2023

ESG Report

LUNAR



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This report “ESG Report 2023” covers Lunar group’s 2023 ESG initiatives..

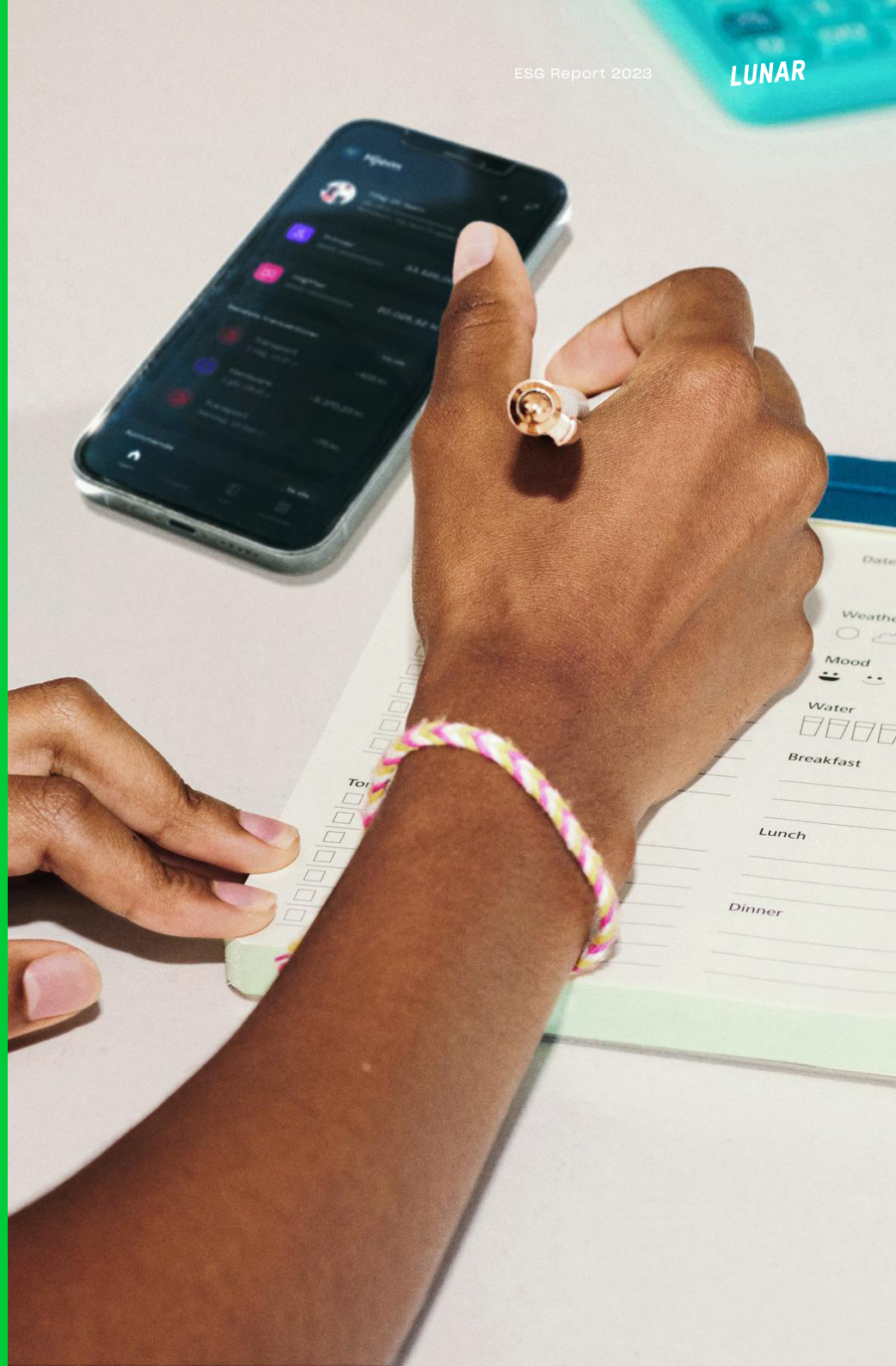
→ Overview

Lunar is a digital challenger bank, 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, employees and the planet is at the forefront of our mission.

This is Lunar's third ESG report, covering 2023, 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





As a digital challenger bank, Lunar was born eco-friendly, with no physical branches and only a few offices. In our ongoing strive to support the well-being of our users, employees and the planet, here are our key highlights from 2023:

- **Reduced our C02e emissions per user by 23%**
- **Reduced our Scope 2 C02e 27% by moving to more energy-efficient offices in Copenhagen**
- **Limited the Scope 3 impact from buying new furniture for our offices in Copenhagen and Stockholm by choosing sustainable furniture made from recycled waste, plastic, etc.**
- **Removed 60 tons of plastic from the world's oceans together with our users**
- **Reached a 50/50 gender balance at our C-level**
- **Supported the financial health of our users, with a 38% increase in usage of tools for budgeting and goal setting, etc., in the Lunar app.**

Through our ESG work we have an ambition to “walk the talk” whenever we can. We know our limits, though – and we always aim for transparency and a humble approach as we recognise our limited ways to reduce, for example, emissions as we are a digital bank focused on becoming the best everyday bank in the Nordics.

Total C02e emissions rose 10% in 2023 in line with our business growth (+43% users).* However, relative emissions per user fell 23% from 2022. Part of the increase in users came from ShareIt, which was acquired with limited marketing spend and thereby rose through organic growth. Overall, the total reduction demonstrates our ability to scale up without seeing a similar increase in C02e.

Our Scope 1 C02e remained at 0, while our Scope 2 C02e fell 27% due to our move to a more energy-efficient office in Copenhagen. In addition, our focus on sustainable furniture reduced our related impact under Scope 3.

As such, we reached our 2025 targets for lower emissions per user and will, over the course of 2024, set new targets for 2030.

We are also constantly looking into ways to both boost employee engagement and leverage community engagement: in 2023, we successfully introduced a new partnership to our Project Blue initiative and will continue introducing more green products in the future.

*Average number of users in 2022 compared to average number of users in 2023



In 2023, we also worked to improve diversity and inclusion within our ranks, reaching some of our 2025 goals in this area ahead of time, such as an increase in the currently underrepresented gender at the C-level. We also implemented several initiatives to reduce unconscious bias in our recruitment process to challenge and develop the way we recruit. Lastly, we continued to foster a more unified approach to our collective growth, launching several initiatives aimed at supporting the development of our employees.

Lunar also puts great effort into promoting financial health and the underbanked 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 on meeting the ESG reporting requirements over the coming years.

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

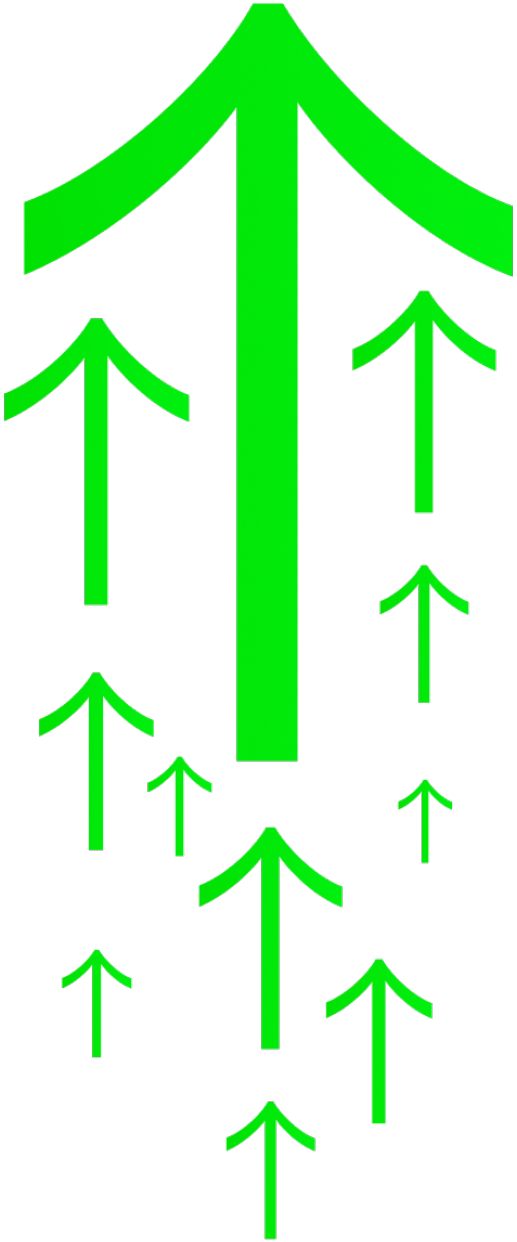
#5
Gender equality

#12
Responsible consumption and production

#13
Climate action

#14
Life below water

#17
Partnerships for the goals



Going forward

It is important for us to ensure we strive for the biggest possible impact from our ESG work. To maintain our ESG achievements in 2024 we see several areas in need of improvement, including better identifying key topics we need to work on and strengthening our efforts to have the biggest positive impact on the environment and society.

Our yearly CO2e baseline continuously serves as a guide to manage our carbon emissions, and we will seek opportunities to further reduce our emissions. Furthermore, as we have since reached the targets we set for 2025, we will review our 2030 targets in 2024. The upcoming CSRD reporting requires a double materiality assessment, which will be used to identify key topics to prioritise.

We plan to broaden our D&I (Diversity and Inclusion) strategy and key topics will be identified through a DEI&B (Diversity, Equity, Inclusion and Belonging) audit.

Furthermore, we regard Lunar's employees as important stakeholders who need their voices heard. To boost employee engagement, we give all employees an internal introduction to our ESG strategy and aim to always have an open dialogue.

We will continue our search for input to improve our ESG strategy while involving stakeholders as much as we can. We will also listen to and closely follow the demands of our shareholders, business partners and regulators.

ESG fact sheet

	2021 (reference year)	2022	2023
Number of FTEs, average	279	538	438
Number of users, average	353,370	513,050	731,667
Scope 1 C02e emissions (tons)	0	0	0
Scope 2 C02e emissions (tons)	170.7	103	75
Scope 3 C02e emissions (tons)	2,969	4,195	4,635
Total C02e emissions (tons)	3,140	4,298	4,710
Emissions per FTE (tons)	11.25	7.99	9.75
Emissions per user (kg)	8.89	8.38	6.44
Women in board - total (%)	25%	38%	9%
Women in C-level (%)	14%	40%	50%

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

Women in board - 2025 target 40%
Women in C-level - 2025 target 40%

→ Environmental

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

We have committed to measuring our impact with help from external experts, by reducing our impact in collaboration with our vendors, and by removing emissions on an informed basis.

We believe we have a responsibility to fight climate change and, as such, have also committed to engaging 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 CO2e from our processes.

Lunar's CO2e 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 support life below water. 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 by introducing them to our ESG-related work and strategies. We also encourage our employees to make more environmentally friendly choices and help Lunar reach its sustainability goals.

CO2e = 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 fully committed to measuring and reducing our direct and indirect C02e emissions as well as removing C02e.

To fully understand our 2023 C02e emissions we once again teamed up with independent sustainability experts **The Footprint Firm,** who analysed our data and delivered our C02e baseline (2023) and subsequent go-to-action plan.

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

C02e baseline 2023

➔ Scope 1

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

Direct emissions:
0 t. C02e in 2023
(unchanged from 2022)

➔ 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:
75 t. C02e in 2023
(-27% compared to 2022)

➔ Scope 3

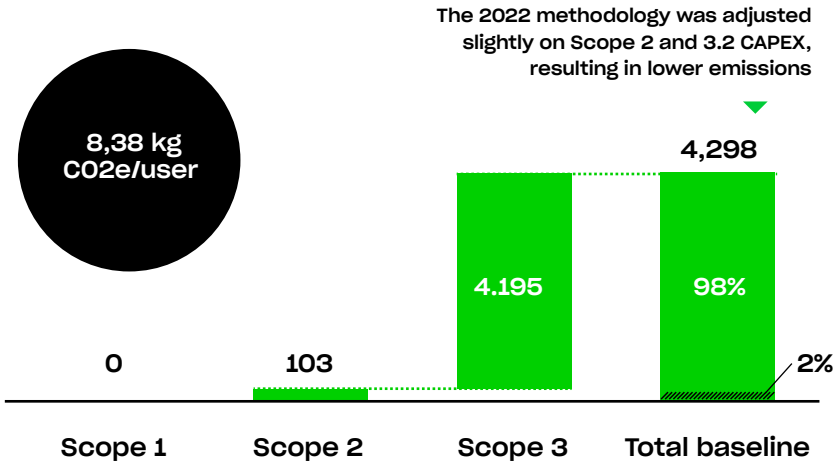
Scope 3 accounts for 98% of Lunar's total C02e emissions. Scope 3 covers all other indirect emissions, including purchased goods and services such as business travel, IT services and hardware, to name a few.

Indirect emissions:
4,635 t. C02e in 2023
(+10% compared to 2022)

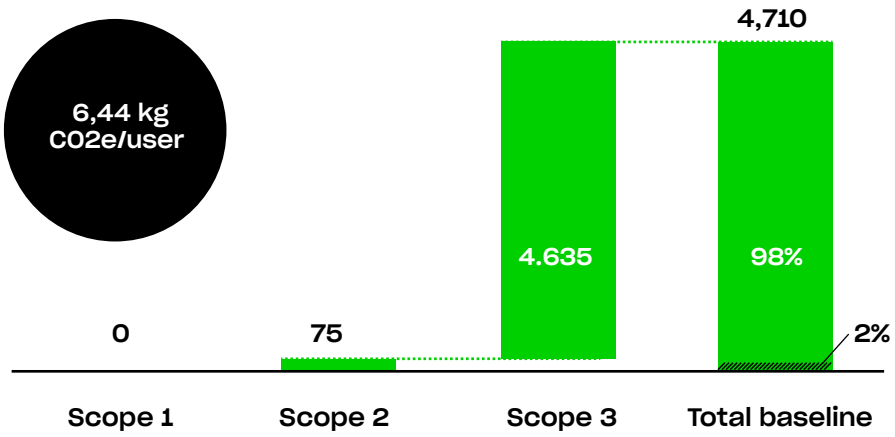
C02e Baseline

Lunar's overall baseline increased by 10% while the emission intensity metric C02e/user decreased by 23%.

In 2022 Lunar calculated their first GHG Baseline t C02e.



In 2023 the excercise was repeated and improvements were made t C02e.



While Lunar's baseline increased, emissions per user decreased by 23%. The increase in the baseline reflects the business activities of Lunar, both in terms of digital and physical activities. The main drivers for the absolute emissions increase are larger data traffic, more events and higher usage of Lunar-issued debit/credit cards. The 23% decrease in emissions intensity per user is due to the number of users increasing in 2023 with only a moderate increase in absolute emissions. Scope 2 emissions have decreased significantly due to Lunar's move to new and more energy-efficient offices in Copenhagen in 2023.

Source: 'C02e baseline report 2023', The Footprint Firm, April 2024.

Reduction targets
One of our targets is to directly reduce CO2e emissions per user, with an initial aim of 20% by the end of 2025 – compared to 2021 levels – and 30% by 2030.*

CO2e emissions per user:

2021 - 8,89 kg CO2e/user
2022 - 8,80 kg CO2e/user
2023 - 6,44 kg CO2e/user

Targets:

2025 - 7,11 kg CO2e/user
(20% reduction from 2021 level)

2030 - 6,22 kg CO2e/user
(30% reduction from 2021 level)

Reduce

*In 2024 we aim to adjust our 2030 targets having already achieved our 2025 targets.

CO2e: Reduce

Lunar's customer base is undergoing rapid growth. As a natural consequence, we're also growing in terms of other parameters, such as customer support and services. 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 "CO2e 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, 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 will reach 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. In 2023 we started developing an internal "green procurement" process, which we strive towards having fully implemented by 2025. The aim is to introduce new tools and processes that will provide better data on our indirect carbon emissions related to **procurement.** Activity-based data will potentially remove the risk of overestimating our emissions. Green procurement processes also have the potential to nudge those of our vendors who still don't provide CO2e data related to their products and services.

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 regarding meetings.

In 2023 we also sent out internal surveys to investigate our **employees' commuting habits**, and we are happy to report that 60% of our employees either walk or bike to work. With this in mind we will continue to encourage Lunar employees to lead greener work lifestyles by, for example, commuting to the office via car sharing, public transport or bike, having started a collaboration with Cyklistforbundet in Denmark to improve uptake of the latter. On top of this – and following a longer communication process with Cyklistforbundet – we were awarded a silver certification for being a **cycle-friendly workplace**. Many conditions must be met in order to land such good placement (parking conditions, safety conditions, etc.) and, in the coming years, we will remain dedicated to making it easier for employees to choose commuting to the office via bike.

Lunar's overall 2023 baseline increased by 10%, while the emission intensity metric **CO2e emissions per user** (CO2e/user) decreased by 23% – helping us reach our 2025 target ahead of time.

Our CO2e emissions per employee increased from 2022, but emissions are still far below our reference year. And while these numbers are not part of our reduction targets, we are happy to see Lunar has managed to increase its number of users much faster relative to its number of employees.

The **increase** in our 2023 baseline reflects Lunar's increased business activities as a result of more users and, therefore, more digital and physical activities. However, most of the increase in emissions has been driven by larger data traffic, more events and higher usage of Lunar-issued debit/credit cards.

Compared to 2022, we saw a **reduction in emissions** for 2023 with regards to marketing and ads, heating and electricity, IT hardware, employee commuting, consultants, bank card production and generated waste.

As expected, in 2023 emissions related to office construction and furniture purchases increased compared to 2022. However, we expect to see a drastic decrease in 2024 as moving to new offices in Copenhagen and Stockholm were one-off activities. The choice of more sustainable furniture also helped lower emissions, and we will continue to opt for **furniture made of environmentally friendly** materials, as well as manufacturers who provide environmental product disclosures.

We also continue looking for ways to reduce our CO2e emissions related to **IT hardware** and, as such, have begun collaborating with our main IT supplier, Atea, to recycle and reuse IT equipment. In addition, we drive focused efforts to procure **IT hardware** from brands dedicated to reducing their carbon footprint in their manufacturing and supply chain processes.

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 ~87% of Lunar's baseline

Lunar's 2023 top 10 emitters

▲ x % increase ▼ x % decrease % change in CO2e vs. 2022

1	**IT service providers:** 1,149 t. CO2e (scope 3.1)	▲ 9%	6	**Business travel:** 333 t. CO2e (scope 3.6)	▲ 31%
2	**Applications and cloud service:** 820 t. CO2e (scope 3.1)	▲ 308%	7	**Lunch** 173 t. CO2e (scope 3.1)	New
3	**Marketing and ads:** 503 t. CO2e (scope 3.1)	▼ 34%	8	**IT hardware:** 135 t. CO2e (scope 3.1)	▼ 47%
4	**Events** 449 t. CO2e (scope 3.1)	▲ 179%	9	**Cleaning service** 95 t. CO2e (scope 3.1)	▲ 72%
5	**Use of sold products** 357 t. CO2e (scope 3.1)	▲ 45%	10	**Consultants** 90 t. CO2e (scope 3.1)	▼ 24%

Source: The Footprint Firm, April 2023

C02e: Remove

Removal strategy

We are still committed to removing all of 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.

In 2023 we removed 400 tons of C02e, more than covering our total Scope 1, Scope 2 and business travel emissions.

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 buried deep beneath 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 placed underground in old oil wells to safely store and remove carbon. Bio-oil also has the potential to be used as a green energy source.

Biochar

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

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.

Forestry

Trees absorb C02 by way of photosynthesis, with carbon being stored in the roots and surrounding soil for approximately 50-70 years.

Aquatic Biomass Sinking

A form of ocean blue carbon where seaweed, a form of biomass, absorbs carbon through photosynthesis. The absorbed carbon then sinks to the bottom of the ocean where it decays.

We will continue to improve our portfolio as we decarbonise and, if possible, invest in more permanent carbon removal solutions

➔ Link to online certificates:
https://platform.klimate.co/dashboard/C1000123

Community engagement

Engagement

We want to engage our community in doing something good for the environment. Specifically, to help protect the world's oceans and life below water.

Project Blue

Lunar has built a product that empowers users to help protect the world's oceans and 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 both the reduction of marine pollution and restoring marine ecosystems. To ensure donations are used properly, all new partners to Project Blue must live up to certain criteria and go through a due diligence process mainly performed by external partners.

Current partners include **Seven Clean Seas, Race for Oceans**, and **Kysthjaelper.**

Seven Clean Seas cleans up rivers and oceans as well as invests in waste management while empowering communities with an overall goal of making plastic circular.



This year with Lunar they have removed **60 tons of plastic,** with 44% consisting of fishing nets and 14% relating to textiles coming from the Bintan area. Bintan is home to several marine protected areas but is also highly polluted due to its geographic location and currents bringing plastic waste onshore. Seven Clean Seas has also launched a data tool with every clean up being documented in detail, showing where the clean up was done, what was cleaned, the gender balance of the workers, and more.

In 2023 we hosted four events with Race for Oceans focused on **beach clean-ups** and engaging local communities to take action. Race for Oceans is focused on SDG 14: Life below water with an aim to create a greater synergy between sports, beach clean-ups and knowledge sharing.

Going into 2024, we have also signed with a new partner, Danmarks Sportsfiskerforbund, to support their innovative project, Kysthjaelper. They work on ocean restoration and improving life under water in Denmark's oceans. Ocean restoration is a relatively new concept with regulations only implemented in 2010 as a result of extensive damage from the removal of natural resources. Here, we'll support the building of a specific **rock reef** in Limfjorden, Denmark. The project is also being supported by the Velux Foundation and the Aalborg region. Rock reefs function as a foundation for ocean life, as seaweed can attach itself and produce oxygen, and small animals can use it as habitat.



60 tons

In 2023 we, our users and Seven Clean Seas removed 60 tons of ocean plastic – a 140% increase from 2022.

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 work lifestyles, e.g., via car sharing, using public transportation and biking whenever possible.

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

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

Waste management

In 2023 we joined My Trash, a project created by furniture supplier Daarbak Design and design house Houe, which involved collecting hard plastic waste from our Danish offices with the intention of using it to build new 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-cycling 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 a range of factors: their choice of materials, their manufacturing and recycling processes, the 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 in both our Copenhagen and Stockholm offices 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, acoustic boards and room dividers made of recycled plastic waste, and bulletin boards made of eelgrass. 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. Since 2021 we have planned our fair stands with the purpose of reusing all materials or furniture from our offices. By way of evidence, we reused TechBBQ 2022 booth material for our 2023 office interior projects, and our TechBBQ 2023 booth was put together using furniture brought from 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 continue improving equality, well-being and diversity across the organisation with a special focus on recruitment, fair development and growth opportunities, 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 40% 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 gender pay gap across the entire organisation. Moving forward, we will continue working towards minimising the gap.

03

Promote tools for financial health

Lunar aims for an increase in users using tools that promote financial health, such as our saving goal, budgeting and subscription management features.



BOARD OF DIRECTORS TARGET:
A distribution of at least 40% of the currently underrepresented gender by the end of 2025.

MANAGEMENT TARGET (C-LEVEL):
A distribution of at least 40% of the currently underrepresented gender by the end of 2025.

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 teams, 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.

In 2022, our representation of the underrepresented gender at the C-level stood at 40%. As of now, this figure has risen to 50%. However, the composition of the underrepresented gender across the boards of Lunar Group and Lunar Bank has undergone significant changes. This shift is both due to internal mobility, with one board member moving to the C-level, as well as ordinaire changes in the board composition.

Consequently, the representation of the underrepresented gender across our boards in Lunar Group and Lunar Bank now stands at 9% compared to 38% in 2022. This figure falls short of Lunar's aspirations. Moving forward, priority will be given to appointing new board members from the underrepresented gender to better align with our goals and values.
Even though we always strive for gender equality at Lunar – as can currently be seen at our C-level – we have decided to adjust the target to a 40/60 representation of the underrepresented gender in both boards and the C-level.

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 concept 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 and 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 sense 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.

Additionally, in line with our commitment to DEIB, we have initiated an audit in 2024 to assess the DEIB climate within our organisation. Our goal is to leverage the findings from the audit to potentially reaffirm our commitments and further refine our efforts.

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.

Recognising the presence of **unconscious bias** in recruitment and selection processes, we implemented initiatives outlined in our 2022 report to help mitigate the issue. As an example, we eliminated the use of cameras during initial interviews to ensure candidates were evaluated solely on their responses rather than external factors like appearance or surroundings.

Additionally, we implemented anonymisation tools for job applications and resumes to remove or replace information indicating gender, status, or nationality. These measures aimed to reduce unconscious bias and foster the creation of more diverse teams who could empower each other in different ways.

However, upon review, we found these initiatives did not achieve the desired outcome. In fact, they acted as barriers rather than helpful tools in the recruitment process – which was also the feedback we received from candidates.

As a result, we've decided to stop these initiatives and shift our focus in 2024 to start working **on unconscious bias training for hiring managers**. Our strategy is rooted in the belief that it's crucial to tackle underlying biases before introducing tools to effectively mitigate them. While our objective remains to challenge existing recruitment norms by integrating innovative tools while also preserving a personal touch, we recognise the importance of laying the groundwork before these tools can play a role in our journey.

Development & Growth

In 2023, our focus at Lunar remained steadfast on establishing a more structured and cohesive approach to development and growth within the organisation. As outlined in last year's report, adapting to a more structured framework was a new endeavour for us. However, with the introduction of our **Growth tool**, we believe we're moving in the right direction. Throughout 2023, we continued our efforts to foster a more unified approach, launching several initiatives aimed at supporting the development and growth of our employees.

A key initiative in 2023 was the establishment of a clearer alignment between roles and responsibilities to enhance potential career opportunities within Lunar. To achieve this, we launched a new **competency framework** in the fall of 2023. This framework has been seamlessly integrated into our growth conversations and our enhanced **Growth tool**, which we've aptly named **Growth Tool 2.0**. The goal of this integration is to facilitate discussions around development and feedback, with the framework intended to support employees throughout their entire journey at Lunar, from onboarding to ongoing growth.

In addition to the competency framework, we've also dedicated efforts to refine job descriptions and competency frameworks for all roles within the organisation. We believe that by adopting a more unified approach and having these frameworks in place, we can ensure every employee at Lunar has opportunities for growth.

This tool serves as a link between the employee's growth journey and the organisation, ensuring alignment between what employees can expect in terms of growth from Lunar and how their growth journey will unfold. Our commitment to this approach enables our dedication to fostering growth and development opportunities for all members of the Lunar team. In doing so, it serves as a cornerstone in creating a sense of inclusion and belonging within the organisation.



Peakon

Peakon is our survey tool. In short, its core purpose is to continuously measure the engagement temperature at Lunar. As a company, we don't believe in only yearly feedback sessions 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 during a talk with one's manager or peers. However, we acknowledge we cannot guarantee this at all times, and, therefore, have introduced tools that can be used by employees to discuss sensitive topics.



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

The 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.

As part of a new initiative, we've also changed our survey cadence from monthly to quarterly. This adjustment intends to incorporate feedback from both the organisation and our managers while also empowering managers with more time to effectively utilise survey results. While we continue to emphasise frequent input, we're now leveraging a more comprehensive toolkit for managers, encouraging certain discussions to transition from Peakon to alternative platforms such as growth conversations, one-on-ones, or daily dialogues led by better-equipped managers. While Peakon remains pivotal in getting a pulse on engagement, we believe our expanded toolkit enables us to further foster a sense of belonging, engagement, and inclusion compared to the previous year.



Well-being and balance

The health and well-being of Lunar employees is of great importance, and both are core components of our company culture.

Exercise, mind and food

As an organisation we focus on giving our employees the ability to maintain a healthy lifestyle at work so they can take their daily performance to the next level. At Lunar, we prioritise physical and mental health as we believe both are essential for maintaining a lasting and sustainable healthy corporate culture.

As a whole, our focus 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. We don't have set workout plans as we like to change them together with each office.

To support the **Mind** component, 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 together with 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.

Gender pay gap

At Lunar, we believe in transparency as a catalyst for change. While not mandatory, we report our gender pay gap numbers, recognising that shedding light on disparities is the first step towards bridging the gap between them. As we move towards gender equality, we acknowledge the importance of this journey, especially in light of the EU Pay Transparency Directive which is expected to be translated into national law by member states by 2026.

Our analysis showed that on average, in 2023, women at Lunar earned 9.7% less than their male colleagues.

This imbalance underlines the need for proactive measures to address these pay gaps within our organisation. Over the last year, we enabled the foundation to do just that – as we made significant strides in analysing our structure, data, and frameworks. In 2023, we refined our internal salary bands and introduced job clusters and job levelling processes. These tools not only enhance our understanding of the gender pay gap but also empower us to pinpoint the underlying structural factors contributing to it.

By gaining deeper insights into our numbers, we are better equipped to identify areas for improvement so we can direct our efforts towards achieving parity. This proactive approach not only aligns with our commitment to equality but also prepares us to live up to the new requirements once implemented.

While we acknowledge there is still ground to cover based on where we are, we are optimistic about the progress we have made, and remain steadfast in our commitment to closing the gender pay gap. At Lunar, we understand this journey is ongoing, requiring continuous dedication, and we are committed to equality and remain steadfast in our efforts to bridge these gaps.



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 social media, we aim to raise awareness and educate users on financial awareness.

Fighting financial crime

Preventing financial crime continued to be a prime focus for Lunar in 2023. 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. 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 2023 we continued to focus on increasing this share with the ambition of helping even more users manage their finances in a sustainable way. We expected to hit well above the 20% target by the end of the year – and we did. In 2023, we saw a **38% increase** in the numbers of users who use our financial tools compared to the same period in 2022.

	Total Active Financial Health Product Users	Active Financial Health Product User %
2023	272,149	77.1%
2022	197,597	68.6%
2021	97,696	49.8%

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.

2023 campaigns created to support financial health:

Partnership With Budgetnørden

An Instagram collaboration with Danish content creator Budgetnørden aiming to raise awareness about the up to 2.25% interest rate* Lunar offers on savings in Denmark. The campaign emphasises the advantages of monthly interest payments and provides practical tips on maximising the potential of saving interest earned, such as incorporating it into savings goals.

Link

5 Things You Should Know

An organic social media series was launched on Instagram and Facebook providing insightful guidance on various financial subjects. The initiative covered topics such as setting achievable savings goals, effective budgeting techniques, navigating through a recession, and adopting smart shopping practices. The aim was to enhance financial literacy and empower individuals to make informed financial decisions by promoting economic well-being and resilience.

Link

Budget-Friendly Tips For Staycation

An organic social media campaign on Instagram and Facebook highlighted budget-friendly activities throughout various Nordic cities such as Copenhagen, Aarhus, Oslo, and Stockholm. Designed for solo travellers, families, and couples, the series emphasised that exciting and enjoyable holidays don't have to require a substantial budget, thereby promoting accessible and economical travel options.

Link

*The interest depends on your tier, is variable, calculated annually and paid out monthly

Inclusive entrepreneurship

One of Lunar's main objectives is to help entrepreneurs grow their businesses and in 2023 we expanded our business offer to include Sweden. By inclusive entrepreneurship we mean that any kind of entrepreneur no matter their gender, race or background is welcome at Lunar. We have a high rate of entrepreneurs born in countries other than Denmark and over 30% of all Lunar Business customers are female entrepreneurs.

As part of our commitment to inclusive entrepreneurship we also want to support the underbanked. This includes giving everyone equal opportunity to control their finances. In Denmark, 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.

Lunar also remains committed to the start-up community. We regularly participate in and speak at events such as TechBBQ, and support initiatives such as Danish Creative Industries (DCI) – an organisation on 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., IværksætterNetværk (IVN) and Copenhagen FintechLab with the aim of guiding, advising and inspiring entrepreneurs. To make sure we capture feedback in an efficient way, Lunar has also established a panel for entrepreneurs and start-ups.



2023 campaigns created to support entrepreneurs:

Entrepreneurship Vacation Survey

In 2023, in partnership with the Confederation of Danish Industry (Sammenslutningen af Mindre Virksomheder i Danmark, also known as SMVdanmark), Lunar conducted a survey among Danish business users to understand the holiday habits and challenges faced by Danish entrepreneurs. The aim was to highlight the work-life balance issues prevalent within this group, with a particular focus on their difficulties in taking time off.

The findings revealed that two-thirds of entrepreneurs take fewer holidays than regular employees, with a notable portion not taking any holidays at all. The primary concerns driving this trend were worries about business performance during their absence and a lack of staff to provide cover. These results underscore a critical issue within the entrepreneurial community related to mental health and sustainability, signalling a pressing need for enhanced support systems. The collaboration between Lunar and SMVdanmark was instrumental in bringing attention to these challenges, with an aim to spur systemic changes that support the well-being of entrepreneurs.

Entrepreneurship Growth Survey

ALunar also launched an initiative to support the financial health and growth of entrepreneurs in Denmark, aligning with the Danish government's new DKK 1.5 billion package aimed at enhancing conditions for start-ups and scale-ups. Recognising the importance of entrepreneur insights in shaping effective policy, we surveyed 600 of our SME users to gather their perspectives on how the package could best be utilised.

This initiative not only demonstrates Lunar's commitment to fostering a thriving entrepreneurial ecosystem but also underscores our role in advocating for policies that support financial health and sustainability among SMEs. By integrating the valuable feedback from our users into discussions with policymakers, Lunar is actively contributing to the development of a more supportive and resilient business environment.

→ Governance

Good corporate governance is of the utmost importance to us. Trust, transparency, accountability, independence and ethical behaviour guide our decision-making and reporting processes.



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

Meeting requirements for ESG reporting

Performing double materiality assessments, collecting data and ensuring CSRD-compliant ESG reporting from 2025.

03

Evaluating ESG risks

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

The Lunar Group consists of six primary legal entities, of which two are regulated entities. The parent company of the group is Lunar Group A/S which is owned by approximately 50 shareholders. The shareholders of Lunar Group have elected a board of directors consisting of seven members, most of whom represent our largest shareholders, including the CEO of Lunar Group. Lunar Group is ultimately responsible for the strategy and overall business of the group. Lunar Group is regulated by the Danish Financial Supervisory Authority as a financial holding company with its main activities being owning and holding shares in its subsidiaries.

Lunar Group is the sole shareholder of Lunar Bank A/S. Lunar Bank is regulated as a bank by the Danish Financial Supervisory Authority. Lunar Bank has an independent board of directors elected by Lunar Group. Lunar Bank is the “core” of the group and has overall responsibility for the financial services offered to its customers.

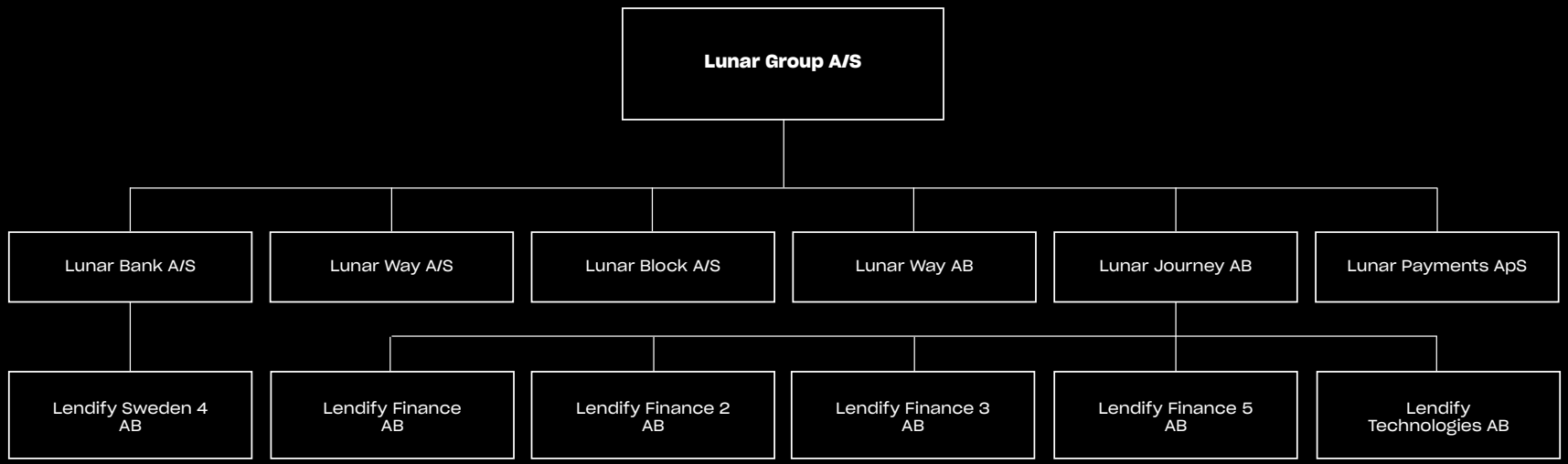
Regulation

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 of Lunar.

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.

Organisational Structure



LUNAR

Source: Lunar, December 2023

Governance and ESG

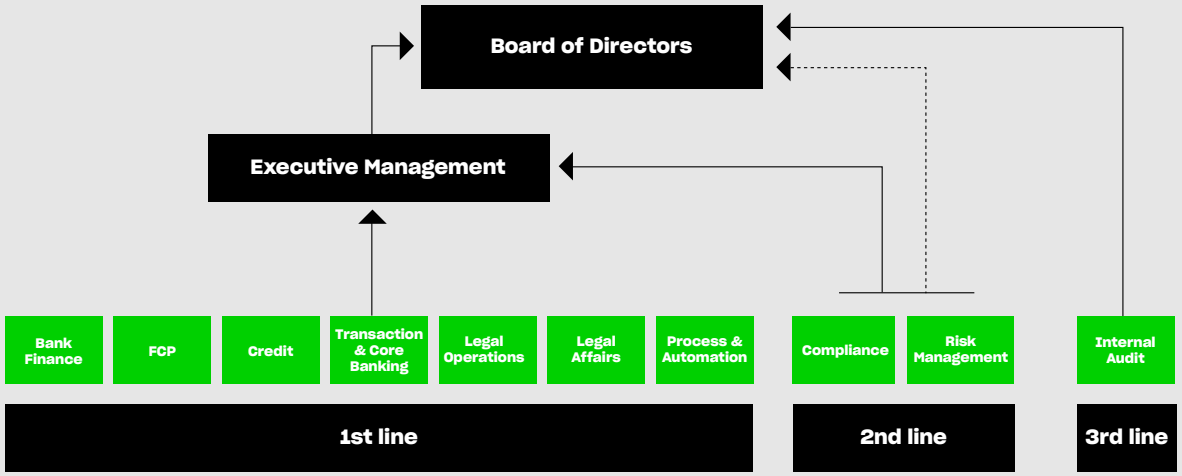
Independence

At Lunar we ensure independence in our organisational set-up 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 in both Lunar Bank and Lunar Group. Finally, 3rd line independently assesses work carried out by 1st and 2nd line and reports to the board. To ensure a risk-based approach at Lunar, yearly risk assessments are performed in 1st line, whereas 2nd and 3rd line perform controls and monitoring activities to ensure objectivity and transparency related to risk-taking initiatives in the group.

In conclusion, the three lines of defence model serves as a fundamental framework for ensuring robust risk management and compliance within Lunar. By delineating clear responsibilities across operational, risk management, compliance, and internal audit functions, this model enables proactively identifying, assessing, and mitigating risks while maintaining regulatory compliance and safeguarding stakeholder interests.

For proper attention and treatment of relevant risks, the executive management in Lunar Bank 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. The ultimate purpose of these committees is to ensure that progress is made in a responsible and sustainable manner and to ensure sound control of the relevant initiatives. Furthermore, Lunar has established an ESG working group to oversee and inspire ESG-related activities.

Three Lines of Defence Model



3 lines of defence set-up in Lunar Bank

CSRD reporting and audit

The Corporate Sustainability Reporting Directive (CSRD) and the interlinked mandatory reporting standards create a new paradigm for reporting on sustainability. The CSRD is mandatory and is based on a double materiality assessment that perceives which ESG impacts and risks are material for Lunar. Furthermore it requires, as a minimum, limited assurance and should be represented in the yearly management report.

Companies like Lunar fall under the CSRD and we must adhere to twelve draft norms known as European Sustainability Reporting Standards.

Conducting a double materiality analysis is the first step towards complying with the EU's CSRD, which came into effect in January 2024 – and must be included in the report. Preparing the double materiality assessment will take place in 2024.

The CSRD also entails an obligation to have the reported data audited, which can be accommodated by complying with different auditor clearances and security levels. Lunar's target is to achieve a limited assurance from auditors for its 2025 CSRD report.



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 and documented as risk appetite statements and limits in our corporate policies. For activities breaching the defined thresholds, certain processes are triggered to ensure we remain in control by either accepting the breach, rejecting it, or implementing mitigating actions to reduce the impact to an acceptable level. All risks above the defined risk appetite will, based on potential severity, be escalated to either the CRO, CEO and/or the Board of Directors.

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. Following a risk-based approach, 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 - a sub-committee to the Board of Directors in Lunar Bank. All control activities are presented to the relevant level at Lunar Group and Lunar Bank to ensure full transparency and highlight areas of improvement for the purpose of having objectivity in relevant risk-taking initiatives.

The ability to ensure objectivity at Lunar is strengthened by being organised in the three lines of defence composition; ensuring segregation of risk-taking activities in 1st line and independent control activities in 2nd and 3rd line.

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 own 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 ability to apply data to offer superior products and services without compromising on ethical boundaries.

To support these efforts, we have established a Data Ethics Policy. Furthermore, to minimise risks and increase data quality related to our large processing of data, as well as increase control and trust, we have initiated a large data governance project.

The data governance framework is about managing data effectively, accurately, and securely. This involves identifying and assigning roles and responsibilities, setting and adhering to data standards, monitoring data quality, managing data incidents, and ensuring that any changes to processes or technology take data implications into account.

Meanwhile, compliance with regulatory requirements is a key part of governance, with our data governance framework going hand in hand with our data ethics principles on multiple points. For example, privacy, a key ethical principle, is protected through data governance processes such as monitoring data quality and managing data incidents. Transparency, another ethical principle, is achieved through clear assignment of roles and responsibilities and adherence to defined data standards.

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



Leveraging on technological progress

At Lunar we strive to offer our customers the best possible solutions in a safe, sustainable and effective manner. To do so we recognise that we can leverage the progress of artificial intelligence (AI) to increase the quality and speed of both internal repetitive tasks and answering user enquiries.

Over the course of 2023, we introduced multiple AI initiatives that will support our overall mission. These initiatives contain, among other things, a user-facing chatbot that can support our users to gain a proper overview and control of their finances in a safe and sustainable manner. However, acknowledging that such initiatives do not come without risks, we are also implementing an internal AI Standard Operating Procedure to set the ground for internal AI governance and will ensure continuous monitoring and testing of relevant initiatives.

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 set-up 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 subject to a thorough ESG assessment during 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 quarterly basis. Via Peakon, employees are also encouraged to communicate any wishes they might have about their workplace.

Healthy corporare 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 ensure a sustainable culture and environment for all employees.

Tax policy

Lunar has a tax policy explaining our stance on various areas within the tax domain. This includes, but is not limited to, our cooperation with tax authorities, framework for advisory services, efforts to counteract tax evasion by customers, and our disclosure that we do not have activities in countries listed by the EU or OECD as non-cooperative jurisdictions (tax havens), etc. The tax policy can be found on Lunar's website and was published concurrently with the 2023 annual report.

Yearly reporting

Lunar will commit to prioritising ESG 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.

LUNAR

Lunar Group ESG report 2023