

## **Insurance & Pension Denmark climate reporting – industry recommendation**

The industry recommendation consists of a *general* part and *two separate* parts (Part 1 and Part 2), where:

1. **Part 1** - must be observed by the life and pension insurance undertakings and the non-life insurance undertakings *in group 1* according to a “comply or explain principle” and
2. **Part 2** - is voluntary, why the “comply and explain principle” is not applicable to this part. If the company decides to report, in full or in part, in accordance with the voluntary part, the measuring methods under the recommendation must still be applied.

The “comply or explain principle” implies that the companies must display the overall reporting template. The relevant information must be displayed for the elements of the reporting which the company intends to provide information on. Should there be elements of the reporting that the company would not provide information on, the company must instead write a short explanation of why the information is not displayed.

That part 2 is voluntary means that the company is not bound to display the reporting template for part 2, and the company’s climate reporting does not need to specify whether the company provides information on part 2 in full or in part.

Group 2 companies are not covered by the industry recommendation. If a group 2 company decides to report KPI’s specified in the recommendation, the recommendation must be followed.

### **General**

#### **Section to the management report/the CSR report**

A section must be added to the management report/CSR report, entitled “Climate reporting”, so that reporting is in compliance with this industry recommendation. Should a company decide not to report, in full or in part, “Part 1”, it must be explained in this section. There is no requirement to explain, should the company decide not to report according to “Part 2”. If the full or part of the reporting is displayed elsewhere in the company’s annual report/CSR report, reference to it may be made in the section, entitled “Climate reporting”.

#### **Information on targets**

For each of the following KPI’s: Carbon emissions from investments, carbon footprint, Scope 1 and Scope 2 emissions, the company must provide targets for 2030. Scope 1 and Scope 2 emissions may, however, be specified as a total target. Targets in the year of implementation and the following year need not be specified. Targets can be specified for other KPI’s.

Targets are set with 2019 as a base year.

#### **Comparatives**

Comparatives must be specified for three years preceding the reporting year. It may be decided not to specify comparatives in the year of implementation. Moreover, it may be decided only to specify comparatives for one or two years, respectively, in year 2 and 3 after the year of implementation.

#### **Description of accounting principles**

The company’s accounting principles for each of the KPI’s must be described.

#### **Quality assurance**

The company must engage its external auditor to conduct quality assurance of the reporting. It is for each company to decide on the degree of certainty for quality assurance of the reporting.

#### **Implementation**

This industry recommendation shall be implemented in the companies’ annual reports/CSR reports. The implementation shall be carried out, so the information is shown for the financial year 2021 at the latest. Non-life insurance undertakings may – having regard to their size and a self-assessment of the implementation burden - postpone the implementation, so the information shall be included for the first time

for the financial year 2022 or 2023.

### **Reporting level**

Reporting under this recommendation is by default made at group level. If the Danish insurance undertaking is owned by a foreign company, the reporting is made for the overarching company in the Danish insurance group. If the company has substantial outsourced activities, these shall be included in the reporting.

### **Updating the recommendation**

The recommendation will be updated in line with international/national developments within this reporting area and as companies request changes. The recommendation refers to standards etc. from various organisations for the purpose of calculating specific KPI's. Despite the actual references applied in the industry recommendation, the information prepared by companies must always reflect the latest updated version of such standards.

## Part 1

The KPI's shown in the table below are included in this part of the reporting and are thus covered by the "comply or explain principle". The KPI's for "Investments' carbon footprint" are identical for life- and non-life insurance, but are only included in PART 1 for life insurance. The KPI's for "the company's own emissions" are identical for life and non-life. The KPI's for "active engagement in climate improvements" and "sustainable business models" differ for life and non-life.

Climate reporting	Unit	Target*	202x	202y	20xx
<i>Investments' carbon footprint</i>					
<b>Life:</b>					
Carbon emissions from investments	Tonnes**	M			
Carbon footprint	Tonnes/million DKK	M			
<hr/>					
<i>Active engagement in climate improvements</i>					
<b>Life:</b>					
Active engagement	(reference)	V			
Dialogues in connection with active engagement					
- dialogues about climate changes	number	V			
- total dialogues	number	V			
Real estate investments' sustainability	(reference)	V			
<b>Non-life:</b>					
Dialogues about energy improvements etc. in connection with customer interactions	(reference)	V			
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<i>Sustainable business models</i>					
<b>Life:</b>					
Accession to the Paris Agreement	(reference)	V			
<b>Non-life:</b>					
Payments for damage prevention	%	V			
<hr/>					
<i>The company's own emissions</i>					
<b>Life and non-life:</b>					
Scope 1 emissions	tonnes	M			
Scope 2 emissions	tonnes	M			
Renewable energy share					
- Purchased	%	V			
- Self-generated	%	V			
Energy consumption	GJ	V			

\*It is marked with "M" or "V", respectively, whether targets are mandatory or voluntary. Mandatory targets must be shown, if the company reports the KPI.

\*\* If the company shows Scope 3 emissions – see part 2, paragraph 7 – the company may instead of tonnes write: "See Scope 3 emissions below"

### **1. Carbon emissions from investments**

The KPI is applied by life and pension insurance undertakings. The company specifies total carbon emissions from all investments, including assets invested on behalf of the customers. If the company shows Scope 3 emissions – see part 2 of the guide – the company can refer to this with the text “See Scope 3 emissions below”.

Carbon emissions from investments are specified in accordance with “ Carbon emission [model for the financial sector](#)” issued by Finance Denmark and Insurance & Pension Denmark. The company must specify the proportion of investments covered by the statement.

### **2. Carbon footprint**

The KPI is applied by life and pension insurance undertakings. The company specifies carbon footprint from investments in proportion to total investments.

Carbon footprint is specified in accordance with “Carbon [emission model for the financial sector](#)” issued by Finance Denmark and Insurance & Pension Denmark. The company must specify the proportion of investments covered by the statement.

### **3. Active engagement**

The KPI is applied by life and pension insurance undertakings. The company shall provide an explanation of active engagement, in accordance with [paragraph 159 of the Danish Financial Business Act](#), which implies inter alia that the company must have a policy in place on how to monitor, conduct dialogues, exercise voting rights, cooperate with other shareholders, communicate with relevant stakeholders and on how to handle actual and potential conflicts in connection with the active engagement. According to paragraph 159 of FBA, the company should make an annual statement on how the active ownership is implemented. Reference can be made to the statement in this reporting.

### **4. Dialogues about climate changes**

The KPI is applied by life and pension insurance undertakings. The KPI is divided into two elements. 1) Dialogues about climate changes specified as number of dialogues about climate changes (eg. via mail, phone or meetings) held as part of the company’s active engagement. 2) Total dialogues specified as total number of dialogues (e.g. via mail, phone or meetings) held as part of the company’s active ownership. Response to the company’s inquiry must be received for the inquiry to qualify as a dialogue.

### **5. Real estate investments’ sustainability**

The KPI is applied by life and pension insurance undertakings. The company shall describe how real estate investments’ sustainability is incorporated in guidelines and investment processes. Companies disclosing “Real estate complying with EU taxonomy criteria” (see Part 2) are not required to apply “Real estate investments’ sustainability” as KPI (so, here, the comply or explain principle is not applied).

### **6. Dialogues about energy improvements etc. in connection with customer interactions**

The KPI is applied by non-life insurance undertakings. The company’s guidelines for use of natural points of contact with clients must be detailed to have dialogues about actions to reduce climate change, eg. energy improvements, alternative heating sources etc. If the statement is included as an element in another statement, e.g. on climate, reference can be made thereto.

### **7. Accession to the Paris Agreement**

The KPI is applied by life and pension insurance undertakings. The company shall describe how the Paris Agreement is incorporated in its guidelines and investment processes. Companies disclosing “Investments complying with EU taxonomy criteria” (see Part 2) are not required to apply “Accession to the Paris Agreement” as KPI (so, here, the comply or explain principle is not applied).

### **8. Payments for damage prevention**

The KPI is applied by non-life insurance undertakings. Expenses for damage prevention are defined in compliance with amending regulation [No. 1592 of 9 November 2020](#) paragraph 37(1) of the financial reporting regulation. The KPI is calculated as the company’s expenses for damage prevention as a percentage of total claims incurred.

### **9. Scope 1 emissions**

The KPI is applied by the whole industry. Scope 1 emissions are direct emissions from the company’s combustion of own fuels and materials. The statement shall include outsourced activities which are material from a general accounting point of view.

Scope 1 [emissions](#) are defined in accordance with FSR – danske revisorer, Nasdaq and CFA Society Denmark’s guidelines.

## **10. Scope 2 emissions**

The KPI is applied by the whole industry. Scope 2 emissions are indirect emissions from electricity, district heating and cooling etc. for the company's own consumption purchased from a third party. The statement shall include outsourced activities which are material from a general accounting point of view.

Scope 2 [emissions](#) are defined in accordance with FSR – danske revisorer, Nasdaq and CFA Society Denmark's guidelines.

## **11. Renewable energy share**

The KPI is applied by the whole industry. The renewable energy share within Scope 1 and 2 shall be calculated based on the consumption of certified green energy.

[Renewable energy share](#) is defined in accordance with FSR – danske revisorer, Nasdaq and /CFA Society Denmark's guidelines, and the KPI shall be divided into purchased and self-generated energy, respectively.

## **12. Energy consumption**

The KPI is applied by the whole industry. Energy consumption will be calculated as consumed energy from Scope 1 and Scope 2 (incl. from renewable energy sources) multiplied by conversion factors.

[Energy consumption](#) is defined in accordance with FSR – danske revisorer, Nasdaq and CFA Society Denmark's guidelines.

## Part 2

The following KPI's are included in "Part 2" of the reporting – these KPI's are thus *not* covered by the "comply or explain principle":

Climate reporting	Unit	Targ et	2021	2020	2019
<i>Investments carbon footprint</i>					
<b>Non-life:</b>					
Carbon emissions from investments	Tonnes*				
Carbon footprint	Tonnes/million DKK				
<i>Active engagement in climate improvements</i>					
<b>Life:</b>					
Real estate complying with EU taxonomy criteria					
- Existing buildings	%				
- New buildings (until occupation)	%				
Sustainability certified real estate					
- Existing buildings	%				
- New building (until occupation)	%				
<i>Sustainable business models</i>					
<b>Life:</b>					
Investments complying with EU taxonomy criteria	%				
<b>Non-life:</b>					
Sale of insurance policies complying with EU taxonomy criteria	%				
<i>The company's own emissions</i>					
<b>Life and non-life:</b>					
Scope 3 emissions	tonnes				
Energy optimised building stock	%				
Travelling by zero emission cars	%				
Travelling by low emission cars	%				
Paper consumption					
	Tonnes				

\* If the company shows Scope 3 emissions – see paragraph 7 – the company may instead of tonnes write: "See Scope 3 emissions below"

## **1. Carbon emissions from investments**

The KPI is applied by non-life insurance undertakings. The company specifies total carbon emissions from the total investment holdings, including assets invested on behalf of clients. If the company shows Scope 3 emissions – see paragraph 7 below – the company can refer to this with the text “See Scope 3 emissions below”.

Carbon emissions from investments are specified in accordance with “Carbon emission [model for the financial sector](#)” issued by Finance Denmark and Insurance & Pension Denmark. The company must specify the proportion of investments covered by the statement.

## **2. Carbon footprint**

The KPI is applied by non-life insurance undertakings. The company specifies carbon footprint from investments in proportion to total investments.

Carbon footprint is specified in accordance with “Carbon [emission model for the financial sector](#)” issued by Finance Denmark and Insurance & Pension Denmark. The company must specify the proportion of investments covered by the statement.

## **3. Real estate complying with EU sustainability criteria**

The KPI is applied by life and pension insurance undertakings. The KPI is divided into “existing buildings” and “new buildings”, respectively. New building is the period until occupation of the property. Sustainability shall be defined in accordance with [Annex 1](#), paragraph 7 of the Taxonomy Regulation. The KPI is calculated as the number of sustainable sq. metres as a percentage of the total number of sq. metres for each of the two building categories.

## **4. Sustainability certified real estate**

The KPI is applied by life and pension insurance undertakings. The KPI is divided into “existing buildings” and “new buildings”, respectively. New buildings is the period until occupation of the property. The KPI is calculated as the number of certified sq. metres in accordance with a recognised certification standard (eg. DGNB) as a percentage of the total number of sq. metres for each of the two building categories. While a certification standard is divided into several levels (eg. DGNB Silver and Gold), the KPI is classified according to these levels.

## **5. Investments complying with EU taxonomy criteria**

The KPI is applied by life and pension insurance undertakings. Sustainability is defined in accordance with the [EU Taxonomy for environmentally sustainable activities](#). The KPI is calculated as the sum of investments on behalf of customers, complying with the EU taxonomy as a percentage of the total investments on behalf of the customers, which are eligible for the taxonomy criteria. At the end of 2020, the European Commission put forward a proposal for criteria regarding climate risk mitigation and adaptation. By the end of 2021 the Commission will put forward a proposal for criteria regarding additional sustainability factors. The target should continuously reflect the current sustainability factors.

## **6. Sale of insurance policies complying with EU taxonomy criteria**

The KPI is applied by non-life insurance undertakings. Insurance policies complying with EU taxonomy criteria are defined in accordance with the [EU Taxonomy for environmentally sustainable activities](#). The KPI is calculated as premiums related to sustainable policies in DKK as a percentage of the total premiums in DKK, which are eligible with the taxonomy criteria. At the end of 2020, the European Commission put forward a proposal for criteria regarding climate risk mitigation and adaptation. By the end of 2021 the Commission will put forward a proposal for criteria regarding additional sustainability factors. The target should continuously reflect the current sustainability factors.

## **7. Scope 3 emissions**

The KPI is applied by the whole industry. Scope 3 emissions are indirect emissions beyond Scope 2 related to eg. purchased goods and flights. The KPI may also include carbon emissions from investments.

The statement includes outsourced activities which are material from a general accounting point of view.

Scope 3 emissions are prepared according to [chapter 4 of the GHG Protocol](#).

## **8. Energy optimised building stock**

The KPI is applied by the whole industry. The KPI is divided into two elements. For properties owned by

the company, the energy optimised building stock is defined as number of sq. metres in the owner-occupied property with an energy standard that complies with [Annex 1](#), paragraph 7 of the Taxonomy Regulation as a percentage of the total sq. metres for owner-occupied properties. For owner-occupied properties rented by the company, refer to a description of the company's policy on energy optimisation when entering into a leasehold contract and managing the leasehold.

#### **9. Travel by zero emission cars**

The KPI is applied by the whole industry. Travel by zero emission cars is calculated as number of kilometres of zero emission cars in the company's own vehicle fleet (owned and leased cars) as percentage of the number of kilometres of the company's total vehicle fleet (owned and leased). Zero emission cars are defined in accordance with draft EU Taxonomy [paragraph 6.5](#).

#### **10. Travel by low emission cars**

The KPI is applied by the whole industry. Travel by low emission cars is calculated as number of kilometres of low emission cars in the company's own vehicle fleet (owned and leased cars) as a percentage of the number of kilometres of the company's total vehicle fleet (owned and leased). Low emission cars are defined in accordance with draft EU Taxonomy [paragraph 6.5](#).

#### **11. Paper consumption**

The KPI is applied by the whole industry. Companies disclosing paper consumption as a part of Scope 3 emissions (see Part 2, paragraph 7) should not apply paper consumption as measuring point.

The company's paper consumption is the total consumption of paper for the company's operations, customer communications etc. and is calculated in tonnes.