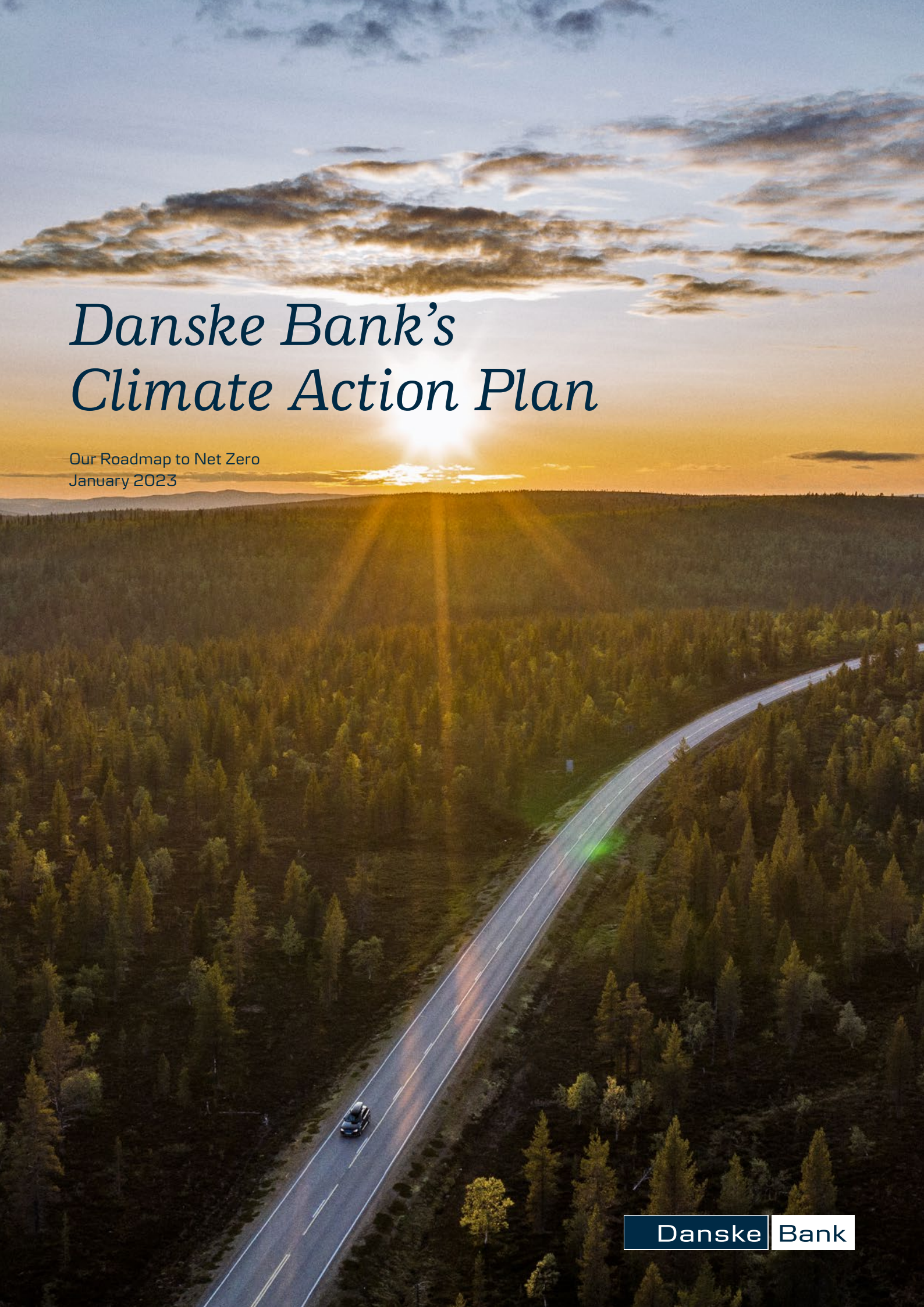

Danske Bank's Climate Action Plan

Our Roadmap to Net Zero
January 2023

Danske Bank

About this report

Our Climate Action Plan covers the activities of the Danske Bank Group. The report provides an overview of our targets, actions and initiatives in relation to our climate efforts.

We have committed to setting science-based targets and have submitted our targets for validation by the Science Based Targets initiative (SBTi). The targets may change as a consequence of the validation process.

The Climate Action Plan includes information that is subject to uncertainties stemming from limitations in underlying methodologies and data. In our analysis and target-setting, we have deployed estimates based on various frameworks and methodologies as discussed throughout the Climate Action Plan and in the appendices. As methods and data availability is constantly evolving, updates to methodologies and assumptions may result in different conclusions.

In alignment with net-zero recommendations, targets, actions and initiatives in relation to our climate efforts requires forward-looking parameters and longer-term time horizons to account for the nature of climate change. The forward-looking statements made in this report reflect our current view of future events and are based on expectations, projections and estimations that involve large uncertainties and risks, including, but not limited to, future market conditions, changes in regulation and realisation of plans and strategic objectives. The forward-looking assessments may therefore be subject to change and should not be viewed as reliable indicators of future performance or as complete or accurate accounts of actual performance. Caution must therefore be exhibited when interpreting this report.

The achievement of our set targets is dependent on the collaboration with and the initiatives of our customers, investee companies, and international and domestic governments.

The developments towards our sector may not be linear as development in technologies and other fundamental circumstances may affect individual sectors year on year.

This publication has been prepared for information purposes only, and it is not to be relied upon as investment, legal, tax, or financial advice.

We expect data quality and coverage to increase over the coming years, driven by increased reporting and disclosure obligations. New and improved guidance and scientific research is also expected, and Danske Bank reserves the right to update targets, methodologies and approaches and to perform relevant restatements of baselines when relevant.

Get in touch
We welcome any comments, suggestions or questions you may have regarding this report or our performance. Please send an email to sustainability@danskebank.com.

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We have the responsibility and ability to make a difference.

Dear reader,

Over the coming decades, climate change will remain the greatest challenge facing our societies, posing risks to lives and livelihoods, to business models, financial assets and to our very way of life on planet Earth.

Although climate change represents a profound threat to our societies and the global economy, the green transition is also a commercial opportunity for entrepreneurs and businesses that work to provide ideas and solutions that make this transition possible. And the green transition provides opportunity for all of us to reinvent our economies to make them more resilient and sustainable.

A profound responsibility
At Danske Bank, we are committed to playing a leading role in supporting the green transition to a low-carbon society. And as Denmark's largest bank and one of the largest financial institutions in the Nordic countries, we have the responsibility and ability to make a difference – for our around 3.3 million customers, and more broadly in the societies we are a part of. We contribute by providing specialist financial advice and by financing our customers' transition to a more sustainable future.

The main challenge in fighting climate change is to transition to a low-carbon energy system. Today, the energy produced from fossil fuels that keeps our lights on, heats or cools our homes, transports our goods and fuels their production accounts for around 75% of carbon emissions globally. To pivot our societies away from fossil fuel dependency, we need to build a resilient and sustainable energy system. To succeed, we need to significantly expand the supply of renewable energy while at the same time making the necessary investments on the demand side to enable the adoption of new electric and low-carbon technologies as well as continuing to drive energy efficiency.

Danske Bank plays a critical role by helping households and businesses to invest in energy efficiency and to transition towards clean energy sources. We also support the development of a more sustainable energy supply by working with energy utilities and oil and gas companies to finance the development and expansion of renewable energy, reduce emissions and speed up the transition to a low-carbon energy system.

We fully support the transition
The challenge ahead is not merely to work with companies that are already green today. As a bank that works across all areas of the economy, our role is to engage with our customers and invest in companies that have the potential – and the commitment – to support the transition to a low-carbon society.

At Danske Bank, we have made major strategic commitments to leading international frameworks, thereby expressing our commitment to transition our business activities to net zero. In 2019, we became a signatory of the UN Principles for Responsible Banking, and during 2020 and 2021 we became members of the Net-Zero Asset Owner Alliance, the Net Zero Asset Manager Initiative and the Net-Zero Banking Alliance. These commitments require us to align our core strategy, governance, lending and investments with the objectives of the UN Sustainable Development Goals and to set ambitious intermediate targets in line with the best available scientific research while continuously reporting on execution and progress towards becoming net zero by 2050 or sooner.

Targets will steer our path towards net zero
To deliver on the commitments, we have set intermediate 2030 targets for carbon emission reductions across our lending and investment portfolios, including for the most high-emitting sectors within our activities as well as for our own operations. And to ensure that our efforts are consistent with the goals of the Paris Agreement, we have sent our targets to the Science Based Targets initiative to validate that our methodologies are based on the latest scientific research and that our targets are in alignment with limiting global warming to 1.5°C.

We have worked hard to set targets for our business and develop the tools and the systems to measure and assess our climate impact. This includes disclosing our financed emissions baseline, setting intermediate net-zero targets, outlining our strategic actions, and enabling us to transparently report on our progress towards achieving the goals we have set for ourselves, our customers and society.

Creating sustainable progress for generations to come
At Danske Bank, we unite around our purpose of releasing the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come. As a leading Nordic bank, we want to play a key role in the sustainability transformation. We have a clear ambition to lead on sustainable finance in the Nordic countries, and to be the leading bank for sustainable finance in Denmark.

The challenges ahead are daunting, but in addressing these challenges we will continue to play the role that we have always played. For 150 years, we have helped our customers adapt and benefit from new times and opportunities, and we remain committed to continuing to do so, as we advance on the journey towards a low-carbon society.

Carsten Egeriis
Chief Executive Officer
Danske Bank

Our role in the green transition

Transforming the global economy to net zero will require a revolution on the scale of the industrial revolution and at the same pace as the digital revolution.

This will call for investments on an enormous scale, and the financial sector must therefore play an instrumental role in helping to raise the capital needed and in helping to ensure capital is used constructively and allocated in line with the objectives of the 2050 net-zero ambitions.

The International Energy Agency (IEA) has estimated that the world needs to invest between USD 4 and 5 trillion every year between now and 2050 to reach a net-zero economy. This corresponds to more than USD 120 trillion over the coming decades, or 25% more than the current global GDP.[1]

Raising capital is only part of the challenge

Investments and capital flows on this scale will offer historic opportunities for growth, innovation, job creation and commercial progress. But capital investment of this magnitude also brings significant risks of misallocation and wasted resources.

Raising sufficient amounts of capital to support the sustainability transformation is therefore only part of the challenge. It will be of equal importance to ensure that this capital is used constructively and allocated towards projects and activities that are socially, environmentally and commercially sustainable.

Striking this balance by carefully assessing risks and opportunities is exactly what banks do, which is why the financial sector must play a crucial role as a catalyst for the green transition over the decades to come.

A catalyst for change

For 150 years, Danske Bank has played a key role in major transformations of the societies we are part of, and we are committed to acting as a catalyst for change and to helping our customers adjust and benefit from new opportunities by offering investment, savings and financing opportunities.

Our portfolio covers most sectors, including sectors with a material carbon footprint. This means that Danske Bank is both part of the current climate challenge and a catalyst for the needed transition. As a leading Nordic bank we see it as our obligation to achieve a net-zero portfolio through supporting our customers in their green transitions. At Danske Bank, we are committed to ensuring that our financing activities are aligned with the Paris Agreement and with the goal of achieving a net-zero economy by 2050. To avoid any discrepancy between our commitments and our actual achievements – between ambition and action – we have set 2030 emission reduction targets for the four main impact areas of our business.

Our four impact areas

1. **Lending:** the money we lend to customers
2. **Asset management:** the investments we make on behalf of our customers
3. **Life insurance and pension activities:** the pension assets we manage on behalf of our beneficiaries
4. **Own operations:** the emissions we generate through daily business operations

There are several challenges and uncertainties in relation to data and methodologies when measuring CO_2 equivalent (CO_2e) emissions,[2] but according to our

[1] IEA (2021): Net Zero by 2050 - A Roadmap for the Global Energy Sector

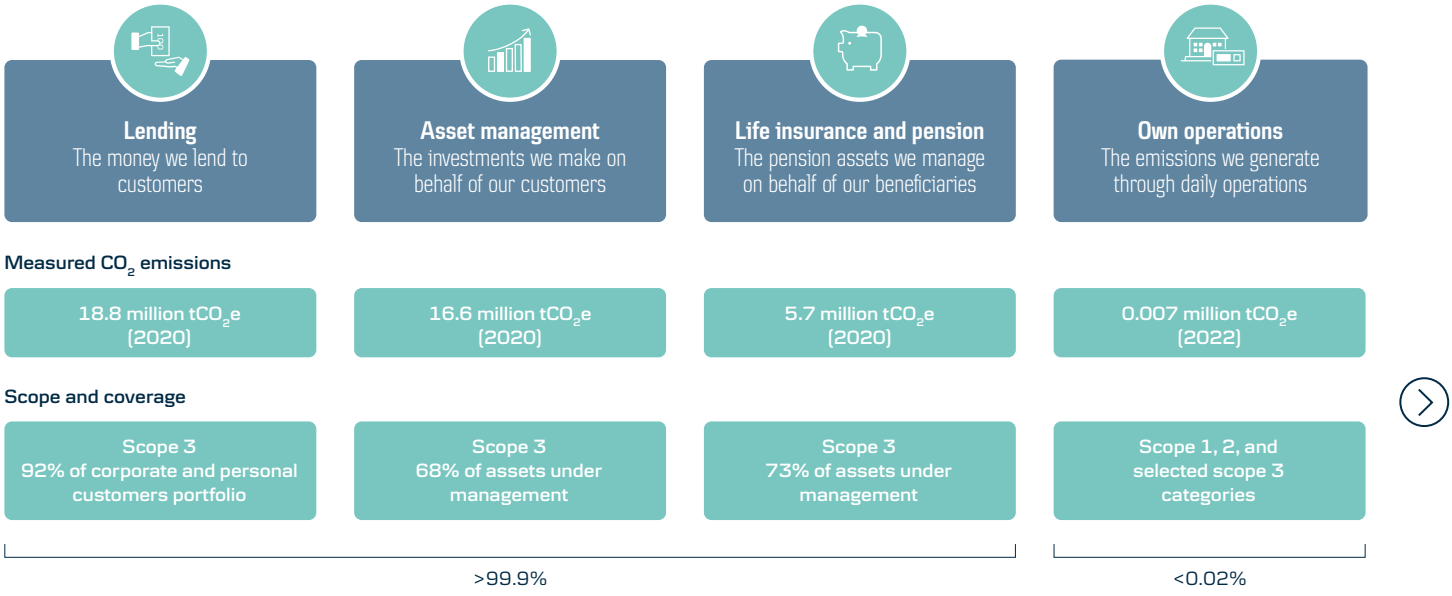
[2] See appendix 1, 2, 3 and 4 for methodological considerations, data sources and limitations.

Scope 1, 2 and 3 explained
The GHG Protocol Corporate Standard classifies a company's greenhouse gas (GHG) emissions into three 'scopes'.

- **Scope 1** emissions are emissions from company owned or controlled sources and therefore known as direct emissions, e.g. from vehicles.
- **Scope 2** emissions are emissions from the generation of purchased energy and are therefore known as indirect emissions, e.g. from electricity.
- **Scope 3** emissions occur in the company value chain, including both upstream and downstream emissions, and are therefore known as indirect emissions (not included in scope 2), e.g. from the supply chain. For financial institutions, the largest source of scope 3 emissions is financed emissions, which are generated as a result of financial services, investments and lending. These emissions fall under scope 3 category 15 in the Greenhouse Gas Protocol.

Source: Adopted from the Greenhouse Gas Protocol

Figure 1.1: Danske Bank impact areas and its measured CO_2e emissions



current calculations, our entire carbon footprint amounts to 41.1 million tonnes of CO_2e emissions across scope 1, 2 and 3 in the Group.

As can be seen from figure 1.1, the vast majority of our carbon footprint (more than 99.9%) comes from scope 3 category 15 – financed emissions relating to the emissions of our customers and companies we invest in. Within scope 3, we measure the most financed emissions within our lending activities, which accounts for around 18.8 million tonnes of CO_2e, equalling around 46% of our carbon footprint. This is followed by our second impact area, asset management, where we measure around 16.6 million tonnes of CO_2e emissions, equalling around 40% of our total emissions. In our third impact area, life insurance and pension, we measure 5.7 million tonnes of CO_2e emissions, equalling around 14% of our total emissions.

In comparison, our own direct emissions are very limited, accounting for only around 0.007 million tonnes of CO_2e, equivalent to around 0.02% of our total emissions.

We will therefore be able to achieve the most significant positive impact in collaboration with our customers and investee companies.

As a lender, we offer financing solutions that allow our customers to invest in sustainable change – whether it is a family choosing an energy improvement loan for a more energy-efficient home, a business switching to an electrical vehicle fleet or a large corporate taking a green loan to finance projects that have clearly defined environmental benefits.

As an investor that invests on behalf of our customers and our beneficiaries, we use our position to influence and encourage the companies we invest in to progress in a more sustainable direction. We also support the long-term development and growth of these companies by engaging in direct dialogue, voting at general meetings and collaborating with other investors.

By integrating climate considerations into everything we do and by acting as a catalyst for positive change, we intend to turn challenges into opportunities – for our customers and for Danske Bank. We also aim to transform these opportunities into real sustainable change for the societies that we are part of.

Our plan to achieve net zero

Committed to reaching net zero

Danske Bank has committed to become a net-zero bank by 2050 or sooner, and this commitment steers our climate efforts and the impact we want to have. We joined the UN-supported Principles for Responsible Investment (PRI) in 2010, and following the adoption of the Paris Agreement in 2015, we have joined multiple initiatives and alliances that have helped us develop the framework and the tools to raise our ambitions and ensure progress on our net-zero journey (see non-exhaustive list of initiatives and alliances, including net-zero alliances, in the timeline below).

Our Climate Action Plan is anchored in our purpose of releasing the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come. The plan also builds upon many years of commitment and action, including engagement with customers, industry partners and society that has helped us shape our course of action and set intermediate net-zero targets.

Building upon years of action and commitment (non-exhaustive list)

2006
First CSR report published

2007
Joined the UN Global Compact

2008
First Responsible Investment Policy

2009
Began offsetting carbon emissions from our own operations

2010
Became a member of the UN-supported Principles for Responsible Investment (PRI)

2015
Became an early adopter of the Paris Pledge for Action

2016
First sector-specific position statements

2019
First reporting according to the recommendations of the Task Force on Climate-related Financial Disclosures

2019
Became a founding signatory of the UN Principles for Responsible Banking (PRB)

What is net zero?
Net zero means reducing greenhouse gas (GHG) emissions to as close to zero as possible, with any remaining emissions to be reabsorbed in a sustainable manner, for example by afforestations or engineered solutions.

The Science Based Targets initiative (SBTi) defines corporate net zero as "Reducing scope 1, 2 and 3 emissions to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways" and "neutralizing any residual emissions released into the atmosphere thereafter".

Source: United Nations and Science Based Targets initiative

Danske Bank Group targets will steer our path

As a financial institution, Danske Bank interacts with the entire economy, including multiple sectors that have individual challenges and transition paths. Consequently, setting sufficient and relevant climate targets is a complex task. To ensure that we are steering towards net zero and to account for this complexity, we have decided on a comprehensive and broad range of climate targets.

Our target-setting has taken the following aspects into consideration:

- the overall objectives of the Paris Agreement – near-term (2030) and long-term (2050)
- recommendations and methodologies from leading industry associations and scientific research
- Danske Bank's overall strategic direction and Group-wide net-zero ambition

To validate that our targets are based on the latest scientific research and are aligned with the Paris Agreement, we have submitted our targets for validation by the Science Based Targets initiative (SBTi). The SBTi is a partnership between the CDP (formerly the Carbon Disclosure Project), the UN Global Compact (UN GC), World Resources Institute (WRI) and the WWF that seeks to drive ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets.[3]

The SBTi provides companies with clearly defined pathways and tools to reduce emissions in line with the goals of the Paris Agreement. Targets are considered science based when they align with what the latest scientific research deems necessary for limiting global warming to well below 2°C above preindustrial levels and pursuing efforts to limit warming to 1.5°C.

SBTi methodologies
The SBTi framework proposes three different methodologies for target-setting for financed emissions, which can be used alone or together:

1. **Sectoral Decarbonisation Approach** is a method for setting physical intensity targets using sector-specific convergence of emissions intensity. For each sector, the CO_2e intensity of the portfolio is measured at a base year, from which a target path to 2050 can be derived. Portfolio emissions intensity refers to the financed emissions relative to a specific production output, e.g. tonnes of CO_2e per MWh of energy produced.
2. **Temperature Rating Approach** is a method for financial institutions to determine a portfolio's current 'temperature value' based on the public emissions reduction targets of the companies they engage with. Financial institutions can align the portfolio's temperature value in a base year with a long-term temperature target.
3. **Science Based Targets coverage** is a method to set targets on the share of customers who themselves are approved by the SBTi as being in line with the goals of the Paris Agreement.

Source: Science Based Targets initiative

[3] Science Based Targets initiative

2020 Volume targets set for sustainable investments and sustainable financing

2020 Commitment to aligning our lending portfolio to the climate goals of the Paris Agreement

2020 Became a member of the Partnership for Carbon Accounting Financials (PCAF)

2020 Danica Pension joined the Net-Zero Asset Owner Alliance

2021 Danske Bank joined the Net Zero Asset Managers Initiative and Net-Zero Banking Alliance

2022 2030 targets set for reduction of financed emissions from lending to sectors with most impact - as the first Nordic bank to do so

2023 Danske Bank committed to the Science Based Targets initiative – targets pending validation

2023 Launch of comprehensive Climate Action Plan

At Danske Bank we have set comprehensive climate targets for our four impact areas: lending, asset management, life insurance and pension, and own operations. Please see an overview of our climate targets in figure 3.1 below.

Figure 3.1: Overview of Danske Bank's decarbonisation targets

Objective

Supporting our customers' Paris-aligned transitions

Danske Bank has set intermediate decarbonisation targets across core business activities and own operations

Impact areas

Lending

Our intermediate targets

2030 sector emission intensity reduction targets[4]

- Shipping ~50%
- Oil and gas - upstream[6] 50%
- Oil and gas - refineries[7] 25%
- Power generation 50%
- Steel 30%
- Cement 25%
- Commercial real estate[8] 55%
- Personal mortgages[8] 55%

For more details, see the lending section and appendix 1

Asset management

2030 temperature rating reduction targets[4]

- Implied temperature rating of our investment products from 2.7°C in 2020 to 2.1°C (scope 1 and scope 2)
- Implied temperature rating of our investment products from 2.9°C in 2020 to 2.2°C (scope 1, 2 and 3)

2030 carbon intensity reduction target[4]

- Weighted average carbon intensity of investment products 50%

2025 engagement target[4]

- Engagement with the 100 largest emitters

For more details, see the asset management section and appendix 2

Life insurance and pension

2030 temperature rating reduction targets[4]

- Implied temperature rating of our listed equities and credits from 2.5°C in 2020 to 2.0°C (scope 1 and scope 2)
- Implied temperature rating of our listed equities and credits from 2.8°C in 2020 to 2.2°C (scope 1, 2 and 3)

2025 sector emission intensity reduction targets[5]

- Real estate 69% Scope 1, 2 and 3 until 2030
- Energy 15%
- Transportation 20%
- Power generation 35%
- Cement 20%
- Steel 20%

For more details, see the life insurance and pension section and appendix 3

Own operations

2030 emissions reduction targets[5]

- Carbon emissions in scope 1 and 2 from 2019 80%
- Carbon emissions in scope 1, 2 and currently measured scope 3 categories from 2019 60%

For more details, see the own operations section and appendix 4

- *Target submitted for SBTi, validation pending*
- *Target not submitted for SBTi validation*

[4] Baseline year 2020
[5] Baseline year 2019
[6] Absolute emission reduction targets set
[7] Partly absolute emission reduction targets set
[8] Targets for Commercial Real Estate and Personal Mortgages are based on a weighted portfolio exposure across Denmark, Sweden, Norway and Finland. For Commercial Real Estate Denmark the target corresponds to 75% reduction by 2030. For Personal Mortgages Denmark the target corresponds to 75% reduction by 2030.

Motivation behind our targets

1. Lending: For our lending portfolio, we have set 2030 targets for the most critical sectors. We have chosen individual sectoral decarbonisation approaches in sectors where these are available, as recommended by the SBTi, to most accurately steer our impact, facilitate engagement and measure progress.

Most of our lending targets are intensity based, which enables us to focus on achieving real economy efficiencies. However, setting intensity targets may lead to an increase in absolute financed emissions if our total exposure grows.

We will continuously work to improve our financed emissions coverage and set targets for additional sectors as recognised guidelines, methodologies and data becomes available for more sectors.

2. Asset management: For the investments we make on behalf of our customers in our asset management activities, we have set SBTi-aligned temperature rating targets and a carbon intensity reduction target, all of which are supported by our engagement target.

The temperature rating targets have been established by utilising the SBTi's temperature rating tool, which assesses the transition plans of the companies we invest in. For each company, a temperature value is assigned based on the company's climate plans, and these temperature values are aggregated as a portfolio temperature value. This value and our temperature rating targets will ensure that companies in our portfolio will have planned actions that are aligned with a net-zero future, thereby incorporating a forward-looking element into our target suite. Our temperature rating targets for 2030 will lead our transition towards net-zero alignment by 2050 or sooner as all investee companies will need to converge towards having 1.5°C-aligned plans in place by 2040, leaving ten years for execution.

The portfolio intensity reduction target (tonnes of CO_2e per million of turnover in DKK for the respective companies in the investment portfolio) assesses whether a company's transition is following the needed decarbonisation trajectory. The intensity target measures actual reductions achieved and therefore incorporates a backward-looking element to our target suite.

We also believe that engagement is an effective and necessary tool to drive progress in the real economy. Our engagement targets ensure that we take responsibility in working with investee companies to encourage them to transition their business models aligned with a net-zero economy.

Temperature rating targets and intensity reduction targets can be seen as complementary, combining both forward- and backward-looking perspectives.

3. Life insurance and pension: For our life insurance and pension assets, we have also set temperature-rating targets and carbon intensity reduction targets.

As with our asset management activities mentioned above, the temperature rating targets ensure that our portfolio is aligned with a 1.5°C temperature trajectory and that the companies we invest in have Paris-aligned transition plans in place.

We have in addition set intensity reduction targets for five key sectors within Danica Pension's portfolio, and as a major real estate owner in Denmark through Danica Pension, we have also set a specific emission intensity reduction target for the real estate sector.

Setting both temperature rating targets and intensity targets combines forward- and backward-looking perspectives in our target suite.

4. Own operations: In our own operations, emissions generated through our daily business operations, such as heating of our buildings and business-related travel, are covered.

We have set an 80% reduction target by 2030 covering scopes 1 and 2 where data quality is higher than in scope 3 and we have more control over the emissions.

In addition, we have set a 60% reduction target for all of our scope 1, scope 2 and currently measured scope 3 categories in order to capture as broad a scope as possible. We continue to work on increasing our coverage by obtaining data for additional scope 3 categories.

Approach to climate action

To ensure efficient execution and transparency within our climate efforts, we have implemented a governance structure consisting of five elements:

1. Positions

Policies and climate-related position statements

Our policies govern and guide our approach to and principles for conducting our business in a sustainable and responsible manner, aligned with our climate targets. We use our policies and positions statements in our daily work, and they form the foundation for a constructive and forward-looking dialogue with our customers and stakeholders. Our Sustainable Finance Policy and position statements on climate change, fossil fuels, forestry, agriculture, and mining and metals are publicly available.[9]

2. Organisation

Roles and responsibilities

We have set out clear roles and responsibilities for approving, executing, and monitoring progress on our strategic direction, including our path towards net zero and our climate-related policies. Climate-related issues are anchored at the level of the Board of Directors (BoD) and the Executive Leadership Team (ELT).

3. Competences

Training of employees and leadership in climate-related matters

Building and nurturing competences within the sustainability area is key and needs to involve all layers of the organisation. To embed a culture of responsible banking and to enable our colleagues to engage with our customers on the climate agenda, all employees receive mandatory annual training within sustainability, risk and compliance. This is supplemented with specialised sustainability training for specific business areas.

4. Processes

Managing climate-related risk and opportunities

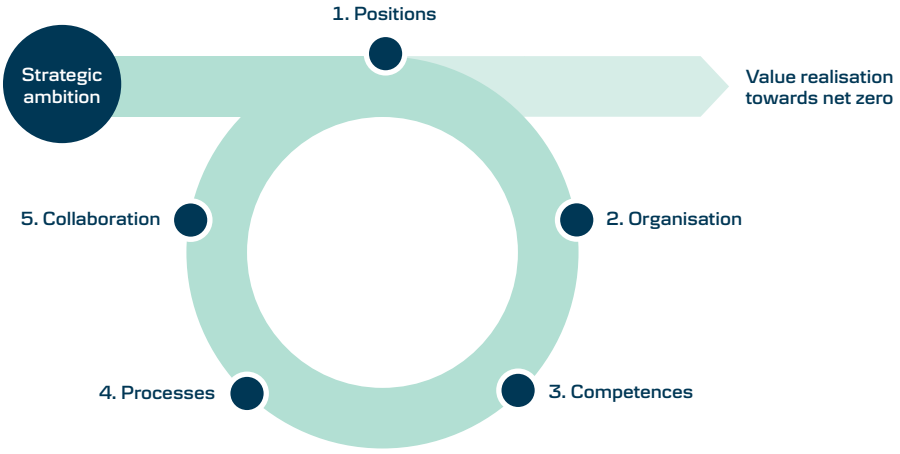
Sustainability issues such as climate change create new opportunities for our business and for our customers. At the same time, we are subject to climate-related risks from our own operations and from the activities of our customers and the companies in which we invest on behalf of our customers. We take a risk-based approach in prioritising risk management efforts for sectors that are likely to be exposed to transition and physical risks, and we seek to leverage commercial opportunities for our business and for our customers by developing sustainability-related products, advisory services and partnership offerings.

5. Collaboration

Climate partnerships

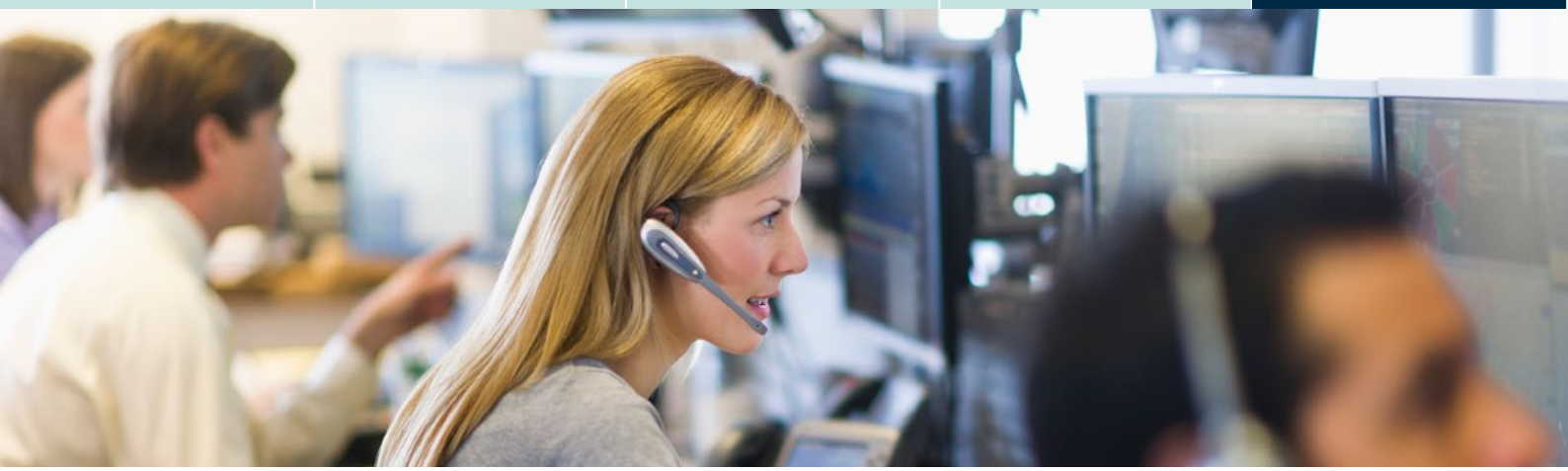
Because the net-zero transition is a collaborative effort across countries, civil societies, industries and businesses, ensuring the best possible conditions for collaborating, sharing knowledge and best-practices is key – as is influencing and contributing to the development of relevant standards. Since 2007, we have joined and supported a range of international sector- and industry-specific initiatives, such as net-zero alliances, the Task Force on Climate-related Financial Disclosures and the Partnership for Carbon Accounting Financials.

Approach to climate action



For more information on our governance structure and execution, please see our sustainability website, our annual sustainability report and our TCFD reporting.

[9] https://danskebank.com/sustainability/publications-and-policies



Lending – Supporting our customers' transition

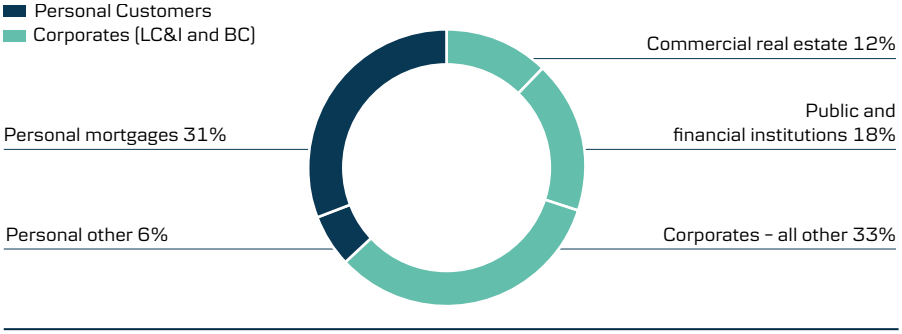
Financing the green transition

At Danske Bank, we want to be a leading financial partner when it comes to helping our customers succeed in their green transition. The net-zero transition requires major amounts of financing for companies to invest in new technologies and solutions, transform business operations and achieve net-zero supply chains.

Danske Bank has a broad and diverse exposure across our markets. Out of a credit exposure of around DKK 2.73 trillion,[10] personal mortgages make up 31%, corporate customers[11] around 33%, and commercial real estate 12% (see figure 4.1).

While we do engage with heavy-emitting sectors, these represent a very small share of our loan portfolio. In total, shipping, oil and gas, power generation, cement, and steel constitute only around 3% of our portfolio.

Figure 4.1: Danske Bank loan exposure distribution



In order to assess materiality from a climate perspective, financed emissions are a helpful tool to measure where we as a financial institution can have the largest impact. This also helps stakeholders make high-level comparisons of financed emissions between different financial institutions.

Although our exposure to heavy-emitting sectors is limited, they represent the vast majority of our total financed emissions. Shipping is the most material sector, being responsible for 42% of our financed emissions, followed by oil and gas accounting for 15% (see table 4.1). In contrast, personal mortgages make up 31% of our total loan portfolio but are only responsible for 5% of our financed emissions. In total, we estimate that the financed emissions from our carbon-mapped corporate and private lending

Exposure coverage – financed emissions vs emission targets

Our financed emissions as of year-end 2020 are calculated according to the PCAF methodology, which includes only on-balance exposure. Within our on-balance exposure, we are currently focusing on our corporate and private lending portfolios. Financed emissions are measured for about DKK 1.46 trillion of the on-balance exposure, equivalent to 92% of our total corporate and personal customers portfolio. Compared with our disclosures in our annual accounts, we use on-balance credit exposure to align as much as possible with the PCAF standard. See appendix 1 for our exclusions details.

Our sector targets are set for both on- and off-balance exposures, thereby departing from the PACF reporting standard. We include on- and off-balance exposures to better reflect the commitments made towards our customers and can therefore also take into account the risk associated with emission-intensive customers who use products such as revolving credit facilities or lines of credit.

[10] All numbers are based on our year-end 2020 portfolio as this report sets our 2020 baseline. See our Annual Report 2021 p. 161 for a definition of credit exposure. Total loans account for loans and credits and the DKK 2.73 trillion deviates from the DKK 1.46 trillion carbon-mapped exposure (see table 4.1) which only accounts for the on-balance exposure according to the PCAF methodology.

[11] Corporate customers include Large Corporates and Institutions (LC&I) and Business Customers (BC)

portfolio account for around 18.8 million tonnes of CO_2 equivalent (CO_2e) per year, corresponding to an intensity of approximately 13 tonnes of financed CO_2e per million on-balance DKK per year.[12]

The sector distribution of our financed emissions shows where we can have the biggest impact by supporting our customers' transitions. By engaging in our high-emitting sectors, we can contribute to driving change within global supply chains, and we can make a positive difference with a reach that extends significantly further than just Denmark and the Nordic region.

Table 4.1: Carbon-mapped portfolio overview, year-end 2020 data

Business	Segment	On-balance exposure (DKK bn)	Emission scopes included	Financed emission ($ktCO_2e$)	Of which scope 3 financed emission ($ktCO_2e$)	Share of financed emission	Intensity (tCO_2e/DKK m)	Scope 1&2 data quality score
Corporates	**Shipping**	18.3	Scope 1+2	7,878		42%	431	1.9
	Oil and gas	6.4	Scope 1+2	2,834	2,303	15%	440	2.5
	Upstream	3.2	Scope 1+2+3	1,525	1,493	8%	473	1[13]
	Refineries	0.4	Scope 1+2+3	837	811	4%	2,077	1.1[13]
	Other	2.8	Scope 1+2	471		3%	167	4.3
	Utilities and infrastructure	36.5	Scope 1+2	2,647		14%	72	3.4
	Power generation	13.9	Scope 1+2	949		5%	68	2.5
	Other[14]	22.7	Scope 1+2	1,698		9%	75	4.0
	Agriculture	59.2	Scope 1+2	2,145		11%	36	4.0
	Construction and building materials	19.7	Scope 1+2	402		2%	20	4.0
	Cement	0.4	Scope 1+2	219		1%	585	1.0
	Other	19.3	Scope 1+2	184		1%	10	4.0
	Commercial real estate[15]	259.9	Scope 1+2	236		1%	1	4.4
	Metals and mining	3.4	Scope 1+2	145		1%	43	3.6
	Steel	0.5	Scope 1+2	41		0%	89	1.0
	Other	2.9	Scope 1+2	103		1%	35	4.0
	Other corporates[16]	220.8	Scope 1+2	1,506		8%	7	3.8
	Total - Corporates	**624**		**17,792**	**2,303**	**95%**	**29**	**4.0**
Personal Customers	**Personal mortgages**[15]	833	Scope 1+2	1,034		5%	1	4.2
	Total	**1,457**		**18,826**	**2,303**	**100%**	**13**	**4.1**

What to consider when using financed emissions as a measure

Changes in financed emissions can occur due to several factors:

- changes in actual real-world emissions from a company or collateral
- changes in exposure or company/collateral value, e.g. changes related to the attribution factor
- changes in underlying data sources or estimation methodology

When making a comparison of financed emissions from two different reporting periods, all three factors of change should be kept in mind. This is particularly relevant in sectors where a relatively small number of customers account for the highest concentration of emissions, where on-balance exposure can vary significantly.

Whereas our approach makes use of several methodologies, our financed emission calculation is largely based on the Principles for Carbon Accounting Financials standard (PCAF).

The financed emissions presented in this chapter are estimated using on-balance exposure only.

[12] See appendix 1 for a description of coverage

[13] The scope 3 data quality score for oil and gas upstream and oil and gas refineries is equivalent to 1.1 for each. Due to limited data availability and high uncertainties in estimation methods for scope 3, scope 3 emissions are currently only included for the oil and gas upstream and refineries segments, which provide sufficiently good data quality

[14] Other includes for example district heating, water treatment and electricity transmission, -distribution and -trading

[15] Only includes property related exposure

[16] Include amongst others consumers goods, pulp and paper (chemicals), and offshore

Lending targets

We have updated and expanded our climate targets for our loan portfolio by setting targets for high-emitting sectors, based on analysis of our loan exposure, our total financed emissions, customer analysis, and the quality of GHG emission data.

Our sector scope is aligned with the list of priority sectors included in the SBTi, the Net-Zero Banking Alliance and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI, see a summarised overview in table 4.2 below:

Table 4.2: Overview of our lending targets

Sector		Metric	Emission scopes included	2020 target baseline[18]	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
	Shipping	Alignment delta as in Poseidon Principles	Scope 1[17]	3.8%	0%	~50%	35%	<1%	SDA[19]/ Poseidon Principles
	Oil and gas (upstream)	Financed emissions million tCO_2e	Scope 1+2+3	3.3	1.6	50%	13%	<1%	SDA[19] absolute
	Oil and gas (downstream refining)	Financed emissions thousand tCO_2e	Scope 1+2	73.1	54.8	25%			Sectoral decar-bonisation, projection
	Oil and gas (downstream refining)	gCO_2e/MJ	Scope 3	71	53.3	25%			Sectoral decar-bonisation, projection
	Power generation	$kgCO_2$/ MWh	Scope 1	72	36	50%	5%	1%	SDA[19]
	Steel	tCO_2/t	Scope 1+2	1.17	0.82	30%	<1%	<1%	SDA[19]
	Cement	tCO_2/t	Scope 1+2	0.64	0.48	25%	1%	<1%	SDA[19]
	Commercial real estate – Nordic portfolio[20]	$kgCO_2/m^2$	Scope 1+2	13.5	6.0	55%	1%	18%	SDA[19]
	Personal mortgages – Nordic portfolio	$kgCO_2/m^2$	Scope 1+2	14.3	6.4	55%	5%	57%	SDA[19]

Each specific sector target(s) and methodology is detailed in the following sections. Within utilities, we have focused on power generation, not only because it is one of the most important levers in the transition and has relevance for other sectors such as commercial real estate and personal mortgages but also because it is a sector where we have good data quality. We have also included a section on agriculture – even though we have not yet set a target due to immature technologies, governmental plans and data quality, it is of critical importance that we address this sector also.

The sections on the specific sectors will be followed by a section explaining how we will support target realisation through our advisory services and product offerings.

[17] Vessels' fuel usage
[18] Sectoral Decarbonisation Approach
[19] The target baselines and targets are calculated on basis of both on and off balance credit exposure
[20] Residential and non-residential

Target metrics

For most of our sector targets, we have set a physical intensity metric (emissions per economic output, e.g. $kgCO_2$/MWh) instead of an absolute emission metric. This allows us to take into account the different decarbonisation paces of different industries and helps us to understand and contextualise the reduction causes in an industry. For example, are the emission reductions achieved due to a decrease in production as happened during the COVID-19 pandemic or are the emission reductions achieved by our customers due to efficiency gains in the production of, for example, power, cement and steel? Moreover, it encourages Danske Bank to achieve emission reduction through customer engagement and support in their decarbonisation journeys rather than achieving absolute emission reductions through divestment.

Shipping

Table 4.3: Our target for the shipping sector

Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Shipping	Alignment delta	Scope 1[17]	3.8%	0%	~50%	35%	<1%	SDA / Poseidon Principles

With a DKK 18.3 billion on-balance exposure and corresponding 7.9 million tonnes of financed CO_2e emissions in 2020, shipping is the most material sector in Danske Bank's decarbonisation trajectory.

Shipping is by far the most emission-efficient way of transporting goods over long distances. However, shipping is a hard-to-abate sector due to the lack of scalable solutions for long freight routes. Overall, shipping accounts for 2.9% of global GHG emissions and emissions are projected to increase by 50% by 2050 under a business-as-usual scenario due to a large increase in demand.[21] Moreover, the vast majority of the emissions in the shipping sector originate from international shipping, which is not part of the Nationally Determined Contributions (NDCs) under the Paris Agreement. Instead, the International Maritime Organization (IMO) is responsible for overseeing the decarbonisation of the sector. In 2018, the IMO adopted an initial strategy to reduce GHG emissions from international shipping by at least 50% by 2050 in relation to 2008 levels.

In recognition of these efforts, Danske Bank is a member of the global Getting to Zero Coalition and, along with 29 other signatories, is a founding member of the Poseidon Principles (PP) – an initiative developed by financial institutions seeking to assess and disclose the climate alignment of their shipping finance portfolios with the IMO's decarbonisation ambition. In 2020, over 80% of Danske Bank's financed emissions from shipping were attributed to vessels engaged in international trade and therefore were covered by the Poseidon Principles framework.

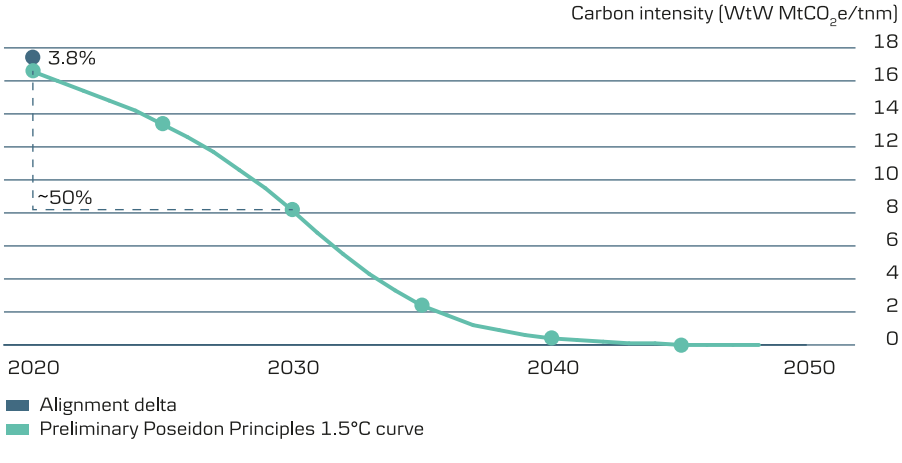
Although the Poseidon Principles started as a reporting initiative, Danske Bank has used the framework to develop and set a formal target for our shipping portfolio as of February 2022. During 2022, the Poseidon Principles organisation announced intentions to raise its ambition and adopt a second reporting emission reduction trajectory aligned with a maximum temperature rise of 1.5°C. Danske Bank supports this ambition, and we have therefore reviewed our already-set sector target for the shipping sector.

The Poseidon Principles discloses the difference between a shipping portfolio and the needed decarbonisation trajectory. Specifically, it measures each vessel's emission intensity, measured as Annual Efficiency Ratio (AER),[22] which is compared against the target ratio based on the decarbonisation trajectory. This results in the so-called alignment delta, which is expressed as a percentage. The higher the delta, the further away the vessel or the portfolio is from a net-zero pathway.

We estimate that in 2020 our alignment delta for the whole shipping portfolio against a 1.5°C decarbonisation trajectory was 3.8% (see table 4.3). We commit to being fully aligned with the 1.5°C trajectory by 2030, which translates into an alignment delta of 0% or lower. The targeted AER reduction equates to an estimated emission intensity reduction of around 50% by 2030 from a 2020 baseline year (see figure 4.2).

The SBTi does not currently have an approved methodology for shipping that is directly applicable to financial institutions. Poseidon Principles is also yet to adopt a 1.5°C trajectory, but because its methodology is considered to be the most advanced methodology for financial institutions currently available, we have set our targets in accordance with this methodology.

Figure 4.2: Decarbonisation pathway - shipping



[21] IMO Fourth GHG Study (2020)

[22] The unit of measurement for emission intensity is called the Annual Efficiency Ratio (AER), a carbon intensity metric calculated as gCO_2/dwt nm, gCO_2/GT nm, gCO_2/TEU nm or gCO_2/cbm nm, depending on the ship type

In addition, we promote industry collaboration to advance the decarbonisation of the shipping sector. Together with industry peers, we were part of developing a new set of guidelines for transition-linked financing in shipping, which was launched in February 2022. Transition-linked financing aims to improve the borrower's environmental profile through assessment of selected indicators on decarbonisation over the term of a loan or a bond.

Furthermore, Danske Bank supports the Responsible Ship Recycling Standards, which is a standard in all our loan agreements.

Our shipping target has been submitted for validation with the Science Based Targets initiative.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios.

A sector embracing decarbonisation

The shipping sector is in the midst of a regulatory transformation to promote greater fuel efficiency and decarbonisation. Policy makers, shipping companies and the financial industry are all pushing for greater and faster transition in the sector.

From 1 January 2023, a new set of IMO regulations came into force making it now mandatory for vessels to calculate and report the EEXI and CCI.

- Energy Efficiency Existing Ship Index (EEXI): assesses the energy performance of existing ships based on energy consumption data and other key metrics such as speed, power, and engine size. Vessels that receive a low EEXI rating may be subject to penalties from the IMO.
- Carbon Intensity Indicator (CII): ranks and monitors the efficiency of individual ships. This ranking will become more strict each year, thereby requiring vessels to continuously improve their emission intensity.

It also became mandatory for ships to have an enhanced Ship Energy Efficiency Management Plan. SEEMP III aims to optimise the energy efficiency of each vessel and essentially help in tracking their CII.

Besides these short term measures, in 2023 the IMO's Initial strategy on the reduction of GHG emissions from shipping is also being revised. The new strategy is set to be agreed in July 2023, and there is a high expectation from market stakeholders that the IMO might agree to more ambitious targets in line with net-zero pathway.

Apart from immediate IMO regulatory developments, regional and national regulatory developments are also taking place. As part of the Fit for 55 package, the European Union is considering a set of directives and policies looking to push decarbonisation in shipping. Shipping is likely to become part of the existing Emissions Trading System (EU ETS) in 2024, and the new Fuel EU Maritime Regulation might enter into force in 2025 pushing vessels to use low carbon fuels.Also of note is the Green Shipping Challenge, launched by Norway and the US during COP27, which is an initiative that will push for greater decarbonisation actions in UN member states.

Shipping companies are likewise calling for more action to transition in the sector. The Getting to Zero Coalition is an alliance of more than 200 organisations committed to getting commercially viable deep-sea zero-emission vessels powered by zero-emission fuels into operation by 2030. coZEV is a network of cargo owners pursuing zero-emission vessels.

Banks that are signatories of the Poseidon Principles (PP) recognise that the sector can only transition at the speed and scale needed with collaboration of all market stakeholders. In 2023, the PP aims to adopt a reduction trajectory aligned with a maximum temperature rise of 1.5°C. The trajectory will also be evaluated following the expected adoption of the IMO's revised GHG Strategy at MEPC 80 in July 2023.

In our lending target, we aim to be fully aligned with the PP and take into consideration all the transformation happening in the industry at present. If the PP decides on another 1.5°C trajectory than the one now indicated, Danske Bank will revise its target and seek a new validation for this from the SBTi.

Oil and gas

Table 4.4: Our targets for the oil and gas sector

Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Oil and gas (upstream)	Financed emissions million tCO_2e	Scope 1+2+3	3.3[23]	1.6	50%	13%	<1%	SDA, absolute
Oil and gas (Downstream refining)	Financed emissions thousand tCO_2e	Scope 1+2	73.1	54.8	25%			Sectoral decarbonisation, projection
Oil and gas (Downstream refining)	gCO_2e/MJ	Scope 3	71	53.3	25%			Sectoral decarbonisation, projection

The oil and gas sector consists of upstream (exploration and production) and downstream (refining and distribution of oil products). The IEA and other agencies have made it clear that oil and gas need to be gradually phased out of the global energy system to meet the commitments of the Paris Agreement. During the phase out, oil and gas will continue to play a role in the global energy mix.

At Danske Bank, we want to support the transition of the oil and gas sector but also want to limit providing capital to companies and activities that lock-in increased fossil fuel production. We have therefore been reducing our exposure to fossil-heavy industries, and in 2020 our exposure to upstream oil and gas production was down to less than 0.2% of our on-balance exposure, equivalent to DKK 3.2 billion. Even with a limited exposure in our lending book, the oil and gas exploration and production (E&P) sector is highly relevant in terms of our financed emissions, constituting 1.5 million tCO_2e (scope 1, 2 and 3).

Our financing exposure for the upstream segment is largely to companies that are either operating in the North Sea, predominantly the Norwegian and Danish Continental Shelves, or to oil and gas companies owned by Nordic entities. We do not currently have any long-term lending to companies that have unconventional oil or gas production or production in frontier areas. Furthermore, we provide financing to Nordic refiners and distributors, many of whom are actively transitioning to biofuels.

Oil and gas production is an energy-intensive activity with the potential of significant GHG emissions in the production phase (scope 1 and 2). However, the majority of emissions occur at the end use stage of oil and gas products, i.e. scope 3 emissions. In February 2022, we set a target to reduce our credit exposure to oil and gas exploration and production business (E&P) by 50% by 2030 against a 2020 baseline. We chose an exposure target instead of an activity-based target as there is currently no clear standard for measuring the transition of E&P companies.

We continue to assess that the 50% reduction by 2030 reflects the decline in investment needs of the Nordic oil and gas production companies as defined in key net-zero scenarios. We have therefore maintained the ambition level but have amended it to reflect a reduction in absolute emissions.

To further clarify our policies, we have updated our position statement on fossil fuels to make it clear that we do not offer financial services (long term lending, guarantees, primary debt and equity capital markets activities) to oil and gas E&P companies that do not set a credible transition plan in line with the Paris Agreement. In line with the IEA's Net Zero Emissions by 2050 Scenario, we will not offer new long-term financing or refinancing to E&P companies that intend to expand supply of oil and gas beyond what was approved for development by 31 December 2021. We could still support any E&P company in their transition provided that the financing is for ring-fenced renewable energy or carbon capture, utilisation and storage (CCUS) activity.[24]

To bolster our targets, we have now also included targets for downstream refining following projections of decarbonisation in the Nordic countries. We have set two targets, where the first focuses on reducing our absolute financed emissions in scope 1 and 2 by 25% by 2030, and the second focuses on reducing the emission intensity by 25% in scope 3 emissions.

All our oil and gas targets have been submitted for validation by the Science Based Targets initiative.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios.

[23] The baseline for oil and gas (E&P and refining) is calculated on the basis of both on- and off-balance credit exposure, why the baseline of 3.3 $mtCO_2e$ deviates from the PCAF measured on-balance financed emission of 1.5 $mtCO_2e$

[24] For more information, please see our fossil fuel position statement: https://danskebank.com/sustainability/publications-and-policies

Power generation

Table 4.5: Our target for the power generation sector

Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Power generation	$kgCO_2/MWh$	Scope 1	72	36	50%	5%	<1%	SDA

Aligned with the SBTi list of priority sectors, the Net-Zero Banking Alliance and the UNEP FI Guidelines for Climate Target Setting for Banks, we have focused our efforts on power generation in the target-setting process. Globally, power generation is responsible for approximately 25% of all GHG emissions[25] and is therefore one of the most important sectors for enabling the world to reach net zero. The Nordic region is characterised by a high degree of low-carbon electricity supply and a high coverage of district heating networks. In relation to other world economies, Nordic economies have generally progressed further with the decarbonisation journey of the power generation sector. Over the past decade, emissions have already fallen by one-third.

By 2020, our power generation portfolio amounted to DKK 13.9 billion on-balance exposure and corresponding 0.95 million tonnes of financed CO_2e emissions.

We remain fully committed to supporting the continued decarbonisation journey within the power generation sector and to reducing the emission intensity of the sector in our portfolio, in close collaboration with our customers. Moreover, emission reductions in other sectors also require a shift to renewably sourced electricity, which increases the need to support the decarbonisation path of our power generation customers. Therefore, we have decided to increase our ambition and raise our reduction target of CO_2 intensity per unit of energy produced from 30%, set in February 2022, to 50% by 2030 from a 2020 baseline (scope 1).

By executing on this target, we will in 2030 remain well below the needed decarbonisation trajectory indicated by the SBTi, with an emission intensity of 36 $kgCO_2/MWh$ (see figure 4.3).

This is a very low emission intensity, which reflects the fact that Danske Bank's exposure to the sector is now almost exclusively to power production in the Nordic countries. The customers forming the power production portfolio for which our target is set include those companies that have power or heat production as their main area of operations. All of our customers in the power generation portfolio have ambitious 2030 targets.

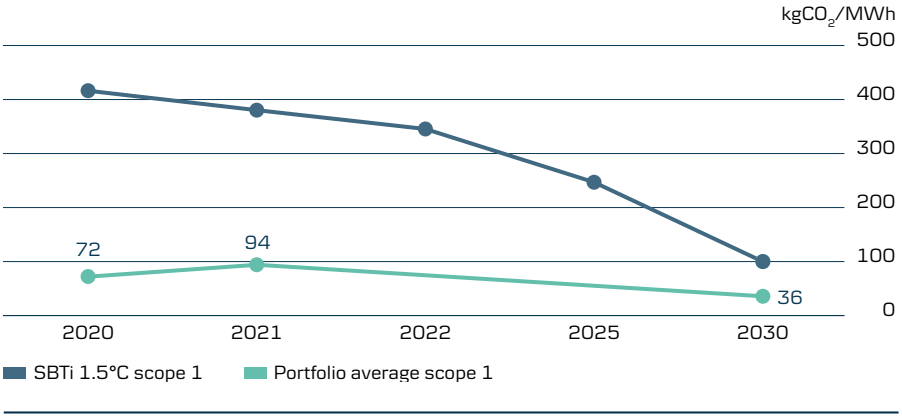
Power and heat production by industrial companies and grid operators are excluded from the target and baseline calculation, in accordance with the SBTi's sectoral decarbonisation approach sector definition.[26]

Our target for the power generation sector has been submitted for validation by the Science Based Targets initiative.

Furthermore, Danske Bank follows general trends, challenges and opportunities related to the energy transition, including the use of natural resources such as biomass, for energy applications to achieve carbon neutrality. It will be crucial in relation to our targets that we continuously assess changes to what constitutes a renewable energy mix and how our customers' transitioning activities are progressing.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios and further details about energy mix limitations.

Figure 4.3: Decarbonisation pathway - power generation



[25] Source: How high-emitting sectors are embracing climate science to build a low-carbon future - Science Based Targets initiative
[26] Industrial companies are covered by their own sector targets, and grid companies are excluded as they do not generate but merely distribute electricity

Other carbon-intensive sectors (steel and cement)

Table 4.6: Our targets for the steel and cement sectors

Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Steel	tCO_2/t	Scope 1+2	1.17	0.82	30%	<1%	<1%	SDA
Cement	tCO_2/t	Scope 1+2	0.64	0.48	25%	1%	<1%	SDA

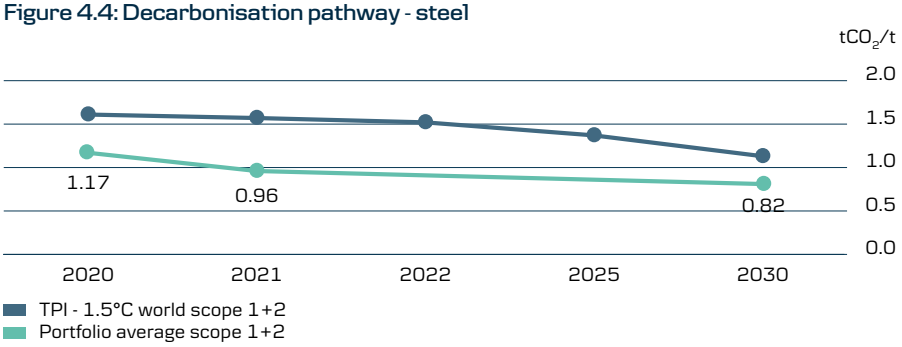
As part of setting targets for the high-emitting sectors, we have also set targets for the steel sector and the cement sector, both of which are fossil-intensive sectors. Our credit exposures to these sectors are not significant, in combination accounting for less than 1% of our on-balance credit exposure, but the transition of these sectors is important for the transition of our society.

The steel and cement sectors both serve critical purposes in our society, providing materials for buildings, bridges and cars etc., and both are so-called hard-to-abate sectors. Low-carbon alternatives are limited, expensive and will typically need complete overhauls of existing plants and improved technological development. In particular, hydrogen-based steel production and carbon capture storage will need to be further matured and scaled up before these solutions are ready for full-scale commercial roll-out.

Steel
With an average carbon intensity of 1.17 tCO_2/t in 2020, our customers in the steel sector are among the leading companies in relation to carbon emissions, having a lower emission intensity than the international average of 1.6 tCO_2/t in 2020 (see figure 4.4).

To support our customers on the needed trajectory, our target has been set to reduce emission intensity by 30% from 1.17 tCO_2/t in 2020 to 0.82 tCO_2/t in 2030 (measured as tonne of CO_2 per tonne of steel), which will keep us well below the 1.5°C trajectory set by the Transition Pathway Initiative (TPI) in 2030 (see figure 4.4).

Figure 4.4: Decarbonisation pathway - steel



Cement
Cement is one of the most challenging sectors to decarbonise given the existing technological and economic maturity of technological solutions.

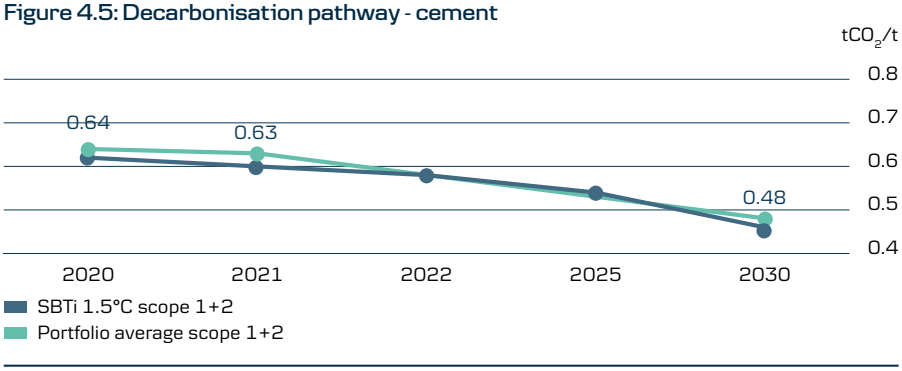
We have a limited exposure to the cement sector, accounting for less than 0.03% of our on-balance loan credit exposure, and our portfolio currently has an emission intensity on par with the global average. All of our current customers in the cement sector have set ambitious emission reduction targets that have been validated by the Science Based Targets initiative, and they have committed to achieving net-zero emissions by 2050 through their adoption of the Business Ambition for 1.5°C.

In order to support our customers' decarbonisation in the cement sector, we have set an emission intensity reduction target of 25% (measured as tonne CO_2 per tonne cement) by 2030. The target has been set by applying our current intensity for the portfolio to the SBTi 1.5°C trajectory tool, resulting in a target intensity of 0.48 tonnes of CO_2 per tonne of cement by 2030.

Targets for both the steel and the cement sectors have been submitted for validation by the Science Based Targets initiative.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios.

Figure 4.5: Decarbonisation pathway - cement



Commercial real estate

Table 4.7: Our target for commercial real estate

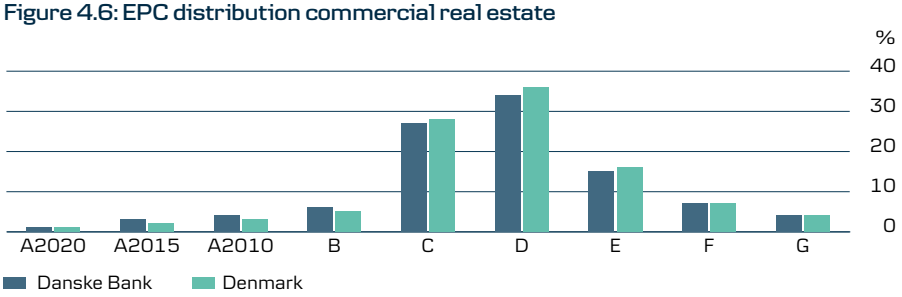
Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Commercial Real Estate – Nordic portfolio[27]	$kgCO_2/m^2$	Scope 1+2	13.5	6.0	55%	1%	18%	SDA

Our property-related commercial real estate on-balance exposure amounted to DKK 260 billion as of year-end 2020, of which DKK 133 billion (51%) is related to properties in Denmark and DKK 121 billion (46%) to properties in the other Nordic countries.[28] Commercial real estate is the second-largest sector in our loan portfolio, but despite its sizeable share of our measured on-balance loan exposure (18%), financed emissions are quite small in comparison with the fossil-intensive sectors.

We estimate that our financed emissions from commercial real estate amount to around 0.24 million tonnes of CO_2e per year (scope 1 and 2), equivalent to about 1% of our total financed emissions. Emissions for our Danish properties are calculated using energy performance certificates (EPCs), which express the property's expected energy usage for heating, and emission factors for the corresponding primary heating source. Emissions for other countries are calculated by extrapolation. Figure 4.6 shows the distribution of EPC labels on the national stock of commercial real estate in Denmark compared with the distribution of the part covered with an actual EPC label in Danske Bank's portfolio. This illustrates that our portfolio's EPCs are on par with the national stock.

We have set a target for our Nordic commercial real estate activities of a 55% reduction in the emission intensity by 2030 from a baseline of 2020, covering residential and non-residential purposes. The target is Nordic-based on a weighted portfolio exposures across Denmark, Sweden, Norway and Finland. In Denmark, we expect reductions of around 75% in line with the governmental plan for emission reductions of the utility sector and infrastructure.

Figure 4.6: EPC distribution commercial real estate



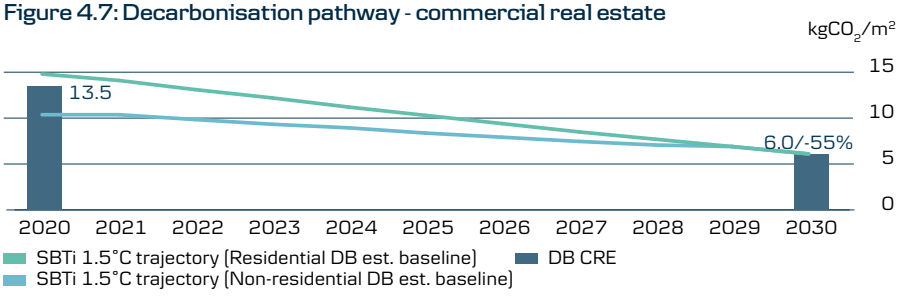
Our commercial real estate portfolio has an emission intensity that is already below the 2030 target for the global average emission intensity trajectory from the IEA for the below-2°C scenario. This is due to the relative advanced state of transition for the Nordic real estate sector in relation to the global sector. Our current average emissions intensity in our commercial real estate portfolio is 13.5 $kgCO_2/m^2$, and our target of a 55% reduction will lead to an intensity of 6 $kgCO_2/m^2$, which is below both of the SBTi 1.5°C trajectories for residential and non-residential commercial real estate (see figure 4.7).

Our reduction targets are dependent on, and to a large extent driven by, developments in policy and transition in the utilities sector. We expect continued conversion of fossil-fuel heating sources into electricity-powered heating or district heating, leading to emission reductions in properties transitioning away from fossil fuel-based heating.

Our Nordic commercial real estate target has been submitted for validation by the Science Based Targets initiative.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios. and further details about energy mix limitations.

Figure 4.7: Decarbonisation pathway - commercial real estate



[27] Residential and non-residential

[28] The remaining part of our commercial real estate exposure is related to other activities, e.g. Northern Bank

Personal mortgages

Table 4.8: Our targets for the personal mortgages sector

Sector	Metric	Emission scopes included	2020 target baseline	2030 Target	2030 target %-reduction	Share of financed emissions	Share of measured loan portfolio	Target-setting method
Personal mortgages – Nordic portfolio	$kgCO_2/m^2$	Scope 1+2	14.3	6.4	55%	5%	57%	SDA

The on-balance exposure of our portfolio of loans secured by private properties in scope for the accounting of financed emissions amounts to DKK 833 billion as of end 2020, of which DKK 498 billion (60%) is related to properties in Denmark and DKK 309 billion (37%) is related to properties in the other Nordic countries.[29] This makes personal mortgages the single-largest sector in our total loan portfolio.

We estimate that our financed emissions from personal mortgages amount to around 1 million tonnes CO_2e per year (scope 1 and 2), equivalent to about 5% of our total financed emissions. Emissions for our Danish and Norwegian personal mortgages are calculated using energy performance certificates (EPCs), which express the property's expected energy usage for heating, and emission factors for the corresponding primary heating source. Emissions for other countries are calculated based on extrapolation and relevant national metrics. Figure 4.8 shows that our Danske Bank distribution of EPC labels is very much similar to the national stock of private properties in Denmark, which is well in line with us having large market shares and being a mirror of Danish society.

We have set a target for our portfolio of personal mortgages of a 55% reduction in the emission intensity in 2030 from a baseline of 2020. The target covers our entire Nordic portfolio based on a weighted portfolio exposure across Denmark, Sweden, Norway and Finland. For Denmark specifically, our emission reduction expectations are 75% by 2030, in line with the Danish government's plans for emissions reduction in utilities and infrastructure.

As can be seen from figure 4.9, a reduction in the emission intensity of 55% will take us from an estimated baseline of 14.3 $kgCO_2/m^2$ in 2020 to an intensity of 6.4 $kgCO_2/m^2$ in 2030, which is well below a 1.5°C trajectory using the Science Based Targets initiative tool for residential buildings.

Reaching our ambitious emission intensity reduction target for personal mortgages will be highly dependent on the reduced use of fossil fuels for property heating and electricity. Consequently, our reduction targets are dependent on, and to a large extent driven by, developments in policy and transition in the utilities sector. In Denmark, we support the Danish government's planned reductions of fossil fuels in power and heat production and the continued conversion of fossil-fuel heating sources into electricity-powered heating or district heating, leading to emission reductions in properties transitioning away from fossil fuel-based heating.

Our Nordic target for personal mortgages has been submitted for validation by the Science Based Targets initiative.

Please see appendix 1 for an overview of data sources, methodology, target-setting and scenarios and further details about energy mix limitations.

Figure 4.8: EPC distribution private single-family homes

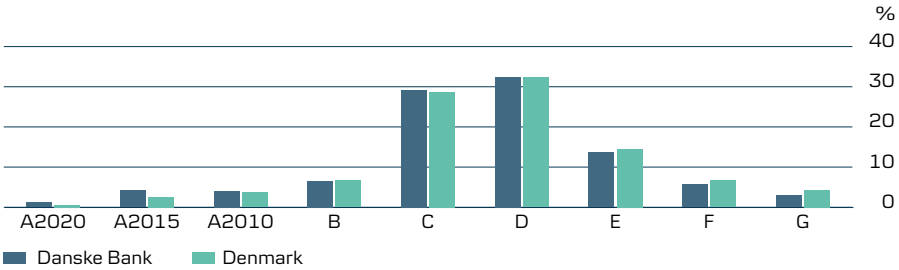
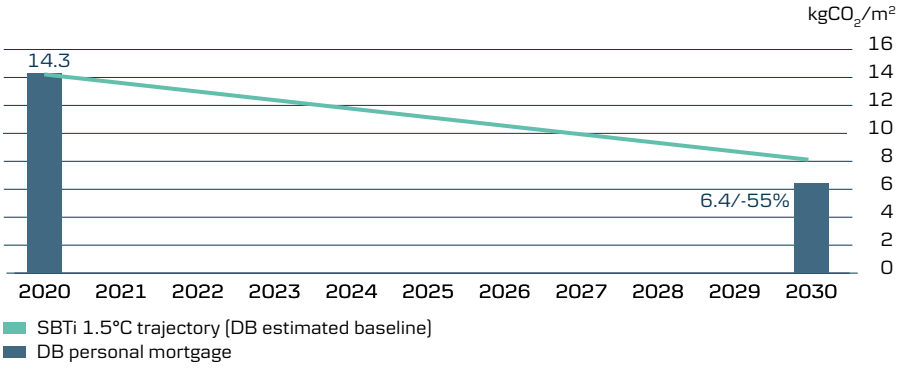


Figure 4.9: Decarbonisation pathway - personal mortgages



[29] The remaining part of our personal mortgages exposure is related to other activities, e.g. Northern Bank

Agriculture (Denmark)

Agriculture is essential for food production across the world. A stable and sustainable agricultural production is vital to ensure a sufficient food supply for a growing global population.

One of the key challenges for the industry is its impact on the climate. As much as 25% of global GHG emissions can be attributed to agriculture,[30] with percentages ranging from 14% in Sweden[31] to 25% in Denmark[32] and 27% in Northern Ireland[33]. Agriculture also contributes to the land use, land-use change and forestry (LULUCF) sector activities, which represent a significant part of the EU's 2030 climate goals and which will form the basis for national climate plans and regulations.

As of year-end 2020, Danske Bank's agriculture portfolio stood at around DKK 59 billion in on-balance exposure and was primarily concentrated in Denmark. It is estimated that our agriculture customers emit in total approximately 5 million tonnes of CO_2 (see contribution distribution by source and purpose in figure 4.10). The carbon footprint of our customers is the sum of all farming activities reported for a given business in 2020.[34] We focus on total carbon emissions rather than financed emissions alone to better understand our customers' transition status. Certain farming activities (and thus their emissions) are difficult to link to the specific financial products that we offer to our customers. It is therefore important to consider all of the farming operations of a given company as whole.

Our actions and expectations for this sector are aligned with climate targets and policies put forward in Danish and EU climate actions plans and with leading research on lowering emissions from agriculture.

In October 2021, the Danish government agreed that Denmark's agricultural and forestry sector should reduce GHG emissions by 55-65% by 2030 against a 1990 baseline.[35] The Danish government has set aside more than DKK 27 billion to enable the transition, with the majority being earmarked for incentives for adapting to less carbon-intensive systems of production.

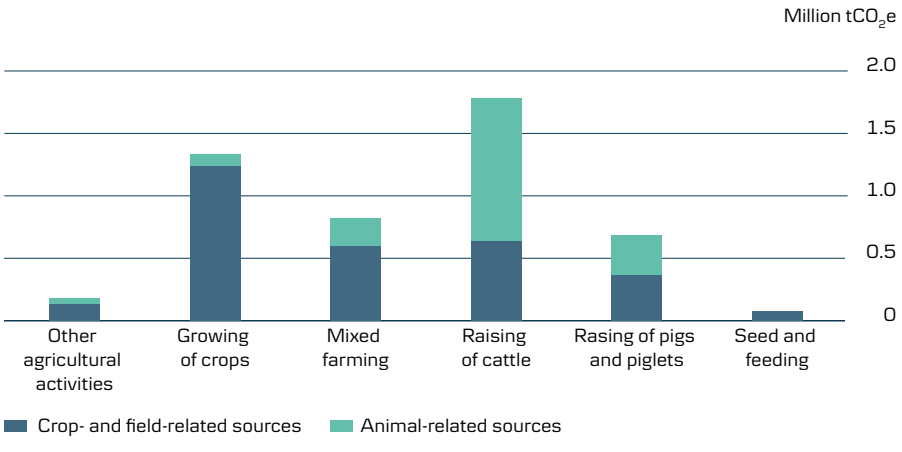
While some high-emitting sectors are dominated by large companies already working with sustainability, the agriculture sector consists of many smaller operations with limited designated sustainability resources. We are financing and engaging with our customers on demonstrated technologies and new processes that are ready to be deployed, which will result in emission reductions.

Our expectations and support to reduce emissions from our agriculture portfolio will follow the rate to achieve the Danish government's policy objective of reducing GHG emissions in the Danish agricultural and forestry sector by 55-65% by 2030. However we are not ready to use this or set specific targets for Agriculture due to numerous new technologies and pending roadmap for Denmark.

For more information on our work with agricultural customers, please see our position statement on agriculture.[36]

Please see appendix 1 for an overview of data sources and methodology.

Figure 4.10: Carbon emission-related sources in the Danish agriculture portfolio (scope 1 and 2)



[30] Climate Watch, the World Resources institute (2020)
[31] Sweden's National Inventory Report (2021)
[32] Denmark's National Inventory Report (2021)
[33] Northern Ireland Greenhouse gas inventory (2020)
[34] It is not limited to farming activities directly or indirectly funded by the bank. The carbon footprint includes both primary agricultural activities and LULUCF activities (excl. forestry).
[35] The Danish Ministry of Finance, 'Aftale om grøn omstilling af dansk landbrug' (2021)
[36] https://danskebank.com/sustainability/publications-and-policies

Approach to advisory services and solutions

Our approach
To achieve our targets, we collaborate closely with our customers and actively provide financial advice and solutions. The transition to a low-carbon economy requires significant new investments in low-carbon production facilities, infrastructure and transportation as well as energy-efficiency improvements. At the same time, it requires limiting investments in technologies that lock our societies into high-carbon economies. These investment decisions are made by companies, private individuals and the public sector, namely our customers. At Danske Bank, we can influence our customers' investment decisions by managing access to capital and the cost of capital and by providing customers with sound financial advice.

Assessment of transition plans for large corporate customers
We want to support our customers in their own transitions to becoming net-zero businesses by facilitating access to capital intended for activities that support the net-zero transition and by limiting access to capital for activities that contribute a high-carbon economy.

To enable us to do this, we have developed a range of advisory services and products to help our customers financing their own net-zero transitions, for example green loans, green and sustainable bonds, and sustainability-linked loans. In order to identify customer needs and assist us in planning our customer engagement approach, we in 2022 developed a new methodology to assess our corporate customers' transition plans. The assessments cover the customers' current performance and their short-, medium-, and long-term ambitions and plans to meet their decarbonisation strategies and targets. The assessment also evaluates the customer's risk of being unable to execute on their strategies due to external factors, such as technology and government support, thereby affecting their ability to succeed with their transitions.

The outcome includes a transition plan assessment score in one of four categories: transitioned, transitioning, start of transition, and lagging transition. These scores are then used to inform our engagements with our customers.

In 2022, our initial assessment of customers subject to high transition risk in the shipping, oil and gas, and utilities sectors showed that the exposure to the lagging transition category is limited.

From 2023, we will continue to carry out transition plan assessments for relevant corporate customers in high-risk portfolios as part of the regular credit application and renewal processes.

Access to capital for a green economy
As part of our aim to help our customers access capital for activities that support the green transition, we facilitate green loans and bonds, which are used to raise capital for specific sustainable projects and activities with environmental objectives. Green loans and bonds are important tools for creating transparency of the green credentials of the activity that is being funded. In the case of green loans, this transparency allows us to better allocate capital and monitor the environmental benefits of the activities being financed. In November 2022 we published our updated Green Finance Framework, which outlines the eligibility criteria for green loans. In the case of green bonds arranged for our customers, the same transparency allows our customers better access to capital from institutional investors with dedicated green investment mandates. We have set a target of facilitating DKK 300 billion in sustainable financing by 2023.

Figure 4.11: Examples of solutions provided to support sustainable progress

Green loans and energy improvement loans

Danske Bank and Realkredit Danmark's green loans are aligned with our framework for green finance and are therefore earmarked for specific green projects. In 2022, Danske Bank introduced attractive energy improvement loans for homeowners in Denmark, for example to finance replacing gas or oil heating.

Green fleet

Through Asset Finance, we offer our GreenFleet70 concept, which helps businesses in Denmark and Sweden reduce their road transportation emissions. The concept includes an extensive selection of electric vehicle models and a number of tools. In 2022, we included a tool to report on the fleet's carbon emissions.

Sustainability-linked loans

Danske Bank's sustainability-linked loans link the financing costs of the loan to the corporate customer's sustainability performance. For example, in 2022 we structured the sustainability link for a EUR 500 million credit facility between the global bioscience company Chr. Hansen and an international group of banks. Chr. Hansen's financing costs are now linked to the company's ability to reach its Paris aligned climate targets, circular management of bio waste and share of revenue contributing to three selected SDGs.

Sustainable bonds arranged for customers

Sustainable bonds are green bonds, social bonds, sustainability bonds, and sustainability-linked bonds. Sustainability-linked bonds are used to finance the sustainability strategy of the issuer, and the other bond types are use-of-proceed bonds that exclusively finance projects that have a positive environmental and/or social impact. For example, Danske Bank in 2022 supported the EU in issuing a EUR 6 billion green bond for investments in a greener and more resilient Europe as part of the NextGenerationEU funding programme.

At Danske Bank, we restrict access to capital intended for activities that hinder the transition to a low-carbon economy. Our specific restrictions are defined in our position statements and they set clear expectations for, among other things, the worldwide phase-out of coal-fired energy production from our lending portfolios by 2030. Also defined are our restrictions on financing for oil and gas companies that continue to expand production into new fields, which is just one example of how our restrictions support the journey towards net zero.[37]

Although some of our financing can be earmarked for green or sustainable activities, a significant part of financing for our large corporate customers is used to finance the companies' overall activities and is not project-specific. We have therefore set clear indicators and transition objectives for the most carbon-intensive sectors, and access to financing from us is guided by adherence to these objectives. We want to support our customers in transitioning to net zero – particularly customers operating in carbon-intensive sectors – by providing them with financing. We want to support our customers in transitioning – especially those in carbon-intensive sectors – by providing them with financing, provided that we understand their transition pathway and that it is consistent with the science-based decarbonisation targets we have set.

Advisory services

Corporate Customers

We want to be a trusted financial adviser to our customers, also when it comes to the green transition. Advisory concepts vary across customer segments depending on the maturity level and transition needs of our customers. Our large corporate customers are generally well aware of the need to transition and of the investments that are required to succeed. For this customer segment, our financial advisory services revolve mostly around whether the company's business strategy and the transparency of their plans is sufficient to meet the financial market's requirements to access capital, both from us as a bank but also from capital markets. Our approach to our advisory services can be described with the Sustainable Finance Wheel illustrated on the next page, which we use in our dialogues with our large corporate customers.

[37] For more information on our position statements visit: https://danskebank.com/sustainability/publications-and-policies

Figure 4.12: Danske Bank's sustainable finance corporate advisory offering
Extensive analysis and advisory services across areas of Sustainable Finance – market analysis, product execution, ESG profile refining

Climate transition analysis
Support in strategic transitioning
- Transition analysis
- Capital allocation
- Credible transition strategy
- Transition financing

Market and regulation overview
Understand the evolving sustainable finance market
- Taxonomy
- Impacts on access & cost of capital
- Sustainable capital flows
- CSRD

ESG profile enhancement
Enhance your sustainability profile
- Material areas
- Reporting formats
- Investor expectations
- Business strategy

Sustainable debt product consulting
Choose the right products
- Green & Social
- Sustainability linked
- Holistic Strategy
- Greenium

ESG risk assessment
Tailored ESG risk assessment
- ESG risk scoring
- Materiality
- Peer comparison
- Where to improve?

Sustainable debt execution
Succeed in execution
- Selecting KPIs
- Communication
- Writing a framework
- Process flow

ESG rating advisory
Understand and improve ESG ratings
- Importance of ESG ratings?
- Peer comparison
- Which rating to select?
- Gap analysis

For mid-sized and small business customers, our advisory services typically also include inspiration and guidance on how to transition and the investments required. Because many such businesses often have limited dedicated sustainability resources, we offer sparring on specific actions and initiatives that may support the customers' green transition and most importantly provide financial advice on how to best finance the required investments.

Personal customers

We want to make the sustainable choice easy for our personal customers by encouraging sustainable behaviour and change. Our offerings therefore aim to provide our customers with knowledge, tools and convenience to enable and support their green transitions.

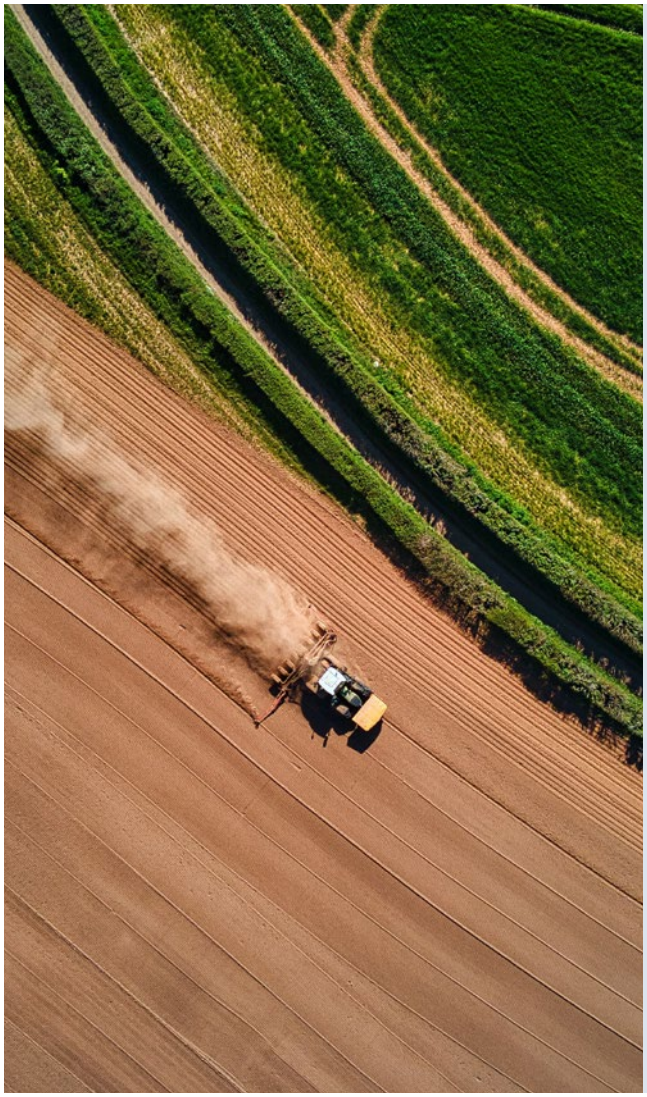
Partnerships have and will play a vital role in our climate and energy offerings for our personal customers. We collaborate with partners that enhance our climate impact and support sustainability goals. Through our chosen partners, we can offer our customers value-adding services that help remove barriers they may face in succeeding with their transition towards net zero.

One such example is encouraging green retrofits, where we collaborate with energy and climate partners to help our personal customers determine the most beneficial energy improvement investments for their homes.

As a financial institution, Danske Bank plays an important role in offering financing options for personal customers looking to make sustainability-related transitions in the two main areas of housing and personal mobility (vehicles and related infrastructure).

Financing for personal customers

- **Energy improvement loans:** Increased climate awareness and soaring energy prices are fuelling a growing demand for energy-efficiency home improvements among our customers. We help homeowners to increase the energy-efficiency of their homes by offering attractive loans specifically for this purpose. However, financing through traditional home mortgages and loans is also a relevant option for many customers. Key to this is our ability to provide our customers with qualified advice about solutions that match their personal needs and preferences.
- **Green home loans:** To support our customers in financing energy-efficient homes, we offer green home loans with an attractive processing fee. We are able to provide these loans because we secure the loan against homes that have a valid energy performance certificate (EPC) rating of A or B, dependent on the year of construction.
- **Electric and plug-in hybrid car loans:** Our customers are becoming more climate-conscious, and many are looking to replace their petrol or diesel car with an electric or plug-in hybrid car. We offer an attractive interest rate on electric and plug-in hybrid car loans.



Example of advisory services within agriculture
We support our agriculture customers in managing their transition to a low carbon economy through our advisory services. We help our agriculture customers understand their carbon footprint and how they can manage the climate risk affecting their business, amongst others, by financing green practices such as machinery and equipment that support the shift towards net zero.

Due to the predominance of smallholders in our portfolio, we have developed a tailored approach for assessing and monitoring individual customer transition. This allows us to focus on action-oriented improvements, including but not limited to: [1] introduction of livestock manure management practices to reduce methane and nitrous oxide emissions, [2] optimisation of animal feed for lower environmental impact, [3] promotion of carbon sequestration and soil quality via sustainable land management practices, [4] preservation of nature and biodiversity via peatland restoration and land conservation initiatives.

In addition, we work closely with our customers in the agricultural industry to understand their individual needs and challenges. We take a material approach and start with larger customers with higher emissions, and expect them to take the following actions, amongst others, where appropriate:

- monitor scope 1and 2 (and preferably 3) emissions
- commitments and targets to reduce emissions
- identify the required investments and adjustments to their business model and engage with the bank on the required financing

New technologies

Financing large-scale commercialisation of break-through climate technologies
The transition to net zero also requires investments in technologies that are still developing or that are not yet commercially viable. Many of these projects and activities are not currently at a stage where traditional bank financing would be warranted. A way to mitigate these risks is through cooperation between the public and the private sector.

An example of such a cooperation is Danske Bank's financing for the Finnish food technology company Solar Foods, which has a mission to revolutionise global food production with a protein manufactured without using arable land, photosynthetic plants or animals. The financing for the first production facility is being provided by Danske Bank with a guarantee from Finnvera, and Denmark's Export Credit Agency (EKF) which are both specialised financing companies owned by the States of Finland and Denmark.

The transition will, however, also require massive investments in capital-intensive technologies such as carbon capture, utilisation and storage (CCUS) and Power-to-X, supported by substantial new renewable electricity generation. Currently, a large number of such projects are being developed and tested on a small scale in the Nordic countries and across the rest of Europe.

The large-scale investments and commercialisation needed to utilise these technologies will benefit from clear, long-term, national and EU policies as well as from initial public sector support to reduce the risk in such projects. This calls for an opportunity to explore alternatives to the traditional financing models of banks, for example in collaboration with public funds and/or other sources.

With our lending activities, we take a responsibility in reducing CO_2e emissions in the societies that we are part of – thereby facilitating our customers' sustainable transitions towards net zero and contributing further to the necessary green transition. We will continue our work of setting 2030 targets for more sectors and we will strengthen our advisory services and solutions to continue being a trusted financial adviser on the green agenda for our customers.

Asset Management – Enabling investments in the green transition

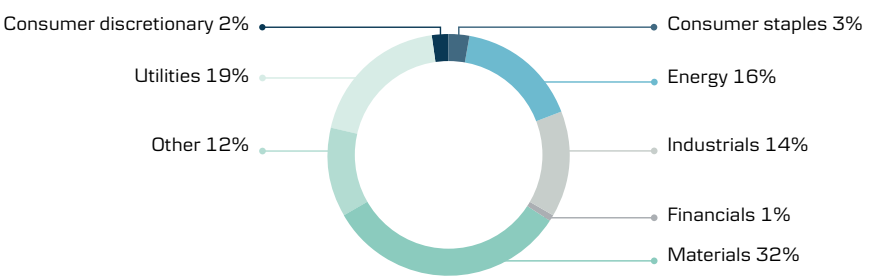
A significant part of our business concerns investing capital on behalf of our customers. Our customers expect us to invest and manage their assets responsibly, and responsible investment is an integral part of our ambition to grow and protect our customers' assets. Incorporating sustainability and climate considerations into our investment processes, products and advisory services has been a key aspect in meeting our customers' requirements over the past years: we have built strong processes for including companies based on the right analysis, we engage with companies on issues such as climate-related matters, and we are prepared to exclude companies whenever we deem it necessary from a sustainability perspective.

Alongside our responsibility to protect our investments from the risks associated with climate change, we also have an obligation to use the opportunity to engage and influence the companies we invest in. As an asset manager, Danske Bank encourages companies to progress with their own net-zero transitions, and we support our customers in adjusting their portfolios to their needs. Ultimately, we believe our most effective way of making a positive impact on the climate is to stay invested and foster change through active ownership.

Our total assets under management (AuM) amounted to DKK 860 billion as of year-end 2020 (baseline year). Our measured financed emissions amounted to 16.6 million tonnes CO_2e, covering around 68% of our total AuM with good data coverage for listed equities and corporate credits, while sovereign debt and the majority of unlisted equities remains to be a data challenge.[38]

As can be seen from figure 5.1, the materials, utilities, energy, and industrials sectors are the main contributing sectors, collectively accounting for 81% of our measured financed emissions.

Figure 5.1: Sector contributions to financed emissions by year-end 2020



[38] See appendix 2 for description of data, methodology and coverage

Asset Management Targets

Danske Bank Asset Management joined the global Net Zero Asset Managers Initiative in March 2021, committing to reaching net-zero emissions by 2050 or sooner across all assets under management, in line with the Paris Agreement. To support this commitment, we last year set a concrete emission intensity reduction target for our investment products (investment funds, managed accounts and pooled investment vehicles). This year, we have also set temperature rating targets for listed equities and credits within our investment products to further guide our efforts and enhance transparency on our progress. We have started with these products with the explicit aim of increasing the proportion of AuM covered, until 100% of our assets are included.

Our targets related to our asset management activities are summarised in table 5.1 below:

Table 5.1 Overview of our asset management targets

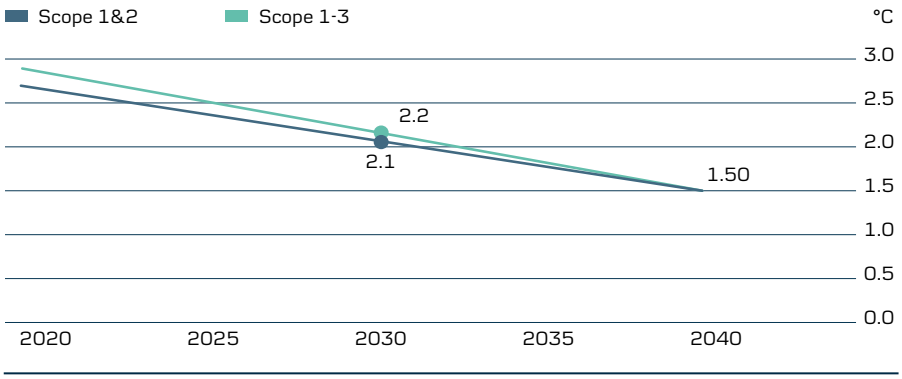
Coverage	Target	Metric	Emission boundary	Baseline year	Target year	Target setting method
Listed equities and credits within our investment products[39]	Align portfolio temperature score by invested value from 2.7°C to 2.1°C	°C	Scope 1+2	2020	2030	Temperature rating methodology
Listed equities and credits within our investment products[39]	Align portfolio temperature score by invested value from 2.9°C to 2.2°C	°C	Scope 1+2+3	2020	2030	Temperature rating methodology
Investment products[39]	50% reduction of the weighted average carbon intensity	Weighted average carbon intensity (tCO_2e / DKK m revenue)	Scope 1+2	2020	2030	Net Zero Investment Framework and UN Net-Zero Asset Owner Alliance Target Setting Protocol
Investment products[39]	Engagement with the 100 largest emitters	Engage with all 100 companies	N/A	2020	2025	Net Zero Investment Framework and UN Net-Zero Asset Owner Alliance Target Setting Protocol

Firstly, we have set temperature rating targets. Our SBTi-based temperature rating targets are set for our listed equities and credits within our investment products, covering 37% of our total AuM, and will help identify companies that have Paris-aligned transition plans in place by providing a single number to assess companies' transition plans. The approach is a method to determine a portfolio's current 'temperature value' based on the emissions reduction
targets of the invested companies.

The set 2030 temperature rating targets 2.1°C (scope 1 and 2) and 2.2°C (scope1, 2 and 3) will lead our transition from our baseline in 2020 towards 1.5°C by 2040 (see figure 5.2), leaving a decade for the invested companies to execute on their plans and achieve net zero by 2050 or sooner.

Secondly, as part of our commitment to the Net Zero Asset Managers Initiative, we in 2021 set a carbon weighted

Figure 5.2: Temperature rating - Asset management portfolio



[39] Funds, managed accounts, pooled investment vehicles

average intensity target (tonnes of CO_2e per million turnover in DKK within the respective investee companies) for our investment products, covering 54% of our total AuM, in order to continuously be able to assess whether our transition is progressing according to plan.[40] The weighted average carbon intensity of our investment portfolio was around 14 tonnes of CO_2e per million of turnover in DKK as of year-end 2020.[41]

Thirdly, in relation to our net-zero commitments, we have also set an engagement target through which we commit to engaging with the 100 largest emitters in our investment portfolios by 2025. Our engagement roadmap steers our approach and builds on many years of previous engagement and includes aspects relating to, for example, net-zero alignment criteria, time-bound company-level objectives, and escalation processes.

How do we assess our investee companies?
We focus on the following in our assessments of alignment in line with the Net Zero Investment Framework (NZIF).

1. Ambition
2. Targets
3. Emission performance
4. Disclosure
5. Decarbonisation strategy
6. Capital asset alignment
7. Climate policy engagement
8. Climate governance
9. Just transition
10. Climate risks and accounts

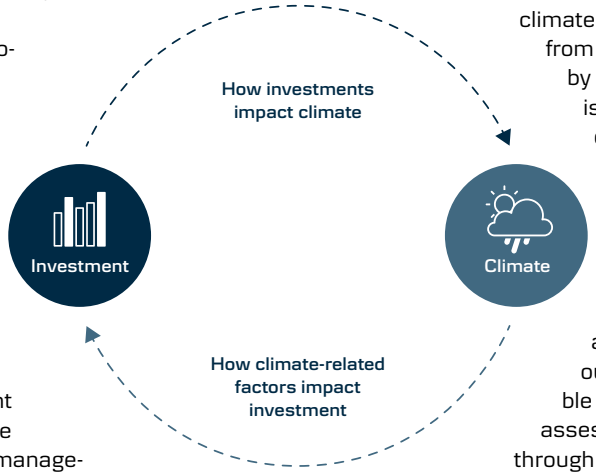
Approach to climate investing

As a responsible investment manager, we are mindful of how climate-related factors impact investment performance (financial materiality) and how our investments may have positive and/or negative impacts on the climate (impact materiality). We refer to this as double materiality considerations. We believe that attentiveness to climate dimensions when investing is a cornerstone of our fiduciary duty to create value for customers and to create a responsible investment product offering that supports the transition to a more sustainable society.

For a climate factor to be considered financially material, it needs to have the potential to translate into investment performance and have a negative (or positive) impact on either the revenue, expenses, value of assets, value of liabilities or the cost of capital for the company. By analysing climate factors in conjunction with other financial factors, it is possible to gain greater insights into the investments and thereby identify climate risks and climate investment opportunities. We believe that climate risk exposures should be well managed and influence decisions on whether to either increase, maintain or decrease weightings. Climate risks also steer our active ownership activities and can lead to full divestments.

We analyse and assess the negative and positive impacts of our investments to address these aspects in accordance with the needs of our customers. As one of the largest asset managers in the Nordic region, we have both the ability and the determination to be part of finding solutions to the climate challenges our planet and societies are facing.

Principal adverse impacts
Carbon emissions, carbon footprint, fossil fuel exposure, and greenhouse gas intensity are examples of so-called principal adverse impacts (PAIs) related to climate that are considered in our investment processes. We prioritise the management of these impacts at a Group level in accordance with our position statements and other sustainability-related policies, strategies and commitments.



The PAIs are identified through our screening of environmental and social impact materiality. From an investment product perspective, the management and prioritisation of PAIs related to climate are defined by the given strategy and investment portfolios/activities and these considerations influence our investment decisions. As a minimum standard, PAIs are managed through exclusions and active ownership activities. However, this may be supplemented by inclusion criteria that further addresses specific climate-related PAIs.

We also identify positive climate impacts from investments by screening issuers and companies for best-in-class operations and positive contributions to climate objectives as part of our sustainable investment assessment, or through the promoting of sound environmental stewardship through certain investment products[42] as integrated in investment strategies and portfolios for a variety of our investment products.

EU's climate benchmarks
We also have index products that track either of the two EU climate benchmarks – the Climate Transition Benchmark or the Paris-Aligned Benchmark – enabling our investors to invest in companies engaging in the climate transition.

[40] We have chosen to adopt the IPCC SR1.5 P2 pathway as the underlying scientific framework, supported with IEA's Net Zero by 2050 pathway
[41] The weighted carbon intensity is measured based on the portfolio where carbon data is available, see appendix 2 for details on data and methodology
[42] As defined in the SFDR Annex in the prospectus for each of these funds.

What are the EU's climate benchmarks?
The two benchmarks provide a robust and consistent framework for investors to incorporate specific objectives related to greenhouse gas emission reductions and the transition to a low-carbon economy through the selection and weighting of underlying investments. The benchmarks are based on the Paris Agreement target of limiting global warming to well below 2°C and ideally 1.5°C by the end of the century, and the goal is to help further mobilise and move investor capital towards activities that contribute to fighting climate change.

Table 5.2: Overview of EU climate benchmarks

	EU Climate Transition Benchmark	EU Paris-Aligned Benchmark
Minimum carbon intensity reduction compared against investable universe	30%	50%
Year-on-year self-decarbonisation of the benchmark	At least 7% on average per annum: in line with or beyond the decarbonisation trajectory from the UN's Intergovernmental Panel on Climate Change 1.5°C scenario	
Exposure constraints	Minimum exposure to sectors highly exposed to climate change issues is at least equal to equity market benchmark value	

Investment products may in that respect, for instance, apply inclusion to invest fully or partially in sustainable investments or in investments aligned with the EU Taxonomy's criteria for environmentally sustainable economic activities. We manage investment products with different levels of sustainability ambitions, enabling our customers to select the products best designed to cater for their sustainability preferences. For further information on how we incorporate adverse impacts and positive impact considerations into responsible investment products, see pre-contractual documentation and reporting for these investment products.

It is important to differentiate between achieving net zero in the real world versus in an investment product. In order to reach the climate goals in the Paris Agreement, real-world decarbonisation is needed. An investment portfolio can be decarbonised by reducing or eliminating exposure to companies in carbon-intensive sectors such as aviation, cement, steel and utilities; however, it is not certain that such an approach will yield impacts in the real world. As also discussed in the section on lending, companies in high-emitting sectors need financing and also investor capital to be able to innovate, decarbonise and transition.

Therefore, it is important that we as investors consider all tools available when working towards net zero. Investors can shape tomorrow's companies by taking a forward-looking view and choosing to invest into companies that are on an ambitious and credible transitional pathway. Such companies can have a high CO_2e emissions legacy profile, but as investors, we are owners of companies and can together with other investors influence the companies and encourage them to embark on a net-zero transition pathway. Alternatively, if companies are unwilling to transition, we can divest and reduce their funding options.

We believe that it is important to consider inclusion, active ownership and exclusion when optimising real-world climate impacts, taking into account our fiduciary duty.

Inclusion
We work with a) financially material climate issues and consider them as factors in the investment process along with financial factors and b) climate perspectives from an impact materiality perspective.

Active ownership
We engage with selected companies – either directly or in collaboration with other investors and stakeholders – and seek to influence them to manage their climate issues and reduce their contribution to climate change. We voice our opinion at general meetings.

Exclusion
We exclude certain companies that are involved in activities, practices or products that materially contribute to climate change.

For each of the three areas outlined above, we have launched a number of initiatives aimed at bringing our assets in line with a 1.5°C scenario over time.

Inclusion

Assessing how companies manage climate issues and participate in the green transition is a key consideration when we invest our customers' assets. In this way, we can better invest our customers' assets in companies that are proactively addressing climate issues, thereby reducing the customers' contributions to climate change and embracing green growth opportunities.

Climate risk considerations are included in the selection of investments in the same way as other risk considerations. Appreciating that investments have different characteristics and are affected differently by sustainability factors, the investment team tailors the inclusion of sustainability factors potentially leading to sustainability risks to the specific investment strategy and asset class. Over time we will further formalise Inclusion criteria related to net zero on individual products considering our fiduciary duty.

Active ownership

By actively engaging with companies, not only do we gain better insight but we can also influence and support them in curbing their contribution to climate change and encourage them to participate in the transition to a net-zero economy. We believe that by leveraging active ownership activities, our investments will be able to better address climate-related issues and subsequently contribute to a positive societal development. In situations where companies might not transform, we exercise active ownership through three channels.

1. Individual engagement

We engage on a regular basis with investee companies about material climate-related matters to seek improvements in performance and processes. The aim is to enhance and protect the value of our customers' investments while also creating a positive impact on society. Reasons for engaging in climate-related dialogue can for example be to:

- inform about voting decisions and guidelines related to climate
- clarify publicly disclosed climate information from companies
- conduct climate research
- identify and assess the quality of available climate data
- understand performance and identify potential vulnerabilities related to climate issues
- develop insights into climate-related risks and opportunities
- identify potential climate-driven regulatory developments and impacts

2. Collaborative engagement

We are members of numerous investor initiatives and alliances, through which we together with other investors seek to influence companies to take action on climate issues, curb carbon emissions and contribute to green transformations. We are members of:

- Climate Action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Montréal Carbon Pledge
- Partnership for Carbon Accounting Financials (PCAF)
- CDP (formerly the Carbon Disclosure project)

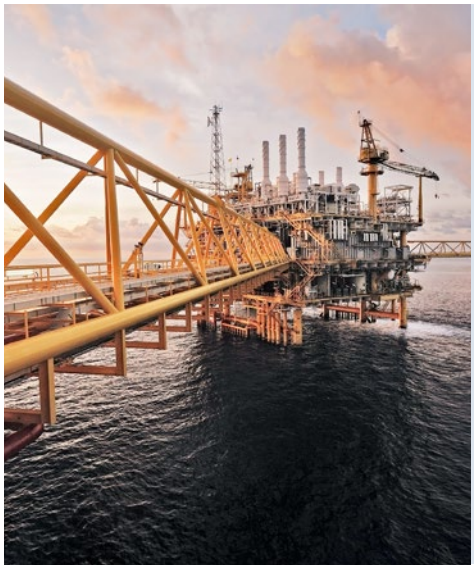
Read more about our collaborative engagement here.

3. Voting

Voting at annual general meetings is a way of influencing and supporting companies to escalate their activities related to climate matters, thereby improving their long-term value creation. We vote on numerous proposals related to climate issues, and we coordinate our voting activities with our engagement activities to maximise our ability to influence and support companies' climate strategies.

Our voting guidelines outline our general approach to climate accountability and particularly focus on emissions. Our guidelines include:

- Carbon emissions: Set and publish targets for greenhouse gas emissions aligned with the goals of the Paris Agreement and be transparent in communicating efforts to mitigate and combat climate change.
- Carbon footprint: Companies should have a clear reporting framework for their climate change contribution and greenhouse gas emissions, including future targets, carbon intensity and an estimation of the company's carbon footprint.



Our engagement with ExxonMobil led to exclusion

Background

Due to lack of progress within its contribution to the sustainable transition of society, Danske Bank decided in 2021 to exclude ExxonMobil from our investment universe. The reason was lack of progress in the company's contribution to the sustainability area, specifically including questionable lobbying methods that according to our analysis a) lacked substantially in terms of transparency while also b) working against the green transformation of society.

Decision

We would have preferred to be active owners and try to influence the company into a more sustainable transition. In the months leading up to the decision, our efforts to establish a constructive dialogue around the specific issues with ExxonMobil proved unsuccessful, and as a consequence we decided to exclude.

- Energy consumption: Energy consumption and energy intensity should be reported, including the breakdown of energy consumption by type of renewable or non-renewable source of energy. Companies should have an emissions reduction target, in line with Paris Agreement targets, as well as information about multi-year greenhouse gas emissions development.
- Stranded carbon assets: Companies with large investments in carbon-based energy sources should have a clear risk assessment framework in reference to the Paris Agreement targets.

You can see how and where we vote at annual general meetings (AGMs) through our Voting Guidelines and interactive Proxy Voting Dashboard.

Exclusions

We exclude certain companies to reduce investments in activities resulting in significant negative impact on the climate, including investments in companies where thermal coal, tar sands and peat-fired power-generation is a significant part of the business model. We strive to impose similar commitments on our external managers.

Apart from revenue-driven climate-related exclusions, we also exclude companies from a climate perspective based on our Enhanced Sustainability Standards analysis. Currently, more than 40 companies are restricted within the sub-category Climate Change Contribution.

For certain products, the climate-related exclusions are expanded to also cover fossil fuels with a revenue threshold of 5%. Over time, we will develop additional exclusion categories to further accommodate the decarbonisation agenda towards our strategic aim of achieving net zero by 2050 or sooner.

For more information on exclusion definitions, activities, criteria, scope and thresholds employed by Danske Bank Asset Management, please see our exclusion instruction.

We have started on our journey towards net zero by 2050 or sooner and must act firmly and prudentially to achieve what our customers ask from us: support for the green transition whilst delivering strong investment performance. We will continue to enhance our investment processes to ensure that we actively contribute to society and the green transition in cooperation with our customers and the companies we invest in.

Table 5.3: Climate-related investment restrictions applying to all fund investments

Type	Activity	Criteria/Threshold
Tar sands	Surface mining	5% revenue
	In-situ recovery	5% revenue
Thermal coal	Surface mining/'opencast mining'	5% revenue
	Underground mining/'deep mining'	5% revenue
	Power generation	5% revenue
Peat-fired power generation	Power generation	5% revenue
Enhanced Sustainability Standards	Climate change contribution	n/a

Life insurance and pension – Facilitating investments in the green transition

Contributing to society's green transition while simultaneously delivering attractive returns for our customers is at the core of our life insurance and pension activities through Danica Pension, which is a wholly owned subsidiary of Danske Bank.

Our ambition is to contribute to the transition to a carbon-neutral society and invest in line with the Paris Agreement's goal of limiting global temperature rise to a maximum of 1.5°C.

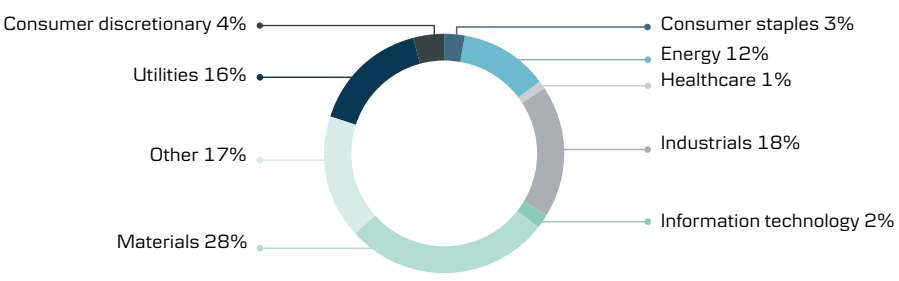
For companies, the green transition brings with it a number of climate-related risks and opportunities that may affect our customers' investments. Consequently, the climate agenda plays a central role when we invest our customers' pension savings with the aim of creating the best possible returns. By analysing, assessing and managing the climate-related risks and opportunities of our investments, we can protect the value of our customers' investments and ensure that investments contribute to the green transition.

Our total assets under management (AuM) in our Danica Pension portfolios amounted to DKK 454 billion as of year-end 2020. The measured financed emissions amounted to 5.7 million tCO_2e, covering around 73% of our total AuM, with good data coverage for listed equities and corporate credits, while sovereign debt and the majority of unlisted equities remains to be a data challenge.[43]

As can be seen from the figure 6.1, the sectors that contribute most to our financed emissions are the materials, industrials, utilities, and energy sectors, collectively accounting for 74% of our financed emissions.

The weighted average carbon intensity of Danica Pension's investment within the above-mentioned coverage was 9.8 tonnes of CO_2e per million of turnover DKK within the respective investee companies as of year-end 2020.

Figure 6.1: Sector contributions to financed emission by year-end 2020



[43] See appendix 3 for description of data, methodology and coverage

Life insurance and pension targets

Through our membership of the UN-convened global investor initiative Net-Zero Asset Owner Alliance, Danica Pension has committed to achieving a net-zero investment portfolio by 2050 or sooner in line with the Paris Agreement and to limiting global temperature increase to a maximum of 1.5°C.

We have set a number of climate targets to support this commitment, in alignment with guidelines from the Science Based Targets initiative and the Net-Zero Asset Owner Alliance.

Our targets related to our life insurance and pension activities are summarised in table 6.1 below.

Table 6.1: Overview of life insurance and pension targets

Coverage	Target	Metric	Emission boundary	Baseline year	Target year	Target-setting method
Listed equities and credits	Align portfolio temperature score by invested value from 2.5°C to 2.0°C	°C	Scope 1+2	2020	2030	Temperature Rating Methodology
Listed equities and credits	Align portfolio temperature score by invested value from 2.8°C to 2.2°C	°C	Scope 1+2+3	2020	2030	Temperature Rating Methodology
Real estate portfolio	Reduce carbon emission intensity in real estate portfolio by 69%	CO_2e/m^2	Scope 1+2+3	2019	2030	Portfolio target
Energy	Reduce carbon emission intensity in our investments in the energy sector by 15%	gCO_2e/MJ	Scope 1+2+3	2019	2025	Sector target
Transportation	Reduce carbon emission intensity in our investments in the transportation sector by 20%	Shipping: gCO_2e/tKM Automotive: gCO_2e/km Aviation: gCO_2e/RTK	Shipping/ Aviation: Scope 1 Automotive: Scope 3	2019	2025	Sector target
Utilities	Reduce carbon emission intensity in our investments in the utilities sector by 35%	tCO_2e/MWh	Scope 1	2019	2025	Sector target
Cement	Reduce carbon emission intensity in our investments in the cement sector by 20%	$tCO_2e/tCement$	Scope 1	2019	2025	Sector target
Steel	Reduce carbon emission intensity from our investments in the steel sector by 20%	$tCO_2e/tCrude\ Steel$	Scope 1+2	2019	2025	Sector target

Firstly, we have set temperature rating targets to ensure that investee companies have Paris-aligned transition plans in place. The temperature rating targets for 2030 will guide our transition from our baseline in 2020 to 1.5°C by 2040, leaving 10 years for execution, within our investments in equities and corporate credits covering around 32% of our total AuM.

Secondly, as a major real estate owner, we find it important to also have a specific emission intensity reduction target for our real estate portfolio, which we have set to 69%, based on a 1.5°C trajectory model from CRREM (Carbon Risk Real Estate Monitor).

Thirdly, we have set a number of emission intensity reduction targets for five key sectors in Danica Pension's portfolio, namely energy, transportation, utilities, cement, and steel. These targets have been set as part of our commitment to the Net-Zero Asset Owner Alliance. The sector targets for energy, transportation, utilities, cement, and steel were set in March 2021, accounting for approximately 35% of the total portfolios measured CO_2e emissions, are in alignment with the 1.5°C goal of the Paris Agreement. We are working proactively through a number of actions to engage with companies in these sectors, as outlined in the following section.

Our temperature rating targets for our life insurance and pension activities and our real estate portfolio target have been submitted for validation by the Science Based Targets initiative.

Please see appendix 3 for an overview of data sources, methodology, target-setting and scenarios.

Approach to decarbonising our portfolios

To further reinforce our commitment to supporting the green transition and investing in line with the Paris Agreement, we have launched a number of initiatives aimed at bringing our life insurance and pension portfolio in line with a 1.5°C scenario over time. Our initiatives and actions are structured around three areas:

Investing in the green transition
Our ambition is to invest DKK 50 billion in the green transition by 2023 and DKK 100 billion by 2030.

Active ownership
We engage with selected companies – either directly or in collaboration with other investors and stakeholders – and seek to influence them to manage their climate issues and reduce their contribution to climate change. We voice our opinion at general meetings.

Exclusion
We exclude certain companies that are involved in activities, practices or products that materially contribute to climate change.

Investing in the green transition

At Danica Pension, our ambition is to invest at least DKK 50 billion in the green transition by the end of 2023 and DKK 100 billion by 2030 at the latest. This ambition helps to create attractive returns for our customers and contributes to our climate commitments.[44]

Danica Pension's investments in the green transition amounted to DKK 37 billion at the end of September 2022 (see figure 6.2). Whereas investments have been affected by a decline in market prices for equities and bonds, the value of sustainability-certified real estate and green bonds is pulling in the opposite direction.

Active ownership

As part of our efforts to advance the transition, we use our pension assets to encourage and influence investee companies to commit to reducing their carbon emissions and aligning their business with the goals of the Paris Agreement.

By actively engaging with companies, not only do we gain a more comprehensive insight but we can also support the companies in curbing their contribution to climate change - and support their participation in the transition to a net-zero economy. We exercise active ownership through the following three channels:

1. Individual engagement

We engage directly with company management and/or boards to gain greater insight into the company's climate strategies. We discuss how companies can replace fossil energy with greener alternatives or reduce the climate impact of their products. Through dialogue, we can help shape the companies of the future and encourage them to commit to contributing to global climate goals.

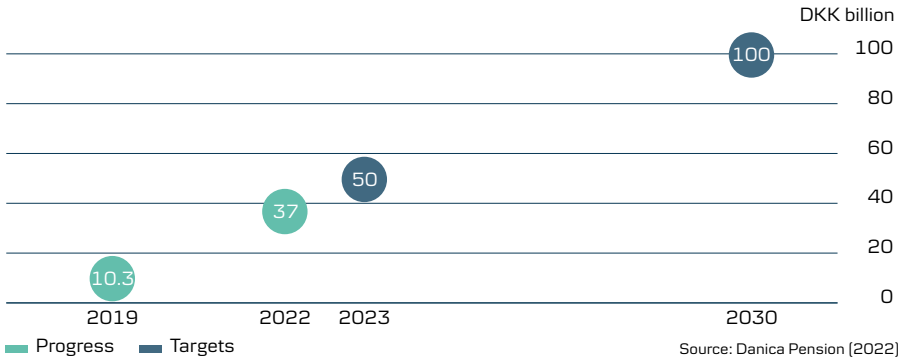
In 2022, Danica Pension focused on active ownership and dialogue with energy companies, discussing the balance between mitigating the energy crisis and increasing the contribution made by these companies to the green transition. In addition, we held in-depth discussions with our steel sector customers to significantly boost climate action through new solutions such as green hydrogen, steel-built electric trains powered by renewable energy and facilities to capture and store CO_2.

More information about our active ownership activities is available in our active ownership report.

2. Collaborative engagement

Danica Pension is a member of numerous investor initiatives and alliances, through which we together with other investors seek to influence companies to take action on climate issues, curb car-

Figure 6.2: Investment in the green transition progress and targets



Source: Danica Pension (2022)

[44] Danica Pension will adhere to the EU Taxonomy from 2024 at the latest when setting future targets for investments in the green transition. When and how this will happen depends on further maturation of the taxonomy criteria and improved data quality to assess whether activities meet the taxonomy. In addition, government bonds are not currently covered by the taxonomy. This is a challenge to be addressed in the future objective.

Investments that support the green transition include:

Green infrastructure

Green infrastructure investments cover infrastructure projects related to renewable energy such as wind, solar, biomass and hydropower. These investments are made through funds managed by Copenhagen Infrastructure Partners, Global Infrastructure Partners and others. For example, Danica Pension has invested in the US offshore wind farm Vineyard Wind I, which provide renewable energy to cover the annual energy consumption of 400,000 households. In addition, Danica Pension has invested in the Scottish offshore windfarm Beatrice, which is the fourth largest offshore windfarm in the world and covers the annual energy consumption of up to 450,000 households.

Green bonds

Green bonds finance solutions and products in areas such as renewable energy, pollution control, clean water, waste and wastewater management, and energy efficiency. For example, Danica Pension has invested in green bonds issued by the governments of the Netherlands, Belgium and Ireland.

Equity and bond investments in the green transition

This covers investments in companies that provide products, technologies or solutions that focus on areas such as energy efficiency and renewable energy. Examples include equity and corporate bond investments in Vestas, Ørsted and Rockwool.

Sustainable real estate

We work to ensure that the properties we own have a healthy indoor climate, positive social qualities, and low climate and environmental impact. As part of this work, we have sustainability-certified properties that meet high standards. This contributes to the green transformation and results in attractive properties that provide stable and future-proof investment returns. Among other things, we use sustainability certifications from DGNB.

bon emissions and contribute to green transformations. One way we do this is through the investor-led Climate Action 100+ initiative.

A list of the companies we are in dialogue with via Climate Action 100+ is available here.

3. Voting

Voting at company general meetings is a way of influencing and supporting companies to increase and improve their work with climate-related matters, thereby improving the companies' long-term value creation. We vote on numerous proposals related to climate issues, and we coordinate our voting activities with our engagement activities to maximise our ability to influence and support companies' climate strategies.

In 2022, the focus of Danica Pension's voting activities included putting pressure on US banks to contribute to the green transition. In line with the objectives set out in the Paris Agreement, Danica Pension supported proposals made at general meetings to stop banks from financing new gas, coal or oil projects.

Details of how and where we vote at investee company general meetings is available through our interactive dashboard.

Exclusions

Companies must show that they have plans or the intention to transition to a green pathway in alignment with the Paris Agreement. We expect companies to set climate targets and put in place specific action plans that create significant progress in reducing carbon emissions. If they do not adapt quickly enough, we may choose to adjust our investments or ultimately exclude them.

A number of companies have been excluded for failing to meet our climate-related expectations. A list of excluded companies is available here.

Our work will continue

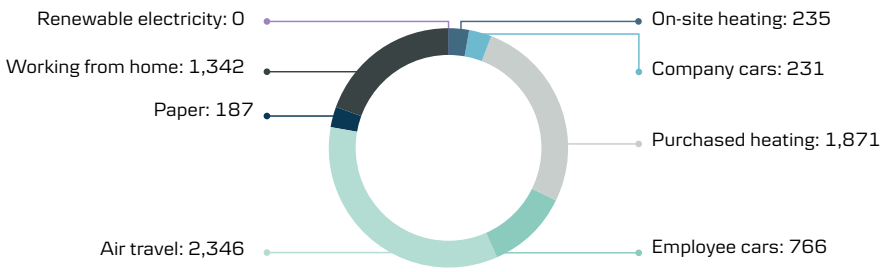
We will continue to build on our strong processes to ensure we actively contribute to society and the green transition though our life insurance and pension activities in cooperation with our pension customers and the companies we invest in.

Own operations – reaching net zero

Although the largest proportion of our overall carbon footprint can be attributed to our lending and investment activities, it is important that we also minimise the environmental footprint from our own operations to achieve our goal of becoming a net-zero bank by 2050 or sooner. And only by minimising the environmental footprint from our own operations, can we take a lead on sustainable finance and inspire our customers and other stakeholders in their own transition journeys.

Within Danske Bank's business operations, our focus is to make emission reductions across all scopes in line with best-practice and industry-recognised frameworks.

Figure 7.1: Carbon emissions from own operations in tonnes across scope 1, 2 and 3 in 2022 (market-based)



Source: Danske Bank carbon emission calculations[43]

Our emissions

Our operational carbon emissions across scopes 1, 2 and 3 in 2022 constituted 6,979 tonnes CO_2e. The emissions cover the actual consumption from all countries across the Group's operations[45].

The categories with the highest emissions in 2022 were air travel, purchased electricity and heating, and working from home. Emissions from purchased electricity accounted for 5,840 tonnes CO_2e, which were

[45] We extrapolate – based on FTE figures – for those countries where we do not yet have actual data. The reporting period for the year 2022 runs from Q4 2021 to Q3 2022. We report our CO_2e emissions based on the Greenhouse Gas Protocol.

compensated for with the purchase of guarantees of origin for renewable electricity and are, as such, reported as zero when market-based accounting is applied.

Our work to increase the transparency and scope of our reporting with the aim of measuring all of our relevant scope 3 categories is ongoing, and throughout 2022 we expanded our reporting to include emissions from working from home. We will continue to work on establishing emissions from other key categories such as employee commuting, waste and our supply chain.

Own operations targets

In addition to our long-term target of becoming net zero by 2050 or sooner, we have set intermediate 2030 targets to steer our transition path within our own operations. These intermediate targets have been set based on an analysis of our operational footprint and are in line with a Paris-aligned pathway. Danske Bank's own-operations targets are summarised in table 7.2.

By 2030, we aim to have reduced our combined scope 1, 2 and scope 3 carbon emissions by 60%. This target has been set to capture as broad a scope as possible. We will continue to include additional scope 3 categories as data availability improves.

We have also set an 80% reduction target in 2030 for scopes 1 and 2 only, ensuring that higher ambitions reflect the greater level of control and influence we have over these categories.

Our absolute emission target of 80% for scopes 1 and 2 of our own operations has been submitted for validation by the Science Based Targets initiative.

Please see appendix 4 for an overview of data sources, methodology, target-setting and scenarios.

Table 7.2: Overview of own operations emission reduction targets

Target	Scope	Metric	Target-setting method
Reduce carbon emissions in own operations by 60% from 2019 to 2030	Scope 1, 2 and currently measured scope 3 categories	tCO_2e	Absolute emission reduction
Reduce carbon emissions in Scope 1 and 2 by 80% from 2019 to 2030	Scope 1 and 2	tCO_2e	Absolute emission reduction

Approach to reducing our own environmental footprint

We have several initiatives across our business operations to reduce our emissions. These range from ongoing efficiency measures to one-off transitions towards low-carbon alternatives. With these measures, we will work towards reducing our scope 1, 2 and 3 emissions in accordance with our targets.

Table 7.1: Overview of emission reduction initiatives

	Target	Scope	Metric	Emissions impact
SCOPE 1	**Electric vehicles** Transition to 100% electric company vehicles	The Danske Bank Group	In progress	100% emissions reduction from fuel
	On-site heating Transition from gas and oil to electric heating across Northern Ireland portfolio	Danske Bank Northern Ireland	In progress In 2022, transition to electricity was completed across 100% of free-standing branch network	100% emission reduction
	On-site heating Transition to district heating across Denmark Portfolio	Four sites in Denmark portfolio currently with on-site gas heating	In discussions with landlords	100% reduction of scope 1 emissions, emissions from district heating reported in scope 2
	On-site heating 100% biogas solution for Denmark	For those sites where a transition to district heating is not possible or is delayed, purchase of guarantees of origin for biogas to neutralise emissions	Ongoing from 2022 onwards	100% emission reduction
SCOPE 2	**Purchased electricity** 100% renewable electricity across portfolio	The Danske Bank Group	Ongoing	100% emission reduction in market-based reporting
	Purchased heating Footprint management – energy-efficient buildings and efficient use of office spaces	The Danske Bank Group	Ongoing	Emissions savings dependent on project
SCOPE 3	**Air travel** Active management of business travel	The Danske Bank Group	Ongoing	Ambition to cut air travel emissions 70% by 2030 in relation to 2019
	Supplier assessment All active suppliers to be ESG assessed by new supplier ESG assessment process by 2023	The Danske Bank Group	Ongoing	Ensure that products and services are produced responsibly
	Paper use Continued focus on digitalisation and tools to reduce printing	The Danske Bank Group	Ongoing	Emissions from paper use declined 50% since 2019 baseline year
	Employee cars EV charging infrastructure at Danske Bank sites	The Danske Bank Group	In progress	Impact not currently tracked
	Waste in operations Implementation of Winnow food waste reduction technology	Danske Bank Finland, Denmark and Lithuania	In progress	Emissions impact for waste category not tracked due to lack of historical data

Reducing as much as we can and offsetting the rest

Our highest priority is to make reductions within our emissions categories and to reduce as much as we can to minimise our own operational footprint. However, some emissions are unavoidable, and Danske Bank has been offsetting remaining operational emissions annually since 2009.

Our offsetting practices have evolved over the years, and in 2022 we set increased ambitions informed by current best practices and leading authorities, such as the SBTi Net-Zero methodology and the Oxford Offsetting Principles.

As from 2022, we purchase 100% carbon removal offsets for our internal

operations, ensuring that every tonne is compensated for by 1 tonne of CO_2e removed from the atmosphere. The majority of our offset portfolio in the near future will be built on nature-based removal solutions such as reforestation or afforestation projects. We will also invest a smaller proportion of our offsetting into new technology-based solutions in order to promote investment and development in new solutions and innovations in carbon removal, which are necessary to enable us to achieve the scientific net-zero scenarios.

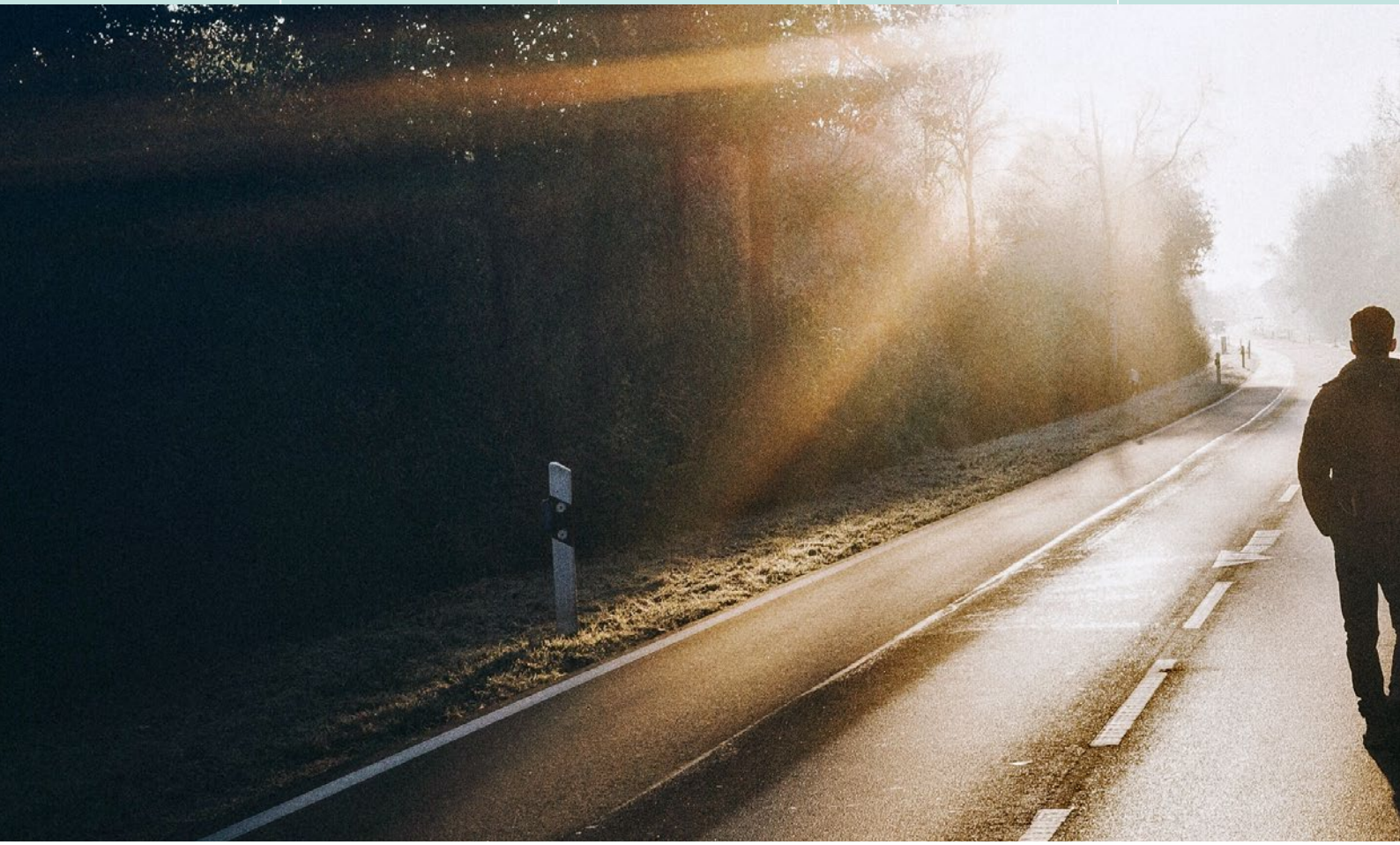
To ensure the quality and additionality of our actions, 100% of our emissions from our own operations are offset through ICROA-approved certified projects.

Suppliers
In addition to our targets, we have set an objective that all our active suppliers will be ESG assessed by 2023, including all suppliers in active tendering processes. As well as safeguarding that the products and services we purchase are produced responsibly, our procurement processes also help our suppliers to improve their ESG performance.

Footprint management
Energy represents one of our biggest CO_2 contributors within our internal operations and is therefore an ongoing area of focus. We are switching to LED lights, installing automatic or motion sensors and turning off unnecessary lighting across our premises in the Nordic countries, India and Lithuania. To minimise heating, we are running initiatives to reduce the temperature in our offices and are upgrading ventilation, insulation and cooling operating systems.

Managing and reducing the carbon footprint of our premises to increase space efficiency also has a large impact on our scope 2 energy consumption.

Impact of initiative
In 2022, energy saving initiatives enabled us to reduced emissions from purchased heating by 39% in relation to 2021.



Looking to the future

Climate as our guiding principle
Danske Bank's Climate Action Plan, Our Roadmap to Net Zero, sets out Danske Bank's ambitions for reaching net zero by 2050 or sooner.

Several years of work with sustainability and the climate agenda has made the publication of this plan possible, and it sets out our direction based on what we know today and how we hope the world to progress.

As a large financial institution, Danske Bank plays an important role in society and therefore has a responsibility to make a positive impact on the climate.

We do so through four impact areas:
- **Lending:** the money we lend to customers
- **Asset management:** the investments we make on behalf of our customers
- **Life insurance and pension activities:** the pension assets we manage on behalf of our beneficiaries
- **Own operations:** the emissions we generate through daily business operations

This plan sets out specific targets for our most important sectors and activities. Our targets are based on the latest scientific research and will ensure our continuing progress towards achieving our net-zero ambitions.

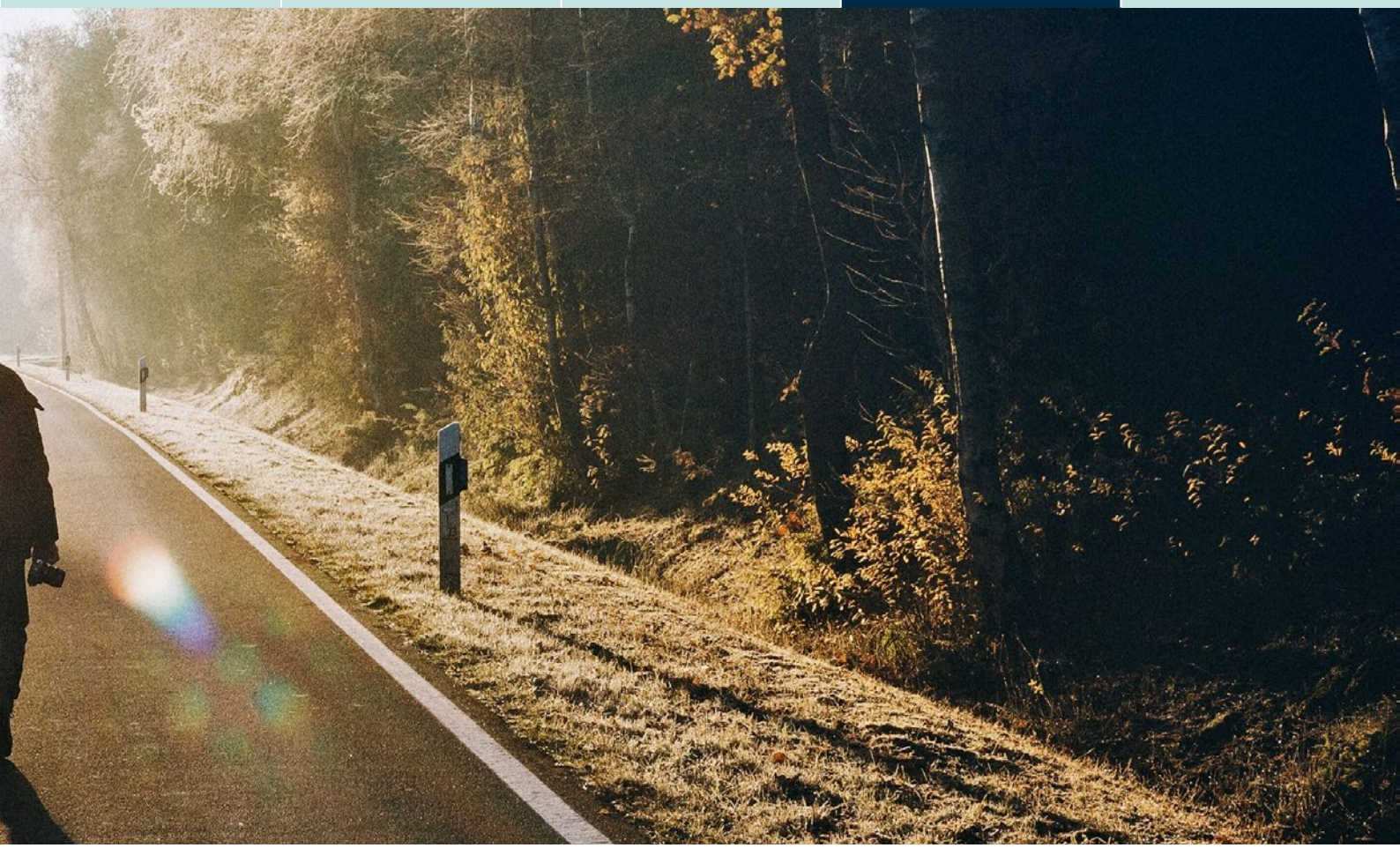
In addition, we have outlined the activities and actions we are undertaking to support our targets. By integrating climate considerations into our products, our advisory services and our risk management systems and processes, we are able to address the Group's entire portfolio, which in turn will support our customers in adapting to and benefitting from the green transition.

Investing in the sustainable future and transformation
Across many sectors, breakthrough climate technologies will help transform our society and energy systems – both in terms of providing green energy to industries and also in terms of providing new sustainable business solutions.

Financing of and investing in such developing technologies is essential, examples of which include new ways of farming and producing food, new developments of renewable electricity production and technologies such as Power-to-X, carbon capture and power storage technologies.

Danske Bank will be part of the large-scale investments and commercialisation needed to utilise and benefit from these technologies. In addition to relying on clear, long-term, national and EU policies, we will also rely on initial public sector support to minimise the risk involved with such projects. In our dialogues with policy makers and societal stakeholders, we will advocate for balancing the need for support with the opportunities in new financing models in public-private partnerships.

Interconnected crises
Our climate action plan addresses our climate actions and targets. However, the climate crisis is interconnected with other crises such as the loss of biodiversity and the persistent global inequality. Our economy and our businesses depend on the natural environment and its resources. The loss of ecosystems



will have as significant an impact on the world as climate change, and we need to address the matter urgently to avoid negative repercussions for our ecosystems, our livelihoods, our communities and ultimately our global economy.

For Danske Bank, preserving biodiversity is a high priority, and we have already begun to assess and incorporate biodiversity into our business and risk assessments. However, we require more knowledge and more data, and this remains a challenge we need to address. One solution is science-based indicators, which will help us to channel capital towards activities that have a positive effect on biodiversity. Similarly, we also need data on how businesses and activities affect biodiversity.

Our work in this area is already under way, and we signed the Finance for Biodiversity Pledge and committed to The Partnership for Biodiversity Accounting Financials (PBAF) in 2022. Through our commitments, we can develop the framework and tools necessary to enable us to address the biodiversity crisis.

Reporting and transparency
We will report on our climate-related commitments and emission reduction targets so that our stakeholders can transparently monitor our progress. This reporting will be done with an outset in our baselines and as methodologies and models improve, our data will be updated accordingly.

We communicated our first climate-related disclosure in our TCFD report as part of our Sustainability Report 2019, and we have strengthened our reporting in line with the commitment we made when we set our net-zero target and developed our first Sustainable Finance Policy in 2021.

In addition to detailing the steps we have taken so far to align with the TCFD's recommendations, our TCFD disclosure also explains how we incorporate climate-related risk and impact considerations into our financial decision-making processes and embed climate considerations into our core business operations.

We will increase the amount and granularity of the information disclosed year-on-year as our approach matures, as supporting data improves, and as our TCFD journey continues. Most significantly, we will from 2023 include reporting on our targets set out in this climate action plan in our TCFD reporting, which will be integrated into our Annual Report.

We will continue to support our customers in the green transition
We are committed to being a leading Nordic bank for sustainable finance and will help our customers to navigate the transition. We have a profound responsibility to support and advise our customers in the transformation of the real economy, and we will strive to provide the best financial products to make becoming a frontrunner and winner of the green transition an aspirational objective.

The task ahead of us is enormous and the timeframe is limited. This is the challenge we face as a bank, and it is a challenge that we must address together as societies.

Appendix 1 – Lending

Key methodological considerations
Our sectorial target-setting methodology and scope are aligned with the list of priority sectors included in the SBTi, the Net-Zero Banking Alliance and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI.

Financed emissions
Data quality: Data quality scores can differ between scopes on a single customer, hence Scope 1&2 data quality score (see table 4.1 Carbon-mapped portfolio, p. 15) is calculated by first picking the worst score of scope 1 and 2 per customer and then calculating an exposure-weighted average for the segment. An exception from this approach is shipping exposures where the emission estimates are based on the actual ships used as collateral (this is the case for 14.4 out of the DKK 18.3 billion on-balance exposure in the shipping segment). Here, the quality score is always based on scope 1, which by far makes up most of the total scope 1 and 2 emission.

Carbon-mapped portfolio coverage:
The reported numbers (end 2020 data) cover the following segments:

- Corporate portfolio: Credit exposure in core markets related to credits, loans, and guarantees. Excluding non-property-related exposure[46] in Commercial Real Estate portfolio. Covers 87% of total on-balance corporate credit exposure (main uncovered part – about 10% – comes from excluding leasing and holdings)
- Personal customer portfolio: Credit exposure collateralised by properties. Covers 95% of total on-balance personal customers' credit exposure.

Carbon-mapped portfolio exclusion:
Segments in credit portfolio not carbon mapped:

Customer segments not covered:
- Financial institutions
- Public institutions
- Private housing co-ops. & non-profit associations
- Non-core and other areas (i.e. everything not in LC&I, PC, BC, or Northern Ireland)

Product/exposure types not covered:
- Leasing
- Holdings
- Offers
- Trading facilities
- Non-property-related exposure[46] in the Commercial Real Estate portfolio (about 6% of on-balance CRE exposure)
- Non-property-related exposure[46] in the Personal Customer portfolio (about 3.5% of on-balance PC exposure)

Financial scope: Our financed emissions were calculated according to PCAF methodology and guidance from Finance Denmark's Framework for Financed Emissions Accounting and hence look at on-balance exposure at year-end 2020. Our sector targets focus on both on- and off-balance exposures, hence departing from reporting standard. We look at both on- and off-balance exposures to better reflect the commitments made towards our customers and allow us to also account for the risk of emission-intensive customers making use of products such as revolving loans or line of credit facilities. Furthermore, the financed emissions are 'absolute' whereas most targets are intensity based. These two differences mean that our financed emissions can increase even if our intensity decrease.

Target metric: For most of our sector targets, we have set a physical intensity metric[47] (emissions per economic output, e.g. $kgCO_2$/MWh) instead of an absolute emission metric. This allows us to take into account the different decarbonisation paces of different industries and helps us to understand and contextualise the reduction causes in an industry. For example, are the emission reductions achieved due to a decrease in production as happened during the COVID-19 pandemic or are the emission reductions achieved by our customers due to efficiency gains in the production of, for example, power, cement and steel? Moreover, it encourages Danske Bank to achieve emission reduction through customer engagement and support in their decarbonisation journeys rather than achieving absolute emission reductions through divestment.

Our sectorial portfolio intensity averages are based on intensities reported by customers and are exposure-weighted. As we progress and mature calculation methodologies, and as data sources become more valid, we will continue to improve the quality of our estimates. Reference scenarios/pathways: Our 2030 targets use as reference well-recognised 1.5°C-aligned sector pathways that are regularly updated. Moreover, they are built on top of IEA Net Zero by 2050 data, with the addition that they also calculate scope 2 emissions for relevant sectors (e.g. cement and steel) whereas IEA NEZ 2050 data refers to scope 1 only.

See information on specific scenarios in the following table: High-level overview of sources and methodologies.

[46] For commercial real estate and Personal Customers we treat all exposure collateralised by a property to be property-related exposure, even if some of it is not directly used to finance the property.
[47] For the oil and gas sector, we have decided to set targets that are a mix of absolute emissions and emissions intensity metrics.

High-level overview of sources and methodologies

Segment	Emission data sources	Methodology Summary		Scenario
		Financed emissions	Portfolio's weighted emission intensity and target-setting	
Shipping	Poseidon Principle, IMO CDP, ISS, PCAF emission factor database	Depending on data availability, and share of exposure on a customer-group level going to shipping activities, one of two approaches are applied: 1. Emission reported through the Poseidon Principles on actual vessels. Attribution factor based on market value of ship at reporting date. Where possible, emissions on small vessels outside the Poseidon Principles are estimated based on IMO data. 2. Business-loan approach from PCAF standard.	Our shipping target focus solely on vessels in Poseidon Principles (PP) scope (83% of the shipping portfolio). PP alignment delta refers to the distance of a vessels emission intensity (AER, expressed as emissions per tonne nautical mile) from the target AER in a 1.5°C trajectory For calculating our AER in 2020 we used UMAS aggregated upstream emission factors for marine fuels based on primary energy sources (UMAS, 2022)	The intensity reduction is calculated based on the preliminary Poseidon Principles 1.5°C developed by UMAS. Danske Bank seeks to align its methodology with the Poseidon Principles (PP). Should the PP decide on another 1.5°C trajectory than the now indicated UMAS 1.5, Danske Bank would revise its target and seek a new validation for this from the SBTi.
Oil and Gas	Manually collected disclosed emissions or own assessments CDP, ISS, PCAF emission factor database	Emissions are calculated according to PCAF methodology. Business-loan approach from PCAF standard. Upstream and Refineries are mainly based on manually collected disclosed emissions, whereas 'Other' is mainly covered by revenue and assets factors from the PCAF database.	Our upstream absolute scope 1, 2, 3 financed emission reduction target covers on and off-balance credit exposure of E&P customers. Our downstream portfolio intensity average follows intensities reported by customers and is exposure-weighted. It covers on and off-balance credit exposure of oil refining customers. Our downstream refining absolute scope 1, 2, financed emission reduction target covers on and off-balance credit exposure of refining customers.	Our target follows projections of how the oil and gas sector will decarbonise in the Nordic countries. We seek to update our approach once a Sector Decarbonisation Approach pathway and a Paris Aligned science-based methodology for the sector are available.
Power generation	Manually collected disclosed emissions or own assessments CDP, ISS, PCAF emission factor database	Emissions are calculated according to PCAF methodology. Mainly based on own collection of reported numbers. In some cases, if there are no disclosed emissions from the customer, and all exposure is towards purely renewable power generation, scope 1 and 2 emission has been set to 0.	Our power generation portfolio intensity average follows intensities reported by customers and is exposure-weighted. It covers on- and off-balance credit exposure of customers involved with power production.	Our portfolio's weighted emission intensity in $kgCO_2/MWh$ is compared against the 1.5°C scenario (world) developed by the SBTi to serve as reference to our target.

Segment	Emission data sources	Methodology Summary		Scenario
		Financed emissions	Portfolio's weighted emission intensity and target-setting	
Steel	Manually collected disclosed emissions CDP, ISS, PCAF emission factor database	Emissions are calculated according to business-loan approach from PCAF methodology.	Our steel portfolio intensity average follows intensities reported by customers and is exposure-weighted. It covers on- and off-balance credit exposure of customers involved with steel production.	Our portfolio's weighted emission intensity in tCO_2/t is compared against the 1.5°C scenario (world) developed by Transition Pathway Initiative (TPI) to serve as reference to our target. The SBTi is currently developing a methodology and pathway for the steel sector. Once it is available, we will review our pathway choice.
Cement	Manually collected disclosed emissions CDP, ISS, PCAF emission factor database	Emissions are calculated according to business-loan approach from PCAF methodology.	Our portfolio's emission intensity for the cement sector is derived from intensities reported by customers and is exposure-weighted. It covers on and off-balance credit exposure of customers involved with cement production. Targets are set in alignment with the SBTi 1.5°C trajectory tool for the cement sector.	SBTi's 1.5°C scenario (world) developed (scope 1+2) serves as reference to our target.
CRE (DK)	EPC data, Energistyrelsen, publicly available property data	Scope 1 and 2 emission calculated related to heating. Energy consumption estimated from EPC labels, or distribution of EPC labels from properties with similar characteristics, combined with energy and emission factors related to primary heating source. Following the guidance from Finance Denmark's Framework for Financed Emissions Accounting	Emissions intensity calculated for Danish residential and non-residential portfolio. 2030 projection for DK residential and non-residential taken from the SBTi 1.5°C tool. DK portfolio emissions intensity baseline and projection calculated by 2020 exposure weighted average of the DK residential and DK non-residential emissions intensity numbers. DK portfolio emissions intensity and projection is incorporated into the whole CRE portfolio by attributing according to 2020 exposure weighed average of the DK portfolio in the total CRE portfolio exposure. Total CRE portfolio (Denmark, Finland, Sweden, Norway) target set based on setting ambition level above combined 2030 CRE projections.	CRREM1.5°C global decarbonisation pathway SBTi 1.5°C scenario (world) for residential and non- residential properties.

Segment	Emission data sources	Methodology Summary		Scenario
		Financed emissions	Portfolio's weighted emission intensity and target-setting	
CRE (Nordic countries)	Simple extrapolation	Due to data limitations, estimation is currently based on simple extrapolation from average intensities from Denmark. Attribution factors are based on property value at reporting date. This deviates from the PCAF standard's property value at origination. This is currently applied for ease of technical implementation.	Emissions intensity taken from PCAF database for different building types per country. Where building types are not represented in the database, a simple average of all building types emissions intensity was applied. 2030 projection for building type per country (done separately for each country – Finland, Norway, Sweden) taken from CRREM pathway. Country portfolio emissions intensity baseline and projection calculated by the 2020 exposure weighted average of the building type emissions intensity within the total 2020 country exposure numbers (done separately for each country – Finland, Norway, Sweden). Country portfolio emissions intensity and projection is incorporated into whole CRE portfolio by attributing according to each country's (Finland, Norway, Sweden) 2020 exposure weighted average in the total CRE portfolio exposure. Total CRE portfolio (Denmark, Finland, Norway, Sweden) target set based on setting ambition level above combined 2030 CRE projections.	CRREM 1.5°C global decarbonisation pathway SBTi 1.5°C scenario (world). for residential and non- residential properties.
Personal mortgages (DK)	EPC data, Energistyrelsen, publicly available property data	Scope 1 and 2 emissions calculated related to heating. Energy consumption estimated from EPC labels, or distribution of EPC labels from properties with similar characteristics, combined with energy and emission factors related to primary heating source. Following the guidance from Finance Denmark's Framework for Financed Emissions Accounting	Emissions baseline calculated using energy performance certificates (EPC), which express the property's expected energy usage for heating and emission factors from its primary heating source. For properties without EPCs, emissions are estimated based on properties with similar characteristics. Danish expectations are determined based on projected decrease in emission intensities given expectation on future policy-driven energy mix combined with households converting from fossils fuels to greener energy sources or energy renovation of the least energy efficient properties, i.e. properties with EPC E, F or G.	SBTi 1.5°C scenario (world) for residential properties

Segment	Emission data sources	Methodology Summary		Scenario
		Financed emissions	Portfolio's weighted emission intensity and target-setting	
Personal mortgages (Nordic countries)	Norway: EPC data, Miljø-direktoratet, Statistics Norway, NVE Finland: Statistics from Finland Long-term renovation strategy 2020-2050 Sweden: Averages from Denmark, Norway, Finland Northern Ireland: EPC reports	Norway: Same general methodology as used for Denmark, except for using one common average emission factor (based on distribution of heating sources in the Norwegian building stock) instead of heating-source specific factors. A Nordic energy mix was used for the emission factor for electricity. Finland: Emission statistics from the total Finnish building stock split on a property-type and construction-year level, and then applied to Danske Bank's portfolio. Sweden: Based on average emission intensities from the other Nordic countries. Attribution factors are based on property value at reporting date. This deviates from the PCAF standard's property value at origination. This is currently applied for ease of technical implementation.	Emissions baseline for Norway is calculated using energy performance certificates (EPC) of properties and applying national CO_2e emission factor for power generation and average energy factor based on heating source mix. For properties without EPCs, emissions are estimated based on the properties with similar characteristics. Emission baseline for FI has been calculated based on published emissions factor for electricity sources and applying the energy mix intensity to our portfolio for property emissions intensity. Emissions baselined for SE has been estimated by comparison to property characteristics from the DK portfolio, and adjusting for SE according to market and country estimates due to lack of similar data sources. Targets have been set based on expectations on the DK portfolio together with European Environment Agency's projections of emissions reductions from energy usage in buildings and from energy sector.	SBTi 1.5°C scenario (world) for residential properties
Agriculture (DK)	ConTerra data Extrapolations based on customers matched with ConTerra data	Emission from ConTerra's farm-level estimates based on size of farmland, crop type, animals, fertiliser use, manure management, etc. Same methodology and emission factors as used in the National Inventory Report. Attribution factors follow PCAF's business-loan approach.		
Agriculture (rest)	Intensity factors derived from (Danish) customers matched with ConTerra data	Extrapolated from intensity factors derived from the Danish agriculture portfolio where ConTerra data has been applied. Split on main agricultural activity.		

Limitations related to biomass as an energy source: Biomass is an energy source based on organic material such as straw and residues from forestry or urban and agricultural waste. In Denmark, biomass accounts for almost two-thirds of the production of renewable energy and primarily supplies heat to the district heating system.

According to the national climate accounting guidelines, energy based on biomass (bioenergy) that is used for heating and electricity generation is accounted as carbon neutral. This adheres to the UN's rules for calculation for greenhouse gas inventories, which apply worldwide. Greenhouse gases – unlike wind, solar, or hydro energy – are emitted during the energy production process; for example, when biomass is combusted in heat and power plants, CO_2 is discharged into the atmosphere, which negatively affects the climate. However, CO_2 is absorbed again as plants grow, as a part of the natural biogenic carbon cycle.

Biomass is a limited resource that can be used for many purposes, but the global energy demand cannot be met with bioenergy. Therefore, the resource must be used sensibly and to a limited degree and in accordance with highest sustainability standards. We are aware of the possible additional social and ethical dilemmas related to energy based on biomass, and as a financial institution, we need to take this into account and incorporate this into our assessment of the companies that have biomass in the business model.

Appendix 2 – Asset management

Key methodological considerations
Our sectorial target-setting methodologies and scopes are aligned with guidelines from the SBTi, the Net Zero Asset Manager Initiative (NZAM) and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

To fulfil the NZAM commitments, Danske Bank Asset Management has leveraged the latest scientific climate research, as represented by the IPCC, the IEA net-zero energy system pathway, and the most relevant and industry-recognised target-setting methodologies available.

Assets under management: Reporting principles for assets under management (AuM) are included in the Annual Report 2021.

Financed emissions methodology, data and coverage: The financed carbon emissions of our AuM in Asset Management are calculated by measuring scope 1, 2 and 3 greenhouse gas emissions from the companies in the investment portfolios weighted by our share of investment. For carbon emission data, we are using ISS ESG as our data provider. ISS ESG has a high coverage of companies worldwide, but not all our investments are covered by their dataset. For example, the lack data for sovereign debt and unlisted companies is larger than the lack of data for listed companies. When applying ISS Methodology for carbon emissions, 68% of our AuM is covered, amounting to around DKK 600 billion by year-end 2020. If we look at our listed equities and credits in isolation, we have a strong coverage of 93%. Out of the covered 68% we have reliable and reported emission data on approximately 83% of the holdings. For the remaining part, ISS ESG have applied modelled emissions data.

Temperature Rating Approach target
Definition: Temperature rating methodology allows the global temperature rise associated with corporate ambition to be compared. Being a forward-looking metric, temperature rating targets supplement the engagement and intensity targets set for both asset management and life insurance and pension.

Target coverage: The Asset Management temperature rating targets cover 37% of all assets under management, which stood at DKK 860 billion by year-end 2020 (baseline year). The coverage includes our listed equities and credits within our Investment funds, managed accounts and pooled investment vehicles. Our ambition is to include more of our total assets under management into our target; at present, however, only listed equities and corporate credits are included, and AuM under discretionary mandates on behalf of our customers are excluded from the temperature rating targets. The reason for omitting discretionary mandates with asset owners at this stage is that it must be based on specific customer demands and a contractual agreements for each mandate. In line with our commitment we will over time engage with asset owners on this topic

Even though 37% of our portfolio is covered by our temperature target, 63% of the AuM in scope currently receive a default score when using the SBTi tool and methodology. This is due to the fact that only limited and trusted data sources are allowed, and that not all companies have yet set intermediate emission reduction targets. The data quality is expected to improve over time as more companies set intermediate targets and make these public through well-recognised and trusted data sources.

Methodology: The SBTi currently recognises one temperature rating methodology, developed collaboratively by CDP and WWF. The CDP-WWF temperature rating methodology translates companies' greenhouse gas emission reduction targets into a single metric. The methodology is open source and has gone through a separate consultation process. The methodology includes three steps: 1) a target protocol, which converts individual emissions targets to temperatures, 2) a company protocol, which aggregates these targets into an overall company score, and 3) a portfolio protocol, which weights these company scores across an investment portfolio.

To convert individual emissions targets into temperatures, the target protocol uses the best-available scientific climate scenarios from the IPCC Special Report on 1.5°C (2018) scenario database. It generates simple regression models for estimated warming in 2100 from climate scenarios with short-, medium- and long-term trends in absolute emissions or emissions intensities.

Because companies have multiple targets, the data is aggregated into company-level scores. Minimum quality criteria define a quality of target that can be included. At the portfolio level, these company scores are weighted to assess an index or portfolio of companies, such as in the context of financial portfolios. Companies that do not have relevant, publicly disclosed emissions targets are by the SBTi tool assigned a default temperature score which assumes a business-as-usual temperature pathway. This enables company-by-company and portfolio comparisons. SBTi criteria for setting targets to align the temperature rating of corporate debt and equity portfolios with the ambition of the Paris Agreement include:

- Aligning portfolio scope 1 and 2 temperature score with a minimum well-below 2°C scenario, and in addition aligning portfolio to a minimum 2°C scenario for the scope 1, 2 and 3 by 2040. Alignment with more ambitious scenarios is encouraged. At Danske Bank, we have chosen a 1.5°C trajectory.
- Committing to reducing portfolio temperature scores so that the bank is on a linear path to the sated goal by 2040.

Weighted average CO_2 intensity target
Definition: The net-zero target for asset management is tied to weighted average carbon intensity (WACI). WACI measures the carbon emission normalised by the revenue of the company, and on aggregated levels it discloses our exposure towards carbon intensive companies. As of now, this calculation is performed by including the scope 1 and scope 2 emissions and dividing this by the revenue generated by the investee companies. From 2023, asset management will also take scope 3 emissions into consideration.

Target coverage: The asset management WACI target covers 54% of all assets under management, which amounted to DKK 464 billion by year-end 2020 (baseline year). The coverage includes our Investment funds, managed accounts and pooled investment vehicles. Our ambition is to include more of our total assets under management into our target; however, discretionary mandates on behalf of our customers are not currently included in the net-zero target. The reason for omitting discretionary mandates with asset owners at this stage is that it must be based on specific customer demands and a contractual agreements for each mandate. In line with our commitment we will over time engage with asset owners on this topic.

Even though 54% of our total AuM are covered by our target, we are not able to calculate the WACI based on all of those assets. The reason for this is a lack of reliable emission data for a part of our investment product portfolio mainly relating to sovereign debt and unlisted equities. As a result, our WACI is calculated based on 41% of our total AuM, amounting to DKK 357 billion by year-end 2020, where our ESG data providers have coverage of actual emissions or estimated data.

Methodology: IPCC provides four plausible scenarios each consistent with net-zero emissions in their Special Report on Global Warming of 1.5°C (2018). Each scenario has distinct pathways following different assumptions about technological, economic and societal progress. The Sustainable Development scenario is the most aligned with the principles of systemic transition to a sustainable future, characterised by broad focus on sustainability, including energy intensity, human development, economic converge and international cooperation, and enabled by shift towards sustainable and healthy consumption patterns, low-carbon technology innovation and well-managed land systems with limited societal acceptability for carbon capture. Danske Bank Asset Management supports a broadly focused sustainability transition, and our weighted average carbon intensity target is therefore anchored with this scenario. The Sustainable Development scenario implies an approximate 50% reduction of CO_2 emissions by 2030. We have therefore set a 2030 target of reducing scope 1 and 2 WACI in our investment products with 50% by 2030.

Engagement target

Definition: Engagement builds on evaluating companies' climate transition strategies and communicating our expectations to close potential gaps. To strengthen actions in the real economy, Danske Bank Asset Management has also established a Net-Zero Engagement Roadmap describing clear sector-specific and time-bound expectations.

Methodology: One of the key cornerstones of the NZAM commitment is to "prioritise the achievement of real economy emissions reductions within sectors and companies in which we invest". A strong stewardship and engagement strategy is in our opinion a credible and effective way of achieving real world impact. 100 companies contribute to around three-quarters of Danske Bank Asset Management portfolio's measured financed scope 1, 2 and 3 emissions. Within those 100 companies, five sectors account for approximately 80% of emissions. In order to achieve effective real-economy emissions reductions, Danske Bank has set a target of engaging, either individually or collectively, with the top 100 emitters in our portfolio by 2025.

To evaluate companies' alignment with the Paris Agreement, Danske Bank Asset Management leverages the Net Zero Investment Framework built by the Paris Aligned Investment Initiative. The framework describes a methodology for classifying companies along a Paris-alignment maturity scale. The methodology evaluates companies in a holistic manner using ten criteria. The criteria are well aligned with those of Climate Action 100+, which can be seen as the gold standard for evaluating and engaging with companies on climate. The methodology allows Danske Bank Asset Management to identify company-specific gaps in their climate strategies as basis for effective net-zero engagement, and as such encourages companies to climb the alignment maturity scale.

To further strengthen evaluation of companies' alignment with the Paris Agreement by the Net Zero Investment Framework, Danske Bank Asset Management defines minimum sector-specific expectations against certain criteria based on the IEA's Net Zero by 2050 roadmap. For example, power generation is expected to transition first, as an enabler for many other sectors to transition, as demonstrated by requirement for the sector in advanced economies to reach net-zero emissions by 2035, phasing out all unabated coal plants by 2030 and renewables generation accounting for 60% of energy mix by 2030.

Appendix 3 – Life insurance and pension

Our sectorial target-setting methodology and scope are aligned with guidelines from the SBTi, the Net-Zero Asset Owner Alliance (NZAOA) and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Target-setting under NZAOA follows the Alliance's Target Setting Protocol (TSP), which defines why, how and which targets members are required to set, track, review and report. Specifically, TSP calls for members to set at least three targets out of the four different target areas covering engagement targets, sub-portfolio targets, sector targets and financing transition targets.

Financed emissions methodology, data and coverage: The financed carbon emissions of our AuM in life insurance and pension is calculated by measuring scope 1, 2 and 3 greenhouse gas emissions from the companies in the investment portfolios weighted by our share of investment. For carbon emis-

sion data, we use ISS ESG as our data provider. ISS ESG has a high coverage of companies worldwide, but not all our investments are covered by their dataset. For example, the lack of data for sovereign debt and unlisted companies is larger than for listed companies. When applying ISS Methodology for carbon emissions, 64% of our AuM are covered, amounting to DKK 291 billion by year-end 2020. If we look at our listed equities and corporate credits in isolation, we have a large coverage of 81%. Out of the covered 64%, of our AuM, we have reliable and reported emission data of approximately 86% of the holdings, and for the remaining part, ISS ESG have applied modelled emissions data.

Temperature Rating Approach target
Target coverage: The life insurance and pension temperature rating targets presented in this report covers 37% of all assets under management, amounting to DKK 168 billion by end of 2020 (baseline year). This includes our listed equities and credits. Our ambition is to include more of our total assets under management into our temperature targets when data and methodologies allow.

Even though 37% of our portfolio is covered by our temperature target, 68% of the AuM in scope currently receive a default score when using the SBTi tool and methodology. This is due to the fact that only limited and trusted data sources are allowed, and that not all companies have yet set intermediate emission reduction targets. The data quality is expected to improve over time as more companies set intermediate targets and make these public through well-recognised and trusted data sources.

Methodology and definition: Same as described above in appendix for asset management methodology (p. 51)

Real estate target
Definition: Fully and jointly owned commercial and residential buildings. Target includes both landlord controlled and tenant-controlled areas in line with the Carbon Risk Real Estate Monitor (CRREM) 1.5°C national pathways, and is measured as total financed CO_2e/m^2/annum.

Methodology: TSP recommends that members set emissions reduction targets on fully and jointly owned real estate portfolios in commercial and residential buildings, in line with either the overall sub-portfolio target or Carbon Risk Real Estate Monitor (CRREM) 1.5°C national pathways. Danica Pension, as part of its real estate sustainability strategy, decided to set targets to reduce CO_2e emissions in its real estate portfolios by 37% by 2025 and 69% by 2030, against a 2019 baseline. These targets are more ambitious than the CRREM pathways required for buildings in Denmark, highlighting Danica Pension's focus on decarbonisation.

Sector target
Definition: Intensity-based reductions on Alliance priority sectors (oil and gas, utilities, steel, and transport (aviation, shipping, heavy and light duty road). Scope 3 to be included wherever possible. Sector specific intensity KPIs recommended. Sectoral Decarbonisation Pathways used to set targets.

Methodology: TSP encourages members to set sector targets to help link portfolio-level emission reductions to the energy-efficiency requirements and real-world outcomes. Furthermore, sector targets are useful in informing stewardship, policy and allocation activities in these sectors. Sector-specific targets reflect the specifics of each sector, their respective energy transition trade-offs with other sectors, and the role they are expected to play in the transition to a net-zero economy. In order to support real economy progress with high ambition, Danica Pension decided to set targets on engagement, financing transition and sectors.

TSP identifies four priority sectors for sector targets – oil and gas, utilities, steel manufacturing, and transportation. Danica Pension identified cement manufacturing as an additional priority sector to set targets on, given its relatively high share of emissions in Danica Pension's portfolio. TSP advocates using intensity-based KPIs, including scope 3 emissions wherever possible, and using Sectoral Decarbonisation Pathways to set targets. TSP allows using any credible, science-based sectoral model for setting targets, but specifically encourages leveraging the One Earth Climate Model (OECM). OECM breaks down global carbon budget consistent with 1.5°C warming to various sectors. However, at the time of target-setting, it only covered CO_2e emissions on scope 1 and 2. Some of the priority sectors, such as automobiles within transport, have a high share of overall CO_2e emissions attributed to scope 3. For this reason, Danica Pension looked for data and models that better reflect the concentrations of emissions within scopes across sectors.

The Transition Pathway Initiative (TPI) is considered by many to be one of the most advanced approaches in that respect. Among other things, TPI calculates sector-specific emission reduction pathways for priority sectors, following IEA energy transition scenarios. TPI also calculates company-specific carbon intensities against these pathways for highest emitting companies, to evaluate the alignment of companies' emissions profiles and emission reduction targets. Danica Pension leveraged TPI scenarios and company data to guide setting and calculating baseline for its sectoral targets. While sectoral pathways by TPI are somewhat different to those calculated by OECM, they are conceptually aligned with representing sectoral dynamics to reach certain temperature outcomes. Finally, in order to set final sector targets, Danica Pension compared its baseline figures against requirements by OECM and TPI scenarios and set targets that were overall both reflective of realities within portfolio, scientific requirements and societal capabilities to transition to net zero by 2050.

Appendix 4 – Own operations

Reporting principles and key methodological considerations
Environmental data covers the actual consumption from the Group's operations in Denmark, Finland, Ireland, Northern Ireland, Norway, Sweden, Lithuania and India, and it also covers the estimated consumption from the Group's remaining operations without registered data. The reporting period for the year 2022 runs from Q4 2021 to Q3 2022. We report our CO_2e emissions based on the Greenhouse Gas (GHG) Protocol and numbers are rounded to the closest integer.

CO_2e emissions scope 1: Scope 1 comprises CO_2e emissions from heating using oil and gas and from the usage of company cars. The emissions from heating are calculated on the basis of heating consumption, using either specific emission factors from energy companies or average emission factors for heating for the country from International Energy Agency (IEA) and the Department of Environment, Food and Rural Affairs (DEFRA). In accordance with the Greenhouse Gas Protocol Guidance, the emissions from gas consumption in Denmark were omitted owing to the purchase of biogas certificates of origin. For transport by company cars, the emissions are calculated on the basis of the mileage and emission factors from DEFRA.

CO_2e emissions scope 2: Scope 2 comprises CO_2e emissions from heating and electricity supplied by external suppliers. The emissions from heating and cooling are calculated on the basis of heating consumption, using either specific emission factors from energy companies or average emission factors for heating for the country from IEA and DEFRA. Similarly, emissions from district cooling are calculated on the basis of district cooling consumption and the specific emissions factor used for district heating. Scope 2 emissions are reported in accordance with the market-based and location-based methodology from the Greenhouse Gas Protocol Guidance. For the location-based approach, the emission factors from electricity consumption are calculated using a mix of emission factors from energy companies or average emission factors for the country from the IEA. For the market-based methodology, the emissions from electricity consumption were omitted owing to the purchase of renewable electricity certified by Guarantees by Origin and International Renewable Energy Certificates.

CO_2e emissions scope 3: Scope 3 comprises CO_2e emissions from paper usage, business travel by employee cars and flights and emissions from employees working from home (WFH). The emissions from paper are calculated based on paper consumption and the emission factors from DEFRA. For transport by employee cars, the emissions are calculated on the basis of the mileage and emission factors from DEFRA. The emissions from air travel are reported directly by our travel agency, American Express. Emissions from WFH are calculated using EcoAct methodology and emissions factors used are the same as for scope 1 and 2 energy calculations. WFH emissions are calculated using methodology specified in Ecoact Homeworking Emissions Whitepaper. FTEs homeworking per quarter is established using VPN data per country. This is multiplied by average consumption data for a homeworking setup per country as specified in the Ecoact methodology. For the Nordic countries and Lithuania, only electricity consumption for a standard desk set up is incorporated. For India, electricity consumption for an average ceiling fan is included for the summer months. For Ireland and Northern Ireland, gas central heating consumption as specified in the Ecoact methodology is included for the winter months. Emissions factors for heat and electricity are the same used for all scope 1 and 2 (location-based) emissions calculations.

Estimated CO_2e from operations without registered data: For operations that do not have any measured consumption, we estimate CO_2e emissions on the basis of the average number of full-time employees as provided by Group Finance and the average emissions per employee in the Group. These estimates are distributed across the three scopes based on the share of the individual scope.

Energy consumption: Data for energy consumption from electricity and heat is either based on automatic data transfers from smart meters or quarterly meter readings, or it is calculated on the basis of statements received regularly during the year from energy companies and lessors. Data on electricity consumption is calculated mainly on the basis of statements from energy companies, and heat consumption figures for our head offices are similarly based on actual readings taken by the energy companies. If no reading or statement is available, we estimate consumption based on the average electricity or heat consumption per square meter for the country unit. Data on floor space covers all properties used by the Group and its subsidiaries, including the Group's own premises and leased premises, for own operations in various countries. In Sweden, heat consumption data is calculated on the basis of information from boverket.se (energy labelling of buildings). The consumption figure is calculated on the basis of the Group's share of floor space in the buildings in Sweden. Similarly, data on heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because consumption patterns for locations in Finland are similar to sites in Sweden.

Renewable energy share scope 1 and 2: Renewable energy share within scope 1 and 2 is calculated on the basis of the total energy consumption and the amount of renewable electricity certified by guarantees of origin and international renewable energy certificates. The calculation does not include fuel use from company cars. With limited data on the energy mix for heating, it is assumed that the energy mix is made up of a variety of different fossil sources. This is a conservative approach.

Appendix 5 – Abbreviations

AER	Annual Efficiency Ratio
AuM	Assets under management
AGM	Annual general meeting
BC	Business Customers
BoD	Board of Directors
CCUS	Carbon capture, utilisation and storage
CDP	Carbon Disclosure Project
CII	Carbon Intensity Indicator
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
COP	Conference of the Parties
CRE	Commercial real estate
CRREM	Carbon Risk Real Estate Monitor
coZEV	Cargo Owners for Zero Emission Vessels
DB	Danske Bank
DEFRA	Department of Environment, Food and Rural Affairs
DGNB	Green Building Council Denmark
DK	Denmark
DKK	Danish krone
EEXI	Energy Efficiency Existing Ship Index
EKF	Denmark's Export Credit Agency
ELT	Executive Leadership Team
EPC	Energy performance certificates
ESG	Environmental, social and governance
ETS	Emissions Trading System
E&P	Exploration and production (oil and gas)
FI	Finland
g	Gram
gCO_2/MJ	Gram of carbon dioxide per megajoule
gCO_2/tnm	Gram of carbon dioxide equivalent per tonnes nautical mile
gCO_2e/MJ	Gram of carbon dioxide equivalent per megajoule
GDP	Gross domestic product
GHG	Greenhouse gas.
ICROA	International Carbon Reduction and Offset Alliance
IEA	International Energy Agency
IIGCC	Institutional Investors Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
ISS	Institutional Shareholder Services
kg	Kilogram
$kgCO_2e/m^2$	Kilogram of carbon dioxide equivalent per square meter
$kgCO_2e/MWh$	Kilogram of carbon dioxide equivalent per megawatt hour
km	Kilometre
kWh	Kilowatt-hour
KPI	Key performance indicator
LC&I	Large Corporates & Institutions
LED	Light-emitting diode
LULUCF	Land-use, land-use change and forestry
mDash®	Danske Bank proprietary sustainability research platform
MEPC	Marine Environment Protection Committee
MJ	Megajoule
Mt	Megatonne
MW	Megawatt
MWh	Megawatt-hour
m^2	Square metre

NDC	National Determined Contribution
NO	Norway
NZAM	Net Zero Asset Managers Initiative
NZAOA	Net-Zero Asset Owner Alliance
NEZ 2050	The IEA's Net Zero Emissions by 2050 scenario
OECM	Other effective area-based conservation measures
PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
PP	Poseidon Principles
PRB	Principles of Responsible Banking
PRI	Principles for Responsible Investment
SBTi	Science Based Targets initiative
SDA	Sectoral Decarbonisation Approach
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2	Tonnes of carbon dioxide
tCO_2e	Tonnes of carbon dioxide equivalent
tCO_2/t	Tonnes of carbon dioxide per tonne
TPI	Transition Pathway Initiative
TSP	Target Setting Protocol
UNEP FI	United Nations Environment Programme - Finance Initiative
UN GC	United Nations Global Compact
WACI	Weighted average carbon intensity
WRI	World Resources Institute

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