

Sustainability-related Website Disclosure

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Summary

The fund promotes various environmental and social characteristics as well as good governance practice, such as climate, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption through several steps of the investment processes i.e. in the investment analysis and the decision-making process, active ownership, and the investment restrictions, read more about the process in the 'Investment Strategy' section.

The fund is actively managed i.e. the investment team selects investments that appear to offer superior investment characteristics and return. The investment strategy promotes environmental and social characteristics as well as good governance practices through investment management processes i.e. in the investment analysis and investment decision-making, active ownership and screening & restrictions. In terms of monitoring, processes are in place, to monitor the promotion of environmental and social characteristics of the fund via the use of sustainability indicators. The fund applies carbon footprint, ESG score from Sustainalytics, engagements and restrictions to measure the attainment of the environmental and social characteristics promoted by the fund.

In the analysis and research process the fund, apply the Danske Bank ESG data platform and external ESG research, which is based on ESG data from multiple ESG data & research providers such as SASB, MSCI, Sustainalytics and S&P Global Trucost and many others. The ESG data and research is applied to attain the promoted ESG characteristics of the fund. Furthermore, the Sustainable Investment team, which supports the investment team of the fund applies a solid framework for the assessment and monitoring of the funds ESG data providers to ensure data quality. The methodologies and data contain some limitations, which are addressed through dialogues with companies, ESG data providers or other stakeholders.

The fund carries out ESG due diligence on the underlying assets in various ways; the investment team identify and assess material ESG aspects and screening & restrictions are applied in various ways, which is controlled internally by the Danske Bank ESG Integration Council and the Danske Bank Investment Risk Team.

In terms of engagement policies, the fund follows Danske Bank Responsible Investment Policy. In short, that means that the fund use active ownership to influence the activities or behavior of investee companies by

taking an active interest as an investor in investee companies' circumstances, development, and management, and a long-term focus in the company in line with for instance the EFAMA Stewardship Code and the Shareholder Rights Directive II. The fund seeks to be an active owner and influence companies directly through dialogue and collaboration with peers, like-minded investors and stakeholders.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment as described in Article 9 of the Sustainable Finance Disclosure Regulation (SFDR, Regulation [EU] 2019/2088).

Environmental and social characteristics of the financial product

The fund promotes various environmental and social characteristics as well as good governance practice, such as climate, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption through several steps of the investment processes i.e. in the investment analysis and the decision-making process, active ownership, and the investment restrictions, read more about the process in the 'Investment Strategy' section.

Investment Strategy

The fund is actively managed i.e. the investment team selects investments that appear to offer superior investment characteristics and return. The investment strategy promotes environmental and social characteristics as well as good governance practices through investment management processes i.e. in the investment analysis and investment decision-making, active ownership and screening & restrictions.

The investment team invest in companies with high or an increasing ESG awareness because these companies are likely to have lower image-, funding-, market-, product and profit related risks and hence a higher risk-adjusted returns compared to those companies with low focus on ESG related factors.

Investment analysis and decision-making

The investment team identify and assess material environmental, social aspects, and good governance practices and systematically incorporate these into their investment decisions. The investment team generate alpha through in-depth fundamental ESG and credit analysis, which they use to determine where material improvement in ESG and traditional credit fundamentals will occur. As part of the investment analysis and decision-making the investment team identify and classify potential sustainability cases i.e. companies with a high ESG score and green bonds. The investment team also invest in companies which are associated with some form of sustainability controversy, however they see as a strong transition or sustainability case.

Active Ownership

The investment team engage on a regular basis on material ESG matters to understand more about the quality of the investment, mitigate sustainability risk and to promote material environmental and social performance and good governance practices. Through engagements, the fund address standards of corporate governance and sustainability within many areas such as emissions, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption. The investment team has a closer dialogue with companies involved in sustainability related controversies, compared to other companies. Read more about active ownership in the 'Engagement policies' section below.

Screening and restrictions

The fund apply screening to identify companies that are violating international norms and good governance practices as defined by international organisations such as the OECD, ILO, UN Global Compact and other

treaties or conventions. In addition the fund apply investment restrictions on controversial weapon, fossil fuels, alcohol, gambling, military equipment, pornography and tobacco.

Monitoring of environmental or social characteristics

Processes are in place, in order to monitor the promotion of environmental and social characteristics of the fund via the use of sustainability indicators. First of all, the investment team uses a wide range ESG data and research from our ESG data platform which they use to assess and monitor the underlying investments sustainability performance and standards in a holistic manner on a regular basis. Second, the Danske Bank Investment Risk Team i.e. the sustainability risk challenger, regularly challenge and monitor the investment team obligations in terms of promoting environmental and social characteristics. The sustainability risk challenger especially focusses on evaluating sustainability risk and the sustainability indicators to measure the attainment of the environmental and social characteristics. Third, the investment holdings of the fund is regularly screened in order to make sure that holdings apply the selected investment restrictions and that portfolio holdings are not involved in norm-breaches.

Methodologies

To measure the attainment of the environmental and social characteristics promoted by the fund, the following sustainability indicators are applied:

- **Carbon footprint**
Measures the carbon footprint of the underlying investments in the fund, normalized by the current value of the portfolio. Data is provided by Trucost.
- **ESG score from Sustainalytics**
The ESG Risk from Sustainalytics focuses on materiality and measures the degree to which a company's economic value is at risk driven by ESG factors. It measures the magnitude of unmanaged ESG risks in the company. The ESG Risk of a company is an absolute number, and can be used for comparing companies across sectors and countries.
- **Engagement on environmental and social themes**
The investment team engage with investee companies in order to address and improve sustainability aspects, such as standards of corporate governance, emissions, energy, biodiversity, water, waste, social and employee matter, human rights as well as anti-corruption. All engagements are continuously monitored, logged and disclosed on a semi-annual aggregated basis in the active ownership report.
- **Number of companies restricted from the investment universe of the product due to Environmental and Social issues**

Data sources and processing

The investment team of the fund apply the Danske Bank ESG data platform and external ESG research, which is based on ESG data from multiple ESG data & research providers. The Investment team analyses relevant financial and ESG information to identify material ESG factors affecting a company, sector, and/or country from multiple data sources (including but not limited to the ESG Data Platform, company reports and third-party investment research). The ESG data and research is applied to attain the promoted ESG characteristics of the fund. The different ESG Data points, which the investment team have available on the ESG Data Platform is published online: ['ESG Data Platform'](#).

Measures taken to ensure data quality

The fund is utilizing ESG data from the following external vendors: SASB, Verisk Maplecroft, CDP, RepRisk, ISS, Four Twenty Seven, Arabesque, MSCI, Sustainalytics, TruevalueLabs, S&P Global Trucost and Util. Even though the investment team of fund have a broad selection of ESG data available, they are aware of that the data that the fund utilizes is characterized by lack of consistent methodologies and limited transparency on how scores and ratings are calculated. Therefore, the investment team will from time to time cross check facts with investee companies, industry experts and various ESG providers to ensure data quality.

Furthermore, the Sustainable Investment team, which supports the investment team of the fund applies a solid framework for the assessment and monitoring of the funds ESG data providers to ensure data quality. All new ESG data and research providers are assessed before they are added to the ESG Data Platform, to ensure they fit the needs of the investment team and that it has a high quality standard. These are the main building blocks of the ESG Data Provider Assessment Framework:

Research and data quality: The quality of the research, data and methodology is assessed to see if it meets quality expectations

Usefulness: The scope of the vendors offering is assessed to see if it matches the needs and can be use in an investment environment.

Platform: The vendor's platform offering is assessed based on how it matches with the IT-integration requirements and user functionality needs.

Vendor Profile: The vendor's client service level and their core strengths is assessed

Contract: The vendors cost profile, how and for what it charges its clients, and contractual delimitations for customer dialogue and reporting is assessed.



Limitations to methodologies and data

The fund applies various methodologies and data to attain the environmental and social characteristics which are promoted by the fund. These methodologies and data have some limitations which are e.g. addressed through dialogues with companies, ESG data providers or other stakeholders.

Carbon footprint

Corporate reporting on scope 3 emissions is in general poor, incomplete and sometimes estimated if the company does not disclose the scope 3 emission, which might make it a challenge to consider the broader value-chain climate risk in the fund. Furthermore, carbon emission data is backward looking and does not necessarily predict future carbon emission.

ESG score from Sustainalytics

The data landscape is characterized by lack of consistent methodologies and limited transparency on how scores and ratings are calculated, furthermore our own analysis in the whitepaper '[Identifying investment value in ESG data](#)' show that third-party ESG ratings vary between the rating providers i.e. the ESG score on companies from Sustainalytics might differ from other rating providers.

Due diligence

The fund carries out ESG due diligence on the underlying assets in various ways which is controlled internally. First of all, in the due diligence process the investment team identify and assess material environmental, social aspects, and good governance practices and systematically incorporate these into the

final investment decisions. Second, the fund applies screening to identify and understand different ESG related risk and opportunities. This allow for risk mitigation and opportunity identification for a given company, sector or country. The screening also helps the fund to apply the fund's investment restrictions and to identify companies potentially violating international norms. The norm-based screening is conducted quarterly based on input from multiple ESG data providers, different investment teams, Danske Bank group positions and customers/Nordic institutions serving as proxies for the Nordic Investor as well as other relevant sources and stakeholders (e.g. NGOs). The fund also use the screening as an input to the in the investment analysis and investment decision-making and active ownership efforts, and they use it to apply individual investment conviction, where the investment team decides to refrain from investing in companies, sectors and/or countries. Third, the investment team might also engage with the company before taking any actions on the investment decision.

Controls

The due diligence process of the fund is governed and supported by The Danske Bank ESG Integration Council and the Danske Bank Investment Risk Team. The ESG integration Council, which consist of Danske Bank CIO's and investment heads, govern and guides the responsible investment strategy implementation, discusses and evaluates ESG risks and dilemmas, reviews and endorses investment restrictions, decides on collaborative engagements and other topics with relevance across the investment management organization. The Danske Bank Investment Risk Team evaluates and monitor sustainability risk and performance of fund to ensure that the investment team address relevant sustainability aspects in the investment process and support the investment team to deliver on the fund's sustainability promise and characteristics.

Engagement policies

The fund follows Danske Bank Responsible Investment. This means that the fund use active ownership to influence the activities or behavior of investee companies by taking an active interest as an investor in investee companies' circumstances, development, and management, and a long-term focus in the company in line with for instance the EFAMA Stewardship Code and the Shareholder Rights Directive II. The fund seeks to be an active owner and influence companies directly through dialogue and collaboration with peers, like-minded investors and stakeholders.

Overall, the active ownership approach is based on the belief that in general it is more sustainable to address challenging issues through active ownership and dialogue rather than divesting. The investment team engages on a regular basis with investee companies on material ESG matters to seek improvement in financial performance and processes in order to enhance and protect the value of the investments. We log and monitor company dialogue and progress to ensure a structured engagement process and publish our engagements twice a year in our ['Active Ownership Report'](#).