

# Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** Danske Bank A/S (MAES062Z2104RZ2U7M96)

## Summary

Danske Bank A/S considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Danske Bank A/S and the subsidiaries Danske Invest Management A/S, Danske Invest Asset Management A/S and Danske Invest Fund Management Ltd, all individual financial market participants that are required or have opted to consider principal adverse impacts of investment decisions on sustainability factors in accordance with the EU Sustainable Finance Disclosure Regulation (SFDR). There might be deviations in relation to how this statement is reflecting practices of the different subsidiaries covered by this statement. Reference is in this respect made to statements individually published by the relevant subsidiaries.

As a financial market participant, the subsidiary Danica Pension Livsforsikringsaktieselskab is also disclosing principal adverse impacts its investments might have on sustainability factors, but has published a separate statement with supplementing reporting to that effect. Whilst also a financial market participant and a subsidiary of Danske Bank A/S, Danske Private Equity A/S does not consider principal adverse impacts of its investments, and is therefore not included in this consolidated statement nor reporting for Danske Bank A/S.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022. Through the consideration of principal adverse impacts, Danske Bank A/S is monitoring and reporting on 18 mandatory principal adverse impact indicators and six voluntary indicators defined by SFDR. The aim is to address these impacts at different degrees on an investment product and entity level in order to reduce the negative footprint our investments have and/or may have on society. How and to what extent we consider and address principal adverse impacts will evolve over time and hence continuously alter this statement. Further, there are differentiations between the investment products that manufactured and managed.

## Description of the principal adverse impacts on sustainability factors

For the purposes of this statement, by “principal adverse impacts” is meant the negative, material or likely to be material effects on sustainability factors caused, compounded by or directly linked to our investment decisions. We prioritise and report on principal adverse impacts of our investment decisions on sustainability factors on basis of and covering the indicators listed below. Reporting will from year 2023 be published at an annual basis within the first half of the year and cover the reference period of the preceding year. Accordingly for the reference period of 2022, reporting against

each of the relevant indicators will be done no later than 30 June 2023. That report will also include a description of actions taken within the relevant reference period and actions planned or targets set for the subsequent period to avoid or reduce the principal adverse impacts identified.

## Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	N/A	N/A
		Scope 2 GHG emissions	N/A	N/A	N/A	
		Scope 3 GHG emissions	N/A	N/A	N/A	
		Total GHG emissions	N/A	N/A	N/A	
	2. Carbon footprint	Carbon footprint	N/A	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	N/A	

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	N/A	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	N/A	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	N/A	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	N/A	N/A
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested,	N/A	N/A	N/A	N/A

		expressed as a weighted average				
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	N/A
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	N/A
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational	N/A	N/A	N/A	N/A

	Compact principles and OECD Guidelines for Multinational Enterprises	Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	12.Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	N/A	N/A
	13.Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	N/A	N/A
	14.Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	N/A	N/A

## Indicators applicable to investments in sovereigns and suprationals

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	N/A	N/A
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A	N/A	N/A
<b>Indicators applicable to investments in real estate assets</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact [year n]</b>	<b>Impact [year n-1]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A

**Other indicators for principal adverse impacts on sustainability factors**

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
<b>Indicators applicable to investments in investee companies</b>						
Emissions	19. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	N/A	N/A	N/A	N/A
<b>ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
<b>Indicators applicable to investments in investee companies</b>						
Social and employee matters	20. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers	N/A	N/A	N/A	N/A
Human Rights	21. Lack of a human rights policy	Share of investments in entities without a human rights policy	N/A	N/A	N/A	N/A
<b>Indicators applicable to investments in sovereigns and supnationals</b>						
Governance	22. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator	N/A	N/A	N/A	N/A

		explained in the explanation column				
	23. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes	N/A	N/A	N/A	N/A
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column	N/A	N/A	N/A	N/A

**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

Governance and organisational framework:

The Responsible Investment Policy of Danske Bank A/S adopted by the Board of Directors on 16 December 2022 confirms and outlines the commitment to identify and prioritise principal adverse impacts on sustainability factors. The Responsible Investment Policy is subject to regular, not less than annual, reviews, with input from 2<sup>nd</sup> Line Risk Management, Compliance, the ESG Integration Council and other relevant stakeholders. The Responsible Investment Policy is approved with endorsement through the Responsible Investment Committee and Business Integrity Committee of Danske Bank A/S. It is the responsibility of the Responsible Investment Team in Danske Bank A/S to ensure the maintenance and implementation of the policy, with the Responsible Investment Committee guiding its execution. The Responsible Investment Policy and its commitments to identify and prioritise principal adverse impacts are further operationalised through underlying instructions on Exclusions and Active Ownership with supporting guidelines.

Prioritisation of principal adverse sustainability impacts:

As stated in the Responsible Investment Policy, we aim to analyse and assess the negative impacts and positive impacts of our investments and to address these aspects in accordance with the needs of our customers. We prioritise the management of principal adverse impacts on sustainability factors at the level of Danske Bank A/S in accordance with Group Position Statements and other sustainability-related strategies and commitments.

Danske Bank A/S strives to refrain from investments in companies involved in thermal coal, tar sands, peat-fired generated power products and tobacco related activities for investments managed on behalf of clients in accordance with the exclusion criteria and thresholds defined in our Exclusion Instruction. This is subject to specific client mandates, investments where we due to data constraints, and the nature of the investment, e.g. indirect exposures through derivatives are unable to abide to this commitment. Same goes for certain investment strategies making indirect investments through externally managed funds. Whether and how an exclusion related to principal adverse impacts are applied to an investment product is dependent on the strategy of the given product and set out in investment guidelines and pre-contractual disclosures based on definitions in the Exclusion Instruction.

In addition to the overall investment restrictions, an increasing number of our investment products have a wider range of investment restrictions covering activities such as fossil fuels, military equipment and gambling all as individually disclosed in pre contractual disclosures.

From an investment product perspective, the management and prioritisation of principal adverse impacts are defined by the given strategy and investment portfolios/activities also leading to certain strategies not considering principal adverse impacts. Principal adverse impact considerations can lead to or influence decision-making to either buy/increase weighting, hold/maintain weighting, decrease weighting, or sell/divest.

As a minimum standard for those strategies prioritising principal adverse impacts, such impacts are managed through exclusions and active ownership activities. This may be supplemented by inclusion criteria that further addresses specific principal adverse impacts.

#### Identification of principal adverse sustainability impacts:

Principal adverse impacts are identified through screening of external impacts of an investee company's or sovereign's activities and that may significantly affects society and environment. Our screening focuses on a core set of universal mandatory indicators that always lead to principal adverse impacts and additional indicators we have committed ourselves to assess, as outlined in this Statement.

Subject to data availability, the selection of voluntary principal adverse impact indicators follows the methodology/guiding principle of selecting the indicators which are deemed most relevant to consider based on our investment management philosophy and exposures. We are continuously striving to expand the list to ensure that our processes capture negative dimensions to the largest extent.

For the purpose of performing prudent due diligence, investment teams review financial and sustainability information from multiple data sources (including but not limited to company reports and third-party investment research). Tools, knowledge, research, education and subject-matter expertise are provided to the investment team to support the due diligence processes. The strength of this bottom-up approach is a solid foundation of data, tools and resources that enables the investment teams to address principal adverse impacts. In addition, the trading/compliance platforms have an integrated pre-trade warning system capturing weak performance on principal adverse impact indicators. Essentially the trading platform ensures that when a portfolio manager of an actively managed strategy is placing a trade for a security/issuers that has been assessed as negative performance on one or more principal adverse impact indicators, the portfolio manager will receive a warning to prompt further due diligence of the issuer. This

does not apply to strategies managed through external managers. Other ESG data is also integrated into these trading platforms and analytical tools to seamlessly integrate considerations in portfolio managers' regular work-flows/security views.

Involvement in sustainability related controversies, practices, or other activities considered unacceptable and/or significant principal adverse impacts on sustainability factors is captured by our enhanced sustainability standards screening leading to exclusion of conduct and activities deemed harmful to society. The enhanced sustainability standards is Danske Bank's proprietary screening model which supports exclusions of companies that are engaged in activities and conduct harmful to society within our investment universe. Enhanced sustainability standards is a quarterly incident based review of companies alleged to be violating international norms as defined by international organizations such as the OECD, ILO, UN and other treaties or conventions deemed to be material. The screening is undertaken based on data from multiple ESG data providers (ISS, MSCI, Sustainalytics, VerRisk MapleCroft), our investment teams, Danske Bank group position statements and as well as other relevant sources and stakeholders (e.g. NGOs).

Find more information on our Responsible Investment Policy, Exclusion Instruction and Excluded Investments on <https://danskebank.com/sustainability-related-disclosures>.

#### Dataset used for reporting and margin of error:

The measurement of adherence and alignment as well as reporting on principal adverse impact indicators is in general based on data from one external provider of sustainability data. For more information see the document "ESG Dataplatform" on <https://danskebank.com/sustainability-related-disclosures>.

The data provider, ISS ESG, has been selected on basis of a thorough due diligence process. This means that dimensions such as models used, data coverage and alignment of the definitions outlined in SFDR have been scrutinised. More information on ISS' methodology (ISS ESG SFDR Principal Adverse Impact Solution - Data Dictionary) is available through ISS ESG.

In utilising ISS as vendor no direct collection of data is in overall done from the companies or issuers that we invest into. However, for certain asset classes such as illiquid investments managed through external funds, we aim to collect missing data from external managers to the extent possible. We engage with the external data provider in cases where data is incorrect or if there are significant data gaps. For calculations requiring an average, these averages are based on holdings with coverage.

As of November 2022, ISS ESG has data coverage for up to 7 400 issuers for corporate principal adverse impacts, up to 26 000 Issuers for corporate controversies linked principal adverse impacts and up to 190 countries for Sovereign and Supranational Assets. The data coverage on individual principal adverse impacts may vary greatly, dependent of the quality of the corporate disclosures. At this point in time, it is difficult to assess the magnitude of the margin of error, but it is expected to be substantial. As corporate disclosures are expected to improve and increase over time, we also expect the margin of error to be reduced impacting the reports.

## Engagement policies

In Danske Bank A/S, the approach to active ownership is governed through the Active Ownership Instruction. As stated in the Active Ownership Instruction, Danske Bank A/S leverages Active Ownership to influence the impact that investee companies' have on sustainability-related matters, and thereby make a positive contribution to society. As such Danske Bank can exercise Active Ownership when required in order to manage principal adverse impacts, including adverse impacts managed through our Net Zero commitments under the Net Zero Asset Managers Initiative. Our framework and infrastructure supports considerations of all indicators and with such considerations to be further outlined in underlying engagement (including voting) guidelines. Further, as we start to report on principal adverse impacts on investments, we expect that reporting figures will impact our approach to Active Ownership and trigger relevant actions, including in situations where there in general is no reduction of the reported principal adverse impacts over more than one period reported on.

Active ownership is conducted mainly through: 1) Dialogue; 2) Collaborative engagement, and 3) Voting. Engagement and voting practices are interrelated and feed into each other and one can be the initiator or the complement of the other. Our investment teams engage in direct dialogue with the companies in which they invest with the aim of influencing the companies' behaviour, strategies and performance in relation to business-critical sustainability aspects and principal adverse impacts.

Investment teams can use their in-depth knowledge of the companies to manage principal adverse impacts on sustainability factors, for example, whenever relevant, influence them to reduce their CO2 emissions, increase diversity on the board of directors, strengthen waste management processes, create safe and healthy working conditions for employees, or fight corruption.

At the same time, investment teams focus on supporting companies' long-term value creation. The dialogue also provides our investment teams with greater insight into companies - insights that the teams then use to make better-informed investment decisions that can benefit the potential return for our investors. In engagements we take into account our commitments to internationally recognised principles governing responsible business conduct, such as the UN Global Compact and OECD Guidelines for Multinational Enterprises and corporate governance standards, such as the G20/OECD Principles of Corporate Governance.

We are a member of several investor organisations and investor initiatives, and we collaborate with a range of other relevant stakeholders. By doing this, we aim to contribute to the development of responsible investments and to promote transparency and sustainability standards in companies and in the financial markets. We work with other investors and stakeholders to exert active ownership and engage in joint dialogue with companies to contribute to positive change. By working together, we and the investment industry gain a stronger voice, and this enables us to put additional pressure on companies to address and improve on sustainability-related issues and have responsible business practices.

We use our voting rights at companies' annual general meetings to voice our opinion on key business issues. It is an important part of our efforts to support and influence companies to address business-critical aspects. We vote on a wide array of topics, including remuneration policies, capital structure and shareholders' rights, CO2 emissions, energy efficiency, gender diversity, biodiversity, human rights and anti-corruption. Through voting,

we seek to support a company's long-term growth potential, mitigate its sustainability risks and minimise companies' adverse impacts on society. We are transparent on how we vote, and all voting activities including our voting guidelines can be found on our voting portal.

Find more information in our Active Ownership Instruction on <https://danskebank.com/sustainability-related-disclosures>.

### **References to international standards**

We prioritise the management of principal adverse impacts in accordance with Group position statements and other sustainability-related strategies and commitments. This includes but is not limited to the following international standards and commitments; UN Sustainable Development Goals (SDGs), UN Global Compact, UN Guiding Principles on Business and Human Rights, UN Principles for Responsible Investment, OECD Guidelines for Multinational Enterprises, G20/OECD Principles of Corporate Governance, Sustainability Accounting Standards Board (SASB), The Task Force on Climate-related Financial Disclosures (TCFD), CDP (formerly Carbon Disclosure Project), ESG4Real, LuxFLAG, Paris Pledge for Action, The Montréal Carbon Pledge, Climate Action 100+, The Partnership for Biodiversity Accounting Financials (PBAF), The Partnership for Carbon Accounting Financials (PCAF). In addition, standards are indirectly referred to in Danske Bank Group position statement on Agriculture, Climate Change, Fossil Fuels, Mining and Metals, Arms and Defence, Forestry and Human Rights.

Danske Bank Asset Management has further joined the Net Zero Asset Management Initiative (NZAMI), committing to reaching net-zero emissions by 2050 or sooner across all assets under management, in line with the Paris Agreement. To support this commitment, we have set concrete emission intensity and engagement targets. In addition, we have also set temperature rating targets for our asset management manufactured investment products (funds, managed accounts & Pulje). Our Science Based Target initiative (SBTi) based temperature rating targets are set for our listed equities and credits and will help identify companies that have Paris-aligned transition plans in place by providing a single number to assess companies' transition plans. The approach is a method to determine a portfolio's current 'temperature value' based on the emissions reduction targets of the invested companies. Over the course of the next few years, the targets will be further developed and implemented on specific investment products and portfolios.

### **Historical comparison**

The earliest historical comparison will be provided in June 2024

## Change Log

Date	Date Version number	Comments/changes
10 March 2021	1.0	Principal Adverse Impact Statement created
28 December 2021	2.0	<p>Indicators amended to reflect Regulatory Technical Standards (applicable from 1 January 2023)</p> <p>Indicators expanded to cover sovereigns and supranational as well as Real Estate</p> <p>Additional indicators added</p> <p>Further nuanced descriptions on Identification of principal adverse impacts,</p> <p>Prioritisation of principal adverse impacts as well as Engagement policies and references to international standards</p>
30 June 2022	3.0	Further nuanced descriptions on Identification of principal adverse impacts, Prioritisation of principal adverse impacts as well as Engagement policies and references to international standard
30 December 2022	4.0	<p>Aligned with Annex 1 Template</p> <p>Updated based on the updated Responsible Investment Policy</p> <p>Updated based on the updated Active Ownership Instruction</p> <p>Updated based on the updated Exclusion Instruction</p>