

Responsible Investment Instruction

March 2021

1. Objective

The objective of this Responsible Investment Instruction is to further outline Danske Bank's approach to responsible investments while ensuring adherence to applicable laws and regulations such as the Sustainable Finance Disclosure Regulation, the Danish Financial Business Act and other sectoral regulations.

Integrating sustainability is a cornerstone of our fiduciary duty to create value for customers and support the transition to a more sustainable society. Our firm commitment to responsible investment is an integral part of this duty.

The Responsible Investment Instruction outlines how we live up to the Principles of the Responsible Investment Policy:

- Incorporate sustainability risks into our investment analysis and investment decision-making process (Principle 1)
- Incorporate sustainability risk in advice and offering products that promote the environmental and/or social characteristics or have sustainable investments as their objective (Principle 3)
- Report on activities and progress towards implementing Responsible Investments and disclosing impacts of our investments (Principle 4)

Details on our incorporation of ESG criteria into active ownership (Principle 2) is outlined in a separate "Active Ownership"-instruction.

This document provides additional information that employees in Danske Bank Group must comply with when handling sustainability risks within the investment process, as communicated in the Responsible Investment Policy.

2. Definitions

The below definitions apply to the terms used throughout the Instruction.

Active Ownership	means the use of rights and position of ownership to influence the activities or behaviour of investee companies
ESG	means environmental, social or governance
ESG Reporting & Communication	means communicating and reporting on sustainability risk and ESG activities
ESG Information	means data and research related to ESG topics typically provided by companies specialized in ESG and sustainable investment research
Environmental & Social materiality	means external impacts of a company's activities and how the company significantly affects society and environment, including Principal Adverse Impact
Financial Materiality	means any factor reasonably likely to significantly impact the financial condition or operating performance of a company or investment
Group	means Danske Bank A/S with its subsidiaries.
Investment and Investment Related Products	means managed portfolios, alternative investment funds, IBIPs, pensions products/schemes and/or UCITS products.
Investment Management	means the management of investments for a financial institution or client
Principal Adverse Impact	means the most significant impacts of investment decisions and advice that result in negative effects on sustainability factors, (i.e. environmental social and employee matters, respect human rights, anti-corruption and anti-bribery matters)
Restrictions	means certain sectors, companies, products or activities restricted from the investment universes in order to address sustainability risks and adverse sustainability impacts
Screening	means our investment universe to identify sustainability risks related to portfolio holdings with reference to current regulation, industry best practice, international norms and voluntary frameworks for corporate responsibility.
Sustainability Factors	means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
Sustainable Finance Disclosure Regulation (SFDR)	means Regulation (EU) 2019/2088 of the European Parliament and Council on sustainability-related disclosures in the financial services sector
Sustainability Risk	means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment
Sustainable Investment	means an investment in an economic activity that contributes to an environmental objective, as measured,

	for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance; ¹
Target Group	means the group of people, subsidiaries, areas and/or functions, for whom the governing information is intended to be directly applicable.
Transition Pathway Initiative	The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.

3. Scope

The scope of this Instruction are Responsible Investments, and associated processes.

The Responsible Investment Instruction does not apply directly to structured products, derivatives, Danske Bank's capital market activities (including but not limited to market making, securities trading etc.) or externally managed funds.

3.1. Target group

This instruction applies to all employees, all functions, and all units in Danske Bank Group that perform investment management or distribute investment products. The Responsible Investments Instruction also applies to regulated subsidiaries and separate legal entities once adopted by their relevant governing bodies.

In case the Instruction conflicts with local requirements, the Senior Management of the regulated subsidiary may introduce the Instruction with deviations. Any deviation from the Instruction must be reported to the Head of Responsible Investments.

The Responsible Investment Instruction is particularly relevant for certain units/functions' daily work, in particular the Responsible Investment team as well as the investment management teams. It is the responsibility of each manager to ensure compliance with this instruction within a unit/function.

¹ As defined in the Sustainable Finance Disclosure Regulation

4. Instruction Content

4.1. Incorporation of sustainability risks into investment analysis and investment decision-making process

This section outlines how we live up to the Principle 1 of the Responsible Investment Policy.

Incorporating sustainability risk into the investment process is part of our fiduciary duty to clients and beneficiaries to achieve the highest and most stable investment returns as well as being a regulatory requirement. Therefore, it is fundamental to identify those sustainability factors in the investment research, security selection, portfolio construction and investment decision process, which may pose a risk or an opportunity and thereby affect financial performance. We have separated the section to two parts, one focused on the Danske Bank investment teams and the other on external investment managers.

Sustainability risks must be incorporated into the investment process as factors alongside financial factors for all investment decisions. The analysis must also include an assessment of how those sustainability risks are likely to impact the return of the investment product. Sustainability risks and opportunities of the portfolio companies are identified by assessing the companies' ESG performance and exposure to risk based on external ESG data and information as well as internal expertise and advice.

There is no 'one best way' or 'silver bullet' to incorporate sustainability factors and there will be several approaches in order to be relevant and applicable for each asset class and/or strategy. However, sustainability risk integration means that each investment team, in the way that is applicable to a specific asset class and investment strategy, must apply the following:

- analysis of financial information and ESG information
- identify material financial and sustainability factors
- assess the potential impact of material financial and sustainability factors on economic, country, sector, and company performance, and thus assess the likely impact of sustainability risks on the return of the investment product
- make investment decisions that consider all material factors, including sustainability factors

The investment teams should not:

- by default prohibit certain sectors, countries, and companies from the investment universe (other than Danske Bank Group restrictions, investment team convictions or specific requirements from customers)
- ignore traditional financial factors
- assess sustainability issues that are not material for the company/issuer
- sacrifice portfolio returns to perform Sustainability Risk Integration

This approach to integration of sustainability risk in the investment process enables the investment teams to:

- meet the regulatory requirements related to integration of sustainability risks and assessing the likely impact of these on investment returns
- understand more about the quality of companies and how they manage risks and opportunities
- make better-informed investment decisions based on a holistic assessment of the investee companies
- meet client demand for an integrated responsible investment approach.

4.1.1 Sustainability Integration approach

The Sustainability Integration approach consists of two steps, which the investment teams should complete during their analysis and decision making:

4.1.1.1 ESG information gathering:

Investment teams must review financial and ESG data and research for each investee company. Data can be sourced from multiple data sources (including but not limited to company reports and third-party investment research). The Responsible Investment team is responsible for ensuring the investment teams have access to required ESG data & research.

The Investment teams access this data through various ESG data and research providers, managed by the Responsible Investment team. ESG data sources and data providers are continuously being monitored and updated to be able to serve the needs of the investment teams. Not all data sources are used by all teams.

4.1.1.2 Materiality assessments

To address which sustainability risks are considered to have a potential material negative impact on the value of an investment, we rely on the concept of Financial Materiality. This ensures a systematic approach into the most material issues for a given investment. In addition to looking at Financial Materiality, we consider sustainability risks through assessing ESG performance of investments based on industry best practice, as per international norms and voluntary frameworks for corporate responsibility such as e.g. the TCFD (Task Force on Climate-related Financial Disclosures), UN Global Compact and the OECD Guidelines for Multinational Enterprises, which Danske Bank supports. Investment teams should analyse relevant financial and ESG information to identify material financial and sustainability factors affecting a company, sector, and/or country. The investment teams can use Danske Bank proprietary mDash – materiality dashboard to complete this analysis.

A definitive list of environmental, social and governance (ESG) issues does not exist, but the Investment Teams should apply the Sustainability Accounting Standards Board's (SASB) materiality map as a framework to focus on the material topics for each company and industry. In instances where SASB cannot be applied the Investment Teams shall work in collaboration with Responsible Investment Team to identify financially material ESG information.

If ESG issues are considered material for the company/issuer's financial, operating or sustainability performance, an assessment of their impact must be carried out by the Investment Team. This assessment should include considerations of:

- Adjustments to the investee company's forecasted financials
- Valuation-model variables
- Valuation multiples
- Forecasted financial ratios
- Internal credit assessments
- and/or portfolio weightings are necessary

If ESG issues and sustainability risk factors are analysed and found not to be material, an assessment is not carried out and adjustments are not made.

It is the investment teams' responsibility to, in a systematic way, incorporate the ESG information and sustainability risk factor in their decisions to either buy/increase weighting, hold/maintain weighting, decrease weighting, or sell/divest. Investment teams may develop new valuation models to include ESG information or feed ESG information into already existing models.

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

Tools (e.g. mDash), knowledge, research, education and subject-matter expertise will be provided by the Responsible Investment department to support Sustainability Integration processes.

The strength of this bottom-up approach is that our solid foundation of data, tools and resources will enable the investment teams to incorporate Sustainability Risk in a way that optimizes the risk/return profile of the investments.

4.1.2 Addressing sustainability risk through investment restrictions

Danske Bank Group has decided on restrictions for lending, procurement, and investment in certain companies involved in tar sands and thermal coal, and in controversial weapons according to established criteria. These restrictions support the overall sustainability integration approach and mitigate sustainability risks.

For thermal coal restrictions, Danske Bank allow for exemptions for companies with sound climate-related risk governance based on objective criteria. Specifically, companies must meet Level 3 management criteria according the Transition Pathway Initiatives (TPI) framework. Investment Teams can propose exemptions for companies by compiling documentation outlining how the company satisfies the TPI-criteria. Exemptions are discussed and endorsed by the ESG Integration Council and approved by the Responsible Investment Committee.

In addition, overall investment restrictions apply to issuers targeted by sanctions as defined by Danske Bank's AML/CTF and Sanctions Policy. Unless sanctions stipulate specific timelines, investment restrictions should be implemented within a reasonable time frame after the announcement, decision or trigger.

Danske Bank Asset Management has decided to refrain from investments in companies involved in tobacco related activities and involvement in sustainability related controversies, practices, or other activities considered unacceptable in relations to Nordic norms and/or significant principal adverse impacts on sustainability factors. This investment restriction applies to all funds from Danske Invest and Danica assets.

Danske Bank applies three different categories of investment restrictions:

Category	Application
Group-wide: Restriction based on Danske Bank Group's sustainability positions	Danske Invest & Danica
Asset Management-wide: Restriction based on potential significant impact on investments return/risk and/or customer relationship.	Danske Invest & Danica
Customer-specific: Restriction based on specific customers' specific requirements.	Specific Danica Invest funds or Danica Products

Danske Bank apply the following thresholds and definitions for those investment restrictions. Details on how these are applied on a product level can be found in pre-contractual documentation.

Type	Definition	Activity	Criteria/ threshold ²
Tar sands	Tar sands, also known as oil sands or crude bitumen, or more technically bituminous sands, are a type of unconventional petroleum deposit. Oil sands are either loose sands or partially consolidated sandstone containing a naturally occurring mixture of sand, clay, and water, saturated with a dense and extremely viscous form of petroleum technically referred to as bitumen (or colloquially as tar due to its superficially similar appearance).	Surface mining	5% revenue
		In-situ recovery	5% revenue
Controversial weapons	<p>Controversial weapons include the following:</p> <ul style="list-style-type: none"> • Anti-personnel mines • Biological weapons • Chemical weapons • Cluster munition • Nuclear weapons • Nuclear weapons outside the Non-Proliferation Treaty <p>The weapons are considered controversial as their production and use are assessed to be in conflict with the prohibitions set out in international conventions and national financing prohibitions or as their because of their indiscriminate effects and the disproportionate harm they cause.</p>	Development	Yes
		Production	Yes
		Maintenance	Yes
		Sale	Yes
		Prime contracting	Yes
		Key sub-contracting	Yes
		Supplier of key components	Yes
Thermal coal	Thermal coal designates coal used by power plants and industrial steam boilers to produce electricity or process steam.	Surface mining/ "opencast mining"	5% Revenue 5% Revenue

² Revenue threshold means maximum revenue percentage from activity and Yes/No refers to binary categories where no revenue threshold, and where 'Yes' means restriction in place

	<p>Coal extraction: Coal extraction refers to the process of mining/extracting coal from the surface of the ground or underground mines. Surface mining is also referred to as 'opencast' mining and underground mining as 'deep' mining.</p> <p>Power generation: Generation of electricity using thermal coal as the energy source.</p>	<p>Underground mining/"deep mining"</p>	<p>5% Revenue</p> <p>5% Revenue</p>
		Power generation	5% Revenue
Peat-fired power generation	Peat is organic fuel consisting of spongy material formed by the partial decomposition of organic matter, primarily plant material, in wetlands.	Power Generation	5% Revenues
Nordic Norms	Involvement in sustainability related controversies, practices, or other activities considered unacceptable in relations to Nordic norms and/or significant principal adverse impacts on sustainability factors. This includes companies allegedly violating international norms as defined by The International Bill of Human Rights, The OECD Guidelines for Multinational Enterprises, The UN Guiding Principles on Business and Human Rights, The Declaration on Fundamental Rights and Principles at Work	Incident-based	Case-specific
Tobacco	Tobacco products are products made entirely or partly of leaf tobacco as raw material, which are intended to be smoked, sucked, chewed or snuffed. Tobacco products are also electronic cigarettes and other 'Next-Generation-Products'.	Leaf growing	5% Revenue
		Harvesting	5% Revenue
		Curing	5% Revenue
		Leaf processing	5% Revenue
		End-product manufacturers	5% Revenue
		Value-added resellers (VAR)	5% Revenue
Alcohol	Alcohol refers to alcoholic beverages with alcohol volume higher than 2,25%. Alcohol is a psychoactive drug that is the	Wineyard owners & operators	5% Revenue
		Brewing	5% Revenue
		Distilling	5% Revenue

	active ingredient in drinks such as beer, wine, and distilled spirits.	Fermenting	5% Revenue
		Nightclub-, bar-, & pub-chains	5% Revenue
		Liquor stores	5% Revenue
		Malt, barley, other commodity inputs	5% Revenue
Military equipment	Military equipment refers to equipment that have been developed, designed or modified for military use based on military specifications. It covers both combat equipment as well as other military equipment with non-lethal functionality.	Production of combat equipment (tanks, ammunition, missiles, etc.)	5% Revenue
		Production of other military equipment (radar systems, surveillance vessels, military software, etc.)	5% Revenue
		Maintenance, repair and logistics	5% Revenue
		Military equipment distribution	5% Revenue
Pornography	Adult Entertainment/ Pornography refers to explicit images of sexual behaviour that are intended to cause sexual excitement. This includes products labelled 'erotica', 'porn' or 'adult entertainment'.	Production	1% Revenue
		Broadcasting	1% Revenue
		Distribution	1% Revenue
Fossil fuels	Fossil fuel, any of a class of hydrocarbon-containing materials of biological origin occurring within Earth's crust that can be used as a source of energy. Fossil fuels include coal, petroleum, natural gas, oil shales, bitumens, tar sands, and heavy oils.	Exploration	5% Revenue
		Production	5% Revenue
		Refining	5% Revenue
		Transportation	5% Revenue
		Storage	5% Revenue
		Energy equipment & services* ³	5% Revenue
Gambling	Gambling refers to the wagering of money on a game or event such as sports, cards or dice games, gaming machines and lotteries. Gambling has historically taken place in physical venues but is now also taking place online.	Betting operators	5% Revenue
		Casinos	5% Revenue
		Lotteries	5% Revenue
		Gambling brokers	5% Revenue
		End-product manufacturers	5% Revenue

³ *Based on GICS industry group classification (101010)

		Affiliates/Lead generation/performance marketing	5% Revenue
		Integrated casino systems	5% Revenue

Each of the three categories of Investment Restrictions have:

- a governing entity responsible for outlining the governance and process, and
- an approving entity, with the mandate to approve Investment Restrictions.

Category	Governing Entity	Approval Entity
Group-wide: Restriction based on Danske Bank Group’s sustainability positions (values-based restriction)	Group Sustainability	Business Integrity Committee
Asset Management-wide: Restriction based on potential significant impact on investments return/risk and/or customer relationship.	Responsible Investment	Responsible Investment Committee & Danske Invest Board of Directors
Customer-specific: Restriction based on specific customers’ specific requirements.	Responsible Investment	Danske Invest Board of Directors

4.1.3. Sustainability Risk Integration: External investment managers

Danske Bank uses external asset managers to manage assets on behalf of clients. To align with our Responsible Investment ambition and strategy, the external managers’ responsible investment approaches are assessed regularly within a structured assessment framework.

The assessment is used as a part of the ongoing monitoring and evaluation of the managers to ensure a consistently applied investment process that includes sustainability risks. Furthermore, it forms the basis for feedback to the external managers on how their responsible investment approaches are assessed, and potential initiatives to strengthen their responsible investment efforts. The assessment is also an integral part of the due diligence process on new external managers which serves to identify solid and consistently applied investment processes that include sustainability risk considerations. Finally, the assessment and feedback serves to promote Sustainability Risk Integration within the asset management industry.

The external managers that Danske Bank work with invest in different asset classes, they apply various investment processes and operate in different organisational setups, i.e. small investment organisations compared to Danske Bank’s internal investment teams. The assessment of external managers caters for diversity in Responsible Investment approaches and focuses on the fact that Sustainability Risk is integrated in a meaningful way for the manager.

4.2. Incorporation of sustainability risk in advice and offering products that promote environmental and/or social characteristics or have sustainable investments as their objective

This section outlines how we live up to the principle 3 of the Responsible Investment Policy.

We offer Investment and Investment Related Products that promote environmental and/or social characteristics and aim to offer products with sustainable investments as their objective. The specific investment management processes to live up to the specific regulatory disclosure requirements are detailed in the product-level documentation (e.g. prospectus and investment guidelines). Products

classified as Article 8 or Article 9 according to the Sustainable Finance Disclosure Regulation may have investment guidelines that outline how environmental and social characteristics are promoted or Sustainable Investment Objectives are met.

The Risk & Return Advisory team has a dedicated 'Sustainability Risk Challenger' (SRC). The SRC will monitor, review and follow-up on investment products' sustainability risk exposures and evaluate whether funds' deliver on the customer promise. The SRC focuses on evaluating sustainability risk and performance to ensure investment teams address relevant sustainability aspects in the investment process, thereby helping to protect customers' investments. The SRC acts independently from investment teams.

The Sustainability Risk challenger role is analytical and is mandated to perform in-depth analysis of products to assess their sustainability risk and performance. In-depth sustainability analysis of products is triggered either by: Sustainability Risk Alert Framework, Requests from Management in Asset Management or Danske Invest or on own Risk Advisory's own initiative. Findings from the in-depth analysis are used in dialogue and to challenge investment teams.

4.3. Reporting on our activities and progress towards implementing Responsible Investments and disclosing impacts of our investments

This section outlines how we live up to the principle 4 of the Responsible Investment Policy.

Our Reporting & Communications focuses on our Responsible Investment Policy and can concern a specific investment strategy, several products or include firm-wide perspectives.

In order to comply with regulatory requirements, we ensure our reporting includes all mandatory information.

Our customers and other stakeholders increasingly require high quality Reporting & Communications about our Responsible Investment activities in the form of for instance documents, dashboards, raw data, reports, videos and other formats. Materiality is a foundation for our Reporting & Communications, meaning understanding which information is important to our shareholders and focusing on that.

For all investors, the mandatory documentation as per regulatory requirements is available on our websites.

For institutional investors, a semi-annual comprehensive ESG report is produced to detail restrictions, ESG ratings and active ownership activities specifically for their portfolio or mandate.

Certain clients can request additional tailored reporting as well to align with their investment strategies as well as resources used (e.g. use ratings of same ESG data provider for consistency).

Standards for Reporting & Communications are evolving, and we support the development of corporate ESG disclosure standards.

Our Reporting & Communications should adhere to the following quality measures:

- Comply with applicable market and regulatory standards whenever relevant. Sufficient level of transparency meaning that it contains all material information to understanding the topic and this information is presented fairly and without bias. Ensure that all required information is presented at the relevant Danske Bank websites in the required format.
- Balanced and complete meaning provide an objective picture of the topic, present both favorable and unfavorable information clearly and in full to aid the recipients understanding. Reporting & Communications on more difficult subjects should be set out alongside explanations and commentary.
- Accurate meaning portray the reality of the quality of the process and its output.

- Strong data processes meaning ensure that the quality of the data collected and reported is understood and documented. Collate information on how the data was compiled, what assumptions were made, and whether any uncertainties or limitations apply to the data. Data sources must be appropriate, reliable and evidenced. Any data challenges should be identified and the implications assessed.

The Responsible Investment Team is responsible for the processes in relation to this Instruction and to continuously improve our Reporting & Communications so that our stakeholders can fully understand our approach to responsible investing.