



Green Finance Framework

Jyske Bank, 2020

Jyske Bank's targets and measures for selected areas of sustainable finance

Jyske Bank will finance the generation of a further 2 TWh of renewable energy in 2025 – equivalent to 6% of Denmark's electricity generation in 2018



Jyske Bank will develop products to encourage and motivate clients to renovate their properties in a way that increases their energy performance



40% of new loans for finance will be for low-emission vehicles in 2025



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Background

Jyske Bank is one of the largest financial institutions in Denmark. This is a position that obliges us to act accordingly – also in terms of sustainable development of the society. With the new EU Taxonomy for Sustainable Finance Regulation, the financial sector's role will change in order to support the global sustainability agenda.

By becoming a signatory to the six UN Principles for Responsible Banking¹, aligned with the Paris Climate Agreement and the 17 UN Global Sustainable Development Goals², Jyske Bank is committed to being a major player in supporting and facilitating the desired and necessary sustainable development.

The Jyske Bank Green Finance Framework

In Jyske Bank we have implemented several measures to reduce the direct climate footprint of the Jyske Bank Group³. But the real difference will be made through the business models and products we, as a financial group, offer our clients. In the advice we provide to clients, we can put focus on sustainability and ensure that our clients are offered a range of products that incentivise sustainable investment and behaviour. That is the reason why we are launching our Green Finance Framework.

Under this Framework, we will regularly set criteria to define which types of financing provided by the Jyske Bank Group contribute to a green and sustainable transformation of society.

We will regularly report on the financing of activities that meets the sustainability criteria – both in terms of aggregate amount and in terms of changes in Jyske Bank's lending balance. We will also report on positive climate impacts of the finance of these activities.

We will set specific targets for developments in Jyske Bank's financing of activities with green and sustainable purposes. Targets that define the direction in which Jyske Bank wants to steer the portfolio over the coming years, while at the same time contributing to ensuring that Jyske Bank supports the 17 UN Sustainable Development Goals.

We will implement measures to support financing of the changes our clients want to make to move their activities towards greener and more sustainable activities.

This Framework will be dynamic to enable us to monitor the progress of the sustainability agenda and the technological developments. Therefore, Jyske Bank's definition of sustainable finance, targets and measures will be updated regularly.

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

² <https://sustainabledevelopment.un.org/?menu=1300>

³ <https://investor.jyskebank.com/investorrelations/governance/esg-data>

Besides providing clients with sustainability advice, Jyske Bank can, through our capital market access, ensure that clients financing green and sustainable activities have optimum access to attractive finance via capital markets. This can be effected through issuance of specific bonds from Jyske Bank or Jyske Realkredit, where the net proceeds of which are allocated to finance green and sustainable activities. Such finance can be provided through the issuance of green or sustainable bonds from Jyske Bank and in the form of Jyske Realkredit covered bonds.

Green and sustainable areas of lending

Jyske Bank has selected five areas where increased focus and finance from Jyske Bank will have a significant impact on the transition to green and sustainable development.

These areas are relevant since they play a key role in the transformation towards green and sustainable solutions for the benefit of society. It is financing of activities in these areas, that leads to lower emissions of greenhouse gasses and a lower carbon footprint in the society.

- Renewable energy
- Green buildings
- Clean transport
- Sustainable use of natural resources
- Recycling and sustainable production

The specified areas of finance can be classified into two categories. In the first three areas, reductions in greenhouse gas emissions can be measured through the finance provided, either directly or relative to alternative financing of activities where the emissions of greenhouse gasses are larger.

In the latter two areas, activities financed by Jyske Bank will not necessarily result in lower direct greenhouse gas emissions, but will rather serve a general sustainable purpose. Going forward, there will be reductions in carbon emissions for these two areas as well.

For each of the five areas, Jyske Bank defines the types of activities that support the green and sustainable transition. For each area, it will be defined how Jyske Bank will measure the impact of the finance in question.

For each area, we have identified at least one of the 17 UN Sustainable Development Goals supported by financing of activities under the area in question.



Renewable energy

Globally, we are using more and more energy. But a significant amount of energy generation relies on the burning of fossil fuels, resulting in greenhouse gas emissions. When it comes to minimising greenhouse gas emissions, production of renewable energy to replace fossil fuels plays a key role – both locally and globally. Consequently, renewable energy generation is also essential in ensuring that Denmark's energy consumption becomes more sustainable and may ultimately be a key element in achieving Denmark's goal of reducing carbon emissions in 2030 by 70% relative to emissions in 1990.

Types of financing	Impact indicator	UN Global Goals
Wind energy	Power generation (MWh/year)	
Solar energy	Greenhouse gas savings (tonnes/year)	
Geothermal energy		
Biomass and biogas		
Transmission and energy storage		
Manufacturing, installation and repair of renewable energy facilities		

Renewable energy target

Jyske Bank's target is to finance a further 2 TWh of renewable energy generation by 2025.

Production of 2 TWh electricity generated from fossil fuels in Denmark in 2018 led to emissions of approx. 1.4m ton of CO₂.

Renewable energy measures

Support development of wind and solar energy.

Green buildings

Energy consumption in properties accounts for a large percentage of Denmark's total energy consumption⁴. Heat is generated both by direct heat generation (burning of gas and oil at the property) and through decentralised heat generation (for instance central heating). The efficiency of the energy consumption of properties must be enhanced, by changing the heat sources, to reduce greenhouse gas emissions (including carbon emissions) per energy unit, but the total energy consumption of properties must also be reduced, and potentially reallocated to other sectors, to ensure that Denmark can achieve the target of a 70% reduction in carbon emissions by 2030 relative to 1990 levels.

Types of financing	Impact indicator	UN Global Goals
Properties with energy label(ECP) A and B Properties with a reduction of the energy consumption by a minimum of 30% when renovated Housing loans for energy efficiency measures in existing properties	Greenhouse gas savings (tonnes/year) Energy savings (GWh/year)	

Building measures

Jyske Bank will support building owners in their efforts to improve the energy efficiency of existing residential and commercial properties, including assisting them in meeting energy policy measures implemented by the Danish government.

Jyske Bank will develop products to encourage and motivate clients to renovate their properties in a way that increases their energy performance.

Each quarter, Jyske Bank will calculate changes in greenhouse gas emissions for properties financed by Jyske Realkredit, in Jyske Realkredit Sustainable Transparency Template⁵.

⁴ <https://ens.dk/en/our-responsibilities/energy-savings>

⁵ <https://jyskerealkredit.com/sustainable-transparency-template>

Clean transport

In a global world, we need to transport both people and goods within as well as across national borders. According to Statistics Denmark⁶, transport of people and goods accounts for a relatively large percentage of Denmark's total greenhouse gas emissions, including carbon emissions. To minimise greenhouse gas emissions, it is essential to ensure that the different forms of transportation becomes less reliant on fossil fuels and more reliant on renewable energy.

Types of financing	Impact indicator	UN Global Goals
Low-emission passenger cars and vans (electric, hybrid, biogas and hydrogen) Low-emission passenger transport (electric, hybrid, biogas and hydrogen), including buses, trains and ferries Low-emission goods transport (electric, hybrid, biogas and hydrogen) Infrastructure to support clean transport	Greenhouse gas savings (tonnes/year)	

Clean transport target

Passenger cars/vans: 40% of Jyske Bank's new finance must be for low-emission vehicles in 2025.

Passenger transport: 40% of Jyske Bank's new finance must be for low-emission vehicles in 2025.

Goods transport: 20% of Jyske Bank's new finance must be for low-emission vehicles in 2025.

⁶ <https://www.dst.dk/da/Statistik/bagtal/2018/2018-12-06-fakta-om-danmarks-udledning-af-drivhusgasser-samt-energiforbrug>

Sustainable use of natural resources

In a world with a constantly growing population, sustainable food production is essential. Food producers will increasingly have to take natural resources into consideration, and sustainability in this area is not only a matter of greenhouse gas emissions, but also of, for instance, nitrate and pesticide emissions to the groundwater and excessive use of the worlds natural resources.

Types of financing	Impact indicator	UN Global Goals
Certified sustainable agriculture	Greenhouse gas savings (tonnes/year)	
Certified sustainable forestry	Certified organic production under EU and national legislation	
Certified sustainable fishery	Forest Stewardship Council (FSC)	
Planting of areas/production for renewable energy	Marine Stewardship Council (MSC)	
Processing of certified products	Aquaculture Stewardship Council (ASC)	

Recycling and sustainable production

In order to put our resources to optimum use, it is essential that we are able, to a large degree, to recycle all or parts of existing products. To enable recycling, new processing of the existing product is often necessary. Consequently, it is important to finance businesses specialising in recycling existing products when these are no longer used for their current purpose (circular economy). And waste products that cannot be recycled must be managed responsibly to minimise pollution.

Types of financing	Impact indicator	UN Global Goals
Production from recycled existing materials Circular economy Waterworks and wastewater management and treatment Waste sorting Pollution prevention and control	Greenhouse gas savings (tonnes/year)	  

Reporting

Jyske Bank will update activities financed within the five areas defined under this Framework annually. Jyske Bank's reporting will include activities financed within the individual areas and the development in finance since the last reporting period, including greenhouse gas reductions from the activity, where possible.

The reporting will also show the progress made by Jyske Bank in terms of delivering on the targets set in the Framework.

Targets and measures under the Framework will be updated regularly.

When calculating the reduction in greenhouse gas emissions from the financing of activities, Jyske Bank will perform a *ceteris paribus* calculation. The calculation of the reduction in emissions will be performed relative to the alternative where energy would be generated using a mix of fossil and renewable energy sources.

The reporting will be published on investor.jyskebank.com/investorrelations/governance/esg-data.

Green and Sustainable bonds

To target financing directly at sustainable activities, Jyske Bank will be able to issue bonds⁷ to finance activities meeting the definitions of assets in this Framework.

The issuance of bonds must comply with the Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds, issued in 2018 by the International Capital Market Association (ICMA)⁸. With each green or sustainable bond issued, Jyske Bank will comply with ICMA's Green Bond Principles for 1. Use of proceeds, 2. Project evaluation and selection, 3. Management of proceeds, 4. Reporting and 5. External review.

1. Use of proceeds

An amount equal at least to the amount issued will be applied to finance or re-finance activities that meet the definitions under the current Jyske Bank Green Finance Framework. The underlying finance will be disbursed primarily to borrowers resident in Denmark.

For each bond issuance, Jyske Bank will define for which of the five areas specified above the bond is issued. Jyske Bank can issue green bonds, the proceeds of which are applied to finance projects contributing directly to reducing greenhouse gas emissions, i.e. the categories of Renewable energy, Green buildings and Clean transport projects. Moreover, Jyske Bank can issue sustainable bonds, the proceeds of which are applied to finance sustainable activities. The sustainable projects will mainly be projects defined by the categories Sustainable use of natural resources and Recycling and sustainable production. Jyske Bank can also issue a bond to finance a combination of green and sustainable activities. In this case the proportion of each area will be reported.

2. Project evaluation and selection

A Jyske Bank committee responsible for projects under the Green Finance Framework has been set up. The committee comprises participants from the various business areas of Jyske Bank, participants from the Credit division, Risk Management, Treasury and IR & ESG as well as one participant from Jyske Bank's Executive Board. The committee is authorised to include and exclude sustainable activities, define new categories of green and sustainable activity areas under the Green Finance Framework, monitor assets financed under the Framework and monitor the targets regularly set under the Framework.

3. Management of proceeds

Jyske Bank will record and report on all activities under this Framework at portfolio level. Jyske Bank will ensure that funds from green and sustainable bonds issuance are applied exclusively to finance activities defined under the Framework.

Jyske Bank will register all activities that meet the definitions of this Framework. The composition and amount of assets underlying the bonds issued will be monitored quarterly by the group risk management department

⁷ Bonds refers to issuances of both bonds and certificates from Jyske Bank A/S and Jyske Realkredit A/S

⁸ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

and group treasury management, which will keep account of redemptions, repayments and prepayments of assets.

It is the intention of Jyske Bank that total financed activities that lives up to the criterias set under this Framework should at any time at least equal the total amount for which green and sustainable bonds have been issued. However, during some periods, sufficient assets may not yet have been allocated to cover the bonds issued. In such cases, Jyske Bank will ensure that funds from the bond issuance will not be allocated to assets that do not meet the definitions of this Framework. Jyske Bank will invest funds that have not yet been allocated to green or sustainable activities in cash or other short-term and liquid securities. In connection with the refinancing of existing assets under this Framework, total bonds issued may temporarily exceed the underlying assets.

Jyske Bank will not allocate funds from green and sustainable bonds to finance activities, the primary aim of which is energy generation from the burning of fossil fuels, extraction or refining of fossil fuels (including oil and coal), energy generation from nuclear power, production of weapons, gambling or tobacco.

4. Reporting

Jyske Bank will report on the allocation of funds within each category and at an aggregated basis for all Jyske Bank's green and sustainable bonds. Jyske Bank and Jyske Realkredit will report on the allocation of bonds issued by Jyske Realkredit separately.

Jyske Bank wishes to make the allocation reporting available within one year of the allocation. Where possible, the reporting will include a calculated impact of the finance, measured using the impact indicators defined under each category of the Framework.

5. External review

Prior to the issuance of green and/or sustainable bonds to finance assets defined under this Framework, Jyske Bank will always have an independent external reviewer to verify the Framework and the choice of assets financed from the issuance. This verification report will be published on investor.jyskebank.com/investorrelations/governance/esg-data.

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