

Climate Action Plan

February 2025

BANK INVEST



Climate Action Plan for Net Zero Asset Managers *(latest update: February 2025)*

The financial sector plays a central role in supporting the sustainable transition. BankInvest fundamentally believes that companies that are responsible in their business practices will be the ones creating long-term value.

BankInvest therefore joined the Net Zero Asset Managers initiative (NZAM) in 2021 committing to being carbon neutral by 2050. By joining the initiative, BankInvest will work to neutralize the greenhouse gas emissions from the companies we invest in. This will be achieved through various sub-goals.

This means that BankInvest will closely examine which companies are responsible for most of our financed emissions in the covered funds and then formulate action plans and targets for reduction.

In 2024, around 62% of BI Asset Management Fondsmælgerselskab A/S' AuM (as of 12/30/23) were managed in accordance with the NZAM initiative.

For the covered funds, BankInvest has set a 55% reduction target for the carbon footprint measured in EVIC (tCO₂e/\$m invested) from the end of 2019 to 2030. This corresponds to an annual reduction of around 7%.

The baseline figure for the reduction target is based on the CO₂ emissions in the covered funds' benchmarks. In this way, it is ensured that the baseline figure is representative of the covered activities. Impacts from external factors (such as temperature deviations in the baseline year affecting the energy use and related GHG emissions) have not been taken into consideration when setting the baseline figure. The total AuM-weighted average baseline value for the covered assets is 94 tCO₂e/\$m invested.

This target is in line with international research from 2018 by the UN's Intergovernmental Panel on Climate Change (IPCC), which, in a special report on 1.5°C global warming¹, prescribes a necessary CO₂ reduction of 49-65% during the 2020-2030 period. Nature-based solutions have not been included as part of the target. Overall, the benchmarks associated with BankInvest's covered funds are broadly based and global and are therefore considered applicable to the global reduction requirement as specified by the UN's climate panel.

BankInvest's reduction targets are set for scope 1 and 2 financed emissions, except for Danish mortgage bonds, where scope 3 is also included. The amount and quality of data available to investors regarding companies' scope 3 emissions is relatively limited compared to that of scope 1 and 2. The lack of quality data makes it difficult to integrate scope 3 data consistently as this can lead to sub-optimal incentives and decisions. At BankInvest, we therefore regularly assess which scope 3 data is relevant to include in our work with setting CO₂-targets. This seeks to ensure that we only integrate data of which we have a solid understanding of the methods behind and where we are able to assess materiality, meaning and impact of the emissions.

For the ongoing measurement of BankInvest's CO₂ targets, the most recent reported or estimated scope 1 and 2 emissions from the investee companies are used. MSCI ESG is BankInvest's primary provider of reported and estimated CO₂ data for measuring BankInvest's financed emissions. To ensure consistency, MSCI ESG estimates emissions if a company's reporting does not follow the GHG Protocol framework or does not cover emissions across the company's geographic areas and business activities. Estimation may be based on industry averages or previously reported emissions. For Danish mortgage bonds' CO₂ scope 3 data, data from Capital Market Partners (CMP) is used. Most Danish mortgage bond institutions provide CO₂ data via standardized templates called ECBC templates. CO₂ data is reported in the voluntary section of the template. This is collected by CMP and made available to BankInvest.

¹ IPCC Special Report Global Warming of 1.5 °C (2018) <https://www.ipcc.ch/sr15/>

Our work to increase the covered assets under management

The reason not all assets under management are included in BankInvest's targets is primarily due to insufficient data and lack of calculation methods for CO₂. As part of our work with our targets, we have increased the proportion of our assets under management managed in accordance with the NZAM initiative from 43% in 2022 to 62%² in 2023. The increase is primarily due to the purchase of more CO₂ data as well as an addition of institutional clients wanting to be included in the initiative.

BankInvest considers it crucial that the set targets and action plans can be supported by data, tools, and internal systems that help ensure and measure the achievement of our goals. Therefore, the covered assets only include asset classes where recognized methods for CO₂ calculations exist as well as funds with available data on most assets. BankInvest utilizes standardized CO₂ calculation models from organizations such as FinansDanmark and PCAF.

Finally, BankInvest has an ongoing dialogue with our institutional clients to clarify whether they wish to be part of the initiative. BankInvest's goal is to increase the covered AuM to 100% by 2040 in line with our commitments to the NZAM initiative.

Guidelines for investments in fossil fuel companies

As part of our efforts to fulfill our commitments to the NZAM initiative, BankInvest developed new guidelines for investments in fossil fuel companies in 2023, which came into effect in January 2024. For further information regarding the guidelines for investments in fossil fuel companies, please refer to BankInvest's website.

Method

The NZAM initiative has recommended that asset managers choose one of the following three frameworks related to the initiative when establishing CO₂ targets:

1. Paris Aligned Investment Initiative Net Zero Investment Framework
2. UN Asset Owner Alliance Target Setting Protocol
3. Science Based Target Initiative for Financial Institutions

There are thus different approaches to how one can work with and achieve net zero. BankInvest has chosen the Paris Aligned Investment Initiative's Net Zero Investment Framework. The Paris Aligned Investment Initiative is an investor-driven collaboration supported by four investor networks: AIGCC, Ceres, IGCC, and IIGCC, with BankInvest being a member of the latter. Their Net Zero Investment Framework is designed as a foundation and guideline to how investors can define strategies, measure adjustments and adjust portfolios for net zero commitments.

The method requires investors to establish clear and science-based goals for covered funds based on two types of objectives: 1) Top-down CO₂ target setting, and 2) Bottom-up target setting on active ownership and engagement.

The top-down target setting concerns the reduction of the carbon footprint at the portfolio level, while the bottom-up target setting aims to increase the number of companies in the portfolio that have either already implemented strategies and action plans in line with the Paris Agreement or are actively engaged with through dialogue on the topic.

BankInvest has examined the data and methodological basis for bottom-up target setting and has concluded that it is currently insufficient for establishing such targets. BankInvest intends to develop and submit bottom-up targets once the data and methodological basis are in place. As part of our preparations to set a bottom-up target, BankInvest strengthened its active ownership efforts as of January 1st 2025 by entering a partnership with Federated Hermes EOS (hereafter EOS). One of EOS' main engagement themes is climate. BankInvest will therefore seek to investigate how EOS' climate-related engagements on companies' alignment with the Paris-

² <https://www.netzeroassetmanagers.org/signatories/bankinvest-asset-management-fondsmaeglerselskab-a-s-2/>

agreement can be used to set a bottom-up target. As new reporting obligations come into effect, including the Corporate Sustainability Reporting Directive (CSRD), it is expected that the data availability will improve. We are continuously investigating data coverage and frameworks that will enable us to set bottom-up targets in the future.

Governance

BankInvest's executive management is ultimately responsible for setting the direction for BankInvest's approach to responsible investments, including climate considerations. The management is supported by the internal Committee for Responsible Investments, which is tasked with monitoring BankInvest's work on responsible investments. BankInvest's Executive Management chairs the committee.

BankInvest's Climate Action Plan for Net Zero Asset Managers is developed by an internal working group consisting of the ESG department as well as representatives from various areas of the organization. The ESG department is responsible for the overall coordination. Relevant decisions are made in the Committee for Responsible Investments with the participation of members from executive management and senior leadership. The ultimate approval and responsibility for BankInvest's net zero action plan lies with the executive management. In this way, it is ensured that BankInvest's Climate Action Plan is adjusted to and an integrated part of BankInvest's overall business strategy and financial planning.

Annual reporting on our progress and targets to the NZAM initiative is published on BankInvest's website. BankInvest is committed to reviewing the targets every five years.