

# Responsibility & Sustainability Report 2021



## This report contains: **A/S Arbejdernes Landsbank's:**

- Reporting to the UN Principles for Responsible Banking.
- Reporting to the UN Global Compact.
- Report on corporate social responsibility and the gender mix of management according to sections 135b and 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- Reporting in accordance with Article 8 of the EU Taxonomy Regulation.
- Reporting in accordance with section 99a and section 99b of the Danish Financial Statements Act with regard to AL Finans A/S.

Moreover, ESG data and accounting policies are stated in the Sustainability Fact Book, published on [al-bank.dk/en/in-english](https://al-bank.dk/en/in-english).

Report on corporate social responsibility for Vestjysk Bank A/S according to section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. is available in Vestjysk Bank's CSR report.

*The Responsibility & Sustainability Report has been prepared in a Danish and an English version. In the event of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.*



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals. We welcome feedback on its contents.

# Contents

<b>A sustainable ambition</b>	<b>5</b>	- Risks	30	- Policy	56
- Together for a greener future	5	- Objectives for 2022	32	- Risks	56
- The Danish economy and our customers successfully rode the pandemic	7	- Sustainable investments	33	- Objectives for 2022	57
- One of the most sustainable banks in Denmark in 2025	8	- Case: Wave energy: Perhaps the world's next great source of energy?	36	- Employees	58
		- Key figures for investments	38	- Key figures for employees	60
		- Policy	38	- Policy	62
		- Risks	38	- Risks	62
		- Objectives for 2022	39	- Objectives for 2022	63
				- Society	64
				- Policy	71
				- Risks	71
<b>Sustainable development</b>	<b>9</b>	<b>Green sustainability</b>	<b>40</b>	<b>Sustainable management</b>	<b>72</b>
- Business model building on sound values	9	- Time to take climate account	40	- Sustainability Committee monitors progress	73
- Progress on implementing the UN Principles	11	- Policy	41	- Key figures for sustainable management	76
- First calculation of financed CO <sub>2</sub> e emissions	13	- Risks	41	- Key figures for sustainable management	76
- Sustainability even closer to business	14	- Key figures for the climate	42	- Policy	77
- Contributions to achieving the UN Sustainable Development Goals	15	- Key figures for financed CO <sub>2</sub> e emissions	45	- Risks	78
- Reporting ESG metrics	16	- Sustainable banking	47	- Objectives for 2022	79
		- Key figures for the environment	50		
		- Objectives for 2022	51	<b>Sustainable course towards 2025</b>	<b>80</b>
<b>Financial sustainability</b>	<b>17</b>	<b>Social sustainability</b>	<b>52</b>	<b>Reporting principles</b>	<b>91</b>
- Green transition requires considerable financing	17	- Customers	53		
- Sustainable loans and credits	18	- Key figures for customers	56		
- Key figures for activities covered by the EU Taxonomy	20				
- Validated	24				
- Key figures for loans and credits	30				
- Policy	30				

# Facts & overview

Figures for Arbejdernes Landsbank and AL Finans as at 31 December 2021

## Sustainable financing



GREEN CAR LOANS  
TOTAL VOLUME

**DKK 1.6 bn.**

CLIMATE LOANS AND  
ENERGY LOANS TOTAL  
VOLUME

**DKK 34 mill.**



ECOLABELLED  
INVESTMENT  
ASSOCIATION

**DKK 5.5 bn.**

## Social sustainability

**Job satisfaction 80**  
**Loyalty 86**

EMPLOYEE COMMITMENT ABOVE  
BENCHMARK FOR THE SECTOR



**No. 1**

MOST SUSTAINABLE BRAND  
IN THE SECTOR

## Sustainable management

GENDER DIVERSITY  
AMONG MANAGERS

**34% women**  
**66% men**



## Green sustainability



**260,741**  
**tonnes**  
**of CO<sub>2</sub>e**

TOTAL CO<sub>2</sub>E EMISSIONS  
(SCOPES 1, 2 AND 3)

**3.42 tonnes**  
**of CO<sub>2</sub>e/  
DKK mill.**



TOTAL CO<sub>2</sub>E EMISSIONS  
PER FINANCED DKK MILLION

**99.5% of CO<sub>2</sub>e**

SHARE OF TOTAL  
CO<sub>2</sub>E EMISSIONS  
OF FINANCING AND  
INVESTMENTS



SHARE OF TOTAL CO<sub>2</sub>E  
EMISSIONS OF BANKING

**0.5% of CO<sub>2</sub>e**

# A sustainable ambition

## Together for a greener future

*Sustainability has entered the strategic agenda for the financial sector in earnest. The sector has a vital role in the transition to a green economy, and it is encountering more regulation and increasing reporting requirements. At Arbejdernes Landsbank and AL Finans, we welcome these developments and we stick to our sustainability ambitions and focus on motivating and supporting sustainable development and green transition for our customers.*

As a nationwide bank and group, with considerable financing and investment activities in both Arbejdernes Landsbank and AL Finans, we have a great responsibility and great opportunities to ensure that these activities are administered responsibly and make a positive contribution to society.

Our responsibilities have become even greater with the acquisition of a majority of the shares in Vestjysk Bank in 2021 and our new role as a systemically important financial institution. We are very aware of this responsibility and we are ready to shoulder it.

In 2021 we took a significant step forwards in understanding how our business activities impact the surrounding world and the UN SDGs - and understanding where we have the best potentials to contribute to sustainable development of the economy.



Customers, investors and authorities are placing increasing demands on the financial sector to contribute to sustainable development through financing and investments. With the EU's ambitious climate plan for the financial system, in future, financing will be linked much more to activities and solutions that contribute to the successful green transformation of society. With more green products on our shelves, we are already supporting the green transition, and we have an ambition to make an even greater difference with the implementation of our sustainability strategy and more green initiatives across business areas and units.

### **The “licence to operate” of the future is sustainability**

Sustainability is becoming a more essential and integral part of business in the financial sector. In the 2015 Paris Agreement, all UN Member States agreed to limit temperature increases to well below 2 degrees, preferably to 1.5 degrees Celsius. The EU wants to lead the way and is determined to be the first climate-neutral continent by 2050. Therefore, the EU has laid an ambitious strategy for the green transition of the economy towards 2050, with sub-targets for 2030. A crucial part of the strategy is to mobilise the financial sector to promote sustainable investment and to increase financing of companies and activities that can contribute to the green transition.

The EU does not and will not impose requirements on how much financing Arbejdernes Landsbank, our subsidiaries, customers and owners have to allocate for sustainable solutions. However, the EU has already imposed and in the future will impose considerably more requirements on banks to be transparent, report and communicate with customers and the outside world about what money is lent out for and what it is invested in, and the secondary effects of this on the climate, the environment and social conditions. The aim of all this is to create incentives in the financial sector to contribute even more to financing the green transition.

This enormous transformation of the economy, as well as increasing reporting requirements, indicate that sustainability will be the “licence to operate” of the future for all players in the financial sector.

### **We want to set the bar high**

At Arbejdernes Landsbank and AL Finans, we want to set the bar high. This means that our ambition is not only to meet the requirements and expectations of the outside world. We also want to use knowledge and insights about business activities as leverage for dialogue regarding sustainability with our customers, partners and suppliers, so together we can move in an even more sustainable direction. Our clear ambition towards 2025 is to be recognised as one of the most sustainable banks in Denmark.

Our voluntary accession to the UN Principles for Responsible Banking, the UN Principles for Responsible Investment and the UN Global Compact means that we have obligated the Bank to integrate fundamental sustainability principles in the way in which we run our Bank, and in 2021, we implemented a number of initiatives to boost our sustainable development. For example, through standards and methods recognised by the UN, we have conducted an impact analysis on the basis of the Group's lending and investments. The impact analysis contributes to creating an overview of the potential risks and impacts\* of our financial activities on the outside world and the UN Sustainable Development Goals.

### **Sustainable transition together with our customers**

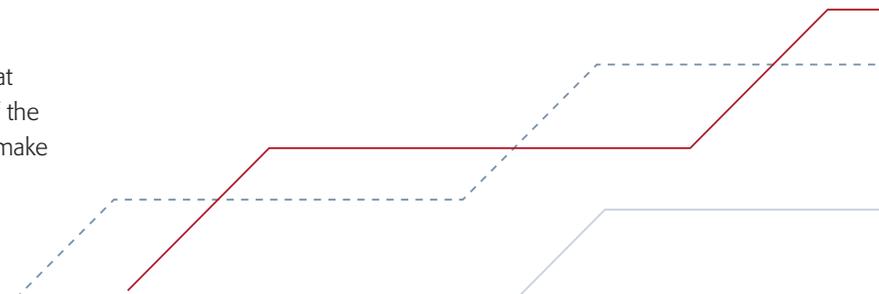
In addition to this, we have prepared our first total climate accounts of both directly and indirectly

financed CO<sub>2</sub>e emissions. The accounts clearly show that indirect CO<sub>2</sub>e emissions constitute by far the majority of the Group's total CO<sub>2</sub>e emissions. This means that we can make

the absolute greatest difference for the green transition and the reduction of greenhouse gas emissions together with our customers.

In the autumn, we launched our new digital value services “Valified” for business customers. Valified makes it easier for companies to start their sustainability reporting. This is a specific example of how we want to pave the way towards more sustainability for our customers and support their green transition through a more extensive product range, more value services and targeted advice.

*\*) Impacts are defined by the United Nations Environment Programme Finance Initiative (UNEP FI) as the secondary effects of financed activities for a given stakeholder – similar to the GRI definition, impacts are the effect a bank has on people, the economy, the climate and the environment, and thereby on the sustainable development of society. Impacts can be both positive and negative, direct or indirect, current or potential, intentional or unintentional as well as short-term or long-term.*



# The Danish economy and **our customers successfully rode the pandemic**

The year 2021 was still marked by restrictions and lockdown of parts of society as a consequence of Covid-19 – especially at the beginning of the year. Despite lockdown and an economic downturn, many Danish companies have made it through the pandemic better than feared. Denmark is among the countries in the world that came best through the crisis.

Very few of our customers have needed financial help to ride the pandemic. The government's Covid-19-related business aid packages have supported many companies, and so far Danes and our customers have had sufficient financial means to cope with the situation.

We were and are still ready to provide additional financial support to customers who are and will be affected financially by the situation.

The Danish economy made a strong comeback in the course of the year, as more Danes were vaccinated, restrictions were eased and society reopened. This is good for the business world, for Danes and for our customers. This also gives us a unique starting point to solve some of society's other major challenges, including succeeding with the EU's ambitious climate plan and the transition to a green economy.

Common for the pandemic and climate change is that society has to adjust to a new reality in a very short time, and in both cases this has considerable economic consequences. But where Covid restrictions are temporary, the green transition will be permanent. Compared to Covid-19, this increases economic consequences of the green transition, particularly for companies that are ill prepared for change. We want to support our customers' green transition and help them to adapt to future sustainability requirements.



# One of the most sustainable banks in Denmark in 2025

Arbejdernes Landsbank was founded and is owned by the trade-union movement, and high ethical standards and social responsibility are in our DNA. Danes and our customers have confidence in Arbejdernes Landsbank and high expectations for the way in which we run our bank, which is evident from the nominations as "Danes' preferred bank for the 13th consecutive year" and "Most sustainable brand in the sector 2021".

The Bank's origins, purpose and strong reputation dictate that we must be ambitious with regard to future sustainability requirements and expectations. Last year the Executive Management decided to take corporate social responsibility and sustainability to an even higher strategic level and with a clear ambition: Being recognised as one of the most sustainable banks in Denmark by 2025.

In order to achieve this ambition, sustainability has to permeate all aspects of our business and our day-to-day contact with customers, and must therefore be integrated into every policy, process and decision. This requires coordinated efforts across business areas and units. In addition, a robust and reliable setup for reporting will contribute to measuring and documenting the value and effect of our efforts.





# Sustainable development

## Business model building on **sound values**

Arbejdernes Landsbank aims to run a value-based and profitable bank, in which everyone is welcome. Our business builds on sound values such as Integrity, Community, Openness and Corporate Responsibility – for our approx. 344,000 customers, our 1,069 employees and in all the various initiatives we launch. We offer relevant and competitive financial products and services combined with competent consultancy for private individuals, associations and small and medium-sized enterprises. Our goal is to remain a responsible, serious and competitive bank, which focuses on the customer, and which offers high-quality products at attractive prices.

Our business model is based on our customers' needs, and we make an effort to understand our customers so that we can offer the best and most relevant customer experience. We want to ensure that our advisory services create value for our customers, and that our level of service is one of the highest in Denmark. With these core values, we operate a stable business, with solid finances and with profound respect for our customers' time and money.

Our strategic business goal towards 2025 is more customers and more satisfied customers. In 2021, Arbejdernes Landsbank grew by approx. 11,300 customers, and for the 13th consecutive year, the Bank was lauded as "Danes' preferred bank". Designing products, services, processes and concepts that support customers' growing expectations, needs and wishes is an essential and necessary prerequisite for the Bank to continue to be able to attract new customers and improve customer satisfaction. We measure and follow up on input from customers via Voxmeter's annual customer satisfaction survey and regular NPS measurements.

When developing new products and services, we actively address risks in a number of important areas – including operational, credit, liquidity and reputational risks – and we consider the importance of the product or the service for sustainability. We believe that the ability to offer customers responsible and sustainable products and services will be one of the most important competitive elements in the future, and therefore sustainability has a positive weighting in the product-approval process.

# STRATEGI 2025

FLERE OG MERE  
**TILFREDSE**  
KUNDER





## Progress on implementing the UN Principles

*Our voluntary accession to the UN principles (UN PRB, UN PRI and UN Global Compact) means that we have obligated the Group to report our footprint on the outside world and the UN Sustainable Development Goals as well as to set goals that contribute to increasing the positive impacts and reducing the negative impacts.*

### **Report to the UN Global Compact before the deadline**

In March 2021, we reported our Communication on Progress (COP) and our work with the Ten Principles of the UN Global Compact and the 17 UN Sustainable Development Goals to the UN GC – approx. one year before the deadline as a new member.

### **Updated policy on corporate social responsibility and sustainability**

In 2021, our policy on corporate social responsibility and sustainability was improved with regard to risks of violating international human rights and the Group's work on minimising such risks. The policy was updated for investments, employees, suppliers and sponsorships. The policy was approved at a Board of Directors meeting on 9 November 2021.

### **Report to the UN PRI before the deadline**

In April 2021, we reported to the UN PRI about our investment policies, procedures and approaches in the investment area – approx. two years before the deadline as a new member.

### **The UN PRB: First impact analysis and estimation of climate impacts**

Based on the economic activities of Arbejdernes Landsbank and AL Finans, we have published our first preliminary impact analysis as well as identification and quantification of one of the Group's most significant impacts in relation to fulfilment of the UN Sustainable Development Goals, specifically the impact area Climate.

### Preliminary UN PRB impact analysis

Arbejdernes Landsbank has been designated as a systemically important financial institution and has business activities in Arbejdernes Landsbank as well as in the subsidiaries AL Finans and Vestjysk Bank. Vestjysk Bank became part of the Group in mid-2021, so our first impact analysis only includes business activities at Arbejdernes Landsbank and AL Finans.

In 2021, we analysed the potential risks of our business activities on the outside world with outset in the Group's business model. We used the UN Portfolio Impact Identification Tool to analyse lending activities and the Investment Portfolio Impact Analysis Tool to analyse investment activities.

The analysis was conducted on the basis of available data and is a preliminary initiative to better understand the impacts of our business activities on the UN Sustainable Development Goals. The impact analysis provides a holistic and measurable basis for the huge business challenge lying ahead of us – namely to integrate and prioritise consideration for the climate, the environment and social conditions in all we finance and invest in.

### Climate is one of the most important impact areas

Arbejdernes Landsbank and AL Finans have a relatively large share of private customers, and by far the majority of our business customers are small and medium-sized enterprises within various sectors. By using the analysis tools, we have identified several different positive and negative impact areas.

Our overall assessment is that the Climate impact area is one of the most important impacts that we should examine more closely. Firstly because housing loans, car loans and leasing constitute a considerable share of the Bank's lending. Furthermore, in terms of investments, there is significant exposure to Danish mortgage-credit bonds to finance homes in Denmark. Buildings and means of transport account for a large part of Danish CO<sub>2</sub>e emissions.

On this basis, Arbejdernes Landsbank has participated in working groups in Finance Denmark, National Banks in Denmark and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) to develop accounting policies and calculations of financed CO<sub>2</sub>e emissions.

Read the impact analysis in the [Fact sheet on sustainability](#).

## Principles for Responsible Banking



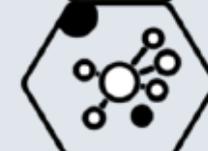
Principle 1:  
**Alignment**



Principle 2:  
**Impact & target setting**



Principle 3:  
**Clients & customers**



Principle 4:  
**Stakeholders**



Principle 5:  
**Governance & culture**



Principle 6:  
**Transparency & accountability**

# First calculation of financed CO<sub>2</sub>e emissions

*Arbejdernes Landsbank and AL Finans will publish our first total climate accounts, and this will increase transparency about our own climate footprint and the climate footprint of our business activities, as well as provide insight into where the largest CO<sub>2</sub>e emissions come from. The accounts will play a role in our ambitions and work to set goals and reduce the Group's financed climate impacts.*

## **Common principles and accounting policies in the sector**

Calculating financed CO<sub>2</sub>e emissions is not easy – neither when it comes to reporting standards – and therefore we do not hide the fact that these calculations are complex and are based on assumptions with some uncertainty. However, together with a number of relevant stakeholders in the sector and common principles and tools, we have made an educated attempt.

## **More than 99% of CO<sub>2</sub>e emissions are indirect**

Using a best-effort approach as well as specific and statistical data, we have calculated the total CO<sub>2</sub>e emissions which we believe to be true and accurate and provide a good overview. Overall, we can see that more than 99% of our CO<sub>2</sub>e emissions are indirect and come from our financing or investments, and that less than 1% come from our own direct emissions. This confirms the how important it is that

our efforts to reduce greenhouse gas emissions focus on our core business with outset in the financial activities with the greatest emissions.

## **Our ambition is to publish CO<sub>2</sub>e reduction targets**

In 2021, Arbejdernes Landsbank took part in the UN Global Compacts programme, Nordic Advanced Climate Ambition Accelerator, which focused on the Science Based Targets Initiative and methods to set reduction targets that comply with the Paris Agreement. At Arbejdernes Landsbank, our ambition for 2022 is to initiate work on climate targets and adapt the Group's business activities to the Paris Agreement.

We consider our first calculation of our financed CO<sub>2</sub>e emissions as a step in a long-term process towards reducing emissions. Publication of our financed greenhouse gas emissions also involves setting targets for greenhouse gas emissions reductions. We know that setting and realising such targets is very complex in practice, but we do not want to leave our customers and companies in the lurch. We will make every attempt and put every ounce of innovative energy into succeeding – together with our customers.

Read more about the climate accounts on page 40.

## **Fact:** What are CO<sub>2</sub>e?

CO<sub>2</sub>e is short for CO<sub>2</sub> equivalents and is a common unit of account used to measure the climate impact from different greenhouse gases in one figure. According to the UN Intergovernmental Panel on Climate Change (IPCC), the greenhouse gases carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>) and F-gases each impact the greenhouse-gas effect over a 100-year period to different degrees – this is what is referred to as the Global Warming Potential (GWP) of greenhouse gases. In practice, the IPCC's specific GWP value for a specific greenhouse gas is multiplied by the CO<sub>2</sub> emissions of the greenhouse gas to convert to CO<sub>2</sub>e.

# Sustainability even closer to business

One of the key parts of the sustainability strategy is to integrate sustainability and the ESG concept into policies, processes and decisions in order to squeeze even more sustainability into the core of our business, our processes and our economic activities. Last year, we formulated our overall strategic direction. Specifically, Sustainable capital management, Sustainable own portfolio and Sustainable internal banking are areas in which we have the greatest potential to support even more sustainable development in society. In 2021, we implemented the following strategic initiatives:

## Strategic initiatives in 2021



### Sustainable financing **New value services for business**

We have launched a new digital tool called Valified to make it easy for our business customers to report on sustainability and the green transition.



### Sustainable capital management **New responsible investment policy**

We have published a new policy on responsible investment and integration of sustainability risks as well as a statement on due diligence policies in relation to sustainability.



### Sustainable own portfolio **Sustainability integrated into the investment**

We have integrated sustainability and consideration for the climate, the environment and social conditions in the wording and implementation of our and implementation of our investment strategy for the own portfolio.



### Sustainable banking **Artificial intelligence has optimised the Bank's electricity consumption**

We have significantly reduced our electricity consumption and our direct environmental impacts via a digital platform from Ento Labs which uses machine learning to identify possible initiatives and initiatives and savings.

# Contributions to achieving the UN Sustainable Development Goals

As a financial undertaking, an important part of our responsibility is to contribute to achieving the 17 UN Sustainable Development Goals (SDGs), and nine of these goals are in particular focus in our work on corporate social responsibility and sustainability.

Selection of the individual goals is based on an assessment of where we as a financial undertaking have the greatest impact on the world around us, and where we can make the most significant contributions.



## Quality education

We want to improve Danes' financial understanding and make knowledge and tools available to help people get a better overview of their personal finances and make important decisions.



## Gender equality

We want to be a diverse workplace, reflecting the composition of the population in general, at all management levels.



## Affordable and clean energy

We want to reduce our own energy consumption, including electricity and heating consumption – and cover our consumption from renewable energy sources as much as possible.



## Decent work and economic growth

We arrange financial services that make it possible for private individuals, companies and associations to access financing solutions. Furthermore, we work actively to create a workplace with high job satisfaction and good working conditions for our employees.



## Sustainable cities and communities

We want to contribute to the common good and show community spirit. We do this by providing capital for activities that contribute to developments in society.



## Responsible consumption and production

As a bank, we want to minimise resource consumption in our internal operations, make environmentally responsible purchases, recycle and think green when we renovate and build new facilities.



## Climate action

We will contribute to supporting our business customers' green transition and make it easier for private customers to make green choices via products, value services and advisory services. We will also have minimum sustainability requirements for companies, cooperation partners and suppliers.



## Peace, justice and strong institutions

To help ensure that the framework of our society is not undermined and that the Bank is not abused for money laundering or terrorism, we stay close to our customers, and we systematically monitor transactions and report any suspicious behaviour to the authorities.



## Partnerships for the goals

We believe that joining forces is key to making sustainable change at the Bank and in society. We are therefore part of several strategic partnerships with sector organisations, banks and cooperation partners to coordinate efforts together.

# Reporting ESG metrics

## Sustainable finance

Read more on page 17

## Green sustainability

Read more on page 40

## Social sustainability

Read more on page 52

## Sustainable management

Read more on page 72

# Overview of key



- Loans & redits
- Investments

## Sustainable finance



- Climate accounts
- Financed CO<sub>2</sub>e emissions
- Sustainable banking

## Green sustainability

## Social sustainability

- Employees
- Customers
- Society



## Sustainable management

- Anti-money laundering
- Corporate governance
- Culture and equal opportunities



# Sustainable finance



## Green transition requires considerable financing

*The EU has imposed and will impose more requirements on banks to report on what we finance, and the secondary effects of this on the climate, the environment and social conditions. The aim of this is to create incentives in the financial sector to finance part of the green transition, which we still want to contribute to.*

Supporting our customers in their development and transition is by no means alien to us and our business philosophy. In fact, an integral part of our business model is to take outset in the needs of society and our customers and contribute to the good of society. Based on the Arbejdernes Landsbank's more than 100-year history of social responsibility, in 2021 we worked to integrate sustainability even further into our activities, for example in the business area. The purpose of this was to increase focus on companies' ESG performance, so that we and our customers can make even more difference for the green transition of Danish economy. The EU's high ambitions for a climate-neutral economy by 2050 – and significant CO<sub>2</sub>e reductions already from 2030 – will be of great importance to the financial sector, which plays a vital role in meeting these goals and which is an important catalyst for the green transition. In simple terms, companies in Europe and in Denmark are responsible for identifying and implementing the measures needed to ensure the transition to a green economy. Moreover, they are responsible for ensuring that the sector and we as a financial undertaking assume responsibility for supporting companies in their green transition, financing their activities and reporting on the potential contribution of economic activities to sustainable development.



# Sustainable loans and credits

*Arbejdernes Landsbank and AL Finans lend money to private individuals, small and medium-sized enterprises, as well as trade unions and social housing organisations. We want to support these and offer financing that can contribute to the green transition.*

The EU's high ambitions for the transition to a green economy come with extensive regulation of the financial sector. In 2021, this regulation already had a specific impact and it will have an even greater impact on the sector's reporting requirements in the long term. For example, Article 8 of the EU Taxonomy Regulation sets requirements to report and publish which activities Arbejdernes Landsbank and AL Finans finance – and whether these activities qualify as environmentally sustainable under the EU Taxonomy. The Green Asset Ratio (GAR) is the main KPI to be reported in 2024 (covering the period from 1 January to 31 December 2023), and will help create transparency about the extent of sustainable financing across the sector.

## What is a **sustainable economic activity**?

Historically, it has been difficult even for professional investors to determine the degree of sustainability in a financial product, because there have been different perceptions as to what could be characterised as sustainable.

The EU has provided a common framework and classification system for this. This is referred to as the EU Taxonomy, and the following conditions must be met in order for an economic activity to qualify as environmentally sustainable:

- It must contribute to at least one of the six EU environmental objectives
  - Climate change mitigation
  - Climate change adaptation
  - The sustainable use and protection of water and marine resources
  - The transition to a circular economy
  - Pollution prevention and control
  - The protection and restoration of biodiversity and ecosystems
- It must do no significant harm to the other EU environmental objectives
- It must live up to international minimum human and labour rights and standards
- It must be in accordance with EU technical screening criteria

## What is the purpose of the **Green Asset Ratio**?

The purpose of the Green Asset Ratio (GAR) KPI – which banks must report from 2024 – is to illustrate in one single target figure how much of the Group's loan balance is green, see the EU Taxonomy, and thereby give the outside

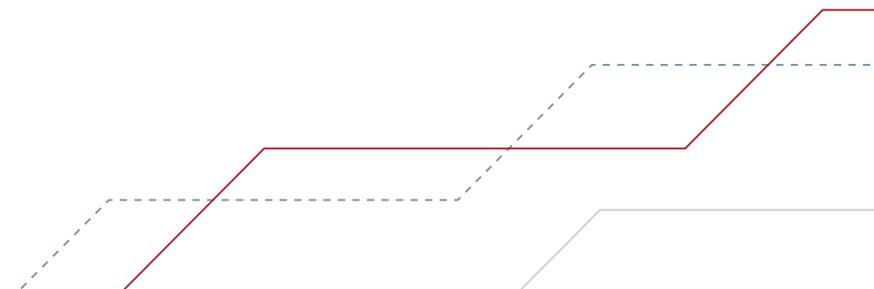
world and our customers a greater understanding of the extent of financing in activities that can contribute to meeting the objectives of the EU and the Paris Agreement.



### **Requirement to publish activities covered by the EU Taxonomy**

As a preliminary exercise prior to reporting on the GAR, from 1 January 2022 to 31 December 2023, as a credit institution we have to publish the KPIs and qualitative information requirements as stated in Article 10(2) of the EU Commission Delegated Regulation.

Arbejdernes Landsbank has participated in a working group facilitated by Finance Denmark. The largest banks in the sector and National Banks in Denmark were also part of the working group. The working group discussed how the publication of KPIs can be organised, including how the reporting requirement fit in with our data and registrations.



# Key figures for activities covered by the EU Taxonomy

Article 10(2) of the Commission Delegated Regulation (EU) 2021/2178 stipulates that we must report whether the proportion of exposures on the balance sheet is covered by the Taxonomy Regulation or not (Taxonomy Eligible versus Taxonomy Non-Eligible). In other words, the report does not have to state whether the exposures concerned can qualify as sustainable according to the EU Taxonomy, but only whether these exposures have the potential to qualify as sustainable, see the EU technical screening criteria.

Using a best-effort approach, we have stated exposures on the basis of available data. This year's statement should be seen as preparation prior to the more extensive mandatory reporting starting from 2024 about which of our exposures can be classified as sustainable under the EU Taxonomy (GAR).

Data and the qualitative reporting requirements are shown in the tables and in the "Fact sheet on sustainability" under the tab "Article 8 of the EU Taxonomy Regulation".

Arbejdernes Landsbank	DKK mill.		Share as % of total assets	
	Taxonomy Eligible	Taxonomy Non-Eligible	Taxonomy Eligible	Taxonomy Non-Eligible
<b>Total assets</b>	<b>12,955.3</b>	<b>48,025.4</b>	<b>21.2%</b>	<b>78.8%</b>
Trading portfolio	0	26,678.1	0%	43.7%
Interbank loans on demand	0	789.4	0%	1.3%
Companies not covered by the NFRD		11,030.0		18.1%
Derivatives		56.6		0.1%
Central administrative authorities, central banks and supranational issuers		7,019.1		

AL Finans	DKK mill.		Share as % of total assets	
	Taxonomy Eligible	Taxonomy Non-Eligible	Taxonomy Eligible	Taxonomy Non-Eligible
<b>Total assets</b>	<b>3,894.40</b>	<b>3,038.90</b>	<b>56.2%</b>	<b>43.8%</b>
Trading portfolio	0	0.00	0%	0.0%
Interbank loans on demand	0	8.10	0%	0.1%
Companies not covered by the NFRD		2,869.60		41.4%
Derivatives		0.00		0.0%
Central administrative authorities, central banks and supranational issuers		0.00		

# Arbejdernes Landsbank and AL Finans

## Annex XI qualitative disclosure requirements

*Contextual information in support of the quantitative indicators, including the scope of the assets and activities covered by the KPIs, information on data sources and limitation.*

### How we have calculated eligibility

Calculation of eligible and non-eligible exposures is based on the NACE code with which an exposure or a business customer has been registered. A prerequisite is that the exposure can be linked to an asset/activity. As Arbejdernes Landsbank and AL Finans do not apply NACE codes to identify customers' activity area, but industry codes, see DB07, the actual identification took place by mapping (converting) NACE codes in the EU Taxonomy Compass to Danish industry codes (link to the [EU Taxonomy Compass](#)). The calculation covers the carrying amount of the exposure.

### Total assets

Total assets are defined as the balance-sheet value of the assets as at 31 December 2021 deducted exposures to central administrations, central banks and supranational issuers.

### Private customers

Calculations of eligible exposures to private customers are based on whether the asset/activity financed by the exposure is registered with an NACE code, a corresponding property code or other relevant product classification. Specifically, exposures that meet the product types housing loans and car loans have been included as eligible. These activities are covered by Annex 1 and Annex 2 to the [Commission Delegated Regulation \(EU\) 2021/2139](#) and are stated in the EU Taxonomy Compass – Acquisition and ownership of buildings (L68) as well as Operation of personal mobility devices, cycle logistics (N77.11, N77.21), respectively. All other loans to private customers are counted as non-eligible.

### Business customers

The calculation is based on exposures to NFRD companies, which are defined as companies with more than 500 employees, and which are subject to the EU Non-Financial Reporting Directive (NFRD). Only exposures to NFRD companies on which we have first-hand data, and whose sector and activity are covered by the EU Taxonomy Compass, can be classified as eligible, see Frequently asked Questions to the European Commission of December 2021. In connection with this first mandatory reporting, we have no first-hand data on exposures to NFRD companies, which means that no corporate exposures are classified as eligible.

### Annex XI qualitative disclosure requirements (continued)

*Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements.*

N/A

*Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties.*

Sustainability is part of Arbejdernes Landsbank's business strategy up to 2025. Our sustainability strategy has been implemented in our "Policy on corporate social responsibility and sustainability", and sustainability has been integrated into our "Credit policy" as well as in our "Policy on responsible investment and integration of sustainability risks".

Arbejdernes Landsbank and AL Finans offer financing aimed at initiatives that contribute to the green transition (e.g. climate loans to finance energy renovation in private homes and green car loans to finance electric cars and plug-in hybrid cars) as well as investment products with focus on sustainability (e.g. an ecolabelled investment association). Furthermore, Arbejdernes Landsbank invests the own portfolio in sectors and activities covered by the EU Taxonomy Regulation, e.g. in green bonds.

When developing new products and services at the Bank, we actively address risks in a number of important areas – including operational, credit, liquidity and reputational risks – and we consider the importance of the product or the service for sustainability. We believe that the ability to offer customers responsible and sustainable products and services will be one of the most important competitive elements in the future, and therefore sustainability has a positive weighting in our product approval process.

## Annex XI qualitative disclosure requirements (continued)

*For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy.*

The trading portfolio consists of the Bank's own resources (own portfolio) and resources that we invest to service the Bank's customers on the financial markets.

By far the majority of the trading portfolio is made up of our own portfolio (approx. 95%). Our investment policy for the own portfolio is to invest in worthy purposes that live up to the Group's credit policy. Among other things, this means that the own portfolio does not finance companies or activities that harm the environment. Nor is the own portfolio invested in nuclear weapons, cluster bombs or landmines. Moreover, ESG and sustainability are integrated in the investment strategy for the own portfolio and have a positive weighting in the selection process and in the investment decision, and our ambition is to increase the share of sustainable investments in the total portfolio. For instance, Arbejdernes Landsbank invests in several companies with social and environmental purposes and activities.

A considerably smaller part of the trading portfolio (less than 5%) is invested on the basis of a market-neutral strategy and consists of securities that are traded day-to-day to offer our customers a large range of investment opportunities based on their needs and requests.

*Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.*

An overall objective in Arbejdernes Landsbank's sustainability strategy is to increase the share of sustainable financing and sustainable investments in accordance with the EU Taxonomy Regulation up to 2025. Arbejdernes Landsbank has established a governance structure to ensure that the sustainability strategy is implemented.

The Board of Directors has approved the "Policy on corporate social responsibility and sustainability" that determines the framework for this work. Arbejdernes Landsbank's Sustainability Committee has managerial responsibility for the strategy and for implementing the corporate social responsibility policy across business areas and units. The CEO of Arbejdernes Landsbank is the chairman of the Sustainability Committee, which includes the entire Executive Management.

# Validied

## New sustainable value services for business customers

Small and medium-sized enterprises account for approx. 99% of the Danish business community and play a significance role in the success of Denmark in the transition to a green economy. Therefore, it is important that companies start integrating sustainability into their business model, implementing green activities and reporting on the initiatives that create the greatest possible value for their development.

In future, lack of focus on sustainability and reporting on sustainability can make it difficult for companies to maintain their competitiveness, because the demand for ESG data is increasing, partly as a result of the EU's Directive as regards corporate sustainability reporting (CSRD) and upcoming mandatory reporting standards for all large and listed companies, and as a result of voluntary reporting standards for small and medium-sized enterprises.

However, sustainability reporting can be overwhelming for many small and medium-sized enterprises, and this may stand in the way of their development. We want to make it easy for our business customers to have a structured approach to sustainability and the green transition. We therefore offer Validied to all our business customers – at no cost.

In 2021, we offered a selection of business customers in all our business centres access to the Validied digital platform.

The digital platform makes it easy for customers to gather, analyse and report information on sustainability and the green transition. Via the platform, customers are introduced to basic questions and reporting requirements in relation to the climate and the environment (E), social conditions (S) and responsible governance (G), and companies themselves can draw up a professional sustainability report, that they can share with customers, investors and the surrounding world. All this on a solid professional foundation and with extended help via Validied Support.

Validied has been very well received by our customers. We look forward to offering Validied to even more business customers.

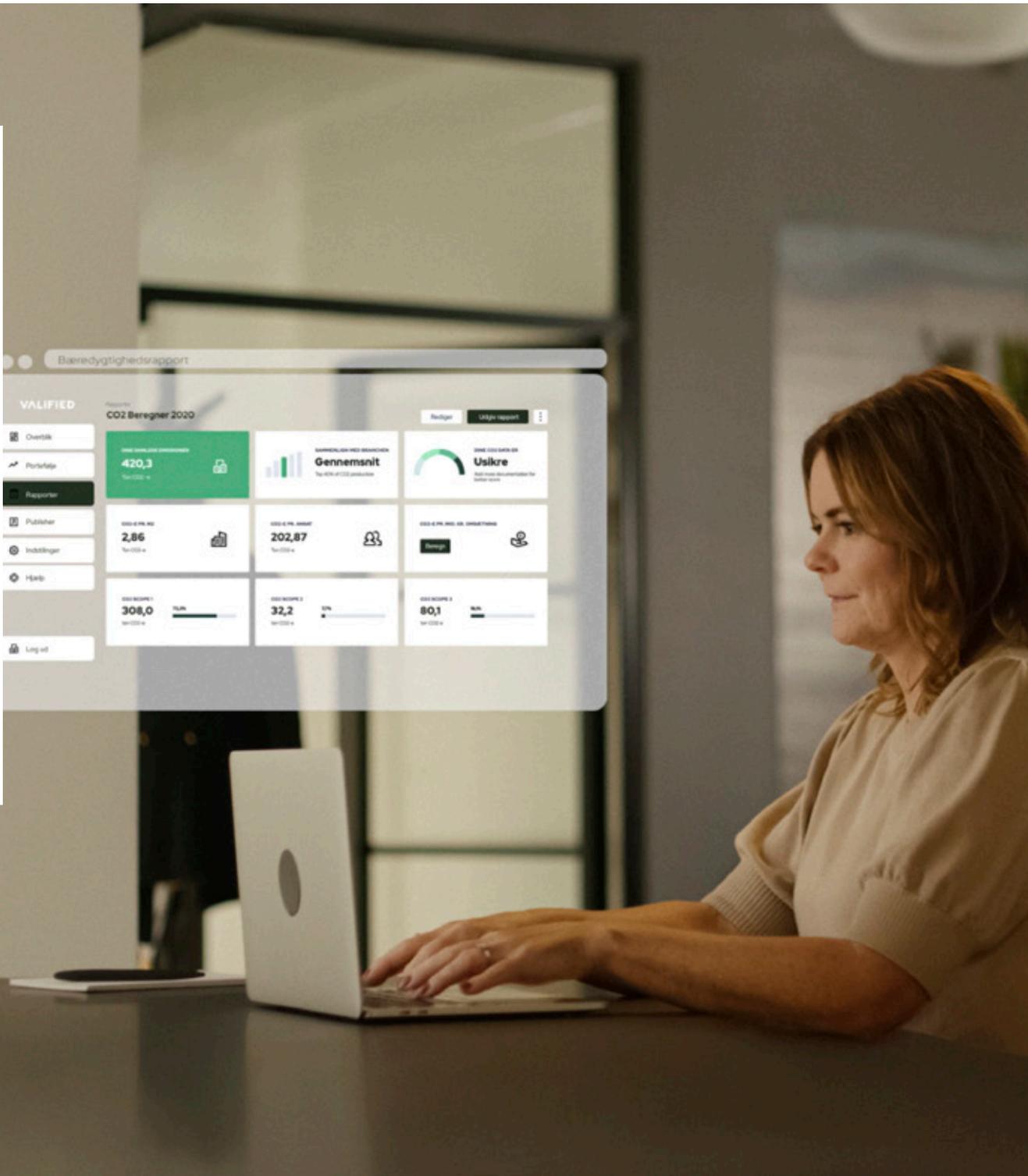
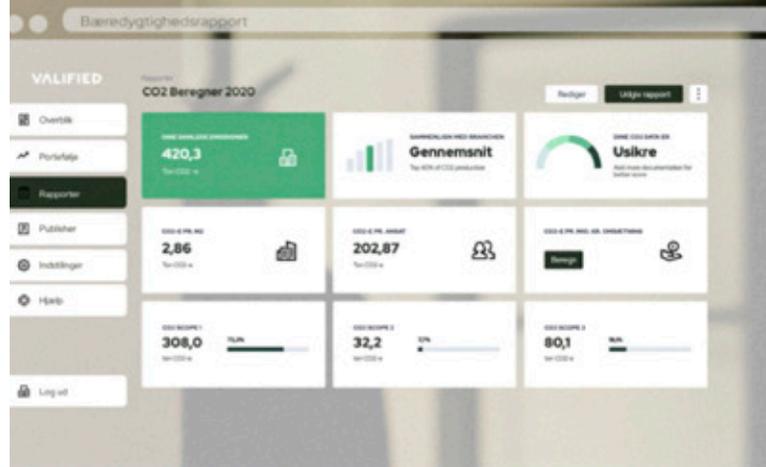


” I would definitely recommend other companies to use Validied – especially companies about to start working on their sustainability and measuring it.

*Birger Møllevang, managing partner  
at The Social Capital Fund*

” Valified makes it easy for our business customers to report on sustainability and the green transition

Read more on [al-bank.dk/groen-omstilling](https://al-bank.dk/groen-omstilling) (in Danish)



### Green car loans exceed the objectives for the year

The year 2021 saw a breakthrough for the number of new electric and hybrid cars sold in Denmark, with registrations of more than 65,000 new electric and hybrid cars, corresponding to approx. 35% of total car sales. This trend was also reflected in the number of green car loans granted by AL Finans, which finances electric cars and plug-in hybrid cars for customers of both Arbejdernes Landsbank and AL Finans.

In 2021, 4,022 new green car loans were issued, bringing the total volume to DKK 1.6 bn. as at 31 December 2021. This is far beyond our objective for the year, which was DKK 1 bn., corresponding to an increase of 149% compared to 2020. The total percentage of green car loans in the car loan portfolio at AL Finans is now 30%.

#### Fact:

Green car loans constitute 30% of the total car loan and leasing portfolio at AL Finans.



” **Green car loans** make it financially attractive to finance a rechargeable car

Read more on [al-bank.dk/grøntbillån](https://al-bank.dk/grøntbillån) (in Danish)



### **Climate loan for Danish homeowners**

40% of total Danish energy consumption arises from buildings, and of this, approx. 40% arises from the private housing stock. Consequently, energy renovation of private homes is an important element in the sustainable transition of society. The climate loan means that Danes and our customers can borrow up to DKK 50,000 for five years without having to pay interest and costs.

The loan is earmarked for climate-friendly home improvements and is perfectly suited for minor, but highly energy-efficient home improvements that many people may not make if they don't have the money readily available. In 2021, the Bank issued a total of 357 climate loans, and our total volume of these loans now amounts to approx. DKK 28.3 mill.

### **Energy loan for major energy improvements**

If an energy renovation of a residential property costs more than DKK 50,000, we offer *AL-Energilån* (energy loan) on favourable terms. Together with the government's helping hand, offering a tax allowance for labour costs for certain household and renovation services (*håndværkerfradrag*), an energy loan makes it even more attractive to invest in energy improvements.

The loan may be spent on installing energy-efficient windows, solar panels, geothermal heating pumps and similar. In 2021, the Bank granted a total of 37 energy loans, and our total volume of these loans now amounts to approx. DKK 5.6 mill.

### Many benefits with energy improvements at Totalkredit

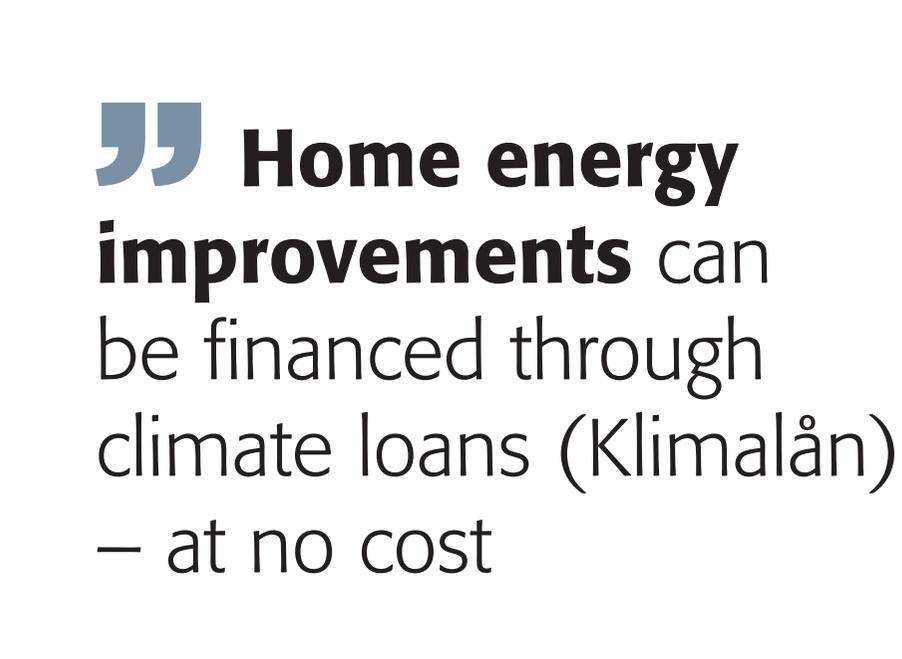
Through our cooperation partner, Totalkredit, we offer a number of other benefits and financing solutions to customers who want to optimise energy consumption in their home:

- With Totalkredit Energiberegner (energy calculator), customers can easily and quickly receive proposals for specific energy improvements in their home.
- With Totalkredit Energitjek (energy check), customers can have a visit from an energy consultant, who will provide a more detailed assessment of the most obvious energy improvements in their home.
- Customers can apply to Totalkredit for a cash contribution of DKK 10,000 to replace their oil-fired boiler with a heat pump in areas where district heating is not possible.
- Many customers choose to finance home improvements – including energy improvements – with financing from Totalkredit, for example by converting to a new mortgage-credit loan or taking out an additional loan.

### Housing loans throughout Denmark

the housing market has boomed during the coronavirus crisis, prices have shot up and trading activity has been high. This trend has spread to most of Denmark. The price increases have been greatest in and around the large cities, but prices have increased elsewhere too. The same applies to trading activity – just the other way round. Trading activity has primarily increased outside the large cities, as the housing market in the large cities was already booming before the crisis hit.

We want to help people realise their purchase and buy their dream home in all areas of Denmark. Therefore, we offer a broad range of home financing solutions, including mortgage-credit loans, housing loans and alternative home financing solutions such as financing through mortgage deeds.



” **Home energy improvements** can be financed through climate loans (Klimalån) – at no cost

Read more on [al-bank.dk/klimalån](https://al-bank.dk/klimalan) (in Danish)



### Some of the strongest home financing solutions on the market

We want to offer attractive home financing solutions to homeowners, and all customers with a Totalkredit mortgage-credit loan in Arbejdernes Landsbank are offered the following benefits:

#### ■ Recommended loans

In 2020, for the third consecutive year, Totalkredit received the "Recommended" stamp from the Danish Consumer Council's magazine "Think Money" in the test of mortgage-credit loans and additional loans.

#### ■ KundeKroner

Discount on charges every quarter in the form of KundeKroner (money for customers). In 2021, the Bank's customers received a total discounts of approx. DKK 81 mill. This means that customers with a loan in Totalkredit at the end of 2021 were offered the lowest charges on the market for the most common loan types.

#### ■ BoligBonus

Every year, Arbejdernes Landsbank pays a BoligBonus to customers with a Totalkredit mortgage-credit loan in the Bank. In 2021, the Bank paid a total of approx. DKK 24.7 mill. in BoligBonus to thousands of homeowner customers.

Overall, homeowner customers of Arbejdernes Landsbank have some of the strongest home financing solutions on the market – and for some loan types also the cheapest.



# Key figures for loans and credits



## Policy

We have a high priority to be part of a sustainable transition in society and we aim as far as possible to reduce greenhouse gas emissions from society and our customers. We want to make it easier for our customers to make responsible and sustainable choices and help customers to reduce their greenhouse gas emissions, support greener solutions, and focus on social responsibility.



## Risks

With considerable lending activity and credit services, there is a risk that some of the Group's financed activities may impact the climate and the environment negatively or violate human rights. This also applies to secondary effects of financed assets, such as the climate footprint from homes and properties, pollution from cars or breaches of labour rights by business customers.

Arbejdernes Landsbank	Unit	2021	2020
<b>Loans and credits</b>			
Total housing loans on the balance sheet	DKK bn.	13.3	12.7
Climate loans granted	Number	357	537
Climate loans total volume	DKK mill.	28.3	20
Climate loan volume increase	%	42	177
Energy loans granted	Number	37	85
Energy loans total volume	DKK mill.	5.6	4
Energy loan volume increase	%	40	-21
ProvinsKlar loans granted	Number	12	12
ProvinsKlar loan volume increase	%	11	-16
ProvinsKlar total volume	DKK mill.	15.3	13.8
Mortgage deeds total volume	DKK mill.	1,135	1,204
<b>BoligBonus and KundeKroner</b>			
Total BoligBonus paid to customers with a Totalkredit mortgage-credit loan in the Bank	DKK mill.	24.7	66
KundeKroner, total discounts to customers with a Totalkredit mortgage-credit loan in the Bank	DKK mill.	81	78
<b>Car loans</b>			
Total car loans	DKK mill.	56.2	78.3

# Key figures

## for loans and credits (continued)

AL Finans	Unit	2021	2020
<b>Car loans and leasing</b>			
Total car loans' and leasing services	DKK mill.	5,362	4,693
Green car loans' share of total car loans and leasing services	%	30	14
Green car loans granted	Number	4,022	2,085
Green car loans total volume	DKK mill.	1,586	637
Green car loans volume increase	%	149	957

# Objectives for 2022



## Continued roll-out of Valified

The introduction of Valified has provided our business customers with a digital tool to make it easy to gather, analyse and report information on sustainability and green transition. Our goal is to build on the successful start and roll out the value services to even more business customers in Arbejdernes Landsbank and AL Finans in 2022.



## Training business advisors in sustainable dialogue with companies

To increase knowledge and understanding of the concept of sustainability, requirements and expectations to Danish companies as well as the benefits of Valified, our goal is to implement a targeted skills development programme for all Arbejdernes Landsbank's business centre directors, business advisors and relevant people in the Credit Department to prepare them to integrate sustainability into the credit processes and for dialogue on ESG with business customers.



## Even greater volume on green car loans

In order to encourage even more Danish car owners to opt for chargeable cars, we want to increase the share of green car financing. Specifically, our objective is to increase the balance-sheet figure for green car loans by approx. 40%, which will bring the total figure for green car loans up to almost DKK 2.2 bn. at the end of 2022. With green car loans, we will make it cheaper and more attractive for Danes to choose a green and ecofriendly car, as price and terms and conditions for this type of loan are currently better and cheaper than for a regular car loan.



## Increasing knowledge and motivation for home energy improvements among advisors and homeowners

Arbejdernes Landsbank offers financing on favourable terms for energy renovation of private homes. In 2022, we want to launch activities to give the Bank's advisors more knowledge about home energy improvements and about financing solutions from the Bank and with Totalkredit. Furthermore, we want to examine how, with "sustainable housing products", the Bank can encourage homeowners even more to make energy-friendly investments in their home.

# Sustainable investments

*Interest in sustainable investments is increasing rapidly, and ESG and reporting ESG have become an even more important part of investment processes due to the introduction of the EU Disclosure Regulation (SFDR). Arbejdernes Landsbank welcomes this development and wants to continue to contribute as a responsible investor on behalf of our customers and owners and the own portfolio.*

Arbejdernes Landsbank manages and invests almost DKK 27 bn. on behalf of our owners and customers. This considerable amount gives us a special responsibility for ensuring that it is invested responsibly. As a signatory to the UN Principles for Responsible Investment, our overall investment strategy and approach is to incorporate ESG factors in investment processes and to practice ESG in our investment policies. Moreover, we work strategically to increase the share of sustainable investments in our investment products and capital management.

## **The EU wants to make it easier for customers to invest sustainably**

The EU's high ambitions for the transition to a green economy come with extensive regulation, which in 2021 had an impact on the investment area with the introduction of new requirements, and in the long term will have an even greater impact on the approach and reporting by the sector and the Bank in the investment area. Among other things, as a bank and as an investor, we must report even more on the

sustainability criteria our investment products live up to, and how we seek to ensure that investments do not harm the environment and society. The aim of all this is to make it easier for investors and our customers to invest sustainably.

## **Prudent approach to the classification of investment products**

A new requirement is that we have to provide various information to our customers on the sustainability profile of our investment products, e.g. whether the product is an Article 8 or Article 9 product under the Disclosure Regulation (see fact box). Arbejdernes Landsbank welcomes initiatives to make it easier for investors to invest sustainably. Given that there is still some uncertainty in the sector about the specific criteria for a sustainable investment product, we and our cooperation partners have chosen a prudent approach and decided not to label products too early, especially with regard to Article 9. This should be interpreted as a desire to live up to the intention behind the legislation, as well as to minimise the risk of greenwashing.

New policy and new requirements for documentation As part of the implementation of the EU Disclosure Regulation, the Bank has published a new policy on responsible investment and integration of sustainability risks as well as a statement on due diligence policies in relation to sustainability. This is the first step towards living up to the new disclosure requirements.

## What is a **sustainable** investment product?

The aim of the EU Disclosure Regulation is to provide investors with a better overview of the degree of sustainability in investment products and the possibility to compare investment products and funds based on how they approach sustainability.

Overall, investment products can be divided into the following three categories:

- Article 9 products (dark green products) have sustainability integrated as an objective in the investment strategy.
- Article 8 products (light green products) promote environmental or social conditions.
- Article 6 products are other investments products.





As many of our investments are made via products from cooperation partners, we have also focused on ensuring that our cooperation partners live up to the policy on responsible investment. Specifically, we have demanded that our cooperation partners document their own policies and investment practices at the end of each year.

### **Strategic focus on sustainable investments**

We are convinced that sustainability is inextricably linked to the goal of creating good long-term investment results. A strategic focus for us is to implement investment processes in which sustainability is a key element in the investment policies underlying the Bank's discretionary mandates (power of attorney agreements). This means that our work is aimed at increasing the share of funds in the Bank's investment products, so that all our investment products can be classified as sustainable in 2025. In 2021, we specifically integrated *Bankinvest Danske Aktier Indeks Bæredygtig (Bankinvest Danish Shares Index Sustainable)* in our own investment product *AL-FormuelInvest*.

### **New Article 8 product for private customers**

As part of our efforts to extend the range of sustainable investment products for our customers, we launched *Investeringskonto FRI* in 2021, which is an Article 8 fund. Sparinvest is responsible for the underlying investments in this product, and this includes ensuring sustainability in the investment process and analysing companies from a broad sustainability perspective. Active ownership and voting is exercised at the individual companies' general meetings in order to steer them in a more sustainable direction. Moreover, companies with high negative climate impacts are excluded as well as companies repeatedly violating the sustainability standards.

### **Ecolabelled investment association for capital-management customers**

For the Bank's capital-management customers specifically, we have restricted the criteria even more in collaboration with BankInvest. This means that investments meet a series of ambitious conditions and specific requirements, all of which are intended to contribute to the UN Sustainable Development Goals and take the climate in a greener direction. The investment association was awarded the most widely used and well-known ecolabel in Denmark and the Nordic countries: the Nordic Ecolabel. This is a guarantee that the Bank manages investments in a particularly responsible and sustainable manner.

### **Improved setup for ESG screening**

Through our cooperation partners – who have also joined the UN Principles for Responsible Investment – by far the majority of investments are screened for violation of internationally accepted norms and standards, including the UN Global Compact, the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises as well as the ILO conventions promoting the dignity of workers.

Furthermore, we are working to increase the use of the Reuters EIKON system that can deliver data to help us ensure that we restrict the number of companies in our portfolios that do not meet the minimum requirements and sustainability standards.

### Own portfolio with focus on sustainability

Arbejdernes Landsbank itself has an own portfolio amounting to approx. DKK 24 bn., excluding pension pools. The Bank has an essentially conservative and strong position on where the deposits surplus is invested and what the resources are invested in. Historically, ethics and social responsibility have always been a fundamental part of our investment strategy. In 2021, sustainability has become a separate focus, which in practice means that consideration for the climate and the environment is now even more important.

### Liquidity in green bonds

In our efforts to support the green transition, we have placed some of our liquidity in green bonds. Even though the market for green bonds is exploding, e.g. as a consequence of the EU's European green bond standard, green bonds still only have a modest share of the market. According to the Danish FSA's most recent statement, green bonds make up 1.2% of global bond issues. In other words, the supply is limited. The Bank has currently invested DKK 413 mill. of the deposits surplus in green bonds, corresponding to approx. 75 mill. more than last year. We want to increase the share of green bonds as the supply increases – naturally taking yields into account.

### Investments in green companies

The Bank also makes direct investments in companies and funds whose objective is to develop and produce green energy. One example of this is the Danish company Wavepiston, in which Arbejdernes Landsbank has currently invested approx. DKK 11 mill. Read the case on the next page.

### Investing in a fund with a social purpose

There is currently much focus on the "E" (the climate and the environment) – and with good reason. For us as a bank that builds on more

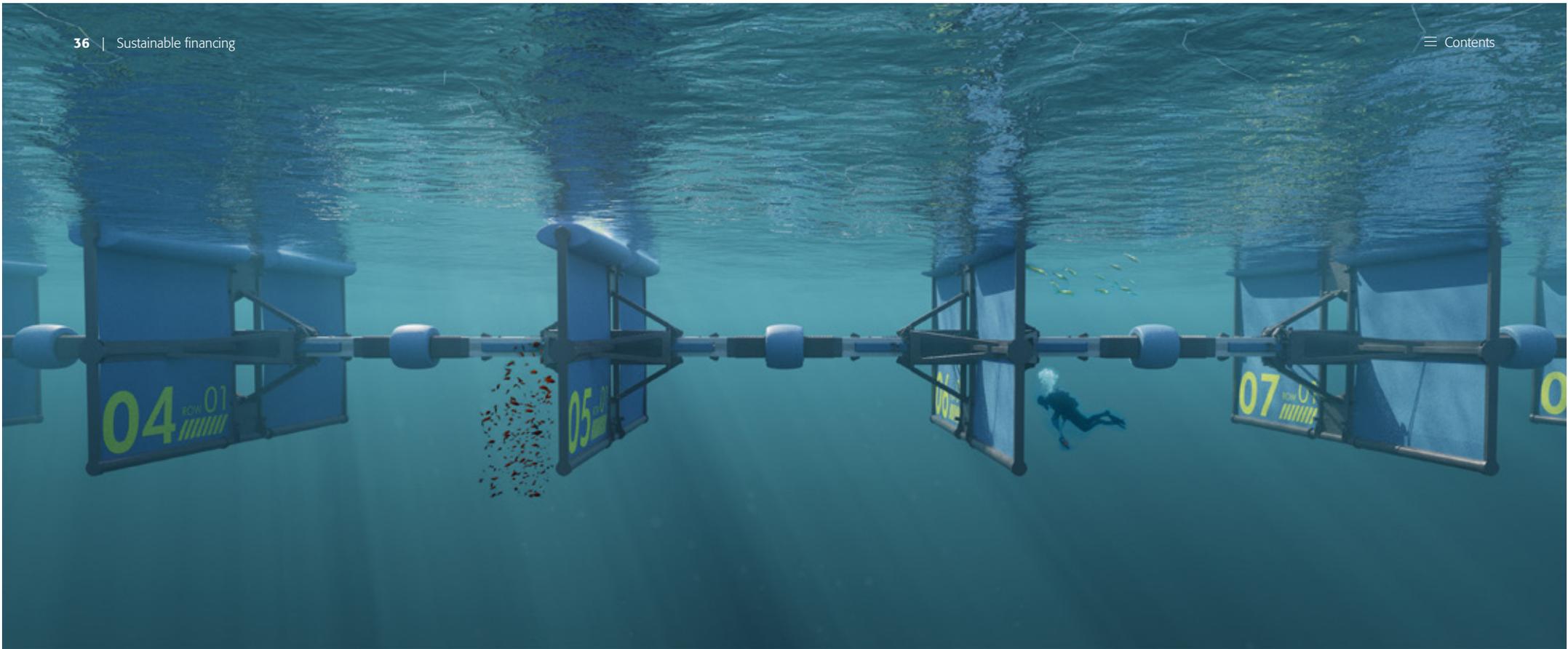
than a century of social responsibility, it is only natural also to involve the "S" (social conditions) to help solve key challenges in society and to help people to a better life. In 2021, together with Vækstfonden, PKA and SI Safe, the Bank decided to invest in Den Sociale Kapitalfond Effekt (The Social Capital Fund Impact) – under The Social Capital Fund.

The fund builds on The Social Capital Fund's extensive experience with social investments since 2011. The fund invests directly in service providers where a performance contract with a municipality, region or the governments, for example, determines the payment on the basis of the results of the project. The fund expects to make investments within the following focus areas:

- People with stress, anxiety or depression.
- Psychologically vulnerable people who are outside the ordinary labour market or in some other way need help and support.
- Disadvantaged families struggling with domestic violence or other social challenges.
- People with complex challenges such as homelessness or other people in contact with many parts of the social system.
- Occupational health and safety in relation to stress, absence due to sickness or similar.

Arbejdernes Landsbank has invested DKK 15 mill. in the fund, and thus has focus on social impact and financial returns.



**CASE**

## Wave energy:

Perhaps the world's next great source of energy?

*Arbejdernes Landsbank has invested in the Danish company Wavepiston and currently owns 13% of the company. Wavepiston wants to convert energy from waves into green electricity and clean drinking water: initially for island communities. The company is currently testing a converter on Gran Canaria.*

Ocean waves contain enormous amounts of energy – this has long been a well-known fact. Therefore, engineers, inventors and other brains have been trying for more than a century to crack the code of converting the energy in waves into electricity and clean drinking water to benefit

people on land. A green and sustainable energy source in line with solar and wind energy.

### **Great potential of wave energy**

Wavepiston in Elsinore, North of Copenhagen, began developing their technology almost ten years ago, and they are currently testing a demonstration converter off the coast of Gran Canaria. The potential of wave energy is huge. Wavepiston estimates that, in the long run, wave energy could supply 50% of the world's electricity. And according to the OES (Ocean Energy Systems), developing wave energy has no negative impacts on nature.

"We've been talking about wave energy for a century. But it's not as easy as solar and wind energy, where you can set up an installation on land and get energy right away. Some people have been developing wave energy for 30-40 years, and many have given up over the years. We're looking closely at their experience so we avoid making the same mistakes. The great challenge is now to bring costs down and durability up, so that the systems can withstand big waves," says Michael Henriksen, CEO at Wavepiston.

## Fact: Wave energy

The installations that generate wave energy are located just below the sea surface, and are almost invisible. Wavepiston's system consists of a number of 8 x 4.5 metre plates that are pushed back and forth by the movement of the waves.

The system pumps seawater into a pipe that leads the water either to an onshore turbine system to convert the energy into electricity, or to a desalination plant to turn it into drinking water.

The most obvious "customers" to begin with are islands and isolated coastal communities which spend a lot of money on procuring diesel from far away, and which lack clean drinking water. Later, wave energy will become a renewable energy resource on an equal footing with wind and solar energy.

## Arbejdernes Landsbank as an investor

Testing and developing wave energy requires a lot of money and investment, because the process includes expensive hardware of steel and composites as well as advanced equipment on ships. It also takes longer to test offshore. Wavepiston has raised capital from private investors, public funding from the EU and the Danish government as well as regional funding in Spain.

Arbejdernes Landsbank entered as an investor in 2020, when, in connection with its centenary, the Bank was looking to invest additional resources in ESG companies focusing on the green transition. Arbejdernes Landsbank and Wavepiston found each other through a business network and the Bank now owns 13% of the company. The Bank was part of the most recent capital increase, in which the Bank paid EUR 1.5 mill. of the total EUR 2.4 mill.

"The fact that a major player like Arbejdernes Landsbank is with us sends a signal to other large investors, and this will make it easier to get others on board. It's easy for me to see that we and Arbejdernes Landsbank are a great fit in terms of profile and values. Our work with water, the climate and energy matches the Bank's ESG focus very well. For a bank, we're a high-risk investment, but the Bank is helping significantly to make sure that we can get something started. If we succeed, Denmark could achieve the same success with wave energy as with wind energy," says Michael Henriksen from Wavepiston.



” For a bank like Arbejdernes Landsbank, we're a high-risk investment, but the Bank is helping significantly to make sure that we can get something started. If we succeed, Denmark could achieve the same success with wave energy as with wind energy.

*Michael Henriksen,  
CEO at Wavepiston*



# Key figures for investments



## Policy

We always make investments on the basis of the individual customer's investment profile. Moreover, we want to integrate ESG into investment policies and practices, and impose requirements on our cooperation partners for responsibility in investment practices, e.g. BankInvest. Advising customers on the possibilities of having their money work to benefit society through their investments is also an integral part of our advisory services.



## Risks

When we carry out investments on behalf of customers, owners or our own portfolio, there is always a risk of financial loss, although only to an extent that matches the investment profile. Moreover, there is a risk that some of the invested funds will be placed in companies that violate international principles and conventions, including on human rights, labour rights as well as on the environment and the climate. We therefore integrate environmental, social and corporate governance into investment analysis and decision-making processes.

Arbejdernes Landsbank	Unit	2022-target	2021	2020
<b>Capital management</b>				
Total AUM	DKK bn.	29.5	27.3	22.9
ESG screened share of total AUM	%	100	90	83
Investments with sustainable focus (according to Article 8 of the SFDR)	DKK bn.	28	23.2	
Share of AUM with sustainable focus (according to Article 8 of the SFDR)	%	95	85	
Ecolabelled investment association, AUM	DKK bn.	8	5.5	
<b>Own portfolio</b>				
Key figures for total own portfolio	DKK bn.		24	
Investments in green bonds, AUM	DKK bn.	500+	413	315

**Total AUM:** Constitutes Arbejdernes Landsbank's assets under management, in practice total AUM constitutes the total volume of the Bank's discretionary investment agreements.

**ESG screened portfolio:** For 2021, we have recognised Danish self-managed bonds under ESG, whereas we have kept self-managed individual shares and single credits out of ESG. Shares and credits will await implementation of a formal internal process. This was determined during 2021, but will not appear until the 2022 figures.

**Investments with sustainable focus (according to Article 8):** On the basis of the EU Disclosure Regulation (SFDR), we have assessed the proportion of the total AUM that has been invested in accordance with the criteria of an Article 8 product. In practice, the investments can be very broad, but they all meet the following criteria: Promote environmental or social conditions by integrating ESG in the investment process. Live up to the social minimum criteria for human rights and labour rights by screening companies for violation of international principles and conventions. The companies follow good governance practices.

**Ecolabelled investment association:** Arbejdernes Landsbank offers its own ecolabelled investment association AL Invest Udenlandske Aktier Etisk (AL Invest Foreign Shares Ethical) to capital-management customers. This investment association meets 25 mandatory requirements. 90% of the portfolio has undergone an ESG analysis. At least 50% of the portfolio is invested in companies with a good ESG rating. Investments in green sectors have priority, including sustainable energy.

At the end of 2021, Arbejdernes Landsbank used a total of five ecolabelled funds as an integrated part of the Bank's investment products.

**Key figure for own portfolio:** This key figure is new and it includes the trading portfolio (approx. 5%) and the own portfolio (approx. 95%). By far the majority of the own portfolio is invested in mortgage-credit bonds, while a small amount is invested in green bonds. Furthermore, some of the own portfolio is invested in listed companies and corporate bonds.

# Objectives for 2022



## **Implementing UN Principles for Responsible Investment**

Arbejdernes Landsbank believes that the demand for responsible and sustainable investments will increase in all customer groups, and that our commitment to the UN Principles for Responsible Investment will help us develop attractive solutions to benefit our reputation and business. We will therefore continue to implement these principles in the Bank's own investment practices. In 2022, we will continue using the Reuters EIKON system, so that we can identify companies' ESG conditions to an even greater extent and use the data in our investment processes and reporting.



## **Increasing the share of sustainable funds in the Bank's investment products**

Our work is aimed at increasing the share of sustainable funds in the Bank's own investment products, and our goal is to increase the share of sustainable funds (Article 8 or Article 9) in AL-FormueInvest, so that this product can be classified as an Article 8 product as minimum in 2022.



## **New requirements for reporting investment products and integrating customers' sustainability preferences**

We will continue implementing the extensive requirements in the Disclosure Regulation, and we will report on our investment products' potential contribution or adverse effects in relation to the EU environmental objectives. In addition, we will ensure that the investment products we offer to customers are in accordance with the individual customer's investment objectives, including the customer's risk tolerance and any sustainability preferences.

# Green sustainability



## Time to take account of the climate

*Direct greenhouse gas emissions from the financial sector itself constitute only a small part of total Danish emissions, but the financial sector has an important indirect impact as a result of the activities financed by the sector. The calculation of the Group's total CO<sub>2</sub>e emissions increases transparency about our climate impacts, contributes to managing climate-related risks and helps us to identify initiatives that can contribute to the Paris Agreement and the transition to a green economy.*

In connection with the 2020 Responsibility & Sustainability Report, we published Arbejdernes Landsbank's own direct CO<sub>2</sub>e emissions for the first time, and in our 2021 reporting, we want to supplement this calculation with an estimate of financed CO<sub>2</sub>e emissions of Arbejdernes Landsbank and AL Finans.

The climate accounts have been prepared with outset in the GHG Protocol (Greenhouse Gas Protocol); a standard for calculating greenhouse gas emissions. According to the GHG Protocol, climate accounts should be prepared based on a division between precisely direct and indirect emissions. Direct emissions are defined as own emissions resulting from our operations, while indirect emissions are primarily the financed emissions, i.e. the secondary CO<sub>2</sub>e effects of the companies or assets we finance or invest in.

## Climate change poses a financial risk to the economy and our customers

Climate change is a source of a number of significant financial risks associated with assets that may be negatively affected by climate change and the green transition. This applies to physical risks, which could mean that financed properties lose value as a consequence of increasing water levels and more frequent flood events, for example. This also applies to transition risks associated with financed companies that base their business on fossil fuels, for example, and ultimately could end up as "stranded assets". With each passing year, it becomes more business-critical for the sector and us to consider the risks and possibilities of climate change and the green transition for the bottom line. Calculation of the financed CO<sub>2</sub>e emissions is one of our initial steps in the process to manage climate risks.



### Policy

A rapid and dramatic reduction in global CO<sub>2</sub>e emissions towards a climate-neutral economy is a prerequisite for being able to achieve the goals in the Paris Agreement. Arbejdernes Landsbank has voluntarily undertaken to contribute to attaining this goal with its accession to the UN Principles for Responsible Banking. We focus on integrating consideration for the climate and the environment in our lending and investments and on increasing the share of sustainable financing and investments. A cornerstone for Arbejdernes Landsbank is that our concern for the climate is also reflected internally in the organisation, so that we can inspire and motivate both customers and employees to adopt a more sustainable behaviour.



### Risks

The global temperature is rising, and the resulting extreme weather, rising sea levels, heatwaves, etc. are sources to a number of natural risks for the Group, our business and our customers' financial situation. The extensive green transition of society and the economy can also lead to transition risks which may impact the Group's business model, the value of assets, reputation, etc. For example, this may be due to new legislation, changes in society's opinions and changes in customer behaviour and expectations.

# Key figures for the climate

Arbejdernes Landsbank and AL Finans aim to publish joint climate accounts every year. First and foremost, the climate accounts contribute to openness about the Group's overall emissions, and they are a prerequisite for setting long-term climate targets and adapting the Group's business activities to the Paris Agreement. The report for 2021 includes data from both Arbejdernes Landsbank and AL Finans. Last year the climate accounts included internal operation of Arbejdernes Landsbank. This year the climate accounts include internal operation plus the financed CO<sub>2</sub>e emissions in both Arbejdernes Landsbank and AL Finans. Therefore the total CO<sub>2</sub>e emissions this year cannot be compared with last year. In the long term we intend to include data from Arbejdernes Landsbank, AL Finans and Vestjysk Bank.

Climate impacts from internal banking constitute the Group's own emissions and will be calculated on the basis of the amount of greenhouse gas emissions from activities of which the Group exercises operational control: i.e. where we have the authority to carry out and implement changes. Greenhouse gas emissions from banking are converted into tonnes of CO<sub>2</sub> equivalents (tonnes of CO<sub>2</sub>e) and cover scope 1, scope 2 and scope 3 emissions in line with the GHG Protocol.

<b>Arbejdernes Landsbank and AL Finans</b>			
<i>Internal banking</i>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
<b>Scope 1 (direct emissions)</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>38.3</b>	<b>47.91</b>
Company car travel	Tonnes of CO <sub>2</sub> e	38.3	36.20
Heating (oil and gas)	Tonnes of CO <sub>2</sub> e	0	11.71
<b>Scope 2 market-based (indirect emissions)</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>299.5</b>	<b>376.06</b>
Electricity	Tonnes of CO <sub>2</sub> e	0	0
Heating (district heating and natural gas)	Tonnes of CO <sub>2</sub> e	299.5	376.06
<b>Scope 2 location-based (indirect emissions)</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>1,494.6</b>	<b>-</b>
Electricity	Tonnes of CO <sub>2</sub> e	1,203.1	-
Heating (district heating and natural gas)	Tonnes of CO <sub>2</sub> e	291.4	-
<b>Scope 3 (other direct emissions)</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>860.2</b>	<b>140.76</b>
Purchases	Tonnes of CO <sub>2</sub> e	573.8	-
Canteen operation	Tonnes of CO <sub>2</sub> e	201.8	92.23
Resource management (waste)	Tonnes of CO <sub>2</sub> e	44.8	11.39
Public transport	Tonnes of CO <sub>2</sub> e	6.7	0.32
Air travel	Tonnes of CO <sub>2</sub> e	1.2	2.23
Travel in private cars during working hours	Tonnes of CO <sub>2</sub> e	32.0	34.59
<b>Total CO<sub>2</sub>e emissions (market-based)</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>1,198.0</b>	<b>564.7</b>
<b>CO<sub>2</sub>e per employee (market-based)</b>	<b>kg/FTE</b>	<b>1.03</b>	<b>0.53</b>

# Key figures for the climate (continued)

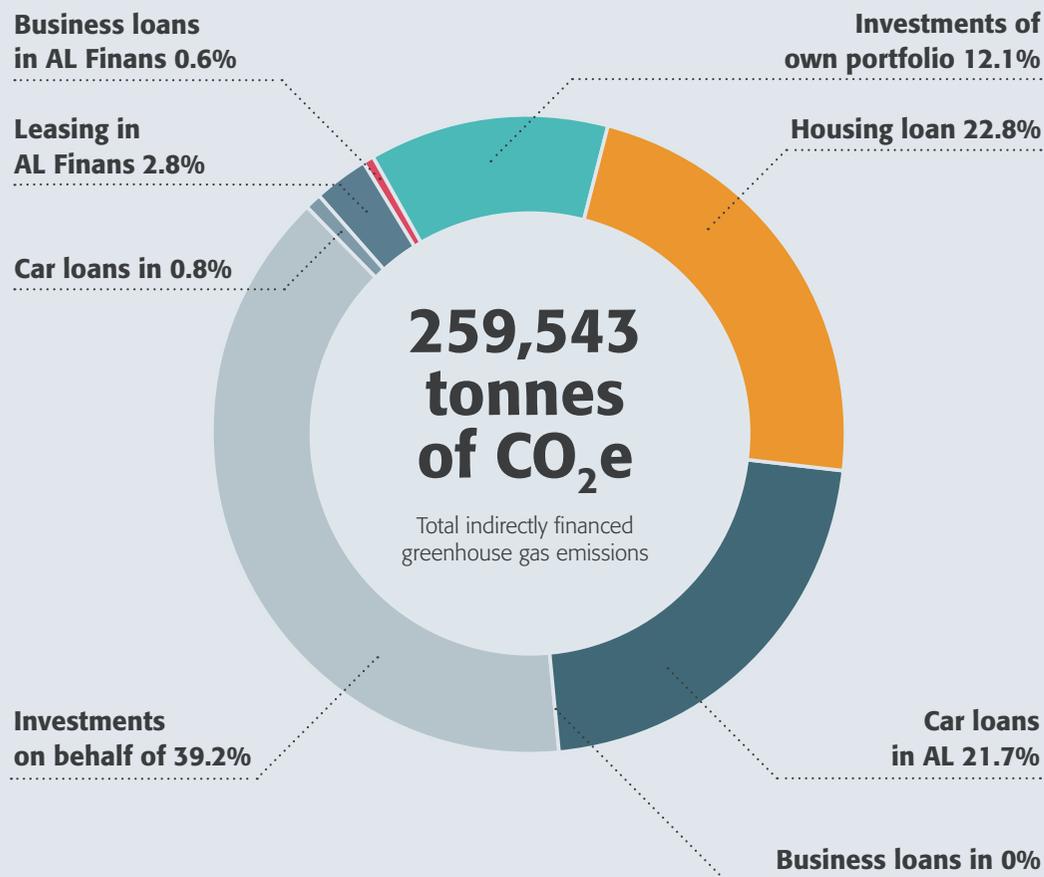
The financed CO<sub>2</sub>e emissions constitute the Group's scope 3 emissions and were calculated according to a best-effort approach and on the basis of available data. The business activity used in the calculations includes loans and investments, the composition of which Arbejdernes Landsbank and AL Finans can impact through products and advisory services. This applies to housing loans, car loans, leasing, business loans, investments on behalf of customers as well as investments of the own portfolio. Contents Total financed CO<sub>2</sub>e emissions Tonnes of CO<sub>2</sub>e 259,543 - Ton CO<sub>2</sub>e.

The business activity included in the CO<sub>2</sub>e calculations of loans were calculated as at 31 December 2021, whereas the business activity for use of the calculations in terms of investments were calculated on the basis of the portfolios and market values in mid-December 2021. The financed greenhouse gas emissions were calculated in tonnes of CO<sub>2</sub> equivalents (tonnes of CO<sub>2</sub>e) and include scope 1 and scope 2 emissions of the financed activities in line with Finance Denmark's model for carbon footprint.

Accounting policies are stated in the section about Reporting principles on page 91 and in the Fact sheet on sustainability under the tab "Climate accounts".

<b>Arbejdernes Landsbank and AL Finans Financing</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
<b>Scope 3 (other direct emissions)</b>			
Loans	Tonnes of CO <sub>2</sub> e	126,425	-
- Private	Tonnes of CO <sub>2</sub> e	124,803	-
- Business	Tonnes of CO <sub>2</sub> e	1,622	-
Investments	Tonnes of CO <sub>2</sub> e	133,118	-
- Power of attorney portfolios (fuldmagtsbeholdninger)	Tonnes of CO <sub>2</sub> e	78,601	-
- Pool portfolios (puljebestholdninger)	Tonnes of CO <sub>2</sub> e	23,086	-
- Own portfolio	Tonnes of CO <sub>2</sub> e	31,431	-
<b>Total financed CO<sub>2</sub>e emissions</b>	<b>Tonnes of CO<sub>2</sub>e</b>	<b>259,543</b>	<b>-</b>
<b>CO<sub>2</sub>e per financed DKK mill.</b>	<b>Tonnes of CO<sub>2</sub>e /DKK mill.</b>	<b>3.42</b>	<b>-</b>

## CO<sub>2</sub>e emissions broken down by economic activities



### Key figures for financed CO<sub>2</sub>e emissions Contents

Looking at CO<sub>2</sub>e emissions related to lending activities, we can see that "Car loans in AL Finans" accounts for a large share of CO<sub>2</sub>e emissions (22%) compared with the activity's share of business activity (5%). Car loans and leasing also have significant CO<sub>2</sub>e emissions per financed DKK mill. Since 2019, we have been offering private customers attractive financing solutions aimed at rechargeable cars (green car loan). The fact that an increasing number of our customers will replace their fossil fuel car with a greener alternative over time will contribute to reducing CO<sub>2</sub>e emissions.

Business loans in Arbejdernes Landsbank and AL Finans account for less than 1% of CO<sub>2</sub>e emissions. This is because business loans account for a small part of the total scope of business (9%) and are aimed at less CO<sub>2</sub>e-intensive sectors. E.g. we do not lend to companies that mine coal, or drill for oil and gas.

Read more about our initiatives in the section "Sustainable loans and credits" on page 18.

For investments, power of attorney agreements and pool agreements (investments on behalf of customers) account for the largest share of CO<sub>2</sub>e emissions, and they have the largest CO<sub>2</sub>e footprint compared with the own portfolio. Overall, a strategic focus is to implement investment processes in which sustainability – including consideration for the environment and the climate – is a key element in the investment policies. As we are increasing the share of investments in companies or securities which either already have a low level of CO<sub>2</sub>e emissions, or in which CO<sub>2</sub>e emissions will be reduced over time, we will be able to reduce CO<sub>2</sub>e-emissions of our portfolios.

Read more about our initiatives in the section "Sustainable investments" on page 33.



### **Calculation of financed CO<sub>2</sub>e emissions builds on common principles and methods for the sector**

We have used Finance Denmark's common framework (version 1 of the model for carbon footprint) as fundamental principles and methods for the calculation of financed CO<sub>2</sub>e. Moreover, we have participated in working groups facilitated by the sector organisations Finance Denmark, National Banks in Denmark (LDB) and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) in order to establish joint accounting policies and specific calculation methods to calculate CO<sub>2</sub>e in the sector.

We have applied the accounting policies from the collaboration in the working groups to calculate CO<sub>2</sub>e for both lending and investments. For lending, we have used the spreadsheet proposed by the LDB and LOPI. For investments, we have used the Reuters Eikon system, which provides access to CO<sub>2</sub>e data at instrument level within the various classes of assets. The Reuters Eikon system is also used by other banks in the BEC (the Bank's IT supplier) collaboration.

CO<sub>2</sub>e calculations were calculated using a best-effort approach and on the basis of available data. This includes specific data as well as statistical data. Access to data on loans is limited, while the scope of available data on investments is much greater and the quality of data is also much better. Improving the quality of data will continue to be an action area for us, and we are constantly improving data and accounting policies.

Total financed indirect CO <sub>2</sub> e emissions 2021	Business activity	CO <sub>2</sub> e emissions	Carbon footprint	Share of business activity	Share of CO <sub>2</sub> e emissions
	DKK mill.	Tonnes of CO <sub>2</sub> e	Tonnes of CO <sub>2</sub> e /DKK mill.	%	%
<b>Total</b>	<b>75,796</b>	<b>259,543</b>	<b>3.42</b>	<b>100</b>	<b>100</b>
<b>Loans</b>	<b>23,661</b>	<b>126,425</b>	<b>5.34</b>	<b>31</b>	<b>49</b>
<b>Private</b>	<b>16,926</b>	<b>124,803</b>	<b>7.37</b>	<b>22</b>	<b>48</b>
Housing loans	12,966	59,222	4.57	17	23
Car loans (Arbejdernes Landsbank)	68	1,974	29.19	0	1
Car loans (AL Finans)	3,600	56,266	15.63	5	22
Leasing (AL Finans)	293	7,342	25.06	0	3
<b>Business</b>	<b>6,734</b>	<b>1,622</b>	<b>0.24</b>	<b>9</b>	<b>1</b>
Business loans (Arbejdernes Landsbank)	4,329	119	0.03	6	0
Business loans (AL Finans)	2,406	1,504	0.63	3	1
<b>Investments</b>	<b>52,135</b>	<b>133,118</b>	<b>3.50</b>	<b>69</b>	<b>51</b>
Power of attorney portfolios (fuldmagtsbeholdninger)	20,532	78,601	4.49	27	30
Pool portfolios (puljebeholdninger)	7,572	23,086	5.02	10	9
Own portfolio	24,030	31,431	1.98	32	12

Accounting policies are stated in the section about Reporting principles on page 91 and in the Fact sheet on sustainability under the tab "Climate accounts".

# Sustainable banking

*As a financial undertaking, Arbejdernes Landsbank and AL Finans impact the climate and the environment most through our economic activities. However, with many employees, branches, offices and properties throughout Denmark, the impact from internal operations is not insignificant, and limiting this impact is an important part of running a sustainable workplace.*

Arbejdernes Landsbank and AL Finans should be recognised – also through our actions – as financial undertakings that take responsibility for the climate and the environment seriously. We are conscious of this, and we focus on reducing our own energy consumption and on achieving efficient and sustainable utilisation of our shared resources. We are already well underway and have launched several climate-related initiatives in 2021 as well.

## **Climate accounts increase transparency about impacts**

Last year, Arbejdernes Landsbank reported on CO<sub>2</sub>e emissions from our operations for the first time. The report for 2021 includes data on operations in both Arbejdernes Landsbank and AL Finans as well as a significant new item under scope 3 in accordance with the GHG Protocol. In addition, we have calculated CO<sub>2</sub>e emissions from our operations using two methods of calculation, also in accordance with the GHG Protocol. Scope 2 emissions have therefore been calculated as both location-based (where the calculation method reflects the average emissions intensity on the Danish electricity grid) and market-based (where the calculation method reflects the emissions intensity at the electricity company from where we



buy our electricity). With these changes, we cannot directly compare total CO<sub>2</sub>e emissions of our banking in 2021 with last year.

### **New platform ensures energy-efficiency improvements**

Through strategic collaboration with Ento Labs, we have used artificial intelligence to optimise sustainable building operations and have lowered our electricity consumption. Since the beginning of the collaboration in late 2020, we have reduced our expected electricity consumption by 542,645 kWh, corresponding to 16.2% of last years' consumption.

### **New method to calculate CO<sub>2</sub>e and a silver organic label**

In 2021, we drastically reduced our consumption of meat in our canteens by 39%. We are also proud to have raised the organic labelling of our canteens from bronze to silver. Our canteens are run by an external supplier, who, together with us, has contributed to a new accounting policy to calculate CO<sub>2</sub>e. This new method makes it easier to calculate our climate footprint on foods and to make informed and conscious decisions regarding meat, which is particularly harmful to the climate. In 2021, we introduced fully vegetarian/vegan food 1-2 days a week on a trial basis. At the same time, we increased our focus on the selection for vegetarians and vegans, so there is always a main dish available for these diets. When our trial period is over, we will assess how we can develop and adjust the selection in all our canteens together with our canteen committee.

### **Separation of waste into 14 fractions at our main offices**

At the large locations in Glostrup and Panoptikon, our ambition is to increase the degree of separation even more, so that even more resources can be reused (used in the same form for the same purpose in new contexts) or recycled (reprocessed into a new form for a new purpose). We have therefore established central resource stations at these

locations as well as a recycling facility, and we are testing separation into as many as 14 different fractions. We expect that this will increase our contribution to reusing and recycling our waste.

### **New purchasing portal will increase the level of ecolabelled purchases and the quality of data**

In 2021, we introduced a new purchasing portal, and we are in the process of implementing a new purchasing strategy which builds on five overall points: Socially responsible and sustainable purchases, Strong collaboration with external stakeholders, Focus on innovation and growth, Professional and cost-effective purchases, as well as International standards; all of which will contribute further to improving our social responsibility in future purchases.

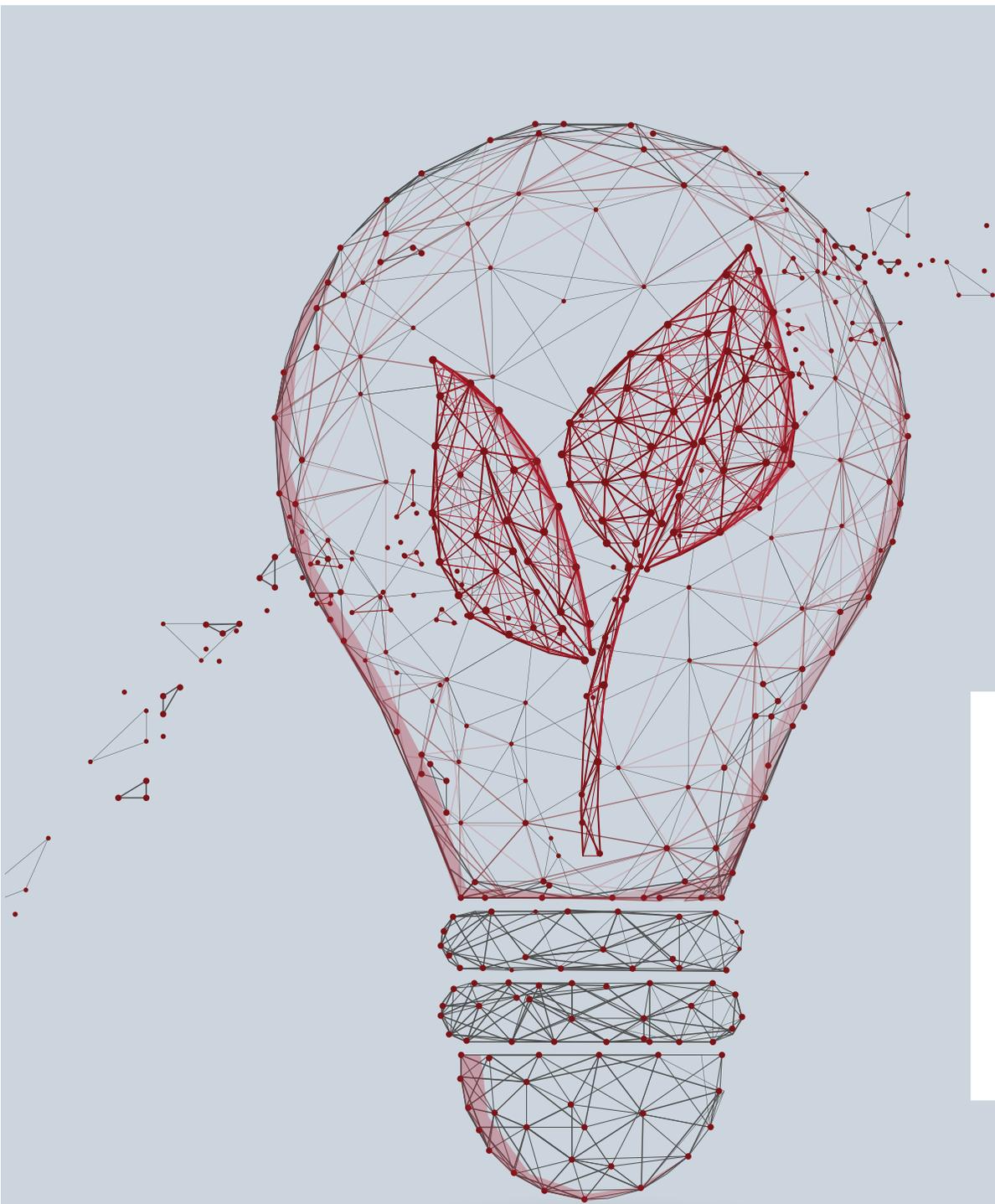
### **More sustainable modes of transport**

Our policy is that our employees should generally use public transport during working hours, and we have almost 250 business travel cards (Rejsekort Corporate). In 2021, our employees used public transport considerably more than the year before. This can be attributed to a more open society and more in-person activities at the Bank as well as sustainable behaviour among employees. Thus, our employees took public transport journeys of almost 94,000 km in 2021 compared with 6,500 km in 2020, which is an increase of 690%. Despite the considerable increase in use of public transport, emissions of greenhouse gases related to public transport are modest compared with transport by car, for example. As far as the use of car transport is concerned, very few employees at Arbejdernes Landsbank and AL Finans are offered a company car. The requirements for these cars are that they must be at least energy class A, hybrid cars or electric cars. Moreover, all petrol/diesel company cars must be phased out by the end of 2029 at the latest.



WE HAVE REDUCED  
CONSUMPTION OF  
MEAT IN THE CANTEEN

**BY 39%**



” Artificial intelligence  
contributes to lowering  
energy consumption

*through the digital platform from Ento Labs, which  
continuously identifies possible initiatives and savings*

# Key figures for the environment

In 2021, we continued our work on accounting policies for calculating key figures for the environment, and we extended the scope of data as well as the quality of data. Our aim was to be transparent about a larger part of impacts from the Group. Thus, in 2021 we are reporting on the environmental footprint in both Arbejdernes Landsbank and AL Finans.

We are reporting KPIs in areas where the impacts are considerable and where there is potential for improvement. The KPIs can help us work strategically on initiatives to ensure efficient use of resources with maximum benefit for the environment. Most KPIs have been weighted with regard to a factor, e.g. number of employees. We do this in order to put the figures into perspective – but also to take into account the Group's continued business growth.

The increase in heating consumption per employee is due to a major adjustment of heating stations as well as a generally colder year than the year before (20% more degree days than in 2020). The increase in Climate footprint per meal is due to a change in accounting policies. In 2020, we used Aarhus University's "List of food's carbon footprint" as a source. In 2021, we used "The Big Climate Database" from CONCITO, because data in this database is more recent, covers a greater part of the production chain and therefore is more accurate.

Accounting policies are described in the section about Reporting principles on page 91 and in the Fact sheet on sustainability under the tab "Environmental accounts".

Arbejdernes Landsbank	Unit	2021	2020
Electricity consumption per employee	kWh/FTE	3,023.5	4,021.6
Heating consumption per employee	kWh/FTE	5,407.9	4,510.3
Water consumption per employee	m <sup>3</sup> /FTE	11.7	29.5
Average emissions per travelled kilometre in AL vehicle fleet	grams of CO <sub>2</sub> e/km	85.9	103.2
Organic products in the canteen	%	60.9	57.4
Climate footprint per meal	Kg CO <sub>2</sub> e/meal	3.7	2.8
Waste source-separation rate	%	45.1	46.2
Ecolabelled purchases	%	Textiles 93%	Textiles 91%
		Inventory 62%	Inventory 75%
		IT 96%	IT 97%
		Cleaning 98.4%	Cleaning 97.1%
		Printed materials 100%	Printed materials 100%
		Stationery 58.7%	Stationery 28.2%

AL Finans	Unit	2021
Electricity consumption per employee	kWh/FTE	1,618
Heating consumption per employee	kWh/FTE	1,546
Water consumption per employee	m <sup>3</sup> /FTE	4.11
Organic products in the canteen	%	60
Climate footprint per meal	Kg CO <sub>2</sub> e/meal	2.54
Waste source-separation rate	%	32.11

# Objectives for 2022



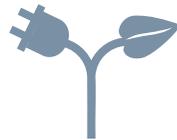
## **Bicycle repair and carpooling scheme for employees**

We want to establish a service for employees to have their bicycle repaired during working hours to support strategic health and well-being at work as well as to reduce the number of days on which transport to and from work is by car. Moreover, we will examine the possibilities of setting up a carpooling scheme to make it easy for employees to drive together to and from work. This can help strengthen social cohesion at the workplace and also reduce the number of cars on the roads.



## **Increasing the share of responsible purchases and reducing consumption of paper and printed matter**

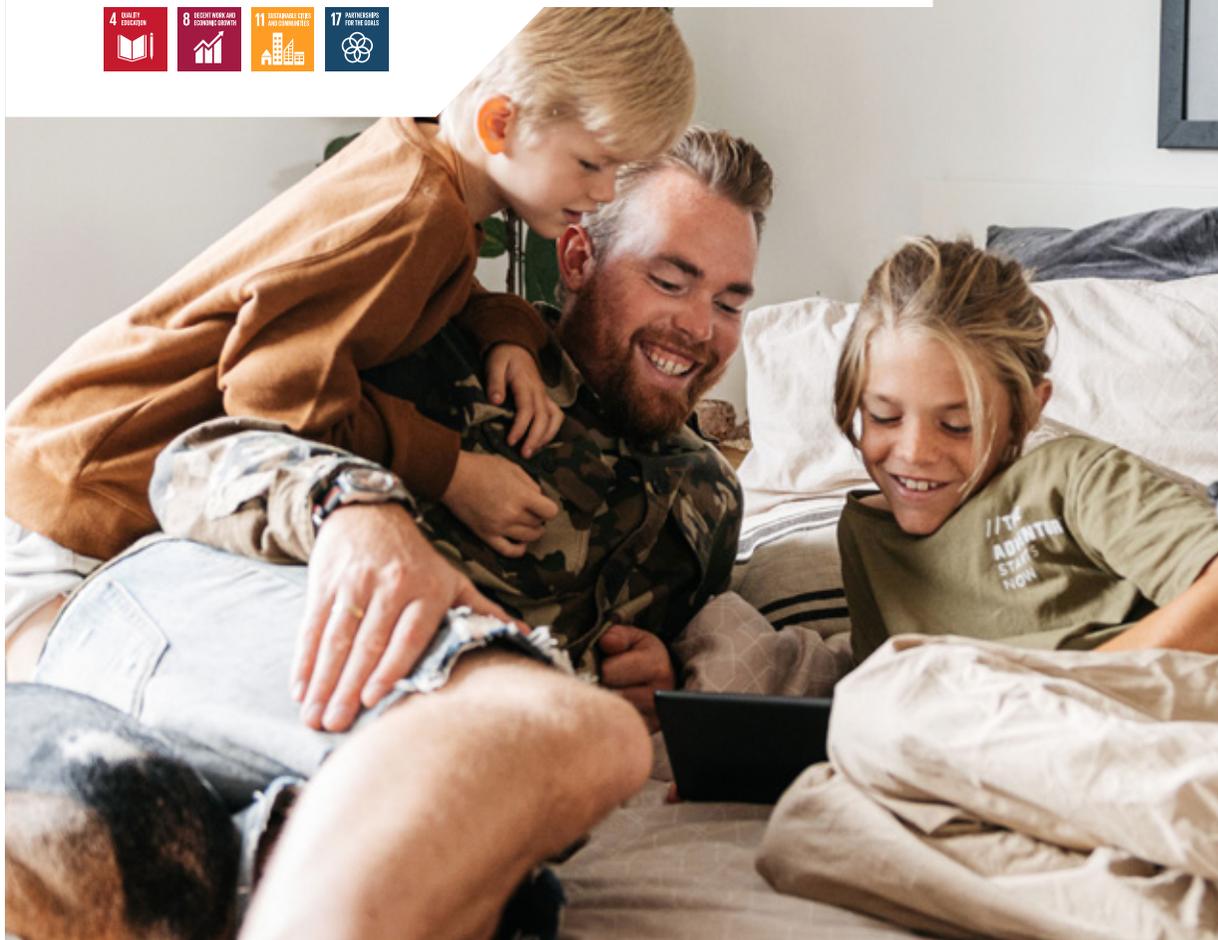
In 2022, we want to increase the share of sustainable purchases in accordance with our purchasing strategy by making more sustainable products available in our internal purchasing portal. Moreover, together with BEC Financial Technologies, our goal is to change the default setting for our printers, so that everyone prints on both sides as a default.



## **New indoor climate standard to help reduce energy consumption**

With the new indoor climate standard, we want to examine more closely the technical installations in our properties, so that we can ensure the acoustic, atmospheric, thermal and visual indoor climate for our customers and employees. Together with the ongoing renovation of our branch network, common buildings and heating stations, this will help reduce our energy consumption.

# Social sustainability



*At Arbejdernes Landsbank and AL Finans, we have built our business on sound values such as accountability and sustainable growth. With these core values, we operate a stable and solid business with focus on our employees' well-being and with profound respect for our customers' time and money.*

Arbejdernes Landsbank has a long history of social responsibility, dating back to our founding in 1919. At its establishment, the object was to secure economic independence for the trade-union movement in a conflict situation; and to offer better and cheaper loans as alternatives to mortgage borrowers.

Today, responsibility continues to be the foundation of our business philosophy. Our fundamental values and the Bank's approach to customers, employees and society are built on respect for people and an objective to leave the most positive impression possible on the world.

# Customers

*Arbejdernes Landsbank and AL Finans advise and service hundreds of thousands of customers – including private customers, small and medium-sized enterprises as well as trade unions and associations.*

## Still ready with additional support for customers during Covid-19

The pandemic and the continued spread of the coronavirus in society gave rise to some uncertainty regarding the financial situation of companies and personal health, also among our customers. The vast majority of our customers have been and remain robust to withstand the financial challenges they have been faced with. We have helped customers who have been particularly financially affected by the crisis by granting deferral of loan payments for a period, credit to pay rent or new advice about their financial situation. Arbejdernes Landsbank is still ready to help our customers based on the individual's specific financial challenges.

## Danes' preferred bank for the 13th consecutive year

Virtually all companies market themselves on their customer focus. However, not many companies are able to translate their great intentions into action which customers can actually feel in their everyday lives and in their interaction with their bank. Historically, Arbejdernes Landsbank has been, and still is, good at meeting our customers' high expectations. The annual and independent survey by Voxmeter is by far the largest and most in-depth customer survey in Denmark. As one of the only customer satisfaction surveys on the market, it is carried out among approx. 62,000 randomly selected customers of the 20 largest banks in Denmark.

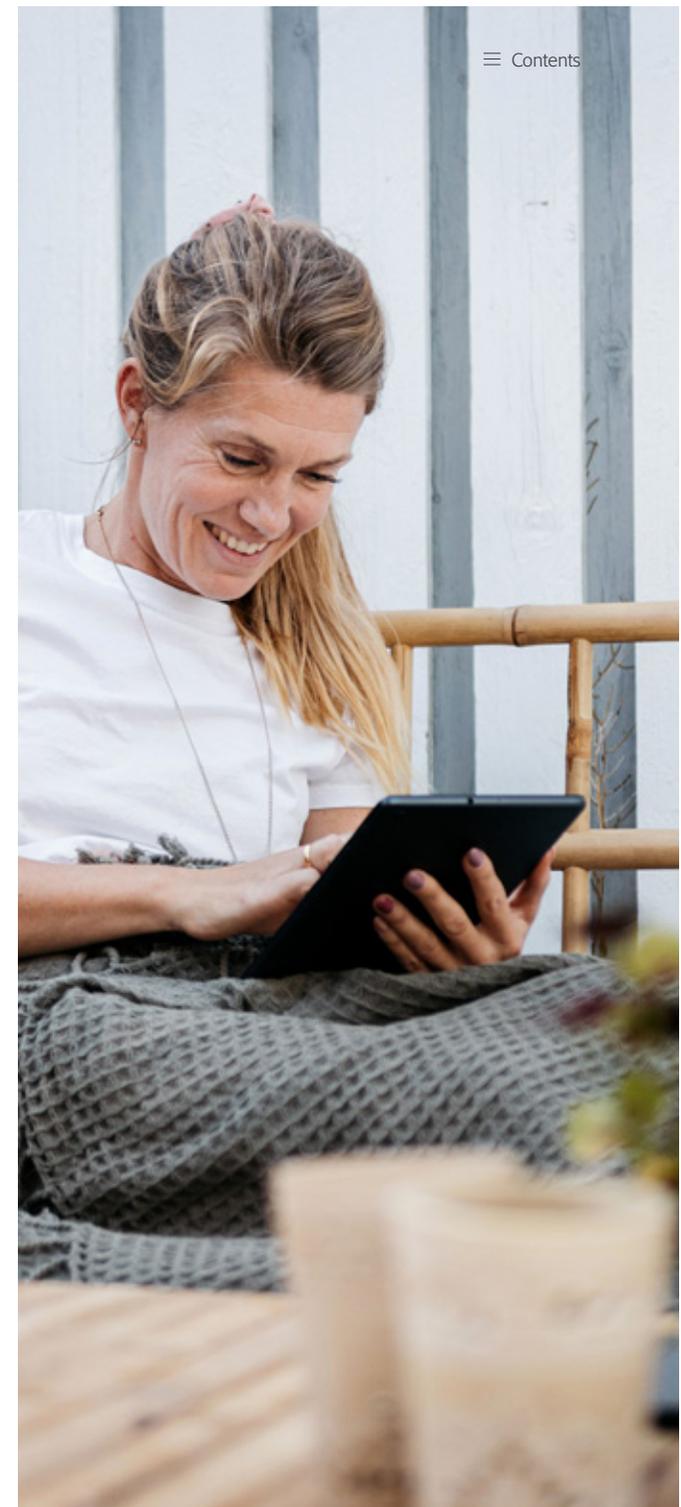
In this survey, Arbejdernes Landsbank was Danes' preferred bank for the 13th consecutive year. We have worked hard to earn this title. Our level of activity was high in 2021, and despite extraordinarily difficult conditions due to Covid-19, we were able to welcome thousands of new good customers, whilst maintaining our focus on providing responsible advice and doing what is necessary to satisfy ALL customers.

## Digital solutions will increase accessibility and efficiency

Arbejdernes Landsbank has strong focus on developing and offering more digital solutions to help make everyday life and routine banking services easier for Danes and our customers, whilst making internal processes more efficient. We basically believe that our customers must be able to do all forms of banking businesses they want, when they want. Therefore, we are working on establishing a new form of interaction and customer experience, which will be much more digitally based. Interaction with accessibility and accountability in focus.

## 5,000 customers have drawn up legal documents using TestaViva

Many Danes have not decided what to do with their wealth and their assets when they pass away. When there is no will, the rules of the Danish Inheritance Act regarding distribution of an estate apply. This could mean that an inheritance does not go to the people the deceased intended. Together with TestaViva, we have made it simple for our customers to draw up a will, marriage contract and other legal documents online. Since 2017, our 54 | Social sustainability advisors have made huge efforts to integrate TestaViva into our overall advisory services to spread awareness and use of TestaViva and



drawing up legal documents. Up to the end of 2021, approx. 5,000 of our customers had used TestaViva and drawn up one or more legal documents.

### **More than 7,300 users of Young Money app in the first year**

The younger generation today is growing up in a virtually cashless society, and it can be difficult for parents to teach children about the value of money. Research indicates that children form their financial habits at a young age. Our digital pocket money and savings app helps young customers of the Bank to understand the concepts of money and savings.

Children and young people as well as their parents can download and install Young Money on their smartphone and

get a better overview of finances and spending. With Young Money, children also have a bank account and a MasterCard they can use at cashpoints and for contactless payment in shops. Children of 13 years plus with a digital ID (NemID) can also use the card on the internet. Young Money was launched in 2021, and during its first year, the app has gained more than 7,300 users. With the app, parents and children have transferred money approx. 18,800 times, and most transactions have been around DKK 50-100.

### **More than 120,000 cards made from recycled plastic**

Many of Arbejdernes Landsbank's customers use our digital payment solutions on a daily basis, e.g. Apple Pay and MobilePay, but many customers still want a physical payment card.

Even though small payment cards do not take up much space in a wallet, they are a considerable item in the environmental accounts. Each year, approx. 150,000 cards are produced for the Bank's customers, and therefore the requirement for a more environmentally friendly solution is a natural part of product development. Arbejdernes Landsbank has chosen IDEMIA as our supplier of physical cards made from recycled plastic. Recycling plastic is beneficial in many ways, both in terms of reducing greenhouse gas emissions and in terms of reducing plastic waste, which constitutes a significant environmental impact. Approx. 120,000 of the Bank's cards are currently made from recycled PVC, and we expect a further approx. 11,000 of the Bank's cards to switch to this type of production in 2022.





Arbejdernes Landsbank

**Åbningstider:**

Mandag	10.00 - 16.00
Tirsdag	10.00 - 16.00
Onsdag	10.00 - 16.00
Torsdag	10.00 - 16.00
Fredag	10.00 - 16.00

**Bidjningstider:**

Mandag	08.00 - 18.00
Tirsdag	08.00 - 18.00
Onsdag	08.00 - 18.00
Torsdag	08.00 - 18.00
Fredag	08.00 - 16.00

” Danes' preferred bank for the **13th consecutive year**

*According to the most extensive customer survey in the sector carried out by Voxmeter.*

# Key figures for customers



## Policy

Our strategic ambition is to gain more customers and more satisfied customers. We therefore focus on creating the best possible customer experiences, among other things by:

- offering all our customers personal advisory services adapted to the individual customer's needs.
- ensuring that our level of service is one of the highest in Denmark through systematic followup on feedback from customers.
- treating all customers professionally, with respect and concern for their individual needs.
- ensuring that our customers understand their financial situation and the products we offer.
- ensuring in particular that no customer leaves a meeting without having understood our advice.

Arbejdernes Landsbank	Unit	2021	2020
Customer satisfaction, Voxmeter, annual	Rank	1	1
Customer satisfaction, Voxmeter, annual	CEM-score	7,432	7,525
Customer satisfaction after meeting, Net Promoter Score	NPS-score	77	76
Total	Number	344,045	332,866
- of whom private	Number	315,688	304,281
- of whom business customers	Number	15,874	16,081
- of which housing associations, associations and organisations	Number	12,483	12,504
Influx of customers	Number	11,298	14,347
Customer retention	%	94	94

AL Finans	Unit	2021	2020
Total	Number	29,106	27,394
- of whom private	Number	24,758	22,845
- of whom business customers	Number	4,348	4,549

Accounting policies are stated in the section about Reporting principles on page 91 and in the Fact sheet on sustainability.



## Risks

When we advise and meet our customers, there is a risk that customers will not get the advice, service and experience they expect from us. We are trying to minimise this risk through internal checks and systematic follow-up on feedback from our customers.

# Objectives for 2022



## **Maintaining our position as Danes' preferred bank**

For the 13th consecutive year, Arbejdernes Landsbank was lauded as Danes' preferred bank. This position and trust do not come automatically, but through a high level of professionalism, good service and hard work. Naturally, we will and must maintain this position. We will therefore continue our strategic and focused work towards attracting more customers and ensuring more satisfied customers. And we have a specific target that in 2022 we will maintain Arbejdernes Landsbank's unique first place in the annual survey by Voxmeter, whilst improving the Bank's CEM score. For us, it is not only important to raise the trophy, it is just as important to keep striving to become a better bank for our customers.



## **Ensuring a high NPS score**

All financial undertakings are working hard to increase customer satisfaction, so we constantly have to push ourselves harder to become better. Both at strategic level with new initiatives and customer concepts and in day-to-day dialogue with customers. This is crucial if, in future, we are to maintain our boast of the title as Danes' preferred bank that is so well known to us and much coveted by others. Therefore, our goal in 2022 continues to be to achieve an NPS score of at least 80 after meetings and 70 after completing a procedure. Through the systematic follow-up on feedback, we can better meet the wishes and needs of customers and improve products and value services.

# Employees

*We want to offer good development opportunities and attractive conditions in an inspirational working environment based on trust, health and sustainability.*

We consider employees our most important asset. Therefore, we want to create attractive conditions of work that engage employees to contribute to our strategic and commercial goals. We work actively to ensure the best possible conditions for our employees, with a healthy and inspirational physical and psychological working environment. Everyone should be able to see career and development opportunities with us, and diversity among employees and good management are natural and expected.

## **We safeguard our culture**

Our culture is a pivotal part of our 2025 strategy. We believe nurturing and strengthening our already strong DNA is vital to succeed with our strategy and to maintain our unique position in the sector. This applies to our customers and in relation to being a preferred and sustainable workplace. In 2021, we worked consistently on understanding our values: Integrity, Openness, Corporate Responsibility and Community and on translating these values into specific behaviour. All units have worked on the values at workshops, which resulted in specific team efforts and behaviour. Another pivotal part of the implementation is to incorporate the values centrally in the Bank's activities and actions that affect employees, customers as well as society. We also measure our knowledge and our ability to meet our values, and results show that we are well underway.

## **Huge commitment among employees**

In 2021, we conducted an employee commitment survey and obtained a response rate of 96%. The survey showed huge commitment among employees, and with scores of 80 on job satisfaction and 86 on loyalty – on a scale up to 100 – commitment among our employees was above the benchmark for the sector. This is an extremely good result and shows that our employees value their workplace.

This does not mean that we can rest on our laurels until the next survey. On the contrary, we must focus on maintaining the good results. We work with the results both locally and at organisational level. At organisational level, we have special focus on areas with the greatest impact on commitment, e.g. job content, reputation and immediate manager. We invest in management training, and we have launched specific initiatives to improve the Bank's internal processes and tools.

At local level, we define initiatives through workshops, at which all employees and their manager select action areas and initiatives for 2022. In Q2 of 2022, we will conduct a short survey to take the pulse of initiatives and commitment. This will ensure that continuous efforts are made to maintain the high level of commitment.

## **A hybrid workplace**

One of the ways in which we want to maintain our employees' high level of commitment is to meet their requests for more flexible ways of working, which is something many employees have been satisfied with during Covid-19. Specifically, we have changed the our policy on working from home, so that now



it is possible to work remotely up to two days a week. This was only possible once a week according to the collective agreement. This means our employees can now maintain a social and professional affiliation with the workplace, whilst being able to balance their working life and home life as needed.

### **New action plan to promote diversity and inclusion**

We want to create a diverse and inclusive workplace, as we believe that this has a positive impact on the bottom line and results in better decisions, more innovation, a high level of well-being and strong commitment. Focus on diversity and inclusion is thus part of being an attractive workplace. In Arbejdernes Landsbank's 2021 employee commitment survey, we conducted a baseline measurement in the area for the first time, and the results were very good. The score for diversity was above 90 points, whereas the score for inclusion was above 80 – on a scale up to 100.

At present, we have balanced gender diversity at Arbejdernes Landsbank, with women constituting approx. 51%, and men approx. 49%. At management level, our target is a percentage distribution of at least 40/60, and currently woman constitute 34%, and men 66%. In 2021, we examined our data and research on gender diversity at management level and prepared an action plan with initiatives to improve not only diversity at management level, but also the Bank's diversity and inclusion at a more general level. This also applies to AL Finans.

### **Regular follow-up on bullying and harassment**

We have always had a zero tolerance approach to any type of offensive behaviour. In 2021, we launched further local as well as central initiatives. Following the MeToo debate, we have trained all managers at Arbejdernes Landsbank in talking with their employees about bullying and harassment, and we have followed up regularly through various surveys.

In our latest survey, no employees at Arbejdernes Landsbank expressed having experienced unwanted sexual attention at the Bank, but there is room for improvement when it comes to the tone of communication. Our focus is therefore still on local dialogue and regular surveys among employees to ensure a healthy working environment with a tone of communication we can all accept.

Moreover, in line with the EU Whistleblower Directive and Danish legislation, employees can now report serious situations such as bullying and harassment via the Bank's whistleblower scheme.

### **Increased knowledge about the Bank's sustainability strategy among employees**

In 2021, we increased our communication on sustainability internally at Arbejdernes Landsbank via videos, presentations and workshops. If the sustainability strategy is to succeed, all employees must have basic knowledge and understanding of what sustainability means in a financial context, and how the

sustainability agenda can be translated into specific initiatives and be used in our dialogue and advisory services with customers.

### **Focus on health and exercise during Covid-19**

To achieve our ambition to focus on the whole person, we implemented a new health and prevention strategy for Arbejdernes Landsbank and AL Finans in 2021. Our basic approach is prevention rather than treatment. In 2021, we focused particularly on addressing the challenges caused by a long period with Covid-19. This primarily entailed increasing focus on exercise and breaks when working from home.

### **Employing finance students and finance trainees**

Arbejdernes Landsbank has a long history of hiring finance students and finance trainees, because we want to assume social responsibility, and because we have a good track record of young people contributing new knowledge and inspiration to the benefit of the Bank's continued development. In 2021, we welcomed a total of 15 finance students and finance trainees, and at the end of 2021 we had a total of 40 finance students and finance trainees. We have a similar objective for 2022.

# Key figures for employees

<b>Arbejdernes Landsbank</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
Full-time workforce	FTE	1,069	1,065
- of whom, women	FTE	543	552
- of whom, men	FTE	526	513
Gender diversity among full-time employees	% women	51	52
	% men	49	48
Students and finance trainees	FTE	40	27
Gender diversity among managers (branch directors, branch managers, deputy managers, heads of department and deputy heads of department)	% women	35	35
	% men	65	65
Pay difference between genders	No. of times	1.17	1.2
Average seniority	Years	11	11
Commitment among employees (measured as job satisfaction/loyalty)	0-100	80/86	
Staff turnover rate	%	14.2	11.2
Absenteeism due to sickness per employee	Days/FTE	6.5	6.1

*Commitment among employees (measured as job satisfaction/loyalty). No measurement was taken in 2020. From 2021 and onwards the measurement will be taken once a year.*

# Key figures for employees (continued)

<b>AL Finans</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
Full-time workforce	FTE	91	
- of whom, women	FTE	44	
- of whom, men	FTE	47	
Gender diversity among full-time employees	% women	48	
	% men	52	
Gender diversity among managers (director, managers, deputy managers, heads of department and deputy heads of department)	% women	8	
	% men	92	

<b>Arbejdernes Landsbank and AL Finans</b>	<b>Unit</b>	<b>2021</b>	<b>2020</b>
Gender diversity among all managers (Executive Management, director, deputy director, (branch directors, managers, branch managers, deputy managers, heads of department and deputy heads of department)	% women	34	
	% men	66	

*In 2021 we measured gender diversity at AL Finans for the first time, and we will measure this once a year in the future. Accounting policies are stated in the section about Reporting principles on page 91 and in the Fact sheet on sustainability.*



### Policy

Arbejdernes Landsbank and AL Finans want to create a strong and inclusive culture with diversity among employees and with an equal gender distribution at all levels. This is important so that we can continue to attract and retain talent and ensure high performance, good customer experiences and profitable results.

We want to offer attractive conditions of work that engage employees to make efforts that contribute to our strategic and commercial goals.

Specifically, we do this by:

- Creating career and development opportunities for employees at all levels.
- Focusing on the development of the individual employee to support the employee's own ambitions and wishes as well as our commercial ambitions.
- Ensuring that no managers or other employees receive a bonus solely on account of individual performance such as personal sales activities.
- Offering flexible working hours which allow employees to create a good worklife balance.
- Ensuring a healthy physical and psychological working environment, and caring for employees who suffer from stress or illness.
- Preventing and establishing clear guidelines for handling serious situations such as robbery, violence and threats.

Policies regarding employees:

- Policy on absenteeism due to sickness
- Policy on stress
- Policy on drug and alcohol abuse
- Policy on care
- Policy on senior employees
- Policy on prevention and management of bullying and harassment
- Policy on pay
- Policy on the under-represented gender, diversity and suitability
- Policy on a sound corporate culture
- Whistleblower scheme



### Risks

Like in any other workplace with a high level of ambition and activity, there is a risk that employees experience an inordinately large workload that could potentially lead to discontent, stress or illness. We are implementing preventive measures to ensure that work does not lead to poor health as a result of bullying, stress, threatening customers or poor indoor climate, for example.

Unequal distribution of gender and pay differences between genders may indicate that there is a risk of more general inequality at the workplace and associated problems with attracting talent.

# Objectives for 2022



## **Training in digital meetings with customers**

The need to be able to alternate between online and the in-person meetings with customers has increased. Therefore, we want to train our employees in holding online meetings to support our good collaboration with customers Contents and across our business. With outset in our updated policy on working from home, we launch initiatives to meet the many different needs and local challenges.



## **Sustainability skills enhancement**

In 2022, there will be focus on training and more general skills enhancement in the Bank to put us in a better position with regard to succeeding with our sustainability strategy. New e-learning programmes will contribute to all employees at Arbejdernes Landsbank being aware of and understanding that sustainability will be an integral part of everyone's work. Furthermore, we want to implement a targeted training programme for the Bank's business centre directors, business advisors and employees in the Credit Department on ESG and sustainable dialogue with customers as an important element in future advisory services and assessment of business customers.



## **Updating policy and implementing our action plan to promote diversity and inclusion**

Our policy on increasing the share of the under-represented gender will be updated in 2022 to broaden its scope and to turn focus to both diversity and inclusion. Moreover, we want to implement a new action plan with initiatives to improve not only gender diversity at management level, but also diversity and inclusion at a more general level in 2022.



## **Continued focus on health and prevention**

In 2022, we will continue our efforts to implement our health strategy, with focus on prevention of stress, community exercise, dealing with difficult customer situations as well as diet. Moreover, all employees will be offered a health check in 2022.

# Society

*We want to engage actively in the local communities we are part of and contribute to achieving more societal goals. In 2021, Arbejdernes Landsbank was chosen as the most sustainable brand in the sector.*

## Most sustainable brand in the sector

Each year, the Sustainable Brand Index™ takes the pulse of European consumers' perception of brands in relation to sustainability, and the study is by far the largest of its kind in Europe. In 2021, more than 60,000 consumers were interviewed in the study – approx. 6,800 of whom were Danes who chose Arbejdernes Landsbank as the most sustainable brand among all banks in Denmark.

Arbejdernes Landsbank is locally present at 70 locations throughout Denmark, and engage actively in the local communities we are part of. This is through strategic collaboration and business-developing communities that support our business, and which also contribute to meeting societal goals. The fact that Arbejdernes Landsbank was chosen as the most sustainable brand in the sector in 2021 only confirms that Danish consumers recognise our brand and value the way we run our bank.

## Facts about: Sustainable Brand Index™

No other sustainability study in Europe builds on such an extensive database as the Sustainable Brand Index™, in which more than 60,000 randomly selected consumers in the Nordic countries, the Netherlands and the Baltic countries – of whom approx. 6,800 are Danes – are asked about their perception of brands in relation to sustainability.





” **Most sustainable**  
brand in the sector

*According to the Sustainable  
Brand Index 2021*

## Sport and community

*We support sport, community, togetherness and the hard work that makes it possible to achieve impressive results, both on and off the field.*

### **Football sponsorships to benefit the amateur and the elite**

Our sponsorships are an important element in our overall branding and communication strategy, and a tool that creates visibility, raises awareness of our brands and supports our business strategy by attracting new customers and retaining existing customers. In recent years, we have gathered extensive experience as a partner and a sponsor of the Danish Football Association for the Men's National Football Team, the Women's National Football Team and the Superliga football clubs Brøndby IF, FC Nordsjælland, AGF, Vejle Boldklub and FC Midtjylland. We regularly follow up on the effect of the sponsorships through awareness surveys and lead-generating activities.

### **New requirements to promote sustainable development in clubs and cultural institutions**

Sports sponsorships are a good way for Arbejdernes Landsbank to find a new and broader audience, but they also give us an opportunity to promote positive development in the individual clubs and communities. We have always had a value-based approach to which sponsorships we sign, and in which contexts our brands may or may not appear. Therefore, it is only natural that we have also integrated sustainability and consideration for the climate, the environment and society in our sponsorships and in considerable extensions of partnerships. Specifically, since 9 November 2021, we have had requirements in our contracts stipulating that the relevant club or cultural institution must have a publicly available policy or document that states that they comply with the principles for human rights and labour rights, and that they make efforts to minimise risks of violating such principles. Moreover, the club or cultural institution must have ambitions to contribute to sustainable development of society and take responsibility for creating positive change.



# 100 pcs

FOOTBALLS DONATED BY  
ARBEJDERNES LANDSBANK

### Donations to benefit the community and fans

With our sponsorships, we want to contribute actively to the strong community around the clubs where everyone, ordinary people as well as the elite, is committed and passionate about football for the benefit and joy of all football fans in Denmark. During the Covid lockdown at the beginning of the year, many children and young people had a hard time in their changed everyday life.

We donated 100 footballs to support sport, play and community among children and young people who needed a helping hand during a difficult time. This initiative was launched in collaboration with Vejle Boldklub and a School, Social Services, Police consultant from Vejle Municipality. Furthermore, the Bank donated 50 Christmas trees to socio-economically disadvantaged families in Vestegnen west of Copenhagen via our collaboration with Brøndby IF.

### ALT for damerne's women's run

Arbejdernes Landsbank was one of the sponsors of the women's run organised by the magazine ALT for damerne in 2021 – a sponsorship that emphasises that the Bank has strong traditions of supporting sport in Denmark – both for ordinary people and for the elite – and of contributing to Danes' health and supporting community.





## Nature

Two hectares of nature in Denmark to be restored and protected. During Covid-19, many of us found our way to paths, mountainbike trails and camp fires in the Danish forests and natural areas. Despite the popularity and importance of nature, it is in documented decline. Its area as well as biodiversity have decreased, and more than 2,000 species are at risk of disappearing in Denmark alone. We support the Danish Nature Fund and help create more space for Danish nature.

The Danish Nature Fund is working to improve Danish nature through projects that create more habitats for animals and plants as well as great nature experiences for people in Denmark. Arbejdernes Landsbank has donated an amount for restoration and protection of more than two hectares of wild nature in Denmark. If given space to unfold on its own terms, nature can increase biodiversity and protect endangered animals and plants, whilst storing greenhouse gas in plants and trees.

Specifically, the support goes to restoration and protection of part of the Lerbjerg Skov forest in Lejre on Zealand. Previously, Lerbjerg Skov was used for hunting and intensive timber production. Now the forest is a protected forest and is open to the public 24 hours a day. Among other things, the reestablishment of wild nature in Lerbjerg Skov is expected to help rare butterflies and the endangered charismatic dormouse which is more or less only found in this forest in Denmark. The forest will also potentially be able to store greenhouse gas. The level of greenhouse gas stored annually in a forest like this depends on the composition

### Employees donate Christmas presents to the Danish Nature Fund

In addition to Arbejdernes Landsbank's donation to the Danish Nature Fund, a number of the our employees donated the value of their Christmas present from the Bank the Danish Nature Fund. This means that approx. 1,840 additional m<sup>2</sup> of nature can be restored and protected.

of the forest, the tree species, the age distribution, soil conditions and hydrological conditions, etc.

On average, a healthy growing forest in east Denmark dominated by deciduous trees such as beech, oak and ash can generally store approx. 10 tonnes of CO<sub>2</sub> per hectare per year.

## Art and culture

*We are actively involved in several cultural and art projects throughout Denmark, because culture helps create life, involvement and experiences, resulting in a stronger sense of togetherness and belonging.*

### **Art in Kanalbyen in Fredericia**

Over the past years, we have been involved in several cultural and art projects throughout Denmark. In autumn 2019, we joined forces with, and became the main sponsor of, Kanalbyen in Fredericia. This collaboration will help create new art in the neighbourhood over the next three years. The vision is to stimulate life, involvement and experiences in the new neighbourhood at Fredericia harbour front through a series of art installations.

### **Local collaboration with Frederiksberg museums**

Frederiksberg museums has a special ability to make room for visitors to engage in one another and in the surrounding world. As a main sponsor, we want to support the many engaging and cultural activities offered by Frederiksberg museums in Cisterneerne, Bakkehuset, Storm P and Møstings Hus. The keywords for this collaboration are local commitment and physical presence.



## Children and young people

*We are dedicated to giving children and young people equal and good opportunities, whether this is in education, sport, illness, basic needs or just being part of a community.*

### **Foundation strengthens Danish society through knowledge**

Arbejdernes Landsbanks Fond is a foundation aiming at strengthening Danish society – including children – through education and knowledge. The foundation was established in 1957 and is operated as an independent institution. Specifically, the foundation funds further education and continuing training, primarily schools and education institutions, and the foundation provides

support for individuals under education or training. In 2021, the foundation provided support totalling approx. DKK 919,000.



## Supporting aid organisations

Every year, we support a range of aid organisations and charitable projects. In 2021, the Bank provided financial support totalling approx. DKK 412,500 to charitable causes such as:



### Din Camp

Since 2011, Din Camp has welcomed more than 14,000 children and young people to summer camp, where new friendships are made in creative learning universes, communities and experiences.



### Børn, Unge & Sorg

The association Børn, Unge & Sorg helps and advises children and young people whose parents or siblings are seriously ill or have passed away.



### KidsAid

KidsAid helps children and young people to forget their disease for a little while by organising unique experiences at hospitals, concerts with celebrity performers and sports events with sporting icons.

## Protective equipment for volunteer distributors of surplus food

Before Christmas and New Year 2021, when Covid-19 was widespread, the Bank once again donated DKK 60,000 for protective equipment for more than 4,000 volunteers from the non-profit organisation Stop Spild Lokalt that collects and distributes surplus food to socially vulnerable children, homeless people, institutions, etc.

## Decathlon with the Danish Cancer Society

In 2021, Arbejdernes Landsbank was the main sponsor of the Danish Cancer Society campaign "10-kampen" (decathlon). The purpose of the campaign was to make it fun for Danish families to live a healthy life. Research shows that four out of ten cancer cases can be prevented, and that it only takes a little bit of effort to live a healthier, and longer, life. In the decathlon, participants went through an evidence-based programme, and the research results were presented in a format that easily translates into healthy habits for the family and specific tools for a healthier life.



## Policy

At Arbejdernes Landsbank and AL Finans, we want to play an active role in the society we are part of by:

- Helping give the public and our customers a better understanding of their personal finances.
- Helping encourage more people to make important financial decisions that will strengthen their position today and throughout life.
- Getting involved in the local community and contributing to developing culture and recreational activities.
- Supporting humanitarian work through Danish and international relief organisations.
- Establishing sponsorship collaboration with sports clubs.



## Risks

Being part of external partnerships and supporting several causes always entails a risk that agreements will not live up to expectations or the money we donate will not be paid in full to the cause we want to support. We try to minimise this risk as far as possible by making demands on the clubs, institutions and organisations we work with. The specific demands are explicitly stated in the individual contracts and collaboration agreements, and we follow up on compliance with the demands in our ongoing dialogue with our partners.

# Sustainable management



*At Arbejdernes Landsbank and AL Finans, we perceive corporate governance as an integral precondition for our operation, and we are open about the framework, rules and guidelines in relation to this.*

A sound corporate culture is very important for the way in which employees meet customers and society. Arbejdernes Landsbank's Board of Directors has adopted a policy on sound corporate culture for the Group. The aim of this policy is to set the overall framework for a sound corporate culture. The policy is to help prevent violation of financial legislation and money laundering legislation, as well as prevent the Group from being abused for money laundering, terrorist financing and other economic crime.

The policy on a sound corporate culture reflects the behaviour expected by the Board of Directors from the employees in order to support a sound corporate culture based on the Group's values and social responsibility. The Board of Directors aims to safeguard these values – Integrity, Openness, Community and Corporate Responsibility – and therefore has a low risk appetite in terms of jeopardising the sound corporate culture.

Arbejdernes Landsbank's work on culture is part of the strategy for 2025. In 2021, both management and employees worked on cultural initiatives, and this work will continue in 2022.

# Sustainability Committee monitors progress

Environmental, social and corporate governance (ESG) is increasingly being considered as the “licence to operate” of the future in the financial sector and as a prerequisite for being able to create growth and long-term value. In other words, it is vital for the Bank to operate a sustainable bank on the basis of expectations and requirements from the surrounding world, and thus also a task for the senior management to ensure that this is the case.

Arbejdernes Landsbank's Sustainability Committee holds managerial responsibility for the sustainability strategy and for implementing the policy on corporate social responsibility and sustainability. Members of the Sustainability Committee include the Bank's CEO (chairman), Deputy CEO, all the members of the Executive Management, the Branding and Communication Director as well as the Project Manager for Sustainability (secretary). The Group CRO serves as an observer.

Sustainability must be an integral part of the Bank's core business if the Bank is to maintain its strong reputation, attract new customers and ensure high customer satisfaction. The Sustainability Committee is to ensure that the sustainability strategy is implemented across business areas and units, and that the necessary resources are allocated.

## Attendance at Sustainability Committee meetings

**11 February**

Ordinary meeting

**4 March**

Ordinary meeting

**9 December**

Ordinary meeting

**8 April**

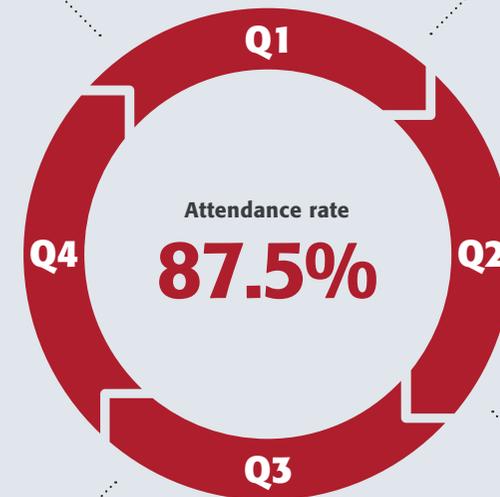
Extraordinary meeting

**9 September**

Ordinary meeting

**10 June**

Ordinary meeting



*In 2021, all five planned Sustainability Committee meetings were held with a participation rate of 87.5%. In addition, an extraordinary Sustainability Committee meeting was held with a participation rate of 100. At each meeting, the*

*members of the Committee were presented with progress in implementation of the sustainability strategy and UN principles, new statutory requirements from the EU and specific solutions.*



### **New tax policy**

Arbejdernes Landsbank is one of the 100 largest tax payers in Denmark, see the open list of payers of corporation tax 2020 (in Danish). Our objective is to be a responsible tax payer that complies with relevant tax legislation. We want to lead a transparent tax policy, and this means that we must be able to explain and defend our tax provisions and payments to the our stakeholders at all times. The new tax policy applies to Arbejdernes Landsbank and to our subsidiaries. The overall purpose of the tax policy is to provide instructions, create transparency and maintain accountability in the field of taxation.

The outset for the tax policy and work on our own tax affairs is of course that we pay the taxes imposed on our activities and profits in accordance with current legislation. The Group is jointly taxed and jointly registered in matters concerning VAT and payroll tax where relevant. Tax payments constitute a significant cost, and therefore we try to reduce tax payments within the framework of current legislation and practice. Our tax policy focuses on payment of corporation tax, VAT, payroll tax, energy tax, employee taxes and other types of taxes and social contributions as well as correct reporting of customers' tax data to the authorities.

In accordance with the rules on good business practice for financial undertakings, we provide general advice on tax in relation to the products and services we provide. In this connection, our employees make the customers aware of any tax consequences of their transactions in areas such as savings and investment. When we establish customer relationships with companies and private individuals, we go through a thorough know-your-customer procedure, and we also do a thorough internal check of the customer relationship and ownership details in which we make sure that the necessary information and documentation are available.

We do not generally advise on specific tax matters, but recommend that customers consult their own tax advisor or the tax authorities. We will not encourage, support or participate in activities which, to our knowledge, involve tax evasion or attempted tax evasion, nor will Arbejdernes Landsbank set up or administer companies in tax havens. We regularly make relevant reports to the Danish Tax Agency and we comply with the requirements of the Anti-Money Laundering Act regarding reporting suspicions of tax evasion.

### **Mandatory anti-money laundering training for all employees**

As a financial undertaking and group, we have an important social responsibility to ensure that we are not abused for money laundering, financing of terrorism or breaches of financial sanctions. All employees at Arbejdernes Landsbank undergo anti-money laundering training to ensure adequate attention and focus in this area. Anti-money laundering is mandatory for all relevant new employees and for existing employees at fixed intervals. In addition, selected and targeted departments and/or groups of employees receive specialist training in the area. For instance, in 2020 Arbejdernes Landsbank established a central department to monitor transactions. The employees at this department receive specialist training and work closely with relevant authorities. We place priority on actively considering the risks of being abused for money laundering and terrorist financing. Ensuring integrity is part of our values, and therefore we want to make it difficult to make illegal transactions through us. Consequently, we are constantly working to ensure that our customers do not abuse us for illegal purposes.

### **Code of Conduct training for new employees**

Our Code of Conduct is a set of rules reflecting attitudes and guidelines to help employees in their daily work. Employees must adhere to the Code of Conduct. The rules contain guidelines for the behaviour we expect from our employees in their dealings with customers, suppliers and the authorities. Each individual manager is responsible for ensuring that employees know and conform to the rules, and the manager is furthermore responsible for assessing whether the rules need to be explained further.

Arbejdernes Landsbank's Compliance Department has developed a training programme for the Code of Conduct. In 2021, the training programme consisted of four courses held as part of the introduction programme for new employees. Among other things, the purpose is to ensure that employees know and are aware of the Code of Conduct and the Bank's social responsibility regarding compliance.

### **Pay gap between the CEO and employees**

The pay gap between average employees and chief executives in Danish listed companies is generally growing. Arbejdernes Landsbank and AL Finans have always focused on paying the Executive Management a salary that makes it possible to attract and retain the managerial competences and profiles needed.

At the same time, our policy is that the difference in pay must not undermine our "licence to operate" on the basis of societal considerations. Among other things, the pay policy is to ensure equal pay for the same type of work or work of equal value without any form of discrimination, including gender discrimination. Furthermore, the policy is to help ensure equal opportunities for all employees, regardless of gender, as a prerequisite for gender-neutral pay.

We have reported on the pay difference between Arbejdernes Landsbank's CEO and the employees since 2019. The figure

has been somewhat stable since then. In 2021, the pay difference was slightly higher than last year at 6.9 compared to 6.3 in 2020.

### **The Executive Management is not covered by any bonus scheme**

No managers or other employees at Arbejdernes Landsbank receive a bonus solely on account of individual performance such as personal sales activities. The Bank's bonus schemes are paid on the basis of performance by the Bank, branch/department and the individual employee, as well as the employee's adherence to the Bank's values.

Emoluments of the Executive Management solely comprise a fixed salary, pension and company car, and these are published in the Bank's annual report. The Executive Management is not covered by bonus schemes or other incentive programmes.

# Key figures for sustainable management

<b>Arbejdernes Landsbank</b>	<b>Unit</b>	<b>Target</b>	<b>2021</b>	<b>2020</b>
Attendance at Board of Directors meetings	%	100	96	94
Gender diversity in the Board of Directors	% women	at least 1/3	38	36
	% men	at least 1/3	62	64
Gender diversity in the Executive Board	% women	at least 40	0	0
	% men	at least 40	100	100
Attendance at Sustainability Committee meetings	%	100	87.5	
Pay gap between the CEO and employees	No. of times		6.9	6.3
Share of employees who have completed "anti-money laundering/terrorism" certification	%	100	100	100

<b>AL Finans</b>	<b>Unit</b>	<b>Target</b>	<b>2021</b>
Gender diversity in the Board of Directors	% women	at least 1/3	0
	% men	at least 1/3	100

*The Sustainability Committee was set up at the end of 2020, and the first meeting of the Committee was held in 2021. In relation to the gender diversity in the Board of Directors in AL Finans, the target is not met. In 2022, we will work on making sure that the group policy on gender, inclusion and suitability is implemented in AL Finans, which is vital in order to reach our target. Accounting policies are stated in the section about Reporting principles on page 91 and in the Fact sheet on sustainability.*



## Policy

### Policy on a sound corporate culture

- Defines the overall framework for ensuring a sound corporate culture at the Bank.
- Expectations of the behaviour of all employees, and thus the desired culture, are based on the Group's business model and on the risk of violating the financial legislation to which the Group is subject.

### Tax policy

- Defines the overall framework for the Group's behaviour in the tax area, both in relation to circumstances in parent companies and subsidiaries and in relation to circumstances of customers and business associates.
- We want to participate in and assume responsibility for contributing to the Danish welfare model, which is largely based on tax contributions from private individuals and companies.

### The purpose of the policy on the prevention of money laundering and financing of terrorism and violation of sanctions is to ensure that:

- we are not abused for money laundering, financing of terrorism or breaches of financial sanctions.
- where it cannot be ruled out that transactions or behaviour are suspicious, this will be notified to the authorities.

### Other

- Policy on corporate social responsibility and sustainability.
- Arbejdernes Landsbank has considered and follows the majority of recommendations for corporate governance.
- Arbejdernes Landsbank follows all recommendations in the management code of conduct issued by the Danish Bankers' Association.
- Policy on diversity and the under-represented gender.
- Remuneration policy.
- The Bank's Code of Conduct defines a set of rules that must be applied by all employees when dealing with customers, suppliers and authorities.

### The Bank's whistleblower scheme

- Is to ensure that employees can notify any violations of the financial legislation, other EU legislation or serious violations of the law such as bullying, harassment or bribery that they may become aware of in their work.
- Enables employees to notify matters anonymously.
- Sets clear guidelines as to who can gain access to whistleblower notifications.
- The Bank's Compliance Department handles whistleblower notifications.
- Matters regarding the Compliance Department or the Bank's senior management are handled by an external law firm.

### Committees

- Nomination and Remuneration Committee.
- Audit and Risk Committee.
- Advisory Board of Representatives.
- Sustainability Committee.

**Risks**

Money laundering, tax evasion and other forms of economic crime take place in all parts of society, and a basic condition for everyone in the sector is that a financial undertaking can be abused for financial fraud – both on a large or small scale.

This is a global risk, and we must therefore constantly be vigilant that we do not contribute to business that can negatively impact our operations, reputation, business relations or result in a financial loss.

Arbejdernes Landsbank and AL Finans only operate in Denmark and primarily targets customers residing in Denmark. Denmark ranks as one of the least corrupt countries in the world according to the corruption index. However, even though the risk of corruption is low, it is essential that we maintain constant focus on this area. Corruption and bribery often start on a small scale with gifts, dinners, favours among friends and small amounts, which could result in not all customers, suppliers

and cooperation partners being treated equally.

Arbejdernes Landsbank and AL Finans offer several types of financial services, advisory services and products. However, we do not offer complex and individually designed products of a speculative nature. We provide long-term personal advisory services to customers, and this gives us in-depth knowledge about our customers and their business. Nevertheless, money

laundering, including tax evasion, takes place in all parts of society, both on a small and a large scale, and we must constantly be vigilant.

We only want to establish and maintain customer relationships that we understand, and that we consider transparent and safe. Where it cannot be ruled out that a customer relationship is suspicious, notification will be sent to the authorities.

# Objectives for 2022



## **An even stronger corporate culture**

Throughout 2022, we will continue to have great focus on integrating our values in everything we do. It is therefore important to us that our values are operationalised and implemented in our day-to-day work and incorporated into relevant activities and actions that affect customers, employees and society. In 2022, we will identify two-three action areas to strengthen the corporate culture. Follow-up on compliance with the values will be through relevant measuring points in the Bank's employee commitment survey. Furthermore, our employees will be introduced to and work on learning culture in 2022.



## **Making anti-money laundering an integral part of our culture**

Financial undertakings have a clear corporate social responsibility in terms of preventing and combating economic crime. This task is a natural continuation of our values regarding openness and integrity. In 2022, we will focus on continuing to make anti-money laundering initiatives a natural and integral part of our customer services and activities. Good customer knowledge is a precondition for us to continue to actively combat money laundering and financing of terrorism, and at the same time contribute to good customer experiences.



## **Training employees in anti-money laundering**

We strive for continued strong initiatives to combat money laundering, financing of terrorism and breaches of financial sanctions. As criminals constantly find new ways to launder money or finance terrorism, this requires constant upgrading of knowledge and competences in this area. In 2022, Arbejdernes Landsbank's AML Department will launch targeted training programmes for employees across the Bank, and for departments with special training needs, to raise individual employees' awareness and understanding of situations in which we as a financial undertaking is at risk of being abused for money laundering, financing of terrorism or breaches of financial sanctions.



## **Training employees in anti-corruption and business ethics**

We will carry out compliance training in selected departments and branches according to a prioritised plan to increase awareness among individual employees of the Bank's social responsibility with regard to compliance, including anti-corruption and business ethics. The training will increase employees' awareness in this area and give each employee a better understanding of situations in which employees have to pay special attention. The Bank's Compliance Department is responsible for planning and carrying out the training.

# Sustainable course towards 2025

Each year, we report on our progress towards implementing the UN Principles for Responsible Banking, and below is Arbejdernes Landsbank's self-evaluation for 2021.



## PROGRESS

## REFERENCES

 <h3>Principle 1: Alignment</h3>	<p>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.</p>	
<p><b>1.1</b> 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>	<p>The Arbejdernes Landsbank Group has business activities in the Bank itself as well as in the subsidiaries AL Finans and Vestjysk Bank. Arbejdernes Landsbank became the official majority owner of Vestjysk Bank in May 2021, and following this the Arbejdernes Landsbank Group was designated as a systemically important financial institution in June 2021. The Arbejdernes Landsbank Group has Denmark as its domestic market and as its only market for its business models. However, the Bank's investment activities take place both within and outside Danish borders. AL Finans and Vestjysk Bank operate as independent units.</p> <p>Arbejdernes Landsbank is the 6th largest bank in Denmark in terms of working capital, and the Bank is growing year by year, with thousands of new customers, so we currently have approx. 344,000 customers, 1,069 employees and 70 branches throughout Denmark. By far the majority of Arbejdernes Landsbank's customers are private individuals, but the Bank also has small and medium-sized business customers as well as associations. Each year since 2009, Arbejdernes Landsbank has been lauded as Danes' preferred bank in Denmark's largest independent survey of Danish bank customers. In 2021, Arbejdernes Landsbank was also chosen as the most sustainable brand in the sector in Europe's most extensive study, the Sustainable Brand Index.</p> <p>AL Finans A/S is a finance company offering financing solutions to private individuals and businesses. For private individuals, AL Finans mainly provides loans for cars, motorcycles and caravans, and for companies, AL Finans offers attractive factoring and corporate leasing solutions. AL Finans has more than 29,000 customers and 91 employees.</p>	<p>See the section about the Bank's business model on page 9 and the Fact sheet on sustainability 2021 under the tab "Impact analysis".</p>

<p><b>1.2</b> <i>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.</i></p>	<p>Arbejdernes Landsbank's business strategy up to 2025 has two overall goals: To gain more customers and more satisfied customers. The Bank has launched a number of business strategy projects to help achieve the goals, and Sustainability is one of the Bank's business strategy projects.</p> <p>On this basis, in 2021 Arbejdernes Landsbank launched a new sustainability strategy up to 2025. The strategy will help to ensure cohesion between present global and social goals and the Bank's continued business development. The sustainability strategy focuses on the business areas financing, capital management, deposits surplus and internal banking, because these are the areas in which the Bank has the greatest potential to support even more sustainable development in society. Within each of these areas, we have drawn up strategic initiatives up to 2025.</p> <p>Our ambition is to be recognised as one of the most sustainable banks in Denmark by 2025. We believe that the ability to offer customers responsible and sustainable products and services will be one the most important competitive elements in the future. The overall objective of the sustainability strategy is to increase the share of sustainable financing and investments, and through this contribute to achieving the goals of the Paris Agreement and the UN Sustainable Development Goals.</p>	<p>See the section about the Bank's sustainability strategy on page 8.</p>
---	---	--

## PROGRESS

## REFERENCES



## 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:

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:

- a) *Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in as described under 1.1. have been considered in the scope of the analysis.*
- 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.*
- c) *Context & 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.*
- 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.*

In 2021, Arbejdernes Landsbank published its first impact analysis. The impact analysis includes the most significant part of the total loan portfolio and investment portfolio in Arbejdernes Landsbank and AL Finans, and was initially carried out using the UN Portfolio Impact Identification Tool for loans and the Investment Portfolio Impact Analysis Tool for investments.

The business activity in the impact analysis was selected on the basis that Arbejdernes Landsbank and AL Finans have direct access to or influence on the composition of activities. The scale business activity thus includes loans and investments in Arbejdernes Landsbank as well as car loans and leasing in AL Finans.

In the Portfolio Impact Identification Tool and the Investment Portfolio Impact Analysis Tool, industries and countries have been given various degrees of significance in relation to the impact areas. An impact area can be significant as a result of the industry's effect on the impact area, but also as a result of the extent of activities in Arbejdernes Landsbank and AL Finans. Arbejdernes Landsbank and AL Finans have a relatively large number of private customers compared with business customers – and most of the Bank's business customers are small and medium-sized enterprises within different industries. This means that by using the two UN tools, we could identify several different impact areas.

#### Climate is the most significant impact area

Overall, we estimate that the impact area Climate is the most the significant area:

- Housing loans, car loans and leasing constitute a considerable share of the Bank's lending, and in terms of investments, there is a significant exposure towards Danish mortgage-credit bonds to finance homes in Denmark. Buildings and means of transport account for a large part of Danish CO<sub>2</sub>e emissions.
- Arbejdernes Landsbank itself, and through its subsidiaries, only carries out banking activities in Denmark. In Denmark – and in the EU – the climate is high on the political agenda. Folketinget (the Danish Parliament) has adopted a Climate Act and has placed Denmark under a legal obligation to reduce its greenhouse gas emissions by 70% in 2030 and to ensure climate-neutrality by 2050.

See the section about Impact analysis on page 12, the section about the First estimation of financed CO<sub>2</sub>e emissions on page 13 and the Fact sheet on sustainability under the tabs "Impact analysis" and "Climate accounts".

**PROGRESS**

**REFERENCES**

<p><i>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)).</i></p> <p><i>Show that, building on this analysis, the bank has:</i></p> <ul style="list-style-type: none"> <li>■ <i>Identified and disclosed its areas of most significant (potential) positive and negative impact</i></li> <li>■ <i>Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts.</i></li> </ul>	<ul style="list-style-type: none"> <li>■ The financial sector in the EU and in Denmark has been designated as one of the most important players in terms of ensuring fulfilment of the climate targets through financing and investments. The sector association Finance Denmark's "Forum for Sustainable Finance" recommends that the carbon footprint and goals for future reductions of the Danish financial sector should be made public.</li> </ul> <p>On this basis, in 2021 we developed accounting policies and implemented calculations of financed CO<sub>2</sub>e emissions for both loans and investments. For loans in particular there is some way to go before we have exact data on the level of CO<sub>2</sub>e released into the atmosphere. However, using a best-effort approach as well as specific and statistical data, we have reached an estimate which we believe to be true and accurate and to provide a good overview.</p> <p>We intend to repeat the impact analysis again, so that it includes business activity and activities in Arbejdernes Landsbank, AL Finans and Vestjysk Bank. Vestjysk Bank became part of the Group in 2021 after Arbejdernes Landsbank's acquisition of the majority shareholding in Vestjysk Bank.</p>	<p>See the section about Impact analysis on page 12, the section about the First estimation of financed CO<sub>2</sub>e emissions on page 13 and the Fact sheet on sustainability under the tabs "Impact analysis" and "Climate accounts".</p>
<p><b>2.2 Target Setting:</b></p> <p><i>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. 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. 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.</i></p>	<p>For the first time, in 2021 Arbejdernes Landsbank published an estimate of financed CO<sub>2</sub>e emissions and thus the Bank's CO<sub>2</sub>e baseline. Naturally, publication of an estimate of our financed greenhouse gas emissions also involves an ambition to publish CO<sub>2</sub>e reduction targets, which we hope to be able to publish. We know that setting and realising such targets is very complex in practice, but we do not want to leave our customers and companies in the lurch. We will make every attempt and put every ounce of innovative energy into succeeding – together with our customers.</p>	<p>See the section about the First estimation of financed CO<sub>2</sub>e emissions on page 13.</p>

**PROGRESS****REFERENCES**

<p><b>2.3 Plans for Target Implementation and Monitoring:</b> Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets.</p> <p><i>Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>First of all, we will work to expand the scope of our business activity in the impact analysis, as well as for calculations of CO<sub>2</sub>e. The acquisition of the majority shareholding in Vestjysk Bank has increased the Group's business activities and business volume considerably, and therefore it is important to include this part of the business. In 2022, we want to start collecting as much relevant data and information about Vestjysk Bank as possible.</p> <p>Secondly, we want to continue to improve the quality of the data on which our CO<sub>2</sub>e calculations are based. For instance, in 2021 we launched a new digital tool, Valified, which will help the Group's business customers to start their sustainability reporting. We expect that the use of Valified by our business customers will increase the availability of specific data on the companies, including CO<sub>2</sub>e, which will improve the quality of our data.</p>	
<p><b>2.4 Progress on Implementing Targets:</b> <i>For each target separately:</i></p> <ul style="list-style-type: none"> <li>■ Show that your bank has implemented the actions it had previously defined to meet the set target.</li> <li>■ 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.</li> </ul> <p><i>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).</i></p>	<p>Arbejdernes Landsbank has not yet defined and published its long-term climate targets. However, our ambition is to be able to publish targets. We hope to be able to use a scientifically based approach to setting the targets.</p> <p>Arbejdernes Landsbank is already focusing on increasing the share of green financing and investments, and this can contribute to reducing CO<sub>2</sub>e emissions. Our approach is to make it easy for the Bank's customers to make more sustainable choices by making green products and solutions available to our customers on favourable terms.</p> <p>For instance, Arbejdernes Landsbank offers green car loans on better terms than our other car loans, and this helps to make it easier for our customers to replace their fossil fuel car with an electric car or a plug-in hybrid car. We also make cheap financing available, if customers want to make their home more energy efficient. Specifically, customers can take out a climate loan at no cost of up to DKK 50,000 to finance energy improvements in their home.</p> <p>In the investment area, Arbejdernes Landsbank has acceded to the UN Principles for Responsible Investment. We integrate ESG and sustainability in our investment processes, and we have a strategic ambition to increase the share of sustainable investments, both with regard to investments on behalf of customers and our owners and with regard to investment of the own portfolio. For example, the Bank offers an ecolabelled investment association to capital-management customers – and the Bank itself invests in green bonds and green companies.</p>	<p>See the section about the Bank's sustainable financing from page 17.</p>

	PROGRESS	REFERENCES
 <h2>Principle 3: Clients and customers</h2>	<p>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.</p>	
<p><b>3.1</b> <i>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.</i></p>	<p>Arbejdernes Landsbank builds on more than a century of social responsibility, which is a fundamental part of the Bank's DNA. For example, we always provide financing and advice in the customer's best interest. This requires a healthy and trusting culture, where all employees know how to, and can act responsibly in day-to-day contact with customers and in connection with business dilemmas.</p> <p>The Bank has adopted a number of policies, set up committees and described practices within sustainability, risks, credit, governance, etc., each of which helps ensure that management and employees act responsibly and in accordance with the Bank's policies and rules as well as with requirements and expectations from the surrounding world. Moreover, we regularly train our employees in anti-corruption and business ethics as well as in anti-money laundering.</p>	<p>See the section about Sustainable management from page 72 and the Fact sheet on sustainability under the tab "Policies and commitments".</p>
<p><b>3.2</b> <i>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.</i></p>	<p>Arbejdernes Landsbank has launched several green products to help private customers to finance sustainable initiatives. This will provide incentives for even more of our customers to make green choices with regard to their home, car and investments.</p> <p>With outset in these products, we want to integrate sustainability further in overall advisory services for private customers, so that we actively use the Bank's sustainable products in situations, where this is relevant. In 2022, we will initially focus on training the Bank's housing advisors to engage in dialogue with private customers on making their home more energy efficient.</p> <p>In the business customer area, we also have a goal to integrate ESG and sustainability in our dialogue with companies. In 2021, we launched a new digital value services solution, Valified, aimed at business customers. This solution will help companies get started on sustainability reporting and publishing non-financial information, which will become a mandatory requirement for many companies as a result of the EU's Directive as regards corporate sustainability reporting (CSRD).</p> <p>With outset in Valified, in 2021 we introduced the Bank's business advisors to the concept of sustainability, and how we as a bank can support our business customers' green transition. In 2022, business centre directors, business advisors, managers and employees at the Bank's Credit Department will undergo a targeted skills development programme to prepare them even more for dialogue with companies about their sustainable needs, integrating ESG in credit processes and using the Bank's products and solutions.</p>	<p>See the section about the Bank's sustainable financing from page 17.</p>

## PROGRESS

## REFERENCES



## Principle 4: Stakeholders

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

**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.

Arbejdernes Landsbank has been lauded as Danes' preferred bank for the 13th consecutive year, and was also voted the most sustainable brand in the sector in 2021. This obligates us to work hard to live up to the high expectations from Danes and our customers. After Arbejdernes Landsbank was designated as a systemically important financial institution in June 2021, this responsibility has become even greater.

As part of the financial sector, Arbejdernes Landsbank is in ongoing dialogue and collaborates with many different relevant stakeholders:

- **Customers:** Our most important stakeholders are our customers, and we focus on being close to them and helping them to make more sustainable choices by providing green financing solutions and using these solutions actively as a natural part of our overall advisory services.
- **The Danish FSA:** Arbejdernes Landsbank maintains a continuous dialogue with the Danish Financial Supervisory Authority, and participates in meetings with and follows the guidelines from the Authority, which, among other things, has a team dedicated to sustainability.
- **Finance Denmark:** Arbejdernes Landsbank maintains a continuous dialogue with and participates in several working groups in Finance Denmark, e.g. in connection with interpreting legislation in relation to the EU Taxonomy and in connection with developing accounting policies to calculate financed CO<sub>2</sub>e emissions.
- **Cooperation partners:** Many of the Bank's range of financial products and solutions are built or provided by cooperation partners, who are important stakeholders for Arbejdernes Landsbank. The Bank works closely with Totalkredit and BankInvest, both of which work actively with sustainability and green solutions, and this also benefits the Bank's customers.
- **Data centre:** Arbejdernes Landsbank uses BEC Financial Technologies, and we collaborate with BEC on improving and developing digital solutions. Moreover, we participate in working groups at BEC to implement and support new sustainable initiatives and EU legislation.
- **Organisations/NGOs:** Arbejdernes Landsbank is part of several strategic partnerships with organisations and NGOs in order to listen to their views, apply knowledge and tools, and coordinate efforts together. Arbejdernes Landsbank has been in dialogue with and actively participated in working groups and programmes facilitated by the United Nations Environment Programme Finance Initiative (UNEP FI) and Global Compact Network Denmark. Moreover, Arbejdernes Landsbank has entered into collaboration with the Danish Nature Fund to financially support the protection of more wild nature in Denmark.

See Fact sheet on sustainability under the tab "Policies and commitments".

**PROGRESS****REFERENCES**

 <b>Principle 5: Governance and culture</b>	<b>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</b>	
<p><b>5.1</b> <i>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.</i></p>	<p>The internal management structure is crucial to running and developing a socially responsible and sustainable bank. Therefore, Arbejdernes Landsbank has established a governance structure that will help ensure internal implementation and observance of the Bank's overall sustainable course and sustainability strategy. The Board of Directors has approved the "Policy on corporate social responsibility and sustainability" that determines the framework for this work.</p> <p>Furthermore, Arbejdernes Landsbank has set up a Sustainability Committee with managerial responsibility for the strategy and implementation of the corporate social responsibility and sustainability policy across business areas and units. The aim of the Sustainability Committee is to ensure central coordination of the Bank's efforts to implement the sustainability strategy, make strategic decisions for the Bank to meet its goals, follow up on initiatives and ensure compliance with the Bank's policies in the area, including legislation in the area.</p> <p>Members of the Sustainability Committee consist of the Bank's CEO (chairman), Deputy CEO, all the members of the Executive Management, the Branding and Communication Director as well as the Project Manager for Sustainability (secretary). The Group CRO serves as an observer. The Project Manager for Sustainability presents the members with a status of the sustainability strategy, implementation of the UN principles and prioritised efforts, and the members discuss relevant areas for attention at the Sustainability Committee meetings, which take place five times a year.</p> <p>The secretarial function for sustainability is carried out by Branding &amp; Communication which helps to ensure that specific initiatives and specific sustainability legislation, risks and opportunities are cemented in Arbejdernes Landsbank's policies, business areas and departments.</p>	<p>See the section about how the Sustainability Committee monitors progress on page 73.</p>

**FREMSKRIDT****REFERENCER**

<p><b>5.2</b> <i>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.</i></p>	<p>Arbejdernes Landsbank's policy on a sound corporate culture reflects the behaviour expected by the Board of Directors from the employees to support a sound corporate culture based on the Bank's values and social responsibility.</p> <p>The Board of Directors safeguards the Group's values – Integrity, Openness, Community and Corporate Responsibility. Therefore, the Board of Directors has a low risk appetite in terms of jeopardising the sound corporate culture.</p> <p>The Bank works on culture as part of the Bank's Strategy 2025. In 2021, both management and employees worked on cultural initiatives, and this work will continue in 2022.</p>	<p>See the section about Sustainable management from page 72.</p>
<p><b>5.3 Governance Structure for Implementation of the Principles:</b> <i>Show that your bank has a governance structure in place for the implementation of the PRB, including:</i></p> <p>a) <i>target-setting and actions to achieve targets set</i> b) <i>remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</i></p>	<p>Arbejdernes Landsbank has set up a Sustainability Committee with managerial responsibility for the strategy and implementation of the corporate social responsibility and sustainability policy across business areas and units. The Sustainability Committee supports the work of the Executive Management and has thereby been cemented in the 1st line of defence. The Sustainability Committee receives reports from the Project Manager for Sustainability on the progress of the sustainability strategy and implementation of the principles five times annually.</p> <p>In 2021, we worked on integrating ESG and sustainability risks and possibilities more clearly in relevant policies in the credit and investment area in particular. Furthermore, we worked on developing accounting policies for the calculation of the Bank's financed CO<sub>2</sub>e emissions to be able to work on setting goals in 2022.</p>	<p>See the section about how the Sustainability Committee monitors progress on page 73.</p>

**PROGRESS**

**REFERENCES**



**Principle 6:  
Transparency and  
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**

*Show 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).*

*Show 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.*

*Show 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.*

In its sustainability strategy, Arbejdernes Landsbank has identified the most significant business areas, in which we can make the greatest difference for the sustainable development and green transition of society. Specifically, the strategy states that sustainability must be integrated into the credit area, capital management area, deposits surplus and in internal banking operations.

In 2021, we also increased our awareness and understanding of how the Bank's loans and investments contribute to, or have a negative impact on, fulfilment of the Paris Agreement and the UN Sustainable Development Goals. Specifically for the impact area Climate, we have calculated the financed CO<sub>2</sub>e emissions for the first time. The calculation of the carbon footprint builds on specific and statistical data, and should therefore be viewed as an estimate. The reporting principles follow Finance Denmark's model for carbon footprint prepared with outset in the PCAF, for example. Moreover, we have used specific methods developed by other sector organisations, National Banks in Denmark and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI), on the basis of common dialogue between banks. CO<sub>2</sub>e data has been published in the Responsibility & Sustainability Report 2021 and in the Fact sheet on sustainability 2021.

Moreover, we have implemented new requirements as a result of the introduction of the EU Disclosure Regulation and the EU Taxonomy Regulation. For instance, we have published a new "Policy on responsible investment and integration of sustainability risks" as well as a new "Statement on due diligence policies in relation to sustainability" on the Bank's website. Furthermore, Arbejdernes Landsbank reports on the reporting requirements on the credit side in accordance with Article 8 of the EU Taxonomy – specifically lending activities covered by or not covered by the EU Taxonomy (Taxonomy Eligible vs. Taxonomy Non-Eligible).

We are continuously working to report and publish more and better data regarding calculation of financed CO<sub>2</sub>e emissions, regulation and international standards.

In 2021, we have reported for the first time on our progress towards implementing the UN Principles for Responsible Investment. After officially having acceded to the Global Compact (GC) and the UN Principles for Responsible Investment (UN PRI) at the beginning of 2021, Arbejdernes Landsbank also reported to the GC in March 2021 and to the UN PRI in April 2021.

See the section "Sustainability even closer to business" on page 14, the section "Progress on implementing UN Principles" on page 11 and the Fact sheet on sustainability 2021 under the tab "EU Taxonomy".

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

Since Arbejdernes Landsbank signed the UN Principles for Responsible Banking in December 2020 and officially became a signatory in early 2021, the Bank has applied the principles as an overall framework for our work on integrating sustainability in every policy, process and dialogue with customers. We have come a long way and we have already:

- Published Arbejdernes Landsbank's sustainability strategy up to 2025.
- Set up a Sustainability Committee with participation of the entire Executive Management, which convenes five times annually.
- Built a transparent and reliable foundation for ESG reporting.
- Carried out the Bank's first preliminary impact analysis, which includes all significant lending and investment activities at Arbejdernes Landsbank and AL Finans.
- Quantified the most significant impact area, Climate, by publishing an estimate of the Bank's financed CO<sub>2</sub>e emissions.

Moreover, Arbejdernes Landsbank has introduced several products and solutions to promote sustainability, including green car loans, climate loans for home energy improvements, an ecolabelled investment association for capital-management customers, and in 2021 we introduced a new value services solution, Valified, that makes it easier for our business customers to start reporting on sustainability, and which will help support the green transition of business customers.

Our key priorities in the future include:

1. increase the scope of the impact analysis and calculation of financed CO<sub>2</sub>e emissions to include activities at Arbejdernes Landsbank, AL Finans as well as Vestjysk Bank.
2. set long-term climate targets and improve data quality and calculation methods for impact analysis and CO<sub>2</sub>e.
3. identify new business opportunities which can increase the share of sustainable financing at the Bank, and which also contribute to achieving the climate targets.

See the section "Sustainability even closer to business" on page 14, the section "Progress on implementing UN Principles" on page 11 and the Fact sheet on sustainability 2021 under the tab "EU Taxonomy".

# Reporting principles

The Responsibility & Sustainability Report 2021 comprises Arbejdernes Landsbank and AL Finans and accounts for the Group's work and progress within sustainable financing, green sustainability, social sustainability and sustainable management.

## **This report contains A/S Arbejdernes Landsbank's:**

- Reporting to the UN Principles for Responsible Banking.
- Reporting to the UN Global Compact.
- Report on corporate social responsibility and the gender mix of management according to sections 135b and 135a of the Executive Order on Financial Report for Credit Institutions and Investment Firms, etc.
- Reporting in accordance with Article 8 of the EU Taxonomy Regulation.
- Reporting in accordance with section 99a and section 99b of the Danish Financial Statements Act with regard to AL Finans.
- Reporting on ESG highlights and key figures as recommended by the CFA Society Denmark, the Institute of State Authorized Public Accountants in Denmark and Nasdaq Copenhagen.
- Reporting on the Bank's own and financed CO<sub>2</sub>e emissions based on the GHG Protocol and principles from Finance Denmark's model for carbon footprint and methods from Finance Denmark, National Banks in Denmark and the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI).

## **The report is supplemented by Arbejdernes Landsbank's Fact sheet on sustainability 2021:**

- The fact sheet contains all ESG data and accounting policies as well as information on sources of data and quality of data.
- The fact sheet is available on <https://www.al-bank.dk/baeredygtig-bank>

The CFO of Arbejdernes Landsbank is responsible for ensuring that data is reported in accordance with the definitions, and that there is consistency in how we calculate our ESG data.



**References****Comments****UN***Portfolio Impact Identification Tool, V2*

Used for an impact analysis on the Bank's loan portfolio.

*Investment Portfolio Impact Analysis Tool*

Used for an impact analysis on the Bank's investment portfolio.

**Finance Denmark***Model for carbon footprint  
for the financial sector*

We take outset in the principles in Finance Denmark's model for carbon footprint to calculate financed emissions.

**The CFA Society Denmark/the Institute of State Authorized Public Accountants in Denmark/Nasdaq***ESG highlights and key figures  
in the annual report*

We report on the recommended KPIs. See accounting policies below.

**Data suppliers and accounting policies***Data for calculation of CO<sub>2</sub>e  
on housing loans*

Business activity for the calculations is assessed at the end of the year and comprises all housing loans with a mortgage to private customers on Arbejdernes Landsbank's balance sheet. Mortgage-credit loans in Totalkredit are therefore not included in the calculations, see Finance Denmark's model and reporting principles. CO<sub>2</sub>e data comes from Nykredit/Totalkredit, which have estimated emissions data on the basis of the buildings' energy label, if available. For flats, emissions data is estimated on the basis of the building's energy label, and CO<sub>2</sub>e are ascribed to the flat, corresponding to the individual dwelling's share of the total floorspace area of the building. If the building has no energy label, the estimate is based on other information about the individual property (energy source, age of the building, size, location). The dataset from Nykredit/Totalkredit is used on approx. 90% of the Bank's housing portfolio. For the remaining 10% of the Bank's portfolio, where the dataset is not consistent with the Bank's registrations, we have used a CO<sub>2</sub>e emissions figure for an average-size detached house.

## References

## Comments

*Data for calculation of CO<sub>2</sub>e on car loans and leasing*

Business activity for the calculations is as assessed at the end of the year. Car loans to private customers in Arbejdernes Landsbank and Car loans and leasing to private customers in AL Finans are included in the calculations, and the business activity is stated as loans before impairments. For our first calculation of CO<sub>2</sub>e on car loans and leasing, we take outset in Finance Denmark's model for carbon footprint. In addition, we use a spreadsheet from National Banks in Denmark/LOPI, which contains three different methods for calculating CO<sub>2</sub> emissions from cars. We use method C, which is the most detailed version, as we know the type of fuel and engine sizes of the cars in the portfolio. The spreadsheet is available internally and contains statistical emissions data based on basic data from the Danish Centre for Environment and Energy (DCE) at Aarhus University. We use the spreadsheet on the full portfolio, even though we have access to more specific data via the Danish Motor Vehicle Agency (DMR) and knowing that statistical data and assumptions must be calculated as data quality 4. This is due to uncertainty about the specific data in the DMR, as this is based on a CO<sub>2</sub>e norm for each financed car and on the fuel, engine size and estimated use of the individual car. However, the challenge of this emissions data is that 86% of it is based on the old assessment procedure "New European Driving Cycle" (NEDC), whereas 14% of it builds on the new procedure "Worldwide Harmonized Light Vehicle Test Procedure" (WLTP). The WLTP better reflects the driving pattern when actually driving and therefore provides a more fair picture of the car's actual fuel consumption and CO<sub>2</sub> emissions. Furthermore, the specific emissions data from the DMR on electric cars only considers the car's direct emissions (scope 1) and not the car's indirect emissions from the consumption of purchased electricity (scope 2). Finance Denmark assesses that the most correct method is to include scope 1 and scope 2 of the car, and this is ensured by applying the spreadsheet and the statistical data and assumptions.

*Data for calculation of CO<sub>2</sub>e on business loans*

The value of the Bank's exposures is calculated as at the end of the year. All business loans are included in the calculations. Receivables from credit institutions and national banks are not included in the calculation. In principle, calculation of financed emissions on business customers can only be carried out when company-specific data is available. However, company-specific data on CO<sub>2</sub>e emissions is scarce, especially for small and medium-sized enterprises which constitute the Bank's entire business portfolio. In 2021, using a best-effort approach, we therefore took outset in the principles from National Banks in Denmark and LOPI's method to calculate CO<sub>2</sub>e emissions from business financing activities. However, we also collected data from Statistics Denmark to increase the amount of emissions data, so that CO<sub>2</sub>e emissions are divided into more sectors than the 10 industries in the calculation method. We have aggregated data using the industry distribution from the Danish FSA. We have mapped this data with the balance sheet figures for the individual industries, so that the Bank's market share in a given industry can be calculated and thereby also the Bank's share of total emissions from the industry. In 2021, this mapping was possible in relation to standard industrial grouping 36. For the sake of clarity, we have aggregated data on 10 industries in the table above. Statistics Denmark's average for the sector only comprises scope 1 and scope 2 emissions from the industries. Therefore, the calculations do not take account of the companies' scope 3 emissions, which for some company's can make up by far the majority of their greenhouse gas emissions.

**References****Comments**

*Data for calculation of  
CO<sub>2</sub>e on investments*

Business activity for the calculations is assessed on the basis of portfolios and market values in mid-December 2021. CO<sub>2</sub>e data applies to investments on behalf of customers as well as investments of the Bank's own portfolio. Investments on behalf of customers include AL FormueInvest, AL LetInvest, Individual discretionary mandates (power of attorney agreements) and AL PuljeInvest. Customers' self-directed investments (including AL Investment service) are thus not included. The own portfolio comprises the total portfolio managed by Arbejdernes Landsbank's Treasury unit, however excluding the Group's trading portfolio and ownership interests in AL Finans, own shares, Ejendomsselskabet Sluseholmen and Vestjysk Bank. Arbejdernes Landsbank's associated companies TestaViva and Young Money are counted in as part of the own portfolio. Arbejdernes Landsbank uses data from the Reuters EIKON system to calculate emissions for investments in shares, corporate bonds and mortgage-credit bonds. These classes of assets cover by far the majority of CO<sub>2</sub>e emissions from investments. The data from Reuters EIKON consists of company-specific data on companies' scope 1 and scope 2 emissions as well as estimated emissions to a limited extent. Some companies only state one total figure for scope 1 and scope 2, and this is why the sum of scope 1 and scope 2 in some cases is higher than scope 1 and scope 2, respectively. For Danish mortgage-credit bonds, we used data from the individual institution, if this data was available, and otherwise an average.

*Data for calculation of  
CO<sub>2</sub>e on internal banking*

The Group's climate impacts are calculated on the basis of the amount of greenhouse gas emissions from activities (CO<sub>2</sub>e) of which the Group exercises operational control, i.e. where Arbejdernes Landsbank has the authority to carry out and implement changes. The 2021, reporting includes data from Arbejdernes Landsbank and AL Finans. Scope 1 constitutes the Bank's direct greenhouse gas emissions from sources owned or controlled by Arbejdernes Landsbank or AL Finans. These include emissions from the Bank's company cars, and we put 100% of the usage down to company usage. Scope 2 constitutes the Bank's indirect greenhouse gas emissions from electricity and heating consumption in Arbejdernes Landsbank or AL Finans. The location-based calculation method in scope 2 reflects the average emissions intensity on the Danish electricity grid from where the Bank receives its electricity. The market-based calculation method reflects the emissions intensity of the electricity company from where the Bank buys electricity. Scope 3 constitutes other indirect greenhouse gas emissions from sources that are not owned or controlled by Arbejdernes Landsbank or AL Finans. These include deliveries from third parties, travel, transport and resource management. In 2021, the Bank's purchases were included for the first time, and we also report on our canteens, which are operated by an external supplier.

Key figures	Unit	Description	Calculation
<b>Climate and environmental data</b>			
CO <sub>2</sub> e scope 1	Tonnes of CO <sub>2</sub> e	Scope 1 emissions are direct emissions from fuel combustion from the Bank's own or controlled sources.	<p>Greenhouse gases (GHG) are calculated on the basis of each individual type of fuel.</p> <p>Emissions are converted into CO<sub>2</sub> equivalents (CO<sub>2</sub>e): <math>CO_2e = CO_2 + (GWP \text{ factor} * CH_4) + (GWP \text{ factor} * N_2O) + (GWP \text{ factor} * SF_6) + (GWP \text{ factor} * HFC) + (GWP \text{ factor} * PFC) + (GWP \text{ factor} * NF_3)</math>.</p>
CO <sub>2</sub> e scope 2	Tonnes of CO <sub>2</sub> e	Scope 2 emissions are indirect emissions from the energy we purchase.	<p>Scope 2 emissions are calculated per purchased MWh of electricity and district heating.</p> <p>Emissions are converted into CO<sub>2</sub>e: <math>CO_2e = CO_2 + (GWP \text{ factor} * CH_4) + (GWP \text{ factor} * N_2O)</math>.</p>
CO <sub>2</sub> e scope 3	Tonnes of CO <sub>2</sub> e	<p>Scope 3 emissions comprise all other indirect emissions from activities outside Arbejdernes Landsbank and AL Finans.</p> <p>As a financial undertaking, scope 3 emissions constitute primarily economic activities, i.e. the secondary CO<sub>2</sub>e effect of financing, investments and leasing activities.</p> <p>This applies to emissions associated with the value chain which we are part of, e.g. the Bank's resource management, canteen operations and transport.</p>	<p>We use Finance Denmark's framework and model as well as the spreadsheet developed in collaboration between Finance Denmark, National Banks in Denmark, the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) and the banks.</p> <p>The business activity included in the CO<sub>2</sub>e calculations of loans were calculated as at 31 December 2021, whereas the business activity for use of the calculations in terms of investments were calculated on the basis of the portfolios and market values in mid-December 2021. Calculations are estimated using a best-effort approach and include specific data as well as statistical data. The calculation should therefore be seen as an estimate. Accounting policies are stated in the table above and in the Fact sheet on sustainability under the tab "Climate accounts".</p>
Energy consumption	MWh	Like emissions, energy is typically calculated on the basis of fuel consumption multiplied by conversion factors. The energy consumed is based on energy from scope 1 and 2 sources as well as energy from renewable sources.	<p>Energy consumption = (type of fuel used (t) * energy factor per type of fuel) per type of fuel + (electricity used (incl. renewable energy) (MWh)) + (district heating used incl. renewable energy sources for heating (GJ/3.6)).</p>

Key figures	Unit	Description	Calculation
<b>Climate and environmental data (continued)</b>			
Renewable energy share	%	How much of the total energy consumed comes from renewable sources. Sometimes, this is also measured as renewable energy vs non-renewable energy, but this key figure would be impossible to calculate in cases in which all energy is from renewable sources.	Renewable energy share = (Renewable energy/Energy consumption) * 100.
Water consumption	m <sup>3</sup>	The sum of all water consumed from all sources such as surface water, groundwater, rainwater or municipal water. Water consumption is calculated as gross consumption, and if the company also needed treatment of wastewater this cannot be subtracted, but can of course be reported separately.	Water consumption = Sum of all water consumption – gross.
Resource management	Tonnes	Extraction and processing of raw materials for pure and usable materials require energy and time, and since there is a limited amount of resources on our planet, Arbejdernes Landsbank is also working to reduce the amount of resources sent for recycling and incineration by the Bank.	Resource management = Sum of all waste in metric tonnes.
<b>Social data</b>			
Customer satisfaction	CEM score	Each year, the independent analysis institute Voxmeter carries out the customer satisfaction survey, CEM Bank Intelligence, among thousands of randomly selected Danish bank customers of the 20 largest banks in Denmark. The maximum CEM score is 11,000.	Voxmeter's report for 2021 includes 62,000 individuals who completed 14 short questionnaires in randomised order.
Full-time workforce	FTE	Calculated to be able to measure the full-time workforce required to carry out the work that has generated the financial key ratios.  This requires both the statutory calculation of the average number of employees (FTEs) (i.e. full-time employees + compensated overtime pay + recalculated hourly paid staff) plus temporary staff recalculated to full-time equivalents.	Full-time workforce = FTEs + temporary labour.  This figure is applicable from 31 December 2021 and covers Arbejdernes Landsbank and AL Finans.
Gender diversity among full-time employees	%	Gender diversity is calculated for both FTEs and for temporary employees – and subsequently totalled to show any gender diversity imbalance per type of contract and for the entire workforce.	Gender diversity = ((Female FTEs + Female temporary employees)/ (Full-time workforce)) * 100.  This figure is calculated for Arbejdernes Landsbank and AL Finans.

Key figures	Unit	Description	Calculation
<b>Social data (continued)</b>			
Gender diversity among managers	%	According to the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., the Bank itself can choose what layers to include. We have chosen to include branch directors, branch managers, deputy managers, heads of department and deputy heads of department, all of whom constitute the Bank's managers minus the Executive Management.	<p>Gender diversity for managers = <math>((\text{Female managers}) / (\text{All managers})) * 100</math>.</p> <p>This figure is calculated for Arbejdernes Landsbank and AL Finans.</p>
Pay gap between genders times	No. of times	Equality of pay – including bonuses, pension, etc. How many times can the female median salary be covered by the male median salary. Medians are used rather than averages in order not to distort the key figure with extremely expensive and/or extremely cheap employees.	<p>Pay difference between genders = Median male salary / Median female salary.</p> <p>This figure is calculated for Arbejdernes Landsbank alone, i.e. without AL Finans.</p>
Staff turnover rate	%	Staff turnover rate is calculated for employees leaving voluntarily and involuntarily. Retirements are part of the employees leaving involuntarily. This key figure only covers the Bank's FTEs.	<p>Staff turnover rate = <math>((\text{FTEs leaving voluntarily} + \text{involuntarily}) / \text{FTEs}) * 100</math>.</p> <p>This figure is calculated for Arbejdernes Landsbank alone, i.e. without AL Finans.</p>
Absenteeism due to sickness	Days/FTE	Number of full days that all Bank employees are ill, and therefore are not at work compared to total number of FTEs. Maternity/paternity leave have not been included.	<p>Absenteeism due to sickness = <math>(\text{Number of sick days for all own FTEs in the period}) / (\text{Total FTEs})</math>.</p> <p>This figure is calculated for Arbejdernes Landsbank alone, i.e. without AL Finans.</p>
Customer retention	%	Number of retained customers from one period to the next.	<p>Customer retention: <math>((\text{Number of customers at the end of the period}) - (\text{New customers that have joined the Bank in the period})) / (\text{Number of customers at the beginning of the period}) * 100</math>.</p> <p>This figure is calculated for Arbejdernes Landsbank alone, i.e. without AL Finans.</p>

Key figures	Unit	Description	Calculation
<b>Management data</b>			
Pay gap between the CEO and employees	No. of times	How many times can the employees' median salary be covered by the CEO compensation as an expression of social equality. Median salary is used rather than the average in order not to distort the key figure with extremely expensive and/or extremely cheap employees.	Pay difference between the CEO and the employees = CEO compensation/Median employee salary.
Gender diversity	%	This figure includes all members of the Bank's Executive Management	Gender diversity for managers = ((Female managers)/(All managers)) * 100.  This figure is calculated for Arbejdernes Landsbank alone, i.e. without AL Finans.
Gender diversity in the Board of Directors	%	Gender diversity in the full Board of Directors, except politically appointed members.	Gender diversity in the Board of Directors = ((Female members of the Board of Directors elected at the Annual General Meeting)/(All members of the Board of Directors elected at the Annual General Meeting)) * 100.
Attendance at Board of Directors meetings	%	Measures the level of activity for the Bank's members of the Board of Directors.	Attendance at Board of Directors meetings = ((Number of Board of Directors meetings at which a member has been present) per member of the Board of Directors/(Number of Board of Directors meetings * Number of members of the Board of Directors)) * 100.
Attendance at Sustainability Committee meetings	%	Measures the level of activity for the Bank's members of the Sustainability Committee.	Attendance at Sustainability Committee meetings = ((Number of Sustainability Committee meetings at which a member has been present) per member of the Sustainability Committee/(Number of Sustainability Committee meetings * Number of members of the Sustainability Committee)) * 100.

AKTIESELSKABET

 Arbejdernes Landsbank

CVR-nr. 31 46 70 12, Copenhagen

Panoptikonbygningen

Vesterbrogade 5 · 1502 Copenhagen V  
Phone 38 48 48 48 · [www.al-bank.dk](http://www.al-bank.dk)