

# Sustainable Investment Policy

10<sup>th</sup> October 2019

## 1. Purpose

Sustainable investments is a cornerstone of our ambition to integrate societal impact into our core business and our vision to be recognised as the most trusted financial partner.

When our customers entrust us with their assets and savings, it is our duty to serve their interests by providing investment solutions with the goal to deliver competitive and long-term performance. Our firm commitment to sustainable investment is an integral part of this duty.

This Sustainable Investment Policy (“the SI Policy”) governs and outlines our approach for:

- Environmental, social and corporate governance (ESG) integration
- Active ownership through dialogue, voting, and collaboration
- Screening and restrictions
- ESG Communication and reporting.

## 2. Scope and Application

The SI Policy is a Danske Bank Group Policy and applies to all employees, all functions, and all units in Danske Bank A/S that perform investment management and related services. The SI Policy also applies to regulated subsidiaries and separate legal entities once adopted by their relevant governing bodies.

In case a Group Policy conflicts with local requirements, the regulated subsidiary may approve a Group Policy with deviations. Any material deviations from a Group Policy, including deviations, which conflict with the overall business model for and/or the risk profile and risk appetite of Danske Bank A/S, must be reported to the Executive Leadership Team via the administrator of the Information Management Policy and the Policy administrator. The Executive Leadership Team shall report such material deviations to the Board of Directors of Danske Bank A/S.

The SI Policy is particularly relevant for certain units/functions’ daily work. It is the responsibility of each manager to ensure compliance with this Policy within a unit/function, where relevant.

The SI Policy shall not apply to the provision of Investment Advice by Danske Bank. Investment Advice is defined according to the MiFIDII directive as a personal recommendation to a client either upon its request or at the initiative of an investment firm/bank in respect of one or more transactions relating to financial instruments. The SI policy does also not apply to structured products, derivatives, Danske Bank’s capital market activities (including but not limited to market making, securities trading etc.) or externally managed funds.

The SI Policy operationalisation is outlined in the four Sustainable Investment Instructions: ESG Integration; Active Ownership; Screening & Restrictions; ESG Reporting & Communication, and summarised in below section 3. Policy Content.

### 3. Policy Content

Our sustainable investment approach is based on environmental, social, and corporate governance (ESG) integration, active ownership, collaboration, and disclosure and reporting, in line with the UN-supported Principles for Responsible Investment as well as the Danish Stewardship Code.

#### ESG integration

We integrate ESG matters into the investment process as factors alongside financial factors. Based on external ESG data and information, and internal expertise and advice, we assess portfolio companies' ESG performance, identify risks and opportunities, and engage through dialogue on material matters to support business growth and good governance and standards of conduct.

Our ESG assessment is guided by industry best practice across sectors, international norms and voluntary frameworks for corporate responsibility such as e.g. the UN Global Compact and the OECD Guidelines for Multinational Enterprises, which Danske Bank as a Group supports<sup>1</sup>.

This helps us:

- understand more about the quality of companies and how they manage risks and opportunities,
- make better-informed investment decisions based on a holistic assessment,
- meet the demand from our customers for an integrated approach to sustainable investment including active ownership with a focus on outcome i.e. actual results.

ESG data and information is available on our investment management platform. Investment teams receive support from internal and external subject-matter experts; participate in training and education programs; and share insights from company dialogue across the investment organisation.

#### Active ownership through dialogue, voting, and collaboration

We seek to be active owners and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders. In relation to our Active Ownership, we have a set of guidelines to identify circumstances which may give rise to conflicts of interests.

##### Dialogue

We believe that fund-manager-driven dialogue with portfolio companies is the most effective as the investment teams are the experts of their respective strategies and portfolios, and tasked with the buy/sell decision. Our investment teams engage on a regular basis with portfolio companies on material ESG matters to understand their risks and opportunities, and to support their growth and development.

We log and monitor company dialogue and progress to ensure a structured engagement process.

##### Voting

The annual general meeting is an opportunity to voice our opinion, vote on issues of key importance to the running of a company, and contribute to the good governance of the company. We exercise our right to vote at annual general meetings of Nordic and European companies where we represent relevant holdings. Unless required by special circumstances, holdings in passively managed funds are not subject to voting

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<sup>1</sup> See Danske Bank Group Societal Impact & Sustainability Policy & Position Statements: <https://danskebank.com/societal-impact>

activities. We vote either by ourselves or through a service provider. Voting must always be carried out in the benefit of the investors to avoid conflict of interest.

The voting policy and voting guidelines are published online. We also log and publish our voting records.

### **Collaboration and investor initiatives**

When appropriate, we collaborate with peers, like-minded investors and other relevant parties to exercise active ownership, engage through joint dialogue, and contribute to a positive impact. We also participate in investor initiatives to encourage increased transparency and sustainability standards in companies and financial markets, such as e.g. CDP, Institutional Investors Group on Climate Change, Paris Pledge for Action, Task Force on Climate-related Financial Disclosures, and the UN-supported Principles for Responsible Investment.

We welcome an open dialogue with our stakeholders and value the opportunity to collaborate with subject-matter experts in support of sustainable investment with positive impact.

### **Screening and restrictions**

We screen our investment universe to identify ESG risks related to portfolio companies with reference to industry best practice, international norms and voluntary frameworks for corporate responsibility. Based on our assessment and company dialogue, we may from time to time decide to divest or restrict investments in a company, in a specific investment strategy or across multiple strategies.

We screen portfolios and funds that are set up with restrictive criteria or thresholds relating to certain sectors, products, or companies in order to meet customer needs.

We apply overall investment restrictions across the investment universe based on Danske Bank Group sustainability positions on Climate Change and Arms & Defence. This covers certain companies according to their involvement in thermal coal and tar sands, and weapons prohibited by international law or deemed controversial due to its indiscriminate effects or disproportionate harm they cause<sup>2</sup>. In addition, overall investment restrictions apply to issuers targeted by sanctions as defined by Danske Bank's AML/CTF and Sanctions Policy<sup>3</sup>.

### **ESG Communication and reporting**

We regularly report on our approach, activities and progress for sustainable investment to our customers via channels such as, online publications, annual reports and investor meetings. We aim to communicate in such a detail that our stakeholders can find answers to questions in a clear and effective way. We also provide our annual progress report to the UN-supported Principles for Responsible Investment.

Our commitment to sustainable investments can at times create dilemmas. We aim to be open about these dilemmas and engage in dialogue with our customers and stakeholders to navigate and to find the best possible solutions.

### **Governance**

Danske Bank's Business Integrity Committee receives updates on the implementation of the SI Policy annually from the Head of Wealth Management, who has the final ownership of the SI Policy.

The Head of Sustainability & Impact Investments provides the Head of Wealth Management updates on the implementation of the SII Strategy.

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<sup>2</sup> <https://danskebank.com/-/media/danske-bank-com/file-cloud/2018/3/investment-restrictions.pdf>

<sup>3</sup> <https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/aml-ctf-and-sanctions-policy.pdf>

The Sustainable Investment Committee guides the execution of the SII Strategy and provides policy and strategy advice. The Committee shall report on issues, actions and decisions taken by the Committee to the Business Integrity Committee. The Chairman or the Deputy Chairman shall escalate to Business Integrity Committee in accordance with the Escalation Policy