

Inclusion Instruction

1. Objective

This Instruction defines the framework for how we in Danske Bank integrate inclusion criteria in our investment management processes and -products on basis of sustainability-related considerations.

Our approach to responsible investment is based on the principle of Double Materiality meaning that we therefore consider sustainability factors from the perspective of:

1. Financial Materiality: Protect the value of our investments and generate attractive returns
2. Environmental and Societal materiality: Reduce the negative impacts and maximize the positive impacts that our investments have on society.

This Instruction operationalises our general commitment to consider and prioritise the principal adverse impacts that our investment decisions may have on society as enshrined by the Responsible Investment Policy.

2. Definitions

The below definitions apply to the terms used throughout the Instruction. Any term not defined herein shall have the meaning ascribed to it in the Responsible Investment Policy.

Double Materiality	the determination of whether a sustainability factor is of relevance when investing from either the perspective of Financial Materiality and/or Environmental and Social Materiality
ESG	environmental, social or governance
Environmental & Social materiality (also referred to as "Impact Materiality")	the inside-out impacts that an issuer's/company's economic and financial activities may have on sustainability factors
Financial Materiality	the outside-in impacts that sustainability factors may have on a company's/issuer's economic and financial activities throughout their entire value chain (both upstream and downstream), affecting the value (returns) of such activities.
Group	Danske Bank A/S with its subsidiaries

3. Scope

The Instruction applies to investment management activities of Danske Bank as covered by the Responsible Investment Policy. Inclusions governed by this Instruction are applied to different degrees and in different combinations by investment products managed by Danske Bank. The extent to which inclusions apply to a given investment product is outlined in pre-contractual disclosures of that product.

The Instruction covers direct investments in instruments (e.g. equity, bonds) issued by issuers. The Instruction does not apply to investments in derivatives such index derivatives or other broad-based derivatives. Subject to the binding elements of a given investment product, indirect investments in issuers through underlying funds are not in scope of this Instruction.

3.1. Target group

This Instruction applies to all employees, functions, and units in Danske Bank Group that are involved in or oversee investment management activities. The Instruction is also applicable to any employee, function and/or units in Group subsidiaries if adopted and/or incorporated by the subsidiary in accordance with applicable governance rules.

4. Inclusions

For the investment products, we make available, we apply different inclusion categories. These inclusion categories can be used to 1) address sustainability risk, 2) promote E/S characteristics and/or 3) meet sustainable investment objectives as well as to 4) further address specific principal adverse impacts. The following inclusion categories are applied in Danske Bank:

- Sustainability risk considerations
- Positive climate impacts – Renewable Energy Generation
- Positive climate impacts – Reduction of greenhouse gas emissions
- Sound sustainability practices
- Sound environmental stewardship
- Sustainable Investments
- Contribute to environmental objectives of the EU Taxonomy

Inclusions captured by these categories are outlined in the table, with the reservation that certain clients might request to have specific inclusions not listed below.

Inclusion	Approach	Measurement/Indicators	Data Source	Additional information
Sustainability risk considerations	Sustainability Risk considerations are included in the selection of investments in the same way as other risk considerations. Appreciating that investments have different characteristics and are affected differently by Sustainability Factors, the investment team tailors the Inclusion of sustainability factors potentially leading to Sustainability Risks	A combination of five sustainability risk indicators.	mScore MSCI ESG Rating Sustainalytics ESG R.R. ISS-ESG Rating ISS-ESG Carbon R.R.	sustainability-risk-integration-instruction.pdf (danskebank.com)

	to the specific investment strategy and asset class.			
Positive climate impacts – Renewable Energy Generation	The inclusion of issuers generating wind, solar, hydroelectric, tidal, geothermal, biofuels and other technologies deemed renewable	MWh (megawatt-hour) produced and/or MW (megawatt) built renewable energy generation related to wind, solar, hydroelectric, tidal, geothermal, biofuels and other technologies deemed renewable that a strategy is invested into. Individual issuers may not contribute to the positive climate impact as long as the overall contribution of the strategy is positive	Public traded securities: ISS Private traded securities/Alternative investment funds: Directly sourced from the company or Investment Manager	N/A
Positive climate impacts – Reduction of greenhouse gas emissions	The inclusion of issuers whose solutions/product reduce GHG emissions	Reduction of greenhouse gas emissions (CO2 equivalent) achieved by issuers that a strategy is invested into. Individual issuers may not contribute to the positive climate impact as long as the overall contribution of the strategy is positive.	Public traded securities: ISS Private traded securities/Alternative investment funds: Directly sourced from the company or Investment Manager	N/A
Sound sustainability practices	The inclusion of issuers with higher ESG scores	Weighted average mScore. Individual issuers may score below that level if the entire portfolio has a score above the target score of 40.	Proprietary Model based on input from ESG Data Providers (ISS, MSCI, Sustainalytics, TruValue Labs)	mDASH methodology documentation.pdf
Sound environmental stewardship	The inclusion of issuers with higher weighted carbon risk rating score.	Weighted average Carbon Risk Rating. Individual issuers may score below that level if the entire Portfolio has a score above the target score of 40.	ISS-ESG Carbon Risk Rating	N/A
Sustainable Investments	The inclusion of issuers that contributes to an environmental or social objective in accordance with Regulation (EU) 2019/2088	Active Strategies: Share of issuers deemed to meet the criteria outlined in the Sustainable Investment house view model Passive Strategies: Share of investments tracking a climate transition benchmark or Paris Aligned Benchmark. Active & Passive Strategies: share of activities aligned with the EU Taxonomy	Active Strategies: Proprietary Model based on input from ESG Data Providers (MSCI, Util, ISS, Sustainalytics) and/or proprietary qualitative assessment Passive Strategies: MSCI Index data.	danske-bank-sustainable-investment-houseview-and-sdg-model.pdf [danskebank.com]
EU Taxonomy	The inclusion of issuers that contributes economic activities defined in accordance with Regulation (EU) 2020/852	Portion of an issuer's turnover, CAPEX and OPEX aligned with the classification	Public traded securities: ISS: Private traded securities/Alternative investment funds: Fund-of-Funds or other multi-asset investment products: ISS or information received from the manager. Directly sourced from the company or Investment Manager	N/A

It is the investment teams' responsibility to, in a systematic way, incorporate applicable inclusion criteria in their investment decisions. Tools, knowledge, research, education, and subject-matter expertise will be provided by the Responsible Investment team to support Inclusion processes. External fund due diligence

as well as exposure screening are carried out in order to assess alignment with applicable inclusion criteria.

The Investment and Responsible Investment teams must obtain and maintain an appropriate level of competence to carry out their responsibilities and be aware of relevant requirements that is applicable to a specific asset class and investment strategy.

5. Data sources & Models

Data sources & models used for inclusions are assessed and developed by the Responsible Investment team in Danske Bank on a continuous basis. This includes, but are not limited to, assessments on data coverage, data quality, methodology, costs, and other Danske Bank operational considerations.

The Responsible Investment team is responsible for selecting the data source/model most relevant to each inclusion category.

6. Monitoring & Controls

For inclusion thresholds outlined in pre-contractual documentation, automatic or manual limits should be set up to ensure continuous adherence. Monitoring of sustainability risk considerations is in accordance with the Sustainability Risk Instruction.

7. Governance

The Responsible Investment Committee endorses changes made to inclusion instruction on basis of advice from relevant functions with its effectiveness being subject to approval by the Head of LC&I, Danske Bank.

Any changes to inclusion criteria qualifying as models per the Model Risk Policy of Danske Bank A/S models are subject to governance outlined in the Model Risk Policy of Danske Bank A/S.

8. Disclosures

Supporting disclosures are maintained by the Responsible Investment team and is to be published on relevant channels.

The Responsible Investment Committee will annually receive an update on the implementation of this Inclusion Instruction.

11. Change Log

Date	Version number	Comments/changes
30 June 2023	Version 1.0	Instruction created