

## UN Global Compact - Communication on Progress, 2016



## Corporate Social Responsibility - Statement for 2016

In 2016, EKF had focus on taking new steps in the implementation of the UN Global Compact principles in our organisation and the transactions we are involved in. The focus of the implementation was on two aspects, mainly: I) capacity building among key staff; ii) monitoring of environmental and social performance on transactions in developing markets.

We have been fortunate to increase the number of staff and have had replacements of key staff in our team for reviewing. Therefore, we have worked systematically in developing skills and initiated various systems for knowledge sharing. This has among others included external training, internal training, integrating other departments in the monitoring of compliance with environmental and social requirements of EKF on the transaction we are engaged in.

2016 has been an important year in terms of monitoring the environmental and social performance of the projects.

We have decided to report our 2016 Communication of Progress as a separate document compared to previous years, where we have had one CSR report serving all our reporting obligations. This year it is different because we are working towards to have a CSR communication more bespoke to individual stakeholders. Therefore, we expect to be able to present a new approach to EKF's communication of our CSR performance for the fiscal year of 2017.

Information the policies and procedures that EKF has implemented in order to integrate sustainability into our risk management system can be found in our 2016 Annual Report and in the 2015 CSR Report.

We hope that you enjoy the reading. Should you wish further information about the content of this report or our CSR work in general, please contact our CSR department at [ekfcsr@ekf.dk](mailto:ekfcsr@ekf.dk)

## Consolidated statement of Environmental and Social Sustainability

Year ended 31 December 2016

### Transaction overview 2016

	Notes	2016	2015	2014
Transactions (category A, B and C)	2	28	111	77
Equator Principles transactions	2	8	10	11
Working capital guarantees and capital expenditure guarantees	2	260	236	232
New customers	2	132	150	196

### Environmental and Social Impacts

	Notes	2016	2015	2014
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#### Environmental

CO <sub>2</sub> e emissions				
-Based on transactions (tonnes, one year average, operational phase)	3	50,000	3,100,000	1,000,000
-Based on transactions (tonnes, one year average, operational phase, EKF proportion)	3	50,000	2,700,000	100,000
-Based on EKF's resource consumption (in tonnes / year)	4	425	410	440
CO <sub>2</sub> e relative reduction				
-Based on transactions (tonnes, one year average, operational phase)	3	2,100,000	2,300,000	3,000,000
-Based on transactions (tonnes, one year average, operational phase, EKF proportion)	3	800,000	1,100,000	800,000

#### Social

Employment generation related to transactions				
-Local jobs abroad (in man years, one year average, <b>construction</b> phase, EKF proportion)	5	1,000	4,900	2,200
-Local jobs abroad (in man years, one year average, <b>operational</b> phase, EKF proportion)	5	200	1,500	200
-jobs in Denmark	6	13,000	12,300	10,500
Resettlement in projects	7	270	0	5500

### Employees in EKF

	Notes	2016	2015	2014
Number of employees (end of year)	8	126	124	116
Employee turnover (%)	8	19%	10%	7%

**Employee health and safety**

	Notes	2016	2015	2014
Average number of days lost through illness per employee (short term illness)	9	3.1	3.9	4.1
Average number of days lost through long term illness (>30 days) per employee	9	0.2	1.9	1.3

**Employee competency development**

	Notes	2016	2015	2014
Training and education (average number of days per employee)	10	1.1	4.0	4.2
Training and education (average amount per employee in DKK)	10	21,111	18,330	19,346

## CSR Performance 2016

In addition to the factual performance of EKF presented in the consolidated statement, EKF have also had a number of focus areas. The status of these focus areas are presented below.

Focus areas of 2016	Status
<b>Continue the dialogue within international for a related to climate finance and climate change reductions</b>	EKF has again participated intensively in the OECD Export Credit and Guarantee Group to promote continuous work on Export Credit Agencies important role in providing renewable technologies with favourable credit facilities. One important achievement is to presenting ways forward for the ECAs to collect and report data demonstrating share of financed renewable energy projects. This work will continue in 2017.
<b>Continue the dialogue with stakeholders regarding environmental and social sustainability and promotion of UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises</b>	EKF engage actively in international fora and in the OECD to promoting pragmatic implementation of UN Guiding Principles and the OECD MNE Guidelines.
<b>Work to maintain the high level of employee satisfaction</b>	In October and November 2016, an Employee satisfaction survey. We are pleased that the overall score of the employee satisfaction is high (i.e. >70%).
<b>Implement a whistle blower function</b>	Whistle blower function has been implemented applying an external service provider

## Notes to the consolidated statement

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies include Danish Financial Statements Act 99.a and 99.b and UN Global Compact. EKF's CSR reporting will be available on [www.ekf.dk](http://www.ekf.dk).

### **NOTE 2: TRANSACTION OVERVIEW**

In 2016, EKF issued new export credit guarantees worth DKK 13.9 billion. EKF calculates environmental and social impacts based on our medium/long term transactions of which there were 30 issued in 2016.

Of the guarantees issued in 2016, 17 potentially had adverse environmental and/or social impacts, hence were classified as A or B projects<sup>1</sup>. Of the 17 projects, two involve transactions on projects where EKF has already been involved in previous years, hence they are excluded from this year's impact reporting. The remaining transactions total 11 and are considered to have very little or no environmental and/or social impacts, and are therefore not included in the calculations. EKF also conducted 21 company evaluations of environmental and social management systems and human rights.

In 2016, 8 transactions also fall under the Equator Principles all of which involve project finance.<sup>2</sup>

Separately, EKF approved 260 working capital guarantees and capital expenditure guarantees.

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<sup>1</sup> Under the OECD Common Approaches "A projects" include projects with potential significant adverse environmental and/or social impacts which are diverse, irreversible and/or unprecedented and "B projects" include projects with potential adverse environmental and/or social impacts. Typically, these impacts are few in number, site-specific, few if any are irreversible, and mitigation measures are more readily available.

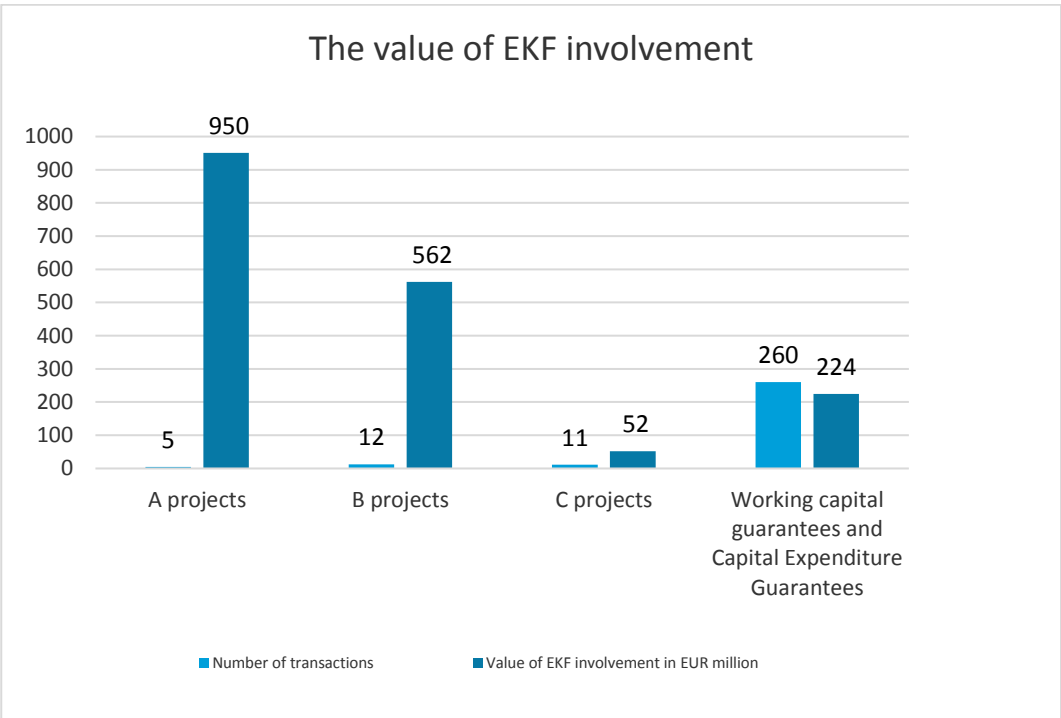
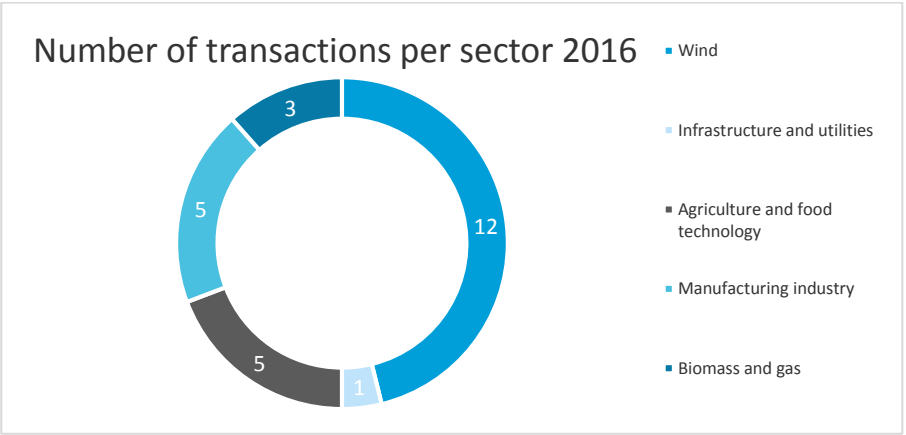
<sup>2</sup> [Equator Principles on ekf.dk](http://www.ekf.dk)

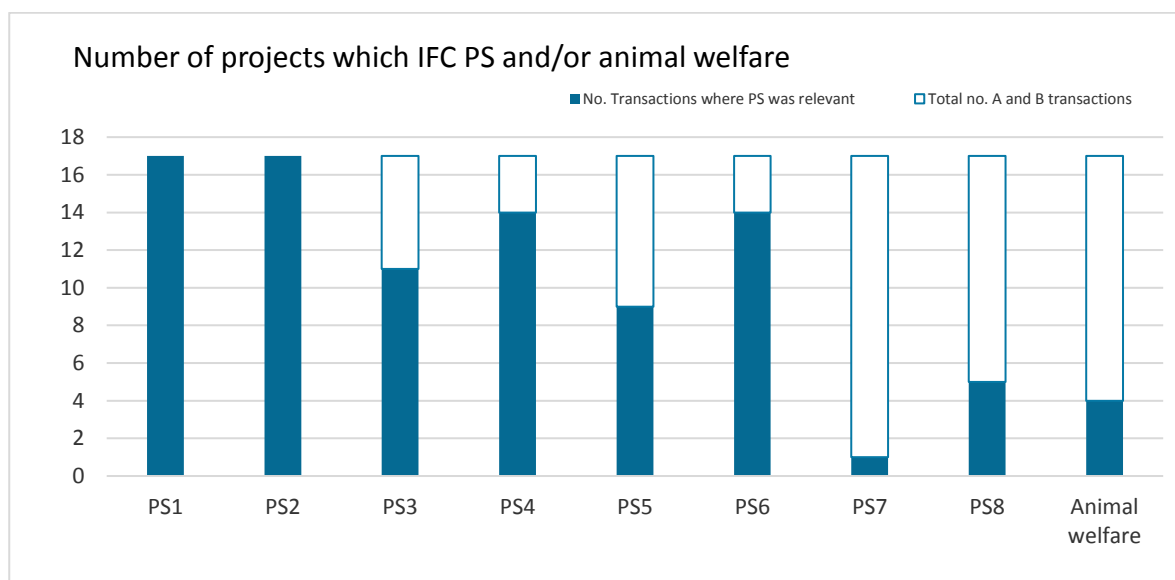
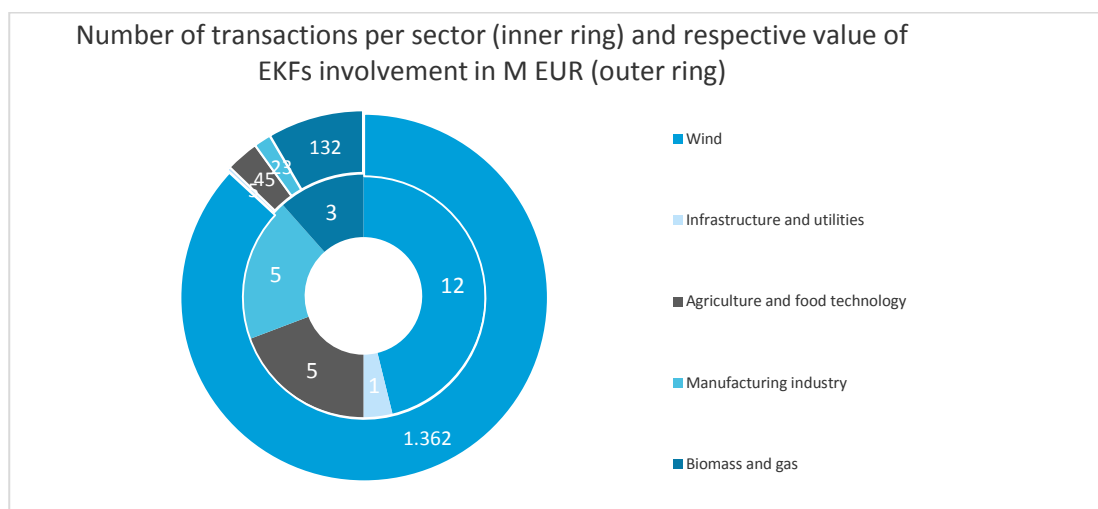
**Medium/long term transactions with potential adverse environmental and/or social impacts in 2016**

Project Sector	Country	Buyer	E&S Category (OECD)	Value of EKF involvement (million EUR)
Wind	United Kingdom	Beatrice Offshore Windfarm Limited	A	390
Wind	Norway	Fosen Vind DA	A	152
Wind	Australia	Sapphire Wind Farm Pty. Ltd	A	111
Wind	Belgium	Rentel NV	A	207
Wind	Norway	Tellenes Vindpark DA	A	90
Wind	Bosnia-Herzegovina	Ministry of Finance and Treasury	B	53
Biomass and gas	United Kingdom	Glennmont Clean Energy Fund Europe II*	B	87
Biomass and gas	United Kingdom	Port Clarence Energy Ltd. (SPV)*	B	19
Wind	Turkey	Hanay Elektrik Üretim A.S.	B	22
Wind	Turkey	Bak Enerji Üretimi A.S.	B	75
Manufacturing industry	Russia	Shchekinoazot JSC	B	16
Manufacturing industry	Turkey	Trakya Döküm San. Ve. Ticaret A.S.	B	3
Biomass and gas	United Kingdom	JG Pears Power Limited	B	26
Wind	Turkey	Akenerji Elektrik Üretim A.S.	B	10
Wind	Turkey	Elfa Elektrik Üretim A.S.	B	24
Biomass and gas	Switzerland	Swiss Alpine Fish AG	B	8
Wind	Belgium	Norther NV	B	218
Total:				1,513

\* Projects also included in previous years' transaction overview

**Various details on EKF transactions 2016**





Of the 17 projects in scope, PS1 and PS2 were triggered in all 17 projects, PS3 for 11, PS4 and PS6 were relevant for 14 project, while PS5 was triggered for 9, PS7 for 1 and PS8 for 5. Animal welfare was considered in four project.

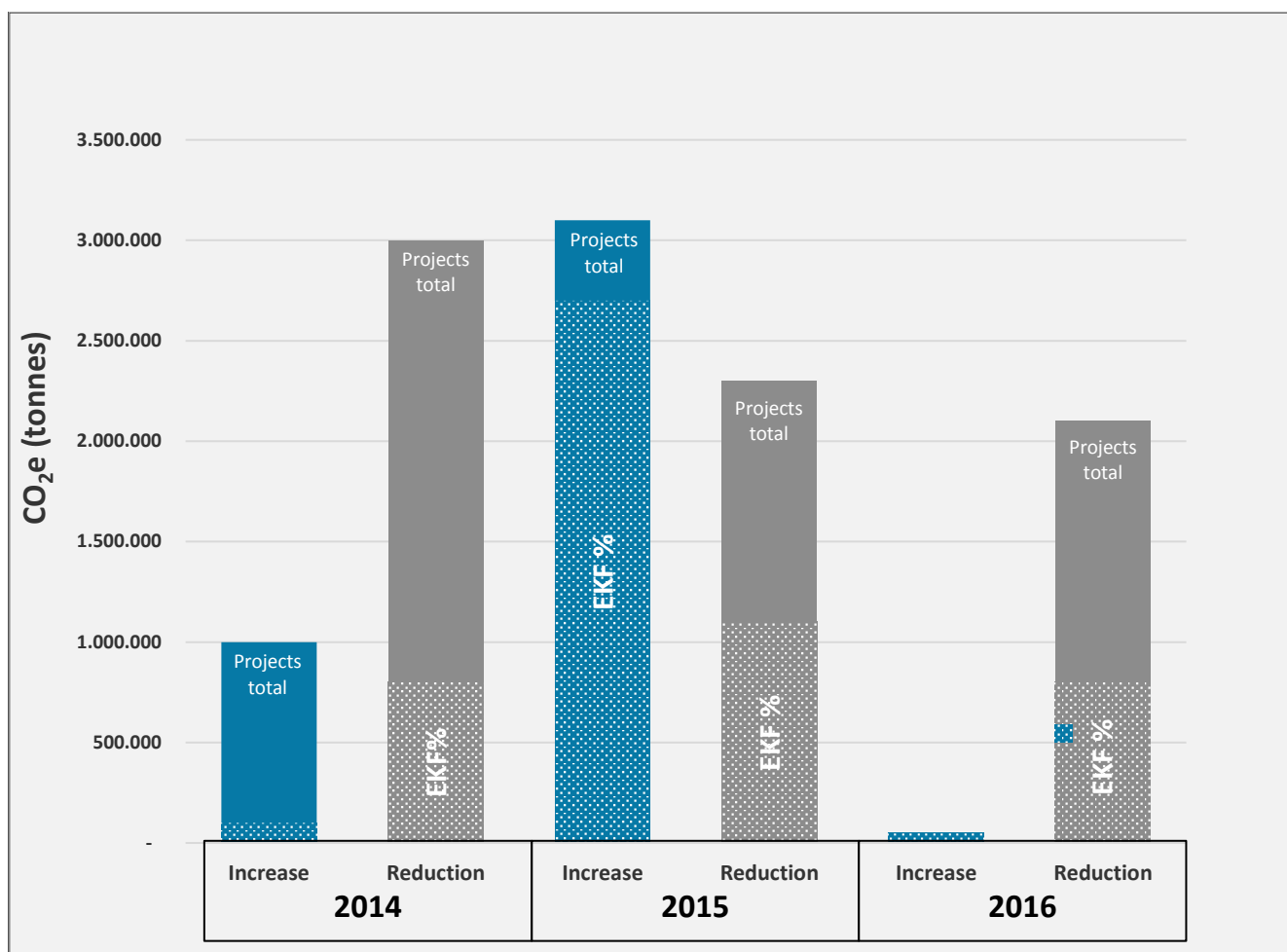
### NOTE 3: ENVIRONMENTAL IMPACTS RELATED TO TRANSACTIONS

The transactions in scope for calculating impacts are listed under note 2. The transactions are medium/long term transactions with the potential to have an environmental and social impact. Air emission indicators include estimations of total CO<sub>2</sub> equivalent emissions and relative CO<sub>2</sub> equivalent emission reductions (avoidance of emissions).

### Greenhouse gas emissions (CO<sub>2</sub> equivalents) and Greenhouse gas emission reduction (CO<sub>2</sub> equivalents)

EKF financed project can have either negative or positive impacts on global warming. To monitor this, EKF estimates the increase and reductions in CO<sub>2</sub> equivalent emissions associated with EKF's transactions. The methods for reporting on increase and reductions in greenhouse gas emissions have been changed in 2016, bringing the approach more in line with methods used by other international financial institutions.





The above diagram shows annual GHG emissions and relative reductions associated with EKF financed projects. The part of projects' total GHG emissions or relative reductions, proportional to EKF's financial involvement in the projects, is indicated with "EKF%"

In 2016, the EKF project portfolio is characterised by sectors with no or limited CO<sub>2</sub> equivalent emissions - primarily wind power projects and one biomass energy project. Instead, these renewable energy projects contribute to a relative reduction in greenhouse gas emissions by avoiding use of fossil fuels for energy production. In 2016, 12 projects contributed to the relative CO<sub>2</sub>e emissions reductions: 11 wind power projects and 1 biomass energy project. In 2016 EKF contributed to the annual relative reduction of ca. 800,000 tons CO<sub>2</sub>e (EKF%) with estimated value of approximately EUR 5 million.

Annual GHG emissions associated with EKF financed projects	2016	2015	2014
Total emissions in tonnes, one year	50,000	3,100,000	1,000,000
Total emissions in tonnes, one year, EKF %	50,000	2,700,000	100,000
Relative CO <sub>2</sub> e reduction in tonnes, one year	2,100,000	2,300,000	3,000,000
Relative CO <sub>2</sub> e reduction in tonnes, one year, EKF %	800,000	1,100,000	800,000
Value of relative reduction in EUR million, EKF %	5	9	6
Value of relative reduction in EUR per million EUR EKF involvement*	3,400	5,600	3,800

Relative reduction as % of Denmark's annual emissions**	1.5%	2%	1.5%
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\* EKF involvement reflects value of projects with potentially adverse environmental and/or social impacts, not the total value of all transactions.

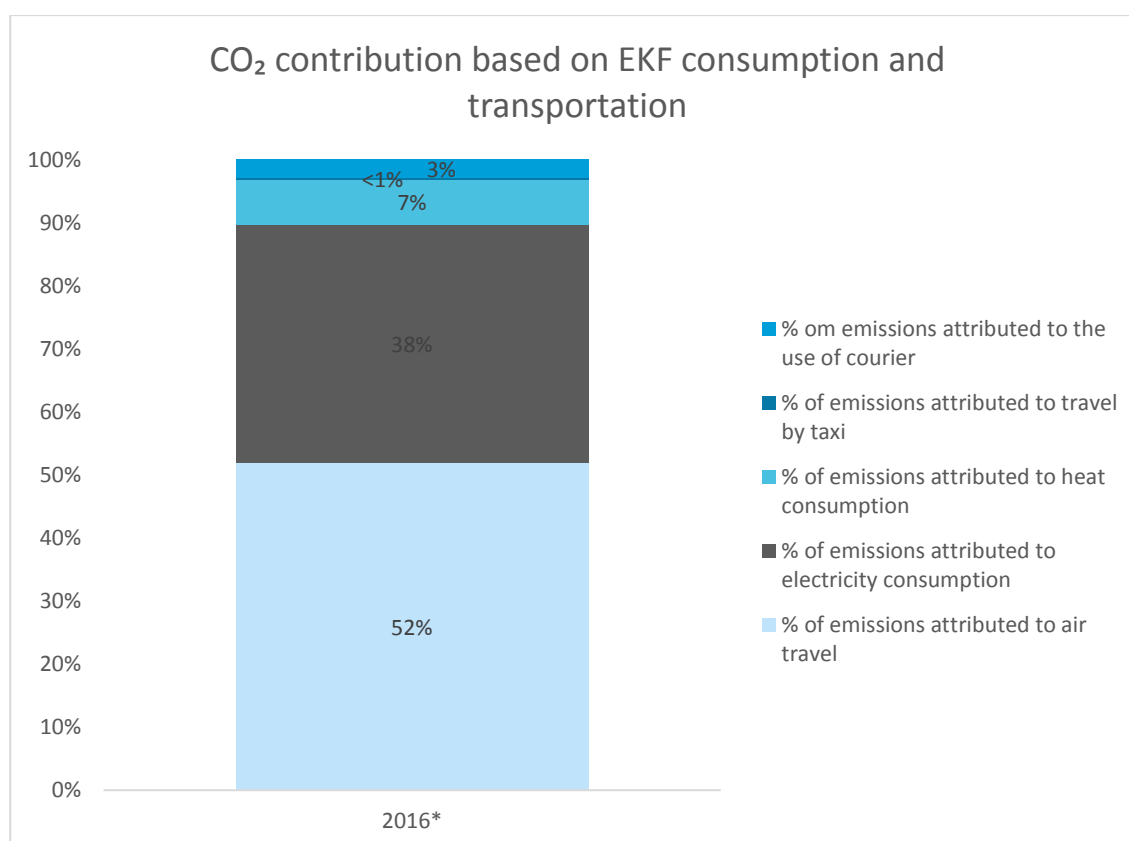
\*\* Denmark's total annual CO<sub>2</sub> emissions were ca. 51 million tonnes in 2014 (Danish Energy Statistics, 2015)

#### NOTE 4: EKF'S RESOURCE CONSUMPTION AND ASSOCIATED GHG EMISSIONS

In terms of scope, the largest potential environmental impacts associated with EKF's activities, are those related to the projects that we support. Although small in relation to our projects, EKF's direct activities also have environmental impacts, over which we have direct responsibility and control. We monitor our own performance related to the following key environmental aspects: Transport and energy use leading to GHG emissions and global warming (our GHG footprint), water consumption and generation of solid waste.

Greenhouse gas (GHG) emissions related to EKF's transport and energy use

In 2016, EKF's own GHG footprint was 425 tons CO<sub>2</sub>e, an increase from 410 tons in the previous year. Air travel is the largest single contributor to EKF's GHG footprint, originating from our own activities and use of resources. In 2016, 52% of CO<sub>2</sub> emissions associated with EKF's own operations were due to air travel. Purchased electricity for our offices is the second largest source of GHG emissions. Other less significant contributors to our own GHG footprint are purchased heat for offices, travel by taxi, and use of courier services. EKF makes an effort to use bike couriers where possible, instead of cars.



\*Calculations are based on partially estimated numbers for electricity and heat 2016.

## Water consumption

In the projects EKF finances, we strive towards efficient use and management of water resources. Consequently, we also monitor our annual internal water consumption. EKF's estimated water use was in 2016 656 m<sup>3</sup>, which corresponds to 5.3 m<sup>3</sup> per employee.

<b>Water consumption</b>	<b>2016*</b>	<b>2015*</b>	<b>2014*</b>
<b>Water (in m<sup>3</sup>)</b>			
total (in m <sup>3</sup> )	656	656	656
per employee (in m <sup>3</sup> )	5.2	5.3	5.7
per m <sup>2</sup> (in m <sup>3</sup> /m <sup>2</sup> )	0.19	0.19	0.19

\* Water consumption for 2014, 2015 and 2016 is estimated based on values from 2013, as EKF rents office space in a shared office building from an office rental company. Therefore, the water consumption is calculated based on the entire building using a distribution key.

## Solid Waste Generation and Recycling

In 2016 EKF generated 26 tons of solid waste, which is similar to previous years. As EKF shares its premises with other firms, our main efforts are focused on working towards a transparent system, where shared influence enables a responsible waste management. Since moving into the new premises, our waste generation has increased partly due to waste from other tenants in our shared area. We are working towards having a more transparent perspective on this to categorise the different types of waste.

Our paper recycling efforts vary from year to year, as it also reflects our general archiving.

<b>Waste Generation and Recycling</b>	<b>2016*</b>	<b>2015*</b>	<b>2014</b>
Total waste generated (in tonnes)**	26	27	27
Waste per employee (in kilos)	210	220	230
Recycled waste (paper, in tonnes)	4.1	5.2	4.5

## NOTE 5: EMPLOYMENT IMPACT ABROAD BASED ON TRANSACTIONS

EKF estimates the volume and value of local employment generated through projects supported by EKF as an indicator of our contribution to sustainable economic and social development.

<b>Estimated local employment impact</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employment generated, one year of construction, man-years, EKF proportion	1,000	4,900	2,200
Employment generated, average annual during operation, man-years, EKF proportion	200	1,500	200
Total employment generated, EKF proportion	1,200	6,400	2,400
Estimated value in EUR million	26	55	11
Estimated value in EUR per 1,000 EUR of EKF involvement	17	36	8

EKF's contribution to local employment related to the projects financed in 2016 (see note 2) is estimated to be at least 1,000 man-years during construction phase, and on average 200 man-years annually, during operations phase. Together, this employment impact has an estimated value of EUR 26 million. This value is equivalent to 17 EUR for each 1,000 EUR of EKF involvement.

**NOTE 6: EMPLOYMENT IMPACT IN DENMARK RELATED TO TRANSACTIONS**

Copenhagen Economics calculates EKF's impact in Denmark each year. In 2016, EKF helped create or retain 13,000 jobs in Denmark and ensured, directly and indirectly, contracts for 29 billion DKK for Danish exporters. Furthermore, EKF's work has in total contributed with enhanced GDP for 15 billion DKK.

**NOTE 7: RESETTLEMENT OF PEOPLE IN PROJECTS**

IFC Performance Standard 5 sets the standard for how to conduct land acquisition and involuntary resettlement in projects to ensure due consideration and respect for the affected people. Involuntary resettlement can comprise of either physical resettlement where people have to relocate from their homes and/or economic displacement where their livelihoods may be affected.

**Estimated resettlement of people in  
EKF projects by year 2013-2016**

<b>Involuntary Resettlement</b>	<b>2016***</b>	<b>2015</b>	<b>2014*</b>
Number of persons affected by resettlement and/or economic displacement	1,000	-	5,500

\* Based on data from three projects.

\*\* Involuntary land acquisition (privately owned land) where mutual agreements were reached regarding compensation schemes involving either monetary compensation or relocation to an alternative land plot. Number of affected individuals is not known

\*\*\* Two projects in total: one with 10 people affected and one with up to 1000 people affected. The latter is located in the Nordic Countries.

## Focus areas for 2017

In 2017, EKF will have the following focus areas for our continued work on implementing the UN Global Compact principles and our CSR Policy:

- Continue the dialogue within international for a related to climate finance and climate change reductions
- Continue the dialogue with stakeholders regarding environmental and social sustainability and promotion of the UN Guiding Principles on Business and Human Rights
- Focus on continued staff capacity building related to environmental and social impact assessment and due diligence
- Revision of our CSR Policy

## Scope and Purpose

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

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

At the same time, this Communication on Progress constituted the reporting on the topics of human rights, labour rights, environment and anti-corruption. EKF reports annually and this report contains information pertaining to activities that took place in the fiscal year 1 January 2016 to 31 December 2016.

This report is available in English only and can be obtained upon request. Please, contact our CSR department: [ekfcsr@ekf.dk](mailto:ekfcsr@ekf.dk).

## UN Global Compact table

<b>Human Rights</b>	
<a href="#">Principle 1</a> : Businesses should support and respect the protection of internationally proclaimed human rights; and	EKF actively promotes human rights by implementing the UN Guiding Principles on Business and Human Rights. See: <ul style="list-style-type: none"><li>• EKF’s Business and Ethics</li><li>• Other International Fora</li></ul>
<a href="#">Principle 2</a> : make sure that they are not complicit in human rights abuses.	EKF actively seeks to ensure that the projects we guarantee do not have negative impacts on human rights. See: <ul style="list-style-type: none"><li>• Risk Management Process</li><li>• Human Rights – Company Evaluation</li></ul>
<b>Labour Rights</b>	
<a href="#">Principle 3</a> : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	EKF complies with Danish law on all employee matters such as freedom of association and collective bargaining. EKF attaches importance to equal opportunities and diversity, both at our workplace and in the projects that we guarantee. In relation to our transactions, all the labour principles are addressed through our risk management process, applying the IFC Performance Standards. See: <ul style="list-style-type: none"><li>• EKF’s Business and Ethics</li><li>• Risk Management Process</li><li>• Human Rights – Company Evaluation</li><li>• Sustainable Transactions</li><li>• CSR Gap Analysis for EKF</li><li>• Responsible Workplace – Employee Satisfaction</li><li>• Consolidated Statement of Environmental and Social Sustainability, including notes 8-10</li></ul>
<a href="#">Principle 4</a> : the elimination of all forms of forced and compulsory labour;	
<a href="#">Principle 5</a> : the effective abolition of child labour; and	
<a href="#">Principle 6</a> : the elimination of discrimination in respect of employment and occupation.	
<b>Environment</b>	
<a href="#">Principle 7</a> : Businesses should support a precautionary approach to environmental challenges;	While EKF plays close attention to the environmental impacts from our own office activities, the main source of potentially significant environmental impacts are from the projects that we guarantee. EKF assesses environmental risks associated with our transactions against the IFC Performance Standards. See: <ul style="list-style-type: none"><li>• Risk Management Process &amp; Sustainable Transactions</li><li>• Consolidated Statement of Environmental and Social Sustainability, including notes 2-4</li></ul>
<a href="#">Principle 8</a> : undertake initiatives to promote greater environmental responsibility; and	EKF manages environmental risks of transactions in line with our overall CSR commitments and engages in dialogue with exporters and other business partners on environmental responsibility. Additionally, EKF has a team dedicated to climate projects who assists Danish companies that develop and export climate, energy and environmental technologies. See: <ul style="list-style-type: none"><li>• Risk Management Process</li><li>• Sustainable Transactions</li><li>• Stakeholders – Openness and Cooperation</li><li>• Climate Finance Transactions</li><li>• International Relations – Climate Finance</li></ul>
<a href="#">Principle 9</a> : encourage the development and diffusion of environmentally friendly technologies.	
<b>Anti-Corruption</b>	
<a href="#">Principle 10</a> : Businesses should work against corruption in all its forms, including extortion and bribery.	EKF has a strict anti-corruption policy. See: <ul style="list-style-type: none"><li>• EKF’s Business and Ethics</li></ul>

