



PRB Impact analysis - Waste

June 2021

Impact analysis - Waste

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Impact analysis - Waste

Summary

- 13% of Jyske Bank's corporate loans are granted to sectors where a large amount of waste is not recycled.
- Approx. 14% of Danish households is clients at Jyske Bank clients. Approx. 50% of the waste from Danish households are not sorted for recycling purposes.
- Jyske Bank's possibility of impacting non-recycled waste is limited to dialogue with and information to the clients.
- A further quantification of Waste will not be relevant to implement until additional data and KPI figures for the impact area are available.

Introduction and methodology

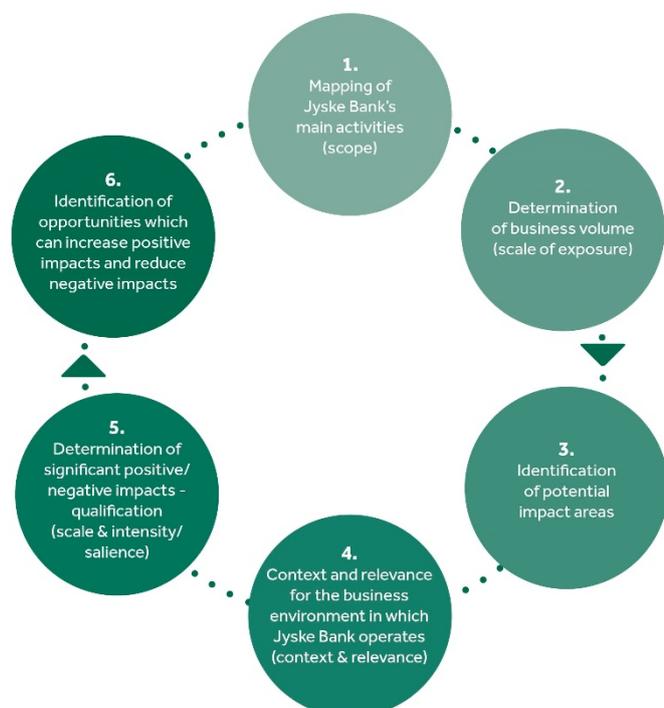
As part of the implementation of the UN Principles for Responsible Banking, Jyske Bank regularly prepares impact analyses for the most important impact areas. In the impact analysis published in December 2020, the area Waste was identified as a significant impact area for the Jyske Bank Group. This analysis is the first step in the investigation of Jyske Bank's impact on waste through loans and investment.

Jyske Bank's methodology has been described in the document PRB Impact analysis - Methodology which is available at our website¹.

Identification of impact areas and an assessment of their relevance (steps 1-4) have been described in the methodology document whereas this preliminary analysis of the impact area Waste focuses on a qualification of the impact area in connection with a determination of the most important impacts, i.e. the impact of Jyske Bank's business volume on waste and how this can be quantified (step 5).

For this purpose, we take our point of departure in the indicators for quantification of waste as determined by the EU in the Disclosure Regulation. These are the amount of hazardous waste and the amount of non-recycled waste.

Identification of business opportunities (step 6) is only described peripherally.



¹ www.investor.jyskebank.com/investorrelations/sustainability/impact

Loans

Our analysis is based on international and national calculations of waste. The Sustainable Development Report 2020² and the annual waste statistics published by the Danish Ministry of Environment and Food³ have been used.

The Sustainable Development Report concludes that Sustainable Development Goal (SDG) 12, Sustainable Consumption and Production, is challenged in Denmark. The report follows up on six indicators within SDG 12, electronic waste, imported and production-based SO₂ and nitrogen emissions as well as non-recycled waste. The Sustainable Development Report does not include any data about the development in the indicators.

The Danish Ministry of Environment and Food's latest calculation of waste in 2019 in Denmark concludes that a large proportion of waste in Denmark is recycled and that the proportion of recycled waste in Denmark has increased from 2018 to 2019 and in addition the waste sent for incineration is stable. Moreover, the statistics conclude that the amount of household waste and similar waste have increased per capita.

The waste statistics calculate the amount of waste generated in Denmark distributed on waste types, handling methods and waste sources. Split up on handling methods, the statistics show that 28% of the total amount of waste in Denmark are not recycled. The statistics split up on waste types show that hazardous waste accounts for 5% of the total amount of waste in Denmark.

Non-recycled waste

The statistics from the Ministry of Environment and Food show that non-recycled waste primarily comes from two waste sources, households and the service sector. Households and the service sector generate approx. 42% of the total amount of waste in Denmark of which 50% of the waste from households and 41% of the waste from the service sector are not recycled.

Service sector

In the service sector, the proportion of recycled waste has increased but 39% of the waste are still not recycled. There are wide differences with respect to the proportion of waste which is not recycled in the service sector.

There are primarily four sectors in the service sector accounting for non-recycled waste:

- Public administration, education and health and social services
- Hotels and restaurants
- Transport and goods handling
- Communication, culture, financial services and private services

Table 1 shows the Jyske Bank Group's lending volume to the above-mentioned sectors in the service sector, and the percentage of the total business lending volume.

Table 1 - Loans to corporate clients distributed on sectors

| | Lending volume DKKm | Share of lending volume |
|---|------------------------|----------------------------|
| Public administration, education and health and social services | 13,302 | 6% |
| Hotels and restaurants | 511 | <1% |
| Transport and goods handling | 6,056 | 3% |
| Communication, culture, financial services and private services | 10,860 | 4% |
| Loans to other sectors | 210,873 | 87% |
| Loans to corporate clients in total | 241,600 | 100% |

² www.sdindex.org/

³ www.mst.dk/service/publikationer/publikationsarkiv/2020/dec/affaldsstatistik-2019/

Generally, Jyske Bank's client portfolio in the four sectors consists of few large clients and many minor clients, which implies that dialogue with relatively few clients may have a considerable effect on the amount of non-recycled waste for Jyske Bank's loan portfolio for corporate clients.

Households

Although the Ministry of Environment and Food's waste statistics mention that 50% of household waste are recycled, the statistics also state problems in connection with this calculation. In this calculation the proportion has been calculated on the basis of the amount of waste sorted for recycling but does not take into consideration whether the waste is actually recycled. For instance, waste sorted for recycling may be sorted out for other handling due to sorting errors and quality requirements and will therefore not be recycled. The waste statistics of the Ministry of Environment and Food based on 2020 is expected to take account of the actual handling of sorted waste.

For Danish households the possibility of waste sorting for recycling is controlled by the municipalities. It is the municipalities that make garbage cans for waste sorting and recycling centres available for private citizens.

In June 2020, the Danish government together with a number of the other parties in the Danish Folketing prepared a climate plan for a green waste sector and circular economy⁴. The purpose of the agreement is to increase recycling and reduce CO₂ emission due to the incineration of waste. The contracting parties agree to streamline waste collection in Denmark, and the agreement introduces further requirements on the municipalities about further waste sorting from 1 July 2021.

As waste sorting at households in Denmark takes place under public management, we assess that Jyske Bank's possibilities of impacting the amount of non-recycled waste from households are limited to dialogue with and information to our personal clients. We offer various loan types to our personal clients, but we do not consider loans for personal clients a good indicator of our possibility of impacting the proportion of non-recycled waste from households since our personal clients do not necessarily have loans.

The number of households relative to the number of households in Denmark is assessed to be a better indicator of our possibility, through dialogue and information, to impact the amount of non-recycled waste in Denmark. According to Statistics Denmark there are 2.8 million households in Denmark in 2019, of which approx. 14% - in varying degrees - are clients at Jyske Bank. Many personal clients hold accounts with several financial institutions, and Jyske Bank will therefore not be the only financial institution with a possibility of impacting the clients who bank with Jyske Bank.

Hazardous waste

From the Ministry of Environment and Food's waste statistics it does not appear which sectors generate hazardous waste since the statistics only divide hazardous waste into handling forms and waste types. Also, the Statistics Bank which is operated by Statistics Denmark does not include data about the sectors with the largest impact on hazardous waste in Denmark, and therefore it has not been possible for us at the present point in time to assess Jyske Bank's impact on hazardous waste.

Investment

In the investment area factors such as ESG ratings and the UN's SDG's have been integrated in our investment processes. Integration of ESG ratings in the investment decisions implies that factors such as waste and hazardous waste are part of the basis of the investment decisions of companies in sectors where waste involves a material risk. As for the area of lending, it implies to the investment area that companies in certain sectors have a considerably stronger impact on the amount of waste and hazardous waste than for the companies in the other sectors. Due to the investment area's work with the UN's SDGs, data for the companies'

⁴ <https://www.regeringen.dk/media/9591/aftaletekst.pdf>

degree of compliance with the individual SDG are part of the sustainability information considered in connection with investment decisions. Several SDGs consider waste, especially target 12, and thus waste is also included in the investment decisions in Jyske Bank

Future activities

For loans, we see the greatest possibilities of adding knowledge to the market about the reduction of the amount of waste, recycling and circular economy by entering into partnerships with our corporate clients. Jyske Bank has many corporate clients supporting the sustainable transition, and we have, via partnerships, produced several short films about sustainability in the format called 'Got a Minute? Sustainable business'. In 2020 for instance, we made a film about Kingo Karlsen A/S, a Danish demolition firm recycling 97% of the materials broken down⁵.

For investment, the focus of attention is on the integration of sustainability information and reporting hereof. Seen in the light of the materiality of waste as an impact area for Jyske Bank, it will in this context be assessed how waste is integrated.

Due to the combination of the fact that data and KPI figures for waste are still in the process of development, that our opportunities of impacting waste are limited to dialogue and information, and that the sustainability agenda in Denmark is currently primarily focused on issues other than waste, a further quantification of the impact area Waste is awaiting developments in coming years.

⁵ www.jyskebank.tv/baeredygtig-business-kingo-karlsen