

# Exclusion Instruction

*In accordance with the Responsible Investment Policy of Danske Invest Management A/S exclusions applied for our managed funds are subject to the criteria and thresholds set out in this Exclusion Instruction for the Danske Bank Group.*

## 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 prioritised through investment products under management in accordance with the Responsible Investment Policy.

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 to the extent applied by relevant products.

## 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.

<b>Double Materiality</b>	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
<b>ESG</b>	environmental, social or governance
<b>Environmental &amp; Social materiality</b>	the inside-out impacts that an issuer's/company's economic and financial activities may have on sustainability factors
<b>Financial Materiality</b>	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 as index derivatives or other broadbased 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 <sup>1</sup>	Data source
<b>Enhanced sustainability standards<sup>2</sup> (Norm-based screening)</b>	<b>Incident and event-based screening:</b> Involvement in sustainability related controversies, practices, or other activities considered unacceptable in relations to norms.	Incidentbased and/or weak sustainability governance	Case-specific	Proprietary Model
	<b>Good Governance test:</b> 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		
	<b>Country exclusions:</b> 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		
	<b>Principal Adverse Impacts:</b> Strongly negative performance across individual and/or in combination of principal adverse impact indicators. <sup>3</sup> Includes all mandatory PAI indicators and certain voluntary indicators.	Sustainability performance	Performance-based and linked to products making sustainable investments	ISS-ESG, Responsible Investment

<sup>1</sup> Revenue threshold means maximum revenue percentage from activity.

<sup>2</sup> See methodology paper: "Enhanced Sustainability Standards Screening" publicly available at: <https://danskebank.com/sustainability-relateddisclosures>.

<sup>3</sup> Thresholds defined in the Danske Bank SDG Model methodology paper available on: <https://danskebank.com/sustainability/sustainablefinance/responsible-investments/sustainability-related-disclosures>.