

An aerial photograph of a rural landscape at sunset. The sky is filled with warm, golden light, and the ground below shows a mix of green fields, dense forests, and small clusters of houses. A large, semi-transparent green geometric shape, resembling a stylized 'K' or a series of overlapping triangles, is overlaid on the right side of the image. The text 'Sustainability Report 2022' is written in white, bold, sans-serif font within this green area.

Sustainability Report 2022



KOMMUNEKREDIT

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Case: Energy

Green loans from KommuneKredit helped finance a large-scale conversion from natural gas to district heating in the municipality of Horsens to supply green, secure and flexible heating.

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About this report

This Sustainability Report outlines KommuneKredit's strategic approach to sustainability and covers our activities for the financial year 1 January 2022 to 31 December 2022. In the report, we aim to address sustainability issues that are material to our stakeholders and business and to provide a fair and balanced presentation of our environmental, social and governance (ESG) targets, activities and achievements. We also disclose our 2023 outlook as well as ESG data.

Our annual reporting suite includes KommuneKredit's [Annual Report 2022](#) and this Sustainability Report, which have been approved by the Board of Directors and were published on 9 March 2023. On that same date, we also issued our [Green Bond Impact Report 2022](#).



About KommuneKredit

KommuneKredit is established by law and organized as an association. We disbursed our first loan in 1899.

Our mission is to contribute to financial latitude in Danish municipalities and regions by providing funding and financial advice at the lowest possible cost.

We are domiciled in Copenhagen, the capital of Denmark, and we do not have branches or subsidiaries.

KommuneKredit is exempt from EU's banking directive and under the supervision of the Ministry of Industry, Business and Financial Affairs.

Get in touch

We welcome any comments, suggestions, or questions you may have regarding this report or our performance. Please send an email to bf@kommunekredit.dk.

Stay up to date on the most recent developments at kommunekredit.com and follow KommuneKredit on [LinkedIn](#).

Foreword

Introductory remarks

In 2022, Russia's invasion of Ukraine led to energy shortages, rising inflation and market turmoil. Due to the nature of our business model, market turmoil has a relatively small impact on our operations. Throughout the year, we thus continued to be a solid link between global funding and lending for projects across the country.

Climate change, natural disasters, biodiversity loss and environmental degradation rank among the top 10 risks in World Economic Forum's Global Risks Report 2023. This calls for collective action at all levels to address the interconnected risks facing our societies.

At KommuneKredit, we see it as part of our remit and responsibility to contribute to the sustainable development of Danish society. As reflected in our Strategy 2025, it is a strategic priority to integrate sustainability into our business model. In 2022, we strengthened our ESG efforts on several fronts by introducing ESG targets for our core business and daily operations, climate targets approved by our Board of Directors, engaging

our employees in a company-wide ESG day, and establishing an internal ESG committee to drive forward the agenda.

Through our ESG targets, we address the climate challenge in particular. We are focused on increasing the ratio of sustainable loans in our portfolio to at least 25 per cent by 2025, as well as mapping the emissions associated with our lending and investment portfolio and on reducing the emissions from our day-to-day operations.

Our current efforts on ESG products and services are centred on our green lending activities. Green loans constituted 31 per cent of all KommuneKredit's new loans in 2022 and by year-end, green loans made up 21 per cent of our loan portfolio. We have provided our customers with green loans and on that basis issued green bonds since 2017. By year-end 2022, we had issued a total of DKK 22.7 billion in green bonds.

In 2022, we launched an updated Green Bond Framework for the purpose of raising

the bar for our green financing and to continue our support for the local green transition in Denmark. The market's positive reception of our EUR 500 million green bond issued in May 2022 indicates that we have succeeded.

By closely following new regulatory requirements and market developments within sustainable finance, our dedicated employees will continue to advise on and provide funding for local growth in municipalities and regions across Denmark.

Henrik Hvidesten
Chairman

Jens Lundager
CEO



Henrik Hvidesten



Jens Lundager

Our commitments to sustainability

KommuneKredit's [Policy for Corporate Social Responsibility \(CSR\) and Sustainability](#) builds on our support for frameworks on corporate governance and sustainability and comprises a number of principles providing a guideline for our activities on:

- **Green and sustainable financing**
- **Environmental and climate considerations**
- **Diversity and job satisfaction**
- **Good business ethics**
- **Openness and communication**

Our business and strategy

Providing equal opportunities for local sustainable growth

KommuneKredit is a Danish special-purpose credit institution, providing funding for local growth and green transition in municipalities and regions across Denmark on a non-profit basis.

We operate as an association and our member base consists of all Danish municipal and regional authorities. Our safe guarantee structure and business model have secured the highest possible credit rating from both Moody's and Standard & Poor's – and with sustainability at the core of our business strategy and our environmental, social and governance (ESG) profile, we are well placed in a number of ESG-ratings.

KommuneKredit offers municipalities and regions access to financing of projects large or small and at the lowest possible cost. With equal opportunities and equal terms for

all – across the entire country. That is how it has been since 1899, when KommuneKredit first disbursed a loan. And that is the way it is today, as our dedicated employees advise on and arrange more than 2,000 loans and financial lease agreements every year.

When investors buy our bonds, we can disburse loans for purposes ranging from energy renovation of a local sports centre to the purchase of a new eco-friendly hybrid ferry, or the establishment of more sustainable district heating systems across the country. For the benefit of ordinary citizens, for our local communities, and for an even greener future.

More information

For more details, please see our

➔ [Annual Report 2022](#).



Credit and ESG ratings for 2022



MSCI

As of 2022, KommuneKredit received an MSCI ESG Rating of A¹.



ISS ESG

KommuneKredit received an ISS ESG C rating on 16 September 2022.



Sustainalytics

In 2022, KommuneKredit received an ESG Risk Rating of 15.9 and was assessed by Sustainalytics to be at *Low risk* of experiencing material financial impacts from ESG factors².



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² Copyright ©2022 Sustainalytics. All rights reserved. This publication contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third-party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>.

Our business and strategy

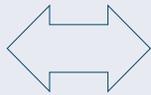
Joint and several liability – unconditional strength

KommuneKredit's members have joint and several liability for our obligations which in combination with our safe business model provides KommuneKredit with the highest possible credit rating – in line with that assigned to the Kingdom of Denmark.

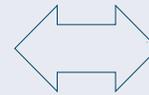


Joint and several liability

As an association, KommuneKredit's members – Denmark's 98 municipalities and 5 regions – represent the entire Danish population and are jointly and severally liable for our obligations.



KOMMUNE
KREDIT



Safe link

Acting as a safe link between global funding and lending for projects across the country, KommuneKredit provides a financial foundation for developing the Danish welfare society and supporting the green transition.

Funding of lending

KommuneKredit funds its lending by issuing securities in the Danish and international capital markets.

Our business and strategy

Key figures 2022



Market share and equity

98%

share of municipal and regional long-term debt



Profit and tax

DKK 1.144m

in profit before tax



Green finance

DKK 30.4bn

green lending since 2017*



Environment

58 tonnes CO₂e

Scopes 1, 2 and 3 related to own operations



Social

97

full-time employees



Governance

20%

women on the Board of Directors

DKK 9,766m

in equity

DKK 282m

in tax on profit

21%

green loan ratio*

93%

renewable energy share

9.8%

employee turnover ratio

3.7

CEO pay ratio

*Based on outstanding nominal value.

**Mission**

KommuneKredit shall contribute to financial latitude in Danish municipalities and regions by providing funding and financial advice at the lowest possible cost.

**Vision**

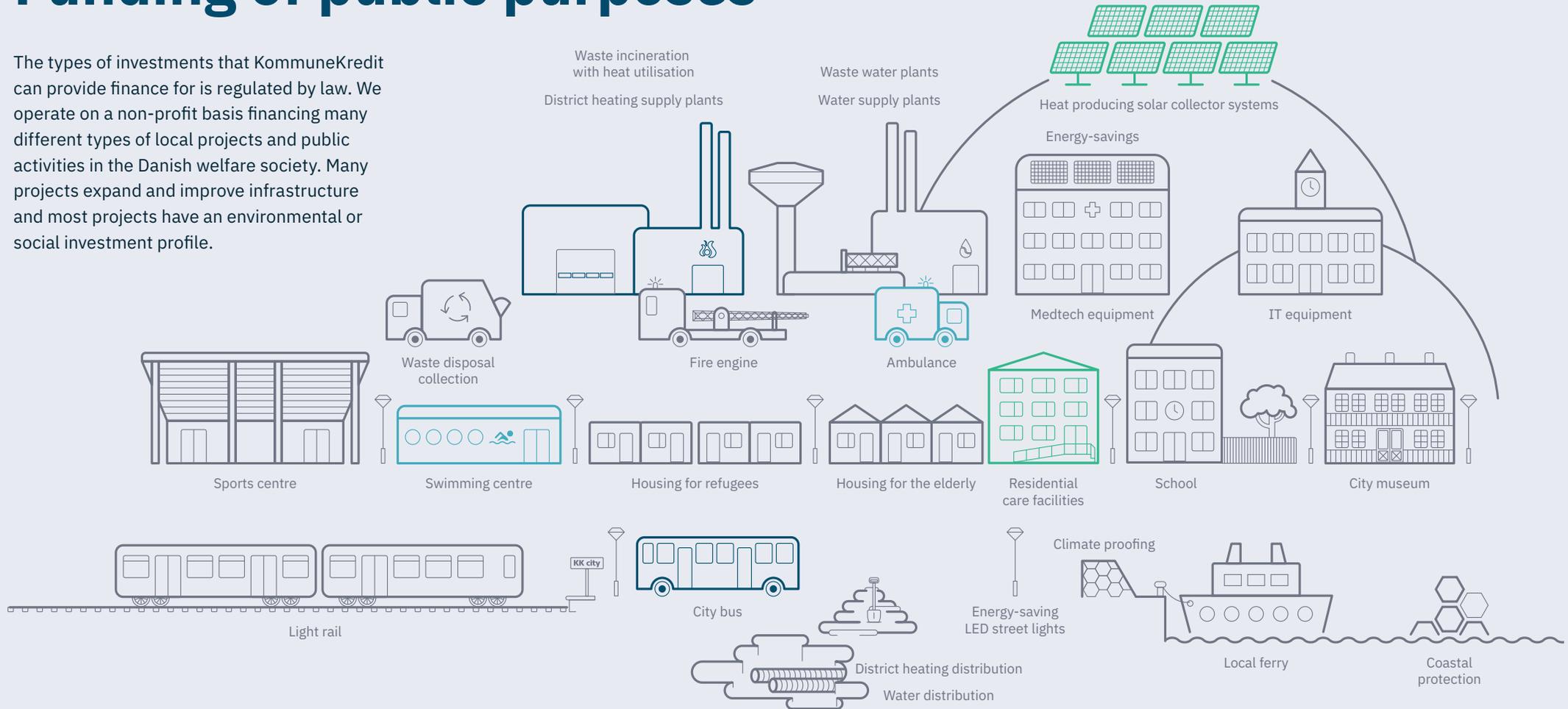
We will always be the best funding choice for our customers, regardless of the given framework.

We will be modern, efficient, and engaged, with a focus on high quality, steadiness and stability.

Our business and strategy

Funding of public purposes

The types of investments that KommuneKredit can provide finance for is regulated by law. We operate on a non-profit basis financing many different types of local projects and public activities in the Danish welfare society. Many projects expand and improve infrastructure and most projects have an environmental or social investment profile.



Our business and strategy

Intensified ESG focus

The purpose of our Strategy 2025 is to future-proof KommuneKredit as a well-run, accessible, transparent, and sustainable financial institution with the overall aim to ensure that customers, investors, and employees will continue to perceive us as an attractive and competitive financing partner.

According to Strategy 2025, it is a strategic priority to integrate sustainability into our business model and it remains our aim to anchor a strong ESG profile throughout the organisation and to play a key role in the green transition of Danish society.

As a credit association, our main contribution to sustainable development clearly comes from our core business – our lending activities. Due to the nature of the local Danish investments that KommuneKredit finances, a large part of our portfolio of loans and financial leases can be expected to have a sustainable purpose. Up until now we have focussed our attention on identifying green investments and offering green loans on the back of which we issue green bonds. Going

forward, we also envisage offering other types of sustainable finance such as social or sustainability bonds.

In 2022, we continued integrating sustainability into our business and organisation through an intensified ESG focus. We further developed our ESG ambition based on materiality considerations related to E, S and G in our products and daily operations. This included a set of quantitative and qualitative ESG targets with a key emphasis on climate. All our climate related targets have been approved by our Board of Directors and, during the strategy period, our new ESG committee, see pp. 9 and 18, will continuously assess the ambition levels of the individual targets and the need for additional targets.

More information

For more details on Strategy 2025, our governance and risk management, please see our [website](#) and [Annual Report 2022](#).



KommuneKredit's ESG targets

ESG products and services

- Increase the share of sustainable loans in our lending portfolio to at least 25 per cent by 2025.
- Map the climate footprint of our lending and investment portfolio by 2025.
- Assess the feasibility of carbon emission reduction targets for our lending and investment portfolio by 2025.

ESG in operations

Environment

- Reduce carbon emissions related to our own operations by at least 55% by 2030 relative to 2018.
- Annually compensate carbon emissions from our operations that cannot be eliminated or reduced.

Social

- Strengthen our inclusive company culture towards 2025.
- Maintain a high level of employee loyalty and employee engagement.

Governance

- Strengthen our ESG governance.
- Increase the visibility of our ESG profile among key stakeholders.



Our business and strategy

Our ESG roles and responsibilities

At KommuneKredit, the ESG agenda is anchored in the Board of Directors as well as the Management Board. In 2022, we continued to strengthen our competencies and to embed sustainability considerations in our organisation. We are organised into seven departments and the key anchor point of our ESG work is the Treasury & Sustainability department.

The overall management of the association is vested with the Board of Directors and the day-to-day management is handled by our Management Board. The Board of Directors consists of 10 members of which six are elected by Denmark's municipal authorities, two by the regional authorities, and two are independent members. Our Management Board has two members, and they work in close cooperation with KommuneKredit's management team which consists of seven department heads and five team heads.

Our Head of Sustainable Finance, who is placed in our Treasury & Sustainability department, leads our sustainability efforts, whereas our targets and activities are the responsibility of

and executed by members of the management team and employees across the organisation. To ensure progress, alignment in our work and swift decision making, we established an internal ESG committee in 2022, see p. 18, chaired by our Head of Sustainable Finance. The members of the committee include the Management Board, the Head of Treasury & Sustainability and the Head of Business Development & Strategy and an employee representative. Furthermore, our Green Bond Committee, which consists of three independent experts from the utility sector and representatives from KommuneKredit's Management Board and Sustainable Finance Team, approves all green loans.

Management of ESG risks

We continuously identify and assess our material impacts and risks across the business and implement mitigating risk measures and grasp opportunities that the ESG agenda brings about. Due to the nature of our business model, ESG issues do not pose a direct financial risk to KommuneKredit, but our business activities may pose a risk to society by impacting climate, biodiversity, workplaces, etc.

Examples of ESG risks that KommuneKredit faces and actively works to mitigate include:

- Not sufficiently meeting investors' expectations and demand for ESG data.
- Greenwashing issues, for example, in the event that we finance projects with proceeds from our green bonds that turn out not to meet the requirements in our Green Bond Framework.
- Not recruiting skilled employees from a diverse talent pool, which might affect our ability to retain employees and deliver on our purpose and ambitions.

Being exempt from certain parts of the EU regulation governing financial institutions, KommuneKredit follows the development of EU's sustainable finance regulation closely. In areas, where we are exempt, we evaluate our own approach on a continuous basis. Overall, our aim is to be as transparent as possible and to meet our investors' data needs in a satisfactory manner.



TCFD assessment

In 2021, we conducted a high-level assessment of the financial implications of climate-related risks and opportunities to KommuneKredit's business, and the relevance of reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in the light of our business model.

Clearly, climate change presents financial risks to both the Danish and the global economy. Municipalities and regions in Denmark are – and increasingly will be – affected by climate change, such as storms and flooding. They will also be affected by reforms related to financing, infrastructure etc., as Danish society transitions to a low-carbon society. Over the past couple of years, our members have been taking up loans with KommuneKredit to finance the mitigation of greenhouse gas emissions and to adapt to a changing climate to protect their communities and businesses. Consequently, we continue to increase our green funding offerings and have introduced a sustainable finance target towards 2025, see p. 10.

However, intrinsically, climate-related risks at the member level do not translate into financial risks for KommuneKredit due to the special liability structure of the company and the absence of credit risk on loans. As Danish local authorities are jointly and severally liable for KommuneKredit's liabilities, risks assumed by KommuneKredit are the local authorities' risks.

ESG products and services

Green finance offerings



Green loans constituted 31 per cent of all KommuneKredit's established fixed-term loans in 2022 and, by year-end, green loans accounted for 21 per cent of our loan portfolio by nominal value, as compared with our new 2025-target of at least 25 per cent. A key delivery supporting this target was the launch of our updated Green Bond Framework in February 2022 and the successful implementation of the framework covering both green lending and leasing across six loan categories. It represents an extension of our green finance offerings, and we are optimistic that the international capital markets and our customers' interest in sustainable finance will continue going forward.

Green bonds finance green loans

KommuneKredit finances green loans through the issuance of green bonds. In May 2022, we launched our first green transaction under the updated framework – a EUR 500 million seven-year green benchmark. Green bonds allow green investors around the world to invest in local green projects in Denmark. We have issued green bonds annually since 2017. By

year-end 2022, we had issued a total of DKK 22.7 billion in green bonds (in outstanding nominal value). Our Green Bond Committee must approve all green loans granted by KommuneKredit, and from 2017 to year-end 2022, the committee approved 854 (outstanding fixed term) green loans of DKK 30.4 billion in outstanding nominal value. In 2022, we both financed and refinanced projects from allocated green bond proceeds within the eligible green loan categories of the updated framework. We also digitalized and partially automated the collection of green documentation and strengthened our impact reporting.

In 2023, we will initiate a mapping of the financed carbon emissions from our lending and investment portfolio under scope 3 and share the climate footprint related to both our own operations and financed emissions with key stakeholders. Finally, we expect the Green Bond Committee to approve the first green lease agreements in 2023.

Targets

- Increase the share of sustainable loans in our lending portfolio to at least 25 per cent by 2025.
- Map the climate footprint of our lending and investment portfolio by 2025.
- Assess feasibility of carbon emission reduction targets for our lending and investment portfolio by 2025.

2022 activities

- Launch and implementation of updated Green Bond Framework 2022.
- Issuance of EUR 500 million green bond under the updated framework.
- Continued automation and digital support of the collection of data and methodology for green bond impact reporting.
- Launch of new core narrative that reflects KommuneKredit's role in society and our ESG profile, inter alia, to promote our green financing services.
- Promotion of our ESG products and services in line with the updated framework through a sustainable and green finance section on our website, customer cases and social media activities such as the production of a video on the updated framework.

2023 outlook

- Continue to increase the share of our green lending and to submit the first green leases for approval by the Green Bond Committee.
- Continue to promote our ESG products and services and develop an inspiration catalogue for political decision-makers.
- Issue at least one green bond.
- Initiate mapping of the climate footprint of our lending and investment portfolios.

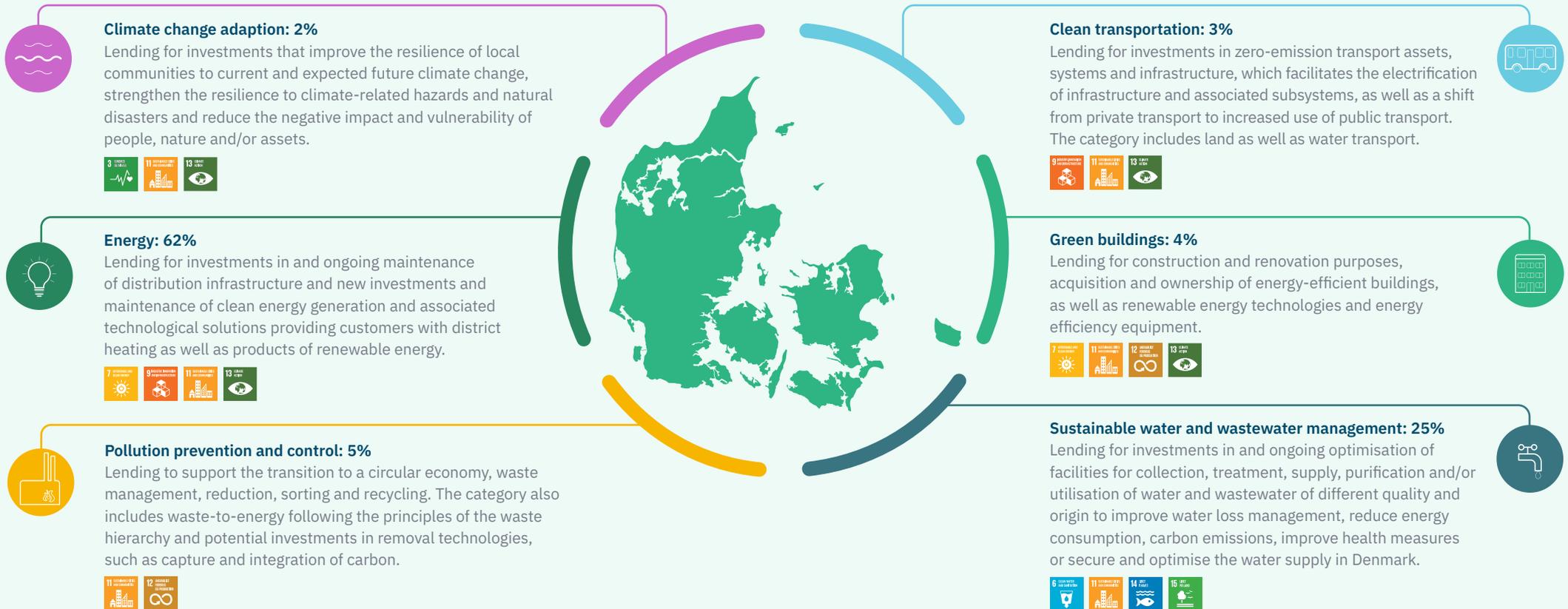
SDG linkage

Our Green Bond Framework 2022 included high-level mapping of potential SDGs supported by our six green loan categories: Clean transportation; Green buildings; Sustainable water and wastewater management; Pollution prevention and control; Energy; and Climate change adaptation, see p. 11.

ESG products and services

Green loan categories

Our Green Bond Framework 2022 encompasses green loans across six eligible green loan categories and points to SDG contribution across nine of the 17 SDGs. In 2022, we approved 290 loans with a combined nominal value of DKK 8.9 billion. The value distribution between categories is shown below in percentages. More than 80 per cent of the approved green loans were within the Energy and Sustainable water and wastewater management category in terms of both lending volume and number of loans. Read examples of customer cases from these categories on page 12.



Note: Due to rounding, the numbers may not sum to exactly 100%.



CASE

Energy

Utility company Fjernvarme Horsens A/S supplies stable, green, and affordable district heating to more than 20,000 households in the municipality of Horsens in eastern Jutland. As part of a large-scale plan for conversion from natural gas to district heating for the Horsens area, Fjernvarme Horsens is expanding the district heating network and the production facilities from covering around 8,500 households in 2016 to 24,500 households in 2025. According to estimates, households in the area that convert from natural gas to district heating can reduce their carbon emissions by 85 per cent.

Financing for the district heating project amounted to DKK 574 million disbursed in 2020, 2021 and 2022 across three green loans from KommuneKredit. The amount covers 44 per cent of the projected cost of DKK 1.3 billion.



Expected environmental impact

- Supply of green, secure and flexible heating.
- Displacement of 235,000 MWh fossil fuels corresponding to an annual CO₂e saving of around 43,000 tonnes.
- Improvement of air quality.

Fjernvarme
Horsens



CASE

Sustainable water and wastewater managements

Assens Forsyning A/S is a utility company operating water supply, waste systems and wastewater systems in the Municipality of Assens on the island of Funen. Assens Forsyning is building a new water treatment plant with an adjoining biogas plant, which is to replace eight smaller treatment plants. The new plant has an optimized cleaning process based on biological wastewater treatment technology, which enables the plant to be run in largely energy-neutral operations. In 2022, the wastewater load was approximately 80,000 Person Equivalent (PE). The new plant is designed to handle 100,000 PE and will be in operation in 2023.

Financing for the new water treatment plant amounted to DKK 100 million in a green loan from KommuneKredit disbursed in 2022. The amount covers 34 per cent of the projected cost of DKK 290 million.



Expected environmental impact

- Reduction of organic material, nitrogen and phosphorus in wastewater discharge.
- Reduction of CO₂e emissions by around 400 tonnes based on annual biogas production of around 3000 MWh.
- Supply of renewable energy.

ASSENS
FORSYNING

ESG products and services

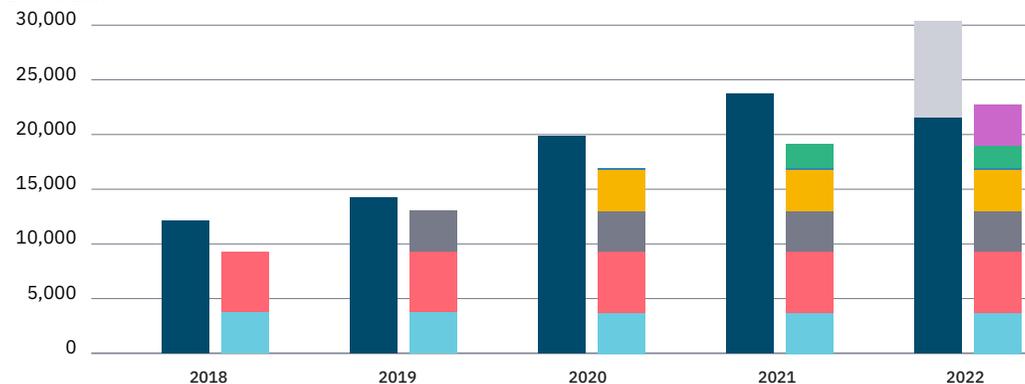
Green bond impact 2022

To keep investors and other partners informed about the allocation of green bond proceeds we publish an annual green bond impact report. The report presents the expected environmental impact associated with loans

financed by proceeds from KommuneKredit's green bonds. Here are some key highlights from the executive summary in our 2022 report, which is focused on our updated Green Bond Framework 2022.

Green loans and green bonds by year-end 2022

DKK million



Green bonds

- EUR 500 million green bond, XS1622415674 (6/2017)
- EUR 750 million green bond, XS1851226891 (7/2018)
- EUR 500 million green bond, XS2081058096 (11/2019)
- EUR 500 million green bond, XS2226280084 (9/2020)
- AUD 40 million green bond, XS2240514336 (10/2020)
- GBP 250 million green bond, XS2400352949 (10/2021)
- EUR 500 million green bond, XS2489343793 (6/2022)

Green loans

- Outstanding green loans (GBF2017)
- Outstanding green loans (GBF2022)

More information

For more details on our green finance, customer cases and green loans, please see our [Green Bond Framework 2022](#), [Green Bond Impact Report 2022](#) and our anonymised [List of Green Loans](#).

CO₂e impact and green indicators

- associated with green loans under the auspices of the Green Bond Framework 2022 based on outstanding nominal value by year-end 2022.

Green loan categories	CO ₂ e emissions reduced/avoided (tonnes p.a.)	Outstanding nominal value (DKK million)	Impact (tonnes CO ₂ e per DKK million)
Clean transportation	N/A	242	N/A
Green buildings	106	360	0.3
Sustainable water and wastewater management	213	2,220	0.1
Pollution prevention and control	3,870	417	9
Energy	62,151	5,486	11
Climate change adaptation	N/A	194	N/A
Total	66,340	8,918	
Outstanding nominal value with reported CO₂e impact		3,418	
Impact, tonnes CO₂e per DKK million			19
Annual renewable energy generated, MWh p.a.			588,192
Annual energy reduced/avoided, MWh p.a.			5,600

The table presents the calculated impact in terms of CO₂e reduced or avoided. Aggregated data reported represent ex-ante estimates.

Impact attributable to green bond investors

- green bond EUR 500 million, maturing 16 May, 2029 42%

Total amount of outstanding green bonds divided by total outstanding nominal value of loans in the green loan portfolio 2022 (in DKK).

ESG in operations

Environmental footprint



With our new target for cutting carbon emissions related to our own operations, reducing our climate impact continues to be the main focus area in our efforts to minimise our own environmental footprint.

We have conducted an analysis of our carbon emissions across scopes 1, 2 and 3. The analysis shows that scope 3 emissions accounted for 88 per cent of the emissions related to our own operations in 2022, see p. 21. Almost half of the scope 3 emissions came from the purchase of food for our canteen, while our business travel accounted for more than a third.

Altogether, in 2022 we reduced our carbon emissions by 56 per cent in relation to 2018 and as such have already meet our 2030 target. However, the reduction was due to COVID-19 travel restrictions, and we expect the emissions from travel to increase after the pandemic. Our travel behaviour will be key to reducing the emissions and our travel policy encourages employees to always consider the

option of an online meeting – and if a journey is necessary, to travel by train rather than plane and/or car. When travelling by plane, our employees generally fly economy class in order to save both money and carbon emissions. With a newly established emissions-reduction target, this area will receive renewed and continuous attention.

We only use renewable electricity in our office buildings, and our consumption of district heating accounts for only 12 per cent of our total carbon emissions. In recent years, we have tried to save energy, for example, by lowering room temperatures and installing LED lighting and digital lighting control. In 2022, we kept our consumption at 2021 level, even though a greater number of employees began working at the premises again. Furthermore, we assessed the economic feasibility of possible solutions for optimising our building's ventilation to a more energy-efficient mode of operation. We are currently considering a couple of solutions and in 2023, we will decide which one to implement.

Targets

- Reduce carbon emissions related to our own operations by at least 55 per cent by 2030 relative to 2018.
- Annually compensate carbon emissions from our operations that cannot be eliminated or reduced.

2022 activities

- Analysed carbon emissions related to own operations, including material scope 3 emissions where possible.
- Assessed economic feasibility of possible solutions for a more energy efficient ventilation system.
- Established waste segregation according to new regulations.
- Extended service agreements for existing laptop models and replaced 52 computer monitors with new energy efficient models.
- Monitored paper use for printing and achieved target of 60 per cent reduction relative to 2019.
- Offered daily vegetarian dishes in the lunch buffet.

2023 outlook

- Purchase verified carbon credits as climate compensation.
- Include more categories in calculation of scope 3 emissions.
- Decide on and implement new ventilation solution.
- Conduct due diligence on the procurement process for new IT hardware and consider power consumption on renewal of IT hardware.
- Continue to monitor paper use and if necessary, follow up with best practice tips to save paper.
- Continue to purchase only renewable electricity.
- Develop procedure for including climate considerations when booking flights.

SDG linkage

We support SDG 12 and 13 by optimising our consumption of natural resources and reducing our climate impact as well as ensuring employee awareness on sustainability issues of relevance for our business activities and daily operations.

ESG in operations

Our employees



In 2022, we grew our organisation to 97 full-time employees. The new profiles and competencies are part of the professionalisation of KommuneKredit, including digitalization and sustainability.

At KommuneKredit we promote diversity among our employees as well as an inclusive company culture. We believe diversity leads to better decisions and helps us adapt to society's expectations. We currently monitor the gender split at different levels of the organisation and the gender pay ratio, see p. 23. In the period to 2025, we intend to increase our efforts to promote an inclusive culture and maintain a high level of employee engagement as expressed in our new targets.

We monitor employee engagement through the Global Employee and Leadership Index (GELx). We conducted our annual employee engagement survey in November 2022 and had a response rate of 98 per cent. We are pleased to note that we increased our scores in both employee engagement and loyalty while also maintaining scores above the

index scores of Danish companies in general and other financial services institutions in Denmark. Focus areas supporting the high scores include evaluation of the immediate superior, collaboration and job content.

As part of our follow-up on the 2021 employee engagement survey, in 2022, we focused on improving the working conditions of our employees. We have set up more small telephone and meeting rooms to create a more peaceful office environment. Some departments have also scheduled daily reflection time where employees can work undisturbed. Some have introduced a 'not to do' list with tasks that should not be prioritised. In this way, such tasks do not become a stress factor and they are not forgotten. Others have organised joint activities to maintain a sense of community when more of their colleagues are working from home on a regular basis following the COVID-19 lockdowns. We will also use the results of the 2022 survey to develop action plans at department and team level and to identify new areas of focus across the

Targets

- Strengthen our inclusive company culture.
- Maintain a high level of employee loyalty and employee engagement.

2022 activities

- Implemented stress guide for employees as well as a manager's guide to help managers prevent stress among their employees.
- Evaluated the need for adjustments in our hybrid and flexible way of working and of the implementation of initiatives to improve work practices and employee well-being.
- Conducted employee engagement survey, including workplace assessment.
- Offered influenza vaccination to all employees and vaccination against COVID-19 to employees under the age of 50 not eligible for the public COVID-19 vaccination-program.

2023 outlook

- Continue to prevent and manage stress and explore new possible health promoting activities.
- Continue to evaluate our hybrid workplace and test new ways of managing a more flexible seating-policy.
- Continue to offer influenza vaccinations and health checks on premises.
- Address diversity and inclusion as part of workplace assessments.
- Organise employee day with focus on how to uphold an inclusive culture.
- Adjust job postings to ensure inclusive language and a visible ESG profile.

SDG linkage

We support SDG 5 by providing equal opportunities for leadership at all levels of decision-making and we support SDG 8 by ensuring safe and secure working environments and supporting the health and well-being of our employees.

ESG in operations

organisation to ensure a continued high level of engagement among our employees.

Moreover, we continuously focus on adapting our employees' skills to tomorrow's needs through education and by attracting highly qualified candidates.

Workplace assessment

KommuneKredit's Working Environment Committee works to support a healthy and safe workplace. The committee members represent both the employees and management, and they enjoy the same protection as shop stewards and are allowed to report

infractions directly to the Danish Working Environment Authority. The Committee arranges biannual workplace assessments (APV) including an ergonomic review, monitoring sickness absence and the mental working environment.

In 2022, the APV formed part of the employee engagement survey. It showed that more than 90 per cent of our employees are satisfied with the ergonomic working environment and lighting conditions and that 85 per cent find the noise level acceptable, which is an improvement from 76 percent last year. Unfortunately, dissatisfaction with the indoor climate has grown from 27 per cent in 2021 to 43 per cent in 2022.

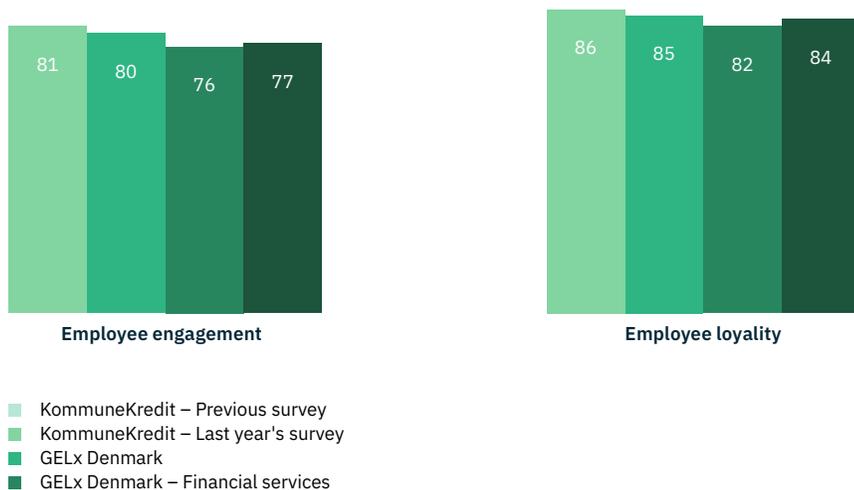
KommuneKredit's offices are located in historic buildings in Copenhagen. Although charming and attractively located, the buildings' indoor climate is not satisfactory. Besides the decision to lower our room temperature to 19 degree Celsius, to follow the Danish Governments recommendations in view of the Russian invasion of Ukraine and the impact on security of energy supply, the increase in dissatisfaction may also be due to the challenge of controlling the room

temperature in general. In 2023, it is our ambition to purchase a new EMS system.

In the follow-up on the 2021 survey, we carried out an internal information campaign about the location of our defibrillators and first aid kits as well as our contingency plan in the event of a fire. Although the 2022 survey showed improved awareness about these important matters, it was still not at a satisfactory level, and we plan to continue these efforts. The 2021 survey also revealed that two employees had experienced bullying, which we followed up by emphasising at meetings in all departments that KommuneKredit does not tolerate any kind of bullying, sexual harassment, or discrimination, as stated in our [Code of Conduct](#). Fortunately, the survey did not reveal any such cases in 2022.

In 2022, KommuneKredit organised a voluntary two-hour first aid course for 36 employees. Another 30 employees accepted the offer of having their workstations reviewed and adjusted by an external occupational therapist, and we expect to repeat the offer in 2023.

Employee engagement survey 2022



KommuneKredit's employee engagement and loyalty scores are 'top-in-class', which means that we are in the top 25 per cent of financial services institutions in Denmark.

Hybrid working

In 2021, KommuneKredit implemented a new hybrid way of working. It is based on our experiences from the COVID-19 lockdowns which had a positive impact on our productivity combined with a desire from our employees to have the flexibility to work from home, which is anticipated to provide a better work-life balance and thus reduce stress. We continuously evaluate the need to adjust the framework and conditions for the hybrid work, and the findings from these evaluations and possible initiatives for improvements are discussed at monthly management board meetings.

Based on the results of our autumn 2021 survey on the hybrid workplace and as a follow-up on our regular meetings of our Employee-Management Committee, we implemented various initiatives in 2022 to improve work practices and employee well-being. The initiatives include implementation of external web cams for all office workstations and the launch of hybrid employee meetings. Moreover, we continue to offer an amount to cover employees' purchases of appropriate furniture for their home office that meets the

requirements of the working environment legislation.

Health

In 2022, all employees were offered influenza vaccinations, and employees under the age of 50 have also been offered vaccination against COVID-19 as the public vaccination programme only applies to citizens over the age of 50. We did not offer a health check at our premises in 2022, but it will be offered again in 2023 and forthcoming years.

As part of our ongoing efforts to prevent and manage stress, in 2022, we have prepared and implemented a stress guide for employees as well as a manager's guide to help managers prevent stress among employees in their teams and departments. The guides were introduced at a management meeting and in an article on our intranet. In addition, the guide for employees was presented at meetings in selected departments. In 2023, we will also explore new possible health promoting activities to strengthen both physical and mental health among our employees.



ESG in operations

Governance of ESG



In 2022, we continued our good corporate governance work and set a target to further strengthen our sustainability governance. This means anchoring ESG in KommuneKredit's policies, decision-making processes, and business processes where relevant.

To that end, in December 2022, we set up our new ESG committee which oversees that ESG is being considered in all our managerial, operational, and business development efforts. The committee will meet at least quarterly and can invite specialists and other relevant employees to participate in the meetings depending on the agenda. The committee is responsible for setting the direction and level of ambition for our sustainability efforts, for qualifying and maturing proposals for ESG initiatives and for facilitating and ensuring progress towards our ESG ambitions. Moreover, we have formalised ESG considerations as an integral part of the Management Board's decision-making processes.

Visible ESG profile

One of the targets is to increase the visibility of KommuneKredit's ESG efforts and profile among key stakeholders by communicating our ESG targets as well as our actions and progress.

In September 2022, we organised an ESG day for all employees to mature the ESG agenda and support further integration of ESG in all relevant business areas. New sustainable finance regulations as well as KommuneKredit's ESG strategy and activities were introduced. All employees completed a 30-minute e-learning session prior to the ESG day to establish a common understanding of sustainability and its importance to KommuneKredit.

Leadership development

In 2022, we have invested in leadership development and all managers have now completed a training course covering personnel management, strategic management, team management and change management. In follow-up sessions, we offered coaching

Targets

- Strengthen our ESG governance.
- Increase the visibility of our ESG profile among key stakeholders.

2022 activities

- Developed climate related targets and approval of targets by the Board of Directors.
- Established an ESG committee.
- Integrated ESG considerations in the Management Board's decision-making processes.
- Organised a company-wide ESG day.
- Raised awareness of internal supplier guidelines and how to apply them in procurement processes.
- Developed a change management handbook.
- Identified competences needed to deliver on our Strategy 2025.
- Determined roles and responsibilities between first and second line of defence.
- Identified IT issues to monitor and completed four independent reviews of business processes.

2023 outlook

- Increase transparency and inform about the new ESG targets as part of our investor dialogue.
- Arrange an ESG strategy seminar for the Board of Directors and an ESG training course for all managers.
- Further develop our ESG data disclosures in view of incoming EU regulation.
- Strengthen risk management and conduct three to four independent reviews of business processes.

SDG linkage

We support SDG 12 by adopting sustainable procurement practices, and by integrating sustainability information into our reporting practice. We support SDG 16 by promoting good corporate governance and management practices.

ESG in operations

based on the individual manager's need for professional and personal development. In addition, we developed a change management handbook to support the management team in practicing change management and the integration of our change management tools into daily practices. Furthermore, we ensure that the change management approach and mind-set is a natural part of all new strategic projects.

In 2022, we mapped and assessed the profiles and competences we need to deliver on our Strategy 2025. As regards the strategy's ESG ambitions, we have hired two new Sustainable Finance Managers.

Ethical business conduct

Good business ethics is a fundamental aspect of KommuneKredit's corporate culture. Leaders at all levels must lead by example and it is the responsibility of each leader to ensure that our employees are aware of and know about our [Policy on Corporate Social Responsibility](#) and Sustainability and [Code of Conduct](#) within their area of responsibility.

We have zero tolerance towards any form of bribery and corruption and have a set of rules for receiving and giving gifts, which is described in our employee handbook. Employees, who are unsure of how to act in a specific situation, may seek further guidance from our internal guidelines and procedures or from their immediate superior. Similarly, as mentioned earlier we do not accept any kind of discrimination, harassment, or bullying, see p. 16.

Responsible procurement

KommuneKredit actively promotes a sustainable supply chain and we openly communicate to potential suppliers that responsible business behaviour is important to us. We aim for our suppliers to show real commitment to sustainability before awarding a contract.

Our internal supplier guidelines set forth guiding principles on sustainability and responsibility in all our procurement processes. In 2022, we continued to raise awareness of our internal supplier guidelines and how to apply them in procurement processes. For example,

as part of integrating ESG into decision making we added a reference to the guidelines in the template for proposals for management considerations, which must be prepared for all significant decisions.

More information

For more details on how KommuneKredit follows the recommendations of the Danish Committee on Corporate Governance, please see our [Corporate Governance Report](#). Updated reports will be prepared when there are material changes in our corporate governance or when the recommendations are updated by the Committee.



Our whistleblower scheme

In 2022, we received no reports to our whistleblower scheme. Any serious event or incident can be reported, including any breach of law and thus goes beyond the mandatory matters under the Danish Whistle-blower Protection Act, which are breaches of specific EU law as well as serious breaches of EU law or Danish law.

In addition, the scheme includes irregularities within accounting and auditing, violations of certain internal rules and cases of discrimination or sexual harassment.

Performance overview

ESG key figures

KommuneKredit reports annually on selected ESG data, including data on green finance. The data compiled covers KommuneKredits business for the financial year 1 January 2022 to 31 December 2022 and the data boundaries follow the financial data bounda-

ries. In 2021, KommuneKredit reviewed and updated the ESG data accounting instruction based on the [Danish Business Authority's guidance on ESG key figures](#) (May 2021) and [ESG key figures in the annual report by CFA Society Denmark, Nasdaq Copenhagen and](#)

[FSR – Danish Auditors \(December 2020\)](#). A few changes in our accounting instructions have been applied to our reporting of ESG figures compared to previous years as noted in the comments below. This includes reporting green finance figures in outstanding nomi-

nal value, rather than principal value, in line with our [Green Bond Impact Report 2022](#). Furthermore, this year, we disclose scope 3 emissions related to our own operations for the first time.

Green finance

ESG indicator	2022	2021	2020	2019	2018
Total green bonds issued (DKK, billion)	22.7	19.1	16.9	13.1	9.3
Total approved green loans (DKK, billion)	30.4	23.7	19.8	14.3	12.1
Approved green loans by year (DKK, billion)	8.9	-	-	-	-
Green bond ratio (%)	10	8	8	6	5
Green loan ratio (%)	21	16	15	11	10

Comments on data and performance

Total value figures are disclosed as outstanding nominal value at year end 2022. Outstanding nominal value of green bonds are continually increasing.

Total value figures are disclosed as outstanding nominal value at year-end 2022. Figures have seen a significant increase in 2022 following the updated processes in the Green Bond Framework 2022.

Outstanding nominal value of loans approved in 2022 at year-end 2022. Previously disclosed as principal value, which has been discontinued and is not recalculated.

Green bond ratio is calculated using outstanding nominal value in both numerator and denominator and is thus independent of interest rate increases.

Green loan ratio is calculated using outstanding nominal value.

Performance overview

Environment

ESG indicator	2022	2021	2020	2019	2018
CO ₂ e scope 1 (direct) (t)	0	0	0	0	0
CO ₂ e scope 2 (indirect) (t)	7	11	13	18	21
CO ₂ e scope 3 (indirect) (t)	51	26	31	83	111
CO ₂ e total (scope 1, 2, 3) (t)	58	36	44	101	132
Total energy (MWh)	390	393	449	585	575
Renewable energy share (%)	93	89	82	84	82
Water consumption (m ³)	893	710	1,005	1,196	1,312

Comments on data and performance

We have no direct emissions from owned or controlled sources.

Emissions relate to our consumption of purchased energy. We calculate the emissions related to district heating by using HOFOR's annual conversion factors for greenhouse gas emissions from district heating in Copenhagen. We have corrected the 2021 figure, so it now includes all areas of our premises. The reduction in emissions in 2022 was not only due to lower consumption of district heating but also to increased efficiency at HOFOR. All electricity is from certified wind power.

Emissions included in the calculation are shown in the scope 3 table on p. 22. The reductions and changes in emissions in 2020-2022 were mainly due to COVID-19 travel restrictions.

Reductions in total emissions are linked to the above explanations.

Figures include consumption of electricity and district heating and have been corrected from GJ in the previous reports to MWh and thus relate directly to the input data, see p. 22.

Previously reported figures have been corrected so all figures now include both renewable electricity and the renewable share of HOFOR's supply of district heating. The increase in our share relates to the increases in HOFOR's supply of renewable district heating.

Previously reported figures have been corrected and the figures now include water consumption from all areas of our premises. The reductions and changes in consumption in 2020-2022 was partly due to the fact that our employees worked from home during certain periods of time due to COVID-19 restrictions.



Performance overview

Environment – continued

Input data	2022	2021	2020	2019	2018	Comments on data and performance
Electricity consumption (MWh)	195	187	202	307	317	The reduced consumption of electricity in 2020-2022 was partly due to the fact that employees worked from home during certain periods of time due to COVID-19 restrictions.
District heating consumption (MWh)	195	206	247	278	258	The reduced consumption of district heating in 2020-2022 is partly due to the fact that employees worked from home during certain periods of time due to COVID-19 restrictions.
Renewable energy consumption (MWh)	360	350	370	490	471	Consumption of renewable electricity from certified wind power as well as renewable district heating using HOFOR's share of the supply of renewable district heating.
CO₂e Scope 3 categories*						
Category 1: Purchased goods and services (t)	23	15	19	19	19	Canteen emissions from farm to industry out-gate excluding packaging based on supplier data. Figures from 2018-2020 are estimates based on emissions data from 2021-2022. The increase in 2022 relates to an increase in number of employees and more employees being back at the office full-time post the COVID-19 pandemic.
Category 3: Fuel- and energy-related activities (t)	7	7	8	10	10	Supply chain emissions from our electricity and district heating consumption.
Category 6: Business travel (t)	18	0	0	49	78	National and international business travel by train and plane based on supplier data. Business travel by car and employee commuting is not included. The reductions and changes in emissions in 2020-2022 were due to COVID-19 travel restrictions.
Category 13: Downstream leased assets (t)	3	4	4	5	5	Consumption of electricity and district heating in leased buildings. The reduction in emissions in 2022 was mainly due to increased efficiency at HOFOR.

*Greenhouse gas (GHG) inventories in line with the GHG Protocol Corporate Value Chain (Scope 3) Standard.

Performance overview

Social

ESG indicator	2022	2021	2020	2019	2018
Full-time employees (FTEs - annual average)	97	88	82	76	70
Gender diversity (% women)	34.4	39.2	41.1	39.9	42.6
Gender diversity, Management (% women)	26.7	33.3	37.5	38.5	46.2
Employee engagement (Score)	81	80	80	77	-
Sickness absence (Days per FTE)	3.5	3.0	3.7	6.5	4.5
Employee training hours per FTE (Hours)	13.1	7.3	14.5	15.5	-
Employee turnover ratio (%)	9.8	10.4	5.2	10.8	9.6
Gender pay ratio (median) (Times)	1.1	1.1	1.1	1.1	1.3

Comments on data and performance

The total number of full-time employees is an annual average including our temporary workers. In 2022, we increased our workforce as part of the professionalisation of KommuneKredit.

The share of women in our FTE data has decreased as we have grown the organisation. Generally, there have been more male applicants and this has resulted in us hiring more men than women for new job functions.

The share of women in management is 4 out of 15. Management includes the Management Board and heads of departments and teams. The share decreased in 2022 because one female manager left the organisation and was replaced by a man.

Employee engagement score is measured by Ennova in their Global Employee and Leadership Index and we saw a small increase in 2022.

We saw a decrease in sickness absence, which we measure as sick pay and sickness related to occupational injury among our employees.

The number of training hours per employee increased in 2022. COVID-19 restrictions limited the number of physical courses in 2021.

The turnover ratio in 2022 decreased and we are at what we consider a normal level.

The gender pay ratio is stable and can be explained by reference to function, responsibility, and seniority.

Performance overview

Governance

ESG indicator	2022	2021	2020	2019	2018
Attendance rate at Board Meetings (%)	82.5	80	82.1	83.3	86.1
Attendance rate at Audit Committee Meetings (%)	100	91.7	81.8	81.5	81.5
Gender diversity, Board of Directors (%)	20	20	20	11	11
CEO pay ratio (median) (Times)	3.7	3.7	3.6	3.7	3.4
Penalties related to corruption (Monetary unit)	0	0	0	0	0

Comments on data and performance

Attendance rates remained at a satisfactory level in 2022.

All members of the Audit Committee attended all meetings in 2022.

Board members are members of local governments. Seats are allocated to political parties on the basis of total number of votes received in local elections. The two independent members elected by the Board are women.

The CEO pay ratio remained at the 2021 level in 2022.

KommuneKredit's policies and processes mitigate the risk of corruption and ensure that employees do not receive a personal benefit from professional relations.



Design and production: **Noted**

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