JYSKE BANK

Position on fossil fuels

Introduction

The Jyske Bank Group (Jyske Bank) wishes to be a responsible participant in the transition to a low-emission society. We are mindful that fossil fuels will play a part in the global energy supply for many years to come, and that companies in the fossil fuel sector also have an important role in security policy.

When taking a position on the production and use of fossil fuels, consideration must be given to geopolitics and technological developments as well as environmental impacts. At the same time, we consider reductions in emissions from fossil fuels – and hence the transition to a low-emission society – as crucial in mitigating climate change.

This is an evolving field, as are methods for evaluating fossil fuel companies. Jyske Bank will monitor developments and regularly revisit our position.

The starting point for Jyske Bank's environmental position on fossil fuels is our support for the Paris Agreement's targets and Denmark's Climate Act. Jyske Bank has committed to a long-term goal of net-zero carbon emissions from our lending, investments (both on behalf of clients and on our own behalf, hereinafter referred to collectively as "investments") and our own operations.[1]

Purpose

The purpose of this position paper is to present Jyske Bank's position on the complex issue of fossil fuel production and set restrictions on how Jyske Bank invests in and finances activities and companies in the fossil fuel sector.

The purpose of the paper is also to establish timeframes for when these restrictions are to be implemented.

[1] Long-term goal of net-zero emissions from investments (2050), lending (2045) and banking operations (2045).

Position

Coal and tar sand

The production of oil from tar sands and the production of energy from thermal coal are particularly carbon-intensive, making it important to transition away from these forms of energy. Based on the current scientific consensus, compliance with the Paris Agreement means largely phasing out coal-fired power production in the developed world by 2030 and in the rest of the world by 2040. Against this background, Jyske Bank already chooses not to lend to or invest in companies that derive more than 5% of their revenue from the production of thermal coal and tar sands, or companies initiating the development of new coal-fired power production.

Oil and gas companies

Jyske Bank categorises oil and gas companies into red, yellow, green, and dark green, see Chart 1. The methodology for this uses a data-based approach to attempt to identify which companies are considered to be working most ambitiously on the transition to a low-emission society. The categorisation is based primarily on a framework consistent with the Net Zero Investment Framework[2].

For further information, please see Jyske Bank's methodology for the categorisation of oil and gas companies, available on our website.

Lending

Only oil and gas companies in the dark green category will be accepted as new loan clients. New loans to existing clients are not subject to this restriction, but the requirement for existing clients will gradually be as follows:

From 1 September 2025, Jyske Bank will no longer issue new loans to existing clients in the red category.

From 1 September 2026, we will not issue new loans to existing clients in the yellow category that have not published relevant climate targets and transition plans. From 31 December 2030, we will not issue new loans to other existing clients in the yellow category.

Investment

From 1 September 2025, Jyske Bank will not invest in oil and gas companies in the red category.

From 1 September 2026, we will phase out investments in oil and gas companies in the yellow category, completing the process by the end of 2030 in the developed world and by 2035 in the developing world.

Ringfenced finance and investment

Jyske Bank may provide ringfenced finance for environmentally sustainable activities as defined in the EU Taxonomy Regulation, such as funding for wind farms, even if the activity is carried out by a company that is on Jyske Bank's exclusion list on account of oil– and gas activities. Jyske Bank may also invest in green bonds where the proceeds are used for activities in keeping with the Taxonomy Regulation, even if the company issuing the green bond is a company on Jyske Bank's exclusion list on account of oil and gas activities.

Chart 1: Jyske Bank's categorisation of oil and gas companies

- Companies that have climate targets and a transition plan consistent with the Paris Agreement's 1.5°C scenario, and do not derive more than 5% of their revenue from Arctic drilling, deepwater drilling and fracking.
- Companies that have climate targets and a transition plan consistent with the 1.5°C scenario.
- Companies that have committed to a long-term goal of net zero in 2050 but otherwise do not have climate targets and a transition plan consistent with the 1.5°C scenario.
- Companies that have not committed to a long-term goal of net zero in 2050 or where data are not available.

[2] The Net Zero Investment Framework is a widely recognised framework developed by the Paris Aligned Investment Initiative (PAII) to support investors in implementing net-zero targets.

Scope

The position set out above covers Jyske Bank's lending activities and investments on behalf of clients and on our own behalf. The activities covered are presented in more detail below.

Lending

This position paper applies to loan clients from one year after they are required to report under the Corporate Sustainability Reporting Directive (CSRD).

Companies for which Jyske Bank provides capital markets services are to meet the criteria for loan clients.

Investment

Investment activities covered are investments on behalf of clients of Jyske Bank and Jyske Invest, with the exception of positions in external funds and index derivatives, CLOs used in Jyske Bank's strategic investments of our own capital, alternative investments, and special mandates based on investment clients' specific wishes.

In addition to the above, the following investment activities are exempt:

- Positions in bonds issued by state-owned enterprises
- Article 6 products as per the Sustainable Finance Disclosure Regulation (SFDR)
- Letpension pension products recommended or distributed by Jyske Bank
- Activities where Jyske Bank provides third-party administration.

Subsidiaries with activities unrelated to fossil fuels

Jyske Bank may continue to finance and invest in subsidiar-ies with activities unrelated to fossil fuels, even if these sub-sidiaries are part of a group where one or more companies are active in fossil fuels.

Deposits

Jyske Bank will not decline deposits from companies on account of fossil fuel activities.

Investment advice

Jyske Bank's clients will still be able to trade excluded com-panies through online banking and obtain advice on investing in these companies. When advising our clients, it will be clear from any investment recommendation for a specific company if that company is among the oil and gas companies that Jyske Bank has excluded on the basis of this position paper. The freedom for Jyske Bank's clients to buy and sell the companies in question means that Jyske Bank's trading book is not covered by this position paper.

Dialogue and voting

Jyske Bank aims to steer companies towards transitioning to a low-emission society. Through our participation in Climate Action 100+, we engage in active ownership of a number of oil and gas companies in the form of voting and/or dialogue. Jyske Bank also engages in active ownership of oil and gas companies via Sustainalytics Engagement Services.

Definitions and clarifications

Fossil fuels is a collective term for fuels formed underground through the geochemical and geological transformation of organic matter. Fossil fuels include thermal coal, oil, and gas.

Oil and gas companies

Investment: Integrated oil and gas or companies operating wtihin oil and gas exploration, production or drilling (GICS sub-industries 10102010, 10102020 and 10101010).

Lending: Companies reporting under the CSRD that they derive more than 5% of their revenue from the production of fossil fuels.

Arctic drilling, deepwater drilling and fracking are activities covered by Urgewald.[3]

New loan clients are companies receiving a new loan from Jyske Bank that have not had a loan from Jyske Bank in the two preceding years. The remortgaging of existing mortgage loans is not considered to be new lending.

For clarification:

- *Not lending* to oil and gas companies in a given category from a given date means no longer issuing new loans to that client. The client's existing loans granted before that date will expire as set out in the loan documents.
- The dark green category is used only for new loan clients and is not therefore used for existing loan clients or investment activities.

Jyske Bank's own operations

Jyske Bank is keen to reduce emissions from fossil fuels in our own operations. Fossil fuels are currently used to heat a few properties and for selected vehicles made available to Jyske Bank's employees.

Jyske Bank's strategic investments of our own capital are covered by this position paper with the same restrictions and timeframes as investments on behalf of our clients.

[3] Urgewald is a well-renowned German-based non-profit organisation that analyses and reports annually on the activities and plans of oil, gas, and coal companies.

Governance

This position paper has been approved by Jyske Bank's Group Executive Board. The paper will be updated annually by Jyske Bank's forums for responsible and sustainable financing and for responsible and sustainable investments. Jyske Bank's forums for responsible and sustainable financing will submit proposed amendments to the Executive Board for approval. The sustainability committee will consider the position paper prior to approval by the Executive Board. The heads of Jyske Bank's business units are responsible for compliance with this position paper.

Relevant parts of the position paper have been incorporated into Jyske Bank's credit policy and the Jyske Bank Group's policy for responsible and sustainable investment.

The position paper will be published on the Bank's website, and material changes will be communicated internally within Jyske Bank. Functions and units for which this position paper is deemed to be particularly relevant will receive updates directly as members of Jyske Bank's sustainability committee, or forums for responsible and sustainable investment or financing.

Reporting

Jyske Bank will report annually on the implementation of this position paper in terms of the number of companies excluded from the investment universe, as part of our annual statement on the principal adverse impacts of our investment decisions on sustainability factors (PAI). Excluded companies are shown on Jyske Bank's exclusion list (jyskebank.dk/investering/investment-information).

Jyske Bank's annual reporting under the CSRD will also provide information on financing of and investments in oil and gas companies as defined in this position paper, and on the percentage of Jyske Bank's assets under management covered by this position paper.

Approval

The present document was approved by the Executive Board of Jyske Bank A/S on 5 December 2024.

JYSKE BANK

Vestergade 8-16
DK-8600 Silkeborg
Business Reg. No. 17 61 66 17

Tel. +45 89 89 89 89
jyskebank.dk