

Reduction of activities resulting in significant negative on impact on the climate

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Reduction of activities resulting in significant negative on impact on the climate: Methodology and Criteria

Danske Bank restricts companies that derive 5% of revenue or more from thermal coal mining and/or coal-fired power production for all its investment products that apply the exclusion criteria of reducing activities resulting in significant negative impact on the climate as a characteristic to the portfolio. These products represent the majority of products that are manufactured.

The exclusion criteria applies to companies that are engaged in peat-fired power generation. This entails that investment products that apply this characteristic will not invest in companies deriving more than 5% of their revenue from peat-fired power generation. Furthermore, such products refrain from investing in companies expanding thermal coal mining, coal-fired power generation and peat-fired power generation. On the reduction of activities with significant negative impact on the climate, certain investment products have also further opted to restrict fossil fuel related activities.¹

These restrictions are all part of our commitment to phasing out investments in companies involved in the three fossil fuel types by 2030 in the EU and OECD and by 2040 in the rest of the world, in line with the requirements of the Paris Agreement.

A key element in achieving the climate goals set out in the Paris Agreement is that companies reduce their climate footprint. As a responsible investor, we have a vital role to play in driving the low-carbon transition and in shaping tomorrow's companies. Moreover, Danske Bank Asset Management wants to encourage and support companies transitioning from a carbon-intensive business model, and as such, we have chosen to provide exclusion exemptions to companies that are able to credibly demonstrate their commitment to phasing out thermal coal, tar sands and peat activities in alignment with the Paris Agreement.

The assessment of companies' transition plans is carried out against the Transition Pathway Initiative (TPI) management framework. By using the TPI framework, we can objectively assess whether companies have credible transition plans and in doing so, target our engagement with those companies that are in a transition phase and use our power to support their journey. This enables us to actively foster change and encourage companies to, for example, increase the production and use of renewable energy sources, embrace the business opportunities sparked by the transition and help achieve the climate goals of the Paris Agreement. Only companies that are assessed by Danske Bank Asset Management as meeting level 3 criteria of the TPI framework are granted exemptions.

¹ See Danske Bank Group Policies, Instructions and SOPs: <https://danskebank.com/sustainability/sustainable-finance/responsible-investments>

As all decisions related to exclusions are anchored within the investment organisation, an analysis of the individual company cases together with a recommendation on how to approach each individual case is presented to the ESG Integration Council. Danske Bank's ESG Integration Council, which comprises Heads of investment strategies, has been created to support ESG integration into the core of our investment processes. The recommendations are discussed and endorsed by the ESG Integration Council and approved by the Responsible Investment Committee, prior to implementation.

The application of restrictions under this category is conducted on an annual basis, but is subject to quarterly reviews to integrate any dynamic events that may take place over the year.

For further information on the investment restriction definitions, activities, criteria, scope and thresholds employed by Danske Bank, go to [danskebank.com](https://www.danskebank.com).

Company	Exemption category
CEZ as	Thermal coal
ContourGlobal plc	Thermal coal
EDP-Energias de Portugal SA	Thermal coal
Enel SpA	Thermal coal
Public Power Corp. SA	Thermal coal