

# Sustainability-related Website Disclosure

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## Summary

The fund promotes various environmental and social characteristics e.g. climate by applying climate footprint as a sustainability indicator. Furthermore, the fund also promotes characteristics such as energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption through active ownership. This is done through several steps of the investment processes i.e. in the investment analysis and the decision-making process, active ownership, and the investment restrictions.

The investment product invest in a wide range of assets such as equities and bonds, which all have their own unique features, characteristics and approaches to how environmental and social characteristics, as well as good governance practices, are promoted. However, what all assets have in common is that environmental and social characteristics as well as good governance practices are attained through investment management processes and activities such as the investment analysis and decision making, active ownership, screening and restrictions for which environmental and social materiality perspectives are incorporated, in addition to the integration of sustainability risk.

In addition, the investment team might from time to time apply external asset managers in order to promote the environmental and social characteristics promised by the investment product. Processes are in place, in order to monitor the promotion of environmental and social characteristics of the investment product via the use of sustainability indicators. To measure the attainment of the environmental and social characteristics promoted by the fund, the following sustainability indicators are applied: carbon footprint, ESG score, engagements, voting and restrictions.

The investment team of the investment product apply the Danske Bank ESG data platform and external ESG research, which is based on ESG data from multiple ESG data & research providers. The Investment team analyses relevant financial and ESG information to identify material ESG factors affecting a company, sector, and/or country from multiple data sources.

The investment product applies various methodologies and data to attain the environmental and social characteristics which are promoted by the investment product. These methodologies and data have some limitations which are e.g. addressed through dialogues with companies, ESG data providers or other stakeholders.

The investment product carries out ESG due diligence on the underlying assets in various ways which is controlled internally.

The investment product follows Danske Bank Responsible Investment Policy and the [Danske Bank Voting Guidelines](#). This means that the investment product use active ownership to influence the activities or behavior of investee companies by taking an active interest as an investor in investee companies' circumstances, development, and management, and a long-term focus in the company in line with for instance the EFAMA Stewardship Code and the Shareholder Rights Directive II. The investment product seeks to be an active owner and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders.

## No sustainable investment objective

This fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment as described in Article 9 of the Sustainable Finance Disclosure Regulation (SFDR, Regulation (EU) 2019/2088).

## Environmental and social characteristics of the financial product

The fund promotes various environmental and social characteristics e.g. climate by applying climate footprint as a sustainability indicator. Furthermore, the fund also promotes characteristics such as energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption through active ownership. This is done through several steps of the investment processes i.e. in the investment analysis and the decision-making process, active ownership, and the investment restrictions, read more about the process in the 'Investment Strategy' section.

## Investment Strategy

The investment product invest in a wide range of assets such as equities and bonds, which all have their own unique features, characteristics and approaches to how environmental and social characteristics, as well as good governance practices, are promoted. However, what all assets have in common is that environmental and social characteristics as well as good governance practices are attained through investment management processes and activities such as the investment analysis and decision making, active ownership, screening and restrictions for which environmental and social materiality perspectives are incorporated, in addition to the integration of sustainability risk.

In addition, the investment team might from time to time apply external asset managers in order to promote the environmental and social characteristics promised by the investment product. The external managers that the investment team applies invest in different asset classes, apply various investment processes and therefore also integrate sustainability risks and promote environmental and social characteristics as well as good governance practices in various ways. The external manager's approach to integrating sustainability risk as well as promoting environmental and social characteristics are monitored and evaluated by the Responsible investment team in Danske Bank. The external managers are assessed within a structured proprietary ESG assessment framework. The assessment is used as a part of the ongoing monitoring an evaluation of the external managers to ensure that they consider sustainability risks as well as promote environmental and social characteristics. Furthermore, it enables the investment team to understand and evaluate the external manager's approach to which extend processes, resources and activities are in place to support the overall investment strategy of promoting the selected environmental and social characteristics.

### Active Ownership

The investment team and the underlying components of the investment product engage on a regular basis with investee companies on material ESG matters to understand more about the quality of the company, mitigate sustainability risk and to promote material environmental and social performance and good governance practices. Through engagements and voting at annual general meetings, the investment

product address standards of corporate governance and sustainability within many areas such as emissions, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption. Read more about active ownership in the 'Engagement policies' section below.

[Read more about our policy to assess good governance practices in our active ownership policy.](#)

### Screening and restrictions

The investment product apply the following investment restrictions: Thermal coal, tar sand, peat, controversial weapons, tobacco, norms. The investment product also applies screening to identify companies that are violating international norms and good governance practices as defined by international organisations such as the OECD, ILO, UN Global Compact and other treaties or conventions.

## Monitoring of environmental or social characteristics

Processes are in place, in order to monitor the promotion of environmental and social characteristics of the investment product via the use of sustainability indicators. First of all, the investment team uses a wide range ESG data and research from our ESG data platform which they use to assess and monitor the underlying investments sustainability performance and standards in a holistic manner on a regular basis. Second, the Danske Bank Investment Risk Team i.e. the sustainability risk challenger, regularly challenge and monitor the investment team obligations in terms of promoting environmental and social characteristics. The sustainability risk challenger especially focusses on evaluating sustainability risk and the sustainability indicators to measure the attainment of the environmental and social characteristics. Third, the investment holdings of the investment product is regularly screened in order to make sure that holdings apply the selected investment restrictions and that companies are not involved in norm-breaches. Fourth, the external managers are monitored and evaluated by the Responsible Investment team in order to ensure that they consider sustainability risks as well as promote environmental and social characteristics.

## Methodologies

To measure the attainment of the environmental and social characteristics promoted by the investment product, the following sustainability indicators are applied:

- **Carbon footprint**  
Measures the carbon footprint of the underlying investments in the investment product, normalized by the current value of the portfolio. Data is provided by Trucost.
- **ESG score from Sustainalytics**  
The ESG Risk from Sustainalytics focuses on materiality and measures the degree to which a company's economic value is at risk driven by ESG factors. It measures the magnitude of unmanaged ESG risks in the company. The ESG Risk of a company is an absolute number, and can be used for comparing companies across sectors and countries.
- **Engagement on environmental and social themes**  
The investment team engage with investee companies in order to address and improve sustainability aspects, such as standards of corporate governance, emissions, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption. All engagements are continuously monitored, logged and disclosed on a semi-annual aggregated basis in the active ownership report.
- **Voting on Environmental and social themes**  
Voting is applied for the investment product based on Danske Bank's voting guidelines which covers environmental and social issues such as emissions, energy, biodiversity, water, waste social and employee matters, human rights and anti-corruption. All voting activities of the investment product are logged and disclosed on the Proxy Voting Dashboard

- **Number of companies restricted from the investment universe of the product due to Environmental and Social issues**

## Data sources and processing

The investment team of the investment product apply the Danske Bank ESG data platform and external ESG research, which is based on ESG data from multiple ESG data & research providers. The Investment team analyses relevant financial and ESG information to identify material ESG factors affecting a company, sector, and/or country from multiple data sources (including but not limited to the ESG Data Platform, company reports and third-party investment research). The ESG data and research is applied to attain the promoted ESG characteristics of the investment product. The different ESG Data points, which the investment team have available on the ESG Data Platform is published online: [‘ESG Data Platform’](#).

### Measures taken to ensure data quality

The investment product is utilizing ESG data from the following external vendors: SASB, Verisk Maplecroft, CDP, RepRisk, ISS, Four Twenty Seven, Arabesque, MSCI, Sustainalytics, TruevalueLabs, S&P Global Trucost and Util. Even though the investment team of investment product have a broad selection of ESG data available, they are aware of that the data that the investment product utilizes is characterized by lack of consistent methodologies and limited transparency on how scores and ratings are calculated. Therefore, the investment team will from time to time cross check facts with investee companies, industry experts and various ESG providers to ensure data quality.

Furthermore, the Sustainable Investment team, which supports the investment team of the investment product applies a solid framework for the assessment and monitoring of the investment products ESG data providers to ensure data quality. All new ESG data and research providers are assessed before they are added to the ESG Data Platform, to ensure they fit the needs of the investment team and that it has a high quality standard. These are the main building blocks of the ESG Data Provider Assessment Framework:

**Research and data quality:** The quality of the research, data and methodology is assessed to see if it meets quality expectations

**Usefulness:** The scope of the vendors offering is assessed to see if it matches the needs and can be use in an investment environment.

**Platform:** The vendor’s platform offering is assessed based on how it matches with the IT-integration requirements and user functionality needs.

**Vendor Profile:** The vendor’s client service level and their core strengths is assessed

**Contract:** The vendors cost profile, how and for what it charges its clients, and contractual delimitations for customer dialogue and reporting is assessed.



## Limitations to methodologies and data

The investment product applies various methodologies and data to attain the environmental and social characteristics which are promoted by the investment product. These methodologies and data have some limitations which are e.g. addressed through dialogues with companies, ESG data providers or other stakeholders.

## Carbon footprint

Corporate reporting on scope 3 emissions is in general poor, incomplete and sometimes estimated if the company does not disclose the scope 3 emission, which might make it a challenge to consider the broader value-chain climate risk in the investment product. Furthermore, carbon emission data is backward looking and does not necessarily predict future carbon emission.

## ESG score from Sustainalytics

The data landscape is characterized by lack of consistent methodologies and limited transparency on how scores and ratings are calculated, furthermore our own analysis in the whitepaper '[Identifying investment value in ESG data](#)' show that third-party ESG ratings vary between the rating providers i.e. the ESG score on companies from Sustainalytics might differ from other rating providers.

## Due diligence

The investment product carries out ESG due diligence on the underlying assets in various ways which is controlled internally. First of all, in the due diligence process the investment team identify and assess material environmental, social aspects, and good governance practices and systematically incorporate these into the final investment decisions. Second, the investment product applies screening to identify and understand different ESG related risk and opportunities. This allow for risk mitigation and opportunity identification for a given company, sector or country. The screening also helps the investment product to apply the investment product's investment restrictions and to identify companies potentially violating international norms. The norm-based screening is conducted quarterly based on input from multiple ESG data providers, different investment teams, Danske Bank group positions and customers/Nordic institutions serving as proxies for the Nordic Investor as well as other relevant sources and stakeholders (e.g. NGOs). The investment product also use the screening as an input to the in the investment analysis and investment decision-making and active ownership efforts, and they use it to apply individual investment conviction, where the investment team decides to refrain from investing in companies, sectors and/or countries. Third, the investment team might also engage with the company before taking any actions on the investment decision.

## Controls

The due diligence process of the investment product is governed and supported by The Danske Bank ESG Integration Council and the Danske Bank Investment Risk Team. The ESG integration Council, which consist of Danske Bank CIO's and investment heads, govern and guides the responsible investment strategy implementation, discusses and evaluates ESG risks and dilemmas, reviews and endorses investment restrictions, decides on collaborative engagements and other topics with relevance across the investment management organization. The Danske Bank Investment Risk Team evaluates and monitor sustainability risk and performance of investment product to ensure that the investment team address relevant sustainability aspects in the investment process and support the investment team to deliver on the investment product's sustainability promise and characteristics.

## Engagement policies

The investment product follows Danske Bank Responsible Investment Policy and the [Danske Bank Voting Guidelines](#). This means that the investment product use active ownership to influence the activities or behavior of investee companies by taking an active interest as an investor in investee companies' circumstances, development, and management, and a long-term focus in the company in line with for instance the EFAMA Stewardship Code and the Shareholder Rights Directive II. The investment product seeks to be an active owner and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders.

Overall, the active ownership approach is based on the belief that in general it is more sustainable to address challenging issues through active ownership and dialogue rather than divesting. The investment team engages on a regular basis with investee companies on material ESG matters to seek improvement in financial performance and processes in order to enhance and protect the value of the investments. We log and monitor company dialogue and progress to ensure a structured engagement process and publish our engagements twice a year in our [‘Active Ownership Report’](#). Furthermore, the investment team votes on annual general meetings and seek do to it on all holdings while taking into account preconditions, resources, and the costs of exercising voting rights. The Danske Bank Voting Guidelines serve as the default position for all proposals, but the investment team can deviate based on case specific details. The voting can either be done by the investment team or through a service provider and the voting must always be carried out in the benefit of the investors to avoid conflict of interest. The voting activity of the investment product is publish online on the [Danske Bank and Danske Invest Proxy Voting Dashboard](#)

External managers selected do not follow the Danske Bank Responsible Investment Policy or the Danske Bank Voting Guidelines. They do however, have their own policies and guidelines in place.