

# CSR Report 2021

Corporate social responsibility report

Sydbank Group

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**Sydbank**  
Denmark's Corporate Bank



## Preface

# Sustainability and social responsibility on the strategic agenda

By Karen Frøsig, CEO of Sydbank

Sustainability is becoming an ever more important topic in society and in our operations as a bank. The severity of climate change was made clear in the report published in summer 2021 by the UN panel on climate change. There is no longer any doubt that climate change is man-made. However the good news is that something can still be done about the changes – and we as a bank want to contribute. We must remember that sustainability is much more than the climate and CO<sub>2</sub> – and this is why we continue to focus on a wide range of areas relating to sustainability and social responsibility.

When you read the CSR report I hope you will gain an insight into the positive trend in the Bank's sustainability efforts – but also the challenges that our attention was focused on in 2021. Therefore I would like to briefly highlight a couple of the issues that were high on the agenda in 2021 and that will have a significant impact on our sustainability efforts going forward.

### Greater governance and knowledge about sustainability

Sustainability claimed a bigger seat in the boardroom in 2021. According to the Bank's sustainability and social responsibility policy the Board of Directors is now responsible for approving objectives in the area of sustainability in addition to ensuring that the policy is complied with.

Sustainability is a subject that is increasingly addressed in the dialogue with our stakeholders. Consequently we made it a priority in 2021 to devote time and resources to offering all the Bank's employees basic training in sustainability. Some employee groups were given a deeper insight into and knowledge of sustainable issues of particular relevance to their jobs and several board members completed a training course in sustainability.

We recognise that sustainability and CSR efforts are here to stay and therefore sustainability has been integrated into the Bank's strategy for the period 2022-2024.

### New legislation

In 2021 significant focus was on new EU legislation, especially the Taxonomy Regulation, which defines the activities that can be called climate and environmentally sustainable in the future. We welcome legislation that in the long term will help to create greater transparency and a common yardstick in the finance sector and society in general. However we must also admit that reporting under the Taxonomy Regulation is a rather time-consuming exercise exposing general challenges regarding the underlying data to measure sustainability. Despite considerable efforts in 2021 we are still experiencing challenges in obtaining the required data for reporting on sustainability – and this issue will therefore have our attention also in 2022.

### International endorsements

International conventions and agreements are significant players in a sustainable transition. Consequently Sydbank is still a part of and supports the UN Global Compact, which includes 10 principles on corporate social responsibility and is based on international conventions and agreements. Sydbank signed the UN's 6 principles for responsible banking in 2020. Therefore 2021 is the first year that we have reported on our progress on the principles. Progress that has shown us we are on the right track.

Proactive efforts in connection with the sustainable agenda are being made. We believe that the new legislative framework together with our international endorsements will serve as a guiding principle for Sydbank's future work in this area.



## About this report

This report covers Sydbank's sustainability efforts during the period 1 January – 31 December 2021 and meets the current requirements regarding CSR reporting pursuant to section 135b of the Danish executive order on financial reporting of credit institutions and brokerage firms etc. This applies in particular with regard to the 5 mandatory reporting areas: social issues, climate issues, environmental issues, human rights and anti-corruption measures.

Furthermore the report includes reporting pursuant to Article 8 of the Taxonomy Regulation on whether Sydbank's assets can be considered taxonomy-eligible.

The report also meets the requirements of the UN Global Compact concerning the submission of a Communication on Progress (CoP). Sydbank's CoP must describe and provide documentation of the Bank's efforts to support and uphold the 10 UN Global Compact principles and possibly also the 17 SDGs.

Finally the report includes Sydbank's first reporting on the integration of the UN Principles for Responsible Banking (page 56). Reporting will take place on an ongoing basis in the report in the sections where it is relevant.

This Danish version of the report has been reviewed (ISAE 3000, limited assurance) by an external auditor to obtain limited assurance for data covered by the auditors' report. In 2021 Sydbank carried out an audit firm rotation from Ernst & Young to PwC as a consequence of Article 17 as well as point (1) of Article 41 (transitional provisions) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

## Explanation of terms

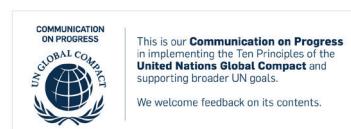
This report uses many terms all of which are related to the umbrella term 'sustainability', which encompasses social, economic and environmental sustainability.

A common definition of sustainability is found in the Brundtland report (Our Common Future) from 1987. The report describes sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

Therefore when sustainability is used in this report it is a broad term covering several aspects to ensure a balance in our basis of existence without endangering the basis of existence of future generations.



**SUSTAINABLE DEVELOPMENT GOALS**



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# Contents

<b>Chapter 1: Creating value</b>	<b>7</b>	<b>Chapter 6: Responsible employer</b>	<b>33</b>
Role in society	7	Overall objective	33
Our stakeholders	8	Excellent and committed employees are our most valuable asset	33
Business model – “Banking – pure and simple”	8	Combating discrimination	35
Business strategy	8	Sexism has no place in Sydbank	36
Satisfied customers	8	Safety and security for our employees	36
Local sponsorships and fund donations	8	Good health requires commitment and action	36
<b>Chapter 2: A decent bank</b>	<b>13</b>	<b>Chapter 7: Responsible climate footprint</b>	<b>39</b>
Consumer protection and product approval procedures	13	Overall objective	39
Taxation	13	Credible CO <sub>2</sub> accounts	39
Data processing and information security	13	More sustainable company car policy	39
Efforts to fight crime and corruption	14	Monitoring of energy consumption	40
<b>Chapter 3: Sustainability efforts</b>	<b>17</b>	Energy optimisation and renewable energy sources	40
Greater strategic focus on sustainability and social responsibility	17	Responsible suppliers and business partners	41
4 strategic focus areas	17	New waste separation solutions	41
Sustainable governance foundation	17	Local networks focusing on sustainability	41
Organisation and management	17	<b>Chapter 8: Data and data processing</b>	<b>43</b>
Sustainable endorsements and levers	18	Scope of CSR report	43
<b>Chapter 4: Responsible finance</b>	<b>21</b>	Data collection	43
Overall objective	21	Overview of data – definitions	43
Risk – responsibility and balance	21	<b>Auditors’ report</b>	<b>54</b>
Sustainable transition represented in lending	22	<b>Reporting under the UN Principles for Responsible Banking</b>	<b>56</b>
CO <sub>2</sub> calculation of corporate loans, home loans and car loans to retail clients	22	<b>Reporting under Article 8 of the Taxonomy Regulation</b>	<b>64</b>
Home package – contribution to a sustainable transition for retail clients	24	Taxonomy Regulation – definitions	64
Corporate challenges in a coronavirus-hit economy	24	Reporting for the 2021 financial year	64
Reporting under the taxonomy regulation	25		
<b>Chapter 5: Responsible investment</b>	<b>27</b>		
Overall objective	27		
Ambition to increase ESG integration	28		
Ongoing development in ESG data quality	28		
Climate targets for investments 2021–2030	28		
Sustainability in the investment universe – version 2.0	29		
Sustainability – more than just the environment	29		
Responsible investment in shares and corporate bonds	30		
Investments in government bonds	31		
Collaboration and knowledge sharing	31		

The CSR Report for 2021 is available in Danish at [sydbank.dk](https://sydbank.dk) and in English at [sydbank.com](https://sydbank.com).  
In case of doubt the Danish version applies.



# 1. Creating value

## Role in society

Sydbank is one of Denmark's largest banks and given its SIFI label our role in society involves a special responsibility to make a positive contribution to developments. The financial sector's infrastructure helps to ensure that payments and money transfers can be carried out efficiently and securely. At the same time the advice we provide contributes to improving big and small financial decisions by companies and private persons. By providing finance to companies and private persons we help companies to grow and contribute to economic activity in terms of the housing market and other consumer spending.

## Our stakeholders

Sydbank's growth and existence depend on dialogue and interaction with our stakeholders in our own organisation, in the marketplace and in society at large.

Close relationships and dialogue with our most important stakeholders enable us to obtain a deeper insight into how we can make strides in sustainability and accelerate our contribution to a sustainable transition. By involving our stakeholders we gain access to valuable knowledge that can help us evolve in a more sustainable direction.

## Our organisation

In our own organisation the most important stakeholders are our employees. The dialogue with employees is formalised in a number of employee forums which also focus on eg working conditions and the work environment.

To ensure that employees' wishes and requirements are included, an employee engagement survey is carried out every other year, which enables us to compare ourselves with other Danish banks and companies in the finance sector.

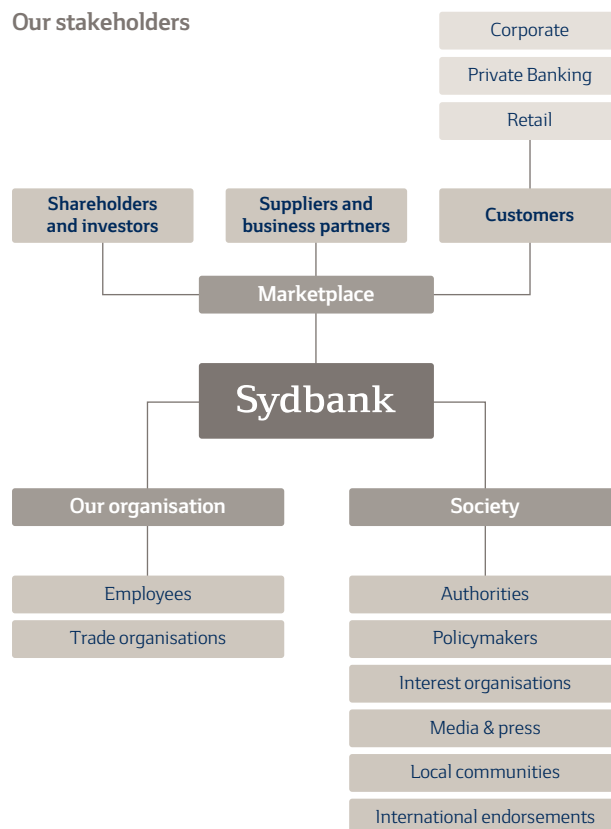
## Marketplace

In the marketplace the Bank's principal stakeholders are its customers, shareholders, investors, suppliers and business partners. High priority is placed on being close to our customers and nurturing the relationship by offering advice and responsible products and by local engagement. Sydbank's customers are divided into 3 segments: Corporate, Private Banking and Retail.

To stay updated on customers' needs and requirements customer satisfaction surveys are conducted every year. For more information, see page 8.

In addition Finance Denmark via Epinion has explored Danes' expectations as to the finance sector's sustainability efforts. According to the survey Danish retail clients would like more opportunities to select more sustainable products and solutions.

## Our stakeholders



Sydbank will to a greater extent highlight the Bank's more sustainable choices for the retail segment as well as the corporate segment. Consequently we created a dedicated page (in Danish only) on [sydbank.dk](https://sydbank.dk) in 2021 informing customers about how they can make more sustainable choices when making financial decisions.

## Society at large

Sydbank's key stakeholders in society at large are local communities, authorities, policymakers, interest organisations, our international endorsements as well as the media and press. Common regulation of the banking sector is necessary to ensure security, transparency and stability. To help ensure that regulations can be handled effectively in practice, Sydbank is a member of the following interest organisations that are in dialogue with authorities and legislators on behalf of the entire financial sector or parts of the financial sector: Finance Denmark, National Banks in Denmark and the Employers' Association for the Financial Sector.

Finance Denmark is one of the most important interest organisations for Sydbank. Finance Denmark has set up the Forum for Sustainable Finance, which has published 20 recommendations on how the finance sector can contribute to a sustainable transi-

tion. The recommendations provide an insight into what society at large, including the corporate sector and interest organisations, expects from Sydbank in this area. As a member of Finance Denmark, it is our ambition to comply with the recommendations aimed at the finance sector.

There is a degree of interdependence between local communities and Sydbank. Local communities are dependent on banks' infrastructure, including financing and investment opportunities, as well as advisory services. Sydbank is dependent on active local communities offering the potential to do business and generate growth. Sydbank has special focus on local business environments that have a profound impact on local communities in general. Building long-term relationships in the local communities is therefore a key element of Sydbank's fundamental values and business model.

### Business model – “Banking – pure and simple”

The classic business model for banks is fundamentally concerned with optimising risk management when short-term deposits are converted to long-term loans. This remains the cornerstone of Sydbank's business model.

Sydbank focuses on what is important – banking and sound business. We call it “Banking – pure and simple”. In addition to deposit and loan products produced in-house, the Bank's business model includes activities within payment services, securities trading and asset management as well as arranging mortgage credit products, investment management products and insurance products via business partners. Backed by the best business partners our competitive strength is increased.

Sydbank is a nationwide bank and its business volume is evenly distributed across 12 Danish regions as well as Northern Germany, where the Bank has 3 branches.

The Bank's business model is available at [sydbank.dk](https://sydbank.dk).

### Business strategy

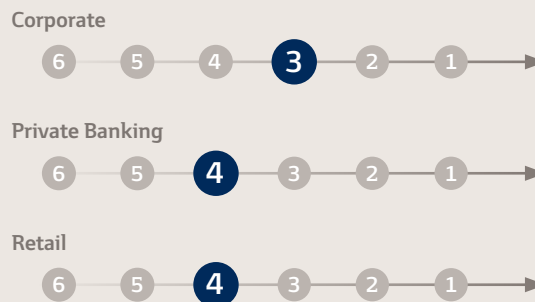
Sydbank's strategy for 2019-2021 is named “A stronger bank”. We will build a stronger bank with the purpose of enhancing Sydbank's market position. Our customers must receive greater value, our employees must have even simpler processes and Sydbank must be more visible to the Bank's key stakeholders by means of a stronger profile.

Sydbank has announced its strategy for 2022-2024, which is named “Growing our business”. ESG issues along with sustainability are included as a separate strategic initiative.

### Satisfied customers

Our customers must trust that we provide value-adding advice.

### Customer satisfaction



We do not take this trust for granted but strive to earn it. Customer satisfaction within Corporate, Private Banking and Retail is measured every year. The surveys are carried out to help us identify how we can become an even better bank for our customers. They are conducted in collaboration with Aalund, Prospera and EPSI and enable us to compare our results with the rest of the financial sector.

According to the Aalund survey we can call ourselves Denmark's third largest corporate bank also in 2021 – and in terms of customer satisfaction we were ranked in third place among the country's 6 largest banks. We are the preferred bank when corporate clients are considering switching banks. 18% of respondents stated that they would switch to Sydbank if they were about to change banks.

In Prospera's survey among Private Banking clients the Bank scored a fourth place in overall customer satisfaction among the country's 5 largest banks. The most important parameter for Private Banking clients was banks' ethical standards – here Sydbank achieved first place for the third consecutive year.

In 2021 Sydbank came in fourth in the retail segment among the country's 6 largest banks in the EPSI survey. We have noted that there is a downward trend in customer satisfaction with banks – at an industry level and as regards Sydbank. The decline in customer satisfaction should be seen in the context of the introduction of negative deposit rates and customer charges.

### Local sponsorships and fund donations

At Sydbank we set great store by being close to customers. This is why having a strong presence in local communities is a central element in terms of our activities regarding sponsor-



ships and fund donations. As a result the local branches manage a significant share of the Bank's sponsorships. Sydbank seeks to contribute to open and active local communities throughout the country and therefore one of the aims of the sponsorships is to establish and maintain social relationships.

The funds donated DKK 13.9m in 2021. Sydbank's sponsorships totalled DKK 17.8m, of which local sponsorships accounted for around DKK 10m. Donations by Sydbank Fonden were affected in particular by Sydbank's 50th birthday anniversary and support for research in growth and the shortage of skilled labour.

#### **Birthday gift of DKK 1.3m to association activities**

Sydbank celebrated its 50th birthday in 2020 – in the midst of the coronavirus pandemic and as a result part of the celebration was postponed until 2021. In collaboration with Sydbank Fonden, Sydbank donated a total of DKK 1.3m in 2021 in donations of DKK 10,000 to local associations. The donations were divided between Sydbank's 12 Danish regions as well as Sydbank in Germany, which were responsible for distributing the funds to 10 selected local associations. It is our hope that the donations can help a number of local associations after a long difficult period with shutdowns and limitations due to covid-19.

#### **Book series to teach children about sustainability**

In spring 2021 Sydbank Fonden donated DKK 174,000 to the club "CO2-Klubben" in Kolding – a donation that via trade association Business Kolding was intended for a book series called "Den Gule Planet" (the yellow planet). The book series aims to give 4th and 5th grade pupils in Kolding the possibility to learn more about climate challenges and possible solutions.

#### **Research focusing on growth and shortage of skilled labour**

Sydbank Fonden wishes to focus some of its donations on a major contribution that is useful to society and therefore in 2019 Sydbank Fonden sponsored for the first time a research project focusing on society. The project examined what was needed to ensure skilled labour in the future. The number of newly skilled young people has seen a downward trend and according to forward projections there will be a shortage of around 70,000 skilled workers in 2025, in particular young people who have completed a vocational training programme as an electrician, carpenter, butcher, mechanic or baker. The research also sought to shed light on what is needed to create good and attractive apprenticeships going forward. Sydbank Fonden focused attention on the shortage of skilled labour by means of 5 regional seminars for persons responsible for apprenticeships in companies and a large conference with the participation of politicians, ministers, organisations, educational institutions, debaters and other interested parties.

## **Sydbank – Denmark's Corporate Bank**

*Sydbank is the bank for the backbone of the Danish corporate sector. With a market share of more than 10% among small and medium-sized enterprises, Sydbank is Denmark's 3rd largest corporate bank.*

*Sydbank is Denmark's Corporate Bank because:*

**Sydbank has a unique size.** *Sufficiently large and competent to match the professional expectations of businesses – yet sufficiently small to be attentive and know their needs and requirements.*

**Sydbank is attentive and efficient.** *Sydbank's strong decentralised organisation with 12 Danish regions means that decisions are made promptly and very close to customers.*

**Sydbank is there for better or for worse.** *SME clients have permanent advisers who know the individual business. We build on long-term relationships and stand by our agreements and grow together.*

**Sydbank's products cover all requirements of corporate clients.** *This includes the award-winning Trade Finance, strategic advice involving the Strategy Compass, and full-scale banking in Germany to pave the way for exports.*

**Sydbank provides access to influence.** *In the run-up to the local elections in 2021, Sydbank together with the Danish Chamber of Commerce and one of Denmark's largest media groups organised 18 business debates across the country where local politicians and local business people discussed the conditions and challenges of operating a business locally. More than 2,000 business leaders took part.*

**Sydbank has an appetite for growth.** *Sydbank has a clear ambition in the corporate area. We will grow and we will conquer market shares without compromising our quality. More profitable businesses must become Sydbank customers.*

**Corporate clients would shift to Sydbank.** *According to Aalund's survey Sydbank is unarguably the bank most corporate clients would change to. As many as 18% stated that they would shift to Sydbank if they were about to change banks.*

**Sound business benefits both.** *Good business is created when it has value for both buyer and seller. Simple and easy to understand. This is how our corporate clients operate their business and how we operate our business.*







Profit for the year

**1,411**

**DKKm**

Bank loans and advances **DKK 67.0bn**

Deposits **DKK 93.9bn**

Number of staff (FTE) **2,167**

Funds under management **DKK 126bn**

Corporation tax **DKK 353m**

Profit for the year **DKK 1,411m**

ROE **11.2%**







## 2. A decent bank

Trust in the financial sector is essential for growth in society. The overall level of satisfaction with the banking sector is declining and Sydbank must differentiate itself from the many negative bank cases by continuing to run a decent bank.

### Consumer protection and product approval procedures

Sydbank strives to ensure that its customers make their decisions on an informed basis and are afforded the protection they are entitled to as consumers. These elements are incorporated in the Bank's procedures and guidelines.

Sydbank is subject to MiFID II's product governance rules. This means that all the investment products offered by the Bank must be consistent with specific target groups. In other words the needs, characteristics and investment objectives of the target groups must be represented in the products. Ongoing internal controls aim to ensure that the Bank offers the right products to the right target groups and that the products continue to meet customers' requirements.

The Bank has control mechanisms to make sure that rules and guidelines are observed. Compliance ensures that the controls are performed and that any errors and omissions reported are corrected.

### Taxation

Sydbank's tax policy determines the framework for the Bank's conduct in the area of taxation in relation to its own tax affairs as well as those of its customers and business partners. Sydbank's Board of Directors is responsible for the tax policy, which is updated once a year and is available at [sydbank.com](https://sydbank.com).

We take our responsibility as regards tax reporting and payments seriously as tax payments represent the foundation of our welfare society and this area is of great significance to the Bank's stakeholders and its business. It is important for Sydbank that it can explain and defend its tax-related transactions in terms of its stakeholders. This is why for instance Sydbank has no activities in countries included on the EU's list or the OECD's list of tax havens.

Sydbank collaborates and has an ongoing dialogue with the Danish Tax Agency via for instance Tax Governance to ensure that the Bank's work related to taxation is carried out in an orderly manner.

### Data processing and information security

#### Data protection – confidentiality comes with strings

Ongoing efforts are made to ensure that we comply with applicable legislation on data protection and security. Our customers must be able to trust that their data is processed in a confidential, secure and safe manner.

Sydbank has a dedicated GDPR department that analyses the Bank's processing activities so as to continuously improve and optimise processes and thereby avoid errors. The department is responsible for day-to-day operations which ensures for one thing that our customers' rights are protected. Sydbank's Data Protection Officer (DPO) advises the Bank on the GDPR rules and serves as the contact person for the Danish Data Protection Agency.

Furthermore all Sydbank's employees receive mandatory training on an ongoing basis on the correct processing of personal data. Twice a year Human Resources submits a report to the Bank's Head of Compliance and the Bank's DPO on the number of employees who have completed the training. Human Resources has a follow-up procedure for employees who have not completed the training. Together with the employee's immediate superior the reason for not completing the training is found. If it proves difficult to find the cause and it is not due to for instance leave of absence or illness the matter is reported to Compliance and the DPO.

Information on how Sydbank processes customers' personal data is available at [sydbank.dk/persondata](https://sydbank.dk/persondata) (in Danish only).

### Data ethics policy

Sydbank's data ethics policy must ensure that we comply with legislation in force, monitor developments and are perceived as a respected, competent and decent business partner. For Sydbank it is essential that our customers and the surrounding world have confidence in our processing and storage of their data. This is why we have set out our position on data ethics in a policy.

The policy concerns the Bank's work related to data ethics, including ethical deliberations in connection with the use of new technologies and increased volumes of data.

We are responsible for ensuring that data processing is carried out in an ethical, responsible and transparent manner. As a result we strive to improve our data processing on an ongoing basis and we also collaborate with relevant authorities in this area.

### Information security

Cyberattacks are a threat to our business and the stability of society. Hacker groups attacking banks' systems to gain access to transaction patterns and other inside information is a growing trend.

Sydbank's approach to information security is an approach ensuring that we comply with legislation and implement recommended measures. Furthermore operational security is strengthened

on a continuing basis where focus is on making it difficult for hostile persons to access our systems and preventing them from doing so.

It is important that employees contribute to maintaining a high level of security and consequently all the Bank's employees were required to complete a course in information security also in 2021. The training course was based on the most common methods that criminals use to attempt to gain access to information through employees. The course also included information on how employees should respond in case of a security breach.

It is important that we are able to perform critical tasks at all times – also during a contingency situation where security has been breached. This is why Sydbank has an operational contingency plan in place including guidelines for recovery of lost data and accessibility.

Sydbank's information security department is responsible for implementing regular commercial impact assessments to test the security of the Bank's IT systems. In addition Sydbank takes part in the Danish central bank's Threat Intelligence Based Ethical Red Teaming (TIBER-DK), which is a programme to test the critical parts of the financial infrastructure. TIBER-DK aims to increase the cyber resilience of the financial sector and promote financial stability. Participation in the programme includes a red team attack that will reveal the infrastructure's strengths and weaknesses.

Unfortunately IT fraudsters exploit every opportunity to trick money out of our customers and this is why considerable focus is on protecting customers from fraudsters. In various media and on our own digital channels and platforms such as "Pengeliv" on sydbank.dk, information on fraud is provided on an ongoing basis and advice is offered on how to avoid fraud. In addition a fraud department monitors and stops suspicious payments and online banking intrusion and processes cases involving card misuse and wherever possible reverses unauthorised payments.

### Passphrase campaign

*Using weak passwords is one of the main reasons why hackers are successful. As a result password security at Sydbank was tightened significantly in 2021 and now the Bank's employees can only use passwords that live up to the highest standards.*

The department also provides information to eg the police, authorities and attorneys in connection with cases regarding fraud and other criminal activity. These targeted efforts in 2021 helped to secure a major decline in losses associated with fraud committed against the Bank's customers.

### Efforts to fight crime and corruption

#### Combating money laundering and terrorist financing

At Sydbank we are mindful of the risk of the Bank being used for money laundering and terrorist financing and as a result efforts are made on a continuing basis to strengthen preventive measures.

Our efforts are based on the principle that we must be able to stand up to scrutiny – especially when our customers enquire about the Bank's measures to combat money laundering but also when business partners and authorities seek information about our contingency plans. Consequently we have set up a dedicated page (in Danish only) on Sydbank's website with information on our efforts to combat money laundering and terrorist financing.

In order to comply with the Danish Anti-Money Laundering Act the quality of information required in connection with the establishment of new retail and corporate client relationships is monitored centrally. Furthermore the Bank's transaction monitoring is extended on an ongoing basis whenever new risks are identified.

Sydbank's AML committee is tasked with helping to identify and assess risks and ensure that the Bank is kept up to date on the newest trends and measures. The committee consists of relevant group executive vice presidents and is chaired by Sydbank's AML Executive (Group Executive Management member).

The AML Risk Management department reports to the Group Executive Management and the Board of Directors on a quarterly basis on efforts made to combat money laundering and terrorist financing and also reports on a regular basis on the risk scenario for this area. In addition the department implements a number of controls to ensure that applicable legislation and its own business procedures are complied with.

Sydbank was a member of Finance Denmark's anti-money laundering taskforce (dissolved in 2019), which submitted 25 recommendations in 2019 to strengthen efforts to combat money laundering and terrorist financing. In 2021 we continued to focus on the most important of the 25 recommendations and they have been incorporated, directly or indirectly, into day-to-day operations at Sydbank. The Bank has also been a member of several working groups set up by Finance Denmark and taken an active part in efforts to establish a collaboration among Danish

banks to combat money laundering and terrorist financing. In addition, via Finance Denmark, we have participated actively in the initial dialogue with the authorities on the establishment of a national transaction monitoring and analysis system that could potentially strengthen the fight against money laundering, terrorist financing and other financial crime.

Finance Denmark's anti-money laundering taskforce recommended that banks comply with 6 principles of conduct to ensure a healthy corporate culture with regard to preventing money laundering and terrorist financing and thereby help to boost efforts in this area. Sydbank complies with these 6 principles.

Furthermore in 2021 the Danish FSA launched an ideas catalogue with 7 initiatives to strengthen the fight against money laundering and terrorist financing. These initiatives include better knowledge of customers and the significance of information sharing between banks or via public authorities. Sydbank is actively monitoring the work on the 7 initiatives, which are an excellent supplement to the ongoing efforts to create solutions for the sector.

Sydbank's work on the recommendations and initiatives includes the establishment of a central entity that examines all new customer relationships to ensure that all KYC requirements have been complied with and that the customer relationship is within the Bank's risk tolerance. The controls help to ensure that Sydbank puts ethics before profit and that the Danish Anti-Money Laundering Act is observed.

Via the AML committee it is ensured that the tone from the top is embedded in all management levels and thereby also among employees so that they assume responsibility in connection with combating money laundering and terrorist financing. Targeted efforts are also made with regard to corporate culture in connection with the implementation of the Bank's policy for healthy corporate culture.

### **Bribery**

Sydbank disapproves of any form of corruption and bribery and does not tolerate its existence.

Sydbank takes an active part in preventing market abuse. Vast amounts are traded on securities markets and it is important that markets are protected against abuse. Sydbank has measures in place to ensure the correct handling of inside information within the Bank, by management and employees as well as measures relating to customers' use of the Bank.

## **Sydbank's whistleblower scheme**

*At Sydbank we will do business in an ethical and responsible manner. This is why we have decided to upgrade our mandatory internal whistleblower scheme to a portal that employees as well as external parties have access to. Here everyone can report potential offences or similar material violations of Sydbank's fundamental values and code of conduct.*

*All reports are treated in the strictest confidence and in accordance with applicable personal data legislation. The whistleblower scheme is initially managed by a third party – law firm Poul Schmidth/Kammeradvokaten – which screens reports after which they are sent to the Bank's Head of Compliance.*

*The whistleblower portal is accessible via [sydbank.dk](https://sydbank.dk).*





### 3. Sustainability efforts

#### Greater strategic focus on sustainability and social responsibility

As one of Denmark's largest banks, Sydbank has a special responsibility to make a positive contribution to developments in society so that together we can ensure a sustainable future for the next generations – we take this responsibility seriously.

One of the goals of Sydbank's strategy for 2022-2024 is to incorporate ESG issues and sustainability in the Bank's products and processes. In preparation for this work the Bank's policy for sustainability and social responsibility has been updated and going forward the policy includes goals for its sustainability and social responsibility efforts. The Board of Directors is now responsible for approving objectives and for compliance with the policy as well as for ensuring that the Bank's international endorsements are complied with.

In 2022 we will set up a working group consisting of employees from relevant areas in the Bank. The purpose of the working group is to carry out an impact analysis as described in the UN Principles for Responsible Banking and on this basis to determine quantitative targets for the Bank's 2 primary impact areas.

#### 4 strategic focus areas

For Sydbank sustainability is about doing something because it is the right thing to do and because it can be integrated naturally in the Bank's business. In other words we must focus on the challenges in society that are closest to our core business and primary areas of impact.

As a result we have decided to focus on 4 areas where we believe we can make a significant difference: responsible finance, responsible investment, responsible employer and responsible climate footprint. Consequently these areas play a prominent part in this report and they are discussed and reviewed separately in chapters 4-7. Each chapter sets out what we have achieved in 2021, our goals for 2022, special risks and focus areas, relevant policies and standards as well as our overall objective in each strategic area.

Human rights and workers' rights are a component of several focus areas and are integrated in policies that apply to our most important business areas, namely lending and investment. Actual and potential impacts on these rights are therefore integrated in the following chapters.

#### Sustainable governance foundation

Sustainability is embedded in many parts of Sydbank. Consequently sustainability and social responsibility also form part of Sydbank's governance foundation, which includes:

- Sydbank's code of conduct
- Sydbank's management code of conduct
- Policy for sustainability and social responsibility
- Conflicts of interest policy
- Policy for prevention of money laundering, terrorist financing and sanctions breaches
- Responsible investment and active ownership policy
- Sydbank's tax policy
- Remuneration policy
- Policy for the underrepresented gender
- Policy for healthy corporate culture
- Data ethics policy.

Sydbank's remuneration policy was updated in 2021 regarding the conditions for determining remuneration and bonuses. The update takes into account decisions made by the Bank concerning the integration of sustainability factors and sustainability risks.

#### Compliance assessment of Sydbank's sustainability and CSR efforts

In 2021 Sydbank's Compliance prepared a risk assessment of the Bank's sustainability and CSR efforts. Compliance has reviewed the CSR report for 2020 and conducted an assessment of whether the Bank has the required governance to comply with external and internal rules.

Based on this review it is the assessment of Compliance that the Bank's governance within the area of sustainability and social responsibility is satisfactory and that it ensures that the requirements relating to the Bank's reporting on sustainability and CSR are observed. Compliance's risk assessment gives assurance that the Bank's sustainability and CSR efforts rest on a sound governance foundation.

#### Organisation and management Sustainability and CSR forum

Sydbank's sustainability and CSR forum evaluates and decides upon concrete sustainability and CSR initiatives. The members of the forum include Sydbank's CEO and relevant group executive vice presidents.

The forum is formalised by means of terms of reference setting out its tasks and powers. The terms of reference are updated annually and are approved by the Group Executive Management. In 2021 the forum continued to focus on integrating sustainability into the Bank's business areas and ensuring in-house dialogue and sparring on goals for the 4 strategic focus areas.

Sydbank's sustainability and CSR forum also operates on a more tactical level by evaluating on an ongoing basis the trends in society that Sydbank should incorporate to best contribute to a sustainable development.

### **New working group for sustainability and social responsibility**

As Sydbank's level of ambition grows and sustainability is increasingly integrated into the Bank's business areas, the need emerges for information, coordination and sparring across the business areas. Consequently in 2021 we set up a working group for sustainability and social responsibility focusing on sparring and knowledge sharing across the Bank's business areas. The group includes relevant employees whose daily work involves sustainability and social responsibility in the Bank's business areas.

### **Participation in working groups**

Sydbank is a member of Finance Denmark, which is an interest organisation for banks, mortgage institutions, asset management, securities trading and investment funds in Denmark. As a result of developments in sustainability Finance Denmark has set up several working groups concerned with sustainability in the finance sector. Sydbank is an active participant in the working groups relating to ESG issues and carbon footprint calculation as well as working groups concerning sustainable regulation, sustainable finance and sustainable investments.

In 2021 Sydbank recommended that a working group also be set up under the auspices of National Banks in Denmark. The purpose of the working group was sparring and knowledge sharing with regard to reporting according to the taxonomy regulation for the 2021 financial year.

For Sydbank, participation in the working groups has focused on finding a common interpretation and understanding of sustainability efforts in the financial sector. Via its participation in the working groups, Sydbank supports the notion to create transparency and comparability across the sector, in particular in reporting on sustainability, on ESG issues and on statutory requirements.

### **Sustainable endorsements and levers**

In order to strengthen Sydbank's sustainability and CSR efforts the Bank complies with a number of international and national initiatives, principles and guidelines. A few of these are described below.

### **UN SDGs**

Sydbank greatly respects the UN's efforts to establish a global partnership to work for a sustainable future. We work continuously to develop and implement measures that help to support the SDGs. Sydbank's sustainability efforts are related to 7 SDGs where our activities can make a difference.

### **UN Global Compact**

Sydbank joined the UN Global Compact in 2020 and as a result we became a part of a movement where more than 15,000 companies from 163 countries work for a better world. The UN Global Compact is a voluntary initiative and by giving our endorsement we as a company undertake to adhere to 10 principles. The principles focus on a company's social responsibility and are based on international conventions and agreements. Our participation also requires us to report on how we comply with the principles and work for a better world. As a signatory Sydbank has the possibility to boost its CSR and sustainability efforts and at the same time send a clear message to the surrounding world that we take sustainability and social responsibility seriously.

### **UN Principles for Responsible Banking**

Sydbank signed the UN Principles for Responsible Banking at the end of 2020. The incorporation of the principles define the Bank's efforts to embed sustainability into the Bank's core business to a still greater extent.

In 2021 Sydbank will report on its progress concerning the integration of the UN Principles for Responsible Banking for the first time. The table on page 56 shows the report on Sydbank's progress as regards integrating the principles. The table describes the foundation we built in 2021 – a foundation to support the proper integration of the principles.

In addition to the above endorsements Sydbank continues to comply with and support the UN Principles for Responsible Investment, the Paris Agreement, the OECD Guidelines for Multinational Enterprises and ILO conventions on dignity of workers.



### SDG 5 – Gender equality

**Sydbank contributes** to gender equality by continuously measuring gender diversity and by making sure that target figures for the underrepresented gender are set. For instance in 2020 the Board of Directors adopted a new target figure for the underrepresented gender on Sydbank's Board of Directors and the target figure is now 30%.



### SDG 7 – Affordable and clean energy

**Sydbank contributes** to the scaling up of sustainable energy by using sustainable energy. For instance in 2021 we installed a solar cell system in Esbjerg and set up 20 additional charging points for electric cars and plug-in hybrid cars at Sydbank's premises.



### SDG 8 – Decent work and economic growth

**Sydbank contributes** to growth in society by guaranteeing a financial infrastructure and by making financing available. In addition in our code of conduct we demand that our suppliers and business partners do not contribute to forced labour.



### SDG 9 – Industry, innovation and infrastructure

**Sydbank contributes** eg through providing finance to SMEs. Sydbank supports financing opportunities by means of guarantee schemes such as the government investment fund Vækstfonden and the European Investment Fund's European Guarantee Fund scheme. Thanks to the campaign Denmark's Corporate Bank and the events in connection with the local elections in 2021 we are creating the framework for dialogue with and development of local business communities.



### SDG 11 – Sustainable cities and communities

**Sydbank contributes** via our locally embedded sponsorships, our investment and our finance to promote more sustainable cities and local communities.



### SDG 13 – Climate action

**Sydbank contributes** to the climate initiatives by complying with national and international climate control efforts. Through our products, competences and business partners we can advise our customers on financing of sustainable initiatives, for instance energy-saving renovations.



### SDG 16 – Peace, justice and strong institutions

**Sydbank contributes** by supporting and following institutions that work for peace and justice. We have a Tax Governance collaboration with the Danish Tax Agency, we have risk management to combat money laundering and terrorist financing and we eliminate countries from our investment universe of government bonds if for instance they are subject to international sanctions or are unable to sufficiently support security and welfare for their citizens.





## 4. Responsible finance

### Achieved in 2021

- We have continued to ensure a strong financial foundation by maintaining our cautious approach to credit risk.
- We offer a green home package consisting of the energy cost calculator Energiberegneren, professional energy check-ups from Totalkredit and Sydbank Energilån (energy loans).
- The possibility of financing for corporate clients via EU funds has been maintained.
- We have extended the Bank's industry analysis to include ESG risks at industry level.
- We have trained our corporate account managers to address ESG risks in connection with credit evaluation.
- We have reported for the first time on the carbon footprint of Sydbank's lending portfolio.

### Goals for 2022

- To continue to have a sensible and cautious approach as regards lending and a high credit quality.
- To continue to ensure in assessments of the creditworthiness of the Bank's customers that customers can afford to take out the loans required so they are not put in an unacceptable financial position due to money owed to Sydbank.
- To continue our work on integrating ESG risks in credit risk management and capital planning.
- To address ESG risks associated with individual corporate clients in connection with credit evaluation.
- To carry out relevant and structured data collection of ESG-related credit risks.
- To work on enhancing the underlying data and CO<sub>2</sub> calculations of the Bank's loans.
- To initiate work on enlarging our existing bond programme with green bonds.
- To increase the volume of sustainable loans.

### Special risks and focus areas

- Our approach as regards lending means that focus is on being in a strong financial position and ensuring that we do not put customers in an unacceptable financial situation.
- Sydbank must advise customers in difficult financial situations and be a responsible financial partner.
- Sydbank is a SIFI (systemically important financial institution), which means that the Bank is subject to special legislation.
- Constant efforts are made to strengthen data quality as this is a recurring challenge in the work to identify sustainability risks.
- The EU taxonomy is evolving fast, which places heavy demands on the ability of Sydbank and its customers to report in accordance with the taxonomy.

### Relevant policies and standards

- Sydbank's credit policy.

### Overall objective

Through decency and systematic procedures we will ensure that Sydbank is a well-run and solid bank with a responsible approach to financing and lending to the Bank's customers.

### Risk – responsibility and balance

Sydbank's credit policy must ensure responsible lending so we will remain a solid bank also going forward where risks are reasonably balanced as regards the Bank, customers as well as society.

Creditworthiness is decisive when granting loans. Our assessment of a customer's creditworthiness is not just about assessing whether the Bank can get its money back. The Bank's decision to approve a loan application or not is based on a customer's financial circumstances. So when we grant a loan our assessment is based on not putting the customer in an unacceptable financial situation due to money owed to Sydbank.

We are not looking for quick-fix solutions but sound, clear agreements with a realistic level of risk. Sydbank achieves these objectives by striving to be among the absolute top performers in Denmark in terms of operating a bank and providing advisory services to customers based on their specific situation. The current interest rate environment challenges banks' business models but Sydbank does not compromise on its risk profile or business standards.

### **Sustainable transition represented in lending**

Sydbank wants to be an active player in the sustainable transition. We wish to support our customers' sustainable transition and we work continuously to improve our sustainability data as data serves as the basis for the goals we want to set in the future.

There are no quick and easy solutions if sustainability is to be embedded in our core business and have an impact in the long term. This is why our focus is on ensuring that sustainability is integrated properly. It will be integrated for instance in our lending, which together with asset management, represents Sydbank's core business.

We are working on integrating ESG risks in the Bank's credit risk management and capital planning and on continuously enhancing the quality of data. In 2021 we created the foundation for the integration of ESG risks and how to address them, for instance by providing training to our corporate account managers and reporting for the first time on the CO<sub>2</sub> footprint of the lending portfolio.

Reporting the carbon footprint of our loans and including an assessment of the ESG risks in the basis for decision-making as regards lending are naturally limited by data availability and data quality. At Sydbank we are fully aware that the calculations and analyses made in the area of sustainability cannot be better than the data on which they are based. Even though we made significant headway with our data in 2021, there is still a way to go as regards sustainability data. As a result we will continue to focus on improving and increasing our knowledge and data in 2022 – initially via structured collection of data on ESG risks associated with our corporate clients. Structured data collected by advisers is considered to be a good starting point in order to increase our knowledge of ESG risks in terms of our corporate clients until verified data is created, reported and is thus digitally accessible to us.

As a bank we are interested in having a wide range of verified key figures as regards our customers. Data collection on ESG issues enables us to begin to identify the ESG risks associated with lending. We see an enhancement of our credit evaluation with ESG risks as responsible finance. In addition to increased data on ESG

risks, responsible finance is also based on tried and tested data. Using ESG data must be based on good data quality. In the long term we believe that ESG risks can be incorporated in our rating models but this would require that we can be sure that the quality of data is good and a data history can be established on the basis of which models can be developed.

### **ESG based reservations in Sydbank's credit policy**

Sydbank has decided that some ESG issues are so serious that when granting credit we require that customers:

- have measures in place to ensure safe handling of hazardous waste
- have the necessary licences for activities requiring environmental permits
- observe human rights in accordance with the Universal Declaration of Human Rights
- do not use child labour in violation of the UN Convention on the Rights of the Child.

Sydbank's credit policy emphasises that Sydbank should have a cautious approach to customers whose assets, business models or future earnings are particularly exposed to ESG risks.

### **CO<sub>2</sub> calculation of corporate loans, home loans and car loans to retail clients**

Sydbank complies with the recommendation of the Forum for Sustainable Finance to calculate the overall CO<sub>2</sub> footprint of the activities that we help to finance. Consequently when calculating the carbon footprint of our lending portfolio we use Finance Denmark's CO<sub>2</sub> model for the financial sector that has been developed to create a common method to measure carbon footprints. The CO<sub>2</sub> footprint is calculated as regards corporate clients' direct

#### **20 recommendations for sustainable finance**

*In 2019 Finance Denmark's "Forum for Sustainable Finance" introduced 20 recommendations on how the financial sector can contribute to a sustainable transition of society. The recommendations include a recommendation for Finance Denmark's members to use a common method to calculate their carbon footprint of the activities they help to finance or invest in. As Sydbank is a member of Finance Denmark, it is our ambition to comply with the 20 recommendations from the Forum for Sustainable Finance.*

emissions – scope 1 and scope 2 emissions – and in accordance with the Greenhouse Gas (GHG) Protocol.

The model uses several data quality levels, which has made it possible to report on the basis of existing data in 2021. In 2021 we worked on identifying the best possible quality of data to calculate the CO<sub>2</sub> footprint of the Bank's loans. Part of this work took place in working groups under the auspices of National Banks in Denmark and Finance Denmark. As a result of these efforts we were able to estimate the carbon footprint of corporate loans, home loans and car loans to retail clients in 2021.

In order to give an overall picture of the CO<sub>2</sub> footprint associated with the Bank's activities, the carbon footprint associated with mortgage mediation for the retail segment is calculated in addition to the carbon footprint of own loans.

In contrast the carbon footprint of the corporate segment is calculated without including mortgage mediation. This is due to the fact that many corporate clients – unlike retail clients – obtain mortgage financing by contacting mortgage providers directly, ie without it being arranged through a bank. Therefore when calculating the CO<sub>2</sub> footprint the financing of commercial property cannot be consistently included.

### CO<sub>2</sub> footprint – corporate lending

Limitations in data availability have meant that instead of concrete customer data a sector average has been used to a large extent to calculate the carbon footprint of corporate loans. Using a sector average is a transitional solution until a greater part of emissions associated with lending can be calculated on the basis of our corporate clients' own CO<sub>2</sub> data. If CO<sub>2</sub> data of some of our corporate clients has been available, it has been used instead of the sector average. For instance EU verified emissions data is used to calculate the carbon footprint of corporate clients who are part of the European CO<sub>2</sub> quota system, EU Emissions Trading System (EU ETS).

Total CO <sub>2</sub> footprint – corporate lending*	2021
Lending in DKKm	56,748
CO <sub>2</sub> in tonnes, total	752,498
Tonnes CO <sub>2</sub> per DKK 1m in lending	13.26

\* CO<sub>2</sub> footprint of corporate bank loans, excl mortgage mediation

### CO<sub>2</sub> footprint – retail lending

The limitations in data availability have meant that the carbon footprint of car loans is estimated on the basis of data from the Danish Centre For Environment And Energy (DCE) according to the car's emission type and average mileage.

The calculations regarding the carbon footprint of home loans have been based on data available from the Danish Building and Housing Register.

Total CO <sub>2</sub> footprint – lending – Retail	2021
Lending in DKKm where CO <sub>2</sub> is estimated	10,803
Total CO <sub>2</sub> emissions	60,166
Tonnes CO <sub>2</sub> per DKK 1m	5.57

Mortgage mediation – Retail	2021
Lending in DKKm	88,278
Total CO <sub>2</sub> in tonnes	99,673
Tonnes CO <sub>2</sub> per DKK 1m in lending	1.13

Total CO <sub>2</sub> footprint – lending and mortgage mediation – Retail	2021
Lending in DKKm where CO <sub>2</sub> is estimated	99,081
Total CO <sub>2</sub> emissions	159,839
Tonnes CO <sub>2</sub> per DKK 1m	1.61

### Total CO<sub>2</sub> footprint associated with lending

Sydbank's carbon footprint reflects Sydbank's lending activities. Sydbank does not provide mortgage credit financing and at the same time the Bank's corporate lending is significant.

A clear trend is seen in the CO<sub>2</sub> calculations in general, namely that property loans have a considerably lower CO<sub>2</sub> impact than other loans. The CO<sub>2</sub> footprint as regards property loans appears from page 45. As regards retail loans the Bank's carbon footprint is 5.57 tonnes per DKK 1m. However if mortgage mediation is included the figure is 1.61 tonnes. Therefore the importance of the Bank arranging mortgage credit instead of having its own mortgage credit financing is significant when the CO<sub>2</sub> footprint of the Bank's lending activities is calculated.

Compared with loans to retail clients, corporate loans are associated with substantially higher emissions per unit loaned. Sydbank's carbon footprint related to corporate loans is 13.26 tonnes CO<sub>2</sub> per DKK 1m.

Corporate loans account for most of Sydbank's loans and as mentioned above mortgage mediation is not included in the CO<sub>2</sub> footprint of the corporate segment. The total carbon footprint of Sydbank's own loans totals 12.03 tonnes per DKK 1m.

Total CO <sub>2</sub> footprint – Sydbank's own lending	2021
Lending in DKKm where CO <sub>2</sub> is estimated	67,552
Total CO <sub>2</sub> emissions	812,664
Tonnes CO <sub>2</sub> per DKK 1m	12.03

### Credit policy objectives

As data collection increases we will continue to increase the volume of more sustainable loans but we will not set quantitative targets before the underlying data for measurement is well-founded.

In the longer term Sydbank will set meaningful reduction targets for the CO<sub>2</sub> footprint of the lending portfolio but this will require accuracy in the calculation of the footprint. We will work on actual CO<sub>2</sub> reduction targets as soon as the quality of data allows us to do so. Consequently our efforts to improve the quality of data will continue in 2022.

### Home package – contribution to a sustainable transition for retail clients

We have a shared responsibility to create a more sustainable future and there are several initiatives aimed at our retail clients.

Totalkredit's Energiberegner, an energy cost calculator, which is available on Sydbank's website, provides information on energy improvements and motivates customers to make their homes more energy efficient. The energy cost calculator offers customers a fast and easy way to find out if they can save money by making an energy improvement, which will also make a difference for the climate. The calculator proposes improvements, shows annual savings, how much the improvement will cost as well as the CO<sub>2</sub> saving.

We would like to help customers finish their energy improvement projects and therefore we make them aware of the possibility of receiving professional energy advice via our collaboration with Totalkredit. The possibility of receiving advice was established in 2021 and the advice includes a professional evaluation of the customer's home carried out by an energy consultant who will prepare a digital plan for the home improvement with the option of energy labelling.

In addition to helping customers recognise potential energy improvements, we can offer them Sydbank Energilån, ie loans to

### Giving young people basic financial skills

*Sydbank wants to help young people so that they are well equipped to make financial decisions and are inspired to live in a financially responsible manner.*

*This is why Sydbank participates in Money Week organised by Finance Denmark every year where the country's 7th, 8th and 9th grade students can take part in classes to give them basic financial skills and learn more about the importance of saving up, budgets, the characteristics of instant loans etc.*

*In addition a number of our branches visit local educational institutions and give talks on healthy finances, independence and career opportunities in the finance sector. For instance the branch in Sønderborg visited the local commercial school and gave a talk on everyday budgeting, different types of loans and loan costs. And in Kolding the branch took part in events organised by the University of Southern Denmark focusing on the finance sector and career opportunities.*

make it attractive for retail clients to make their homes energy efficient in order to save money and reduce CO<sub>2</sub> emissions. Sydbank Energilån has been made attractive by significantly reducing the establishment charge compared to ordinary home loans.

In order to achieve the best possible effect of the products and services offered to retail clients, retail account managers received training in sustainability in 2021 and a digital reference book was launched focusing on energy optimisation.

### Corporate challenges in a coronavirus-hit economy

At Sydbank we help our corporate clients in good times and bad. We believe in long-term customer relationships based on value creation and trust. In 2021 we continued to support and help the Bank's customers through coronavirus related challenges based on individual assessments via increased lending and the involvement of aid schemes offered by for instance export credit agency EKF and government investment fund Vækstfonden. In addition European aid schemes provided by the European Investment Fund (EIF) and the European Guarantee Fund (EGF) are available. The purpose has been to assist financially sustainable companies through the coronavirus crisis.

### Reporting under the taxonomy regulation

In 2021 the EU taxonomy had a significant impact on our work regarding responsible finance. The final wording of the taxonomy was released in July 2021, which resulted in a relatively short implementation period as the taxonomy came into force on 1 January 2022. Sydbank has taken an active part in working groups across the sector in order to reach a common interpretation and understanding of the taxonomy.


From 1 January 2022 to 1 January 2024 the proportion of total assets comprised by the taxonomy will be reported and after this period the assets that comply with the taxonomy.

In the reporting of the Bank's proportion of total assets comprised by the taxonomy, the exposure to retail clients is calculated as regards car loans and home loans.

With regard to the exposure to corporate clients reporting only applies to companies subject to the NFRD (Non-Financial Reporting Directive). A company is subject to the NFRD if it is listed and has more than 500 employees. However mandatory reporting follows the reporting that companies have published and since the requirements do not apply to companies until 2022, data is not yet available from the individual companies.

With regard to future reporting of the Bank's exposure to companies subject to the NFRD, the Bank expects to have available data from the individual companies.

In the coming years the taxonomy is expected to grow significantly, including a higher number of described economic activities and the inclusion of 4 other environmental objectives so that the taxonomy consists of a total of 6 environmental objectives. The enlargement of the taxonomy will place additional demands on Sydbank and efforts to collect and process data will therefore continue in 2022 so that the Bank can increase its reporting.

 Sydbank's mandatory and voluntary reporting under the taxonomy regulation is found on page 64.





## 5. Responsible investment

### Achieved in 2021

- 1,276 companies were monitored on an ongoing basis with regard to violations of international norms. In connection with non-sustainable conduct we visited or held meetings with companies 55 times.
- ESG risks are included in the day-to-day investment process in line with financial risks.
- Employees responsible for making the final investment decisions received access to even more ESG data in 2021. In addition we enhanced our systems so that the high volume of ESG data can be integrated in the day-to-day investment process.
- We have improved our systems so that they support our wish to be active owners. For instance we have integrated a new system to handle voting at companies' general meetings.
- We have expanded our range of products to include a global equity product with the Nordic Swan Ecolabel. The product must satisfy 25 mandatory sustainability requirements. For example one requirement is that at least 50% of the companies in the investment portfolio have achieved a good score in a sustainability analysis.

### Goals for 2022

- To increase the number of investment products with a sustainability profile to ensure that our product offerings include a wide range of customers' sustainability preferences.
- To raise the bar as regards the minimum sustainability requirements of Sydbank's investment products.
- To continue our work on incorporating sustainability factors in the investment process.
- By means of increased reporting to state more clearly how sustainability is embedded in our investment process. At the same time we wish to communicate openly about our results and the many unavoidable dilemmas associated with responsible investment.

### Special risks and focus areas

- At present very few companies publish the data we need to comply with existing and forthcoming EU legislation on reporting on sustainable economic activities. Consequently we are currently heavily dependent on external business partners and ESG data is based on a mixture of companies' own data and estimates by business partners' analysts.
- There is a risk that companies may purport to be more sustainable than they actually are – so-called greenwashing. On the other hand there is a risk that green companies may appear to be “non-sustainable” if we have insufficient data to provide documentation of the sustainability requirements under the taxonomy.
- Much ESG data is backward-looking historical data and the historical element causes dilemmas in the day-to-day investment process. This problem is especially pronounced with regard to data relating to companies' CO<sub>2</sub> emissions. When data is primarily historical there is a risk that companies that are more sustainable than portrayed by their historical data are not selected. As a result it is a very difficult balancing act between adapting our products to the overall climate goals by screening out companies while supporting the green transition by investing in companies that will contribute with crucial products and technology so that the green transition is a success. Due to historical data the latter companies are portrayed as being less sustainable than they actually are.

### Relevant policies and standards

- Responsible Investment and Active Ownership Policy
- Statement on adverse impacts on ESG factors
- Sydbank's Conflicts of Interest Policy
- International norms and conventions
- UN PRI.

### Overall objective

Sydbank will make investments in a responsible and sustainable manner. Our decisions will be made on a solid and updated basis where we analyse ESG issues in terms of financial and business risks. We will be active owners in a constructive dialogue with the companies we invest in.

In 2022 Sydbank will raise the bar further as regards integrating sustainability in the investment process. New legislation by way

of the EU taxonomy helps to define the first common standard for sustainability in financial products. It also provides a better foundation for developing new sustainable investment products. We expect that the ongoing dialogue with our customers will increasingly be based on their sustainability preferences and we want to offer our customers a wide range of investment products with varying levels of focus on sustainability.

## Sydbank's ESG efforts – investments

### Screening and analysis

- Monitoring of ESG issues
- Identification of sustainability risks
- Sanctions – countries
- Exclusion of countries
- Sector opt-outs (eg alcohol, tobacco, armaments and firearms and fossil fuels).

### Active ownership

- Dialogue with companies to promote sustainable development
- Voting at companies' general meetings to promote sustainable development.

### Openness and transparency

- Reporting of ESG key figures
- Reporting of our dialogue with companies and our voting
- Reporting of specific ESG issues to customers.

### Ambition to increase ESG integration

In 2010 the Bank signed the UN Principles for Responsible Investment and as a result we are obligated to incorporate ESG factors into our investment analysis and decision-making process.

In 2021 targeted efforts were made to increase focus on the integration of ESG factors in our investment processes as we hope that this will enable us to a greater extent to actively select an investment – not just opt out. Within sustainable investment Sydbank is moving away from an exclusion based approach to a more active and inclusion based approach. The launch of the new global equity product with the Nordic Swan Ecolabel is a step towards more sustainable investment products where actively selecting a product based on its sustainability factors play a greater role. In 2021 Sydbank's portfolio managers received greater access to independent ESG data and company analyses from our business partners. We have also improved our systems managing the high volume of new ESG data, which will help Sydbank's portfolio managers to include ESG factors in their concrete analyses and decisions to an even greater extent.

### Ongoing development in ESG data quality

A sound investment decision implies that an optimal basis for decision-making exists. This requires current data on the actual circumstances combined with an informed assessment of realistic future circumstances.

In its analysis of sustainability Sydbank uses a number of quantitative and qualitative tools that to a certain extent are based on information from external data providers rather than direct information from the companies themselves. At the time of analysis the data from companies' financial statements can be more than 1 year old and far from all financial statements include data required by the new EU regulation on sustainable activities. This is why ongoing efforts are made to improve our access to updated and relevant ESG data. However we are extremely dependent on companies in our investment universe increasing the quantity

and quality of their published ESG data. It is our clear expectation that the EU regulation in the area of sustainability will result in a considerable improvement in available ESG data in quantitative and qualitative terms in the coming years.

### Climate targets for investments 2021 – 2030

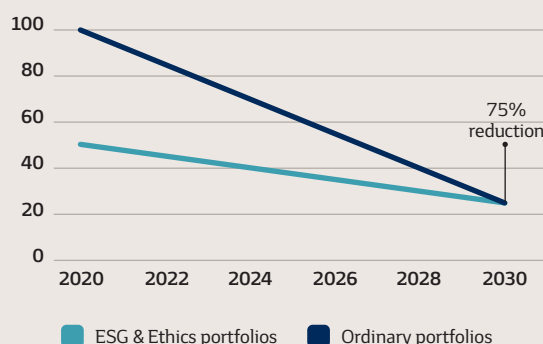
It is Sydbank's wish that over time investments are made in compliance with the goals of the Paris Agreement – the international agreement under the UN climate convention, which aims to limit global warming.

We will actively address the Paris Agreement by setting concrete targets to reduce the carbon footprint of our overall share portfolios. Other types of investments will be added as soon as data and methods improve.

We wish to offer our customers an actual choice between 2 overall product strategies, both of which invest in a responsible manner. The common long-term target is a 75% carbon reduction from 2021 to 2030 compared to global equity index

### Reduction – carbon footprint equity portfolios

MSCI ACWI



## Investment products – sustainability criteria

### Minimum sustainability criteria for all investment products

- Monitoring of companies for violation of international norms
- Dialogue with companies on violation of norms (engagement)
- Voting at general meetings according to a principle of proportionality and a wish to promote sustainability
- Exclusion of controversial arms manufacturers.

### Higher sustainability criteria for selected investment products

- Exclusion of companies with business activities within different sectors, eg tobacco and fossil fuels
- Selection of investments based on a sustainability analysis
- Investment in the leading companies within sustainability.

MSCI All Country World Index (MSCI ACWI). The 2 product strategies vary in the method used to reach the target. One group of products, standard portfolios, will allow a gradual average CO<sub>2</sub> reduction and the products will invest in companies transitioning from fossil fuels to renewable energy sources. In this context our sustainability efforts will involve reaping returns through expected future climate gains of companies' green transition activities.


The other group of products, ESG & Ethics portfolios, will implement an immediate adaptation to the CO<sub>2</sub> target via a reduction of 50% in 2021 and a further 25% over the next 10 years until 2030. The reduction will initially be achieved by opting out of sectors involved in fossil fuels. In the longer term reductions will be achieved by means of a targeted selection of companies reporting low CO<sub>2</sub> emissions.

In 2021 the carbon footprint of our total equity investment portfolio was lowered by 13.3% compared to the carbon footprint of MSCI ACWI in 2020, which is the baseline for our reduction target.

### Sustainability in the investment universe – version 2.0

The EU taxonomy creates a common frame of reference for how sustainability should be perceived. At this point in time it is very clear that the taxonomy will contribute to a more sophisticated and nuanced perception of sustainable investments where the classification of sustainability is based on a holistic way of thinking. Today a company that produces wind turbines is typically perceived as a sustainable company. However under the taxonomy the criteria regarding the definition of sustainability are more stringent and here a wind turbine producer may be classified as non-sustainable if for instance the wind turbines are erected on land where a sensitive biodiversity exists. The holistic way of thinking serves as the basis for the taxonomy and forces investors to adopt a more nuanced approach to sustainable investment.

Going forward sustainable investment will entail even more important dilemmas. These dilemmas become key when we wish to offer sustainable investment products to a wide range of customers, all of whom have different preferences.

 Sydbank's mandatory and voluntary reporting under the taxonomy regulation is found on page 64.

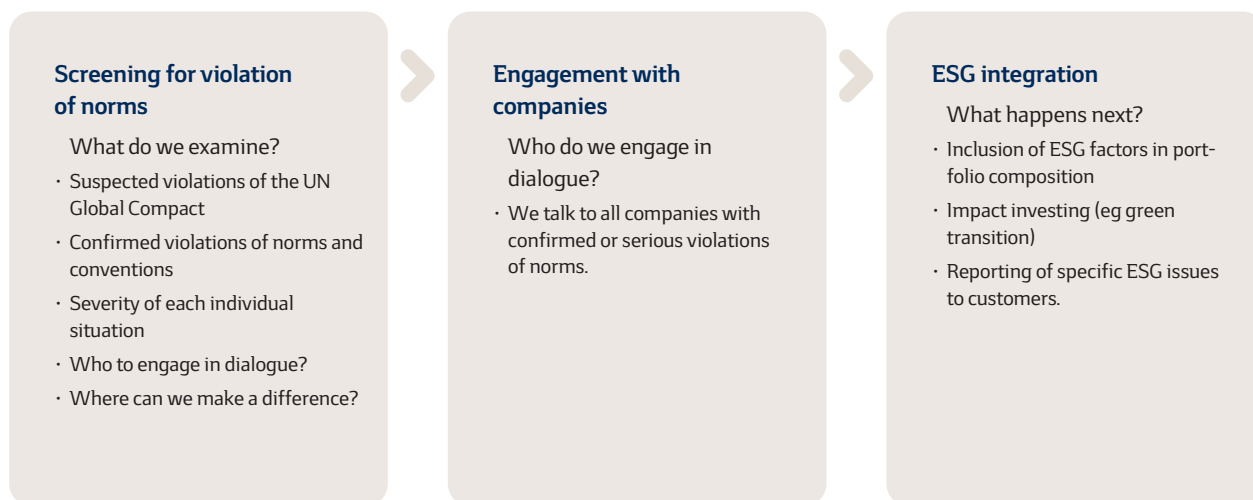
We must find ways to reduce CO<sub>2</sub> emissions but frequently they are also linked to activities on which we rely heavily. We know that most companies will need to make substantial investments to adapt to a sustainable and responsible business model in the future. This is particularly true of industries such as steel, cement and energy supplies. By investing in these companies we can help to support the necessary financing of the green transition in some of the most climate challenged industries.

Dilemmas are unavoidable in our work with sustainable investment products. Our customers will have different views and tolerance levels as to how little or how much they are willing to invest in activities with high CO<sub>2</sub> emissions and how patient they are in terms of companies developing new sustainable business models. We are mindful that customers have different preferences and tolerance levels and therefore we will continue to offer customers a wide palette of investment products that vary in terms of focus on and level of sustainability. All our investment products have a minimum level of sustainability. We also offer customers investment products where higher sustainability criteria have been added in addition to these minimum criteria.

### Sustainability – more than just the environment

At Sydbank our activities regarding responsible investment have a broad focus. We analyse and evaluate sustainability factors related to ESG issues in the companies we invest in. Naturally considerable focus is on environmental factors when investments are selected. We fully acknowledge that the world faces

## Sydbank's process – engagement with companies



significant climate and biodiversity challenges and this justifies an increase in focus on environmental issues. However focus on measures to improve the environment cannot stand alone. This is why we also pick companies for our sustainable investment products based on social and governance issues, for instance companies that are leading the way in the fight to ensure workers' rights, prevent corruption or ensure diversity at management and board level. For us sustainable investment is more than just investments in companies with low CO<sub>2</sub> emissions.

### Responsible investment in shares and corporate bonds

Active ownership is at the root of all Sydbank's investments. Being an active owner means for instance ensuring that there is continuous monitoring of violations of norms in our portfolio companies. Screening may also be carried out to determine whether companies are involved in different products and activities that are unacceptable in some investment strategies, eg tobacco, alcohol as well as the extraction or production of fossil fuels.

One crucial element in active ownership is constructive dialogue or engagement with a company's management. When we purchase shares we can express our position by voting at a company's general meetings. When we buy corporate bonds we decide whether we wish to support the financing of the company or not but we have no voting rights. In both cases dialogue is considered the central element in order to achieve the desired changes. Companies are only excluded from our investment universe in advance if special circumstances exist, for instance if a company manufactures nuclear weapons or cluster bombs.

### Screening for violations of norms in companies

Sydbank collaborates with several external partners with regard to monitoring, verifying and addressing violations of norms.

The first step in the screening process consists of identifying companies where possible or identified violations of international norms exist. We would prefer that all companies complied with internationally recognised norms and conventions but unfortunately it is not uncommon for cases to arise. Assessing violations of norms requires very detailed knowledge of the case itself as well as a company's processes for tackling ESG issues. Each case is categorised according to severity where the scale goes from less controversial to very severe. The scale determines the strategy for future action with regard to the company. If there is suspicion of or confirmation of very severe violations of norms, Sydbank will engage with the company via its external business partners. This process is usually carried out in collaboration with other major investors so that there is considerable weight behind our constructive criticism and call for change.

There may be several cases in the same company where the need for follow-up varies. In 2021 we were involved in 66 cases and held meetings with companies 55 times. At the end of 2021 there were 49 pending cases.

If a company does not wish to engage in order to improve the conditions that are in conflict with international norms, we will generally exclude the company from our investment universe. In some instances we exclude a company if it becomes clear that engagement with the company will not bring about the desired improvement. A total of 85 companies were excluded from investment in all portfolios in 2021 – the vast majority of them because they manufacture controversial weapons such as nuclear weapons, cluster bombs or land mines.

## ESG process – government bonds



### Investments in government bonds

#### Screening and analysis of investments in government bonds

Sydbank conducts screenings on a global level but focuses in particular on countries that issue government bonds and especially developing countries – the so-called emerging market countries.

Since 2012 Sydbank has used a special ESG screening that identifies conditions in currently 198 countries. The screening includes an analysis of the importance of international sanctions with regard to government bonds as well as political, social and environmental factors and ends with an overall assessment. In this regard we review countries' ESG levels and current trends in their ESG scores. Our goal is to eliminate countries with weak developments and a poor potential. In practice this means that some emerging market countries are eliminated. The reason for this could be that the countries are subject to international sanctions but it could also be due to a very weak or sharply declining level of development where the countries' governments are not fully able to support security and welfare for their citizens.

Sydbank offers a product in the category emerging market government bonds focusing especially on the integration of ESG. In addition to criteria for countries' efforts to reach the UN's SDGs, the product also excludes direct investments in fossil fuels via state owned companies. We seek to include as many ESG factors as possible in our selection of assets, including investment in green government bonds.

#### Government bonds with dilemmas

We do not have the same opportunities to directly influence the leaders of countries as we would have in a direct dialogue with the management of a company. Changes at a country level are slow feeding through and the political climate in a country can change rapidly.

The possibilities for developing countries to promote responsible ESG conduct vary considerably. As a result our analysis must to a certain extent be adapted to their reality. For the most part the countries have signed the Universal Declaration of Human Rights but human rights violations are still a risk to a greater or lesser extent. Violations could also occur in bonds in portfolios setting especially high requirements as to a country's ESG level and development.

Our ESG analysis is comprehensive and many individual factors influence the overall picture. Therefore a single factor such as political lack of freedom or the infringement of a minority's rights can be accepted because the country performs positively as regards other factors.

#### Collaboration and knowledge sharing

Sydbank is a member of Dansif – a network forum for professional investors, consultancy firms and others who engage in responsible investment. Furthermore Sydbank is a member of several working groups across the financial sector focusing on sustainable investments, including the task force set up by Finance Denmark, as well as in a network set up by CFA Society Denmark focusing on ESG integration.



## 6. Responsible employer

### Achieved in 2021

- We have introduced recruitment events to ensure equal opportunities with regard to gender among candidates applying for a traineeship.
- We have raised the level of training concerning responsible advice on buying and selling property from documentation level to competence level.
- We have developed and offered training modules regarding sustainability and social responsibility to the Bank's employees.

### Goals for 2022

- To maintain the high level of employee engagement.
- To continue to ensure equality, including equal opportunities irrespective of gender as regards management positions.
- To continue to ensure diversity among the Bank's employees.
- To conduct an investigation concerning digital violations.
- To have a sickness absence rate lower than the sector average.
- To continue to focus on excellence and training for our employees.

### Special risks and focus areas

- The coronavirus pandemic has created new focus areas. We must focus particular attention on well-being and social relationships as well as employees' wish for flexibility in terms of

working hours and workplace.

- Discrimination, bullying and harassment are not tolerated at Sydbank. Our staff manual and a booklet on our intranet state that discrimination, bullying and harassment are not tolerated and the booklet specifies how we can prevent unacceptable behaviour and tackle such behaviour should it occur. The possibility remains that unacceptable behaviour can occur – we must be aware of how it is tackled.
- We have noted that the sickness absence rate has risen at Sydbank. Management as well as Human Resources are mindful that absence due to illness must be addressed so that it remains at a naturally low level.
- We have a stress management procedure in place to best help the person affected return to work. Unfortunately in some cases this proves unsuccessful.

### Relevant policies and standards

- Training policy
- Health policy
- Policy for healthy corporate culture
- Sydbank's Policy for the Underrepresented Gender
- Staff manual.

### Overall objective

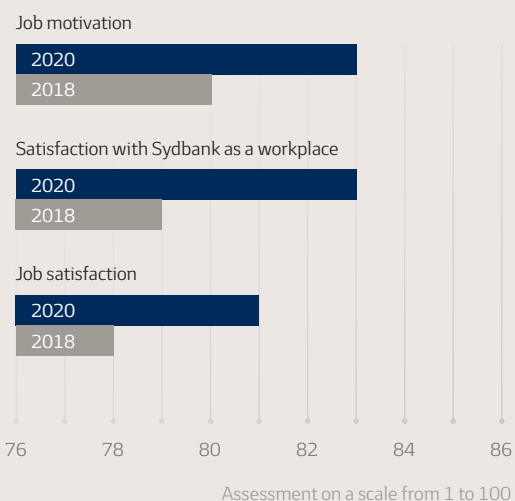
We will provide a healthy and attractive work environment for our employees that allows for professional skills development and further training.

### Excellent and committed employees are our most valuable asset

We want to be a bank with excellent and committed employees. Employee engagement is strong at Sydbank and we want it to stay that way. Therefore it is important for us to know which factors affect employees' job satisfaction as this will help us learn what should be changed so that employees feel passionate about their jobs at Sydbank.

In order to ensure that the needs and requirements of our employees are taken into account, an employee engagement survey is carried out every other year. The survey is conducted by Ennova and this enables us to compare ourselves with other Danish banks and companies in the finance sector. The latest employee engagement survey was carried out in 2020 and the next engagement survey will be conducted in 2022.

### Employee engagement





### Education – for the benefit of customers and employees

Education and training have high priority at Sydbank – as a result of stricter statutory requirements, customers' expectations and employees' wish for professional development. Consequently our focus is on ensuring that our employees have the necessary skills to do their jobs well so that customers receive professional and value creating advice. The best results are achieved when we excel.

Most of the compulsory training courses are digital via the platform VidenBarometer. The system is a platform that facilitates

the training courses and stores related data so that we comply with the statutory documentation requirements regarding education and training. And data from the training activities is good documentation of the high level of professional skills among Sydbank's employees.

In 2021 Sydbank raised the level of training as regards providing responsible advice on buying and selling property. Property advisers now undergo training at the so-called competence level – instead of the so-called documentation level, which is lower. The training course at the competence level is more demanding than dictated by legislation.

### Selected education and training in 2021

Theme	Background and purpose	Employee group	Course	Completion rate
Compliance	The training is prepared on the basis of the Bank's strategy where decency is one of the main themes. The purpose is to introduce all employees to selected topics forming part of the cornerstones that help to guarantee decency at the Bank.	All relevant employees	30-minute online course	99.9
Prevention of money laundering and terrorist financing	The purpose is to strengthen efforts to prevent the Bank from being used for money laundering by criminals.	All relevant employees	Annual 4-hour online course	99.7
Processing of personal data	The EU GDPR provides the framework for a training course on the processing of customers' personal data.	All relevant employees	1-2-hour online course. Ongoing evaluation of course frequency	99.6
Information security	Requirements regarding SWIFT CSP and appendix 5 of the Danish executive order on management. The training is to ensure that employees have a general understanding of themes within information security and to strengthen the Bank's cyber resilience	All relevant employees	Annual 30-minute online course	99.7
Investment advice in yellow and green products as well as MiFID	The training forms the basis of advice about investments in yellow and green investment products.	All relevant employees	Annual 6-8-hour online course	99.7
Property advice (mortgage credit directive)	The Bank ensures that employees have a level of knowledge and competence to ensure that customers are served in a proper and professional manner.	Account managers Managers Heads of credit Selected central functions	Annual completion of 1-hour tests	99.5
Sustainability in the financial sector	Training course to provide insight into and knowledge of overall sustainability efforts in the finance sector.	All relevant employees	Completion of 30-minute e-learning module	74
Sustainability at Sydbank	Training course to provide insight into and knowledge of Sydbank's sustainability efforts.	All relevant employees	Completion of 30-minute e-learning module	71.3

Sustainability is becoming an increasingly large part of everyday life for Sydbank's employees. As a result in 2021 Sydbank prioritised ensuring that the Bank's employees received relevant training concerning sustainability. By completing this training course employees will obtain knowledge of sustainability efforts in the finance sector as well as at Sydbank. In addition more specialised modules will be added to the course on an ongoing basis when the need arises. In 2021 the course included a specialised corporate module on the inclusion of ESG issues in credit evaluations.

This module provides employees with knowledge on credit risks associated with ESG and how to address the ESG risks associated with the Bank's corporate clients. The common understanding of ESG risks created via the training course enables employees interfacing with corporate clients to address ESG risks and collect structured data.

#### **AML education**

*As a supplement to the annual e-learning course on the prevention of money laundering, customer facing employees were visited by a special AML roadshow in 2021. The roadshow served as a reminder to employees about the guidelines and our obligations in this area and aimed to heighten the quality of measures to combat money laundering.*

#### **Continuous skills development**

Development reviews are important in order to ensure employees' professional, personal and social skills.

A development review meeting between an employee and his/her immediate superior is held annually and forms the basis for the employee's plans regarding education and development. The meeting looks back on the past year and forms the basis for development in the year ahead. The aim of the review is also to help employees perform their work in a competent and committed manner.

#### **Combating discrimination**

Sydbank acknowledges the principles of the UN Global Compact, including to respect and observe international human rights and to combat discrimination in all its forms.

Consequently, when recruiting new employees, we ensure there is always an open and unbiased selection process without any

form of discrimination and that the organisation aptly reflects the finance sector's composition in terms of diversity. Our in-house policies must ensure that discrimination and harassment does not occur and, should it happen all the same, that the matter is handled appropriately.

#### **No pay discrimination**

We work constantly to ensure that the salary that has been agreed with an employee is fair and appropriate according to the work to be performed and the qualifications of the employee. Salaries at Sydbank are analysed on an ongoing basis and salaries according to gender are also compared.

There are many different professional groups at the Bank where one gender is overrepresented. In terms of individual professional groups there are instances where the median salary for women is equivalent to or higher than the median salary for men but the overall picture is that the median salary for men is higher. The gender balance in the various professional groups and positions affects the pay gap at Sydbank and looking at salaries in terms of job function, in practice there is equal pay. However in general the median salary for men was 1.3 times higher than the median salary for women in 2021.

#### **Equality – a focus area**

At present there are more women than men in administrative positions at Sydbank whereas there is a preponderance of men in the Bank's management. We would welcome more women in

#### **Target figure for gender diversity on Sydbank's Board of Directors**

*The policy for the underrepresented gender is reviewed annually and the target for gender diversity on the Board of Directors has been set so that the underrepresented gender of shareholder-elected employees must account for 30%.*

*Sydbank's Board of Directors consists of 8 shareholder-elected members and 4 members elected by the employees. 37.5% of the shareholder-elected members on Sydbank's Board of Directors are women. The 4 board members elected by the employees are all men.*

Organisational composition	2021
Number of employees (FTEs)	2,167
Number of employees in flex jobs	17
Employees in management positions (%)	12.93
Absence due to illness (%)	5.8
Employee turnover rate (%)	15.8
Women board members (%)	37.5
Women group executive management members (%)	33
Women in management positions (%)	30.5
Gender balance (M/F) among employees (%)	49/51
Pay gap between CEO and employees (times)	13.9
Pay gap between men and women across Sydbank (times)	1.3

management and a report from 2020 from the Employers' Association for the Financial Sector and the Financial Services Union in Denmark does in fact point out that Sydbank may very well be one of the first financial undertakings to achieve gender balance at management level. The introduction of a quota regarding the management talent programme "Talent for ledelse" will hopefully help us to move forward in a positive direction. Since 2020 there has been an equal gender balance among participants in the programme. In 2021 we introduced equal gender quotas for other management training programmes at Sydbank.

Today 30.5% of management positions at Sydbank are held by women. Our target for 2025 is that 35% of management positions at Sydbank are held by women. If we are to ensure a higher number of women in management positions we must ensure that there is an equal gender balance already when newly qualified candidates are recruited for a traineeship or work placement. As a result recruitment for traineeship and work placement positions was centralised in 2021 to ensure an equal gender balance among candidates during the initial evaluation rounds.

### Sexism has no place at Sydbank

Sydbank builds on relationships between people – human decency and mutual respect reflect the way we act, both internally and externally. Therefore sexism and offensive actions have no place in Sydbank. Employees must feel safe going to work.

We focus on preventing offensive actions. Offensive actions are dealt with in accordance with the Bank's booklet on this topic and the relevant section in the staff manual. Any matters concerning offensive acts will always be dealt with seriously and appropriately by the Group Executive Vice President, Human Resources, and the employee in question will be afforded the necessary protection.

### Safety and security for our employees

Nowadays banking tasks can be carried out anywhere from a computer or telephone. This also means that the nature of crimes has changed and bank robberies are therefore fortunately more seldom.

Sydbank has a comprehensive security set-up to prevent crimes against the Bank and its employees. For instance all our premises are equipped with video surveillance systems, alarm systems and access control systems and there are limited cash handling services in the Bank's branches.

Nevertheless conflicts and unpleasant confrontations still occur between the Bank's employees and customers whose expectations have not been met. These situations can affect employees' physical and emotional well-being – in some instances so severely that the consequences are considered a work-related injury.

At Sydbank there is no requirement that an employee is absent from work for an injury to be reported as a work-related injury.

The assessment of whether an injury is reported as a work-related injury and whether an incident is reported as an unpleasant customer confrontation is made in consultation with the employee concerned, the branch management and the head of security.

The Bank reported 9 work-related injuries and 1 unpleasant customer confrontation in 2021. Our goal is for there to be no work-related injuries but we would rather report one too many than one too few.

### Good health requires commitment and action

The success of health-promoting initiatives requires a concerted and active effort as well as a positive attitude on a day-to-day basis by employees, the working environment organisation and the Bank.

Sydbank offers its employees a variety of wellness programmes to keep them healthy during the working day. Sydbank's head office has a gym and for instance we have an agreement with FysioFilm that gives employees access to short videos with exercises to prevent and relieve pain and boost energy levels.

Once a year a whole week is dedicated to promoting health. In 2021 the health week – as many other things – was impacted by the coronavirus pandemic. The health week took place in May when many employees were working from home so it was necessary to find alternatives to the joint activities that were not possible due to distancing requirements. Several departments came up with great solutions to incorporate physical activity during the working day, eg counting steps and yoga.

In 2021 the Bank recorded a rise in the sickness absence rate among employees. We believe this is related to the uncertainty surrounding the coronavirus pandemic where absence due to illness in connection with furloughs and self-isolation was registered as well as the fact that absence due to illness is now registered in connection with pregnancy.

#### **Covid-19 infection at the workplace**

*The Employers' Association for the Financial Sector has decided that covid-19 infection at the workplace is to be defined as a work-related injury. However in the assessment of the Danish Working Environment Authority illness (such as covid-19 infection) does not constitute a work-related injury and consequently covid-19 infection at the workplace is not included in Sydbank's calculations.*

#### **Employee turnover rate in 2021**

*The high employee turnover rate in 2021 is attributable in particular to the acquisition of Alm. Brand Bank where many employees chose not to move to Sydbank. One of the reasons for this was the physical distance from ABB's former head office in Copenhagen to Sydbank's head office in Aabenraa.*



## 7. Responsible climate footprint

### Achieved in 2021

- We have reduced CO<sub>2</sub> emissions by 8.9% compared to 2020.
- We have set up a solar cell system at the regional head office in Esbjerg.
- We have updated our company car policy so that only cars in energy class B or better as well as electric and hybrid cars will be purchased in future.
- 3 electric cars and 7 hybrid cars have been added to the fleet.
- We have set up additional charging points for electric cars and plug-in hybrid cars at the head office car park and the Bank's regional head offices.
- We have replaced light sources covering an area of 5,640m<sup>2</sup> with sensor activated LED lighting.
- A new waste separation solution has been implemented.
- Natural gas has been replaced with biogas.

### Goals for 2022

- To set a long-term quantitative target for the reduction of the Bank's CO<sub>2</sub> emissions and to formulate a plan to reach the target.
- To continue to focus on energy reductions and reducing our actual consumption.
- To continue to purchase electricity generated by Danish wind turbines for the Bank's locations in Denmark. We will examine the possibilities of buying green electricity for the Bank's activities in Germany.

- To continue to report carbon emissions according to the Greenhouse (GHG) Protocol as regards scope 1 and scope 2.
- To continue to search for new and better waste separation solutions.

### Special risks and focus areas

- The criteria for sustainability are under continuous development. Consequently sustainability may be defined in one way today and in a different way tomorrow. This places heavy demands on the Bank to stay updated on new sustainable solutions.
- Our code of conduct stipulates what we expect from our business partners and suppliers in terms of responsibility and sustainability. It is however not possible to guarantee that our suppliers and business partners will live up to our expectations of their responsible or sustainable conduct.

### Relevant policies and standards

- Company car policy
- Purchasing policy
- Sydbank's Code of Conduct
- Greenhouse Gas Protocol.

### Overall objective

Sydbank will be respectful of the environment in all aspects of its business and make a positive difference in order to reach its own, national and global climate targets. We optimise energy efficiency on an ongoing basis to reduce the Bank's energy consumption and high priority is given to ensuring transparent reporting of our consumption.

### Credible CO<sub>2</sub> accounts

There is focus on reporting CO<sub>2</sub> emissions. We are conscious of this at Sydbank and as a result in 2021 we continued our collaboration with engineering consultancy company NIRAS, which has assisted us in preparing the CO<sub>2</sub> accounts. The accounts are based on the Greenhouse Gas (GHG) Protocol and are consistent with the method of calculation recommended by FSR – Danish Auditors, Nasdaq Copenhagen and CFA Society Denmark in their guidance on ESG key figures.

In 2021 primarily scope 1 and scope 2 emissions were reported. Scope 1 emissions comprise direct emissions from sources owned or controlled by Sydbank, ie emissions from transportation and burning of natural gas for heating. Scope 2 emissions consist of indirect emissions from energy purchased by Sydbank

from a third party for its own consumption, ie electricity and district heating.

Scope 3 emissions comprise indirect emissions not deriving from sources owned directly by Sydbank but deriving from our activities. In the CO<sub>2</sub> accounts for a responsible climate footprint transport by employees by private car for business purposes is included as the only scope 3 emission. Scope 3 emissions from our financing and asset management represent the main part of Sydbank's emissions and they are calculated in the sections on responsible finance and responsible investment.

### More sustainable company car policy

Sydbank has a fleet of cars available to all employees who require transport for business purposes.

Transport by car is a significant item in Sydbank's CO<sub>2</sub> accounts, which is why we purchased another 3 electric cars and 7 hybrid cars in 2021 to reduce our carbon footprint. We have also updated our company car policy and in future the Bank will only buy cars in energy class B or better or electric cars and hybrid cars. The updating of the company car policy is related to our endorsement of the government's road transport agreement, which aims

to increase the number of electric and hybrid cars in Denmark. As electric and hybrid cars are becoming increasingly popular there is a growing demand for new charging points. Consequently we have set up another 20 charging points at Sydbank's premises.

As a result of the increased share of electric cars and plug-in hybrid cars in the Bank's fleet, the consumption of electricity in connection with transport using the Bank's cars has risen. Electricity used in connection with transport in the Bank's cars went up by 150% from 2020 to 2021. This is viewed as a positive development and reflects the fact that Sydbank is observing the transition from high emission sources such as petrol and diesel to the low emission source electricity.

In 2021 the Bank's employees drove 1,748,554 kilometres in their private cars for business purposes. This is 172,512 kilometres more than in 2020. To this must be added transport using the Bank's cars. Due to covid-19 restrictions the Bank's need for transportation was lower in 2020 than in 2021, which is reflected in the number of kilometres driven. Therefore the need for transportation went up as expected in 2021 and we estimate that it will rise further when the covid-19 restrictions end. The need for transportation in 2021 also reflects the increased level of activities in connection with the acquisition of Alm. Brand Bank employees.

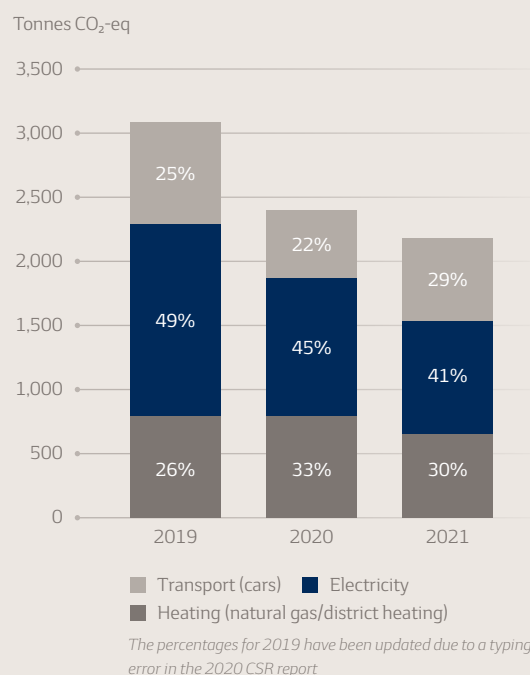
### Monitoring of energy consumption

Sydbank has its own energy management which ensures that energy efficiency is always a consideration in connection with relevant activities and efforts are made on a daily basis to lower the Bank's consumption. With very few exceptions the Bank's use of electricity has declined since 2012. Part of our lower electricity consumption is attributable to new technology that gives us for instance energy efficient screens, light sources and cooling systems.

Since 2004 we have monitored our energy consumption via the system App.KeepFocus. At present energy consumption as regards 90% of the Bank's building stock is monitored on an hourly basis via this system. The system gives us an overview of energy used and sends a warning if there are variations in readings. More than 1,100 alarms are linked to the system and we receive energy consumption warnings of eg a constantly high consumption or technical warnings in case of insufficient data. The system is set up so that data can be calculated according to the GHG Protocol. The head office in Aabenraa accounts for around 40% of the Bank's total electricity consumption. This is primarily attributable to the significant need to cool servers etc. However the head office also has the lowest heat consumption, which is due in part to the heat recovery in our ventilation system.

In 2021 the consumption of natural gas rose by 30.9% compared to 2020. This is due to the acquisition of the Alm. Brand building in Køge. However natural gas was replaced by biogas at the end of 2021. The switch to biogas will ensure that the

### CO<sub>2</sub> emissions by consumption 2019-2021



climate impact of buildings previously using natural gas will be less in the future. Sydbank's Danish district heat consumption represented 7,461,425 kWh and has risen by 11.9% compared to 2020. The increase is primarily attributable to the considerable colder winter in 2021 than in 2020. The average temperature during the winter of 2021 was 1.8°C on a nationwide basis in Denmark, which is 3.2°C lower than the winter of 2020. With an average temperature of 5.0°C, the winter of 2020 was also the warmest winter since 2009. The district heat consumption of the head office is significantly higher due to larger rooms such as the trading floor and the conference hall SydbankSalen, which both have a ceiling height of around 6 metres. These rooms are kept at ordinary room temperature and therefore require extra heat during cold periods. In addition a large part of the canteen has a glass roof. Consequently the district heat consumption of the head office has increased by 22.54%.

### Energy optimisation and renewable energy sources

In all the Bank's local branches we optimise energy efficiency on a continuing basis and enjoy a close collaboration with relevant local players. Ongoing efforts are made to minimise the Bank's actual energy consumption and by extension its CO<sub>2</sub> emissions.

In 2021 for instance light sources covering an area of more than 5,640m<sup>2</sup> were replaced with more sustainable sensor activated LED lighting.



A solar cell system was set up at the Bank's head office in 2020. In 2021 the Bank's 2 systems produced 367,708 kWh of electricity. Yet another solar cell system was set up in 2021 – this time at the regional head office in Esbjerg and it will be operational from January 2022.

At Sydbank we will take responsibility by carbon offsetting our use of conventional energy. Consequently we decided that from 1 November 2020 to 31 December 2022 we would buy electricity generated by Danish wind turbines to offset the unavoidable CO<sub>2</sub> emissions. We buy renewable wind energy containing individual declarations as proof that the electricity purchased is generated by Danish wind turbines and offsets Sydbank's CO<sub>2</sub> emissions as regards electricity used in Denmark. Furthermore the declarations specify that the electricity purchased comes from Danish wind turbines that are between 2 and 10 years old. By setting an age requirement for the wind turbines it is hoped that Sydbank can help to promote the use of renewable wind energy.

#### **Responsible suppliers and business partners**

Sydbank strives to be a responsible financial services provider. In order to ensure that our way of banking is responsible it is necessary that our suppliers and business partners also assume responsibility and make sure that their way of doing business is responsible.

Sydbank's Code of Conduct includes a section on responsible business activities particularly aimed at our suppliers and business partners. Our focus on their responsibility for instance to respect and observe fundamental and international human rights seeks to ensure that suppliers and business partners do not contribute to forced labour and child labour and that environmental responsibility is exercised.

#### **New waste separation solutions**

Ongoing efforts are made at Sydbank to improve waste separation. On 1 July 2021 common rules for waste separation were introduced in all of Denmark's municipalities and in this context we looked into whether waste can be separated to an even higher degree. Consequently new solutions for waste separation were implemented in the Bank's Danish branches in 2021. At Sydbank we want waste separation to be carried out in a responsible and meaningful way. This is why the separation solutions have been adjusted according to the needs of the individual branches and therefore the same options for instance to separate food waste do not exist in all the Bank's locations.

A bio fuel system was installed in the canteen at Sydbank's head office in 2013. The system is used for food waste from the canteen.

#### **Local networks focusing on sustainability**

It is important for us to take part in sustainability networks to keep updated on issues related to climate change but in no small part also to influence developments where we can.

#### **More sustainable payment cards**

*At Sydbank we implement initiatives that benefit a sustainable transition wherever possible. In 2021 we launched new more sustainable payment cards made from recycled PVC plastic. The new payment cards were tested by the Bank's employees in 2021. Our customers will be given the opportunity to order the new cards in 2022. We will start with Mastercard Dankort cards and the other payment cards will follow. In early 2022 it will also be possible for customers to choose not to have plastic cards at all and use only digital payment cards.*

#### **Reuse of IT hardware**

*Sydbank collaborates with IT company Codeex to minimise the disposal of IT hardware and ensure that resources and products are used more effectively. In 2021 3,081 units were sent to be reused.*

*At Codeex all data is wiped from the units and they are cleaned ready for redistribution at schools and institutions in Europe and in third world countries.*

Sydbank in Kolding is a member of the CO<sub>2</sub> club, which aims to reduce CO<sub>2</sub> emissions in Kolding. Businesses share their sustainable solutions with the group so that as many as possible can benefit from them. Sydbank has told the club about for instance App.KeepFocus, which helps the Bank to monitor consumption on an hourly basis.

Sydbank in Herning is a member of Netværk for Bæredygtig Business (network for sustainable business), which was established in 2021 by Herning Blue Fox. The network focuses on sparring across industries and job functions. Knowledge sharing and sparring about eg sustainable construction, sustainable communication and sustainable management are examples of the topics that the network discusses.

In 2021 Sydbank collaborated with and sponsored Greenlight in Aarhus, which was held for the first time in spring 2021. Greenlight is Aarhus' new sustainable city event. It aims to focus attention on sustainable actions that can help to combat climate change.



## 8. Data and data processing

### Scope of CSR report

The CSR report and its data comprise the entire Sydbank Group.

Sydbank's acquisition of Alm. Brand Bank was finalised on 30 November 2020. Alm. Brand Bank was not fully transferred to Sydbank's IT systems until September 2021 and is therefore not included in the report's data for the 2021 financial year unless otherwise stated.

### Data collection

Sydbank uses a wide variety of systems to collect data used in the CSR report. The systems ensure correct and consistent data collection to enable data to be compared from year to year. In the investment area we use external business partners when considered relevant and necessary.

As a rule data on sustainability and corporate social responsibility is collected once a year whereas internal reporting on many of the individual data areas occurs on an ongoing basis.

### Overview of data – definitions

All data has been calculated at 31 December 2021 unless otherwise stated in this chapter. The overview follows the thematic structure of the report. For each theme data is included for the relevant years or the years for which comparable data is available.

### Creating value

#### *Overview of profit for the year*

All data is available in the Sydbank Group's annual reports for 2021, 2020 and 2019 and data has been calculated according to the accounting policies in force.

Overview of profit for the year	2021	2020	2019
Bank loans and advances (DKKbn)	67.0	60.2	60.6
Deposits (DKKbn)	93.9	95.9	84.3
Number of employees (FTEs)	2,167	2,021	2,107
Funds under management (DKKbn)	126	109	94
Corporation tax (DKKm)	353	222	228
Profit for the year (DKKm)	1,411	799	853
Return on equity (%)	11.2	6.6	7.5

### *Satisfied customers*

Sydbank's measurement of customer satisfaction is divided into corporate clients, Private Banking clients and retail clients.

Customer satisfaction among corporate clients is measured by Aalund and the result for 2021 is from surveys conducted during the period from August 2020 to July 2021. The segment Corporate Local was not included in the survey.

Customer satisfaction among Private Banking clients is measured by Prospera and the result for 2021 is from surveys conducted during the period from 30 August 2021 to 8 October 2021. The results from the Prospera survey have not previously been disclosed in the CSR report – historical data has been calculated for 2020 and 2019.

Customer satisfaction among retail clients is measured by EPSI and the result for 2021 is from data collected from 20 July 2021 to 1 September 2021. All retail customer segments are included in the survey. Previously Private Banking clients were included in EPSI's surveys but as of 2021 this customer segment is only included in the surveys conducted by Prospera.

With regard to the surveys carried out by Aalund and EPSI, Sydbank's scores are compared to the scores of Denmark's 6 largest banks. With regard to the survey carried out by Prospera, Sydbank's scores are compared to the scores of Denmark's 5 largest banks. The results shown for Corporate and Retail in 2021 are Sydbank's ranking among the 6 largest banks. For 2020 and 2019 Sydbank's score is compared to Denmark's 5 largest banks.

Satisfied customers (ranking)	2021	2020	2019
Corporate	3	2	2
Private Banking	4	4	2
Retail	4	2	2

#### *Local sponsorships and fund donations*

Nationwide sponsorships are agreed centrally and are activated throughout the country. Local/regional sponsorships are agreed at a decentralised level (locally in the Bank's branches) and are activated locally. All sponsorships are registered in Sydbank's financial management system. The figures do not include the Bank's sponsorship activation costs.

Amounts donated by funds are based on data extraction from Sydbank's financial management system. The financial statements of the funds are prepared after the publication of the CSR report. The fund donations disclosed are therefore subject to a small degree of uncertainty.

The amounts disclosed with regard to sponsorships and fund donations were granted in the relevant financial year, see the table.

Loal sponsorships and fund donations (DKKm)	2021	2020	2019
<b>Sponsorships</b>			
National sponsorships	7.7	2.6	2.9
Regional/local sponsorships	10	8.8	8.3
<b>Fund donations</b>			
Sydbank Fonden	10.9	7.5	13
Trelleborg Fonden	2.3	2.5	2.5
Study travel grants	0.6	0.6	0.6

#### **Responsible finance**

Sydbank's reporting of the carbon footprint of the Bank's lending is based on Finance Denmark's CO<sub>2</sub> model for the financial sector. As a result the carbon footprint of loans to the Bank's corporate clients, home loans, car loans to retail clients and private leasing is calculated. Due to data limitations it has not been possible to calculate the CO<sub>2</sub> footprint of total lending. Since only Danish industry averages and the estimated CO<sub>2</sub> footprint of properties have been available to Sydbank, the carbon footprint associated with lending in Germany has not been calculated.

As a supplement to the reporting of the Bank's lending, the carbon footprint of loans facilitated by Sydbank on behalf of business partners is calculated. As Sydbank facilitates for instance mortgage loans on behalf of Totalkredit and DLR, this reporting supplement provides a fairer overall picture of the footprint associated with the Bank's activities.

CO<sub>2</sub> footprints are calculated quantitatively.

The carbon footprint of the Bank's lending was reported for the first time for the 2021 financial year and therefore there is no reporting for 2020 and 2019.

#### **Corporate**

The CO<sub>2</sub> footprint of corporate loans is calculated according to the prioritised list in Finance Denmark's CO<sub>2</sub> model. The carbon footprint is calculated for each individual corporate client based on available data. There is considerable uncertainty associated with this calculation as it is largely based on sector averages as company-specific data has only been available to a limited extent.

#### **Ship finance**

According to Finance Denmark's CO<sub>2</sub> model ship finance must be reported individually if it concerns vessels under the framework of the International Maritime Organization (IMO) – ie vessels involved in international trade and weighing at least 5,000 GT.

At 31 December 2021 Sydbank had no ship finance where the vessels were under the framework of the IMO and therefore no separate carbon footprint relating to ship finance has been calculated.

#### **Private cars and private leasing**

The CO<sub>2</sub> footprint is calculated on the basis of the emission type of the car in cases where Sydbank holds a charge on the car. If Sydbank does not hold a charge on the car, an average of Denmark's motor vehicles from the Danish Center for Environment and Energy (DCE) is used.

The carbon footprint is calculated on the basis of the size of the loan at loan origination and the car's market value. In cases where Sydbank does not hold a charge on the car the market value of the car cannot be calculated. Since retail clients must pay at least 20% of the car's market value in accordance with the Bank's internal business procedure regarding unsecured car loans to retail clients, the market value is conservatively calculated as 125% of the size of the loan at loan origination.

## Properties

The carbon footprint of properties is calculated on the basis of the most precise method of Finance Denmark's CO<sub>2</sub> model that is possible based on available data. It must be noted that the CO<sub>2</sub> footprint of arranged mortgage loans from Totalkredit is not included in the calculation of the carbon footprint of Sydbank's lending but is included in a separate calculation as a supplement to Sydbank's CO<sub>2</sub> footprint associated with own lending.

## Separate calculation of CO<sub>2</sub> footprint associated with arranged lending

The main part of loans arranged by Sydbank consists of mortgage credit. By using estimated emissions of the properties where Sydbank has arranged mortgage loans, it has been possible to calculate a significant part of the CO<sub>2</sub> footprint associated with loans arranged on behalf of business partners.

Reporting of CO <sub>2</sub> footprint of lending	2021 Loans (DKKm) *	2021 CO <sub>2</sub> footprint (t) of loans *	2021 CO <sub>2</sub> footprint tonnes per DKK 1m loans	2020	2019
Corporate	56,748	752,498	13.26	-	-
Cars	3,531	46,942	13.30	-	-
Housing	7,273	13,225	1.82	-	-
Retail	10,803	60,166	5.57	-	-
<b>Total loans (Retail + Corporate)</b>	<b>67,552</b>	<b>812,664</b>	<b>12.03</b>	<b>-</b>	<b>-</b>
Mortgage mediation - Retail	88,278	99,673	1.13		
Retail loans + mortgage mediation - Retail	99,081	159,839	1.61	-	-
Total loans + mortgage mediation - Retail	155,830	912,337	5.85	-	-

\* Where possible to calculate CO<sub>2</sub> footprints

## Responsible investment

Data for this section does not include Alm. Brand Bank data.

### Active ownership activities

Sydbank has established an overall process to ensure that investment decisions take into account the most significant sustainability risks. The process focuses on active ownership, which may cover a wide range of activities from monitoring of companies in the portfolio, engagement with companies to collaboration with other investors to voting at general meetings. One crucial element in active ownership is constructive dialogue or engagement with a company's management.

At the end of 2021 our total portfolio of individual shares consisted of 1,276 different companies. Screening is conducted throughout the year in order to assess the ESG issues of the shares.

Active ownership activities	2021	2020	2019
Number of companies in portfolio	1,276	1,183	983

### Engagement with companies based on serious and critical violations

The engagement process is carried out by the external business partner Sustainalytics on behalf of Sydbank. Sustainalytics receives a statement of holdings with the names and identification codes of the companies. The process is based on the results of systematic screening of companies' compliance with well-established international conventions and guidelines such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as human rights conventions and environmental and climate conventions.

An engagement case typically lasts several years because it takes time to confirm, discuss and if possible find a solution. At the end of the year the number of pending cases is calculated.

Engagement cases arise if there is suspicion or confirmation of a serious violation of international conventions and guidelines. Via our business partners the companies in our overall investment portfolio are monitored with respect to new information that could bring the companies in conflict with international norms. New information in engagement cases related to controversial ESG issues are categorised according to severity. Suspected or confirmed serious violations of one or more of the UN Global Compact's 10 principles will always entail that Sydbank via our external business partner will attempt to engage in dialogue with the company.

Engagement with companies based on serious and critical violations	2021	2020	2019
Number of pending cases at year-end	49	45	57
Number of visits/meetings with companies	55	71	45

### Effect of engagement with companies

Our external business partner Sustainalytics assesses the effect of engagement according to 3 categories of performance: good, average and poor. Input to measure performance comes from quantitative and qualitative data collected during the engagement process where the engagement manager responsible evaluates the response from the company and the active participation by the company. A protracted period of time is needed to measure performance, which is why the number of companies whose performance is measured does not correspond to the total number of engagement cases in a calendar year. The impact assessments of engagement are a snapshot and include pending cases at the end of the year. Sydbank uses performance measures to assess the overall effect and strategy of active ownership as well as to assess specific investment cases at a company level.

When Sustainalytics assesses that a case has been examined and clarified sufficiently, it is registered as closed and filed. In this way it can be used as background material in any other cases with the company in the future.

In other instances a case may be closed without a satisfactory solution being reached. If the performance rating of a case is poor our business partner will initiate a 24-month process involving a clear structure as to which dialogue tools will be used during this period. The aim of this intensified process is to encourage the company to engage in a constructive dialogue. If the company responds favourably it can stay in our dialogue programme. If the response by the company does not improve during the 24-month period Sydbank's Responsible Investment Committee will decide whether the company will continue to be included in Sydbank's investment universe.

In 2019 data on the effect of engagement efforts included an additional engagement programme that is no longer used by Sydbank. As a result data from 2019 is not directly comparable with data for 2020 and 2021.

Impact assessment of pending engagement cases (number)*	2021	2020	2019
Good performance	23	21	53
Average performance	33	30	33
Poor performance	2	2	4
No measurement (eg new cases)	8	27	23
<b>Total number of cases</b>	<b>66</b>	<b>80*</b>	<b>113</b>

\* Due to an error in the calculation of the number of pending engagement cases in 2020, average performance is adjusted to 30.

### Exclusion list

The procedure for excluding companies where Sydbank has investments in shares or corporate bonds begins where the engagement process ends. Every quarter Sydbank's Responsible Investment Committee decides which companies should not be included in the investment universe due to non-compliance with the principles of the Bank's responsible investment and active ownership policy.

### Reasons to exclude companies

Certain companies are in conflict with Sydbank's responsible investment and active ownership policy and are excluded on a permanent basis from the investment universe. This applies to all companies with activities within the production of nuclear weapons, land mines and cluster bombs as well as chemical and biological weapons. The exclusion refers to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights as well as their underlying conventions.

Exclusion list – companies in mature markets	2021	2020	2019
Number of excluded companies	85	75	68

Number of reasons for exclusion – same company may have several issues	2021	2020	2019
Production of nuclear weapons	35	32	29
Production of cluster bombs	29	29	25
Production of land mines	5	4	4
Violation of workers' rights	4	3	3
Violation of human rights	9	1	1
Environmental violations	7	6	5
Activities on the West Bank	3	5	5
Destruction of natural resources in Western Sahara	1	1	2

### Exclusion of countries

Sydbank has developed its own process for ESG analysis of government bonds.

A country is excluded on the basis of an analysis of a number of different factors such as its environmental considerations, personal and political freedoms and rights, a government's ability to provide security and welfare as well as the prevalence of corruption and compliance with a number of internationally recognised norms.

Exclusion list – countries	2021	2020	2019
Afghanistan	x	x	x
Burundi	x	x	x
Central African Republic	x	x	x
Chad	x	x	x
Democratic Republic of the Congo	x	x	x
Ethiopia	x		
Eritrea			x
Guinea-Bissau	x	x	x
Haiti	x		x
Iraq	x		x
Libya	x	x	x
Mali	x	x	
Myanmar	x		
North Korea	x	x	x
Somalia	x	x	x
South Sudan	x	x	x
Sudan	x	x	x
Syria	x	x	x
Venezuela	x	x	x
West Bank and Gaza	x	x	x
Yemen	x	x	x
Zimbabwe	x		

#### *CO<sub>2</sub> footprint of investments*

Greenhouse gas emissions of investments are calculated according to the CO<sub>2</sub> model for the financial sector developed by Finance Denmark ([finansdanmark.dk/media/47361/finans-danmark-CO<sub>2</sub>-model.pdf](https://finansdanmark.dk/media/47361/finans-danmark-CO2-model.pdf)). The model includes the methods of calculation for the CO<sub>2</sub> footprint of different types of asset classes. In line with the recommendations of Finance Denmark Sydbank strives to use the most recently available CO<sub>2</sub> data.

The CO<sub>2</sub> footprint of the Bank's equity investment portfolio is reported for the first time for the 2021 financial year and as a result there is no reporting for 2020 and 2019.

As regards the individual companies in the investment portfolio Sydbank uses CO<sub>2</sub> data from an external data provider. CO<sub>2</sub> data of the individual companies consists of the company's scope 1 and scope 2 emissions. The data set comprises reported data and in cases where reported data does not exist, estimated data is used. The CO<sub>2</sub> reporting clearly states the extent to which data used is based on estimates prepared by our data provider. It is important to point out that the carbon footprint of the investment portfolio is a snapshot at the end of the year.

With regard to the total equity investment portfolio the following 2 CO<sub>2</sub> key figures are calculated. The key figures are calculated pro rata based on Sydbank's ownership interest in the individual companies in the total equity investment portfolio:

Financed absolute emissions:

Investments' absolute CO<sub>2</sub> emissions calculated as the total of market value weighted emissions in tonnes CO<sub>2</sub> equivalent (tCO<sub>2</sub>e).

Financed relative emissions:

Investments' CO<sub>2</sub> emissions calculated as the market value weighted emissions in tonnes CO<sub>2</sub> equivalent per million USD invested (tCO<sub>2</sub>e/m USD invested).

In line with the recommendations of Finance Denmark the calculations use Enterprise Value Including Cash (EVIC) to ensure that total emissions of CO<sub>2</sub> equivalents are distributed proportionately between equity investors and debt investors in the individual company.

#### *Comparison with global equity index MSCI ACWI*

Finance Denmark recommends that the carbon footprint of the equity investment portfolio is compared to the corresponding key figure of global equity index MSCI ACWI ([finansdanmark.dk/media/47236/fidafaktaark02da.pdf](https://finansdanmark.dk/media/47236/fidafaktaark02da.pdf)). Sydbank complies with this recommendation and therefore CO<sub>2</sub> reporting includes a comparison of the carbon footprint of Sydbank's total equity portfolio with that of MSCI ACWI. The comparison is based on the CO<sub>2</sub> key figure "financed relative emissions". Consequently the comparison shows the extent to which the carbon footprint is associated with an investment of USD 1 million in Sydbank's total equity portfolio and MSCI ACWI.



CO <sub>2</sub> footprint of investments	2021	2021	2020	2019
	Total	Estimated share		
Financed absolute emissions (tCO <sub>2</sub> e)	301,115	20.4%	-	-
Financed relative emissions (tCO <sub>2</sub> e/m USD)	54.05	20.4%	-	-
Carbon footprint MSCI ACWI (tCO <sub>2</sub> e/m USD)	-	-	62.36	-
CO <sub>2</sub> reduction in share portfolio compared to MSCI ACWI 2020	13.3%	-		

All calculations of CO<sub>2</sub> footprints are based on Sydbank's ownership interests in the individual companies in the equity investment portfolio. Our ownership interests are calculated on the basis of companies' EVIC. The calculation consists exclusively of equity investments in Sydbank's Asset Management and investments in Sydinvest's equity funds. In Sydbank's Asset Management discretionary individual management agreements are not included in the CO<sub>2</sub> calculation. CO<sub>2</sub> data is available as regards 97.6% of the portfolio and the values in the above table are based on this available data.

## Responsible employer

### Employee engagement

Sydbank uses Ennova to measure employee engagement. A comprehensive engagement survey involving 50 questions with 5 themes is conducted every other year. The results for 2020 are from the latest employee engagement survey carried out in September 2020. In addition comparable data has been included from a smaller engagement survey in 2019 – a so-called pulse survey consisting of 10 questions on the topics job satisfaction and loyalty. The 10 questions are also included in the comprehensive engagement survey and therefore the pulse survey and the engagement survey can be compared. No employee engagement survey or pulse survey was conducted in 2021.

The employee engagement survey does not include employees in temporary positions, persons employed as caretakers, employees paid on an hourly basis, employees on long-term sick leave, employees on leave or employees released from the duty to work. Since the employee engagement survey was carried out before the acquisition of Alm. Brand Bank, it is not included in historical data.

Employee engagement (scale 1-100)	2021	2020	2019
Job satisfaction	-	81	80
Satisfaction with Sydbank as a workplace	-	83	82
Job motivation	-	83	82

### Education and training at Sydbank

The CSR report contains information on some of the training courses that employees take and the percentage of employees who finish the training courses as scheduled. As regards mandatory training the Bank's Human Resources has a follow-up procedure for employees who have not completed a course on time. Together with the employee's immediate superior the reason for this is found and a new completion date is agreed. The data is extracted from the system VidenBarometer, which is the digital platform where the training courses are taken and data is stored. VidenBarometer is owned by Finanssektorens Uddannelsescenter (training centre for the financial sector), which is an association where Sydbank is a member. Data is extracted twice a year and the data included in this report is from 16 November 2021. Education data from 2020 is from 12 November 2020, and education data from 2019 is from 31 May 2019.

The training modules regarding sustainability were launched at Sydbank for the first time in 2021 and data relating to these modules was calculated at 31 December 2021. Data for 2020 and 2019 is therefore not reported.

Education and training at Sydbank (completion rate)	2021	2020	2019
Prevention of money laundering and terrorist financing	99.7	98.7	99
Processing of personal data	99.6	98.7	99
Information security	99.7	99.1	-
Investment advice – yellow and green products as well as MiFID	99.7	100	99
Property advice (mortgage credit directive)	99.5	100	98.6
Compliance at Sydbank	99.9	99.5	-
Sustainability in the financial sector	74	-	-
Sustainability at Sydbank	71.3	-	-

### Organisational composition

The number of employees is the average number of staff translated into full-time staff. Data includes temporary workers but not employees released from the duty to work, employees on leave without pay, compensated overtime, employees paid on an hourly basis and parliamentary committees.

The number of employees in flex jobs includes employees in flex jobs according to the old and the new flex job scheme and is stated as the number of persons.

Absence due to illness is registered in Sydbank's time recording and absence registration systems and includes the employee's sickness absence, a child's sickness and partial sickness. Illness in connection with pregnancy related issues and work-related injuries have not previously been included in the underlying data. They are however included in the underlying data for the 2021 CSR report and therefore the sickness absence rate is not directly comparable with earlier years. However pregnancy related issues and work-related injuries account for a very small part of the total sickness absence rate and as a result the figure from 2021 does not differ greatly from previous years. Absence due to sickness is calculated for the year as the total number of sick days relative to the possible number of working days. In connection with the calculation of absence due to illness a change in method was made in 2021 and therefore the data for 2020 and 2019 is not directly comparable.

The employee turnover rate is calculated using the formula:  
$$((\text{FTEs leaving voluntarily and FTEs leaving involuntarily})/\text{FTEs}) \times 100.$$

Gender diversity on the Board of Directors is calculated for shareholder-elected board members. Previously gender diversity was calculated for all board members and the figures for 2019 have been updated to be comparable with the figures for 2020 and 2021.

Gender diversity in the Group Executive Management has not previously been calculated. Consequently the table of data has been calculated using historical data for 2019 and 2020. On 1 April 2020 Henning Dam, Deputy Group Chief Executive, became the 4th member of the Group Executive Management and the percentage was adjusted from 33% to 25%. On 8 December 2021 Henning Dam resigned from the Group Executive Management and as a result the percentage was adjusted from 25% to 33%. Gender diversity in the Group Executive Management is calculated at the end of the year.

The calculation of women in management positions includes all permanently employed managers at Sydbank with staff responsibilities, including the Group Executive Management, relative to the number of employees.

The pay gap between the CEO and employees and the pay gap between men and women are calculated on the basis of the median salary. Pay is exclusive of any bonuses and pay for extra work. In the calculation of the pay gap between the CEO and employees the CEO's salary is not included in the median salary. In the calculation of the pay gap between men and women the CEO's salary is included in the median salary.

Organisational composition	2021	2020	2019
Number of employees (FTEs)	2,167	2,021	2,107
Number of employees in flex jobs	17	20	20
Employees in management positions (%)	12.9	13	13.3
Absence due to illness (%)	5.8	3.3	3.1
Employee turnover rate (%)	15.8	8	12
Women board members (%)	37.5	37.5	50
Women group executive management members (%)	33	25	33
Women in management positions (%)	30.5	29.3	30
Gender balance (M/F) among employees (%)	49/51	50/50	48/52
Pay gap between CEO and employees (times)	13.9	12.6	12.6
Pay gap between men and women across Sydbank (times)	1.3	1.2	1.2

### Reported incidents

All kinds of physical injuries at the workplace as well as assaults, threats and robberies where an employee is offered psychological support are reported as work-related injuries. Customer confrontations of an unpleasant but less severe nature and as regards which an employee does not receive psychological support right away are registered as 'unpleasant customer confrontations'.

At Sydbank there is no requirement that an employee is absent from work for an injury to be reported as a work-related injury. The assessment of whether an injury is reported as a work-related injury and whether an incident is reported as an unpleasant customer confrontation is made in consultation with the employee concerned, the branch management and the head of security.

Covid-19 infection in connection with work is defined as a work-related injury by the Employers' Association. However the Danish Working Environment Authority does not define illness (such as covid-19 infection) as a work-related injury and therefore covid-19 infection is not included in Sydbank's calculations. In 2020 there were 7 cases of covid-19 infection in connection with work and the figure for 2021 was 3.

Reported incidents	2021	2020	2019
Work-related injuries	9	7	11
Unpleasant customer confrontations	1	6	8

## Responsible climate footprint

### Overview of consumption data

#### Transportation

Transport by private car is calculated according to employees' registrations of kilometres driven in the Bank's HR system. It is assumed that the number of kilometres driven in private cars is a mixture of transportation in diesel cars and petrol cars.

Transport in Sydbank's cars is calculated according to the consumption of petrol and diesel in litres as well as electricity in kWh. If Sydbank's electric cars are charged at the private residence of an employee the kWh consumption is not reported to Sydbank and therefore not included in the calculation. Data regarding transport in Sydbank's cars does not include cars leased by Sydbank's customers via Sydbank Leasing.

Sydbank collects data on petrol and diesel consumption from the 3 fuel companies with which the Bank has an account. Data on the consumption of electricity is collected via electric mobility operator Clever.

#### Natural gas and biogas

Sydbank used natural gas until 30 September 2021. Natural gas consumption is measured and data is collected in App.KeepFocus. The periodic statement for natural gas is staggered relative to the statement of consumption in this report, which follows the financial year. From 1 October 2021 natural gas was replaced by biogas. Data for the consumption of biogas is collected in App.KeepFocus. We have chosen not to include the purchase of 100% biogas for the financial year 2021. As a result consumption for the full year is considered to be consumption of average gas in the Danish natural gas network (called "mains gas"), ie natural gas with the average biogas content (biogas share) disclosed by the Danish Energy Agency.

#### Electricity, water and heating

Electricity, water and heat consumption as regards 90% of the Sydbank's building stock is monitored on an hourly basis via App.KeepFocus. The remaining 10% is calculated manually using local meters on the basis of invoices or an estimate based on the national average consumption per employee (water) or floor space (heating). The periodic statements for water and district heating are staggered relative to the statement of consumption in this report, which follows the financial year.

Electricity consumption includes all branches as well as sites where there are Sydbank ATMs. Electricity consumption at sites with ATMs that are not associated with a branch are not included from 2021. This is because consumption is less than 4% and therefore too cost-intensive to continue to measure.

Electricity generated by Sydbank's solar cells comprises the system at the head office in Aabenraa and at the regional head office in Slagelse. Electricity generated by the solar cell system in Esbjerg is not included in 2021.

District heat consumption is calculated for Sydbank's head office, branches owned and leased in Denmark, discontinued branches in Denmark and branches in Northern Germany. In 2021 district cooling is included in the calculation of district heat consumption.

#### Total energy consumption

Total energy consumption and the renewable energy share and energy intensity at Sydbank are calculated according to the following formulas:

Total energy consumption:  $\sum (\text{fuel type used (t)} * \text{energy factor per type of fuel}) \text{ per fuel type} + (\text{electricity used (incl renewable energy)}) (\text{MWh}) * 3.6 + (\text{district heating/district cooling used, incl renewable sources for heating/cooling (GJ)})$

Renewable energy share:  $(\text{renewable energy} / \text{total energy consumption}) * 100$ .

The renewable energy share is calculated on the basis of electricity produced by the Bank's solar cells, purchased wind turbine electricity and the renewable energy share in district heating in Denmark. The share of renewable energy in district heating for 2021 is 69.3% (Energy Statistics 2020).

Total energy consumption and the share of renewable energy were calculated for the first time in 2021 and therefore there is no reporting for 2020 and 2019.

Consumption data	2021	2020	2019
<b>Transport by car</b>			
Number of kilometres driven in private cars for business purposes	1,748,554	1,576,042	2,909,877
Consumption of diesel (L) in Sydbank's cars	119,670	112,964	136,698
Consumption of petrol (L) in Sydbank's cars	29,065	14,943	18,074
Consumption of electricity (kWh) in Sydbank's cars	7,066	2,806	-
<b>Consumption – natural gas (m³)</b>			
Branches – total	23,359	17,838	19,192
<b>Consumption – electricity (kWh)</b>			
Sydbank's head office	2,710,339	2,596,850	2,763,782
Branches in Denmark	3,584,271	3,522,531	3,674,891
Branches in Northern Germany	300,748	319,721	307,585
Electric cars	7,067	2,806	-
<b>Total consumption – electricity</b>	<b>6,602,424</b>	<b>6,441,908</b>	<b>6,746,458</b>
<b>Energy produced by renewable sources (kWh)</b>			
Electricity produced by the Bank's solar cell systems	367,708	195,767	14,357
Electricity purchased from wind energy	5,933,968	968,752	-
<b>Consumption – district heating (kWh)</b>			
Sydbank's head office	1,603,499	1,308,597	1,377,095
Branches in Denmark	5,857,926	5,354,666	5,565,571
Branches in Northern Germany	346,252	397,554	422,544
<b>Total consumption – district heating</b>	<b>7,807,677</b>	<b>7,060,817</b>	<b>7,365,210</b>
<b>Consumption – water (m³)</b>			
Branches – total	14,447	14,419	14,070
<b>Total energy consumption</b>			
Total energy consumption (GJ)	57,981	-	-
Renewable energy share of total energy consumption (%)	71	-	-

#### CO<sub>2</sub> accounts

The CO<sub>2</sub> accounts regarding scope 1 and scope 2 have been prepared in accordance with the guidelines of the GHG Protocol. In addition to scope 1 and scope 2, an element of scope 3, category 6, employee transport by private car, is included. Other scope 3 emissions in the chapter on responsible climate footprint, eg emissions from other elements in category 6 as well as emissions from other categories, are not included. Sydbank has submitted data regarding its consumption in 2021 to engineering consultancy company NIRAS, which has prepared the CO<sub>2</sub> accounts for 2021. All consumption in the CO<sub>2</sub> accounts is based on data from App.KeepFocus except for the district heating used by some branches, which has been calculated manually using local meters on the basis of invoices or an estimate based on the national average consumption per employee (water) or floor space (heating).

The data for 2021 was made up on 3 January 2022. Electricity consumption is based on the gross area.

The CO<sub>2</sub> accounts are made up for 2021, 2020 and 2019.

CO<sub>2</sub> emissions comprise Sydbank's head office, branches in Denmark owned by Sydbank, branches in Denmark leased by Sydbank as well as discontinued branches, which are properties or sites sold by the Bank or no longer leased by the Bank. Consumption regarding sites and properties in connection with discontinued branches is included until ownership or a lease ends. Branches in Northern Germany are also included in the CO<sub>2</sub> accounts. The Bank has branches in Flensburg, Kiel and Hamburg. Holiday homes and apartments are not included in the CO<sub>2</sub> accounts as they are used by employees on holiday and therefore consumption is not considered to be business-related.

CO<sub>2</sub> emissions are calculated using the most recently available emission factors from national sources. These are described in more detail below. The most recently available emission factors are final emission factors obtained at the end of the first week of January in the year following a given financial year and they are used to calculate the emissions of the financial year.

## Scope 1

Scope 1 comprises direct CO<sub>2</sub> emissions from own buildings and leased buildings as well as transportation in Sydbank's cars.

In order to convert petrol and diesel consumption in litres into CO<sub>2</sub> emissions we have used an emission factor from the latest Energy Statistics published by the Danish Energy Agency as well as emission factors from UK Government GHG Conversion Factors for Company Reporting (DEFRA, 2020) as regards biodiesel, the proportion of bioethanol, methane and nitrous oxide. The proportion of bio fuel has been provided by the Danish Energy Agency.

In order to convert natural gas consumption into CO<sub>2</sub> emissions the emission factor from the latest Energy Statistics published by the Danish Energy Agency has been used as regards the proportion of natural gas of the gas in the Danish natural gas network. Emission factors from UK Government GHG Conversion Factors for Company Reporting (DEFRA, 2020) have been used to calculate CO<sub>2</sub> equivalents from the proportion of biogas, emissions of methane and nitrous oxide. The proportion of biogas in mains gas has been provided by the Danish Energy Agency. In the CSR reports for the financial years 2020 and 2019, CO<sub>2</sub> emissions regarding natural gas were calculated using degree day correction as regards 80% of consumption. The remaining 20% was assumed to be used for heating water (hot domestic water), which is independent of the weather, and therefore it was not adjusted. As a result data for 2021 is not directly comparable with data for 2020 and 2019.

## Scope 2

Scope 2 covers energy consumption purchased by a third party which is used to generate electricity, district heating and district cooling.

In the CSR reports for the financial years 2020 and 2019, CO<sub>2</sub> emissions regarding district heating were calculated using degree day correction as regards 80% of consumption. The remaining 20% was assumed to be used for heating water (hot domestic water), which is independent of the weather, and therefore it was not adjusted. As a result data for 2021 is not directly comparable with data for 2020 and 2019.

Sydbank has concluded an agreement with Norlys to purchase electricity generated by Danish wind turbines that are 2-10 years old from 1 November 2020 until 31 December 2022. The electricity generated by the wind turbines covers the Bank's power consumption in Denmark.

The GHG Protocol's Scope 2 Guidance specifies that climate accounts are prepared using 2 methods: the location-based method and the market-based method. When the location-based method is used emission factors are used that comprise the average emission of the respective energy network irrespective of market-based mechanisms regarding trade with renewable energy. When the market-based method is used emission factors that take into account market-based mechanisms regarding trade with renewable energy are used, including certificates for the purchase of electricity generated by wind turbines.

### Location based

Under the location-based method Sydbank's electricity consumption is calculated irrespective of trade with green certificates and therefore the purchase of electricity generated by Danish wind turbines cannot be included. The most recently available emission factors for Danish electricity from the final environmental declaration from energinet.dk are used where the 125% method is used. The 125% method allocates consumption from CHP plants in cases where there is a co-production of power and heat where heat is assigned an efficiency rate – in this case 125%. The emission factors regarding electricity use in the branches in Northern Germany are the most recently available emission factors from the German Environment Agency. By using the location-based method we can measure how our energy efficiency processes contribute to reducing CO<sub>2</sub> emissions.

District heat consumption is calculated using the most recently available average emission factor for district heating supplied in Denmark from Energy Statistics, which is published by the Danish Energy Agency. This factor is calculated according to the 200% method and is not available according to the 125% method. As regards district heating supplied in Germany the most recently available average emission factors for the respective region in Germany from the German Renewable Energies Agency are used. The agency does not disclose the method used to calculate these emission factors.

### Market based

The market-based method takes into account the purchase of electricity generated by wind turbines. CO<sub>2</sub> emissions from electricity consumption in Denmark are calculated on the basis of the most recently available emission factors from the general electricity declaration from energinet.dk, where the 125% method is used. Sydbank has purchased electricity generated by wind turbines with certificates for the period from 1 November 2020 to 31 December 2022 and consequently emissions from electricity consumption during this period are 0. As regards electricity used in Germany the most recently available emission factors from the European Residual Mix by the Association of Issuing Bodies (AIB) are used.

Each Danish district heating plant has its own emission factor depending on whether it uses eg oil, straw, wood chips or coal. To calculate Sydbank's district heat consumption the specific emission factor for the district heating network used is used on the basis of the market-based method. The emission factors are the most recently available emission factors from the Danish Energy Agency and they are based on the 125% method. It has not been possible to find a publicly accessible source concerning emission factors for the specific district heating networks in Germany. As for district heating supplied in Germany the same factors are therefore used as those under the location-based method.

### Scope 3

Transport by private car for business purposes falls under scope 3, category 6 in the GHG Protocol. Sydbank's scope 3 reporting does not include other categories from Sydbank's internal operations but the carbon footprint of its core business (finance and investment) is specified under the sections on responsible finance and responsible investment. The CO<sub>2</sub> footprint of core business also belongs under scope 3.

The conversion of kilometres driven into CO<sub>2</sub> emissions is based on the emission factor from the Danish Center for Environment and Energy (DCE, 2020). The figures are subject to uncertainty as assumptions about the average number of kilometres per litre of fuel are embedded in the emission factor. The DCE emission factors only indicate direct emissions from transport, which corresponds to the emissions included in the calculation of emissions from Sydbank's transportation in the Bank's cars. It is assumed that all kilometres driven in private cars are a mixture of transportation in petrol cars and diesel cars. The ratio of diesel and petrol cars is obtained from "Passenger transport performance by transport unit" (DST, 2020).

CO <sub>2</sub> accounts – location based	2021	2020	2019
<b>Scope 1 CO<sub>2</sub> emissions (tonnes)</b>			
Transport in Sydbank's cars (petrol)	63	36	43
Transport in Sydbank's cars (diesel)	311	300	363
Danish branches: owned, leased and discontinued (natural gas)	38	46	48
<b>Total scope 1 CO<sub>2</sub> emissions</b>	<b>412</b>	<b>382</b>	<b>454</b>
<b>Scope 2 CO<sub>2</sub> emissions (tonnes)</b>			
Sydbank's head office (electricity)	295	406	586
Danish branches: owned, leased and discontinued (electricity)	446	551	780
Branches in Germany (electricity)	155	128	146
Sydbank's electric cars (electricity)	0,9	0,4	-
Danish branches – district cooling	0,4	-	-
Sydbank's head office (district heating)	119	126	127
Branches in Denmark (district heating)	466	515	514
Branch in Hamburg (district heating)	16	18	17
Branches in Flensburg and Kiel (district heating)	66	86	89
<b>Total scope 2 CO<sub>2</sub> emissions</b>	<b>1,515</b>	<b>1,830</b>	<b>2,258</b>
<b>Scope 3 CO<sub>2</sub> emissions (tonnes)</b>			
Transport by private car (petrol, diesel)	269	199	367
<b>Total scope 1, scope 2 and scope 3 CO<sub>2</sub> emissions</b>	<b>2,195</b>	<b>2,411</b>	<b>3,079</b>
<b>Scope 1 and scope 2 CO<sub>2</sub> emissions by consumption (tonnes)</b>			
Transport (cars)	643	535	773
Electricity	896	1,085	1,512
Heat (natural gas and district heating)	656	791	795
<b>CO<sub>2</sub> accounts – market based</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total scope 1 CO <sub>2</sub> emissions	412	-	-
Total scope 2 CO <sub>2</sub> emissions	766	-	-
Total scope 3 CO <sub>2</sub> emissions	269	-	-
<b>Total scope 1, scope 2 and scope 3 CO<sub>2</sub> emissions</b>	<b>1,447</b>	<b>-</b>	<b>-</b>

# Independent limited assurance report on the consolidated CSR statement

## To the stakeholders of Sydbank A/S

Management of Sydbank A/S engaged us to provide limited assurance on the data described below and set out in the consolidated CSR data statement included on pages 44-53 in the CSR Report for Sydbank A/S 2021 for the period 1 January - 31 December 2021.

## Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us to believe that the consolidated CSR data statement is not prepared, in all material respects, in accordance with the accounting policies as stated on pages 43-53.

This conclusion is to be read in the context of what we state in the remainder of our report.

## What we are assuring

The scope of our work was limited to assurance over the consolidated CSR data statement on pages 44-53 in the CSR Report 2021.

## Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the reported greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## Our independence and quality control

We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

## Understanding reporting and measurement methodologies

The consolidated CSR data statement needs to be read and understood together with the accounting policies on pages 43-53, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure CSR information allows

for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

### Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the CSR data statement. In doing so and based on our professional judgement, we:

- Made inquiries and conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level;
- Checked CSR data on a sample basis to underlying documentation, and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the consolidated CSR data statement;
- Conducted an analytical review of the CSR data and trend explanations submitted by all business units for consolidation at Group level;
- Considered the disclosure and presentation of the consolidated CSR data statement; and
- Evaluated the obtained evidence.

### Management's responsibilities

Management of Sydbank A/S is responsible for:

- Designing, implementing and maintaining internal control over information relevant to the preparation of data in the consolidated CSR data statement that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting policies for preparing the

consolidated CSR data statement;

- Measuring and reporting data in the consolidated CSR data statement based on the accounting policies and evidencing the data; and
- The content of the consolidated CSR data statement for 2021.

### Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the consolidated CSR data statement for the period 1 January - 31 December 2021 is free from material misstatements and are prepared, in all material respects, in accordance with the accounting policies;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of Sydbank A/S.

Hellerup, 2 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 3377 1231

Per Rolf Larsen  
State Authorised Public Accountant

Jens Pultz Pedersen  
Director, M.Sc.



# Reporting under the UN Principles for Responsible Banking



Principles for Responsible Banking

Sydbank is a signatory of the UN Principles for Responsible Banking and as a result the Bank is under an obligation to report on an ongoing basis on our progress on integrating the 6 principles. The replies to the items: 2.1; 2.2; 2.3; 2.4; 5.3; 6.1 are formulated on the basis of descriptions in the CSR report, which has been reviewed by PwC, see page 54.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
<b>Principle 1: Alignment</b> <b>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</b>		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	<p>The classic business model for banks is fundamentally concerned with optimising risk management when short-term deposits are converted to long-term loans. This remains the cornerstone of Sydbank's business model.</p> <p>Sydbank uses an omni-channel model which combines long-term strong customer relationships with production and procurement of competitive products.</p> <p>As an advisory and service undertaking Sydbank's primary objective is to meet the financial requirements of its customers. Customers' needs are met by means of deposit and loan products produced in-house, activities within payment services, securities trading and asset management as well as arranging mortgage credit products, investment management products, pension products and insurance products via business partners. For more details on products, see item 3.2.</p> <p>Sydbank's core business is made up of lending and asset management. Sydbank focuses on the segments Corporate, Private Banking and Retail.</p> <p>Sydbank is a nationwide bank and its business volume is evenly distributed across 12 Danish regions as well as Northern Germany, where the Bank has 3 branches.</p> <p>Sydbank's investment universe is an international market for trading in eg corporate bonds and government bonds.</p> <p>Sydbank's lending is exposed by way of loans and advances and guarantees to 10 primary industries as well as to retail clients and public authorities. The 10 primary industries are:</p> <ul style="list-style-type: none"> <li>• Agriculture, hunting, forestry and fisheries</li> <li>• Manufacturing and extraction of raw materials</li> <li>• Energy supply etc</li> <li>• Building and construction</li> <li>• Trade</li> <li>• Transportation, hotels and restaurants</li> <li>• Information and communication</li> <li>• Finance and insurance</li> <li>• Real property</li> <li>• Other industries</li> </ul>	<p>Sydbank's business model pp 2-5, available at <a href="https://sydbank.com/about/investor-relations/corporate-governance">sydbank.com/about/investor-relations/corporate-governance</a></p> <p>CSR Report 2021, Investments in government bonds p 31</p> <p>Credit Risk 2021, pp 12-13, available at <a href="https://sydbank.com/about/investor-relations/financial-reports">sydbank.com/about/investor-relations/financial-reports</a></p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
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**Principle 1: Continued**

1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	For Sydbank sustainability is about doing something because it is the right thing to do and because it can be integrated naturally in the Bank's business. In 2020 and 2021 Sydbank worked to embed sustainability into its core business to a still greater extent.	Sydbank's policy for sustainability and social responsibility p 2, available at <a href="https://sydbank.com/about/investor-relations/corporate-governance">sydbank.com/about/investor-relations/corporate-governance</a>
	In 2021 Sydbank launched its new strategy for 2022-2024 and one of the strategic initiatives is ESG and sustainability. As a result of the new strategy Sydbank will in future incorporate ESG and sustainability into its products and procedures to a still greater extent.	CSR Report 2021, Greater strategic focus on sustainability and social responsibility p 17
	We believe that by becoming a signatory to the UN Principles for Responsible Banking Sydbank shows the strongest connection as regards working on the Sustainable Development Goals and the Paris Agreement as well as achieving sustainable banking in the long term.	
	In future we will continue to support and comply with our obligations according to the international endorsements and also comply with existing legislation.	CSR Report 2021, Sustainable endorsements and levers p 18

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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## Principle 2: Impact and Target Setting

**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

### 2.1 Impact Analysis:

<p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</p> <p>a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context &amp; Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p>	<p>Sydbank's core business is made up of lending and asset management. We will carry out the impact analysis in 2022 and for that purpose we will set up a working group consisting of employees from relevant business units in the Bank.</p> <p>In 2021 we will report on CO<sub>2</sub> emissions resulting from our investments and our lending portfolio for the first time.</p> <p>Also in 2021 we started the groundwork to ensure sufficient underlying data as regards our corporate clients, eg by broadening industry analyses for lending.</p> <p>Overall the calculation of the carbon footprint of core business and the broadening of industry analyses contribute to forming the basis of the impact analysis in 2022.</p>	<p>CSR Report 2021, Sustainability efforts p 17</p> <p>CSR Report 2021, Responsible finance p 22 Responsible investment p 28</p>
<p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> <li>· Identified and disclosed its areas of most significant (potential) positive and negative impact</li> <li>· Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts</li> </ul>		

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.**

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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## 2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

In 2022 Sydbank will set targets for our impact resulting from our core business.

CSR Report 2021, Sustainability efforts p 17

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

In 2021 we will report on CO<sub>2</sub> emissions resulting from our investments and our lending portfolio for the first time. We hope that data is sufficiently mature to enable us to set goals in 2022 for our impact associated with core business.

CSR Report 2021, Responsible finance p 22  
Responsible investment p 28

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.**

## 2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Sydbank will not set any targets in the first year after becoming a signatory to the UN Principles for Responsible Banking, see item 2.2.

CSR Report 2021, CSR forum p 17

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

In future Sydbank's Board of Directors will be responsible for approving objectives within sustainability as well as complying with international endorsements. Objectives are incorporated into Sydbank's sustainability and social responsibility policy.

CSR Report 2021, Greater strategic focus on sustainability and social responsibility p 17

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.**

## 2.4 Progress on Implementing Targets

For each target separately:

**Show** that your bank has implemented the actions it had previously defined to meet the set target.

**Or explain** why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

See item 2.3.

**Report** on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets**

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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### Principle 3: Clients and Customers

**We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**

3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.	We give priority to our employees having a high level of competences to ensure that our customers receive expert and value-adding advisory services. We achieve the best results when we excel.	CSR Report 2021, Education – for the benefit of customers and employees p 34
	Our relationship with our customers is based on responsibility, human decency and mutual respect as well as value creation for our customers. These elements form part of Sydbank's rules to live by, its core story and fundamental values as they reflect the way we act and serve as a guiding principle of our behaviour to our customers.	Sydbank's business model, available at <a href="https://sydbank.com/about/investor-relations/corporate-governance">sydbank.com/about/investor-relations/corporate-governance</a>
	As one of Denmark's largest banks we take our responsibility seriously as regards combating crime associated with the financial infrastructure. We work continuously to protect the Bank and our customers against crime.	CSR Report 2021, Efforts to fight crime and corruption p 14
3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	Sydbank will to a greater extent highlight the sustainable choices available to customers. As a result we set up a dedicated page on <a href="https://sydbank.dk">sydbank.dk</a> (in Danish only) in 2021 highlighting the Bank's offerings, which enables customers to make more sustainable choices.	CSR Report 2021, Our stakeholders p 7
	<p>Sydbank's business model rests on the fact that the Bank focuses on having its own products and is able to procure of a wide range of financial services, including mortgage credit, pensions and insurance via strong business partners. By doing so the best portfolio of financial products and services can be offered to the Bank's customers. Via partnerships Sydbank offers its customers the following opportunities:</p> <ul style="list-style-type: none"> <li>• We aim to make it possible for our customers to make responsible and sustainable investments – we do so in collaboration with eg Sydinvest and BankInvest.</li> <li>• We wish to guide our customers to the right benefits of making their homes energy efficient – we do so in collaboration with Totalkredit.</li> <li>• Via our collaboration with Letpension our customers can invest part of their pension savings in a more climate-friendly manner.</li> <li>• In collaboration with Totalkredit and DLR we offer financing opportunities to corporate clients focusing on the green transition.</li> </ul> <p>As part of Sydbank's responsible investment efforts we launched an equity fund with the Nordic Swan Ecolabel in 2021. As an objective for responsible investments we plan to add further sustainable products to our product portfolio in 2022.</p> <p>In 2021 we launched an education campaign for all the Bank's employees focusing on sustainability. This training will provide our employees with the tools to enter into a dialogue with the Bank's customers on a sustainable transition. Via our business partners we are able to provide our customers with access to relevant guidance on sustainability.</p>	Sydbank's business model, p 5, available at <a href="https://sydbank.com/about/investor-relations/corporate-governance">sydbank.com/about/investor-relations/corporate-governance</a>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/relevant information
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#### Principle 4: Stakeholders

**We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**

<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>As one of Denmark's largest banks we focus on close relationships with our stakeholders within our organisation, the market-place and society at large.</p>	<p>CSR Report 2021, Our stakeholders p 7</p>
	<p>By becoming a signatory to the UN Principles for Responsible Banking we are under an obligation to interact on a regular basis with our most significant stakeholders as regards the sustainable agenda. This is done through dialogue and overall market surveys. As one of the first steps in our work with the UN principles in 2021 we focused on gaining insight into the problems and wishes voiced by Danish retail clients. Finance Denmark via Epinion has explored Danes' expectations as to the finance sector's sustainability efforts. According to the survey Danish retail clients would like more opportunities to select more sustainable products and solutions. Sydbank will to a greater extent highlight the Bank's more sustainable choices for the retail segment as well as the corporate segment, for more details see item 3.2.</p>	<p>CSR Report 2021, CSR efforts, organisation and management, working groups p 17</p>
	<p>Finance Denmark is one of the most important interest organisations for Sydbank. Finance Denmark has set up the Forum for Sustainable Finance, which has published 20 recommendations on how the finance sector can contribute to a sustainable transition. The recommendations provide an insight into what society at large, including interest organisations, expects from Sydbank in this area. As a member of Finance Denmark, it is our ambition to comply with the recommendations aimed at the finance sector.</p>	
	<p>Sydbank takes part in a number of working groups through Finance Denmark and National Banks in Denmark where we can gain an insight into how our competitors are working with sustainability – for instance how they are handling increased EU regulation. The working groups ensure sparring across the sector on eg legislation and endorsements in the area of sustainability.</p>	

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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## Principle 5: Governance & Culture

### We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	Sydbank's Board of Directors is responsible for preparing and updating Sydbank's sustainability and social responsibility policy. By anchoring the responsibility at board level the Board of Directors is responsible for eg Sydbank's compliance with voluntary international endorsements, including the UN Principles for Responsible Banking. Furthermore the Board of Directors is responsible for approving and monitoring the Bank's objectives in the area. On a regular basis and at least once a year the Board of Directors considers whether the policy should be updated.	CSR Report 2021, Sustainable governance foundation p 17 Sustainability and CSR forum p 17
	The day-to-day activities concerning sustainability and social responsibility are carried out in the Bank's business units. These efforts are guided by a governance foundation comprising policies and codes related to the area of sustainability.	
	Sydbank's sustainability and CSR forum evaluates and decides upon sustainability initiatives and guarantees internal dialogue and sparring on objectives for the Bank's 4 strategic focus areas. The members of the forum include Sydbank's CEO as well as representatives from the Bank's relevant business units. The forum submits proposals to the Group Executive Management, which in turn informs the Board of Directors.	CSR Report 2021, Sustainable governance foundation p 17
	In 2021 Sydbank's Compliance prepared a risk assessment of the Bank's sustainability and CSR efforts. Based on this review it is the assessment of Compliance that the Bank's governance within the area of sustainability and social responsibility is satisfactory and that it ensures that the requirements relating to the Bank's reporting on sustainability and CSR are observed. Compliance's risk assessment gives us assurance that the Bank's sustainability and CSR efforts rest on a solid governance foundation.	CSR Report 2021, Sustainable governance foundation p 17
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	In 2021 Sydbank launched a series of training modules concerning sustainability and social responsibility. The training modules aim to promote awareness and knowledge about sustainability efforts within the finance industry in general and Sydbank in particular.	CSR Report 2021, Education – for the benefit of customers and employees p 34
	At Sydbank we are ready to share the responsibility for financial stability in Danish society. For instance we support the authorities' efforts against criminals who misuse the financial infrastructure and we arrange training in the prevention of money laundering and terrorist financing as well as information security.	
	Sydbank's remuneration policy was updated in 2021 in relation to the conditions for fixing pay and bonuses. The update takes into account decisions made in the Bank as regards the integration of sustainability factors and sustainability risks.	CSR Report 2021, Sustainable governance foundation p 17

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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#### Principle 5: Governance & Culture – continued

5.3 Governance Structure for Implementation of the Principles	See item 5.1 above for a description of the organisation and distribution of responsibility as regards sustainability efforts.
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Show that your bank has a governance structure in place for the implementation of the PRB, including:

- target-setting and actions to achieve targets set
- remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

**Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/Link(s) to bank's full response/ relevant information
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#### Principle 6: Transparency & Accountability

**We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**

6.1 Progress on Implementing the Principles for Responsible Banking	In 2021 Sydbank actively worked on creating a satisfactory foundation for its impact analysis in 2022, eg by calculating the carbon footprint resulting from lending and investments.	
<b>Show</b> that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).	It is Sydbank's ambition to comply with the 20 recommendations formulated by the Forum for Sustainable Finance, which was set up by Finance Denmark. The recommendations give Sydbank an insight into how we can contribute to a sustainable transition.	CSR Report 2021, Society at large p 7
<b>Show</b> that your bank has considered existing and emerging international/ regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.	In addition Sydbank supports and follows the positive trend in society through our endorsement of international initiatives, eg the UN Global Compact and the UN PRI.	CSR Report 2021, Sustainable endorsements and levers p 18
<b>Show</b> that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	Sydbank follows developments and responds actively to new legislation and guidelines within the sustainability area, eg by participating in working groups within Finance Denmark and National Banks in Denmark. In 2021 for instance we updated our remuneration policy and our policy on responsible investment in compliance with the disclosure regulation. In 2021 Sydbank will report for the first time on the Bank's economic activities under Article 8 of the Taxonomy Regulation.	CSR Report 2021, Working groups p 18 Sustainable governance foundation p 17
	Sydbank complies with the recommendations of the Committee on Corporate Governance. The recommendations were updated in 2021 and Sydbank has changed its existing practice to act in line with the recommendations.	

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking**



# Reporting under Article 8 of the Taxonomy Regulation

## Taxonomy Regulation – definitions

The EU taxonomy has been created to provide a common framework for what is to be understood as sustainable economic activities across the EU. The taxonomy consists of a classification system, including 6 environmental objectives, as well as greater reporting requirements concerning economic activities that may be classified as environmentally sustainable according to the classification system.

The taxonomy distinguishes between 2 important concepts in the process of classifying economic activities: taxonomy-eligible economic activities and taxonomy-aligned economic activities.

The taxonomy initially defines which business activities may be classified as taxonomy-eligible environmentally sustainable economic activities.

The taxonomy also defines which economic activities are taxonomy-aligned. An economic activity must comply with a number of specific screening criteria relating to at least 1 of the 6 environmental objectives and the activity may not have any adverse impact on the other environmental objectives defined in the taxonomy. In addition the economic activity must comply with several minimum requirements regarding sustainability which are defined more broadly than simply environmental factors. Reporting on taxonomy-eligible activities will come into force in 2024 as regards the financial year 2023.

It is thus important to distinguish between taxonomy-eligible activities and taxonomy-aligned activities. In the EU taxonomy's first reporting phase for the financial years 2021 and 2022 focus is on taxonomy-eligible activities, ie business activities where no assessment has been carried out as to whether a specific activity has been performed in a sustainable manner in accordance with the requirements of the taxonomy.

It is important to make it clear that taxonomy-eligible activities do not reflect whether the activities are sustainable. In 2021 and 2022 the sole question is whether a business activity qualifies as environmentally sustainable according to the definitions of the EU taxonomy.

## Reporting for the 2021 financial year

Data in the following paragraphs has been calculated in accordance with Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088) and the Delegated Regulation (Commission Delegated Regulation (EU) (2021/4987) of 6 July 2021).

The reporting requirement under Article 8 of the Taxonomy Regulation is a new requirement applying to the 2021 financial year and therefore data and information concern only the 2021 financial year.

Reporting for the financial year 2021 is unaudited but is based on the Bank's best effort to report in accordance with the requirements set out in the Taxonomy Regulation.

Sydbank supports a common definition of sustainability. The taxonomy is still new and not yet fully regulated in relation to the stipulated environmental objectives. Also, many of the economic activities for which the Bank has granted loans and in which the Bank has investments have not yet been described in the Taxonomy Regulation. At Sydbank we address the Taxonomy Regulation and pay attention to enlargements. The Taxonomy Regulation is not used in the Bank's credit policy or in its responsible investment and active ownership policy but we address sustainability in connection with lending and ESG issues in the investment universe.

Based on our current knowledge about the contents of the Taxonomy Regulation we have not ascertained non-compliance with the regulation.

Sydbank does not use the Taxonomy Regulation in the Bank's business strategy, product development or dialogue with customers and counterparties. Consequently in 2021 we did not enter into a dialogue with counterparties which do not yet report under the Taxonomy Regulation in order to gain an insight into whether their economic activities were covered by the Taxonomy Regulation.

At Sydbank the business area Credits reports under the heading Credit Institutions and the business area Asset Management under Asset Managers. Since these 2 business areas are subject to different limitations, reporting for Credits and Asset Management is divided in the paragraphs below.

## Reporting under the Taxonomy Regulation – accounting policy

The table below shows how the individual calculations under the reporting are made.

Exposures to taxonomy-eligible economic activities (applies to Credits and Asset Management)	Exposures to car and housing products divided by total covered assets.
Exposures to taxonomy-non-eligible activities (applies to Credits and Asset Management)	The proportion of total covered assets that are not exposures to NFRD undertakings as well as car and housing products, divided by total covered assets.
Exposures to central governments, central banks and supranational issuers (applies to Credits and Asset Management)	Exposures to central governments, central banks and supranational issuers divided by total covered assets.
Exposures to derivatives (applies to Credits and Asset Management)	Exposures to derivatives divided by total covered assets.
Exposures to undertakings not subject to NFRD (applies to Credits and Asset Management)	Exposures to corporate clients not subject to NFRD, divided by total covered assets.
Total exposure to trading portfolio and on demand inter-bank loans (applies to Credits)	Exposures to trading portfolio and on demand inter-bank loans divided by total covered assets.
Total assets excluding asset types covered by Article 7(1) (DKKbn)(total covered assets) (applies to Credits)	Total assets less exposures to central governments, central banks and supranational issuers.

## Reporting under Article 8 of the Taxonomy Regulation – Credits

The Taxonomy Regulation entered into force on 1 January 2022. During the first 2 years the Bank must report on its exposures to customer activities which are described in the Taxonomy Regulation. This reporting will be broadened from 2024 when the Bank must calculate the green asset ratio (GAR), which is the proportion of taxonomy-eligible loans and the proportion that may be considered environmentally sustainable.

Reporting for the 2021 financial year comprises the Bank's exposures to retail clients that are taxonomy-eligible and comprises car and home loans. Mortgage loans are not comprised by the reporting because the Bank does not have a mortgage credit institution or can include loans arranged.

The Bank's reporting under the Taxonomy Regulation for the 2021 financial year does not include exposures to corporate clients. The reason is that reporting must only comprise undertakings large enough to be subject to the Non-Financial Reporting Directive (NFRD) and where reported data on the undertaking's activities covered by the Taxonomy Regulation is available. As the reporting requirement as regards the undertakings – and the Bank – did not enter into force until 1 January 2022 the Bank does not have any available data on the undertakings' activities covered by the Taxonomy Regulation.

The Bank's exposures to corporate clients significantly exceed its exposures to retail clients. Consequently reporting, which only concerns retail clients this year, will only represent a small part of the Bank's total lending. Exposures to taxonomy-eligible economic activity have been calculated at 7%.

Reporting under Article 8 of the Taxonomy Regulation	
Exposures to taxonomy-eligible economic activities (%)	7
Exposures to taxonomy-non-eligible economic activities (%)	93
Exposures to central governments, central banks and supranational issuers (%)	12
Exposures to derivatives (%)	2
Exposures to undertakings not subject to NFRD (%)	44
Total exposure to trading portfolio and on demand inter-bank loans (%)	19
Total assets excluding asset types covered by Article 7(1) (DKKm)	149,504

### Reporting under Article 8 of the Taxonomy Regulation – Asset Management

The Bank's reporting under the Taxonomy Regulation as regards asset management comprises assets as regards which Sydbank has influence over the investment decisions either through direct exposure on behalf of clients or as an advisor to professional clients. As a result reporting covers investment activities within Sydbank's asset management and Sydinvest's investment funds where Sydbank acts as an advisor. Assets under discretionary individual management agreements are not included in the calculations as regards Sydbank's Asset Management.

The calculations as regards reporting on investment assets are based on an investment portfolio totalling DKK 68.8bn less investments in government bonds.

The remaining reporting under the Taxonomy Regulation is on the basis of business activities as described in Annexes 1 and 2 of the Article 8 Delegated Act of the Taxonomy Regulation. Estimates of business activities are based on the undertaking's formation in an EU member state as well as the undertaking's reporting under NFRD. The undertaking is subsequently assigned a primary NACE industry code. If the assigned industry code is described in Annexes 1 and 2 the relevant business activity will be regarded as taxonomy-eligible. Consequently business activities for which a primary industry code cannot be assigned are regarded as taxonomy-non-eligible.

Sydbank uses estimates in its reporting as the undertakings forming part of the investment assets have not yet reported under the Taxonomy Regulation. The Bank has thus been unable to obtain reported data of the undertakings.

Reporting under Article 8 of the Taxonomy Regulation	
Exposures to taxonomy-eligible economic activities (%)	8
Exposures to taxonomy-non-eligible economic activities (%)	92
Exposures to central governments, central banks and supranational issuers (%)	12.3
Exposures to derivatives (%)	0.04
Exposures to undertakings not subject to NFRD (%)	4
Total assets excluding asset types covered by Article 7(1) (DKKbn)	68.8



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