

## Policy on the integration of sustainability risks

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### **Purpose**

The purpose of this policy is to describe how Vestjysk Bank endeavours to help customers invest responsibly. The Bank has defined a set of responsibility requirements for its investment partners. The requirements, described in this policy, are to contribute to ensuring that customers' assets are invested in a responsible manner.

The Bank's investment partners, such as investment associations, asset managers and securities funds, must endeavour to produce satisfactory risk-adjusted returns while also ensuring that they meet the Bank's responsibility requirements in their investments. Vestjysk Bank expects its investment partners to have a policy on CSR and responsible investments and to comply with the sector recommendations on sustainability in force from time to time.

When providing investment advice, Vestjysk Bank among other things ensures that the customer is aware of the risk involved in investing. The Bank endeavours to protect the customer's investment against events and conditions that could have a material adverse effect on the value of the investment. Investment risk can arise from a range of factors, and the Bank understands sustainability risk as an environmental, social or governance event which, if it occurs, could cause an actual or potential material negative impact on the value of the customer's investment.

To integrate sustainability risks into Vestjysk Bank's investment decision-making processes and into its investment advisory services, the Bank has three focus areas, which are described in this policy.

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### **Scope of application**

The policy applies to employees who provide investment advice.

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### **Statutory requirements**

The following statutory requirements apply:  
The first part of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector – also known as the Disclosure Regulation, which entered into force on 10 March 2021.

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### **Focus area 1 Selection of investment partners**

The Bank's investment partners and investment product providers, for example investment associations, are selected on the basis of a number of criteria, including the criterion that the customers' assets can be invested responsibly. Among other factors, the Bank bases its selection on whether, where relevant, the investment partner:

- integrates environmental, social and governance issues in its investment analysis and decision-making processes;
  - engages as an active owner and incorporates environmental, social and governance issues in its ownership policies and its practical handling of investments;
  - seeks transparency about environmental, social and governance issues from the companies it invests in.
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**Focus area 2  
Screening of  
investments**

Where relevant to their investment products, the Bank's investment partners are expected to identify companies that are subject to potential sustainability risks and impose investment restrictions against certain industries, if required.

If an investment (or a company) is confirmed to be in breach of one or more international norms or conventions, the Bank encourages its investment partners to either engage in dialogue with the company in question with the aim of persuading it to take responsibility for such breach and change its practices, or exclude the company from their investment universe.

In addition to this norm-based screening, the Bank expects its investment partners to conduct activity-based screening of the companies. Specifically, the Bank expects investment partners to exclude, as a minimum, companies engaged in cluster munitions, landmines, chemical weapons, biological weapons and nuclear weapons not comprised by the Treaty on the Non-Proliferation of Nuclear Weapons.

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**Focus area 3  
Active  
ownership**

With a view to supporting companies' development and long-term value creation, the Bank expects investment partners to use their influence, for example by exercising voting rights or engaging in dialogue, to affect environmental, social and governance issues, as relevant, in the companies they invest in.

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**Investment**

When the Bank composes investment portfolios on behalf of customers, the process of selecting companies for the portfolio incorporates environmental, social and governance issues. In collaboration with its product providers, the Bank conducts general screenings for the purpose of minimising investments in companies that fail to meet certain sustainability standards.

The Bank seeks to minimise investments in companies that fall short of sustainability standards in order to limit the risk of financial losses or other significant consequences for its customers as a result of an event arising because the company has failed to meet sustainability criteria. The Bank therefore avoids investing in companies with a history of poor working conditions, corruption or the like.

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**Investment advice** When providing investment advice, the Bank also takes into account whether the customer prefers to invest in companies with high sustainability standards, and the Bank tries to ensure that its investment partners have relevant products to offer its customers.

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**Integration of sustainability risks** Vestjysk Bank continuously focuses on integrating sustainability risks in its investment processes, as the Bank seeks to provide its customers with long-term returns while at the same time making positive contributions to society and the environment.

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**Approval by the Board of Directors** As adopted at the meeting of the Board of Directors held on 22 February 2021:

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**Approval data:** The table below shows the document approval data:

<b>Version no.:</b>	<b>Approval date:</b>	<b>Approved by:</b>
1.0	22/02/2021	Mads Madsen
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