

# Sustainability-related Website Disclosure

## Danske Bank A/S - Balanced Model Portfolio (the “product”)

*The document constitutes a model example on how Danske Bank A/S promotes environmental and/or social characteristics in an institutional balanced model portfolio. Whilst clients' sustainability preferences might vary, the descriptions outlined herein are in general considered representative for standardised product solutions offered to institutional clients and internal processes in place to support those.*

*For exact information on whether and how, Danske Bank A/S has committed to promote environmental and/or social characteristics towards you as a client please refer to the SFDR Annex enclosed with your client agreement.*

### SUMMARY

You can read a full summary of this text in your local language at:

[Summary - ENG](#)

[Sammenfatning - DK](#)

[Sammanfatning - SE](#)

[Sammendrag - NO](#)

[Tiivistelmä - FIN](#)

[Zusammenfassung- DE](#)

### NO SUSTAINABLE INVESTMENT OBJECTIVE

The product promotes environmental or social characteristics but does not have as its objective a sustainable investment. While not having a sustainable investment objective, the product is committed to partially make sustainable investments.

The sustainable investments that the product partially intends to make do not cause significant harm to any environmental and/or social sustainable investment objective. This consideration is managed in the investment decision-making process by applying the product's exclusions and through the assessment methodology embedded in eligibility requirements for sustainable investments in underlying funds.

For investments classified as sustainable investments in the product's portfolio, Danske Bank A/S and, as relevant, external managers of underlying funds will continuously monitor and screen the portfolio against these aspects.

When performing assessments of do no significant harm, the product applies exclusions and considers the indicators for principal adverse impacts on sustainability factors through the application of principal adverse impact indicators as further described in the Sustainable Investment Methodology document of Danske Bank A/S available at <https://danskebank.com/sustainabilityrelated-disclosures>.

### ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE PRODUCT

The product partially invests into sustainable investments with a minimum commitment of 5%.

In addition to its commitment to partially make sustainable investments, the product promotes environmental or social characteristics by seeking to limit and mitigate principal adverse impacts of its portfolio on sustainability factors through:

**Inclusions**, the product favours investments in issuers that demonstrate:

- Sound sustainability practices
- Sound environmental stewardship

**Exclusions**, the product excludes investments in issuers with:

- **Activities or conduct harmful to society** covering exclusions:
  - based on Danske Bank's norm based screening (enhanced sustainability standards) focussing, among others, on adherence to UN Global Compact principles, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and ILO conventions.
- **Non-ethical or controversial activities** covering exclusions on:
  - Tobacco (5 % revenue )
  - Controversial weapons (0 % revenue)
  - Gambling (5 % revenue)
  - Military equipment (5 % revenue)
  - Pornography (1 % revenue)
  - Alcohol (5 % revenue)
  - Statens Pensjonsfund Utland (SPU)
- **Activities with significant negative climate impact** covering exclusions on:
  - Fossil Fuels (5% revenue)
  - Peat-fired power generation (5 % revenue)
  - Tar sands (5% revenue)
  - Thermal coal (5% revenue)

**Active ownership** the product seeks to influence **issuers' impact on sustainability matters** through engagement and voting on material sustainability topics, including primarily at the level of underlying funds.

The product does not apply a benchmark for the attainment of its environmental and/or social characteristics.

## INVESTMENT STRATEGY

The product's investment strategy is further detailed in your portfolio management agreement.

If permitted in your portfolio management agreement, the product may gain exposures to issuers through investments in underlying funds. By the selection of underlying funds, the product aims to ensure as an integral of its investment strategy that the minimum target on sustainable investments can be met, and that other environmental and/or social characteristics are promoted.

For the sustainable investments that the product partially intends to make, the product in its selection of underlying funds considers the sustainable investments made by that underlying fund, including sustainable investment objectives that the underlying fund supports and how such fund considers and manages considerations of do no significant harm.

If permitted in your portfolio management agreement the product may also invest directly in sustainability-labelled bonds or make sustainable investments in accordance with the SDG Model.

The investment strategy is further focussed on limiting negative externalities (principal adverse impacts) of investments of the product by the integration of exclusions and inclusion criteria. Danske Bank engages as an active part of managing the investment strategy with issuers on material sustainability topics and – if any investments in underlying funds – vote on environmental and/or social proposals in accordance with the Danske Bank Voting Guidelines and Voting Scope.

The commitment to partially make sustainable investments and promote environmental and social characteristics as well as issuers' good governance practices are integrated in the investment strategy on a continuous basis through a commitment to systematically identify and address sustainability factors embedded in the investment and/or investment selection process. By this, the relevant sustainability features as well as issuers' good governance practices may influence a decision to either buy or increase weighting, hold or maintain weighting, sell or decrease weighting of an investment, in order to attain these characteristics of the Product.

The extent to which the environmental and social characteristics of the product are attained through the investment strategy is monitored on a regular basis and is reported through product reporting.

### **Policies to assess Good Governance**

Danske Bank's Responsible Investment Policy and Active Ownership Instruction provide the basis for assessing the issuers, as investee companies, good governance practices. According to this framework, considerations related to good governance practices form an integral part of the investment process of the product, in respect to both the selection of issuers and in managing the portfolio. In this respect, the business models and the strategies of issuers as well as their ability to create long-term value for the shareholders are taken into consideration.

For the selection of underlying funds, the manager's policies and frameworks for consideration of good governance practices are taken into consideration and form part of the due diligence and ongoing monitoring.

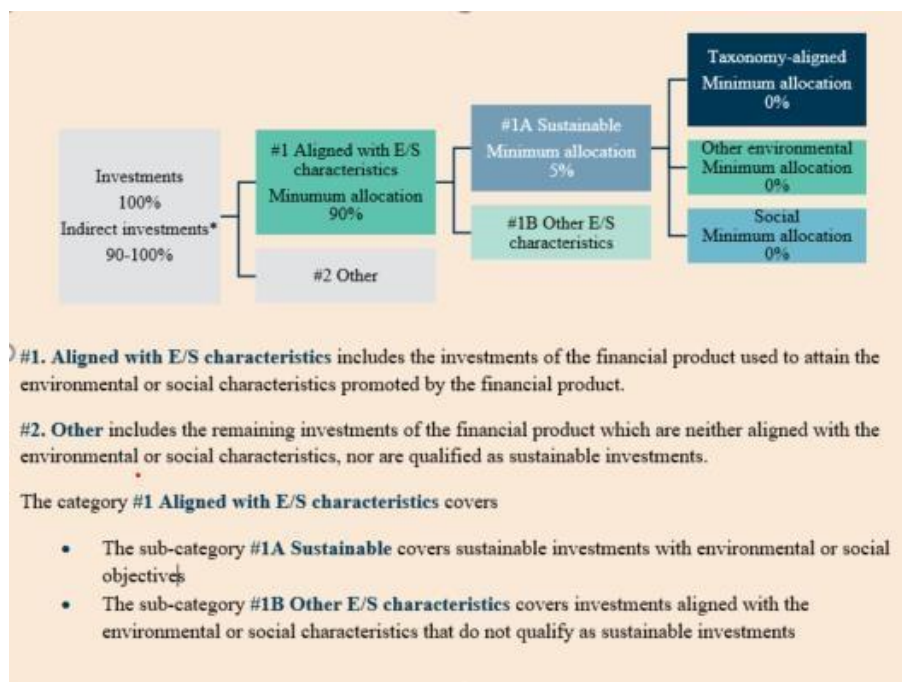
For the management of the product's investments, Danske Bank further seeks to be an active owner and to influence issuers directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders including on matters pertaining to good governance. For voting, Voting Guidelines are used as the default position, but investment teams are allowed to deviate based on case-by-case analyses. Voting must always be carried out to the benefit of investors to avoid any conflict of interest.

### **PROPORTION OF INVESTMENTS**

The product promotes environmental and/or social characteristics for investments made in its portfolio. As the product reserves the opportunity of making other investments in e.g. cash, derivatives and investments for which there might be insufficient ESG data ("Other"), the expected minimum proportion of investments aligned with the product's environmental and/or

social characteristics is 90%. The minimum proportion to environmental and/or social characteristics reflects the screened proportion of the product's portfolio.

The product has a minimum allocation to sustainable investments of 5%. The product is not within its investment strategy allocating a minimum of its investments to investments with an environmental objective, including Taxonomy-aligned investments, or investments with a social objective.



*\*"Indirect investments" covers exposures other than direct exposures in issuers, such as exposures held through underlying funds and derivatives.*

## MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

A number of processes are in place to monitor the promotion of environmental and/or social characteristics of the product and underlying Danske Invest funds.

### System monitoring through compliance engines:

The product is screened through compliance engines in Danske Bank A/S to ensure that the sustainable investment thresholds, inclusion commitments and applicable exclusions are adhered to.

The Responsible Investment team in Danske Bank is responsible for maintaining exclusion lists that set out the issuers that the product is not permitted to hold. As the exclusion lists are integrated into trading and compliance systems, it is automatically detected whether a product is holding a security that it, in accordance with the prospectus/investment guidelines is not permitted to hold.

### Monitoring by investments teams:

The investment team managing the product and underlying Danske Invest funds has access to a wide selection of ESG data and research through Danske Bank's ESG Data Platform that the teams uses on an ongoing basis to assess new investments and monitor the underlying investments' performance and management of the relevant sustainability indicators of the fund. Further information on the ESG Data is available in the "Data Sources and Processes" section below.

**Monitoring by Danske Bank's Investment Risk team:**

Through spot-checking and detailed analyses of selected funds and sustainable investment objectives/characteristics, the Danske Bank Investment Risk team can challenge and monitor the extent to which the environmental and/or social characteristics in promoted through investments in Danske Invest funds are attained.

More specifically, the team is responsible for a monitoring overlay and mandated to challenge investment teams on not only the financial performance of the funds, but also performance relating to sustainability-dimensions.

**METHODOLOGIES**

The attainment of the environmental or social characteristics promoted by the product are measured through usage of the following indicators:

1. The share of sustainable investments in the portfolio.
2. The weighted ESG score of the portfolio as based on an internally developed model.
3. The weighted carbon risk rating score of the portfolio as based on an external rating.
4. Investments in the product with activities and conduct deemed harmful to society as determined through as enhanced internal screening and the number of investments excluded on basis of this screening.
5. Investments in the product with activities deemed to have significant negative climate impacts as determined through the product's climate specific exclusions.
6. Investments with non-ethical or controversial activities as determined through the product's exclusions aimed to mitigate these activities.
7. The number of engagement activities of the fund.
8. The number of voting activities of the fund.

In terms of the specific methodologies underlying relevant indicators see the below:

**Sustainable investments in support of the UN SDGs:**

As the product primarily invests through underlying funds, the specific environmental and/or social objectives of the sustainable investments and the contribution to such objectives are mainly defined and managed through indicators and methodologies applied for those underlying funds.

In that respect, the product may for instance invest into underlying funds with a transitional focus for the sustainable investments and funds with a thematic or broad SDG focus for the sustainable investments. Subject to the terms of the portfolio agreement, for any direct sustainable investments of the fund, the product may invest into sustainability labelled bonds or utilise the SDG Model of Danske Bank A/S as further described in the Sustainable Investment Methodology of Danske Bank.

The methodology paper is available under:

<https://danskebank.com/sustainability-related-disclosures>

**ESG Score for the measurement of Sound Sustainability Standards:**

The ESG score is a score based on an internal model of Danske Bank A/S.

Depending on materiality considerations, the ESG score takes into account the following ESG characteristics of issuers: Access & Affordability, Air Quality, Audit & Controls, Board of Directors, Business Ethics, Business Model Resilience, Competitive Behavior, Critical Incident Risk Management, Customer Privacy, Customer Welfare, Data Security, Ecological

Impacts, Employee Engagement, Diversity & Inclusion, Employee Health & Safety, Energy Management, GHG Emissions, Human Rights & Community Relations, Labor Practices, Management of the Legal & Regulatory Environment, Materials Sourcing & Efficiency, Physical Impacts of Climate Change, Product Design & Lifecycle Management, Product Quality & Safety, Remuneration, Selling Practices & Product Labeling, Shareholder Rights, Supply Chain Management, Systemic Risk Management, Waste & Hazardous Materials Management, Water & Wastewater Management.

Subject to data limitations, each issuer in the product's portfolio receives a score from 0-100. A weighted portfolio average of a score on 40 or above is deemed representative of a part of the investment universe which are not laggards in respect to these dimensions.

**Carbon-Risk Rating Score for the measurement of Sound Environmental Stewardship:** The Carbon-Risk Rating score is serviced by ISS as an external data vendor.

The Carbon Risk Rating assesses the climate-related performance of issuers, taking into account not only industry-specific challenges and risk profiles, but also considers issuers positive impact. It provides investors with a central instrument for the future-oriented analysis of CO<sub>2</sub>-related risks both at issuer and portfolio level.

Subject to data limitations, each issuer in the product's portfolio receives a score from 0-100. A weighted portfolio average of a score on 40 or above is deemed representative of a wellperforming part of the investment universe in respect to these dimensions.

#### **Exclusions:**

All outlined exclusions of the product are defined by specific criteria and definitions set out in the Exclusion Instruction of Danske Bank A/S.

For the enhanced sustainability standards screening capturing conduct and activities harmful to society further reference is made to the methodology descriptions in the document "Enhanced Sustainability Standards Screening".

Further information on methodologies and exclusions for activities resulting in significant negative impact on the climate can be found in the document "Reduction of Activities Resulting in Significant Negative on the Climate".

All documents are available under: <https://danskebank.com/sustainability-related-disclosures>.

#### **Active Ownership:**

Active Ownership is performed in accordance with the scope and processes set out in the Active Ownership Instruction of Danske Bank A/S and underlying Voting Guidelines and Engagement Guidelines available at:

<https://danskebank.com/sustainability-related-disclosures>

## **DATA SOURCES AND PROCESSES**

In order to assess promotion of the environmental and/or social characteristics, the investment team managing the product and the underlying Danske Invest funds leverage Danske Bank's ESG Data Platform for data and research on the characteristics.

Here investment teams have access to proprietary data points and models that have been constructed internally. Our proprietary models uses multiple third-party sources as inputs in order to reduce single-vendor methodology biases. It allow investment teams to get a more nuanced and complete picture of issuers, as one can drill-down and understand why different

data sources have opposing views of a given issuer's sustainability performance. Separately, we source an extensive amount of third-party sustainability data and ratings to have a second opinion on issuers. For many data points/ratings, we source "the same" data point from multiple vendors in order to ensure comparability and evaluate data quality on an ongoing basis. A lot of data is still estimated, hence we find it important to have access to multiple sources. Given the amount of sustainability data points that are factor in, it is not possible to give one clear answer to the proportion of data is estimated as it varies significantly between data points. Some data, e.g. from CDP, is based fully on company disclosure whereas data points such as e.g. Scope 3 emissions, are based heavily on extensive estimations. Overall, we would argue that most of the data is based on estimations or model assumptions. In terms of overall data availability, we source data according to a key principle we refer to as "completeness".

With completeness we aim to have a data shelf that: to the largest extent possible, cover sustainability data according to our double-materiality focus (ensuring that we have data covering both financial materiality sustainability topics as well as non-financial risks to the environment/societies) as well as having data of relevance for all investment teams (ensuring that we e.g. do not only source sustainability data on issuers if we have investment strategies investing in governments). To ensure data quality, subject-matter experts are responsible for evaluating any data set that is onboarded.

The standard process for reviewing a data set involves: deep-dives into the data set, drilling down in individual company assessments, benchmarking the data output against other sources/vendors, as well as having calls with the methodology owners behind the given data point(s) being evaluated. If satisfied with the data, data is onboarded and stress-tested on an ongoing basis. The ESG data points, which the investment team have, available through our ESG Data Platform can be found in the document 'ESG Data Platform' available under <https://danskebank.com/sustainability-related-disclosures>.

## LIMITATIONS TO METHODOLOGIES AND DATA

There are vast amounts of sustainability data available to the management and monitoring of the fund, but the data landscape is characterized by a lack of consistent methodologies and limited transparency on how scores, indicators ratings are calculated for issuers. These limitations in data are due to a number of factors, not in the least being that they, in part, a reflection of how sustainability data is produced.

As corporate sustainability disclosures remain largely voluntary, far from all issuers issue reports covering their management or approach to addressing the sustainability-related aspects of their activities. Moreover, there is a lack of consensus on the scope and format of reporting and as such, issuers that do report do not disclose information in a standardised or easily comparable format. This creates, in certain instance, limitations in relations to the attainment of environmental or social characteristics of the fund. Furthermore, in a bid to support investors in their assessment of issuers, a growing body of ESG data and rating agencies have emerged with their own proprietary scopes and methodologies, which in turn do not allow for comparisons to be made on environmental and/or social issues. In addition, issues emerge across regions and asset classes, small cap and emerging markets in particular, with regards to comprehensive coverage and the availability of quality data.

Various measures are taken to ensure that the attainment of the environmental and/or social characteristics are not affected by these known limitations. In recognition of the lack of consensus and standardisation, Danske Bank's ESG Data Platform consists of credible sources that are assessed to provide relevant information on the material sustainability-related aspects of an investment. Nonetheless, as methodologies vary across the chosen vendors, information is, where relevant and necessary, validated by the investment teams through the review of corporate reports and engagement with the issuers. Finally, to address the risk that arises from metrics being based on modelled rather than reported data, indicators that are used for the attainment of environmental and/or social characteristics, and are, to the extent possible, validated through our model validation framework.

## DUE DILIGENCE

The investment teams review financial and sustainability information from multiple data sources (including but not limited to company reports and third-party investment research).

Tools, knowledge, research, education and subject-matter expertise are provided to the investment team to support the due diligence processes. The strength of this bottom-up approach is a solid foundation of data, tools and resources that enables the investment teams to conduct due diligence and promote the environmental and/or social characteristics for the product and underlying Danske Invest funds.

In addition, the trading/compliance platforms have an integrated pre-trade warning system capturing certain sustainability dimensions. Essentially the pre-trade ensures that when a portfolio manager is placing a trade for a security/issuer for a Danske Invest fund that has been assessed as having high sustainability risks, or negative performance on any of the principal adverse impact indicators, the portfolio manager will receive a warning to prompt further due diligence of the issuer. Other ESG data is also integrated into these trading platforms to seamlessly integrate ESG data in portfolio managers' regular workflows/security views.

Finally, top-down screening is used as a tool to identify issuers on exclusion lists of the product.

## ENGAGEMENT POLICIES

Subject to specific client requests in the portfolio agreement, the Active Ownership Instruction of Danske Bank A/S provides the framework for active ownership activities in the product. Active ownership is conducted through voting and engagement in which respect the principles of the Active Ownership Instruction are further guided through defined Voting and Engagement guidelines. For more information, see:

[Active Ownership Instruction](#)  
[Danske Bank Voting Guidelines](#)  
[Danske Bank Engagement Guidelines](#)

For investments in the product, Danske Bank can vote on shares that our customers own and where there is a mandate to exercise voting rights, although certain limitations apply in relation to the "Voting Scope" as described in the Active Ownership Instruction. Since the product invests in underlying funds managed through Danske Bank, activities related to voting in accordance with the Voting Guidelines are carried out through voting conducted by and on behalf of these underlying funds. Activities relating to voting are reported as an accumulated figure at an annual basis in the periodic report of the product.

When voting at general meetings, the goal is to support companies' long-term growth potential, mitigate risks, including sustainability risks, and limit negative impacts on society. The Voting Guidelines provide guidance on how to vote. Voting proposals may in that respect be subject to specific assessments of whether the proposal will protect or increase the investment's value and various other factors. Such considerations can for example include whether there are significant controversies, fines, sanctions, or lawsuits associated with the issuer's environmental or social practices that are addressed by the proposal and/or whether the issuer is taking the necessary measures to handle these. Voting is managed through the use of an external service provider (ISS) and coordinated through Danske Bank's Responsible Investment team.

Engagements with issuers in the product may be exercised by individual engagements and collective engagements in accordance with the Engagement Guidelines of Danske Bank.

For individual engagements, the Engagement Guidelines distinguish between:

1. Thematic related engagements

2. Event related engagements
3. Performance-related engagements.

Sustainability-related controversies are generally managed through event-related engagements, which may be initiated when certain incidents, events or sustainability-related controversies are identified through screening processes maintained by the Responsible Investment team at Danske Bank. Specifically, the Responsible Investment team manages the Enhanced Sustainability Standards screening process, a process that normally takes place at a bi-annual basis. The objective with the Enhanced Sustainability Standards screening is, among others, to identify and screen allegations of companies in breach of international norms and standards defined by international organisations such as UN, ILO and OECD. Depending on the severity of the case and the quality of the allegations brought forward, the Enhanced Sustainability Standards screening may result in recommendations to exclude an issuer. The screening may also conclude that the issuer should be placed on a watchlist, thus opening for further interactions and seek additional information on the case. If the issuer/company does not act as expected concerning these initiatives, a decision may be made to sell holdings, monitor the company more closely, and/or the Responsible Investment team may decide to recommend having the issuer generally excluded under the extended sustainability standard screening. Such a decision is subject to approval by Danske Bank's Responsible Investment Committee.

You can find the methodology for the Enhanced Sustainability Standards Screening at:

<https://danskebank.com/sustainability/publications-and-policies/sustainability-related-disclosures>

## DESIGNATED REFERENCE BENCHMARK

The reference benchmark is a general market index, representing the investment universe, and is not consistent with the environmental and/or social characteristics promoted by the product.

Change log		
Version 1	January 2023	Sustainability-related disclosures (web) i accordance with the EC Delegated Regulation (EU) 2022/1288 of 6 April 2022.
Version 2	October 2024	Updated descriptions/enhancements. The updates are editorial and non-material.
Version 3	March 2025	Updated description on "Engagement Policies"