

RINGKJØBING LANDBOBANK'S TRANSITION PLAN FOR CLIMATE AND THE ENVIRONMENT

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Ringkjøbing
Landbobank

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Introduction

Ringkjøbing Landbobank seeks to minimise its environmental impact and related risks.

The bank wishes:

- **to adopt** targets for the carbon intensity – comprising CO₂ equivalents (referred to below as CO₂e) – of the bank's loan portfolio and of the investments made on behalf of customers and the bank's own securities portfolio
- **to reduce** the bank's own negative effect on the environment via a continuous focus on reduction of the bank's resource consumption, the introduction of decarbonisation initiatives and regular assessment of the possibilities of alternative and energy-saving initiatives
- **to pursue** the objective of operating as a CO₂e-neutral bank
- **to increase** our employees' environmental awareness and expertise and
- **to continue** to develop the bank's loans for climate-friendly and sustainable energy, including wind turbines and other environmentally friendly technologies.

This transition plan for climate and the environment is in accordance and aligned with the bank's business strategy, i.e.:

- **to be** a customer-focused relationship bank which endeavours to live out its values of competence, responsiveness and proper behaviour towards customers and society at large and
- **to work** towards a sustainable society by considering sustainability and social responsibility in the products etc. offered by the bank.

This transition plan was approved by the bank's board of directors on 20 December 2023 as part of the bank's social responsibility and sustainability policy. The transition plan was most recently updated and approved by the bank's board of directors on 20 November 2024.

Objectives and decarbonisation initiatives for scope 3

Ringkjøbing Landbobank supports the intentions of the Paris Agreement and has set specific targets for reducing CO₂e emissions from the bank's loans and investments.

It has been essential for Ringkjøbing Landbobank to formulate the targets so that the bank can continue to grow. The bank pursues an organic growth strategy and wants to win additional market share. The bank also wants to help finance businesses which pursue more sustainable ways of producing and consuming and/or to help finance investments that enable a business to move forward in the green transition of its industry. These businesses do not necessarily have low CO₂e emissions, but need finance for their transition to reduce their direct and indirect CO₂e emissions.

Background and method

In December 2023, the bank's board of directors decided to prepare a transition plan and to establish quantitative targets and qualitative decarbonisation initiatives to reduce CO₂e for both loans and investments.

Of the bank's total CO₂e emissions, scope 3 are the most significant and thus the bank's main focus.

Targets generally apply to downstream emissions in the bank's value chain. The targets are based on the Paris Agreement's goal of limiting the global temperature rise to less than two degrees and of striving to limit the temperature rise to 1.5 degrees. The EU has put the Paris Agreement into practice by adopting targets to reduce CO₂e emissions by at least 55% by the end of 2030, compared to the 1990 level and to achieve climate neutrality by 2050.

The bank has set targets consistent with the EU's CO₂e reduction target of 55% in the period 1990-2030. The 32% reductions already achieved in the EU from 1990 to 2020 were taken into account in the targets. A 55% reduction in the period 1990-2030 therefore requires a further reduction of 34% before 2030 compared to the 2020 level.

The bank's targets are intensity-based as the bank does not consider it possible to set valid absolute targets. The bank thus wishes to contribute to the green transition and the transition which both businesses and individuals must help to achieve. Setting absolute targets will be influenced by the general economic trend. The bank's organic growth strategy will influence the bank's loan portfolio, the portfolio of investments made on behalf of the bank's customers and the bank's own portfolio.

Given the bank's size and sector composition, the bank judges that it is not possible to set actual sector-specific targets.

Transition plan for loans

The bank wishes to achieve a 45% reduction of the CO₂e emission intensity from its loan portfolio by 2030 compared to 2020. This is a bigger reduction than the 34% required to meet the Paris Agreement.

The basis of emission intensity for 2020 is 9.88 tonnes of CO₂e per DKK 1 million loan and the target for 2030 is thus 5.43 tonnes of CO₂e per DKK 1 million loan.

Transition plan for climate and the environment

The EU has decided that anticipated absolute CO₂e emissions must also be stated when publishing a target.

With 2020 as the base year and assuming 5% growth p.a. in the bank's loans from 2020 to 2030, this is equivalent to absolute CO₂e emissions totalling approximately 308,000 tonnes of CO₂e in 2030.

The bank wishes to achieve a CO₂e-neutral loan portfolio by 2050.

The above quantitative targets are supplemented by the following qualitative initiatives and targets:

- By 2025, the bank must have had a dialogue on climate strategy with the biggest agricultural customers, who account for 70% of the bank's financed emissions in the agricultural sector.
- By 2025, the bank must have had a dialogue on climate strategy with all other major customers of significance to the bank's total financed emissions*.

* Customers of significance to the bank's financed emissions are defined as customers whose CO₂e emission intensity exceeds the bank's average CO₂e emission intensity for business customers excluding agricultural customers.

The dialogues on climate strategy with the bank's customers must help the customers take greenhouse gas reduction initiatives and support the customers in their business-related adjustment to changed framework conditions, e.g. in connection with the introduction of climate taxes in Denmark.

Transition plan for investments

The bank wishes to achieve a 50% reduction of the CO₂e emission intensity from the investment portfolio by 2030 compared to 2020. This is a bigger reduction than the 34% required by the Paris Agreement.

The basis of emission intensity for 2020 is 9.66 tonnes of CO₂e per DKK 1 million invested and the target for 2030 is thus 4.83 tonnes of CO₂e per DKK 1 million invested.

With 2020 as the base year and assuming 5% growth p.a. in investments from 2020 to 2030, this is equivalent to absolute CO₂e emissions totalling approximately 152,000 tonnes of CO₂e in 2030.

The bank wishes to achieve a CO₂e-neutral investment portfolio by 2050.

The above quantitative targets are supplemented by the following qualitative initiatives and objectives:

- In the coming years the bank wishes to develop further tools/IT aids for controlling the investment portfolios, including incorporation of CO₂e emissions into the bank's investment portfolio.
- The bank has a goal of allocating an ESG score to all customers.
- The bank wishes to develop products with the business partner BankInvest to support the customers' requirements.

The development of tools and dialogues with product providers are initiatives which will help ensure:

- That the bank's employees can monitor CO₂e emissions from the investment portfolios managed by the bank, thereby creating a basis for focusing on reducing emissions,
- That the bank's employees can monitor CO₂e emissions from the customers' investment portfolios, thereby enabling a dialogue with the bank's customers on reducing emissions, and
- That the bank can engage in dialogue with relevant providers of investment products on reducing the CO₂e emissions from the different products.

Data quality

To calculate CO₂e emissions, the bank uses the common principles and methods developed under the auspices of Finance Denmark (CO₂ model for the financial sector) for measurement and calculation of financed emissions from loans and investments. Finance Denmark's CO₂e model was developed based on the Partnership for Carbon Accounting Financials (PCAF) to harmonise CO₂e calculations from loans and investments.

The bank's CO₂e calculations are based mainly on figures from Statistics Denmark and MSCI to determine average emissions from each sector. The statements are thus model-based and consequently highly uncertain.

The bank's goal is to improve data quality over the coming years by collecting data from customers etc. As company-specific data become available and calculation methods develop, the reporting will improve gradually. This also means that the figures in the bank's ESG reporting may be changed in coming years – possibly with retroactive effect – as the data quality and calculation methods improve.

Objectives and decarbonisation initiatives for the bank's own emissions

As a responsible financial institution, Ringkjøbing Landbobank's objective is to operate as a CO₂e-neutral bank.

With 2019 as a base year, the bank wants to reduce its total scope 1 and 2 CO₂e emissions by 60% by 2030. By 2050, the bank wants to be CO₂e-neutral for scope 1 and 2 and the parts of scope 3 generated by the bank's own operation.

This objective means, as a minimum, that the bank will reduce scope 1 and 2 emissions from 337 tonnes of CO₂e in 2019 to 135 tonnes of CO₂e by 2030. The bank continuously focuses on improving energy efficiency and reducing its energy consumption, mainly in the forms of electricity and heating. In addition, the bank covers its electricity consumption by power generated from renewable energy, primarily through contractual agreements on the purchase of electricity produced from renewable sources. A small part of the electricity consumption is covered by solar panels on the bank's buildings.

Electricity consumption is therefore included at zero emission while district heating represents the majority of the bank's scope 2 emissions. District heating production in Denmark is based to a high degree on renewable energy sources with objectives of reaching CO₂e neutrality within a number of years. The bank's CO₂e scope 1 and 2 emissions are therefore falling and the bank's locked-in CO₂e scope 1 and 2 emissions limited.

Ringkjøbing Landbobank continuously focuses on reducing its own resource consumption and CO₂e emissions. Our methods of doing this include:

- Implementing profitable improvements of the energy efficiency of the bank's buildings
- Focusing on energy consumption and energy efficiency improvements when entering into or renegotiating leases
- Replacing the bank's own cars with electric cars as part of normal replacement
- Supporting charging stations for electric cars at the bank's branches
- Holding virtual meetings instead of physical meetings as far as possible.

In addition, the bank's activities, particularly IT operation and business travel, generate certain scope 3 CO₂e emissions. The bank has outsourced its IT development and operations to Bankdata, which in turn has outsourced the energy-hungry IT operations to JN Data. Bankdata and JN Data have entered into a long-term Power Purchase Agreement (PPA) with Better Energy, which has built a solar energy park as part of the agreement. From the beginning of 2023, the indirect electricity consumption of the bank's IT operations has thus been based on renewable energy production.

The bank owns Sæbygaard Skov forest, which captures CO₂e almost equal to the bank's scope 1 and 2 emissions. Ringkjøbing Landbobank does not at present meet the formal requirements for being CO₂e-neutral in terms of our scope 1 and 2 emissions because the forest is not certified to a UN-recognised standard.