

IMPACT REPORT



2024



Climate Transition Bonds

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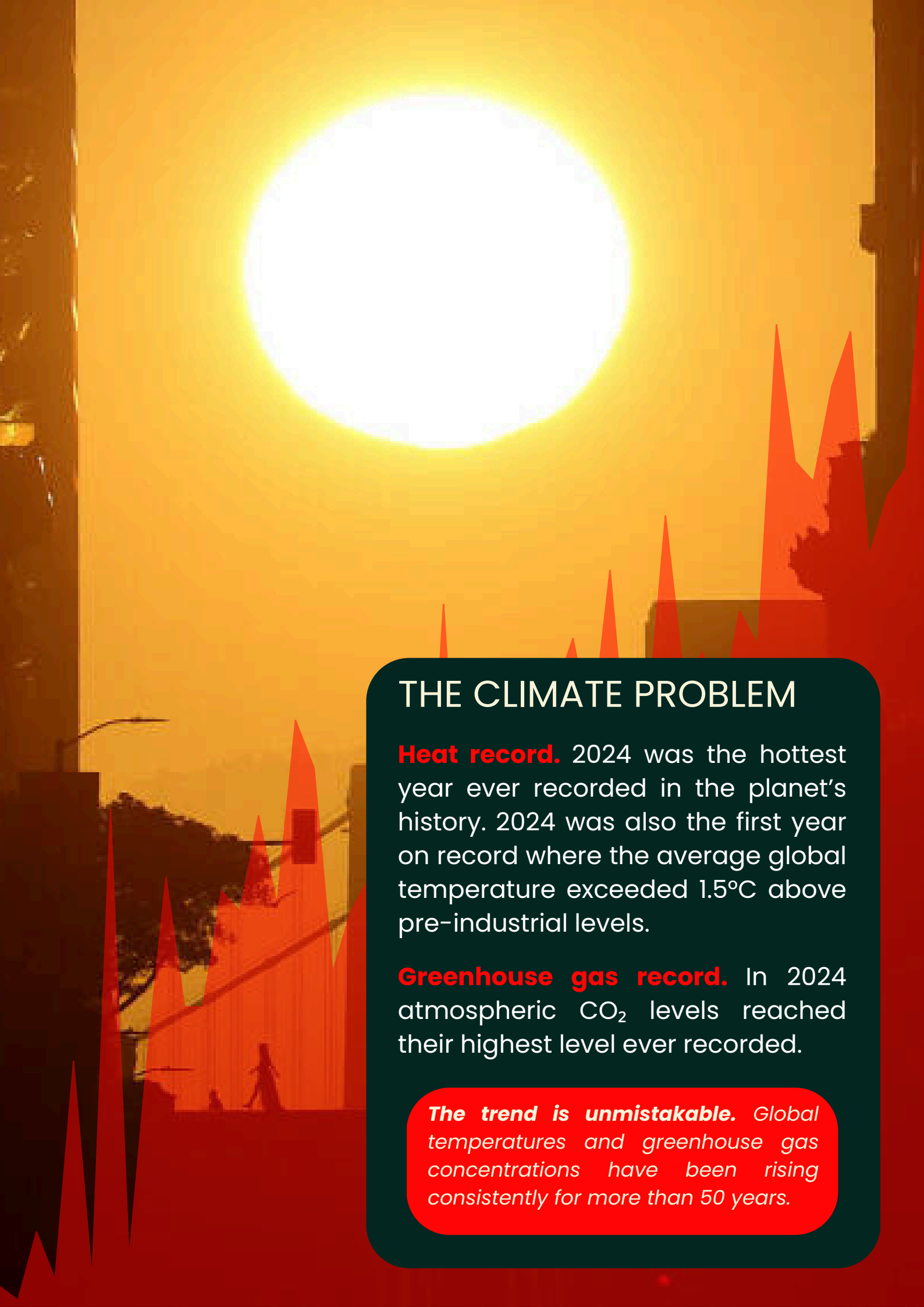
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ABOUT THIS REPORT

The purpose of this Impact Report is to document and explain how Climate Transition Bonds is enabling positive change by deploying invested capital to maximize real-world CO₂ reductions. We have chosen to publish this report to demonstrate how the transition impact of the companies whose bonds we invest in can be aggregated into one key figure: the number of tons of CO₂ avoided annually through our investments.

The primary audience for this report is our investors, partners, and stakeholders who want to understand the annual number of tons of CO₂ avoided by our fund. For readers interested in details, the full report provides a transparent account of our approach, methodology, and results. For those seeking the bigger picture, we invite you to start with the summary section. Questions and comments are more than welcome, and we can be reached at info@impactbonds.dk



THE CLIMATE PROBLEM

Heat record. 2024 was the hottest year ever recorded in the planet's history. 2024 was also the first year on record where the average global temperature exceeded 1.5°C above pre-industrial levels.

Greenhouse gas record. In 2024 atmospheric CO₂ levels reached their highest level ever recorded.

The trend is unmistakable. Global temperatures and greenhouse gas concentrations have been rising consistently for more than 50 years.

INTRODUCTION

Since the first green bond was issued in 2007, bond investors have played an increasingly important role in channeling capital toward the climate agenda. What began as a niche innovation has grown into a foundational pillar of sustainable finance — mobilizing billions into renewable energy, energy efficiency, green infrastructure, and climate resilience.

Yet despite this growth, we are far from where we need to be.

Climate science leaves no room for ambiguity: emissions must fall sharply — and immediately — if we are to limit global warming to 1.5°C. Incremental progress is not enough. In fact, each year of delayed action locks in further warming, intensifies climate risks, and narrows the window for a just and orderly transition.

Compounding the challenge is a persistent underfinancing of the very sectors critical to driving deep de-carbonization. Energy, heavy industry, transport, and agriculture — *all pivotal to net-zero pathways* — still struggle to attract sufficient capital at scale. These sectors are often perceived as high-risk, low-return, or too complex to de-carbonize. As a result, they receive only a fraction of climate finance flows.

This is where transition-oriented investment strategies must step in — providing the capital, patience, and intentionality required to enable high-emitting sectors to pivot toward sustainability. That means not only supporting clean technologies, but also accelerating the transformation of carbon-intensive systems.





OUR VISION

At the heart of Climate Transition Bonds is a simple idea with powerful implications:

We invest to make money for a positive change

The climate crisis demands moving beyond exclusion toward actively funding solutions and systemic change. This is the foundation of impact investing, defined by the Global Impact Investing Network (GIIN) as:

Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return

This intention sets impact investing apart from general sustainability or ESG strategies. While ESG investing may assess risk or reputation, impact investing is outcome-oriented. It starts with a clear goal: enabling positive change through every investment decision.

Our approach is guided by a clear *theory of change* and a *double bottom line*: we aim to deliver strong financial returns while maximizing real-world emissions reductions, through investments that contribute meaningfully to the climate transition — measured both quantitatively and qualitatively.

We focus on the sectors with the highest potential for emissions reductions, including energy, industry, transport, and agriculture. These are not only the largest sources of emissions — they are also key to a successful transition.

We see bonds as catalysts for change — vehicles to drive specific outcomes. Whether through green bonds tied to project financing, or sustainability-linked bonds that embed climate commitments into capital structures, the bond market offers a powerful platform to steer capital toward credible transition pathways.

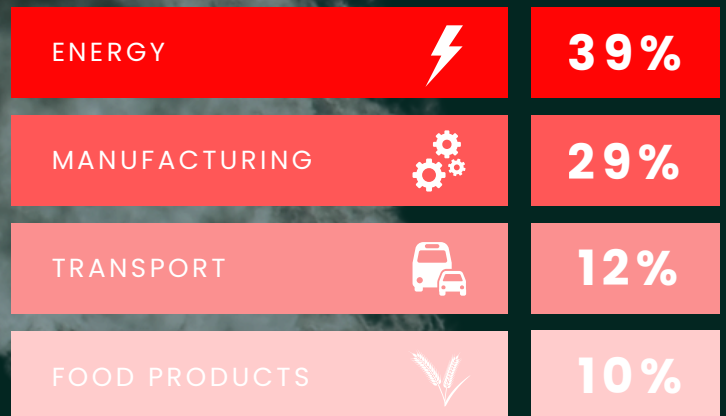
IMPACT INVESTING WITH CLIMATE TRANSITION BONDS

Financing the climate transition requires directing capital not only toward low-carbon solutions, but toward the sectors where the need — and potential for impact — is greatest. Today, the majority of global CO₂e emissions originate from four high-emitting sectors: energy, manufacturing, transport, and food products. Together, these account for almost 90% of global emissions and represent key leverage points for accelerating decarbonization.

~90% of global CO₂e emissions originate from four sectors

This chapter outlines how our fund translates its impact ambition into practice — from capital allocation to measurable outcomes — by applying a structured Theory of Change approach.

We dedicate the following sections to each step in this framework, from Inputs to Impact, using real examples from our portfolio to show how we seek to deliver meaningful climate benefits.



THEORY OF CHANGE

To guide how we define, pursue, and measure impact, we rely on “Theory of Change” — a structured framework that maps how our investments contribute to tangible climate outcomes and ensures transparency throughout the process.

In contrast to broader sustainability approaches, a Theory of Change requires intentionality (a clear goal), measurability (evidence of progress), and additionality (a meaningful contribution beyond what would have happened anyway). We use this framework as an impact compass, helping us ensure our capital flows where it can drive the greatest real-world change. It shapes our investment decisions, the way we evaluate opportunities, and how we report on outcomes.

The framework progresses through five stages:

1

Inputs:

The capital we deploy, guided by green bond standards and rigorous investment criteria.

2

Activities:

The specific projects and uses of proceeds our bond investments enable, documented and verified.

3

Outputs:

The immediate results, such as renewable capacity added or technologies financed.

4

Outcomes:

The environmental and social effects, including CO₂ emissions avoided or reduced.

5

Impact:

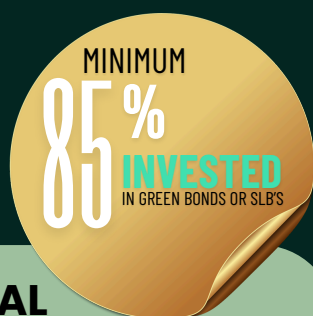
The long-term contribution to a net-zero transition as documented by leading expert climate organisation.

1. INPUTS

At the heart of the impact strategy in Climate Transition Bonds lies the deliberate and strategic deployment of our *inputs*. These are the foundational resources we commit to catalyze the climate transition, particularly within high-emitting companies and the four sectors outlined previously.

We define inputs as the essential elements we commit to catalyze credible climate transition pathways in the real economy, including:

- 1) **Financial capital**
- 2) **Expertise & due diligence**
- 3) **Active engagement**



FINANCIAL CAPITAL

The core input of the fund is the capital it deploys. This is not just about investing in any bond; it is about strategically allocating capital to maximize climate impact. This begins with a commitment to verifiable green credentials. A primary indicator of a company's genuine intent and accountability is whether its bond issuances are structured under a green bond or sustainability-linked bond (SLB) framework, as specified by ICMA or the EU green bond standard.

Our sectoral allocation targets prioritize those industries and projects where the climate transition has the highest potential for impact. Once fully invested, we commit to these targets and allocating a minimum of 85% of assets under management (AUM) to green bonds or sustainability-linked bonds, where proceeds are exclusively ear-marked for green projects or the achievement of clear green targets.

TARGET ALLOCATION

ENERGY		33-38%
MANUFACTURING		25-30%
TRANSPORT		10-15%
FOOD PRODUCTS		5-10%

EXPERTISE & DUE DILIGENCE

Capital allocation alone is insufficient to drive a credible climate transition — it must be guided by deep domain expertise and rigorous due diligence. A core input of the Climate Transition Bonds strategy is the specialized knowledge our team applies to evaluate, select, and monitor investments that align with long-term decarbonization goals.

Our due diligence process scrutinizes each issuer's climate strategy, transition targets, and alignment with international standards. This includes assessing whether companies have set science-based targets, or committed to net-zero pathways, and incorporated climate risk into their business models.

We leverage insights from globally recognized frameworks and data providers to assess the credibility of transition plans, including *Science-Based Target Initiative*, *Transition Pathway Initiative*, *CA100+* and *Carbon Disclosure Project (CDP)*.

Climate transition, pre-trade, due diligence data directly from the experts:



ACTIVE ENGAGEMENT

A critical input in our theory of change is the active engagement we pursue with issuers. We believe that progress is not solely achieved through divestment or passive investment in "already green" companies, but by working directly with high-emitting firms to push for transparency, accountability, and real-world emission reductions.

We engage with stakeholders on multiple levels, including:

Pre-investment dialogue: to clarify how bond proceeds will be used and to understand governance around climate goals.

Ongoing engagement: to monitor progress against targets and request improved disclosure or performance where gaps are identified.

Collaborative initiatives: such as "Invest for Impact, Denmark", where we work alongside other investors and stakeholders to broaden the understanding of impact investing and influence systemic change across industries.



2. ACTIVITIES

Directing Capital Toward Real-Economy Transition Solutions

Activities represent the deliberate actions we undertake to transform our inputs — capital, expertise, and engagement — into tangible steps toward climate transition.

Our activities result in the strategic allocation of capital across sectors with the greatest mitigation potential.

While we prioritize energy, manufacturing, transport, and food products, we also include issuers from other sectors when the use of proceeds targets material de-carbonization outcomes.

The current sectoral allocation of the portfolio reflects this dual approach, combining a focus on high-impact transition sectors with the flexibility to capture opportunities in other areas that can deliver meaningful climate benefits.

USE OF PROCEEDS FOCUS

A core activity in our investment process is the strategic prioritization of sectors with the greatest climate mitigation potential. Our capital is primarily directed toward high-emitting and hard-to-abate sectors, described on the previous page.

Green bond “use of proceeds” in focus

ENERGY EFFICIENCY

RENEWABLE ENERGY

ELECTRICITY NETWORKS

WASTE WATER

CLEAN TRANSPORT

CIRCULAR ECONOMY

POLLUTION PREVENTION

GREEN BUILDINGS

However, our approach also recognizes that impactful climate action can occur across all sectors of the economy. We evaluate each bond based not only on the issuer’s sector, but critically on the **use of proceeds**. Some issuers outside of traditionally high-emitting sectors, for example in finance, may allocate substantial funding toward renewable energy installations, energy efficiency upgrades, or low-carbon technologies within their operations. These projects can deliver measurable avoidances of greenhouse gas emissions and contribute meaningfully to our portfolio’s overall impact.

Sector focus and common “use of proceeds”

ENERGY



MANUFACTURING



TRANSPORT



FOOD PRODUCTS



2. ACTIVITIES IN PRACTICE - H&M GROUP

To demonstrate how our activities translate into real-world impact, we include a case study, our H&M Group bond in the fund. It highlights how capital is allocated through a green bond to support specific climate mitigation activities. This example reflects our commitment to assess each investment not only by issuer sector, but by the material contribution of the financed projects to the climate transition as outlined in the green bond frameworks.

€500M H&M 4.875% GREEN BOND 2031

This investment illustrates our approach to evaluating use-of-proceeds documentation, ensuring capital is directed toward projects that deliver the highest emission avoidance per euro invested.

The proceeds of €513M are allocated across five climate project categories, with the following distribution:

RENEWABLE ENERGY	€21M	4%
GREEN BUILDINGS	€30M	6%
CIRCULAR ECONOMY	€300M	58%
ENERGY EFFICIENCY	€138M	27%
WASTEWATER	€24M	5%

Source: H&M Group Green Bond Impact Report, 2024

AVOIDED CO₂E-EMISSIONS FROM BOND IN 2024

605.106 tCO₂e



Projects include:

- Capital expenditures for onsite solar PV on H&M Group's offices & warehouses.
- Loans to suppliers for capital expenditures to replace fossil fuels with solar energy
- Costs to enable the signing of virtual power purchase agreements with 600Gwh capacity



Projects include:

- A share of H&M Group's portfolio of warehouse- and office buildings with LEED Gold or LEED Platinum certification
- LEED



Projects include:

- Capital and operating expenditures for the resell platform Sellpy and development of IT system to support second hand sales online and in store
- Cost to support regenerative agricultural practices in cotton and wool production



Projects include:

- Capital expenditures to reduce energy consumption in H&M Group's stores, offices and warehouses. This includes for example real-time monitoring, LED lighting and motion sensors
- Loans to suppliers for capital expenditures to reduce energy consumption in their factories



Projects include:

- Cost to pilot innovative waterless dyeing technologies in supplier factories in India and Bangladesh
- Loans to suppliers for capital expenditures to reduce water consumption in supplying factories

3. OUTPUTS

This part represents the immediate, measurable results of our investment activities — the tangible outcomes of how we deploy capital, apply expertise, and engage with issuers. While impact unfolds over time, outputs provide the first indicators that our strategy is being implemented effectively and as intended.

This section focuses on the *quantitative* results of our investment approach. We report on the composition of the portfolio, including the share of green and sustainability-linked bonds, the sectoral and project-level allocation of proceeds, geographic allocation and the extent to which investee companies align with credible climate frameworks. These outputs help us evaluate whether our investments are on track to enable meaningful decarbonization in the real economy.

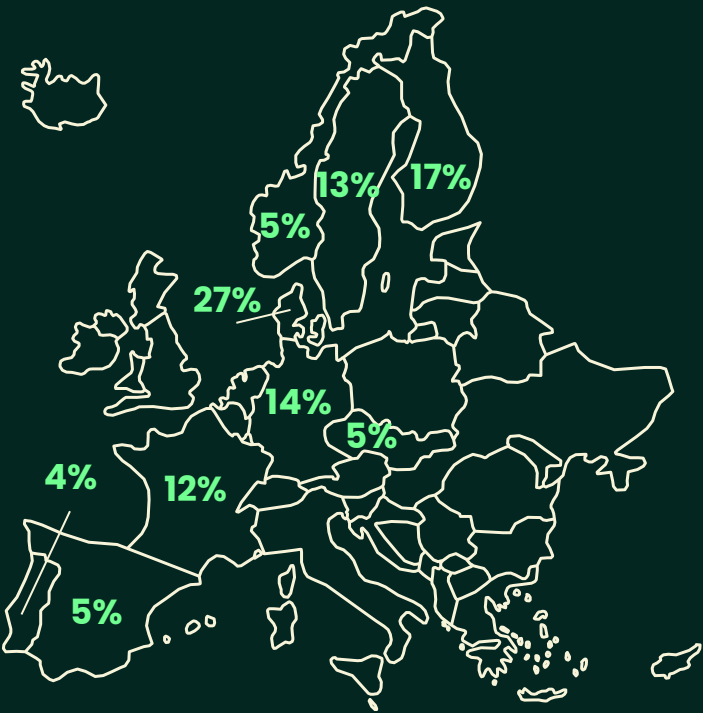


GREEN BOND & SLB ALLOCATION

The allocation above shows the actual share of the invested capital invested in green bonds and sustainability-linked bonds (SLBs). The fund is currently in a build-up phase and holds 12.1% cash of total asset under management (AUM) as a consequence as of year-end 2024.



GEOGRAPHIC ALLOCATION



The fund maintains a diversified geographic allocation, with capital deployed across the Nordics and Europe. This regional focus reflects the relatively high quality and reliability of climate-related documentation across European markets, which provide stronger assurance when assessing the environmental integrity of bond issuances.

USE-OF-PROCEEDS ALLOCATION

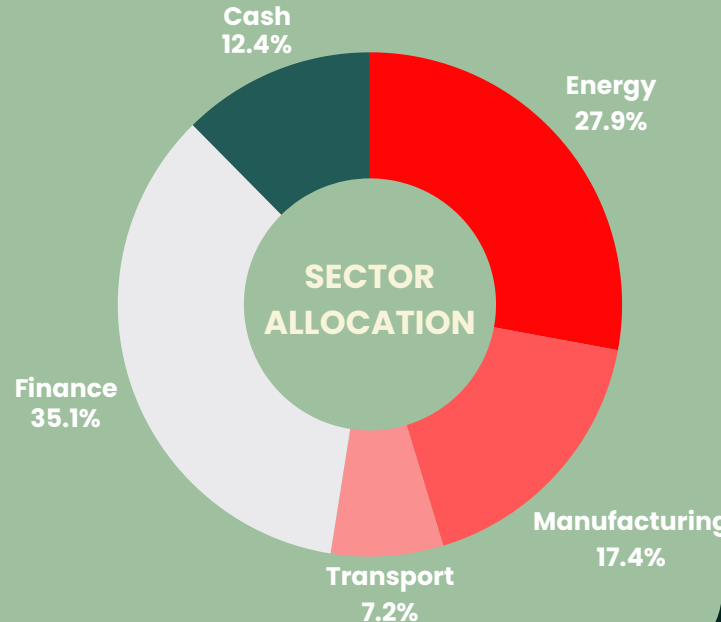
The following breakdown presents how capital has been allocated based on the specific climate-related projects financed by the green bonds in the portfolio. While sectoral allocation highlights who we invest in, the use-of-proceeds allocation reflects what we are financing.

Green bond “use of proceeds” allocation

ENERGY EFFICIENCY		2%
RENEWABLE ENERGY		47%
ELECTRICITY NETWORKS		3%
WASTE WATER		1%
CLEAN TRANSPORT		17%
CIRCULAR ECONOMY		9%
POLLUTION PREVENTION		4%
GREEN BUILDINGS		17%

SECTOR ALLOCATION

The sectoral allocation reflects the actual distribution of investments as of year-end 2024. As outlined in the “Activities” section, our strategy prioritizes sectors with the greatest climate mitigation potential. This breakdown demonstrates how that focus has been implemented in practice — with capital directed toward high-emitting, hard-to-abate sectors, as well as toward impactful use-of-proceeds projects across a broader range of industries. It also reflects the fund’s ongoing build-up phase at the end of 2024, which may temporarily influence portfolio composition.



SLB'S SUSTAINABLE PERFORMANCE TARGETS

As part of our focus on financing credible climate transitions, we also invest in sustainability-linked bonds (SLBs). These instruments tie financial terms to the issuer's achievement of company-wide sustainability performance targets (SPTs). Unlike green bonds, which earmark proceeds for specific environmental projects, SLBs focus on driving decarbonization at the corporate level.

SLB'S OUTPUT IN PRACTICE

As of year-end 2024, the fund included three sustainability-linked bond issuers from high-emission sectors: Swedish steel producer SSAB, Danish industrial manufacturer Danfoss, and Czech energy company CEZ.

The description below summarizes issuer-reported performance during 2024 against the SPTs, providing transparency into whether issuers are delivering or on track to deliver on their commitments. This reporting reflects the real-world environmental performance linked to our SLB exposure and forms a critical part of our output assessment.

SSAB Bond: SSAB SEK FRN 16/06/26

SPT: Reduce scope 1+2 GHG emissions by 10% by 2025 compared to base year 2018.

Bond target year: End 2025

Progress 2024: 9.3% reduction from base year

Opinion: On track, Likely to reach target



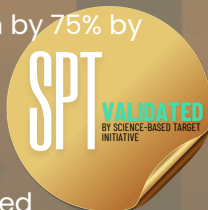
Danfoss Bond: Danfoss EUR 4.13% 02/12/29

SPT: Reduce scope 1+2 GHG emission by 75% by 2028 compared to base year 2019.

Bond target year: End 2028

Progress 2024: 18.7% reduction from base year

Opinion: On track, but progress needed



CEZ GROUP Bond: CEZ EUR 4.13% 05/09/31

SPT: Reduce scope 1+2 GHG emission by 57.4% by 2030 compared to base year 2019.

Bond target year: End 2030

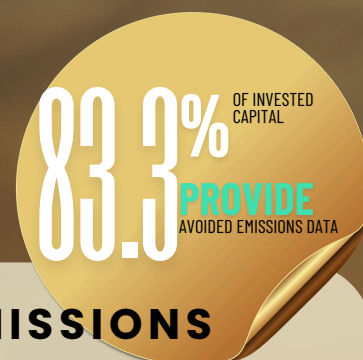
Progress 2024: 29% reduction from base year

Opinion: On track

AVOIDED EMISSIONS

In parallel to our SLB exposure, the majority of the portfolio is allocated to green bonds, where proceeds are dedicated to clearly defined environmental projects. The climate impact of these projects is measured through annual avoided emissions, reported by issuers.

These figures reflect direct project-level outcomes, such as avoided or reduced CO₂ emissions generated by renewable energy, energy efficiency, and other climate-related projects.



AVOIDED EMISSIONS

As a key output metric, we track the annual greenhouse gas emissions avoided through the projects financed by our investments. Based on issuer reporting for the 2024 calendar year, the portfolio investments contributed to the avoidance of approximately 4,623 tonnes of CO₂-equivalent emissions.

These avoided emissions stem primarily from: *Renewable energy* installations (e.g. wind, solar), *energy efficiency* retrofits in industrial operations, *Electricity networks* (e.g. electric network infrastructure upgrades)

Reported figures are based on project-level disclosures from issuers and reflect the impact achieved in 2024. As reporting methodologies vary, we apply a review process to assess consistency and plausibility across issuers.



4. OUTCOMES

While the previous chapter on “outputs” represents the *immediate, measurable* results of our activities, such as capital allocation and emissions avoided in 2024, this part of the report “Outcomes” focus on the longer-term effects and systemic changes our strategy supports in the real economy.



point of view.
Change
become different
transformation

In the context of climate transition investing, *outcomes* are about how our investments contribute to structural decarbonization of society – A **change** to status quo!

To measure these outcomes, we track portfolio-wide indicators that signal progress toward decarbonization and alignment with global climate goals. These include the share of companies with:

- Alignment with climate science
- Net zero commitments
- Quality of transition plans
- Issuer accountability and progress

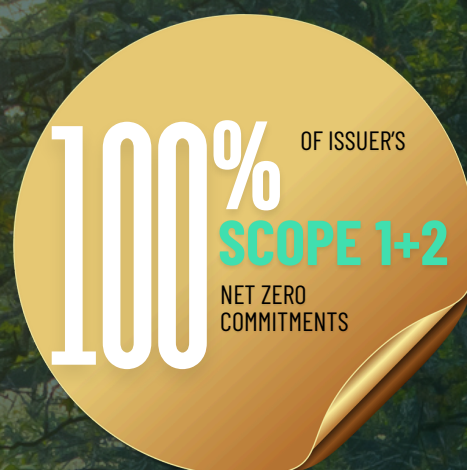
To ensure the robustness and integrity of our impact assessment, it is essential

that the outcomes we report are based on indicators that are documented, traceable, and, wherever possible, verified by credible third-party sources. This includes reliance on external frameworks such as the *Science Based Targets initiative (SBTi)*, the *Transition Pathway Initiative (TPI)*, *CA100+*, *Carbon Disclosure Project (CDP)* and second-party opinions for green and sustainability-linked bonds.

By anchoring our outcome indicators in independent methodologies, we increase transparency and comparability, while strengthening the credibility of our claims about structural decarbonization progress.

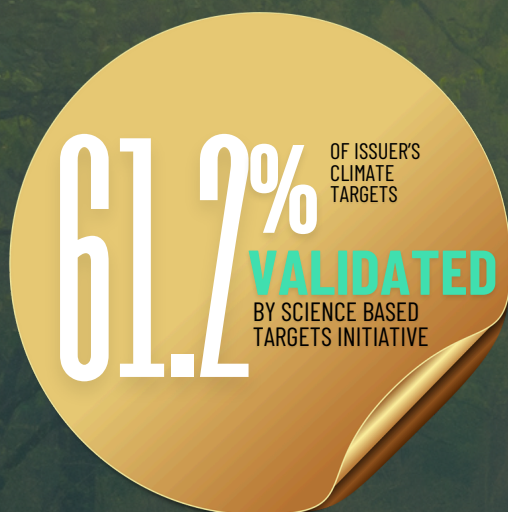
NET ZERO COMMITMENTS

Net zero commitments represent a company's long-term ambition to eliminate or balance greenhouse gas emissions in alignment with global climate goals. For investors, especially when such commitments are validated by third parties like SBTi, these commitments serve as important signals of strategic intent and transition readiness (see *alignment with climate science* part).



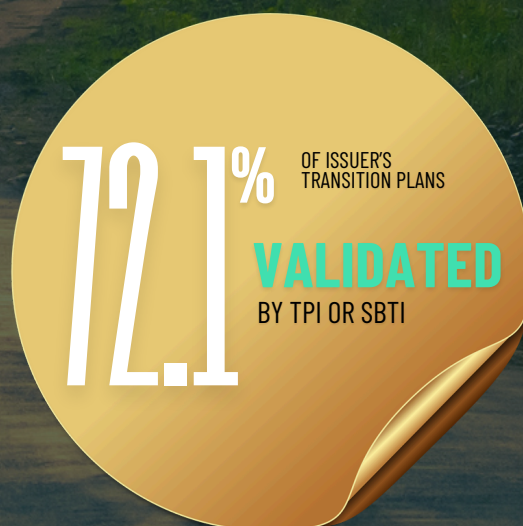
ALIGNMENT WITH CLIMATE SCIENCE

A core measure of credible climate transition is whether portfolio companies align their decarbonization strategies with climate science. We monitor this by the share of issuers in the fund with targets scientifically validated by the Science Based Targets initiative (SBTi), indicating their commitment to reducing emissions in line with the short term and/or long term goals of the Paris Agreement.



QUALITY OF TRANSITION PLANS

Beyond setting targets, credible climate action requires detailed, actionable plans. This section assesses the quality of companies' transition plans, including governance (management quality), interim milestones, capital and transparency. We evaluate this quantitatively by measuring the percentage of portfolio companies with credible transition strategies and strong climate reporting, using benchmarks such as the Transition Pathway Initiative (TPI), Climate Action 100+ (CA100+) and Carbon Disclosure Project (CDP).

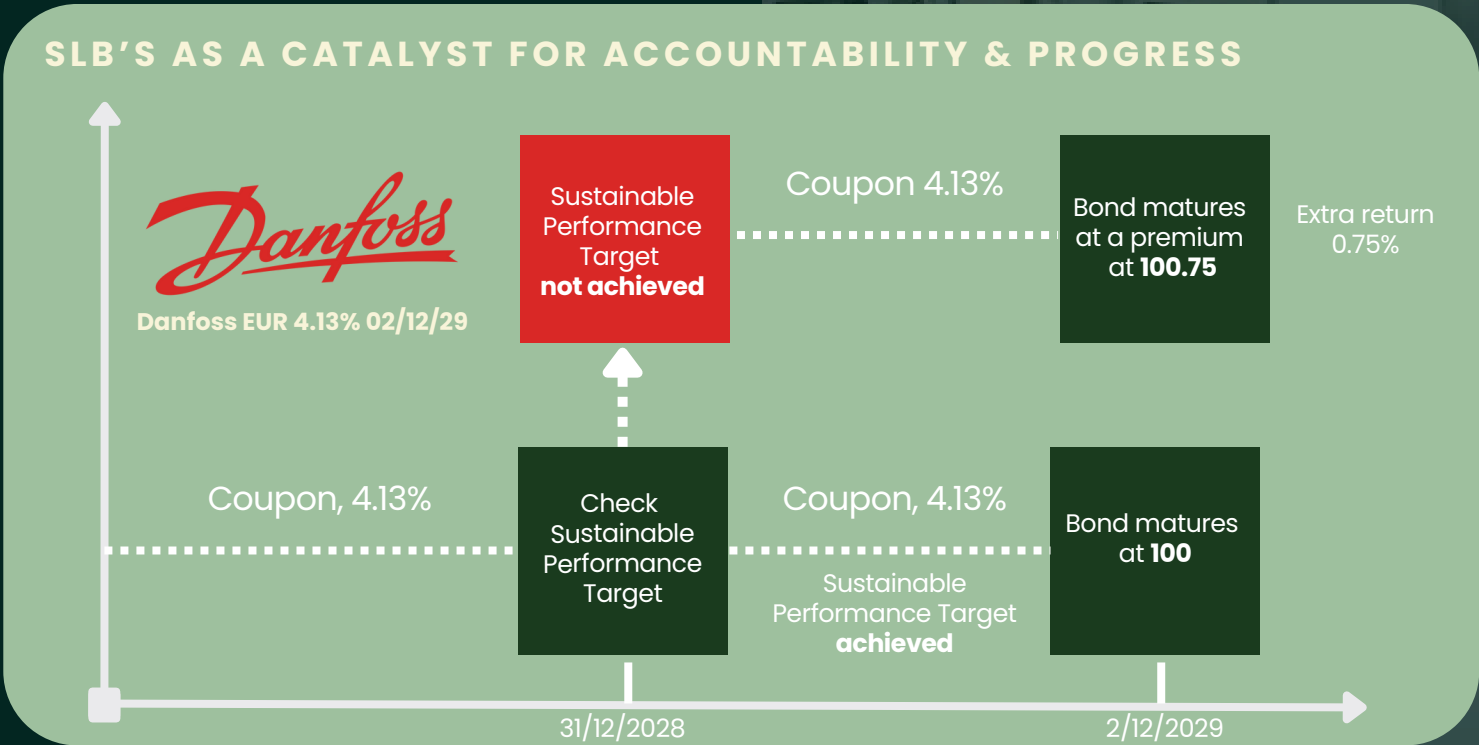


ISSUER ACCOUNTABILITY AND
PROGRESS

Ensuring climate commitments lead to real-world change requires transparency and follow-through. We monitor this by examining how portfolio companies report on progress toward their climate targets, and how mechanisms such as sustainability-linked bond structures and annual impact reporting drive greater accountability over time.

Sustainability-linked bonds (SLBs) enhance issuer accountability by directly tying financial outcomes to the achievement of predefined sustainability performance targets (SPTs). If these targets are not achieved by the set deadline, the bond typically includes a penalty mechanism, such as a coupon step-up, which increases the issuer’s cost of capital. This built-in consequence creates a clear financial incentive to deliver on climate goals and drive progress.

Additionally, SLBs require regular reporting and often third-party verification, which strengthens transparency and enables investors to monitor progress over time.





Improved Quality and Transparency of Transition Plans

Beyond setting long-term climate targets, companies must demonstrate how they intend to achieve them through credible, detailed, and transparent transition plans. These plans are a critical bridge between ambition and action, providing insight into the operational, financial, and strategic shifts companies are undertaking to decarbonize.

Within the portfolio, we assess the quality of transition plans using recognized third-party benchmarks such as the the Transition Pathway Initiative (TPI), Climate Action 100+ and the Carbon Disclosure Project (CDP). These tools evaluate factors such as interim targets, emissions reporting, governance and strategic mechanisms.

As of end-2024, a growing share of issuers in the portfolio demonstrate high-quality transition planning, evidenced by an increasing number of companies aligning their impact metrics with these third-party benchmarks.

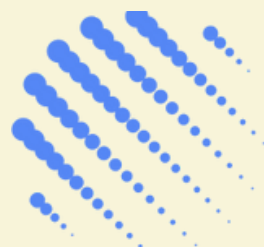
Transition Pathway Initiative

As an example, the Transition Pathway Initiative assesses companies' progress on climate transition through two key dimensions: **1)**

Management Quality, which evaluates governance and strategic readiness, and **2) Carbon Performance**, which measures alignment of emissions trajectories with climate goals.

Approximately 60% of the portfolio companies are evaluated by the Transition Pathway Initiative (TPI). Among these, **33%** have improved their Management Quality scores in 2024, indicating that climate transition plans are becoming more deeply embedded in corporate strategy and governance structures signalling increased accountability and climate transition progress.

Similarly, among the companies assessed on Carbon Performance, **89%** exhibit stronger performance than their sector average, meaning their current emissions intensity is below the industry benchmark, and they are on a trajectory consistent with achieving net-zero by 2050 at the latest.



**Transition
Pathway
Initiative**

5. IMPACT

The concluding chapter represents the final and most important link in our theory of change methodology: the broader, **long-term** effects that our investments aim to enable in the real economy. While outputs and outcomes track what was done and what changed at the company or project level, impact reflects how these changes contribute to systemic decarbonization and the goal of climate transition in society.

We will focus on how the portfolio supports:

- Real-world emissions avoidances
- Alignment with a 1.5°C pathway
- Sectoral transformation

REAL-WORLD EMISSIONS

A core objective of the fund is to make a lasting impact by contributing to measurable and verifiable reductions in greenhouse gas emissions in the real economy. One of the clearest ways we assess this contribution is through annual avoided or reduced CO₂ emissions, a direct outcome of the projects financed through our sustainability-linked bond and green bond investments.

In 2024, an estimated 4,623 tonnes of CO₂ emissions were avoided as a result of the portfolio's allocation to renewable energy, energy efficiency, and other eligible climate projects. These figures are calculated based on issuer-reported impact metrics, verified where possible by third-party reviewers, and allocated proportionally to the fund's ownership share in each bond.

To place this figure in context, we translate these emissions reductions into tangible equivalents that demonstrate the real-world climate value of the fund.

WHAT DOES 4,623 TONNES OF CO₂ LOOK LIKE?

The emissions avoided by the portfolio in 2024 are equivalent to:



1005 cars off the road



2312 homes powered with clean electricity



10747 barrels of oil not burned



\$392455 in avoided climate-related damage



Potentially 2–4 lives saved through improved air quality

Assumptions:

These equivalences are based on internationally recognized emissions factors and the social cost of carbon as published by the U.S. Environmental Protection Agency and academic literature. While these metrics help communicate climate impact in relatable terms, they are conservative estimates and should be seen as indicative rather than definitive.

ALIGNMENT WITH A 1.5°C PATHWAY

A central tenet of our impact strategy is ensuring that portfolio investments align with the global goal of limiting temperature rise to 1.5°C, as outlined in the Paris Agreement. Achieving this level of alignment requires more than just emissions reductions; it demands that companies restructure their operations, strategies, and capital allocation decisions in line with science-based climate scenarios.

To assess alignment, we look beyond the general climate pledges companies often make and focus on robust, externally validated net-zero commitments that demonstrate credible transition planning and execution. As explained in previous chapters these include: Science-Based Target Initiative, Transition Pathway Initiative, Carbon Awareness 100+ and Carbon Disclosure Project.

By prioritizing portfolio companies that receive strong climate transition assessments from these independent science-based validators, we enhance confidence that their transition commitments are both realistic and reliable. See the example in the box for how these indicators are integrated into our investment process.

Examples from investments and science-based validation indicators

Udsteder	Sektor	Undgået/DKK1m	TPI (MQ)	TPI (Carbon)	SBTi (Kort)	SBTi (Net Zero)	CA100+	CDP Rating
Commerzbank	Finans	115			1,5°C			B
EDF	Forsyning	114	5	1,5°C 2°C	WELL-BELOW 2°C		—	A-
E.ON.SE	Forsyning	478	5	1,5°C	1,5°C		✓	A-
H&M	Fremstilling	162	4		1,5°C	1,5°C (2040)		A-
Iberdrola	Forsyning	66	5		1,5°C	1,5°C (2039)		A-
Heidelberger	Construction Materials	60	4	1,5°C	1,5°C	Committed		A
Societe Generale	Finans	73		Outperform				B
SSAB	Stål	SLB	4	2°C	1,5°C	1,5°C (2045)	—	C
Suez	Forsyning	108			1,5°C			A-
Ørsted	Forsyning	25	5	1,5°C	1,5°C	1,5°C (2040)		A

SECTORAL TRANSFORMATION

The last pillar of the fund's impact strategy is supporting systemic transformation within the sectors most critical to achieving a decarbonization of society. As stated earlier, rather than avoiding high-emitting industries, our approach deliberately targets these sectors: Energy, manufacturing, transport, and agriculture/food systems where decarbonization is both urgent and materially impactful.

While emissions across hard-to-abate sectors remain largely unchanged as of end-2024, momentum is building. We aim to accelerate this shift by backing the companies in these industries that are not just planning for change, but delivering on it! Choosing to issue green or sustainability-linked bonds reflects a clear commitment to deliver on that ambition.

We place a strong focus on driving sectoral transformation in the three hard-to-abate sectors highlighted in the box. A few of the largest companies in these industries are actively developing breakthrough decarbonization technologies, financed through green bond or SLB proceeds, with the clear objective of accelerating deep emissions cuts. By supporting these efforts, our capital contributes to **additionality**: Enabling projects and transitions that may not have occurred, or not as ambitiously, without targeted, impact-oriented financing. This ensures our investments help catalyze real-world change in sectors where it is most needed.

BOX: SECTORAL TRANSFORMATION - IN PRACTICE

Steel: Fossil-free steel making

Industry leaders in Europe and Asia have begun piloting hydrogen-based steel production, including SSAB's HYBRIT project in Sweden.

We have invested in a sustainability-linked bond (SLB) issued by SSAB, which commits the company to reducing Scope 1 and 2 emissions by 35% by 2032 utilizing the HYBRIT fossil-free steelmaking process for iron ore-based steelmaking and by melting steel scrap. If the target is not achieved, the issuer is subject to a financial penalty - underscoring the company's accountability and commitment. The target is validated by the Science Based Targets initiative (SBTi) and aligns with a net-zero emissions trajectory by 2050.

Cement: Carbon capture

Emissions remain largely flat or rising globally due to increasing demand, especially in developing countries. However, companies like Heidelberg Materials are pushing the boundaries of what is possible in decarbonizing the cement industry. Through pioneering efforts in carbon capture and storage (CCS) and carbon capture, utilization and storage (CCUS), Heidelberg is setting a new standard for emissions reduction in one of the most carbon-intensive sectors. We have invested in the inaugural green bond issue from Heidelberg with use of proceeds dedicated to investments in CCS and CCUS as a prominent example.

Transport: Advanced bio-fuels

Advanced biofuels are essential to decarbonizing hard-to-abate transport sectors like aviation and heavy-duty road freight, where electrification is not yet viable at scale. We have invested in a green bond from Neste Oyj that is a global leader in this space, producing renewable diesel and sustainable aviation fuel (SAF) that can directly replace fossil fuels in existing engines and infrastructure. Specifically the use of proceeds of the green bond is dedicated to the production of renewable fuel and SAF. By scaling up these drop-in solutions, Neste is playing a ground-breaking role in reducing lifecycle emissions in some of the most challenging sectors to decarbonize.

SECTORAL TRANSFORMATION - OUTSIDE HIGH EMISSION SECTORS

Besides the hard-to-abate sectors, sectoral transformation is also relevant in traditionally low-emitting sectors such as finance. While the financial sector is not itself a major emitter, it plays a crucial role in enabling the climate transition through the lending operations and capital allocation.

However, the climate impact of green bonds issued by financial institutions can vary significantly depending on how proceeds are used.

Many financial issuers allocate proceeds toward green buildings, which often deliver relatively modest climate benefits. In contrast, the fund actively prioritizes investments in financial institutions that channel capital toward high-impact areas such as renewable energy infrastructure, clean energy access, or industrial energy efficiency. These projects generate markedly higher levels of avoided emissions and provide more direct support for a low-carbon transition.

While the financial sector is not itself a major emitter, it plays a crucial role in enabling the climate transition through the lending operations and capital allocation.

PROCEEDS OPTIMIZATION ACROSS SECTORS

Our focus on sectoral transformation extends beyond high-emitting industries to also include lower-emitting sectors, where the strategic use of proceeds is directed toward maximizing decarbonization - In doing so, we not only diversify our portfolio but also extract maximum positive climate impact across the emissions spectrum - generating true impact alpha from both high- and lower-emitting sectors.

As of the end of 2024, the fund remains in its build-up phase. However, 60% of deployed capital is already directly allocated to hard-to-abate sectors, while an additional 11% supports high-impact use-of-proceeds investments in lower-emission sectors such as finance, see Societe Generale example below.

Example: Societe Generale green bonds

Significant annual avoided/reduced emissions from renewable energy contributed to Societe Generale outstanding stock of green bonds. In fact the impact per invested DKK 1 million in Societe Generale green bonds equals **72 tCO₂e** avoided/reduced annually, far exceeding impact achieved in green bonds from most financial issuers and even some energy companies.

CONCLUDING REMARKS

From Theory to Impact

Our fund, Climate Transition Bonds, is grounded in a clear and rigorous theory of change: we define what we invest in (inputs), how we invest (activities), what is directly achieved (outputs), and ultimately, how these actions contribute to real-world climate solutions (outcomes and impact).

Across this report, we have outlined how our fund strategically deploys financial capital, expert analysis, and active engagement to support credible climate transitions — especially in sectors with the highest mitigation potential. We prioritize investments that meet robust criteria for green and sustainability-linked bonds, ensuring that capital is directed toward impactful projects with measurable results.

In 2024, this approach led to concrete achievements:

- 4,623 tonnes of CO₂ avoided annually through financed projects
- A portfolio where 85% of assets are invested in green or sustainability-linked bonds
- Growing alignment with science-based targets and verified net-zero commitments
- Progress across transition indicators, such as TPI scores and SLB performance, signaling greater issuer accountability

...And looking ahead

While the foundation is strong, our ambition is evolving. Future focus areas include:

- **Deepening impact measurement:** Strengthening methodologies to attribute emissions reductions, assess systemic change, and report transparently on progress.
- **Enhancing issuer accountability:** Continuing to prioritize sustainability-linked bonds with material financial incentives, and pressing for clear, credible transition plans.
- **Sectoral leadership:** Expanding our role in supporting transformation not only in high-emitting industries but also in under-leveraged sectors like finance, where capital allocation decisions can catalyze outsized climate benefits.
- **Geographic diversification with integrity:** Maintaining a focus on regions where reporting standards and climate disclosure frameworks are strong, while exploring broader opportunities aligned with our impact criteria.

Ultimately, our core objective remains unchanged: **to direct capital toward the structural decarbonization of the real economy.** and to support a just and lasting transformation toward a 1.5°C-aligned future.

EXECUTIVE SUMMARY

Climate Transition Bonds was launched with a clear mission: to deploy invested capital exclusively through green and sustainability-linked bonds to generate measurable and verifiable reductions in CO₂ emissions. In 2024, the fund made significant progress toward this mission.

Key results:

- 52.1 tonnes of CO₂ avoided per 1 million DKK invested, achieved solely through financing green projects via bonds.
- 85% of assets allocated to green or sustainability-linked bonds, with proceeds directed toward renewable energy, energy efficiency, clean transport, and industrial decarbonization.
- Strong portfolio alignment with recognized climate frameworks such as the Science Based Targets initiative (SBTi), the Transition Pathway Initiative (TPI), Climate Action 100+, and Carbon Disclosure Project (CDP).
- Active engagement in high-emitting sectors, including energy, manufacturing, transport, and food systems, where capital deployment is most urgently needed for meaningful CO₂ reductions.

Our approach ensures that CO₂ reductions are measured based on issuers' own green bond impact reporting, which is documented and verified by independent third parties. This provides a reliable account of reductions from capital deployment (inputs), financed projects (outputs), and real-world reductions in atmospheric CO₂ (outcomes).

Ultimately, our objective remains unchanged: to generate attractive long-term returns for our investors and together contributing to the climate transition by investing in green corporate bonds, thereby supporting a lasting transformation toward a sustainable future in line with the Paris Agreement's 1.5°C ambition.

CO-INVEST WITH US