



Reading Guide – Statement on Principal Adverse Impacts of Investment Decisions  
Danske Bank A/S

## Principal Adverse Impact Reporting – Reading Guide

Principal adverse impacts are the negative, material or likely to be material effects on sustainability factors caused, compounded by or directly linked to investments, with sustainability factors referring to environmental, social and employee matters, respects for human rights, anti-corruption and anti-bribery matters. In Danske Bank A/S, we annually report the principal adverse impacts our investment decisions in relation to all assets under management (AuM) in our published “Statement on the Principal Adverse Impacts of Investment Decisions on Sustainability Factors”<sup>1</sup> available at:

<https://danskebank.com/sustainability/publications-and-policies/sustainability-related-disclosures>

Danske Bank reports the principal adverse impacts of our investments on sustainability factors in accordance with Article 4 of Regulation (EU) 2019/2088 on sustainability-related information in the financial sector (“**SFDR**”). The report covers 16 mandatory principal adverse impact indicators (“**PAI indicators**”) (as set out in Table 1 of Annex I, Table 1, No. 1-16, of the Commission Delegated Act (EU) 2022/1288) as well as the following six additional PAI indicators selected by Danske Bank:

- Investments in companies without carbon emission reduction initiatives (indicator 2,4)
- Insufficient whistleblower protection (indicator 3,6)
- Lack of a human rights policy (indicator 3,9)
- Average corruption score (indicator 3,21)
- Non-cooperative tax jurisdictions (indicator 3,23)
- Average rule of law score (indicator 3,24)

We report our principal adverse impacts against the PAI indicators as an average for the reference period.

This Reading Guide supplement the information stated in the statement and is intended to guide a better understanding of the PAI indicators we report against. For any information on impacts and considerations applied in respect to the reported figures please refer to the statement.

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<sup>1</sup> We also report the principal adverse impacts for managed products committed to consider these impacts in the annual periodic reporting for the products. For Danske Invest labelled funds, we further make available monthly reports on these impacts. Where the annual reports are based on an average figure for the year, the monthly reports disclose the impact as of end of month, and not an average.

## How to understand the PAI indicators

	Indicator	Description of the indicator
Indicators applicable to investments in investee companies		
Green house gas emissions	Scope 1 GHG Emissions (tons) (1,1)	<p>Scope 1 GHG emissions means Green House Gas (GHG) emissions generated from sources that are controlled by the investee company that issues the underlying assets. The indicator measures Scope 1 GHG emissions of investee companies expressed as tons of CO2 equivalent.</p> <p>The higher the number of reported Scope 1 GHG emissions the greater the adverse impact.</p>
	Scope 2 GHG Emissions (tons) (1,1)	<p>Scope 2 GHG emissions means GHG emissions from the consumption of purchased electricity, steam or others sources of energy generated upstream from investee companies. The indicator measures Scope 2 emissions of investee companies expressed as tons of CO2 equivalent.</p> <p>The higher the number of reported Scope 2 GHG emissions the greater the adverse impact.</p>
	Scope 3 GHG Emissions (tons) (1,1)	<p>Scope 3 GHG emissions means indirect GHG emissions not covered by Scope 1 and Scope 2 that occur in the value chain of investee companies, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation. The indicator measures Scope 3 emissions of investee companies expressed as tons of CO2 equivalent.</p> <p>The higher the number of reported Scope 3 GHG emissions the greater the adverse impact.</p>
	Total GHG emissions (tons) (1,1)	<p>The total GHG emissions from investee companies including Scope 1, Scope 2 and Scope 3 expressed as tons of CO2 equivalent.</p> <p>The higher the number of reported total GHG emissions the greater the adverse impact.</p>
	Carbon footprint (tCO2e/ m€ invested) (1,2)	<p>Carbon footprint means the total GHG emissions emitted per million invested, i.e. the emissions based on invested amount.</p> <p>The larger the carbon footprint, the greater the impact</p>
	GHG intensity of investee companies (tCO2e/ m€ of revenue) (1, 3)	<p>GHG intensity means the total GHG emissions per million of revenue from the investee companies, i.e. the amount of GHG emitted per euro in revenue generated.</p> <p>The higher the reported GHG intensity, the greater the impact</p>
	Exposure to companies active in the fossil fuel sector (Share of investments) (1,4)	<p>This indicator captures the percentage of investments invested into investee companies that derive any revenue from fossil fuel, i.e. revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.</p> <p>The larger the share, the greater the exposure to investee companies in the fossil fuel sector.</p>
	Share of non-renewable energy - Consumption (1,5)	<p>This indicator captures the weight of investments in investee companies' consuming energy sources other than renewables/non-fossils. Non-fossils in that respect cover wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas.</p> <p>The higher the number, the greater the share of non-renewable energy consumption by investee companies, compared to consumption from renewable energy sources</p>
	Share of non-renewable energy - Production (1,5)	<p>The indicators captures the weight of investee companies producing energy sources other than renewables/non-fossils. Non-fossils in that respect cover wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas..</p> <p>The higher the number, the greater the share non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources</p>
Energy consumption intensity per high impact sector (1,6)	<p>This indicator discloses the consumption in Gigawatt hour (GWh) per million euro of revenue for each high impact sector. High impact sectors are such that are defined by EU Commission and listed in the Principal Adverse Impact Statement. Investee companies active in high impact climate sectors generally have much higher emission profile compared to companies in other sectors.</p>	

	Indicator	Description of the indicator
Indicators applicable to investments in investee companies		
		The higher the number, the greater the energy consumption per high impact sector
Biodiversity	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 (1,7)	<p>This indicator discloses the weight of investments in investee companies that are directly involved in controversies that negatively affect biodiversity-sensitive areas.</p> <p>Activities negatively affecting biodiversity-sensitive areas' means activities that (a) lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated; where (b) none of the conclusions, mitigation measures or impact assessments adopted pursuant to defining regulatory frameworks or their equivalents have been implemented.</p> <p>The higher the number, the larger the share of investments in investee companies whose sites or operations are located in or near biodiversity-sensitive areas, where their activities have adverse effects on these environments</p>
Water	Tonnes of emission to water generated by investee companies per million EUR invested (weighted average) (1,8)	<p>Emissions to water means emissions of priority substance (waste) such as direct emissions of nitrates phosphates and pesticides. This indicator discloses tons of chemical emissions into water by the investee companies per million invested.</p> <p>The higher the number of emissions, the greater the adverse impact.</p>
Waste	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested (weighted average) (1,9)	<p>Hazardous waste means waste with properties that make it dangerous or are capable of having a harmful effect on human health or the environment, such as explosive, irritant or infectious substances. This indicator discloses tons of hazardous waste by the investee companies per million invested.</p> <p>The higher the number, the greater the adverse impact</p>
Social and employee matters	Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (share of investments) (1,10)	<p>This indicator discloses the weight of investments in investee companies in violation of UN Global Compact's Principles (UNGS) and OECD Guidelines for Multinational Enterprises ("guidelines"). UN GC principles means the ten Principles of the United Nations Global Compact</p> <p>The higher the number, the greater the share of investments in investments in companies that are in violation of UNGC principles and OECD guidelines.</p>
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (Share of investments without policies to monitor) (1,11)	<p>This indicator captures the share of investee companies that lack policies or grievance/complaints handling mechanisms, to monitor compliance with the UNGC principles or OECD guidelines. This indicator discloses the share of investments in investee companies lacking processes and compliance mechanisms.</p> <p>The higher the number, the greater the share of investments in investee companies lacking processes and compliance mechanisms.</p>
	Unadjusted gender pay gap (average) (1,12)	<p>Unadjusted gender pay gap means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.</p> <p>The higher the number, the greater the average gender pay gap among the investee companies</p>
	Board gender diversity (Average ratio of female to male) (1,13)	<p>Board means the administrative, management or supervisory body of an investee company. This indicator discloses the average ratio of female to male board members in the fund's investee companies.</p> <p>The lower the ratio, the smaller the representation of female board members, and the greater the gap to the male representation.</p>
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (Share of investments) (1,14)	<p>This indicator captures the share of investments in investee companies with involvement in controversial weapons, i.e. weapons with the production and use 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> <p>The higher the number, the larger the share of investments in investee companies involved in controversial weapons, and the greater the adverse impact.</p>

	Indicator	Description of the indicator
<b>Indicators applicable to investments in investee companies</b>		
	<b>Investments in companies without carbon emission reduction initiatives (2,4)</b>	<p>This indicator captures the share of investee companies that without carbon reduction initiatives.</p> <p>The higher the number, the greater the share of investments in investee companies without carbon reductions initiatives.</p>
	<b>Insufficient whistleblower protection (Share of investments without policies on the protection of whistleblowers) (3,6)</b>	<p>Whistleblower means a natural person who reports or publicly discloses information on breached acquired in the context of his or her work-related activities. This indicator discloses the share of investments in investee companies with insufficient of policies on the protection of whistleblowers.</p> <p>The higher the share, the greater the weight of investments in investee companies with insufficient of policies on the protection of whistleblowers, calculated as a weighted average.</p>
	<b>Lack of human rights policy (Share of investments without a human rights policy) (3,9)</b>	<p>Human rights policy means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights. This indicator discloses the weight of investments in companies lacking human rights policy.</p> <p>The higher the number, the greater the share of investments in investee companies lacking human rights policy.</p>
<b>Indicators applicable to investments in sovereigns and supra nationals</b>		
	<b>GHG intensity of investee countries (Emissions / GDP (1,15))</b>	<p>Tons CO2 (total GHG emisisions) equivalents emitted per million of country's GDP, i.e. a measurement of GHG emitted per million of GDP generated.</p> <p>The higher the number, the greater is the GHG emissions and the larger the adverse impacts.</p>
	<b>Investee countries subject to social violations (percentage) (1,16)</b>	<p>This indicator discloses the share of investments in sovereigns and/or social violations, i.e. impacts associated to a broad spectrum of social issues, including but not limited to freedom of speech and press concerns, death penalty status (e.g. USA and Japan), human rights concerns.</p> <p>The higher the number, the greater the share of investements in soveigns/supra nations subject to social violations.</p>
	<b>Average Corruption Score (3,21)</b>	<p>Corruption means "the abuse of entrusted power for private gain", including but not limited to bribing of foreign public officials, bribing domestic public officials, improper trading, embezzlement, and obstruction of justice, among others.</p> <p>This indicator is reported through a score, i.e. a numeric grade from 1-4 (where 1 is worst and 4 is the best score) for the underlying sovereign investments.</p>
	<b>Non-cooperative tax jurisdictions (3,23)</b>	<p>Non-cooperative tax jurisdictions, means jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes.</p> <p>This indicator discloses the share of investments in non-cooperative tax jurisdictions as defined by in the EU list.</p> <p>The higher the number, the greater the percentage of the fund is invested into non-cooperative tax jurisdictions as defined by the EU, calculated as a weighted average</p>
	<b>Average rule of law score (3,24)</b>	<p>Rule of law ensures that the political and judicial systems are predictable and act in the interest of society, fostering economic and social development.</p> <p>This indicator discloses a numeric grade from 1-4 (where 1 is worst and 4 is the best score) for the underlying sovereign investments of the fund, calculated as a weighted average.</p>