

## Statement on the principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Jyske Bank A/S (3M5E1GQGKL17HI6CPN30)

### Summary

Jyske Bank A/S (3M5E1GQGKL17HI6CPN30) considers the principal impacts on sustainability factors in its investment decisions. This statement is the consolidated statement on the principal adverse impacts of investment decisions on sustainability factors from Jyske Bank A/S and its subsidiaries, ie Jyske Invest Fund Management A/S and Handelsinvest Investeringsforvaltningsselskab A/S.

This statement on the principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022. The investment decisions made by Handelsinvest Investeringsforvaltningsselskab A/S are included in the statement for the reference period from 01 December 2022 to 31 December 2022.

The sustainability factors are environmental, social or employee matters as well as matters regarding respect for human rights, anti-corruption and anti-bribery. In this statement, it is explained how we pay consider impacts on these factors when making investment decisions. The statement reports on 18 mandatory and 2 voluntary indicators for adverse impacts on sustainability factors (PAI indicators). In addition, it is disclosed which actions have been taken and planned as well as which targets have been set for each specific indicator.

The reporting as stated below are released on an annual basis. The reporting for the year 2023 will be released no later than 30 June 2024.

**Description of the principal adverse impacts on sustainability factors**

**Indicators applicable to investments in investee companies**

Indicators for adverse impact on sustainability	Parameter	Impact 2022	Impact 2021	Explanation	Actions taken, actions planned and targets set for the next reference period	
<b>Climate- and other environment-related indicators</b>						
GHG emissions	1. GHG emissions	Scope 1 GHG emissions	321,487	NA	Data coverage = 92%	<p><b>Policy</b></p> <p>We plan to publish a climate position paper in 2023</p> <p><b>Objective</b></p> <p>Jyske Bank is a signatory of the Net Zero Asset Managers initiative and, hence, has committed to ensuring that investments made on behalf of our clients are supportive of achieving net zero emissions by 2050. We work on our long-term commitment via reduction targets for 2030 on equities and mortgage bonds. We aim to reduce our equity investments by 75% by 2030 compared to 2019. At year-end 2022, the CO2 footprint of our equity investments had been reduced by 46%. The CO2 reduction target has been computed pursuant to PAI 2. For additional information on our CO2 reduction targets, see <a href="https://www.netzeroassetmanagers.org/signatories/jyske-capital/">https://www.netzeroassetmanagers.org/signatories/jyske-capital/</a></p>
		Scope 2 GHG emissions	73,191	NA	Data coverage = 92%	
		Scope 3 GHG emissions	2,111,740	NA	Data coverage = 91%	
		GHG emissions in total	2,506,418	NA		
	2. CO <sub>2</sub> footprintf	CO <sub>2</sub> footprint	24.23	NA	Data coverage = 91%	
	3. GHG intensity of investee companies	GHG intensity of investee companies	133.10	NA	Data coverage = 93%	

4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	9.73	NA	Data coverage = 94%	<p><b>Action</b></p> <p>Jyske Bank practises active ownership. We are a member of Climate Action 100+ through which we practice active ownership towards the most CO2-heavy emitters. We have an engaging dialogue on climate-related matters with Danish mortgage issuers at least once a year.</p> <p>Jyske Bank defines threshold limits for the CO2 intensity of its own stock market strategies. If the threshold limits are exceeded, it either causes exclusion or a factual assessment, with active ownership and a positive qualitative assessment enabling continued investment.</p> <p>We plan to exclude coal and tar sand from our investment universe. Furthermore, we offer selected clients investment solutions that exclude fossil fuels. The exclusions pertain to PAI 4.</p>
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and production of non-renewable energy from non-renewable energy sources of investee companies compared to renewable energy sources, expressed as a percentage of total energy sources	74.52	NA	Data coverage = 80%	
6. Energy consumption intensity per high-impact climate sector	Energy consumption in Gwh per million EUR of revenue of investee companies, per high impact climate sector	A: 2.05 B: 10.84 C: 7.02 D: 45.81 E: 8.88 F: 4.54 G: 2.16 H: 14.33 L: 2.79 <sup>1</sup>	NA	Data coverage in total = 44% A: 0.0% B: 1.7% C: 28.9% D: 3.1% E: 0.5% F: 0.4% G: 5.8% H: 2.4% L: 1.4%	

<sup>1</sup> A = Agriculture, forestry and fishing, B = Raw material extraction, C = Industry, D = Electricity, gas and heating supply, E = Water supply, F = Building and construction, G = Trade and auto repair, H = Transport and storage, L = Real property.

Biodiversity	7. Activities adversely impacting biodiversity-sensitive areas	Share of investments in investee companies with sites / operations located in or near to biodiversity-sensitive areas where activities of those investee companies adversely impact those areas	0.02	NA	Data coverage = 94%	In 2022, Jyske Bank exercised, and in 2023 it plans to exercise active ownership as regards biodiversity via two engagement bundles from Sustainalytics under the headline 'Future food supplies' and 'Sustainable forestry and finance'.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	5.08	NA	Data coverage = 10%	In 2022, Jyske Bank exercised, and in 2023 it plans to exercise active ownership as regards water via an engagement bundle from Sustainalytics under the headline 'Managing water resources' and ' Jyske Bank observes this PAI for selected stock market strategies by means of threshold limits
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.19	NA	Data coverage = 31%	In 2022, Jyske Bank exercised, and in 2023 it plans to exercise active ownership as regards waste via an engagement bundle from Sustainalytics under the headline 'Responsible cleantech'. Jyske Bank observes this PAI for selected stock market strategies by means of threshold limits

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of the UN Global Compact principles and the Organisation for Economic Cooperation and Development (OECD's) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.42	NA	Data coverage = 95%	<p><b>Policy</b></p> <p>Jyske Bank's policy for responsible and sustainable investment excludes investments in controversial weapons and takes a stand on the violation of norms. For additional information, see <a href="https://www.jyskebank.dk/Investeringsinfo-betingelser-for-investering">Investeringsinfo - betingelser for investering (jyskebank.dk)</a></p> <p><b>Action</b></p> <p>During 2022, Jyske Bank participated with other investors in Sustainalytics' norm-based engagement program on 176 engage cases regarding violation of international conventions and standards. 106 of these engage cases concern companies in which the Jyske Bank group is invested. 61 of these cases concern human rights and employment rights, 14 concern environmental matters and 22 concern business ethics.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	48.18	NA	Data coverage = 93%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11.48	NA	Data coverage = 22%	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.91	NA	Data coverage = 94%	

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00	NA	Data coverage = 94%	14: In our own portfolio management, Jyske Bank consequently excludes companies that have activities that can be related to controversial weapons: Anti-personnel mines, cluster weapons and nuclear weapons (where the UN Treaty on the Non-Proliferation of Nuclear Weapons is violated).
<b>Indicators applicable to investments in sovereigns and supranational organisations</b>						
<b>Adverse sustainability factors</b>		<b>Parameter</b>	<b>Impact 2022</b>	<b>Impact 2021</b>	<b>Explanation</b>	<b>Actions taken in 2022 and actions planned for 2023</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	87.78	NA	Data coverage = 87%	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	6	NA	Data coverage = 86%	

**Indicators applicable to investments in real estate assets**

<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2022</b>	<b>Impact 2021</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	1. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels		NA		
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets		NA		

## **Description of policies for identification and prioritisation of the principal adverse impacts on sustainability factors**

### ***Prioritisation of the principal adverse impacts***

Prioritisation of focus areas are made based on

- Knowledge from client dialogues regarding requests related to sustainability and investment. In addition, we anticipate systematic knowledge building regarding our clients' preferences in connection with the mandatory disclosure of clients' sustainability preferences.
- The sustainability targets that we have defined, which comply with the national and international obligations and voluntary initiatives that we have committed to, among other things.

Prioritisation of target areas are made based on Jyske Bank's overall impact analysis composed using the method behind the UNEP FI impact tool.

### ***Prioritisation of the principal adverse impacts***

Jyske Bank prompts investment portfolios being monitored on an ongoing basis with the purpose of reducing the adverse impact on prioritised sustainability factors. Jyske Bank regularly screens the companies for violation of international norms and conventions. We often find that dialogue is the most appropriate approach to influence companies to change their behaviour. We will therefore typically open a dialogue with the company, and if, for an extended period, no progress has been made, the Bank's Committee for responsible and sustainable investments will make a decision regarding exclusion and disposal. In addition, Jyske Bank's asset management unit regularly receives CO2 metrics for each company in the investment portfolios. In this connection, employees will assess the portfolio's CO2 against the CO2 emissions for the relevant reference portfolios. If a company is assessed to have significantly adverse impacts on prioritised ESG factors, the Bank's procedures for norm-based screening are followed. Our selected indicators are monitored and assessed on an ongoing basis by means of internal as well as external data. Furthermore, a system is used to score companies' ESG matters.

### **Governance**

Jyske Bank's policy for identification and prioritisation of the principal adverse sustainability impacts is composed of Policy for responsible and sustainable investments. The last approval of the policy was made on 06/06/2023

**Methods and data sources**

Jyske Bank is using internal as well as external tools in its assessment of portfolios' impact on sustainability factors. The table below presents data sources and any margin of error for each indicator

<b>Indicator</b>	<b>Data source</b>	<b>Margin of error</b>
GHG emissions (companies and sovereigns)	MSCI	Figures are based on a combination of recorded and estimated data. Scope 3 is based on estimation method that may be flawed
GHG emissions (mortgage credit institutions)	Jyske Bank	Based on principles in CO2 model composed by Finance Danmark and Jyske Bank estimates, which may be flawed
Biodiversity	MSCI	The data quality is considered inadequate, but is expected to be improved concurrently with the CSRD reporting
Water emissions	MSCI	The data quality is considered inadequate, but is expected to be improved concurrently with the CSRD reporting
Waste	MSCI	The data quality is considered inadequate, but is expected to be improved concurrently with the CSRD reporting
Social and employee matters	MSCI	The data quality is considered inadequate, but is expected to be improved concurrently with the CSRD reporting
Violation of the UN Global Compact's 10 principles	MSCI and Sustainalytics	Based on assessment that may be flawed
Exposure to controversial weapons	MSCI and Sustainalytics	Based on assessment that may be flawed
GHG emissions of investee countries	MSCI	Based on assessment that may be flawed
Investee countries subject to social violations	MSCI	Based on assessment that may be flawed

Sustainability data are characterised by a lack of consistent methods. It has been established that various data suppliers score and assess companies differently, also as regards controversial conduct.

Hence, a majority of ESG data from companies are provided on voluntary basis, meaning for instance large companies with extensive resources are able to provide more details about sustainability, hereby resulting bias indicating that large companies have a better score than small companies. Moreover, problems in respect of data quality and data existence are seen across regions and asset classes, especially as regards emerging markets and, to some extent, lower-rated mortgage bonds.

As regards CO2e statements, it is assessed that the vast majority of the large companies report on this issue – however, typically under scope 1 and 2. Data for the CO2e emissions relating to Danish covered bonds are not, however, based on the issuers' own reporting.

## **Policies of active ownership**

As an active investor Jyske Bank is, for instance through an external adviser, in ongoing dialogue with companies about activities violating international conventions and norms, including cases relating to human rights, employee rights, environmental issues and business ethics. Jyske Bank cooperates with other investors to practice active ownership in relation to companies with ESG challenges, in order to achieve as much influence as possible.

Jyske Bank also exercises active ownership through its voting rights. Voting rights will typically be exercised in situations where the voting relates to issues of responsibility and sustainability matters. Jyske Bank's work concerning the exercise of voting rights is based on three focus areas:

1. Voting as escalation in company dialogue where the company is not assessed to change behaviour to a satisfactory degree.
2. The voting supports specific proposals on sustainability
3. The company's sustainability risks are considered extraordinarily high

Exercising voting rights observe all PAI, except unadjusted gender pay gap and board gender diversity as well as exposure to controversial weapons, as companies associated with controversial weapons are generally not included in our investment universe.

If no improvements as regards active ownership are recorded over a period of time, companies are excluded.

The Jyske Bank group's work on responsible and sustainable investments, including its focus on active ownership, is described in our policies for sustainable and responsible investments. The policies for the units in question are available at [www.jyskebank.dk](http://www.jyskebank.dk), [www.jyskeinvest.dk](http://www.jyskeinvest.dk) and [www.handelsinvest.dk](http://www.handelsinvest.dk)

## **Reference to international standards**

Our consideration for adverse impacts on sustainability factors involves the following international standards:

- The Paris Agreement
- OECD Guidelines for Multinational Companies
- UN Global Compact
- The ILO labour market conventions
- UN Universal Declaration of Human Rights

Jyske Bank performs norm-based screenings of its investment portfolios on an ongoing basis, in contemplation of keeping with generally accepted norms. As regards the targets of the Paris Agreement, climate scenarios will not be used going forward, as measuring methods, data etc. related to climate risks are believed to not yet be developed to the same extent as traditional risk factors.

## **Historical comparison**

The initial historical comparison will be published in June 2024.

**Additional climate- and other environment-related indicators**

Adverse sustainability impact	Adverse impact on sustainability factors	Parameter
Indicators for investments in investee companies		
Climate- and other environment-related indicators		
Indicators applicable to investments in real estate assets		
GHG emissions	18. GHG emissions	Scope 2: 0.3 tonnes Co2e per million EUR invested Data coverage: 88% Total GHG emissions: 371.16 tonnes

**Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters**

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Adverse sustainability impact	Adverse impact on sustainability factors	Parameter
Indicators applicable to investments in investee companies		
Human rights	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis: 0.00