

Subject	Policy for corporate social responsibility and responsible investment
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Policy for corporate social responsibility and responsible investment

BankInvest wants to be a leading player within responsible investment. This policy is meant to help us achieve that goal.

Hence, the purpose of the policy is to set the framework for the work with environmental, social and governance (ESG) considerations in BankInvest's investment strategies and processes, including contributing to the sustainable transition. This applies to both climate and other matters and in relation to setting the framework for BankInvest's work on active ownership, which has its own policy.

Sustainable transition is essential to meet the ambitious targets set by the EU and the UN. The financial sector plays a key role in supporting sustainable transition as described in the European Commission's action plan for financing sustainable growth¹ from 2018 and the objectives in the Paris Agreement² from 2015, which BankInvest supports.

BankInvest basically believes that the businesses creating value are those who are responsible in their business practices in the long term. Consequently, BankInvest has undertaken, together with the investors, to make investments in a responsible manner and invest in businesses with responsible business practices.

As a natural and key element of BankInvest's work with responsible investment, we have joined the following networks and initiatives:

- [The UN-backed Principles for Responsible Investment](#)
In February 2008, BankInvest signed the UN-backed principles for responsible investment (called UN PRI), and much of the work with responsible investment in BankInvest is based on precisely these principles.
- [The UN Global Compact](#)
Since 2019, BankInvest has supported the UN Global Compact, which is the ten principles on responsibility within human rights, employee rights, the environment and anti-corruption.
- [The Montréal Carbon Pledge](#)
As a signatory to the Montréal Carbon Pledge, BankInvest acknowledges the long-term investment risks associated with greenhouse gases, carbon emissions and climate change and undertakes to act accordingly. This means that BankInvest publishes the carbon footprint for a number of departments.
- [Climate Action 100+](#)
BankInvest has signed Climate Action 100+, an investor initiative that seeks to influence 161 of the world's largest carbon-emitting companies to follow more climate-friendly paths.
- [The Task Force on Climate-related Financial Disclosures \(TCFD\)](#)
BankInvest supports the TCFD recommendations, which are a number of recommendations on climate reporting and the handling of climate-related risks.

¹ <https://eur-lex.europa.eu/legal-content/DA/TXT/PDF/?uri=CELEX:52018DC0097&from=DA>

² http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

- The Danish Social Investment Forum (Dansif)
The membership gives BankInvest access to a wide network of members and the opportunity to influence and build the Danish market.

Besides the above initiatives, BankInvest satisfies the Danish Investment Association's industry recommendation on the minimum management of sustainability.

Embedding the work with responsible investment

Responsible Investment Committee

BankInvest has set up an internal Responsible Investment Committee, which is tasked with monitoring BankInvest's work with responsible investment, including developing policies in the area, maintaining BankInvest's exclusion list and ensuring that BankInvest has the right product range within responsible investment and meets the requirements made to BankInvest as an investment manager.

The committee meets at least four times annually and consists of the following persons:

- Chief Executive Officer (chairman of the committee)
- Chief Investment Officer
- Investment Management Officer
- Communications Responsible
- Head of Fixed Income
- Partner Director
- Chief Portfolio Manager for global equities
- Head of Responsible Investment
- ESG analyst, Fixed Income
- ESG analyst, Equities

Norm-based screening

At least once a year, BankInvest's investments³ are subject to norm-based screening to identify breaches of the below international norms and conventions within human rights, employee rights and the environment:

- The UN Global Compact
Ten principles on the environment, anti-corruption, employee rights and child labour, human rights etc.
- The UN Declaration of Human Rights
Including a prohibition against forced labour and discrimination, the right to a fair trial, the right to freedom of speech etc.
- The OECD guidelines for multinational enterprises
Including how enterprises minimise the negative impact of their activities and how business can contribute to financial, social and environmental progress.

³ The investment funds in the Darwin mobile app are not covered by the ethical screening. This is because the supply of ethically screened ETF's is presently very limited. Developments in the area are followed carefully.

- The ILO labour market conventions on dignified conditions for the labour force
Including the conventions on abolition of child labour, discrimination, forced labour and the right to organise and collective bargaining

BankInvest cooperates with the international service provider Sustainalytics, which performs the norm-based screening.

If the screening shows that a company breaches one or more international norms or standards, BankInvest will typically – through its cooperation with Sustainalytics – seek to influence the company to take responsibility and change its behaviour rather than selling the portfolio in the company at once.

If the dialogue does not show the desired progress, BankInvest may consider excluding the company from its investment universe, which will be decided by the Responsible Investment Committee as further described in the next section of this Policy.

Certain investment funds may have another approach, where disposals are typically made earlier in the process, e.g. as soon as a breach of international norms is identified.

Exclusion

BankInvest has a general ban on investing in companies involved in the production of controversial weapons such as cluster munitions, land mines, chemical and biological weapons and nuclear weapons outside the Non-Proliferation Treaty as well as companies in which more than 25% of the revenue comes from coal mining.

Exclusion may also be a possibility if a company breaches international norms and does not show any will to take responsibility and change its behaviour as described in the section on Norm-based screening.

The Responsible Investment Committee has the decision-making power to exclude a company from BankInvest's investment universe, which decision is typically recommended on the basis of an analysis made by the Head of Responsible Investment.

The list of exclusions is published regularly and can be found at BankInvest's website: <https://bankinvest.dk/baeredygtighed/politik-for-ansvarlige-investeringer/>

Moreover, certain departments with special sustainability considerations may have stricter exclusion criteria for sectors and companies that are not assessed to be sustainable.

Use of ESG integration

BankInvest integrates ESG matters in the investment process. This means that besides looking at traditional, financial ratios, the portfolio managers also include non-financial ratios and parameters in the investment analyses, including how the companies handle ESG matters. ESG analysis can be used to identify investments risk and opportunities.

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

To obtain ESG data for the purpose of analysing corporate investments, BankInvest cooperates with the international data supplier MSCI ESG, which specialises in analysing companies' ESG standards. MSCI ESG provides both ESG data and research.

If MSCI ESG assesses a company to have poor ESG qualities resulting in the lowest ESG rating (CCC), the responsible portfolio manager must explain in writing how he/she assesses the future ESG prospects for the company in question. This means that a follow-or-explain principle is practised for CCC-rated companies. The typical reason to invest in companies with poor ESG qualities is that – looking forward – the investor can influence the companies through direct investments. Further, the ESG rating is often based on historical conditions. Moreover, in some cases the portfolio manager may assess that he/she has knowledge of the company that goes beyond that of MSCI ESG.

The written report is sent to the Head of Responsible Investment, who informs the Responsible Investment Committee at the next Committee meeting.

Government bonds

In connection with investment in government bonds, BankInvest follows UN and EU sanctions and exclude countries that are subject to sanctions against investment in government bonds. In addition, investments in government bonds are made according to international conventions and considering the UN-backed principles for responsible investment.

When BankInvest invests in government bonds issued by Emerging Market countries, we have ESG focus on the country in question. BankInvest's investment policy in the area includes the methods from the FFP's Fragile States Index and the MSCI ESG rating. FFP assesses, on an annual basis, countries on indicators in three groups: social, economic and political/military indicators and divides the countries into 11 categories. If a country belongs to the two lowest categories (High Alert and Very High Alert), BankInvest will generally not invest in government bonds from that country, unless the Responsible Investment Committee approves it. The results are generally reviewed once a year.

Overall, MSCI ESG assesses the countries on the following parameters: E (Environment), S (Social) and G (Governance) on the basis of a number of factors. The countries are then given a general ESG rating between AAA and CCC. If a country gets the CCC rating, BankInvest will generally not invest in government bonds from that country, unless the Responsible Investment Committee approves it. The results are generally reviewed once a year.

Active ownership

Active ownership is a key element in BankInvest's approach to responsible investment.

Consequently, BankInvest has prepared a separate *Policy for Active Ownership*. Please see that policy for further information.

Darwin

Insofar as possible, the investment products in the Darwin mobile app take into account ESG matters in the ETFs, in which investments are made. The market for ESG screened ETFs is in development, and consequently it will not be possible to find an ESG-screened alternative in all investment areas in Darwin.

External managers

As regards portfolios where BankInvest has external managers attached, BankInvest will try to have ESG considerations integrated to the widest possible extent in the agreed Investment Guidelines.

As part of the ongoing control with the delegated tasks, BankInvest each year sends questionnaires to the external managers, which also include questions regarding their handling of ESG, e.g. the carbon emission of the portfolio, exercise of active ownership etc.

Alternatives

BankInvest offers real estate investment funds, managed by an external manager. BankInvest cooperates with managers that integrate sustainability and climate focus in the investments process including carbon emission reductions.

Objects for the ESG work

BankInvest wants to contribute positively to the industry's work on integrating sustainability considerations in the investment process and continuously sets targets for how the investment departments must work with ESG and carbon emissions.

BankInvest wants to be transparent in relation to this work, for which reason quarterly reports are made for the individual departments' sustainability considerations. For further details, see the section on Reporting.

Furthermore, BankInvest wants to offer particularly sustainable products intended for investors who want to invest with a particularly sustainable focus.

Reporting

Information on the sustainability in the individual departments is publicly available and can be found at BankInvest's website under the section Bæredygtigt Aftryk:
<https://bankinvest.dk/baeredygtighed/baeredygtigt-aftryk/>

Moreover, BankInvest reports to the UN PRI on an annual basis. The annual report can be found at BankInvest's website under the section Internationale Principper:
<https://bankinvest.dk/baeredygtighed/politik-for-ansvarlige-investeringer/internationale-principper/>

BankInvest's list of exclusions is updated regularly and can be found at BankInvest's website under Ansvarlige investeringer: <https://bankinvest.dk/baeredygtighed/politik-for-ansvarlige-investeringer/>

Furthermore, BankInvest annually reports on the Policy for Active Ownership, including how BankInvest's investment departments have exercised the right to vote.