

Statement on principal adverse impacts of investment and insurance advice on sustainability factors

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VERSION 2.0

Purpose

Pursuant to Article 4(5) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR"), as further described in Article 11 of the Commission Delegated Regulation (EU) 2022/1288 ("SFDR Delegated Regulation"), this statement provides information on how Danske Bank A/S ("Danske Bank") considers principal adverse impacts of investment and insurance advice on sustainability factors.

Description of principal adverse impacts

SFDR describes principal adverse impact as the negative, material or likely to be material effects on sustainability factors caused, compounded by or directly linked to investments, with sustainability factors referring to environmental, social and employee matters, respects for human rights, anti-corruption and anti-bribery matters.

SFDR requires, among other, manufacturers of financial products to disclosure whether, and if so, how they consider principal adverse impacts of investment decisions on sustainability factors, and also whether, as if so, how their financial products consider principal adverse impacts on sustainability factors. The SFDR Delegated Regulation defines 18 mandatory principal adverse impact indicators and a number of additional voluntary indicators that manufacturers are required to report on, when considering principal adverse impacts of investment decisions on sustainability factors. These indicators can be used, in whole or in part, to measure the principal adverse impacts of investments in financial products on sustainability factors.

Consideration of principal adverse impacts

Danske Bank provides investment advice on selected Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs). Danske Bank also provides insurance advice on selected Investment Based Insurance Products (IBIPs). For the purpose of this statement, UCITS, AIFs and IBIPs are collectively referred to as financial products.

Danske Bank considers the principal adverse impacts of investment and insurance advice on sustainability factors, when selecting financial products for our advisory portfolios. The consideration is based on the information made available by manufacturers, including in particular, the pre-contractual and periodic disclosures prescribed by SFDR for financial products that promote environmental or social characteristics (the so-called Article 8 products) and financial products that have sustainable investment as their objective (the so-called Article 9 products).

Danske Bank is committed to minimising the negative impact on society and the environment that investments may have. As such, we require that the manufacturers of the financial products, that are included in our advisory portfolios, meet certain minimum criteria, as well as the financial products themselves. We expect that all manufacturers and financial products within Danske Bank's advisory portfolio meet the following minimum criteria:

Minimum criteria for manufacturers:

- The manufacturer is a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI) or has implemented a Responsible Investment Policy that meets the corresponding requirements.
- The manufacturer has committed to a net-zero climate target and participates in other climate initiatives such as Climate Action 100+. If such a commitment is not made, we require a clear plan to be shared with Danske Bank on how the manufacturer intends to achieve the overall goal of net zero.
- The manufacturer has a well-defined monitoring set-up in place to assess sustainability risk and clear documentation of how sustainability risk is integrated into the investment analyses and decision-making processes.
- The manufacturer is an active owner and engages with investee companies to manage and improve sustainability performance and protect the value of the investments.

- The manufacturer reports on relevant sustainability factors. This includes principal adverse impacts of investments in the financial product.

Minimum criteria for financial products:

- The financial product either promotes environmental and/or social characteristics and follows good governance practices, as required for Article 8 products, or have sustainable investment as its objective, as required for Article 9 products. If the financial product does not disclose as an Article 8 or 9 product, we expect a clear plan on how the financial product expects to achieve this, and that the plan is shared with Danske Bank.
- The financial product should not invest in companies and/or countries that a) are involved in activities, or with a conduct, leading to significant principal adverse impacts and/or, as relevant, significant harm on sustainable investment objectives; b) otherwise express weak sustainability practices; and c) do not have minimum social safeguards.
- The financial product should not invest in non-ethical and controversial activities and sectors such as controversial weapons, nor should the financial product invest in companies whose turnover is substantially derived from tobacco, pornography or military equipment.
- The financial product excludes investments that have a negative impact on the climate meaning investments in companies involved in thermal coal, tar sands and peat-fired power-generation unless they have a credible transition plan.
- The financial product should consider and be aligned with Danske Bank's investment restriction list.

As for now, we do not rank and select financial products based on the principal adverse impact indicators listed in the SFDR Delegated Regulation. Over time, we intend to update our processes to e.g. include ranking as a natural factor for our financial product selection, just as we today assess for example size, return expectation, risk level, and portfolio contribution.

The way in which we consider principal adverse impacts on sustainability factors in our advice is bespoke, due to the varying levels of ambition our customers have in relation to sustainability. As part of the suitability assessment, customers will be asked, among other, whether they want to have a focus on minimising the principal adverse impacts that investments have on sustainability factors, and whether this should be achieved through inclusion, exclusion or active ownership or a combination hereof.

Change log

Date	Version number	Comments/changes
10 March 2021	1.0	<p>Statement on principal adverse impacts created.</p> <p>Principal adverse impacts of investment and insurance advice on sustainability factors are not considered. Principal adverse impacts in advisory services will be considered no later than 30 December 2022, on which date the disclosure requirements under SFDR are fully effective.</p>
29 December 2022	2.0	<p>Statement on principal adverse impacts updated to reflect that principal adverse impacts of investment and insurance advice on sustainability factors are considered.</p> <p>Description of principal adverse impacts and sustainability factors added together with description of, how these are taken into consideration when selecting financial products for advisory portfolios and in the advisory process.</p>