

Exclusion Instruction

1. Objective

This Instruction defines the framework for how we in Danske Bank integrate exclusions in our investment management processes 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.

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

While focussed on the Environmental and Societal materiality, the Instruction also works to protect the value of our clients' investments in that exclusions defined by this Instruction limit exposures to issuers negatively impacted by sustainability factors.

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.

3. Scope

The Instruction applies to investment management activities of Danske Bank as covered by the Responsible Investment Policy. Exclusions governed by this Instruction are applied to different degrees and in different combinations by investment products managed by Danske Bank. We strive to maintain certain baseline exclusions applicable to all investment products. In addition, we have extended criteria which is applied to specific products. The extent to which an exclusion applies to a given investment product is to be outlined in pre-contractual disclosures of that product.

The Instruction covers direct investments in instruments (e.g. equity, bonds) issued by issuers that are excluded per the exclusions outlined in this Instruction. This also includes labelled sustainability bonds issued by excluded issuers. Affiliation to an excluded issuer does in principle not trigger an exclusion of instruments issued by such affiliated entity. Sovereign based exclusions can also capture other related issuers such as state-owned enterprises.

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.

Exclusions covered by this Instruction are supplemented by statutory restrictions/bans on investing in issuers targeted by sanctions as governed through Danske Bank’s AML/CTF and Sanctions Policy.

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. Exclusions

For the investment products, we make available, we apply three different categories of exclusions aimed to reduce exposures to investments that respectively:

- are involved in activities and or with a conduct harmful to society;
- are involved in activities with negative climate impact; or

- are involved in non-ethical and/or controversial activities

Exclusions captured by these categories are outlined in the table, with the reservation that certain clients might request to have specific exclusions not listed below added to these categories. Whether an exclusion within a category applies to a managed investment product is outlined in the pre-contractual disclosures of that given product.

Activities and conduct harmful to society

Exclusion	Definition	Activity	Criteria/threshold ¹	Data source
Enhanced sustainability standards ² [Norm-based screening]	Incident and event-based screening: Involvement in sustainability related controversies, practices, or other activities considered unacceptable in relations to norms.	Incident-based and/or weak sustainability governance	Case-specific	Proprietary Model based on input from ESG Data Providers (ISS, MSCI, Sustainalytics, VerRisk MapleCroft), Investment Teams, Responsible Investment Team, Leading investors/ Nordic institutions, NGOs & Other stakeholders
	Good Governance test: Screening covering pre-set indicators on sound management structures, employee relations, remuneration of staff and tax compliance. The indicators are purposefully simplistic, considering the differences in market-specific, and industry specific governance practices across the globe, to allow for comparability and monitoring.	Non-adherence to good governance practices	Case-specific	
	Country exclusions: Screening of countries’ exposure to and management of sustainability factors, aimed at identifying countries that express weak sustainability practices, have weak governance, or have weak social safeguards	Incident-based and/or weak sustainability governance	Case-specific	

¹ 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.

² See methodology paper: “Enhanced Sustainability Standards Screening” to be publicly available at: <https://danskebank.com/sustainability-related-disclosures>

Exclusion	Definition	Activity	Criteria/ threshold	Data source
	<p>Principal Adverse Impacts: Strongly negative performance across individual and/or in combination of principal adverse impact indicators³. Includes all mandatory PAI indicators and certain other indicators.</p>	Sustainability performance	Performance-based and linked to products making sustainable investments	ISS-ESG, Responsible Investment

Activities with negative climate impact

Exclusion	Definition	Activity	Criteria/ threshold	Data source	
Tar sands	Tar sands, also known as oil sands (incl. heavy oil as equivalent) 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 (P)	5% Revenue	ISS-ESG	
		In-situ recovery (P)	5% Revenue	ISS-ESG	
Thermal coal⁴	Thermal coal designates coal used by power plants and industrial steam boilers to produce electricity or process steam.	Surface mining/ "opencast mining" (P)	5% Revenue 5% Revenue	ISS-ESG	
		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.	Underground mining/"deep mining" (P)	5% Revenue 5% Revenue	ISS-ESG
		Power generation: Generation of electricity using thermal coal as the energy source.	Power generation (D)	5% Revenue	ISS-ESG
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 (D)	5% Revenue	ISS-ESG	

³Thresholds are defined in the Danske Bank SDG Model methodology paper available on:

<https://danskebank.com/sustainability/sustainable-finance/responsible-investments/sustainability-related-disclosures>

⁴Issuers that are on a transitional pathway to meet the long-term ambitions of the Paris Agreement are not covered by the thermal coal exclusion criteria and definitions when assessed and concluded by the Responsible Investment Committee to meet transition criteria based on Level 3 of the Transitional Pathway Initiative and have credible transition targets following the Science Based Initiative (SBTi). Such investments are however not eligible for investment products making sustainable investments as their objective. For more information, see the document "Reduction of activities resulting in significant negative impact on climate" available on:

<https://danskebank.com/sustainability/sustainable-finance/responsible-investments/sustainability-related-disclosures>

Exclusion	Definition	Activity	Criteria/ threshold	Data source
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 (P)	5% Revenue	ISS-ESG
		Production (P)	5% Revenue	ISS-ESG
		Refining (D)	5% Revenue	ISS-ESG
		Transportation (D)	5% Revenue	ISS-ESG
		Storage (D)	5% Revenue	ISS-ESG
		Energy equipment & services ⁴ (U)	5% Revenue	ISS-ESG
		Power Generation	5% revenue and not deemed aligned with Net Zero Transition assessment	ISS ESG
Non-ethical and/or controversial activities				
Exclusion	Definition	Activity	Criteria/threshold	Data source
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 • Depleted uranium ammunition and armour • Incendiary weapons • White phosphorus weapons <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 because of their discriminate effects and the disproportionate harm they cause.</p>	Production (P)	Yes	ISS-ESG
		Maintenance (D)	Yes	ISS-ESG
		Sale (D)	Yes	ISS-ESG
		Prime Contracting (D)	Yes	ISS-ESG
		Key Sub-Contracting (U)	Yes	ISS-ESG
		Supplier of Key Components (U)	Yes	ISS-ESG
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 (P)	5% Revenue	ISS-ESG
		Harvesting (P)	5% Revenue	ISS-ESG
		Curing (P)	5% Revenue	ISS-ESG
		Leaf processing (P)	5% Revenue	ISS-ESG
		End-product manufacturers (D)	5% Revenue	ISS-ESG
		Value-added resellers (D) (VAR)	5% Revenue	ISS-ESG

⁴ *Based on GICS industry group classification (101010)

Non-ethical and/or controversial activities

Exclusion	Definition	Activity	Criteria/ threshold	Data source
Alcohol	Alcohol refers to alcoholic beverages with alcohol volume higher than 2,25%. Alcohol is a psychoactive drug that is the active ingredient in drinks such as beer, wine, and distilled spirits.	Wineyard owners & operators (P)	5% Revenue	ISS-ESG
		Brewing (P)	5% Revenue	ISS-ESG
		Distilling (P)	5% Revenue	ISS-ESG
		Fermenting (P)	5% Revenue	ISS-ESG
		Nightclub-, bar-, & pub-chains (D)	5% Revenue	ISS-ESG
		Liquor stores (D)	5% Revenue	ISS-ESG
		Malt, barley, other commodity inputs (U)	5% Revenue	ISS-ESG
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 (P)	5% Revenue	ISS-ESG
		Casinos (P)	5% Revenue	ISS-ESG
		Lotteries (P)	5% Revenue	ISS-ESG
		Gambling brokers (P)	5% Revenue	ISS-ESG
		End-product manufacturer (P)	5% Revenue	ISS-ESG
		Affiliates/Lead generation/performance marketing (D)	5% Revenue	ISS-ESG
		Integrated casino systems (U)	5% Revenue	ISS-ESG

Non-ethical and/or controversial activities

Exclusion	Definition	Activity	Criteria/ threshold	Data source
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.) (P)	5% Revenue	ISS-ESG
		Production of other military equipment (radar systems, surveillance vessels, military software, etc.) (P)	5% Revenue	ISS-ESG
		Maintenance, repair and logistics (U)	5% Revenue	ISS-ESG
		Military equipment distribution (D)	5% Revenue	ISS-ESG
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 (P)	1% Revenue	ISS-ESG
		Broadcasting (P)	1% Revenue	ISS-ESG
		Distribution (D)	1% Revenue	ISS-ESG
SPU	SPU refers to the exclusion list ⁵ maintained by Norges Bank Investment Management/Statens Pensjon Utland	Multiple ESG criteria	Case-specific	Norges Bank Investment Management/Statens Pensjon Utland

Multi-asset investment products leveraging external funds should to the extent possible not have exposure towards excluded investments excluded under exclusions disclosed by such funds unless otherwise disclosed. External fund due-diligence is carried out in order to assess alignment with applicable exclusion criteria and are subject to ad-

hoc screening. From time-to-time there might be excluded investments in such products if an exemption for the specific investment in the product made by an external underlying fund has been approved by the Responsible Investment Committee.

⁵ Observation and exclusion of companies | Norges Bank Investment Management (nbim.no)

5. Data sources

Data sources used for exclusions are assessed by the Responsible Investment team in Danske Bank on a continuous basis. The assessments include, 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 most relevant to each exclusion category.

6. Governance

Any changes to exclusion lists impacting Danske Bank Asset Management or Danica Livspensionsaktieselskab are subject to approval by the Responsible Investment Committee, as represented through the Head of Danske Bank Asset Management and the Danica Chief Investment Officer.

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

7. Implementation

Issuers are screened against the exclusions on a bi-annual basis, unless a review is triggered by other events. For exclusions relating to enhanced sustainability standards and SPU, the reviews run at a quarterly basis.

a decision by the Responsible Investment Committee to exclude. Once implemented, investment teams have five working days to divest holdings.

A decision to exclude a company/issuer is implemented no later than on the first bank day of the second month following

If selling is not possible for liquidity reasons, divestments will be put on hold pending the opportunity to sell at a reasonable price, holdings will be sold.

8. Disclosures

The list of excluded issuers is maintained by the Responsible Investment team and is to be published in the document "Excluded Investments" available on:

The Responsible Investment Committee and the ESG Integration Council will annually receive an update on the implementation of this Exclusion Instruction.

<https://danskebank.com/sustainability/sustainable-finance/responsible-investments/sustainability-related-disclosures>

Equally information on such companies/issuers is available in the document "Excluded Investments".

9. Escalation

The administrator of the Exclusion Instruction must report to the Executive Leadership Team the following significant breaches to the Instruction.

- Overdue Instruction exemptions
- Instruction not approved annually

Any potential problematic case concerning the Group must be escalated in accordance with the Escalation Policy. Instruction owner must escalate to the governing body in case of breaches to their instruction and if the maintenance of their instruction is not able to be completed in accordance with the Responsible Investment Policy.

10. Review

The Responsible Investment team will, in cooperation with the relevant business unit or group function, evaluate and adhere to Instruction. In case of any differences in views or in case of material decisions related to this Instruction, these can be addressed by the Responsible Investment Committee who decides on the issue, and who can choose to report to the Business Integrity Committee.

The Responsible Investment Committee and the ESG Integration Council will annually receive an update on the implementation of this Exclusion Instruction.

11. Change Log

Date	Version number	Comments/changes
02 December 2022	Version 1.0	Instruction created
01 June 2023	Version 2.0	Instruction updated for further clarification purposes and enhancement of processes, including review cycles.
10 July 2023	Version 3.0	