

Responsible Investment Highlights 2024

Highlights from Danske Bank Asset Management's work with responsible investments in the past year.



Danske Bank



INTRO:

Responsibility and attractive returns go hand in hand

At Danske Bank Asset Management, responsibility is an integral aspect of our investment processes. By addressing environmental and social aspects as well as good governance – also known as ESG – we can better select attractive investments for our customers and at the same time influence business and society to move in a more sustainable direction.

Our approach to responsible investment is based on two overriding principles:

- We aim to protect the value of our investments and to generate attractive returns.
- We aim to analyse and manage the impacts our investments have on the environment and on other social aspects.

We are firmly of the opinion that sustainability and attractive returns go hand in hand in the longer term.

Responsible Investment Highlights 2024 provides a brief overview of several of the most important measures and initiatives undertaken in our work with responsible investment last year and at the start of this year.

Thomas Otbo,
CIO Danske Bank Asset Management

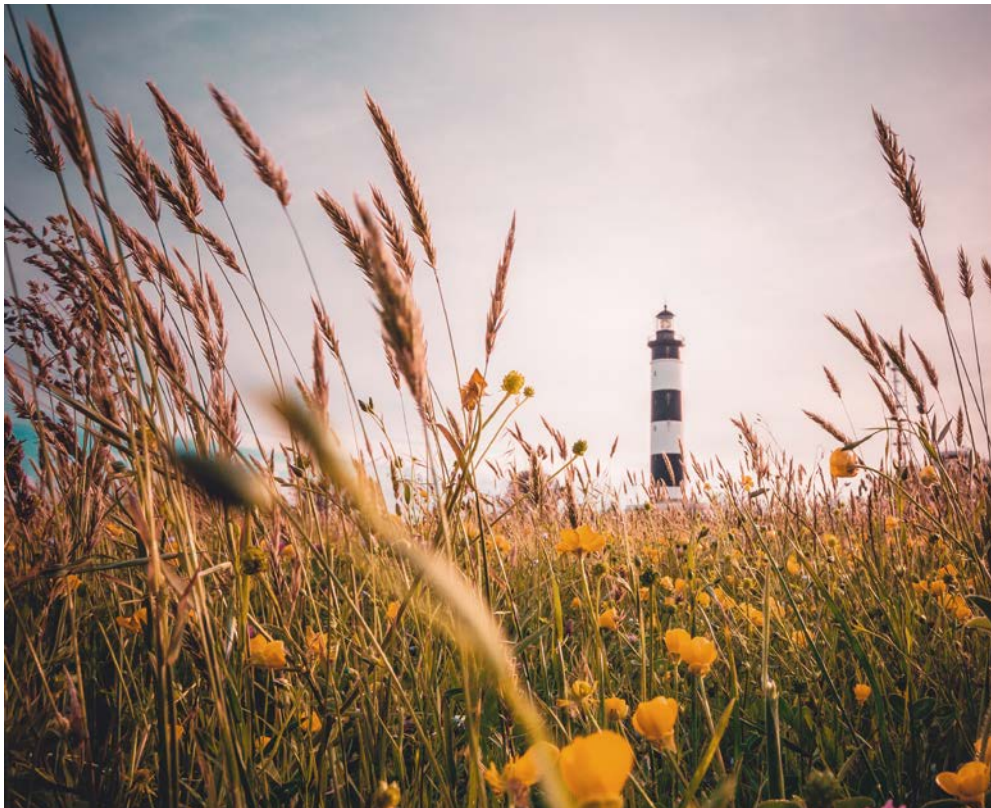
HIGHLIGHTS:

- ✓ Danske Bank’s CEO: “Our climate plan is an ambitious plan”
- ✓ Increased focus on climate and nature when we invest
- ✓ We are introducing stricter requirements for investments in fossil fuel companies
- ✓ Active ownership in 2023 – selected highlights
- ✓ More robust trading system provides additional protection against negative impact
- ✓ Our SDG model now covers 25,000 companies
- ✓ We remain the Nordic leader in terms of training and education
- ✓ 7 key trends in responsible investments
- ✓ New investment strategy with a climate focus




DANSKE BANK'S CEO:

“Our climate plan is an ambitious plan”



At the start of 2023, we launched our new climate plan at Danske Bank (Our Roadmap to Net Zero), which encompasses specific climate targets for our investments at Danske Bank Asset Management – including:

- A 50% reduction in the weighted CO₂ intensity of our portfolios by 2030 (relative to 2020).
- Engaging in dialogue with the 100 largest CO₂ emitters in our portfolios before the end of 2025.

 [Read more about our climate plan and goals here.](#)

In February this year we published a [progress report](#) outlining our progress on the climate plan, and you can read more about



Carsten Egeriis
CEO Danske Bank.



Our climate plan is an ambitious plan designed to help us and our customers succeed with the green transition.

developments in the investment area from page 38. The status report shows that we are on the right course to achieving our goals.

Our long-term goals

Danske Bank Asset Management has joined the global Net Zero Asset Managers initiative, which obliges us to have a CO₂-neutral investment portfolio by 2050 that is aligned with the Paris Agreement goal of limiting the global increase in temperature to 1.5°C.



NEW IN 2024:

We are introducing stricter requirements for investments in fossil fuel companies

Going forward, the vast majority of our investment strategies at Danske Bank Asset Management will only invest in fossil fuel companies if they have transition plans that support the goals of the Paris Agreement.

“This is in line with our conviction that companies with ambitious transition plans also have the greatest potential to be relevant in the future and therefore be attractive, long-term investments,” explains Erik Eliasson, Head of Responsible Investments at Danske Bank Asset Management.

Our new policy covering investments in fossil fuels has been aligned with our customers’ preferences and our obligation to safeguard our customers’ investments as best as we possibly can. The policy has three dimensions:

1. A forward-looking approach that includes investments in fossil fuel companies if they can demonstrate through their plans and actions that they are on the right path in terms of the transition.
2. Dedicated active ownership with respect to fossil fuel companies – not least those that do not fully meet our expectations or their own targets regarding the transition.
3. Exclusion of companies that are not on the right path and/or where a satisfactory outcome for active ownership is not possible.

The policy will be phased in over the coming year and initially apply to our investment strategies in Denmark, Sweden, Finland and Luxembourg.



Erik Eliasson
Head of Responsible Investments
at Danske Bank
Asset Management.



We will continue to be invested in fossil fuel companies, thus reflecting the global economy and energy supply, but we will phase out our fossil fuel investments over time and work to support the transition to renewable energy and a gradual phasing out of fossil fuels from the global economy.



You can read more about
our new policy [here](#).



Mads Steinmüller
Head of Climate & Nature at
Danske Bank Asset Management.



Nature underpins half of the global economy – and we have noted how the nature agenda is growing in importance for our investors. Historically, however, this is a theme that has not attracted quite as much attention as climate change, for example, so the entire financial industry needs to step up its efforts in the area. All in all, this is an agenda that I assess will follow a similar path to what we have seen in relation to the climate.

Increased focus on climate and nature when we invest

Biodiversity plays an ever-increasing role in the investment sphere, which is why we established a department for climate and nature in our asset management area in 2023 – one of the first banks in the Nordic area to do so. Chief ESG specialist Mads Steinmüller was appointed to head up the department.

Among other activities, the new department is tasked with analysing, advising and sup-

porting our portfolio managers in relation to risks and opportunities linked to biodiversity. Furthermore, we are intensifying our active ownership efforts and have selected 30 global companies that have a high impact on biodiversity to engage in dialogue over the next two years. In addition, we have recently signed up to the following internationally recognised investor initiatives in the biodiversity area:

- Finance for Biodiversity Pledge
- Partnership for Biodiversity Accounting Financials, PBAF
- Nature Action 100



You can read more about our new climate and nature department [here](#).



Read more about our approach to biodiversity
If you would like to know more about our initiatives, research and obligations, [read more in our 2-page publication here](#). We have, for example, recently analysed our investment portfolios in order to identify those sectors that could potentially have the most significant negative impact on nature and biodiversity.

Active ownership in 2023 – selected highlights



Oshni Oshni Arachchi,
Head of Active Ownership
at Danske Bank
Asset Management.

Active ownership is a permanent aspect of our investment activities at Danske Bank Asset Management. We constantly focus on influencing companies/issuers in relation to

important ESG issues in order to optimise the return potential of our customers’ investments and contribute to positive societal developments.

We practice active ownership in three ways:

- ✓ Via dialogue with companies/issuers
- ✓ Via voting at general meetings
- ✓ Via cooperation with other investors and organisations

Dialogue with energy companies, etc
Danske Bank Asset Management held 1,533 dialogues in 2023 with 836 companies/issuers from 55 different countries. You can see the distribution of our dialogue themes in the graph.

EXAMPLE: We have engaged in dialogue with some of the world’s largest energy companies and urged them to have more ambitious climate plans.

“Here, we have maintained our opinion that the development of new oil projects should be stopped, and that investments in renewable energy need to be increased to ensure future income,” says Oshni Arachchi, Head of Active Ownership at Danske Bank Asset Management.

Voted for proposal to reduce the consumption of plastic
In 2023, we also voted at 3,692 general meetings across 61 different countries on 43,296 proposals. On our **digital voting platform** you can see how we voted at general meetings.

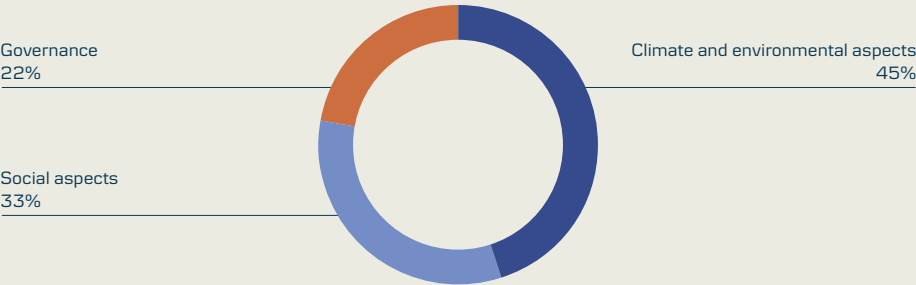
EXAMPE: At companies like Burger King, Pizza Hut and KFC, we have supported proposals at general meetings for documenting plas-

tic consumption, and we have also supported proposals for a strategy to reduce plastic consumption. Plastic has major negative consequences for the climate, biodiversity and the environment – with single-use plastic in particular often ending up in nature.

“We expect to see stricter regulation of plastic consumption in the coming years so, in our view, companies should be preparing for these changes,” explains Oshni Arachchi.



Distribution of themes in our dialogues with companies/issuers



Source: Danske Bank Asset Management



More robust trading system provides additional protection against negative impact

In 2023, we strengthened our trading system to limit and in some cases completely avoid investing in companies that perform badly on one or more PAI indicators (Principal Adverse Impact indicators).

More specifically, we have introduced pre-trade warnings – i.e. warnings prior to executing a trade if portfolio managers want to invest in companies that exceed a series of pre-defined limits for PAI. Consequently, the warning system means a trade will only be executed if the portfolio managers submit a written justification for the investment and it is subsequently approved by our Responsible Investment team.


Pre-trade warnings simply cannot be ignored in the case of funds with sustainable investment objectives.



Stine Lehmann Schack,
Head of Responsible Investment
Frameworks and Governance
at Danske Bank
Asset Management.



The new pre-trade warnings in our trading system are a good tool for ensuring that the necessary considerations are taken into account in relation to PAI indicators.

 You can read more in this article from the industry website Responsible Investor (published 01.09.2023, possible paywall).

Our SDG model now covers 25,000 companies



Alexander Lindwall
interim Head of Sustainability
Insights & Analytics at Danske
Bank Asset Management.

With sustainability, there is often more focus on a company’s products and less focus on how they manufacture those products. But what is the use of producing environmentally friendly electric cars or wind turbines, for example, if the manufacturing process is extremely harmful for the environment or the employees?

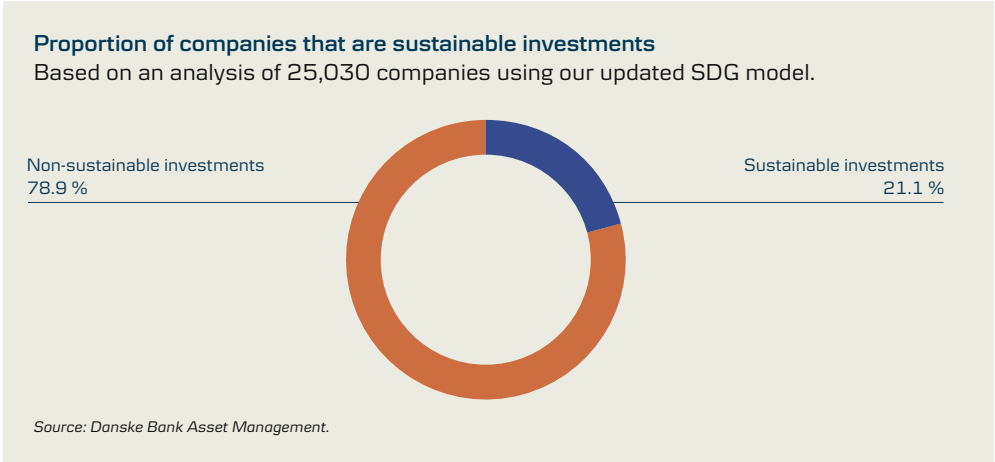
At Danske Bank Asset Management, we have therefore developed our own internal analytical tool, our SDG model, which incorporates considerations around both a company’s products and their operations in our assessment of the company’s sustainability profile. The model forms the foundation for our assessment of when a company can be termed a sustainable investment.

“Our SDG model enables us to systematically assess the extent to which companies in our

actively managed portfolios positively contribute to the 17 UN Sustainable Development Goals (SDGs),” says Alexander Lindwall, interim Head of Sustainability Insights & Analytics at Danske Bank Asset Management.

In November 2023, we launched an updated version of the model incorporating more extensive data to provide an even better picture of both a company’s contribution to the UN SDGs and also whether a company has a

significant adverse impact on some of the SDGs. Furthermore, the number of companies covered by the SDG model has doubled to around 25,000.





We remain the Nordic leader in terms of training and education



Peter Lindström
Chief ESG Specialist
at Danske Bank
Asset Management

Increased regulation and more complex requirements from customers make it imperative that we continually strengthen our portfolio managers’ competences within responsible investment.

“In recent years, we have through both internal and external education sessions systematically trained and educated portfolio managers and other in-house investment specialists, and we continued on that path

in 2023,” explains Peter Lindström, who is Chief ESG Specialist at Danske Bank Asset Management and in charge of our responsible investment training programme.

The past year saw a further 19 investment specialists from Danske Bank Asset Management obtain CESGA certification (Certified ESG Analyst) from the European Federation of Financial Analysts Societies, bringing the total number of certified personnel here to 90

(as of mid-March 2024) – plus other selected employees at Danske Bank.

“Hence, we remain the Nordic bank and asset manager with most CESGA-certified investment specialists,” says Peter Lindström.

 [Read more in this article.](#)

INSIGHT:

7 key trends in responsible investments

ESG aspects are important factors when we manage capital on behalf of our customers, and we are constantly focused on keeping abreast of new trends in the area. Earlier this year, Erik Eliasson, Head of Responsible Investments at Danske Bank Asset Management, provided insight into seven key trends in responsible investments in 2024 and the coming years:

- 1 Double materiality balancing act becoming increasing precarious
- 2 Geopolitics and conflict firmly on the agenda in 2024
- 3 Polarisation and anti-wokeism
- 4 Regulatory landscape continues to evolve
- 5 From green investments to transition financing
- 6 Social agenda set to be strengthened
- 7 Fear of greenwashing could lead to green bleaching

 [Gain insights here](#)



Erik Eliasson
Head of Responsible Investments
at Danske Bank
Asset Management.



We have a clear goal of being a Nordic leader in responsible investments, and that requires that we constantly keep abreast of new trends and developments.





New investment strategy with a climate focus

ESG and sustainability are important factors in our ongoing development of new and relevant investment strategies at Danske Bank Asset Management. In autumn 2023, for example, we were the first asset manager in Denmark to launch a new strategy, under the name Global Future, that focuses on alternative investments which are expected to have a positive impact on the climate.

“The strategy concentrates mainly on investments within private equity and infrastructure and thus combines elements from two of our key strategic focus areas – alternative investments and sustainability,” explains Thomas Otbo, CIO, Danske Bank Asset Management.

Investments are primarily in companies and projects that can contribute to renewable energy production and a reduction in the emission of greenhouse gases like CO₂.

- INVESTMENTS IN PRIVATE EQUITY could be in unlisted companies within battery technology, climate technology and the energy optimisation of industries and buildings, for example.
- INVESTMENTS IN INFRASTRUCTURE could be in solar and wind energy, power transmission and transport solutions that emit less CO₂, for example.



[Read more about the investment strategy here](#)

Team behind the investments



Frederik Hoffmann von Holten is chief portfolio manager and comes from a position as head of Corporate M&A at energy company Ørsted. Among his activities there, he helped execute transactions within energy infrastructure, solar and wind energy, energy trading and Power-to-X, which is the conversion of electricity to CO₂-neutral fuels.



Christian Høegh Lodahl is senior portfolio manager and has previously worked with M&A in the biogas area, for example, as well as advising Danish businesses on supply and energy optimisation.

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Danske Bank
Bernstorffsgade 40
1577 København V, Denmark
CVR No. 61 12 62 28-København

Tel. +45 45 13 96 00
danskebank.dk