Inclusion Instruction

1. Objective

This Instruction defines the framework for how we in Danske Bank integrate inclusion criteria in our investment management processes and -products on basis of sustainability-related considerations.

Our approach to responsible investment is based on the principle of Double Materiality meaning that we 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.

This Instruction operationalises our general commitment to consider and prioritise the principal adverse impacts that our investment decisions may have on society as enshrined by the Responsible Investment Policy. The Instruction also contains methods and principles on how our investments may positively contribute to societal dimensions through sustainable investments.

2. Definitions

The definitions for the terms used throughout this Instruction are available in Appendix 1. Any term not defined herein shall have the meaning ascribed to it in the Responsible Investment Policy.

3. Scope and target group

The Instruction applies to investment management activities of Danske Bank as covered by the Responsible Investment Policy. Inclusions governed by this Instruction are applied to different degrees and in different combinations by investment products managed by Danske Bank. The extent to which inclusions apply to a given investment product as a binding commitment is outlined in pre-contractual disclosures of that product.

The Instruction covers investments in instruments (e.g. equity, bonds) issued by issuers. The Instruction does not apply to investments in derivatives such index derivatives or other broad-based derivatives.

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. Inclusions

For the investment products, we make available, we apply different inclusion categories. These inclusion categories can be used to 1) address sustainability risk, 2) promote E/S characteristics and/or 3) meet sustainable investment objectives as well as to 4) further address specific principal adverse impacts. The following inclusion categories are applied in Danske Bank:

- Sustainability risk considerations
- Positive climate impacts – Renewable Energy Generation
- Positive climate impacts – Reduction of greenhouse gas emissions
- Sound sustainability practices

- Sound environmental stewardship
- Sustainable Investments
- Contribution to environmental objectives of the EU Taxonomy

Inclusions captured by these categories are outlined in the table, with the reservation that certain clients might request to have specific inclusions not listed below.

Inclusion	Approach	Measurement/Indicators	Data source	Additional information
Sustainability risk considerations (Listed Equity & Credit)	Sustainability Risk considerations are included in the selection of investments in the same way as other risk considerations appreciating that investments have different characteristics and are affected differently by Sustainability Factors,	A combination of five sustainability risk indicators.	mScore MSCI ESG Rating Sustainalytics ESG R.R. ISS-ESG Rating ISS-ESG Carbon R.R.	sustainability-risk-integration-instruction.pdf (danskebank.com)
Sustainability risk considerations (Private Equity & Private Debt)	Different sectors have inherently different sustainability risk exposures.	The risk levels are derived through multiplying the sector allocation (%) with the risk value, the weighted average score determines the sustainability risk exposure	Sustainability Accounting Standards Board (SASB)	N/A
Positive climate impacts – Renewable Energy Generation	The inclusion of issuers generating wind, solar, hydroelectric, tidal, geothermal, biofuels and other technologies deemed renewable	MWh (megawatt-hour) produced and/or MW (megawatt) built renewable energy generation related to wind, solar, hydroelectric, tidal, geothermal, biofuels and other technologies deemed renewable that a strategy is invested into. Individual issuers may not contribute to the positive climate impact as long as the overall contribution of the strategy is positive	Public traded securities: ISS Private traded securities/Alternative investment funds: Directly sourced from the company or Investment Manager	N/A
Positive climate impacts – Reduction of greenhouse gas emissions	The inclusion of issuers whose solutions/product reduce GHG emissions	Reduction of greenhouse gas emissions (CO2 equivalent) achieved by issuers that a strategy is invested into. Individual issuers may not contribute to the positive climate impact as long as the overall contribution of the strategy is positive.	Public traded securities: ISS Private traded securities/Alternative investment funds: Directly sourced from the company or Investment Manager	N/A
Sound sustainability practices	The inclusion of issuers with higher ESG scores	Weighted average mScore. Individual issuers may score below that level if the entire portfolio has a score above the target score of 50[1].	Proprietary Model based on input from ESG Data Providers (ISS, MSCI, Sustainalytics, TruValue Labs)	N/A

[1] Change of score from 40 to 50 in impacted responsible investment product strategies to be initiated within the course of year 2024.

Inclusion	Approach	Measurement/Indicators	Data source	Additional information
Sound environmental stewardship	The inclusion of issuers with higher weighted carbon risk rating score.	Weighted average Carbon Risk Rating. Individual issuers may score below that level if the entire Portfolio has a score above the target score of 50.	ISS-ESG Carbon Risk Rating	N/A
Sustainable Investments	The inclusion of issuers that contributes to an environmental or social objective in accordance with the EU Sustainable Finance Disclosure Regulation (EU) 2019/2088	Share of issuers deemed to meet the criteria outlined in the Sustainable Investment methodologies of Danske Bank	Proprietary Model based on input from ESG Data Providers (incl. MSCI, FactSet,ISS, Sustainalytics)and/or proprietary qualitative assessment MSCI Index data.	danske-bank-sustainable-investment-houseview-and-sdg-model.pdf (danskebank.com)
EU Taxonomy	The inclusion of issuers that contributes economic activities defined in accordance with Regulation (EU) 2020/852	Portion of an issuer's turnover with the classification	Public traded securities: ISS Private traded securities/Alternative investment funds: Fund-of-Funds or other multi-asset investment products: ISS or information received from the manager. Directly sourced from the company or Investment Manager	N/A

It is the investment teams' responsibility to, in a systematic way, incorporate applicable Inclusion criteria in their investment decisions. Tools, knowledge, research, education, and subject-matter expertise will be provided by the Responsible Investment team to support Inclusion processes. External fund due diligence as well as exposure screening are to be carried out in order to assess alignment with applicable inclusion criteria.

The Investment and Responsible Investment teams must obtain and maintain an appropriate level of competence to carry out their responsibilities and be aware of relevant requirements that is applicable to a specific asset class and investment strategy.

5. Data sources & Models

Data sources and models used for Inclusions are assessed and developed by the Responsible Investment team in Danske Bank on a continuous basis. This includes, but is not limited to, assessments on data coverage, data quality, methodology, costs, and other Danske Bank operational considerations.

The Responsible Investment team is responsible for selecting the data source/model most relevant to each inclusion category.

6. Monitoring & Controls

For Inclusion thresholds outlined in pre-contractual documentation, automatic or manual limits should be set up to ensure continuous adherence. Monitoring of sustainability risk considerations is in accordance with the Sustainability Risk Instruction.

7. Governance

The Responsible Investment Committee endorses changes made to Inclusion Instruction on basis of advice from relevant functions with its effectiveness being subject to approval by the Head of LC&I, Danske Bank.

Any changes to inclusion criteria qualifying as models per the Model Risk Policy of Danske Bank A/S models are subject to governance outlined in the Model Risk Policy of Danske Bank A/S.

8. Disclosures

Supporting disclosures are maintained by the Responsible Investment team and is to be published on relevant channels.

The Responsible Investment Committee will annually receive an update on the implementation of this Inclusion Instruction.

9. Escalation

The administrator of the Inclusion Instruction must report to the Executive Leadership Team the following significant breaches to the Instruction.

- Overdue Instruction exemptions
- Instruction not approved annually

Any potential problematic case concerning the Group must be escalated in accordance with the Escalation Policy.

Instruction owner must escalate to the governing body in case of breaches to their instruction and if the maintenance of their instruction is not able to be completed in accordance with the Responsible Investment Policy.

10. Review

The Responsible Investment team will, in cooperation with the relevant business unit or group function, evaluate and adhere to Instruction. In case of any differences in views or in case of material decisions related to this Instruction, these can be addressed by the Responsible Investment Committee who decides on the issue, and who can choose to report to the Business Integrity Committee.

The Responsible Investment Committee and the ESG Integration Council will annually receive an update on the implementation of this Inclusion Instruction.

11. Change Log

Date	Version number	Comments/changes
30 June 2023	Version 1.0	Instruction created
24 October 2024	Version 2.0	Annual update of Inclusion Instruction. Specification of sustainability risk assessment for Private Equity and Private debt Limited and editorial changes done to definition section and indicator table.

Appendix 1 - Definitions

Double Materiality	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
ESG	environmental, social or governance
Environmental & Social materiality (also referred to as "Impact Materiality")	the inside-out impacts that an issuer's/company's economic and financial activities may have on sustainability factors
Financial Materiality	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.
Group	Danske Bank A/S with its subsidiaries
Principal adverse impacts	a principal adverse impact is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.
Sustainable Investments	an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy. Or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations. Or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.