

Principal Adverse Impact Statement

Version 3.0 - June 2022

This statement reflects the consolidated principal adverse sustainability impacts statement of the Danske Bank Group.

We consider principal adverse impacts on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters that our investment decisions for managed assets have or may have. Through the consideration of principal adverse impacts, we are monitoring and reporting on 18 mandatory principal adverse impact indicators and two voluntary indicators defined by the EU Sustainable Finance Regulation. Our aim is to address these impacts at an investment product and entity level in order to reduce the negative footprint our investments have and/or may have on society. How and to what extent we consider and address principal adverse impacts will evolve over time and hence continuously alter this statement. Further, there are differentiations between the investment products that we manufacture.

1. Description of principal adverse impacts

For the purposes of this statement, by "principal adverse impacts" we mean the negative, material or likely to be material effects on sustainability factors caused, compounded by or directly linked to our investment decisions. We prioritise and report on adverse impacts of our investment decisions on sustainability factors on basis of the indicators listed below. Reporting captures below listed indicators and will from year 2023 be published at an annual basis within the first half of the year and cover the reference period of the preceding year. This report shall also include a description of actions taken within the relevant reference period.

Indicators applicable to investments in investee companies:

Climate or other environment related sustainability factors	Greenhouse Gas Emissions
	Carbon Footprint
	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production
	Energy consumption intensity per high impact climate sector
	Activities negatively affecting biodiversity sensitive areas
	Emissions to water
	Hazardous waste ratio
	Investments in companies without carbon emission reduction initiatives
Social, employee, human rights, anti-corruption or anti-bribery sustainability factors	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Unadjusted gender pay gap
	Board gender diversity
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)
	Lack of a human rights policy
	Insufficient whistleblower protection

Indicators applicable to investments in sovereigns and supnationals:

Climate or other environment related sustainability factors	Greenhouse Gas Intensity
Social, employee, human rights, anti-corruption or anti-bribery sustainability factors	Investee countries subject to social violations
	Average corruption score
	Non-cooperative tax jurisdictions
	Average rule of law score

Indicators applicable to investments in real estate :

Climate or other environment related sustainability factors	Exposure to fossil fuels through real estate assets
	Exposure to energy-inefficient real estate assets

2. Identification of principal adverse impacts

We use external market research providers and other publicly available information, dashboards, tools and frameworks and the expertise of our Responsible Investment team to identify principal adverse impacts on basis of any time applicable indicators. The complete methodology for the identification, measurement and reporting on these indicators are under development. Once finalised it will be build into due diligence policies of the investment organisations and this statement updated accordingly.

3. Prioritisation of principal adverse impacts

We address principal adverse impacts through our inclusion, active ownership and exclusion activities. Principal adverse impacts on sustainability factors are prioritized according to their materiality and type, as well as the nature of our investment products. How indicators are taken into account are also specifically dependent on the strategy of the relevant product and how sustainability aspects and sustainable objectives are taken into account. Detailed product disclosures and descriptions to this effect will be finalized throughout the course of 2022.

Exclusions

To ensure we deliver on the duty to address principal adverse impacts we for the vast majority of our products utilize and disclose on restrictions on activities leading to significant adverse impacts, harm on sustainable investment objectives, weak sustainability practices or not living up to minimum social safeguards. In the Danske Bank Group investments in companies involved in tar sands, thermal coal, and controversial weapons are restricted in accordance with the criteria and definitions outlined in instructions issued under the Responsible Investment Policy.

Furthermore, Danske Bank has decided to refrain from investments in companies involved in tobacco related activities subject to relevant thresholds and involvement in sustainability related controversies, practices, or other activities considered unacceptable and/or significant principal adverse impacts on sustainability factors as captured by our enhanced sustainability standards screening. Enhanced sustainability standards is Danske Bank's proprietary screening model which supports exclusions of companies that are engaged in activities and conduct harmful to society within our investment universe. Enhanced sustainability standards is a quarterly incident based review of companies alleged to be violating international norms as defined by international organizations such as the OECD, ILO, UN and other treaties or conventions deemed to be material. The screening is undertaken based on data from multiple ESG data providers, our investment teams, Danske Bank group position statements and customers serving as proxies for the Nordic Investor as well as other relevant sources and stakeholders (e.g. NGOs).

In addition to the overall investment restrictions, an increasing number of our investment products have a wider range of investment restrictions covering activities such as fossil fuels, military equipment and gambling all as individually disclosed in pre-contractual disclosures.

Please find more information on Enhanced sustainability standards and International Conventions, Treaties or Standards it is building upon [here](#).

Please find information on our exclusion criteria [here](#).

Engagement policies and references to international standards

In Danske Bank Active Ownership is conducted mainly through: 1) Dialogue; 2) Collaborative engagement, and 3) Voting. Engagement and Voting practices are interrelated and feed into each other and one can be the initiator or the complement of the other.

Our approach takes into account internationally recognized corporate governance standards, e.g., the G20/OECD Principles of Corporate Governance, as well as voluntary principles, such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. We also consider local regulation and/or guidelines such as the Danish Stewardship Code, the Finnish Corporate Governance Code, the Norwegian Code of Practice for Corporate Governance, and the Swedish Corporate Governance Code, as well as variation in legal and regulatory requirements between countries. There are also country variations as to whether corporate governance is regulated by rules based legislation or by a comply-or-explain principle that needs to be considered in this context. The Active Ownership approach is based on the belief that it is more sustainable to address challenging issues through active ownership and dialogue rather than divesting and thereby refraining from an opportunity to make a positive impact and acting as a responsible investor

Engagements

Our investment teams engage in direct dialogue with the companies in which they invest with the aim of influencing the companies' behaviour, strategies and performance in relation to business-critical sustainability aspects and principal adverse impacts. Investment teams use their in-depth knowledge of the companies to, for example, whenever relevant, influence them to reduce their CO2 emissions, increase diversity on the board of directors, strengthen waste management processes, create safe and healthy working conditions for employees, or fight corruption. At the same time, investment teams focus on supporting companies' long-term value creation. The dialogue also provides our investment teams with greater insight into companies – insights that the teams then use to make better-informed investment decisions that can benefit the potential return for our investors.

Danske Bank's guidelines for engagements take into account our commitments to internationally recognised principles governing responsible business conduct, such as the UN Global Compact and OECD Guidelines for Multinational Enterprises and corporate governance standards, such as the G20/OECD Principles of Corporate Governance. The guidelines specifies, "Companies should

seek to manage the principal adverse impacts of their operations and activities on the environment and society and mitigate the operational risks and costs to the business that may stem from these environmental and social matters”.

Collaborate engagements

We are a member of several investor organisations and investor initiatives, and we collaborate with a range of other relevant stakeholders. By doing this, we aim to contribute to the development of responsible investments and to promote transparency and sustainability standards in companies and in the financial markets. We work with other investors and stakeholders to exert active ownership and engage in joint dialogue with companies to contribute to positive change. By working together, we and the investment industry gain a stronger voice, and this enables us to put additional pressure on companies to address and improve on sustainability-related issues and have responsible business practices

Voting

We use our voting rights at companies' annual general meetings to voice our opinion on key business issues. It is an important part of our efforts to support and influence companies to address business-critical aspects. We vote on a wide array of topics, including remuneration policies, capital structure and shareholders' rights, CO2 emissions, energy efficiency, gender diversity, biodiversity, human rights and anti-corruption. Through voting, we seek to support a company's long-term growth potential, mitigate its sustainability risks and minimise companies' adverse impacts on society. We are transparent on how we vote, and all voting activities including our voting guidelines can be found on [our voting portal](#).

More information on how Danske Bank works within responsible investment can be found [here](#).

Change log

Date	Version number	Comments/changes
10 March 2021	1.0	Principal Adverse Impact Statement created
28 December 2021	2.0	<p>Indicators amended to reflect Regulatory Technical Standards (applicable from 1 January 2023)</p> <p>Indicators expanded to cover sovereigns and supranationals as well as Real Estate</p> <p>Additional indicators added</p> <p>Further nuanced descriptions on Identification of principal adverse impacts, Prioritisation of principal adverse impacts as well as Engagement policies and references to international standards</p>
30 June 2022	3.0	<p>Further nuanced descriptions on Identification of principal adverse impacts, Prioritisation of principal adverse impacts as well as Engagement policies and references to international standards</p>