

PRB impact analysis
Greenhouse gas emissions



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Preliminary impact analysis – Greenhouse gas emissions

Summary

- An in-house working group has analyzed and assessed a business volume of a value of DKK 648 bn in relation to the underlying activities' most significant positive and negative impacts on greenhouse gas emissions.
- Completion of this analysis is one of the first steps Jyske Bank has taken following our signing of the UN Principles for Responsible Banking in September 2019.
- The analysis shows that 70% of the Group's business volume is related to sectors and activities in which there is large potential for reducing greenhouse gas emissions over time. 20% of the business volume is related to sectors that have little or very little impact on greenhouse gas emissions, while the remaining 10% is viewed as having a positive effect.

Background

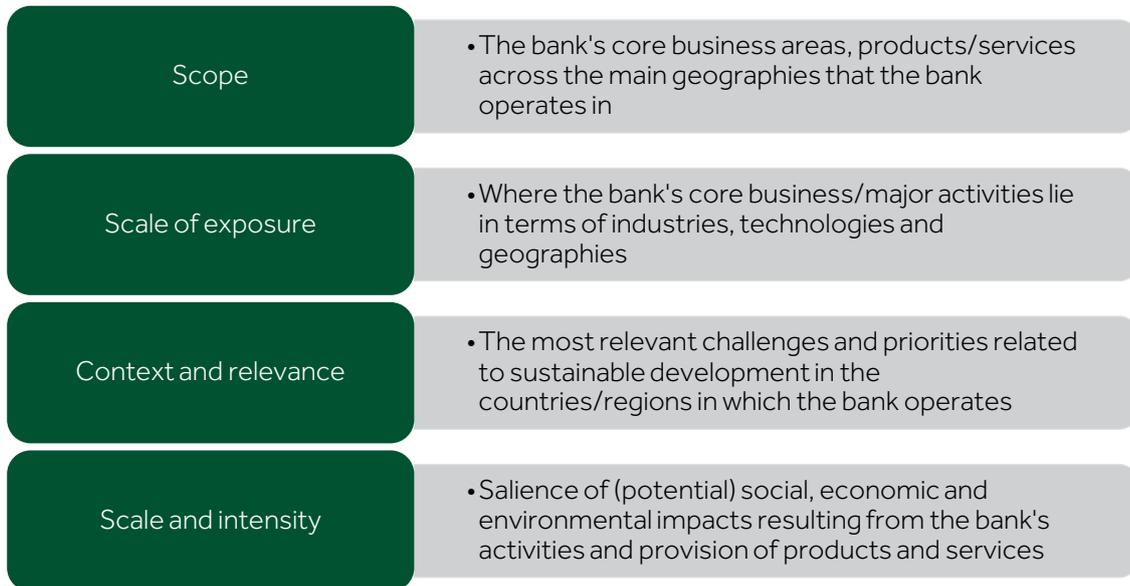
Jyske Bank signed the UN's Principles for Responsible Banking^[1] (PRB) in September 2019, thereby committing ourselves to carrying out a range of tasks in the coming years, such as an impact analysis. The purpose of the impact analysis is, in relation to the UN's 17 Sustainable Development Goals, to identify the three or four most significant areas within the bank's current business model and activities (negative impacts) and similarly three or four areas that support sustainability (positive impacts).

Impact analysis

As one of our first PRB actions, Jyske Bank has completed a preliminary impact analysis of the Group's indirect greenhouse gas emissions. The methodology used in the analysis is based on the 4 elements described in the UNEP FI's guidelines for implementing PRB, as well as on our experience from participating in the UNEP FI's working group on the Portfolio Impact Analysis Tool for Banks. The elements from the PRB impact analysis can be seen in Figure 1. It is expected that coming impact analysis's will be supported by several new UN impact tools during 2020.

^[1] <https://www.unepfi.org/banking/bankingprinciples/>

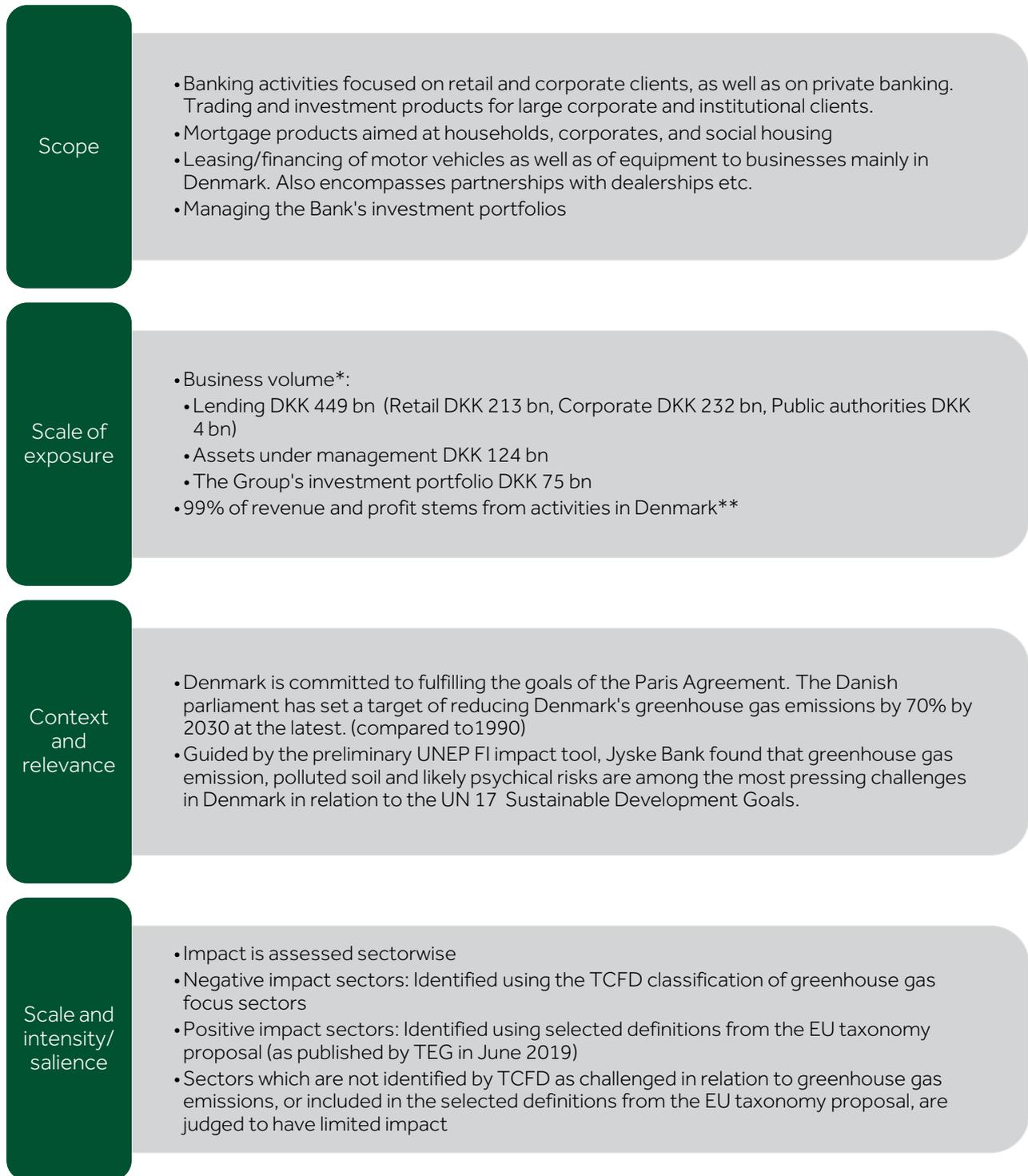
Figure 1: Elements from the PRB impact analysis



Source: UNEP FI Guidance Document for implementing PRB

Based on Jyske Bank Group's business model and structure the basis for the preliminary impact analysis can be seen in Figure 2.

Figure 2. Jyske Bank Group's basis for impact analysis



Note:

* Business volume is not comparable to Jyske Bank's traditional measuring of total assets. Please refer to the section Description and definitions for further details.

**Source: Jyske Bank Annual Report 2019, Note 4.

The preliminary version of the Portfolio Impact Analysis Tool for Banks provides resources which assist with generating a baseline understanding of the sustainable development challenges that different countries face. Guided by these resources, Jyske Bank found that greenhouse gas emissions, polluted soil and likely psychological climate risks are among the most pressing challenges in Denmark. As shown in Figure 2 Jyske Bank operates almost exclusively in Denmark and furthermore the sustainable agenda in Denmark is focused on greenhouse gas emission. Based on these arguments Jyske Bank has decided to focus the preliminary impact analysis on indirect emission of greenhouse gas based on our lending and wealth management activities amounting to DKK 648 bn (incl. investment portfolio).

Conclusion

70% of the Group’s business volume at the end of 2019, was related to TCFD greenhouse gas focus sectors¹, 20% to sectors with a limited relation to greenhouse gas emission, and 10% deemed as having a positive effect.

Figure 3: Greenhouse gas positive sectors and activities

Sector/activity	DKK bn	% of total business volume
Sustainable Real Estate, Corporate Segments *	41.6	6.4%
Sustainable Real Estate, Private Houses *	22.6	3.5%
Renewable Energy	2.8	0.4%
Electric Vehicles	0.5	0.1%

Note:

* Defined as A and B categorized buildings by EU’s expert group taxonomy proposal of June 2019

Figure 4: TCFD greenhouse gas focus sectors

Sector/activity	DKK bn	% of total business volume
Materials & Buildings *	391.8	60.5%
Agriculture, food and forest products *	29.2	4.5%
Transportation	24.2	3.7%
Energy	6.3	1.0%

Note:

* The Group’s Covered Bond-based lending with security in real estate, is generally listed under Materials & Buildings. However, this does not apply to Covered Bond-based lending for commercial real estate to specific sectors such as agriculture or manufacturing facilities. In addition, Covered Bond-based lending to sectors defined as being “Greenhouse gas positive sectors and areas of activity” in accordance with the EU taxonomy proposal of June 2019, are included.

¹ Please refer to the section Description and definitions for details on TCFD focus sectors

The analysis has pointed to a positive effect regarding the emission of greenhouse gas (see Figure 3), which primarily results from the Group's financing of, and investment in,

1. Sustainable real estate (both new buildings, and renovation of existing properties)
2. Sustainable energy
3. Sustainable means of transportation

On the other hand, we see the greatest potential for helping our customers to reduce their greenhouse gas emissions (see Figure 4), in:

1. Advising on, and financing of, more energy-efficient buildings (both private residences and commercial properties)
2. Participating in the financing of a change in production processes, and a more sustainable use of land, in agriculture and forestry etc.
3. Advising on, and financing of, more sustainable means of transportation

At present, the major part of this lending in "Transportation" is for vehicles whose CO₂ emissions per km. exceed the EU Expert Group's taxonomy proposals on sustainability of June 2019.

The most significant area in "Energy" is "Oil and Gas". This is in turn chiefly related to investments made on behalf of Wealth Management customers.

Jyske Bank has chosen to publish the main conclusions from the preliminary impact analysis with focus on greenhouse gas emissions, as our study has shown that a focus on this area will be a vital element in the Group's first PRB report at the end of the first year of implementation. In addition, we have seen a demand from many of our important Danish and international stakeholders and associates, such as the international ESG rating institutions, for a deeper understanding of the positive and negative impacts on greenhouse gas emissions stemming from the Group's business volume.

Planned activities

Jyske Bank is obliged to prepare and publish its PRB Reporting and Self-Assessment Template, which gives a 360 degree insight into the Group's efforts towards sustainability, within 18 months of signing the PRB. Jyske Bank intends to publish the template and the basis for same, in first quarter of 2021 at the latest. We regard this analysis in an expanded form that will include an evaluation of our CO₂ footprint² in the business areas in question, as an element in Jyske Bank's first PRB report.

At present, Jyske Bank does not have sufficient data to calculate a combined CO₂ footprint of the business volume of the analysis. Whether Jyske Bank can calculate a combined CO₂ footprint for the various business areas relevant to the impact analysis in 2021, is dependent on a successful completion of Finance Denmark's

² A calculation of CO₂ footprint not only consists of a calculation of CO₂ emissions, but the concept also covers the emission of other greenhouse gases and thus is calculated as CO₂ equivalents. There is a globally used and recognized model that is used to convert greenhouse gas emissions into CO₂ equivalents.

work towards defining consistent principles and methods for measuring CO₂ across a range of financial assets. When Jyske Bank is able to measure the CO₂ footprint of its business activities, the impact analysis will take into account that some TCFD focus sectors emit more greenhouse gas than others.

In addition, our preliminary impact analysis has underlined the need for a clearer examination of the individual assets held in our Wealth Management business area, in relation to the assets' underlying greenhouse gas emissions. The same applies to a lesser extent, to assets held in our investment portfolio.

Description and definitions

The preliminary impact analysis of greenhouse gas emissions, is based on business activities where Jyske Bank has a direct influence on the composition of those activities. The analysis encompasses all of the Group's lending and leasing activities, including loans granted to Jyske Bank's customers by other credit institutions against Jyske Bank's guarantee. Furthermore, the analysis includes assets acquired as a result of the Group's Wealth Management activities, and where the Portfolio Managers are empowered to make decisions on asset allocation etc., as well as the Group's investment portfolio with the exception of trading assets.

The completed impact analysis on the basis of these selection criteria, comprises assets to the value of DKK 648 bn as per year-end 2019. It should be emphasized that the impact analysis's business volume is not directly comparable to the Group's more traditional measure of assets. The main difference is that assets managed by Jyske Bank's Portfolio Managers in relation to Wealth Management business, are not included in the Group's normal asset figures. In addition, the impact analysis also includes certain assets managed by Jyske Bank, which are booked off the Group's balance sheet, but where Jyske Bank is responsible for the overall allocation decisions, provides customer advisory services, or takes a credit risk via the Bank's guarantees.

The impact analysis is based on sector categorizations defined by Task Force on Climate-related Financial Disclosure³ (TCFD). TCFD has identified a range of sectors and activities as being central in relation to the reduction of the global emission of greenhouse gas, and as TCFD is the most commonly used, and the most comprehensive global framework for greenhouse gas emission, Jyske Bank has decided to base its analysis on TCFD categorizations (referred to as TCFD greenhouse gas focus sectors in the analysis). A major part of the work involved in the analysis has been to translate the Group's various assets to TCFD greenhouse gas focus sectors in a consistent manner.

Apart from performing an analysis of the TCFD greenhouse gas focus sectors whose basic goal is to identify possible negative impacts of indirect greenhouse gas emissions, the working group has strived to identify the elements of the Group's business areas that could be seen as having a positive impact on reducing the emission of greenhouse gas. The latter has been performed based on selected definitions in the EU's taxonomy proposals, as presented by EU's group of experts (known as TEG) in June 2019⁴.

³ <https://www.fsb-tcfid.org/about/>

⁴ https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf

Those assets which are not related to any TCFD greenhouse gas focus sectors, or which, based on the EU taxonomy proposals, are not seen to have a significantly positive impact on greenhouse gas emissions, are deemed in this analysis to be insignificant, and therefore are of little impact.

Jyske Bank's direct and indirect emissions of greenhouse gas

The Group's own emission of greenhouse gas resulting from its own activities – so-called scope 1, scope 2 and scope 3 emissions – can be seen in the table below.

Direct og indirect CO ₂ emissions (tonnes)	2019
Scope 1 – direct emission	
Company cars	322
Heating Oil and gas	437
Scope 2 – indirect emissions	
Electricity	5,871
District heating	696
Scope 3 – other indirect emissions	
Flights	462
Public transport, primarily train	42
Employees' cars	837
Taxi	3
Printing and paper	120

Source: Jyske Bank ESG fact book

It is Jyske Bank's ambition that our power consumption will be carbon neutral as of 2021 through own production of renewable energy rather than through the current carbon compensation obtained through purchases of green power certificates.

Jyske Bank has obtained permission from the FSA to acquire a land-based wind turbine.

Read more about this, and about Jyske Bank's other sustainability efforts at www.investor.jyskebank.com/investorrelations/governance/esg-data

Contact

If you would like further information on Jyske Bank's preliminary impact analysis, please contact ir@jyskebank.dk