

2022

# ESG Report

**LUNAR**



→ Introduction	03
→ Environmental	07
→ Social	19
→ Governance	29



# → Introduction

Lunar is a digital-first financial disruptor, empowering consumers and businesses to find smarter ways to save, spend and make the most of their money.

Our responsibility for the well-being of our users, planet and employees is at the forefront of our mission.

This is Lunar's second ESG report, covering 2022, and it reflects our approach, metrics, and what we've done in the past – as well as what we'll do in the future.

Past

Future







Looking back at our 2021 report, we committed to measure, reduce and remove CO<sub>2</sub>e from Scope 1 and 2 emissions and business travel.

We are still committed to this and continue to set a yearly CO<sub>2</sub>e baseline. And though our total CO<sub>2</sub>e emissions rose in 2022 in line with our business growth, relative emissions per user decreased 1% from 2021 and relative emissions per employee decreased 25%.

Following our commitments, we continue exploring ways to introduce new reduction initiatives and remove CO<sub>2</sub>e from our Scope 1 and 2 emissions, as well as business travel.

We are also constantly looking into ways to both boost employee engagement and leverage community engagement: in 2022 we successfully introduced a new partnership to our Project Blue initiative and we will continue to look into introducing more green products.



In 2022 we also worked to improve diversity and inclusion within our ranks, reaching some of our 2025 goals far ahead of time, such as an increase in the currently underrepresented gender in both the board and C-level. We have therefore set new and even more ambitious targets for 2025. Moreover, we have also implemented several initiatives to reduce unconscious bias in our recruitment process as a way to challenge and develop the way we recruit.

Lunar also puts great effort into supporting the underbanked and we continue to promote financial health through our products and general activities.

Good corporate governance is the core of our business and will ensure we stay on top of a regulatory environment which will impose increasing ESG reporting requirements over the coming years.

Lunar supports the UN Sustainable Development Goals, with particular focus on:

**#5**  
Gender equality

**#12**  
Responsible  
consumption  
and production

**#13**  
Climate action

**#14**  
Life below water

**#17**  
Partnerships for  
the goals





## Topic hierarchy going forward

It is important for us to understand in detail how both internal and external stakeholders view our impact. Thus, we have identified the key stakeholders whose views we will take into consideration to ensure we accurately prioritise our efforts to have the biggest positive impact on the environment and society.

After publishing our first ESG report we started reaching out to key stakeholders to find out their thoughts on different ESG topics. We sent out surveys to our users to hear their opinions and to learn how they rank ESG in terms of importance. We also sent out surveys to Lunar's employees as they are also important stakeholders who need their voices heard. To boost employee engagement, we gave all employees an internal introduction to our ESG strategy.

We will continue our search for input to improve our ESG strategy while involving stakeholders as much as we can. Activities can include annual customer surveys and employee surveys, internal ESG workshops and in-depth interviews with selected stakeholders. We will also listen to and closely follow the demands of our shareholders, business partners and regulators.

The outcome of the aforementioned ESG surveys has influenced our conclusions and topics for the 2022 report and will be used for following reports.

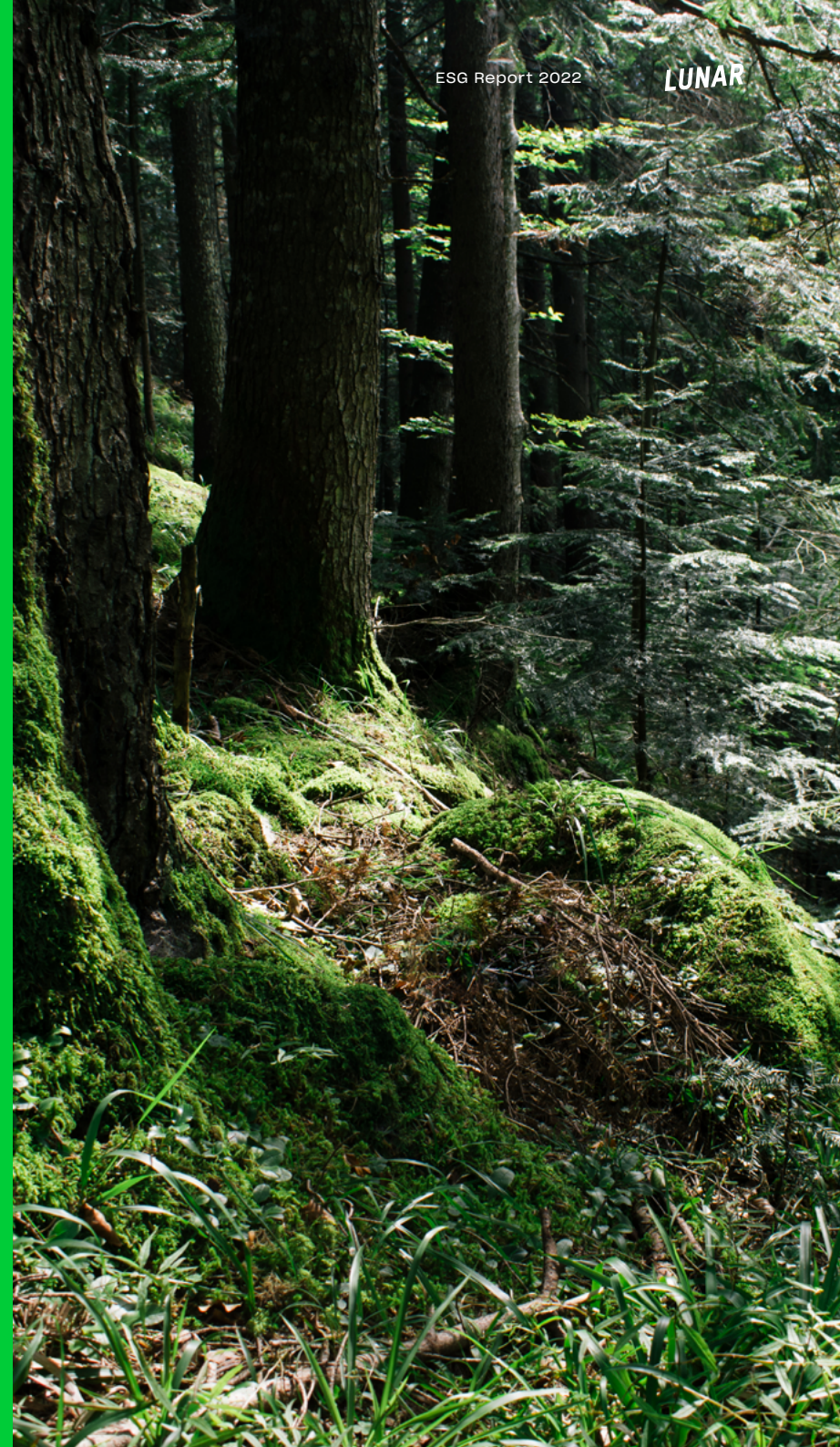


## → Environmental

Lunar is a digital-first bank with no physical branches, but our operations and technology still contribute to current climate challenges.

We have committed to measure our impact with help from external experts, reduce our impact in collaboration with our vendors and remove emissions on an informed basis.

We believe we have a responsibility to fight climate change and have also committed to engage both our users and employees in our mission to have a positive impact on the environment.



## Three commitments



01

### Measure, reduce, remove

Every year we team up with independent climate experts to measure, reduce and remove CO<sub>2</sub>e from our processes.

Lunar's CO<sub>2</sub>e baseline includes our total emissions in Scopes 1, 2 and 3, and we continue to reduce and remove our emissions from Scope 1, Scope 2 and business travel (which falls under Scope 3).



02

### Leverage community engagement

We engage our community by continuing to bring new, sustainable partnerships to Project Blue, our initiative to remove plastic from the world's oceans. We also want to introduce more products that will enable our customers to take climate friendly actions.



03

### Boost employee engagement

We engage our employees through internal educational content and surveys designed to measure commitment. We also encourage our employees to make more environmentally friendly choices and to help Lunar reach its sustainability goals.

CO<sub>2</sub>e = carbon dioxide equivalent, including all greenhouse gases.

What are Scope 1, 2 and 3 emissions? Read more on the following pages.



## C02e: Measure

Lunar is still fully committed to measuring and reducing our direct and indirect C02e emissions as well as removing C02e.

Just as we did for our 2021 emissions, we have calculated our 2022 C02e baseline to understand our climate footprint and thus act accordingly.

To fully understand our 2022 C02e emissions we once again teamed up with independent sustainability experts **The Footprint Firm**, who analysed our data and delivered our C02e baseline (2022) and subsequent go-to-action plan.

We measure both our direct (Scope 1) and indirect (Scopes 2 and 3) C02e emissions.

## C02e baseline 2022

### → Scope 1

Scope 1 includes direct GHG emissions from sources owned by the organisation. Lunar has no such emissions.

**Direct emissions:**  
**0 t. C02e**

### → Scope 2

Scope 2 includes indirect emissions like heat and electricity consumption for the running of our offices in Denmark, Norway and Sweden.

**Indirect emissions:**  
**148 t. C02e**

### → Scope 3

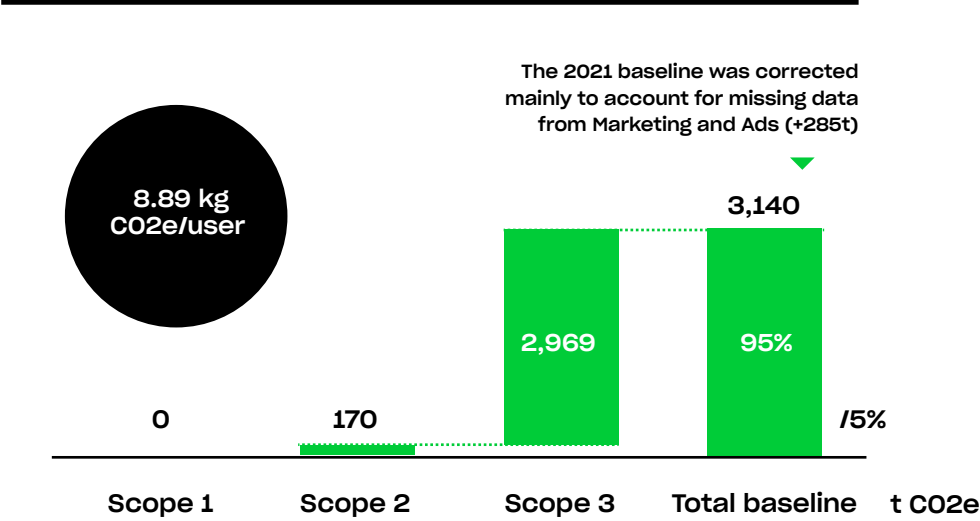
Scope 3 accounts for 97% of Lunar's total C02e emissions. Scope 3 includes all other indirect emissions, purchased goods and services such as business travel, IT services and hardware, to name a few.

**Indirect emissions:**  
**4,365 t. C02e**

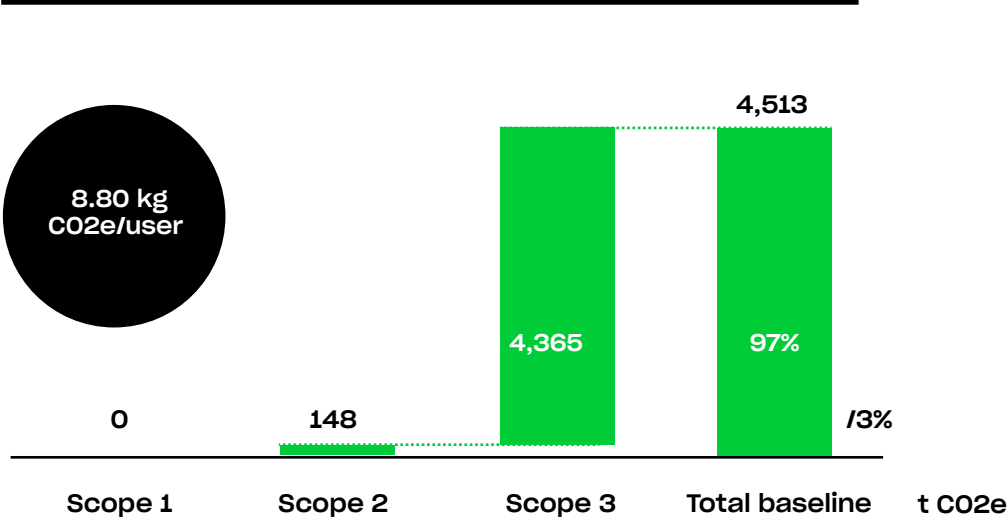
# CO2e Baseline

Lunar’s overall baseline increased by 44% while the emission intensity metric CO2e/user decreased by 1%.

**In 2021 Lunar calculated its first GHG Baseline t CO2e.**



**In 2022 the exercise was repeated and improvements were made.**



Lunar’s baseline has increased significantly, but the emissions per user decreased by 1%. The significant increase in the baseline reflects business activities of Lunar, both in terms of digital and physical activities. However most of the increase in the emissions is driven by digital activities such as IT services and Marketing & Ads.

Source: 'CO2e baseline report 2022', The Footprint Firm, April 2023.



**Reduction targets**

One of our targets is to directly reduce CO<sub>2</sub>e emissions per user, with an initial aim of 20% by the end of 2025 compared to 2021 levels\*, and 30% by 2030.

## 2021 Co<sub>2</sub>e emissions per user:

2021 - 8.89 kg CO<sub>2</sub>e/user\*

2022 - 8.80 kg CO<sub>2</sub>e/user

## Targets:

2025 - 7.11 kg CO<sub>2</sub>e/user  
(20% reduction from 2021 level)

2030 - 6.22 kg CO<sub>2</sub>e/user  
(30% reduction from 2021 level)

Reduce

\*Our 2021 numbers are corrected mainly to account for more and better data now available.



## CO<sub>2</sub>e: Reduce

Lunar's customer base is undergoing rapid growth. As a natural consequence, we're also growing in terms of other parameters, such as number of employees. Because of this, we measure both total and relative emissions. We are a user-obsessed company, so for us it makes sense to consider our impact relative to our user base, with an aim to be the low-emission choice within the financial services industry.

That's why we look at our "CO<sub>2</sub>e emissions per user".



## Reduction initiatives

We regularly evaluate our providers within the 10 categories that contribute most to our CO2e emissions. Wherever possible we will prioritise companies that provide environmental product disclosures as well as low-emission products and services.

As well as our top 10 largest emitters, we also look at other baseline categories where there is potential to reduce emissions. Although emissions in these categories are relatively low (some accounting for under 1% of total emissions) we still try to make reductions where possible – at the very least, to educate and inspire.

As part of our reduction initiatives – and to start a constructive dialogue around reduction initiatives – we **reached out to those of our suppliers** who are responsible for most of our indirect emissions, explaining our mission and asking about each individual supplier's targets and key carbon-reducing activities.

To reduce business travel emissions we launched a **travel guideline** in 2023 to limit business travel – especially air travel – and we continue to encourage our employees and consultants to limit travel when it comes to meetings.

We also sent out internal surveys to investigate our **employees' commuting habits** and we are happy to report that a high percentage of employees either walk or bike to work. With this in mind we will continue to encourage Lunar employees to lead greener work life-styles by, for example, commuting to the office via car-sharing, public transport or bike, and have started a collaboration with Cykelvæksthuset in Denmark to improve uptake of the latter.

Lunar's overall 2022 baseline increased by 44%, while the emission intensity metric **CO2e emissions per user** (CO2e/user) decreased by 1%. And though it is not part of our reduction targets we are happy to see that **CO2e emissions per employee** decreased by 25%.

The significant increase in our 2022 baseline reflects Lunar's increased business activities as a result of more users and employees and, therefore, more digital and physical activities. However, most of the increase in emissions has been driven by digital activities such as IT services and Marketing & Ads.

Compared to 2021, we saw a reduction in emissions for 2022 with regards to heating, IT hardware, employee commuting, consultants, bank card production and upstream transport.



Furthermore, in 2022, emissions related to office construction and furniture purchases also dropped compared to 2021. However, we expect to see a rise in 2023 as a natural consequence of moving to a new Copenhagen office, with emissions then expected to decrease over the coming years. We will also continue to opt for **furniture made of environmentally-friendly** materials and manufacturers who provide environmental product disclosures.

We are continuously looking for more ways to reduce our use of **IT hardware** and, as such, have begun collaborating with our biggest IT supplier to recycle and reuse IT equipment.

When possible we will also look into power purchase agreements and smarter management of our heat consumption.

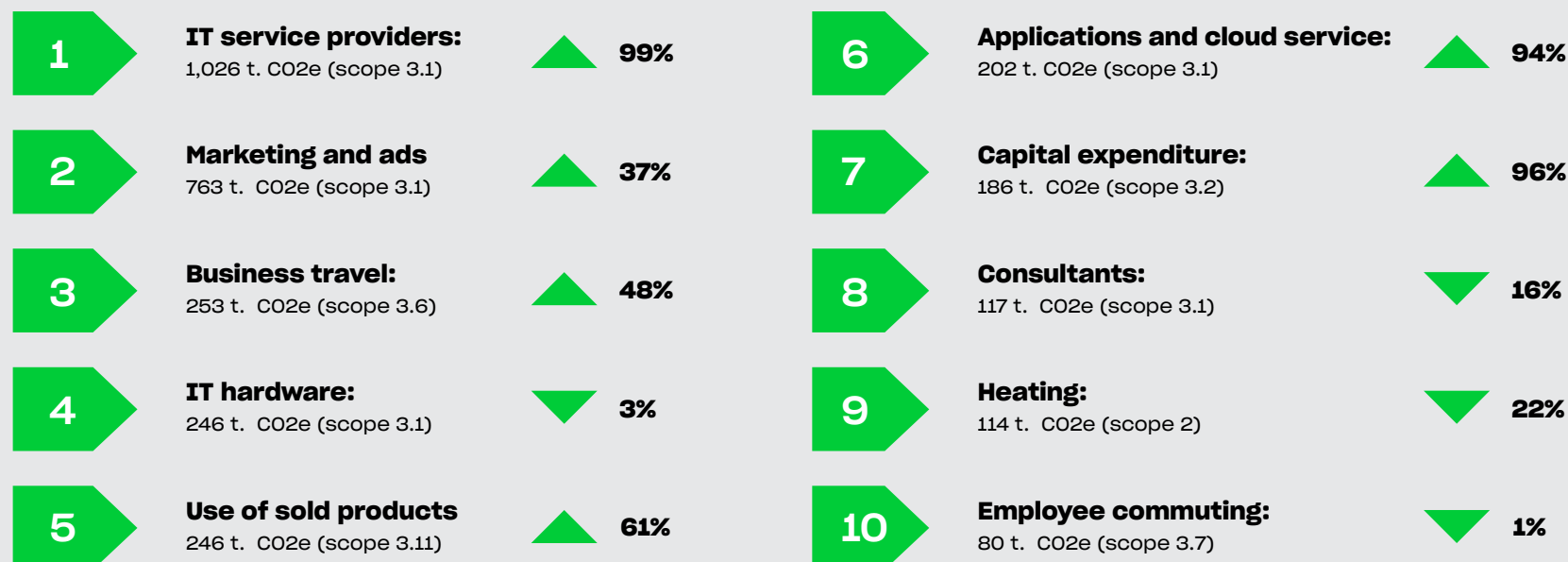




## 10 categories were identified as the largest emitters, accounting collectively for ~72% of Lunar's baseline.

Lunar's 2022 top 10 emitters

▲ %      ▼ % change in CO2e vs. 2021



## C02e: Remove

### Removal strategy

We are still committed to removing all our Scope 1 and 2 emissions, as well as emissions from business travel, and every month we offset emissions based on our baseline measurement. We do this to encourage further reductions, and to make up for the C02e we cannot yet reduce internally. Therefore, together with **Klimate.co**, we've put together a portfolio of carbon removal solutions ranging from tree planting to direct air capture, the likes of which will also help us develop and support the carbon removal industry.

To fully understand the potential of the carbon removal industry and to make sure that we pick the best removal strategy, we have set up quarterly update meetings with Klimate.

### Lunar Carbon removal

#### The C02 removal methods we invest in:

#### Direct air capture

Fan-like machines that pull C02 from the air. The carbon is then added to minerals that can be placed underneath the earth's surface.

#### Bio-oil

Biomass is heated at a high temperature and in an airless environment to create a carbon-rich liquid. This liquid – an oil – can then be stored underground in old oil wells or used as a green energy source.

### Enhanced weathering

The mineral olivine – a great absorber of C02 – is applied to rocks along coastlines where it dissolves into the sea, thereby increasing the ocean's uptake of C02.

### Ocean blue carbon

Seaweed, a form of biomass, absorbs carbon through photosynthesis, similar to trees. All the carbon we store in biomass (in our case, seaweed and kelp) is then placed at the bottom of the ocean where it decays.

### Biochar

Biomass is heated to high temperatures before being turned into carbon-rich biochar, thus benefiting the surrounding ecosystem. In this method, carbon is stored in the final product, biochar, before being added to soil to be used for agricultural purposes.

### Forestry

Trees absorb C02 by way of photosynthesis, with carbon being stored in the roots and surrounding soil.

**We will continue to improve our portfolio as we decarbonise and invest in even more permanent removal solutions.**



Link to online certificates:

<https://platform.klimate.co/dashboard/C1000123>

# Community engagement

## Engagement

We want to engage our community to join in the fight against climate change, specifically, by helping remove plastic pollution from our oceans.

## Project Blue

Lunar has built a product that empowers users to take action in the fight against plastic pollution. Project Blue shows users that it is easy to offer support every time they use their card by triggering automatic donations within a set spend threshold.

## Partnerships

Lunar donates money accumulated via Project Blue to non-profit organisations working towards plastic-free oceans. To ensure donations are used properly, all new partners to Project Blue must live up to certain criteria and be approved by an external partner.

Current partners include **Seabin Projects**, **Race for Ocean** and **Seven Clean Seas**.

In 2022, we teamed up with Project Blue partner Seven Clean Seas (SCS). SCS cleans up rivers and oceans as well as invests in waste management while empowering communities with an overall goal of making plastic circular.

One example of our achievements in 2022 was that we in coordination with SCS removed 25 tons of plastic in Indonesia in Q3 and Q4, with one of the areas impacted being Bintan.

Bintan is home to several marine protected areas but is also highly polluted due to its geographic location and currents bringing plastic waste onto its shores. Here, SCS also helped locals to optimise their waste management infrastructure.

# 25 tons

In 2022 we removed 25 tons of ocean plastic through Project Blue partner Seven Clean Seas.





## Employee engagement

### Educate and inspire

We consider our employees as important stakeholders in our mission to reduce our climate impact. We encourage Lunar employees to lead greener lifestyles, e.g., via car-sharing, public transportation and biking whenever possible.

In our new Copenhagen office – which will also serve as a test centre and frontrunner for environmentally friendly office initiatives – Lunar employees will be surrounded by furniture made of recycled materials like household waste, e-waste, fishing nets, coffee beans and so on.

These initiatives to make our office more environmentally-friendly will be internally communicated – in part to educate and inspire our employees.

### Waste management

In 2022 we joined the My Trash project launched by **Daarbak Design and Houe**, which involves collecting hard plastics from our Danish offices with the intention of integrating this waste into the production of our future meeting room chairs.

Lunar also produces e-waste whenever we renew our hardware and devices. Thus, to further minimise our CO2e impact and support our strategic sustainability agenda, we're also taking an active approach to re- and up-cycle our e-waste.

As part of our current vendor collaboration with IT hardware supplier **Atea**, we ensure that end-of-life devices including monitors, smartphones and laptops are collected when necessary. Atea then conducts a quality assessment of each device and carries out a security-compliant data wipe. If the device can be repurposed, it is then sold via Atea's external partners. If not, the device is recycled via standard recycling facilities.

In addition to ensuring each device is used to its full extent before being sent to Atea for re- and up-cycling, we always strive to procure and utilise hardware/devices from brands that actively contribute to the sustainability agenda based on several factors: their choice of material, their manufacturing and recycling processes, end-to-end supply chain flow, energy and power consumption, etc.

**Our employees are  
important stakeholders**



## We use office furniture made of recycled materials

Lunar is a “**First Mover**” when it comes to sustainability, responsibility and common sense in the field of furniture and interior design. In its new office, Lunar has implemented a total circular mindset and “TCO” (Total Cost of Ownership) with regards to its furniture without compromising on aesthetics, design or quality. Furthermore, Lunar’s product selection lives up to several of the UN **Sustainable Development Goals**: “Responsible consumption and production” and “Protecting the Planet against climate change”.

Furniture supplier Daarbak Design

### Eco-friendly offices

Lunar was born as a digital-first bank with no physical branches. Of the few offices we do have, we’re working to make them more sustainable, with an aim to choose more innovative and sustainable solutions for our entire set-up.

### Sustainable furniture

Among some of the changes we’ve made are the introduction of: non-electric elevation tables, table tops made of recycled e-waste, plastic and wood waste, curtains made of plastic waste collected from beaches, high stools made of coffee bean waste, meeting chairs made of household waste, outdoor furniture made of old fishing nets, carpets, acoustic boards and room dividers made of recycled plastic waste. And in the future, Lunar will aim to be even more ambitious when it comes to using recycled materials and environmentally-friendly furniture in our offices.

### Fairs and exhibitions

The same rational approach applies when we attend fairs and exhibitions. In both 2021 and 2022 we planned our fair stands with the purpose of reusing all the materials in our offices. By way of evidence, our Tech BBQ 2022 booth was made of wooden monitor units and circular furniture which has since been integrated into our Copenhagen office.

## → Social

Lunar's social responsibility spans far and wide and we aim to have both an internal and external impact with our activities. For our employees, we are working towards improving equal rights, well-being and diversity across the organisation with a special focus on recruitment, equal representation in management positions and minimising the gender pay gap.

For society, we take responsibility by working to prevent financial crimes, improve financial health and support the underbanked.

Social

Responsibility





## Three commitments



01

### Diversity & inclusion Strategy

Lunar will launch an updated D&I strategy, including new diversity targets such as ensuring the currently underrepresented gender represents at least 50% of employees at both the management and board levels. We're also planning to introduce training to further reduce unconscious bias throughout the entire recruitment process. As part of our commitment towards diversity and inclusion we are also actively working to reduce a range of different biases present in the workplace in addition to those related to gender and age.



02

### Measure and minimise gender pay gap

Lunar commits to annually reporting the pay gap between genders within the entire organisation. Moving forward, Lunar will work towards minimising the gender pay gap.



03

### Promote tools for financial health

Lunar aims for a 20% increase in users using tools that promote financial health, such as saving goals, budgeting and subscription management.



## Diversity and equality management

Our people shape us as a company and we believe that diversity fosters creativity and innovation. For us, diversity is not just about demographics such as gender, ethnicity and age. Diversity is about our ability to secure a diverse set of competences and skills, where none of the demographics named above should play a part. At Lunar we want to hire, develop and retain employees based on professional skills, education, critical thinking, life skills, people skills, personality and potential.

### Equal Foundations

To ensure that we continue to focus on having a diverse range of competences and personal skills across our team, we need to base our organisation on equal foundations. For this, we require a short-term strategy, especially at the management level.

We've set appropriate targets for the currently underrepresented gender at the board and C-level. At the board level within Lunar Bank and Lunar Group, the currently underrepresented gender currently accounts for 38% of all employees, rising to 40% at the C-level. In our last ESG report, we aimed to gain 40% representation in both the board and C-level by the end of 2025. As we have already reached this goal for C-level – and as we have also increased our split within the board – we want to increase our target, with an aim for at least 50% representation in both the Board and C-level by the end of 2025.

These targets will act as a guiding light to help us ensure gender equality at Lunar across all levels.

#### **BOARD OF DIRECTORS TARGET:**

A distribution of at least 50% of the currently underrepresented gender by the end of 2025.

#### **MANAGEMENT TARGET (C-LEVEL):**

A distribution of at least 50% of the currently underrepresented gender by the end of 2025.

# Diversity, equity, inclusion and belonging

At Lunar we have shifted our focus from solely “Diversity & Inclusion” (D&I) to Diversity, Equity, Inclusion and Belonging (DEIB). We have chosen to do so both to broaden our scope, but also due to the fact that we don’t see the D&I lens as having enough of an effect in a society that is inherently biased.

By bringing in the element of belonging we can create a shift that entails elements including psychological safety and a deeper focus on transparency. Put simply, inclusion at Lunar involves efforts and behaviours that can be fostered by us as an organisation or by the people within.

Our inclusion initiatives must, therefore, ensure that everyone at Lunar feels valued, heard, and able to contribute using their various skills and competencies, thus leading to the feeling of belonging.

To support this goal, our initiatives need to be implemented throughout the entire employee journey – so that we keep our promises and stay consistent. Recruitment, Peakon, and Development & Growth are just some of the initiatives we use to support our DEIB agenda.

## Recruitment

When we hire new colleagues, all qualified applicants are considered without regard to their ethnicity, religion, sex, age or disability status. We value engagement over experience, and we look at competences, motivation and who is the best fit for a particular role.

When it comes to recruitment and selection of candidates we as an organisation are aware that this is where unconscious bias lies. To navigate this issue, we have different initiatives in place as a part of our recruitment process to help our managers and recruiters diminish unconscious bias.

First of all, our initiatives support the assumption that the best way to work with unconscious biases is to acknowledge them, and with regards to the recruitment process, we have several different initiatives in place. One of them is that we don’t use cameras for first interviews – this is to ensure that the candidate is only judged based on what they say and not, e.g, their appearance or interior decor (or wherever they are based for the online interview).

Moreover, we also use anonymisation tools for job applications and resumés, meaning we remove or replace information that defines gender, status or nationality. By having initiatives such as these in place, we try to reduce unconscious bias in our recruitment process, which we believe will help foster the creation of more diverse teams that can empower each other in different ways.

In general we try to challenge the standard of today’s recruitment processes by using innovative tools that help us in our daily work. It is still key to us to maintain the personal touch, but we also use tools and frameworks that can enable us to work in a wiser way and, more importantly, which will help us become more diverse.



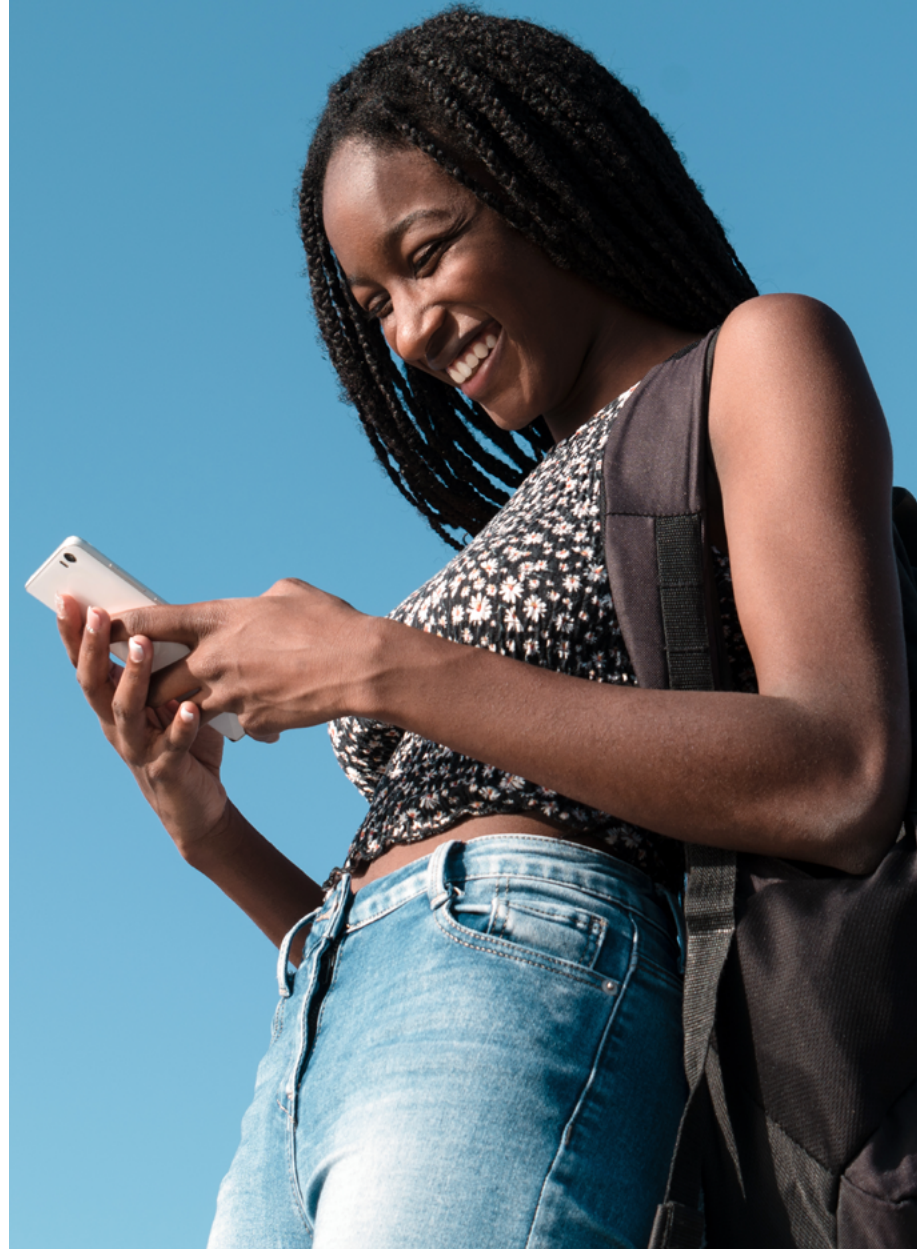
## Peakon

Peakon is our monthly survey tool. In short, its core purpose is to continuously measure the engagement temperature at Lunar. As a company, we don't believe in yearly feedback sessions alone between managers and employees. We see feedback as an interlinked web of multiple conversations that take place 365 days a year – with Peakon being one component in the process.

As a whole, we aim to foster psychological safety in all aspects of the organisation whether it is a talk with one's manager or peers. And while we acknowledge we cannot guarantee this at all times, it is therefore evident to us that we need to introduce tools that can be used by employees to discuss topics they may find sensitive.

With monthly Peakon surveys, we can ensure our employees have a place where they can anonymously describe their level of engagement at Lunar. The monthly surveys also give the employee the opportunity to speak their mind – and, Lunar, as an organisation, the insight to act accordingly.

The monthly surveys have a high participation rate of around 80%, and results are measured, evaluated, and applied broadly across the organisation. In addition, there is an opportunity for employees to add free-form comments after which we will engage with them either by inviting them to share more of their experience in person, if they wish, or to continue an anonymous dialogue.





## Development & Growth

Feeling a sense of development and growth in the workplace is a high priority for our employees – which we acknowledge at Lunar.

At Lunar, focusing on development and growth from a more structured perspective is new to the organisation. We are therefore proud to say that this year we have internally designed, produced and launched our very own Growth tool. The concept behind it is to give both employees and managers an understanding of their (the employees) growth potential in Lunar.

The tool is built on growth principles, and the principles are developed based on scientific research and practical experience that all work together to support our DNA. Overall, the framework for growth conversations utilises questions and conversations focused on positive psychology and psychological safety as cornerstones.

By having this framework in place and building on it, we also ensure that all employees have an opportunity for growth in Lunar. Therefore, this tool links the employee growth journey together with the organisation – enabling a match between what the employee can expect from Lunar in terms of growth, and how their growth journey will be designed.



## Gender pay gap

A gender pay gap is the difference in earnings between people who identify as men and people who identify as women across all roles and career levels in a company. Such a gap can occur when the currently underrepresented gender tends to make up certain roles and therefore, tends to take home different salaries. An example of this would be when women are underrepresented at senior levels or in higher-paid roles.

Lunar is not obligated to report its gender pay gap numbers. However, we choose to report our numbers publicly as we believe transparency can help close the gap and take us one step closer to gender equality.

Our first ESG Report 2021, released fall 2022, reflected the figures for 2022. For this report, we will be reporting the same numbers. However, moving forward, we plan to calculate the gender pay gap as of the end of the year, specifically on December 31, 2023. To calculate the gender pay gap, we will exclude managers and all part-time employees from the calculations. According to the mean average, women employed at Lunar earn 9% less than men.

At Lunar, we aim for gender equality. Therefore, for 2023 we have in our salary review allocated a specific budget to correct and align outliers, e.g. the gender pay gap. This has been done to create a foundation from which we can work towards further diminishing gender pay gaps in Lunar. And while we know this move alone is not enough to fully eliminate the gaps, we will therefore include other initiatives ,e.g. at the recruitment level, in terms of internal salary bands, and within our regular employee/manager conversations.

Ultimately, though we are dissatisfied with the gap, we are also aware that we are on a journey to close it.







## Well-being and balance

The health and well-being of Lunar employees is of great importance – so much so that health is one of our core values. Therefore, empowering and enabling our employees to lead healthier lifestyles is rooted in our DNA.

### Next level - exercise, mind & food

Next level is our internal health mindset. It focuses on giving our employees the ability to maintain a healthy lifestyle at work so that they can take their daily performance to the “Next Level”. At Lunar we prioritise health as we believe this is essential for maintaining a lasting and sustainable healthy corporate culture.

As a whole, Next Level centres around three areas: Exercise, Mind and Food & Nutrition. For **Exercise** Lunar offers a variety of free classes at our offices including the likes of padel tennis, boxing, running and yoga. The vast majority of classes are scheduled during working hours, and we also have in-house gyms.

To support the **Mind** component of “Next Level” Lunar offers meditation, coaching and mindful walks. Work-life balance is also an important pillar in this area, which is why we encourage employees to work from home when they need to, or to take a break from the office to join a gym class.

Lunar also believes that our employees need the right fuel to both thrive and deliver their best in the workplace. We therefore support the **Food & Nutrition** component in “Next Level” through our in-house chefs who cook multiple times a day for employees, providing breakfast, lunch and healthy afternoon snacks. For employees working late, dinner is also served. We also empower and inspire employees to make overall better choices by offering healthier options.

## Social initiatives

### Financial awareness

Financial awareness is an integral part of Lunar's social commitment. By continuously including relevant educational content in our own channels, such as the Lunar app and on social media, we aim to raise awareness and educate users on the topic of financial awareness.

### Fighting financial crime

Preventing financial crime continued to be a prime focus for Lunar in 2022. As well as launching several development initiatives within financial crime prevention, we also enhanced our internal procedures and model to better assess risks for each user to further protect them against financial crime.

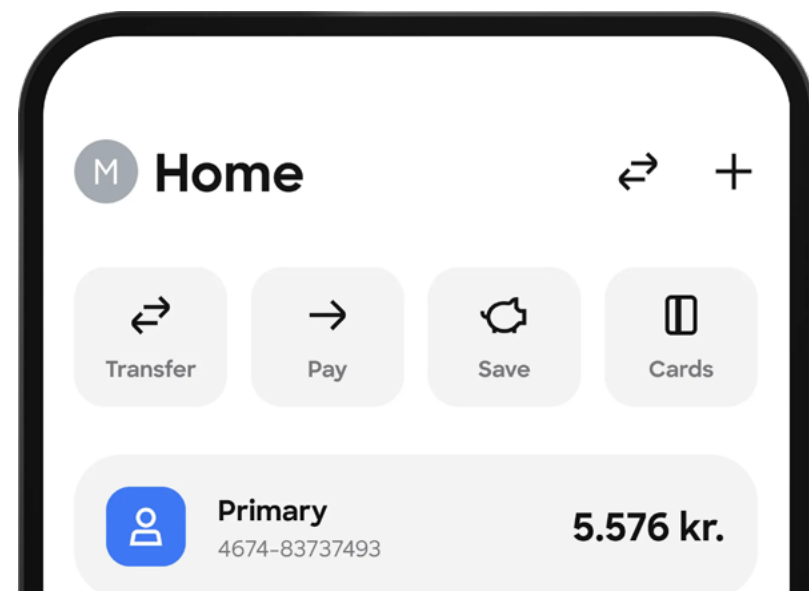
### Money muling

Money muling remains a growing societal issue where young people in particular face a risk of being recruited as money mules, especially via social media. In order to prevent money muling, Lunar continuously collaborates and shares knowledge with others in the financial sector to prevent or stop the practice.

### Financial health

Lunar encourages and supports users in planning and managing their finances in a healthy and sustainable way. We do this through the use of digital tools that enable, e.g., budgeting and financial goal setting. From 2021, our ambition has been to see a 20% year-on-year increase in the total number of Lunar users using our financial tools.

In 2022, we saw a **76% increase** in the numbers of users who use our financial tools, compared to the same period in 2021. For 2023 we will continue to focus on increasing the share even further with the ambition to help even more users manage their finances in a sustainable way. We expect to hit well above the 20% target by the end of the year.



## Inclusive entrepreneurship

One of Lunar's main objectives is to help entrepreneurs grow their businesses and in 2022 we expanded our business offer to include Norway. In a Danish startup environment where new entrepreneurs struggle to get a business bank account, Lunar offers one at an affordable price with no negative interest on up to 10 million DKK, as well as multiple other services such as a payment solution for websites.

By inclusive entrepreneurship we mean that any kind of entrepreneur no matter their gender, race or background is welcome at Lunar. We have an exceptionally high rate of entrepreneurs born in countries other than Denmark and over 30% of all Lunar Business customers are female entrepreneurs. To make sure we capture feedback in an efficient way we've also established a panel for entrepreneurs and startups.

Lunar remains committed to the start-up community. We regularly participate in and speak at events such as Tech BBQ, and support initiatives such as Danish Creative Industries (DCI) – an organisation with a mission to help creative entrepreneurs scale up their businesses.

We also engage with entrepreneurs through partners in Sweden, and our General Manager also serves as the chairman of the Swedish Fintech Association. In Denmark we collaborate with, e.g., Iværksætter-Netværk (IVN) and Copenhagen FintechLab, with the aim of guiding, advising and inspiring entrepreneurs.

## Supporting the underbanked

At Lunar we want to give everyone equal opportunity to control their finances. That includes refugees and newly established entrepreneurs of any background.

In 2021 Lunar was the first Danish bank to create an account specifically designed for Ukrainian refugees. Lunar also established a fast-track application process for Ukrainian citizens in need of jobs based in Denmark. During 2022 we continued to welcome Ukrainian refugee users with the same level of priority and using the same process.

We collaborate with the non-profit organisation Pant for Pant. When we donate our used bottles and cans for recycling, the “pant” (Danish deposit-return system) money goes towards helping homeless people.



## → Governance

The Lunar Group contains two regulated entities, and good corporate governance is of the utmost importance to us. Trust is key for us, and transparency, accountability, independence and ethical behaviour guide our decision-making and reporting processes.



## Regulation

In addition to national laws and regulations, Lunar Bank must also comply with regulations directed towards financial institutions. This includes the Executive Order on Management and Control of Banks, which regulates the conduct and internal framework at Lunar.

## Three commitments



01

### Sound relationship with authorities

To ensure integrity and transparency at Lunar we strive towards a sound collaboration with relevant governing authorities.



02

### Annual ESG reporting

Create an annual ESG report for stakeholders and the community.



03

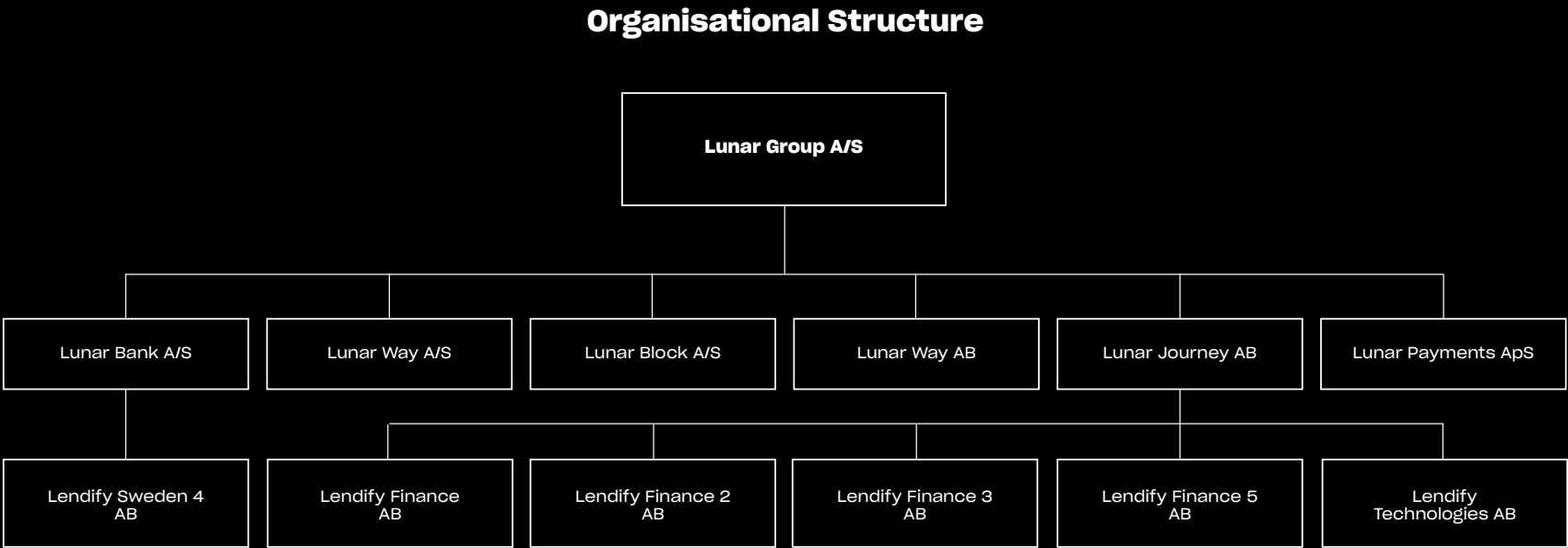
### Evaluating ESG risks

Assessment of ESG risks to be part of our strategy and product approval process.

# Organisation and structure

Having headquarters in Denmark, Lunar Bank is licensed to carry out banking activities and is fully owned by Lunar Group. To ensure proper governance while reaching Lunar’s strategic objectives, we maintain

an aligned vision across the company and facilitate execution through clearly defined roles and responsibilities in a simple organisational structure.





# ESG Governance

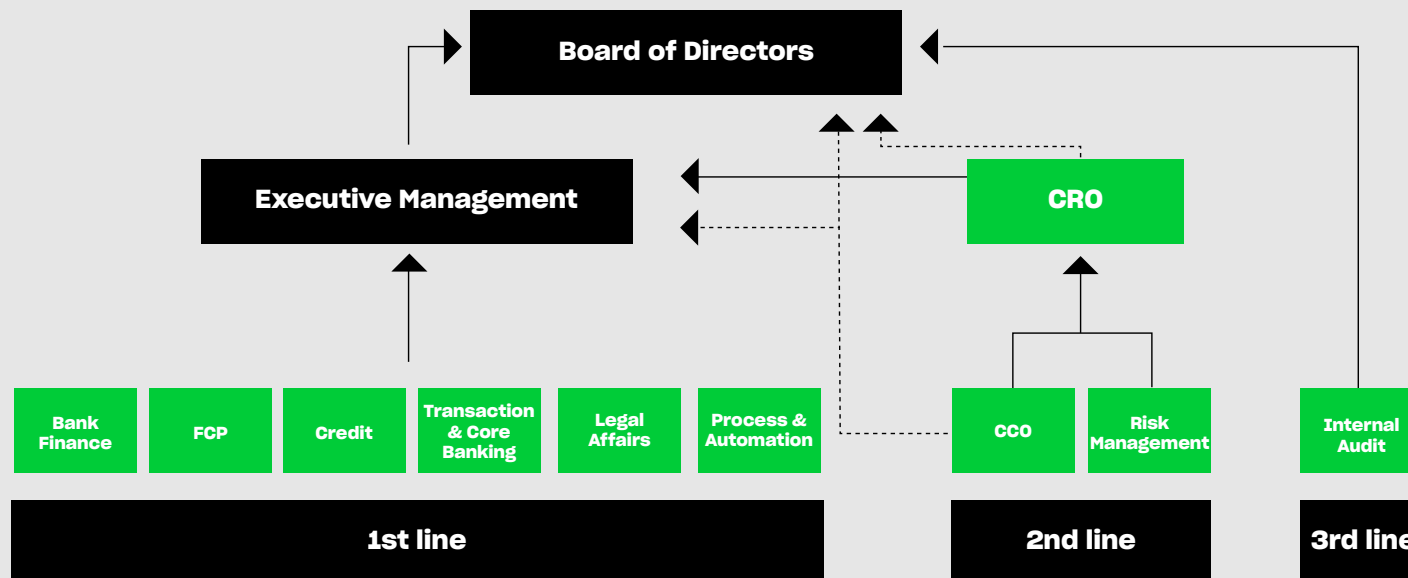
## Independence

In Lunar bank we ensure independence in our organisational setup by operating according to the “Three lines of defence” model. 1st line owns the risk that follows from carrying out activities and performs relevant controls and reporting on the risk levels. 2nd line controls to which extent 1st line operates inside the risk appetite and reports to the executive management and Board of Directors. Finally, 3rd line independently assesses work carried out by 1st and 2nd line and reports to the board. To ensure a risk-based approach in Lunar, a yearly Risk Impact Assessment supported by continuous risk management is performed in 1st line.

For proper attention and treatment of relevant risks, the board of directors has also established committees for selected risk areas such as an Asset Liability Committee, Credit Committee, Operational Risk Committee and Financial Crime Prevention Committee.

All committees consist of 1st and 2nd line participants and their purpose is to assess, discuss and endorse items that are escalated to the committee level. Furthermore, Lunar has established an ESG working group to oversee and inspire ESG-related activities. In 2024, it is our ambition to convert this working group into an ESG committee.

## Three Lines of Defence Model



# Risk management

## Risk Appetite

Lunar's strategy, objectives and risk appetite are determined by the Board of Directors, and the mandate to execute the strategy is delegated to the Executive Board. To avoid excessive risk taking, thresholds within all relevant areas have been defined which are documented as risk appetite statements and limits in our corporate policies.

## Risk control

Lunar has mapped out risk areas based on all company activities in a risk taxonomy and assigned risk owners to relevant areas. The risk owner of a given area is also the owner of the relevant policy for that area and is held accountable for staying within the set risk limits. Continuous control activities within relevant risk areas are conducted by 2nd line and findings are part of the quarterly reporting submitted to the Audit & Risk Committee which is a sub-committee to the Board of Directors.

## Product approval process

Prior to the introduction of new products, Lunar subjects each to an elaborate approval process. This is done to ensure the products we offer have been considered from an ESG perspective, are safe, suited for their purpose, and comply with both regulatory requirements and our risk appetite.

Relevant risk areas are assessed by 1st line stakeholders and risk owners and subsequently by 2nd line before being forwarded for approval to the relevant level of authority – depending on the product's potential risks to Lunar and its surroundings.

## Due diligence process partners

We seek strategic partnerships to offer our customers the best possible solutions. Potential partners are carefully assessed based on offerings, strategic fit, and ESG considerations, together with financial and non-financial risk impact.

## Data ethics vision

Lunar believes data ethics is about responsible and sustainable use of data. It is about doing the right thing for people and society. Lunar wants to become an industry disruptor by utilising our abilities to apply data to offer superior products and services without compromising ethical boundaries. To support these efforts, we have established a Data Ethics Policy.

## Data ethics principles

The Data Ethics Policy adheres to the following principles:

- Welfare
- Dignity
- Privacy
- Self-determination
- Equality
- Freedom of choice
- Legal certainty
- Transparency
- Security
- Responsibility





## Ethical behaviour

### Financial crime prevention

Fighting money laundering and financial crime is at the core of running a bank, and we have ramped up these efforts through the use of technology and relevant recruitment. It is crucial for us to remain in full control and stay one step ahead in terms of financial crime prevention, as we create a scalable and agile setup in the Nordics. That is why we use technologies like AI and machine learning, as well as provide adequate training for all employees.

All relevant employees at Lunar have completed a mandatory e-learning course on general anti-bribery and corruption regulations. This course must be retaken on an ongoing basis.

### Conscience

ESG is a core attribute for Lunar when entering new relationships. When considering new relationships with vendors or suppliers they will be subjected to a thorough ESG assessment in the selection process.

### Whistleblower arrangement

Among other things, this includes an agreement whereby employees can anonymously report unacceptable behaviour.

### Employee engagement

As a means of monitoring and responding to employee engagement, Lunar uses Peakon – a tool that measures key metrics on a monthly basis. Via Peakon, employees are also encouraged to communicate any wishes they might have about the workplace.

### Healthy corporate culture

To support Lunar's growth and ensure compliance with regulatory requirements, a strong corporate culture is key. The Board of Directors has, therefore, adopted a policy for Healthy Corporate Culture which sets the criteria for how business functions will ensure a healthy corporate culture.

### Yearly reporting

Lunar will commit to prioritising ESG governance targets and providing annual reporting. This includes a yearly review of all ESG-related initiatives and efforts.

The report will be made public and accessible on Lunar's website for all stakeholders, users, media and anyone else interested in Lunar's ESG strategy.



## ESG fact sheet

	2021 (reference year)	2022
Number of FTEs, average	279	538
Number of users, average	353,370	513,050
Scope 1 CO2e emissions (tons)	0	0
Scope 2 CO2e emissions (tons)	171	148
Scope 3 CO2e emissions (tons)	2,969	4,365
Total CO2e emissions (tons)	3,140	4,513
Emissions per FTE (tons)	11.25	8.39
Emissions per user (kg)	8.9	8.8
Women in board - total (%)	25%	38%
Women in C-level (%)	14%	40%

Emissions per user - 2025 target 7.11 kg (20% reduction)  
- 2030 target 6.22 kg (30% reduction)

Women in board - 2025 target 50%  
Women in C-level - 2025 target 50%

# ***LUNAR***