

Sustainability-related Website Disclosure

Content

<i>Sustainability-related Website Disclosure</i>	1
Summary	1
No sustainable investment objective.....	2
Environmental and social characteristics of the financial product	2
Investment Strategy	2
Monitoring of environmental or social characteristics	3
Methodologies.....	3
Data sources and processing.....	3
Due diligence	4
Engagement policies.....	4

Summary

The fund promotes various environmental and social characteristics e.g. climate by targeting a lower carbon footprint compared to benchmark. 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. The investment strategy promotes environmental and social characteristics as well as good governance practices through investment management processes i.e. in the investment analysis and investment decision-making, active ownership and screening & restrictions. The investment team incorporates ESG-related factors into a multi-factor approach which enables them to tilt a portfolio towards companies that score better across all factors on average. Furthermore, ESG signals are considered on equal footing with any other factors. The model currently have governance-related signals, which may contribute to alpha and have low correlations to other signals. The investment team 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. The fund apply active tilting towards companies with higher ESG scores, and aims for a 10% ESG score improvement versus the benchmark. The fund excludes the following activities in their long position universe; Controversial weapons, thermal coal, tar sand, tobacco, adult entertainment, alcohol, gambling, military equipment.

Processes are in place, in order to monitor the promotion of environmental and social characteristics of the fund via the use of sustainability indicators. 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. To measure the attainment of the environmental and social characteristics promoted by the fund, the following sustainability indicators are applied: Carbon footprint, ESG risk rating, engagements, voting and restrictions.

The investment team of the fund apply a combination of proprietary models in its investment process and a variety of third-party data sources. 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 ESG data and research is applied to attain the promoted ESG characteristics of the fund.

The fund follows Danske Bank Responsible Investment Policy and the [Danske Bank Voting Guidelines](#). This means that the fund use active ownership to influence the activities or behavior of investee companies. The fund 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 financial product 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 targeting a lower carbon footprint compared to benchmark. 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 strategy promotes environmental and social characteristics as well as good governance practices through investment management processes i.e. in the investment analysis and investment decision-making, active ownership and screening & restrictions.

Investment analysis and decision-making

The investment team incorporates ESG-related factors into a multi-factor approach which enables them to tilt a portfolio towards companies that score better across all factors on average. Furthermore, ESG signals are considered on equal footing with any other factors. The model currently have governance-related signals, which may contribute to alpha and have low correlations to other signals.

Active Ownership

The investment team 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 fund 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.

Screening and restrictions

The fund apply active tilting towards companies with higher ESG scores, and aims for a 10% ESG score improvement versus the benchmark. The fund excludes the following activities in their long position universe; Controversial weapons, thermal coal, tar sand, tobacco, adult entertainment, alcohol, gambling, military equipment. In addition to that, the fund also apply 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. The fund also apply a dynamic screening, meaning that 10% of the worst offenders from the long side based on MSCI ESG ratings is screened out, however the fund is allowed to short positions in these companies. Finally, the fund target to have at least 25% reduction in portfolio carbon intensity versus the benchmark.

Monitoring of environmental or social characteristics

Processes are in place, in order to monitor the promotion of environmental and social characteristics of the fund via the use of sustainability indicators. 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 focuses on evaluating sustainability risk and the sustainability indicators to measure the attainment of the environmental and social characteristics. Furthermore, the investment holdings of the fund is regularly screened in order to make sure that holdings apply the selected investment restrictions and that companies are not involved in norm-breaches.

Methodologies

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

- **Carbon footprint**
Measures the carbon footprint of the underlying investments in the fund, 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 fund 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 fund 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 fund apply a combination of proprietary models in its investment process and a variety of third-party data sources. 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 ESG data and research is applied to attain the promoted ESG characteristics of the fund.

Measures taken to ensure data quality

The fund is utilizing ESG data from the following external vendors: MSCI and Trucost. Even though the investment team of the fund have a broad selection of ESG data available, they are aware of that the data that the fund 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.

Limitations to methodologies and data

The fund applies various methodologies and data to attain the environmental and social characteristics which are promoted by the fund. 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 fund. 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 fund 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 fund 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 fund to apply the fund’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 fund 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 fund is managed by an external investment team i.e. the investment teams 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 within Danske Invest to ensure that they consider sustainability risks as well as promote environmental and social characteristics.

Engagement policies

The fund follows Danske Bank Responsible Investment Policy and the [Danske Bank Voting Guidelines](#). This means that the fund use active ownership to influence the activities or behavior of investee companies. The fund seeks to be an active owner and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders.

The ESG Stewardship Committee in AQR is responsible for the overall approach toward engagement with invested companies, regulators and the rest of the industry. The investment team apply ‘ESG Company Monitor’ which is a program that uses various ESG data sources to cross-reference where these exposures occur in the largest stock holdings of individual companies. For the 20 largest positions with current ESG concerns, the investment team will seek to engage in a dialogue with company management to better understand the related ESG risks and encourage greater transparency on these issues to the market.

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 fund is published online on the [Danske Bank and Danske Invest Proxy Voting Dashboard](#)