, Denmark and is not a multi-branch.

Reporting Period

2019

The compilation of ESG data (Environment, Social, Governance data) draws upon standards developed by Center for ESG Research.¹

ABOUT THIS REPORT

This report outlines KommuneKredit's approach to responsibility and highlights our activities and achievements in 2019. It also outlines our 2020 goals and demonstrates how our efforts contribute to the Sustainable Development Goals (SDGs). Finally, it provides an overview of ESG data for KommuneKredit.

KommuneKredit's Board of Directors approved the Responsibility Report on 19 March 2020.



CEO FOREWORD

Responsibility and serving the common good is an inherent part of our business model. Due to the joint and several liability of our members, our close ties to local governments and the non-profit basis of our business model, KommuneKredit has particularly favorable preconditions for supporting the green transition in Denmark. We can provide long-term sustainable finance for sustainable investments on equal terms regardless of project size or location. The decisive factor is whether or not an investment is in compliance with our regulatory framework.

Since the publication of our last responsibility report, sustainability topics have become increasingly important on the political agenda in Denmark. With, among other things, a national climate goal to reduce greenhouse gasses by 70 % by 2030, relative to 1990 levels, the Government has placed the green transition at the heart of policy making.

With the launch of the European Green Deal, aimed at making Europe climate-neutral by 2050, sustainability has also come to the forefront of the agenda at the EU level. This is further evident from, for example, the setting up of the Technical Expert Group on sustainable finance (TEG) to assist the development of, inter alia, an EU Taxonomy and EU Green Bond Standard.

Local government spending corresponds to a quarter of the Danish GDP. Moreover, the municipalities own a substantial share of the utility sector (water, waste and district heating). Collectively the municipalities are also the largest property owner in Denmark. Local governments therefore inevitably play a pivotal role in the green transition of Denmark.

Nearly all local government borrowing is provided by KommuneKredit. We provide finance for a wide range of climate-friendly infrastructure investments; for example, climate adaptation, public transportation, dykes, coastal protection, energy efficiency of public buildings and sustainable utility investments.

Going forward, the volume is expected to increase and further types of investments are expected to be added to our portfolio conditional upon regulation and

» *KommuneKredit can play a significant role in the green transition of our society.*

Jens Lundager
CEO

a political desire to finance the green transition through local borrowing. In that case, I am confident that KommuneKredit can provide the necessary long-term financing.

Local authorities in Denmark have high climate ambitions. This is evident from the many climate actions and climate-friendly investments carried out at the local level. Local Government Denmark (LGDK), the association and interest organization of the 98 Danish municipalities, supports the visions of a discharge-free future and recently launched a climate proposal comprising the Danish municipalities' joint suggestions on how to strengthen the framework for local climate action.

Responsibility ambitions are also high at KommuneKredit, which is perhaps best exemplified with the launch of a comprehensive Transformation Program in January 2020 in which sustainable finance is a key element. With the program, our aim is to, inter alia, increase the volume of green loans.

In the past year, we have integrated the Sustainable Development Goals (SDGs) in our responsibility reporting. We have achieved an improved ESG-rating placing

us in the ESG Prime category of companies (best-in-class) within our industry. Moreover, we issued our third green bond and launched a Green Loan Certificate available for green loan borrowers. These are examples of how responsibility is integrated in the core of our business activities.

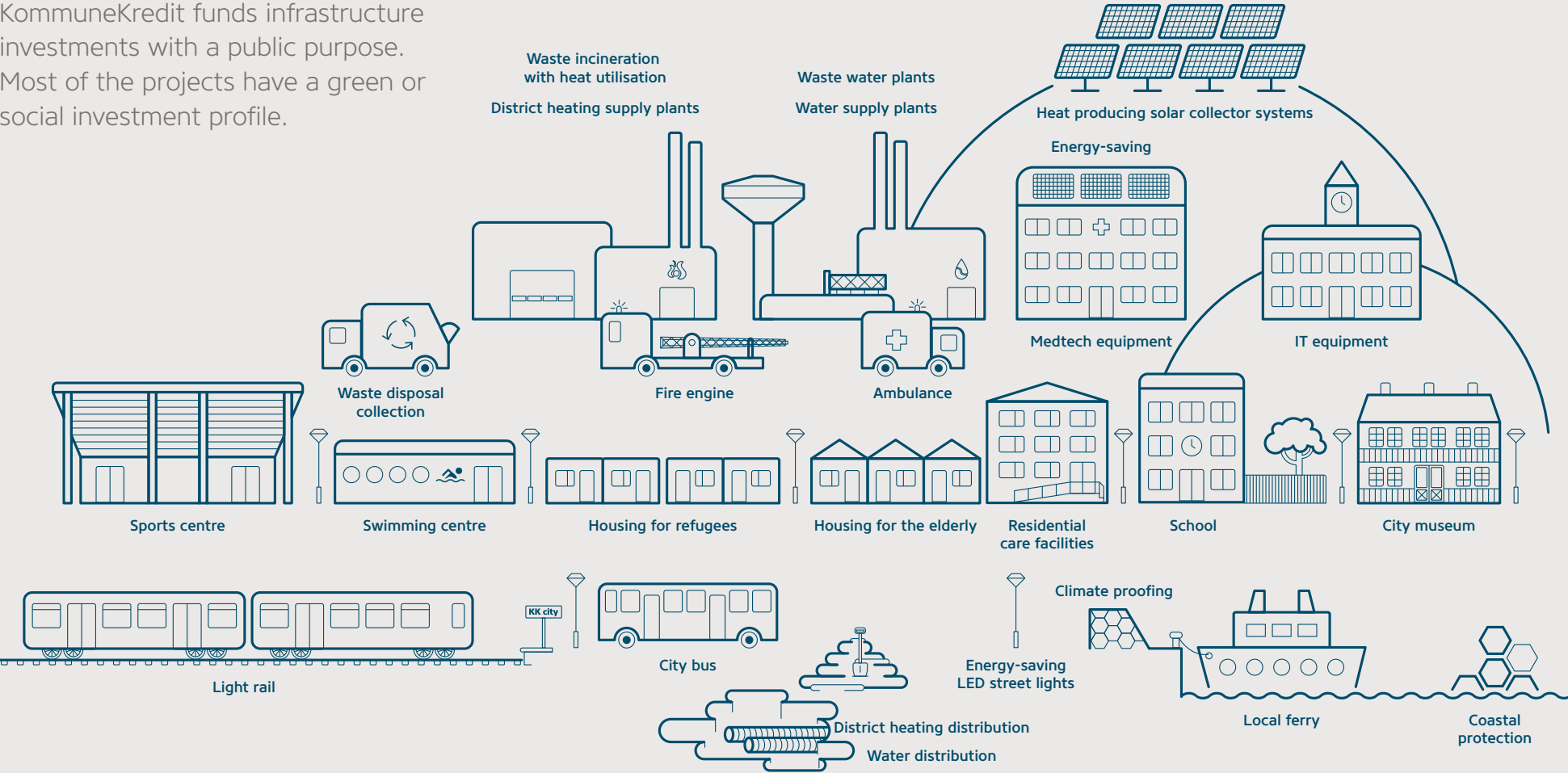
In our internal operations our sustainability initiatives continue to move forward. We have, for example, replaced the remaining luminaires with LED lighting at the office premises, abolished the use of plastic bottles and decided to use 100 % recycled print paper.

All in all, at KommuneKredit, we want to continue to support the green transition – we do so by continuously improving our own carbon footprint, through responsible governance and last but not least by providing sustainable finance for climate-friendly public purpose infrastructure adopted by our members. In my opinion, KommuneKredit can play a significant role in the green transition of our society.

Jens Lundager
CEO

PUBLIC PURPOSES

KommuneKredit funds infrastructure investments with a public purpose. Most of the projects have a green or social investment profile.



RESPONSIBILITY HIGHLIGHTS 2019



SUSTAINABLE OPERATIONS

- Abolishing the use of plastic bottles
- Company wide use of sustainable paper
- LED lighting
- Weekly vegetarian day



THIRD GREEN BOND

KommuneKredit issues its third green bond



ESG-RATING

KommuneKredit achieves improved ESG-rating

SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals integrated in KommuneKredit's responsibility reporting



TRANSFORMATION PROGRAM

Sustainable Finance becomes a key element in the strategic development of KommuneKredit with the launch of a new Transformation Program.



GREEN LOAN CERTIFICATE

KommuneKredit launches Green Loan Certificate for green loan borrowers

OUR BUSINESS MODEL – FINANCING WELFARE

KommuneKredit provides funding to Danish local authorities on equal terms throughout the country. The advancement of the common good and promoting public value is a part of KommuneKredits raison d'être.

KommuneKredit is driven on a non-profit basis. This means that KommuneKredit does not pay dividends, and the association's earnings shall only cover expenses and ensure an adequate equity ratio. KommuneKredit's profitability thus translates into low lending rates for its customers. In that sense there is an alignment of interests between KommuneKredit and its customers.

KommuneKredit was established by a special legislative Act in 1898. The company is organized as a credit association in which all Danish local municipalities and regions (together local authorities) are members. The members are jointly and severally liable for KommuneKredit's obligations. KommuneKredit is supervised by The Ministry for Industry, Business and Financial Affairs.



KOMMUNE
KREDIT

STEADY
& STABLE



JOINT AND SEVERAL LIABILITY

KommuneKredit's members are Denmark's 98 municipalities and 5 regions, and the association thus represents the entire Danish population. The members are jointly and severally liable for all KommuneKredit's liabilities.

KOMMUNEKREDIT IS A LINK

KommuneKredit acts as a steady and stable link between local lending and global funding.

FUNDING

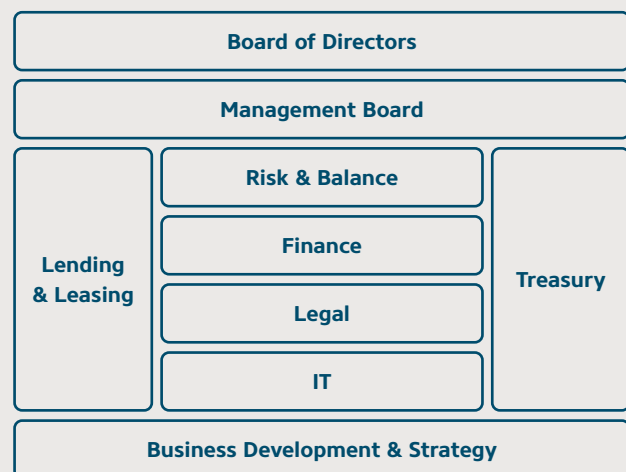
KommuneKredit's lending is financed by the issue of securities in the Danish and international capital markets.

KEY FACTS

ORGANISATION

KommuneKredit's overall management is handled by a Board of Directors. The Board of Directors has 9 members in total. 6 are elected by the municipalities, 2 by the regions, and one independent member is elected by the Board of Directors. By June 2020, the Board of Directors will be expanded with a 10th member, who will also be independent and elected by the Board of Directors. The day-to-day management is handled by a Management Board consisting of two members.

The association is organized in seven departments: Lending & Leasing, Business Development & Strategy, Treasury, Risk & Balance, Finance, Legal and IT.



MEMBERS

Denmark's 98 municipalities and 5 regions are all members of KommuneKredit. Thus, KommuneKredit has close ties to the Danish municipal and regional sector.

TOTAL LENDING

In 2019, total lending amounted to
DKK 185 billion

TOTAL GREEN LENDING

In 2019, total green lending amounted to
DKK 13,7 billion

MARKET SHARE AND EQUITY

Market share of lending to local authorities

100%

Equity

DKK 8,179 million

EMPLOYEES IN TOTAL²

Total number of employees in the association in 2019

76

GENDER DISTRIBUTION

Board of Directors

8 male

1 female

Management

(Management Board, Heads of Department and Heads of Teams)

9 male

5 female

Employees

37 male

25 female

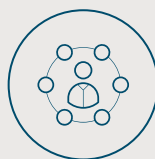
KOMMUNEKREDIT AND RESPONSIBILITY

The foundation for KommuneKredit's responsibility approach is our [Strategy 2022](#) and our Responsibility Policy approved by the Board of Directors in late 2018. In the coming year, Strategy 2022 will continue to constitute the overall framework for KommuneKredits development. However, from January 2020, our strategic ambitions have been further specified in a Transformation Program representing the next step in the strategic development of KommuneKredit.

On the following pages we describe our goal achievements for 2019 and present our goals for 2020.

THE TRANSFORMATION PROGRAM

The Program consists of three tracks:



CUSTOMER JOURNEY TRACK



BALANCE SHEET OPTIMIZATION TRACK



SUSTAINABLE FINANCE TRACK

This means that Sustainability will be a key part of the strategic development of KommuneKredit in the years to come.

THE SUSTAINABLE FINANCE TRACK

The Sustainable Finance Track aims at integrating sustainability throughout KommuneKredit's business operations. The Track, among other things, includes strengthening KommuneKredit's work with sustainable (green) finance, including increasing the share of green loans of the total loan portfolio. By year end 2019, KommuneKredit had approved nearly DKK 20 billion in green loans, of which DKK 13.7 billion have been disbursed. In the future, green financing is expected to constitute a larger proportion of the total loan portfolio. KommuneKredit moreover envisages that other types of sustainable finance can be added in the future, for example

social and sustainability bonds. By year end, KommuneKredit's total lending to social housing was DKK 23.2 billion.

The Track also includes raising our ambitions in relation to ESG (Environment, Social & Governance) and the UN's Sustainable Development Goals (SDGs). A more strategic approach will be adopted, setting out clear goals for KommuneKredit's ESG performance, and the SDGs will be integrated in KommuneKredit's strategic framework.

For a description of the Customer Journey Track and the Balance Sheet Optimization Track, please see our [Annual Report](#).

OUR FOCUS AREAS AND GOALS

Prior to the drafting of KommuneKredit's Responsibility Policy, a materiality assessment was conducted in which key stakeholders were interviewed about the importance of various responsibility topics.³ Based on the materiality analyses three responsibility focus areas were chosen: These were **Responsible Governance**, **Responsible Funding** and **Responsible Internal Operations**.



For each focus area, a number of goals were set for 2019.

THE SUSTAINABLE DEVELOPMENT GOALS

In 2015, the UN's member states adopted 17 Sustainable Development Goals (SDGs) with the aim to develop

the world in a more sustainable direction. In 2019, KommuneKredit has conducted an analysis of the SDGs vis-à-vis the association's responsibility focus areas and responsibility goals.⁴ The aim of the analysis was to identify how KommuneKredit's responsibility efforts underpin the SDGs, including the level of impact on the SDGs ranging from high, medium and low impact.

A key finding was that KommuneKredit's focus area Responsible Funding has the highest SDG impact. The focus area concerns KommuneKredit's core business encompassing large investments with a significant impact on society.

FOCUS AREA	2019 GOAL	2019 SDG IMPACT	LEVEL OF IMPACT
Responsible Funding	Maintain current level of green bond issuance	     	 <p>High impact</p> <p>Medium impact</p> <p>Low/no impact</p>
	Increase customer awareness of green finance		
Responsible Internal Operations	Climate-friendly internal operations	   	
	The Good Workplace		
Responsible Governance	Promoting good corporate governance		
	Promoting good management		
Responsible Governance	Increasing employee awareness of Code of Conduct and Responsibility Policy		
	Strengthening the internal control environment		
Responsible Funding	New administration module		

FOCUS AREAS



FOCUS AREA 1

RESPONSIBLE GOVERNANCE

Supporting and promoting good governance and business ethics



FOCUS AREA 2

RESPONSIBLE FUNDING

Strengthening our work with green finance



FOCUS AREA 3

RESPONSIBLE INTERNAL OPERATIONS

Responsible internal operations, e.g. reducing climate impact and promoting diversity, inclusiveness, health and well-being among employees

RESPONSIBLE GOVERNANCE

The focus area Responsible Governance concerns supporting and further advancing good governance at KommuneKredit. Governance concerns, for example, leadership, audits and internal controls. In the ESG terminology (Environment, Social, Governance), the focus area concerns the “G” in the ESG.

KommuneKredit’s governance structure, regulatory framework and delegation of responsibility is described in the association’s [Annual Report 2019](#).

Responsibility permeates the associations organization. This is reflected in our Mission, our Vision, our Values, our Code of Conduct as well as our Responsibility Policy. In 2019, we formulated a set of Management Principles. These are described on the next page.

CODE OF CONDUCT

Ethical business conduct is a fundamental aspect of KommuneKredit’s corporate culture. KommuneKredit has drafted a Code of Conduct, which delineates the ethical behavior expected from employees at all levels.

[Read the Code of Conduct](#)

RESPONSIBILITY POLICY

KommuneKredit’s Responsibility Policy specifies that the association must demonstrate good and ethically responsible corporate governance at all times and that KommuneKredit has zero tolerance towards any form of bribery and corruption. [Read the Responsibility Policy](#)

SDG IMPACT OF GOALS



SDG GOAL 4
Quality education



SDG GOAL 8
Decent work and economic growth



SDG GOAL 12
Responsible consumption and production



SDG GOAL 16
Peace, justice and strong institutions

LEVEL OF COMPLETION

- Completed work
- Still in process
- Not met the requirement

NEW MANAGEMENT PRINCIPLES

In 2019 KommuneKredit's Management, Directors and Heads of Teams worked on developing a set of 'Management Principles'. The work was based on input from employee workshops and aims to underpin KommuneKredit's continuous efforts to be a modern and professional workplace. The Management Principles are:



WE SHOW DIRECTION

- This means that as a leader I:
- Always bear in mind KommuneKredit's mission, vision and strategy
 - Create clear relations between the strategy and the individual employee's tasks
 - Provide coaching as well as clear and constructive feedback



WE HAVE A HOLISTIC FOCUS

- This means that as a leader I:
- Support my colleagues and prioritize resources for our common tasks
 - Focus on progress, results, follow up and completion
 - Ensure that development and operations go hand-in-hand



WE CREATE JOB SATISFACTION

- This means that as a leader I:
- Am present, engaged and open to an honest conversation
 - Facilitate conflict resolution and handle negativity
 - Pay attention to the employee's work-life balance.



WE SUPPORT EMPLOYEE POTENTIAL

- This means that as a leader I:
- Listen, show trust, define tasks and delegate
 - Encourage innovative thinking and recognize that mistakes happen
 - State clear expectations for the employee and the development of their competencies






» It was important that employees and leaders at all levels were involved in the development of the new Management Principles. Now our focus is on ensuring that the principles are implemented in everyday practices, for example in our annual employee performance reviews and the upcoming management and training program so it becomes a natural part of our leadership culture."

Camilla Prehn,
Senior HR Advisor

2019 GOAL ACHIEVEMENT

GOAL	INDICATOR(S)	ACHIEVEMENT	COMPLETION	TARGET LEVEL SDG IMPACT
Increasing employee awareness of Code of Conduct and Responsibility Policy	Employee training through an internal staff meeting targeted towards creating employee awareness of Code of Conduct and Responsibility Policy respectively. All employees must have completed training in these areas by year's end.	Staff meetings have been held in 2019 in order to increase employee awareness vis-à-vis the company's Code of Conduct and Responsibility Policy. On both occasions the presentation was led by a member of the Managing Board in order to underline/highlight the importance and priority of the topics by the top management.	●	No SDG impact
Promoting good corporate governance	A self-evaluation measured against recognized good corporate governance standards, including the recommendations of the Danish Good Corporate Governance Committee and the Executive Order on Internal Governance and Management of Banks and Others must have been carried out before year's end.	A self-evaluation has been conducted. The evaluation report was presented to the Management Board and the Board of Directors in November 2019. The management took note of the report. Based on the self-evaluation, a set of recommendations on further governance initiatives will be formulated and the recommendations will subsequently be submitted to the Board of Directors in 2020 for prioritization and resolution.	●	 
Promoting good management	Formulating guidelines for good management that will be centered around specific activities and initiatives aimed at improving good management at KommuneKredit in the coming years.	Following an inclusive process, involving employees from all departments as well as all company managers, a set of guidelines for good management (Management Principles) was formulated during the fall of 2019. The guidelines determine the focus and behavior expected of the leaders in KommuneKredit. Part of the guidelines are incorporated in KommuneKredit's yearly employee satisfaction survey in order to measure the extent to which the guidelines are being followed and complied with by the leaders according to the employees. The score for 2019 was highly positive.	●	   
Strengthening the internal control environment	Workshops, aimed at process documentation including related risk assessment, are to be completed for minimum one essential process within every business department (1st Line of Defence). The outcome is expected to be new or updated business procedures.	1st Line of Defence has completed process descriptions, risk assessments and updated business procedures/standard operating procedures (SOP's) related to essential processes such as Funding and Investment, Settlement of Counterparties, Handling of Collateral, KYC (Know Your Customer), Accounting, Procurement and Incident Management.	●	No SDG impact
	Formalization of a standard framework for internal risk management and control in, primarily, the 1st Line of Defence based on the results from workshops.	An internal framework has been developed to ensure that SOP's are aligned in structure across KommuneKredit. Due to the framework both 1st and 2nd Line of Defence are able to assess the level of process risk, identify the need for establishment of mitigating control activities or assess the effectiveness of controls by management supervision.	●	

RESPONSIBILITY GOALS 2020

GOAL	INDICATOR(S)	TARGET LEVEL SDG IMPACT
<p>Integrate responsibility considerations in Transformation Program and other business development activities</p>	<p>Sustainability implications must be accounted for in project templates and thus become an integral part of company decision-making and development.</p>	 <p>Sustainability implications will vary depending on the specific activity.</p>
<p>ESG strategy</p>	<p>Based on the current approach, which was strengthened in 2019, determine KommuneKredit's ESG ambitions and strategy for the coming years.</p>	<p>SDG impact can only be specified at the point when the content of the ESG strategy is known.</p>
<p>Promoting good corporate governance</p>	<p>Based on the conducted self-evaluation measured against recognized good corporate governance standards, cf. p. 14, draw up a set of recommendations on further governance initiatives which the Board of Directors will decide on in 2020, including a prioritization of initiatives.</p>	
<p>Promoting good management</p>	<p>The new Management Principles will be incorporated in the concept for the annual employee performance review.</p> <p>A training program on leadership and management skills is planned in the early spring 2020 for all level two and level three leaders.</p>	
<p>Promote a sustainable supply chain</p>	<p>Promote sustainability and responsible business behavior in all parts of the supply chain management, including involving responsibility aspects in procurement and vendor selection processes. These principles will be included in new internal supplier guidelines.</p>	
<p>Strengthening the internal control Environment</p>	<p>Progress within 1st Line of Defense ensuring update of significant business procedures according to new internal standards.</p> <p>Progress within 2nd Line of Defense verification of 1st Line of Defense compliance with business procedures, including verification of quality in internal controls.</p>	<p>No SDG impact</p>

RESPONSIBLE FUNDING

The focus area Responsible Funding concerns KommuneKredit's core business – our lending and funding. It concerns our efforts to offer sustainable finance, including green loans and green bonds, to our customers and our investors respectively. In the ESG terminology, the focus area concerns the 'E' in the ESG (i.e. how KommuneKredit impacts the environment through offering green financial products).

With the Transformation Program (see p. 10 for a description), strengthening the work with green finance is given an even greater priority at KommuneKredit in the coming years.

KommuneKredit launched its inaugural green bond in June 2017 (EUR 500 million). The second green bond (EUR 750 million) was issued in June 2018 and in

November 2019, KommuneKredit issued its third green bond (EUR 500 million).

The green loans eligible for KommuneKredit's green finance are loans within the following types of investments: water management, district heating, energy efficiency and clean public transportation. Following the Transformation Program, KommuneKredit will in the coming year investigate possibilities for expanding the green loan portfolio, cf. our 2020 goals below.

KommuneKredit reports annually on the impact achieved through the projects financed by our green bonds in a separate report. KommuneKredit's latest Green Bond Impact Report was published in May 2019. [See the full report.](#)

GREEN BOND IMPACT

The expected annual CO₂ reduction/avoidance resulting from projects financed with our green bonds is approximately:

360,000 tonnes*

This corresponds to the annual CO₂ emissions of approx.

19,000 Danes⁵

Green project overview

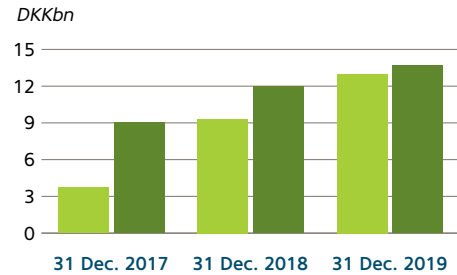
See an overview of the projects financed with KommuneKredit's green bonds [here](#).

* Please note that this figure is from our Green Bond Impact Report from May 2019. The CO₂ reduction figure will be updated in our upcoming Green Bond Impact Report 2020, which will be published in May 2020.

SDG IMPACT OF GOALS

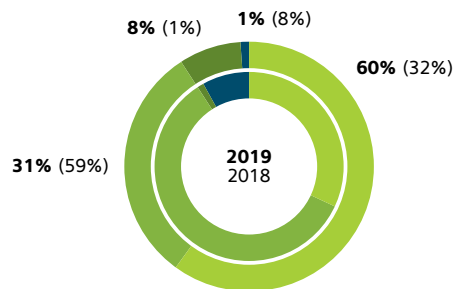
-  **SDG GOAL 7**
Affordable and clean energy
-  **SDG GOAL 9**
Industry, innovation and infrastructure
-  **SDG GOAL 11**
Sustainable cities and communities
-  **SDG GOAL 12**
Responsible consumption and production
-  **SDG GOAL 13**
Climate action
-  **SDG GOAL 14**
Life below water

**OUTSTANDING NOTIONAL
(DISBURSED OUTSTANDING LOANS)**



■ Green Bond Portfolio
■ Disbursed Green Loan Portfolio

AMOUNT COMMITTED BY CATEGORY



■ District Heating
■ Water
■ Clean Public Transportation
■ Energy Efficiency

1ST GREEN BOND ISSUE

ISIN: XS1622415674
Size: EUR 500m
Issue Date: 1 June 2017
Maturity Date: 5 July 2028
Coupon: 0.75%

2ND GREEN BOND ISSUE

ISIN: XS1851226891
Size: EUR 750m
Issue Date: 5 July 2018
Maturity Date: 5 July 2028
Coupon: 0.75%

3RD GREEN BOND ISSUE

ISIN: XS2081058096
Size: EUR 500
Issue Date: 19 November 2019
Maturity Date: 21 November 2039
Coupon: 0.625%












By year end 2019, KommuneKredit had approved nearly DKK 20 billion in green loans to sustainable projects in Danish local governments as part of its green bond program.



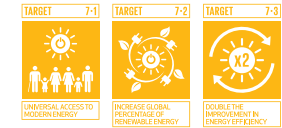
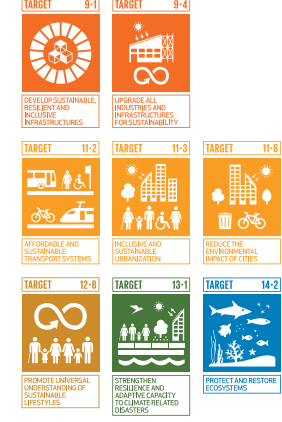
GREEN CERTIFICATE FOR GREEN LOANS

KommuneKredit's borrowers can obtain a digital green certificate if they finance a project with a green loan from KommuneKredit. The certificate can be used to highlight the green efforts of the borrower.

2019 GOAL ACHIEVEMENT

GOAL	INDICATOR(S)	ACHIEVEMENT	COMPLETION	TARGET LEVEL SDG IMPACT
Maintain current level of green bond issuing	Issuing at least one green bond in 2019 (goal achievement is contingent upon the customers' demand for green loans).	In November 2019, KommuneKredit issued green bonds in the amount of EUR 500 million. It is the third time that KommuneKredit has issued green bonds. By year end 2019, KommuneKredit had approved nearly DKK 20 billion in green loans to sustainable projects in Danish local governments as part of its green bond program.	●	  
New Administration Module	Planning and implementing a new administration module to support green loan processing and impact documentation.	The goal concerning a new administration module was not completed. The Sustainable Finance Track of the Transformation Program includes the formulation of a new vision for KommuneKredit's green finance and will determine the level of ambition for sustainable finance going onwards. Considerations concerning administrative processes and systems will be an integrated part of the Sustainable Finance Track. With the renewed strategic focus, the level of ambition has been increased.	●	 
Increase customer awareness of green finance	Quarterly news items about KommuneKredit's green finance (e.g. items on webpage, in newsletters or through Social Media).	Throughout 2019, KommuneKredit has continuously published news items on the company's webpage, newsletter and social media. Moreover, articles on KommuneKredit's green finance have been published in magazines in the water and district heating sector respectively.	●	     

RESPONSIBILITY GOALS 2020

GOAL	INDICATOR(S)	TARGET LEVEL SDG IMPACT
<p>Support the transition to a low-carbon, more resource-efficient and sustainable economy by advancing the proportion of green bonds</p>	<p>Formulate a vision and strategy for KommuneKredit's green finance.</p> <p>Update KommuneKredits's Green Bond Framework in accordance with relevant regulation, guidelines and standards with the aim to increase the number of investment types and thus the total volume of green loans/bonds, including mapping the SDGs to the updated green loan portfolio in accordance with relevant guidelines and standards.</p> <p>Review and update the applied methodology for green bond impact reporting in accordance with relevant guidelines and standards.</p>	
<p>Increase awareness of green finance</p>	<p>Inform the public on the positive impact of green bond issuance through continuous communication about green finance.</p> <p>Engage with local authorities and promote the benefits of green infrastructure combined with green bonds. To be included, for example, as a standard topic at customer meetings in 2020 and/or other customer related activities with the aim to increase demand for green capital.</p>	

RESPONSIBLE INTERNAL OPERATIONS

The focus area Responsible Internal Operations concerns environmental and social stewardship in relation to KommuneKredit's internal operations, i.e. KommuneKredit's own carbon footprint and the management of the relationship with stakeholders, for example, employees and customers. Using the ESG terminology, the Responsible Internal Operations focus area concerns both the 'E' and the 'S' in ESG.

ENVIRONMENT

KommuneKredit continuously strives to reduce its own carbon footprint. Most recently, KommuneKredit has abolished the use of plastic water bottles, decided to adopt 100 % recycled paper and replaced most of the remaining luminaires with LED lighting.

In 2019, there was a 20 MWH increase in the use of district heating relative to the 2018 level (Appendix 2, ESG Indicator 1.02). It has not been possible to identify the cause. There was also a rise in water consumption during 2019 (Appendix 2, ESG Indicator 1.07). Within the period KommuneKredit continued to have a number of external consultants on location due to, inter alia,

the Transformation Program as well as a number of major projects. Furthermore, the shift away from bottled water to tap water has increased the consumption of water.

OUR EMPLOYEES

Maintaining a good and healthy working environment is prioritized at KommuneKredit. With the overall aim of supporting the well-being and the job satisfaction of our employees, a number of benefits are available including private health insurance, individual coaching, and the possibility of continuous education.

SDG IMPACT OF GOALS



SDG GOAL 3
Good health and well-being



SDG GOAL 7
Affordable and clean energy



SDG GOAL 12
Responsible consumption and production



SDG GOAL 13
Climate action

The average training hour per FTE at KommuneKredit was 15.49 hours in 2019 (Appendix 2, ESG Indicator 2.08).

REMUNERATION

ESG indicator 4.12 (Appendix 2) reveals a gender remuneration difference at KommuneKredit. Therefore, in 2019, an analysis of the underlying causes was carried out by KommuneKredit’s HR-function. The analysis concludes that the identified gender pay gap can be explained by reference to function, responsibility and seniority. According to the applied ESG Standard, the indicator can be difficult to use for companies with different gender spread in job categories, which is the case for KommuneKredit. Relatively to 2018, in 2019 the gender pay ratio was reduced from 1.3 to 1.1.

EMPLOYEE TURNOVER RATIO

In recent years, there has been a rise in employee turnover ratio (Appendix 2, ESG indicator 2.07). The rise was caused by a combination of employees retiring and resigning in recent years. In 2019, the employee turnover ratio increased again relative to the 2018-level. This was also due to a combination of employees retiring and resigning.

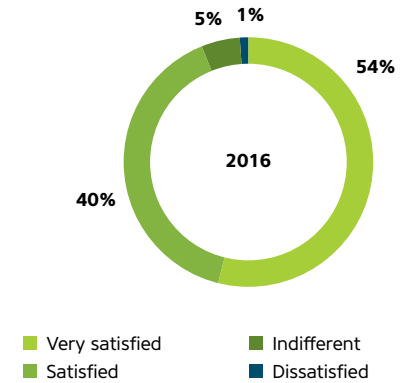
WORKING ENVIRONMENT

KommuneKredit has a Working Environment Committee with representatives from both employer, work supervisor and employee levels. The committee representatives undergo continuous training and enjoy the same protection as union representatives, allowing them the freedom to report infractions directly to the Danish Working Environment Authority.

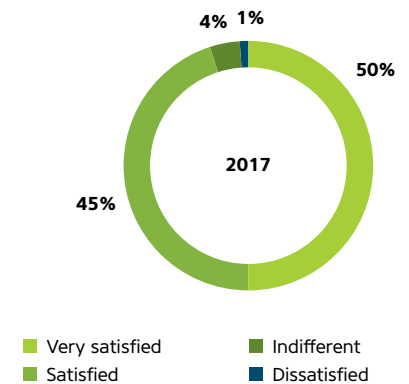
The Committee is legally required to arrange biannual workplace assessments (APV) including an ergonomic review, monitoring sickness absence statistics and the psychological working environment. As part of the Employee Satisfaction Survey conducted in 2019, a number of questions regarding the working environment were also posed. The survey responses will strengthen the basis for future APV’s. Going forward, annual employee satisfaction surveys containing questions regarding the working environment will be recurrent at KommuneKredit.

HIGH CUSTOMER SATISFACTION⁶

PUBLIC UTILITY 2016



MUNICIPALITIES AND REGIONS 2017





HIGH EMPLOYEE SATISFACTION AT KOMMUNEKREDIT

KommuneKredit carried out an employee satisfaction survey in 2019⁷. Employee satisfaction scored high across the board – in several places higher than the workplaces KommuneKredit was benchmarked against. None of KommuneKredit’s departments experience low employee satisfaction. Employee satisfaction with job content and leadership was particularly high, placing KommuneKredit as ‘top in class’ for the finance industry. Moreover, no employees experience bullying, unwanted sexual attention, threats of violence or physical violence, also indicating a healthy psychological work environment in all departments at KommuneKredit. The survey response rate was 100%, which – according to the firm that conducted the survey on behalf of KommuneKredit – is an achievement in itself.

EMPLOYEE SATISFACTION



High satisfaction

High employee satisfaction across the board



Healthy work environment

Healthy psychological work environment in all departments



100%

100% response rate

2019 GOAL ACHIEVEMENT

GOAL	INDICATOR(S)	ACHIEVEMENT	COMPLETION	TARGET LEVEL SDG IMPACT
Climate-friendly internal operations	Design and implement a process for either reuse of IT equipment in a socially responsible way, or environmentally friendly disposal thereof.	Today, IT requisition/disposal is managed in a sustainable manner in practice, however the procedures have yet not been formalized (in written guidelines). Examples of such practices are: <ul style="list-style-type: none"> • Replacement of cell phones: Replacement has been executed within a sell-back program in which old phones are sold back for re-use, when new phones are purchased. • Disposal of IT-equipment: The final phase of KommuneKredit's Datacenter Project will contain disposal/outselling of retired equipment in a sustainable manner. This will constitute a sound basis for a future written policy.⁸ 	●	 
	Assessing and implementing better and optimized Follow-Me print-ing-solution across the company. Moreover, exploring the possibilities of a new print solution that allows continuous reporting on achieved environmental goals.	An assessment process has been completed in collaboration with CANON. The initial activity was an analysis of the factual use of print to sustain the choice of a new solution. The analysis has been performed as a server implemented tool that collects actual usage data across all company printers. Based on the results, a new solution will be identified. The actual implementation has been pushed to late spring/early summer 2020.	●	
	Appraisal of the possibilities for replacing the remaining luminaires at the office premises with LED lighting.	As a part of KommuneKredit's continued efforts at energy optimizing the office premises, the lighting on all three office floors, incl. the meeting rooms, were replaced by LED lighting by the end of 2019. Only stairs and hallways remain as possible areas for future energy optimization of light sources.	●	
	Implementing a monthly vegetarian day, where the main course contains neither meat or fish (in addition to the existing weekly meat-free day where fish is served).	Throughout 2019, there has been a weekly vegetarian day, where the main course has contained neither meat nor fish.	●	
The Good Workplace	Strengthening our work with employee satisfaction surveys, including developing a new concept for satisfaction surveys going forwards.	In 2019, KommuneKredit purchased an it-system including consulting services from a leading firm specialized in employee satisfaction surveys. This is expected to lead to a higher professionalization of not only the employee satisfaction surveys but also the physical and mental workplace assessment that is legally required to be carried out at least every third year. The new concept furthermore makes it possible to benchmark the employee satisfaction against the employee satisfaction in other financial companies in Denmark.	●	
	Formulating a new strategy for continuous employee competency development.	As noted earlier, a set of guidelines for good management were formulated in 2019. Ensuring continuous employee competency development is an inherent part of the guidelines as they specify, inter alia, that managers must support the employees' potential by clearly setting expectations, including the expectations for competency development. Moreover, in 2020, a new concept for an annual employee development dialogue will be developed. Competency development needs and aspirations will be discussed as part of the dialogue and the findings will be included in the development plans of the individual employee.	●	

RESPONSIBILITY GOALS 2020

GOAL	INDICATOR(S)	TARGET LEVEL SDG IMPACT
Climate-friendly internal operations	<p>Formalized (written) workflow descriptions/guidelines regarding sustainable IT requisition/disposal.</p> <p>Energy optimization of light sources in stair- and hallway areas.</p> <p>Continue the weekly vegetarian day, and expand one monthly vegetarian day to encompass all the dishes of the day (including the salad bar, soups and toppings for bread).</p> <p>Integrate sustainability considerations in the association's travel policy and promote the use of digital resources such as Skype facilities.</p>	  
Increase sustainability awareness among employees	<p>Conduct 1-2 annual internal awareness events, for example workshops with external speakers.</p>	
Promoting skills development	<p>Developing a new concept for an annual employee development dialogue in which the competency development needs and aspirations of the individual employee will be discussed, and the findings will be included in the employee's development plans.</p>	



APPENDICES

APPENDIX 1: ESG DATA COMPILATION

Our ESG data compilation draws upon the standards developed by Center for ESG Research. The standards include indicators for environmental data, social data and governance data. There are, furthermore, indicators for profitability ratios, risk ratios and price-related ratios. However, some of the indicators are not applicable to KommuneKredit. This is the case for the majority of the integrated ratios, for example. This is due to the fact that KommuneKredit is not a production company but a credit association. Not-applicable data indicators from the applied ESG-standards are not included in the table.

The data compiled covers all of KommuneKredits business.⁹ KommuneKredit does not have any subsidiaries. The data cycle of the Responsibility Report corresponds with the Annual Report, in which the financial year is the calendar year. The data boundaries are equal to the financial data boundaries.

DATA AVAILABILITY / APPLICABLE INDICATORS

ESG INDICATOR	TITLE	MEASUREMENT UNIT	OUR DATA
1.01	CO₂e Scope 1 (direct emissions)	Metric tonnes	Direct emissions resulting from KommuneKredit's own combustion of fuels and materials. ESG-indicator 1.01 is not calculated because the level of consumption is insignificant. The available input data is however disclosed in Appendix 2 (e.g. diesel).
1.02	CO₂e Scope 2 (indirect emissions)	Metric tonnes	Indirect emissions resulting from the energy used to produce fx electricity and district heating, which KommuneKredit has purchased for its use. Calculated
1.03	Total Energy	GJ	Calculated
1.04	Renewable Energy Share	%	Calculated
1.07	Water per Production Quantity	m ³ per unit	KommuneKredit is not a production company, which is why calculating the production quantity is not relevant. The available input data is however disclosed in Appendix 2 (water consumption total).
2.01	Number of Full-Time Equivalents (FTEs)	FTEs	Calculated
2.02	Temporary Workers	FTEs	Calculated
2.03	Full-Time Workforce	FTEs	Calculated (excl. temporary workers).
2.04	Gender Diversity	%	Calculated
2.05	Temporary Worker Ratio	%	Calculated
2.06	Leavers	FTEs	Calculated
2.07	Employee Turnover Ratio	%	Calculated
2.08	Training Hours per FTE	Hours	Calculated
3.01	Attendance Rate at Board Meetings	%	Calculated
3.02	Attendance Rate at Audit Committee Meetings	%	Calculated
4.11	CEO Pay Ratio (median)	Times	Calculated
4.12	Gender Pay Ratio (median)	Times	Calculated
5.02	Penalties per Corrupt Employee	Monetary unit	Calculated

APPENDIX 2: ESG DATA

ENVIRONMENTAL

ESG INDICATOR	TITLE	2015	2016	2017	2018	2019
1.01	CO ₂ e Scope 1 (t)	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
1.02	CO ₂ e Scope 2 (t)	66	68	73	73	75
1.03	Total Energy (GJ)	2,171	2,071	2,132	2,071	2,106
1.04	Renewable Energy Share (%)	61	58	57	55	52

Environmental input data	TITLE	2015	2016	2017	2018	2019
1.01	Use of gasoline (t)	0	0	0	0	0
1.01	Use of oil (t)	0	0	0	0	0
1.01	Use of other combustions (t)	0	0	0	0	0
1.01	Use of biomass (t)	0	0	0	0	0
1.01	Use of coal (t)	0	0	0	0	0
1.01	Use of kerosene (t)	0	0	0	0	0
1.01	Use of gas (t)	0	0	0	0	0
1.01	Use of diesel (t)	0.39	0.28	0.23	0.20	0.26
1.02	Use of district cooling (GJ)	0	0	0	0	0
1.02	Use of electricity (MWh)	369	333	335	317	307
1.02	Use of district heating (MWh)	234	242	257	258	278
1.03	Use of renewable energy sources (MWh)	369	333	335	317	307
1.07	Water consumption total (m ³)	642	622	739	816	895

SOCIAL

ESG INDICATOR	TITLE	2015	2016	2017	2018	2019
<i>Figures from Annual Report (excl. Temporary Workers)</i>	<i>Full-Time Workforce</i>	62	66	70	70	74.84
2.02	Temporary Workers (FTEs)	0	0	1	0.4	1.16
2.03	Full-Time Workforce + Temporary Workers (FTEs)	62	66	71	70.4	76
2.04*	Gender Diversity (Women %)	44.3	46.6	43.9	42.6	39.9
2.05	Temporary Worker Ratio (%)	0	0	1.5	1.4	1.6
2.06	Leavers (FTEs)	5.4	4	6	7	8
2.07	Employee Turnover Ratio (%)	8.6	6.3	8.7	9.6	10.76
2.08	Employee Training Hours per FTE	Data not available	Data not available	Data not available	Data not available	15.49
4.12	Gender Pay Ratio (median)	1.3	1.2	1.2	1.3	1.1

* The ESG method for calculating gender diversity differs from the methodology applied in the Annual Report

GOVERNANCE

ESG INDICATOR	TITLE	2015	2016	2017	2018	2019
3.01	Attendance Rate, Board Meetings (%)	80	86.1	80.6	86.1*	83.3
3.02	Attendance Rate, Audit Committee Meetings (%)	88.9	92.6	88.9	81.5**	81.5
4.11	CEO Pay Ratio (CEO Compensation/ Median Staff Salary)	3.6	3.4	3.4	3.4	3.7
5.02	Penalties per Corrupt Employee	0	0	0	0	0

* Please note that there has been a correction in this figure relative to the 2018 Responsibility Report (from 83.1 to 86.1).

** Please note that there has been a correction in this figure relative to the 2018 Responsibility Report (from 88.9 to 81.5).

ENDNOTES

- 1 Center for ESG Research. 2017. Integrated Ratio Guideline. ESG and Combined Financial & Non-financial Ratios. 2017 version.
- 2 The total number of employees is measured as an average taken across the financial year in accordance with the method used in the Annual Report 2019.
- 3 The interviewed stakeholders included the Board of Directors, the Management Board, employee representatives, customer representatives, interest organizations and investors.
- 4 The analysis was conducted by the Swedish consultancy Ethos International. It is important to note that the conducted analysis concerns how the SDGs relate to our responsibility efforts, not the whole business model of KommuneKredit.
- 5 The calculation is based on CONCITO's estimated annual carbon dioxide emission per capita in Denmark. CONCITO, Denmark's Green Think Thank. 2017. Større trivsel med mindre klimabelastning: https://concito.dk/sites/concito.dk/files/u60/stoerre_trivsel_med_mindre_klimabelastning_livsstiiskatalog_020117.pdf
- 6 Both customer satisfaction surveys were conducted by the external consultancy firm, TeleFaction.
- 7 The employee satisfaction survey was conducted by the company Ennova. GELx (Global Employee & Leadership Index) refers to Ennova's global benchmark covering 42 countries and 40,000 survey respondents.
- 8 The Data Center Project is a project with the aim of outsourcing all primary and business critical IT to a chosen IaaS Vendor; establishing a more secure IT infrastructure setup, while reducing the financial and environmental impact that comes from a self-owned/operated datacenter.
- 9 Please note that the water consumption figure is partly based on estimated figures.



CONTACT

Jens Lundager, CEO

KOMMUNEKREDIT

Kultorvet 16
DK-1175 Copenhagen K
Denmark

Phone +45 33 11 15 12
kk@kommunekredit.dk
www.kommunekredit.dk
CVR no. 22 12 86 12

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