

## Integration of sustainability risks in investment advice

According to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“Sustainable Finance Disclosure Regulation”), we are under an obligation to publish how sustainability risks are integrated in our investment advice as well as assess the probable impacts that sustainability risks may have on the return.

### Definitions and concepts

A sustainability risk means an environmental, social or governance event or condition (ESG risk) that, if it occurs, could cause an actual or potential material, adverse effect on the value of an investment.

Environmental risks may arise in consequence of pollution caused by a company, such as extensive oil or chemical spills into the ground, water or air. Another example of environmental risks are climate risks, which can generally be grouped into the categories transition risks and physical risks.

Transition risks may occur in connection with the transition to a low-emission economy. Such risks may materialise in various ways, for instance in consequence of changes in political measures such as increased taxes on emission, significant changes in technology or changes in consumer behaviour, where consumers consciously choose not to use climate-impacting products.

Among other things, physical risks can be related to:

- Several sudden and rather extreme weather events such as heat waves, flooding, fires, and storms,
- long-term climate changes, for instance changes in precipitation and increasing water levels,
- loss of ecosystems, for instance desertification, water shortage, deterioration of soil quality or the ecosystems of the sea.

Physical risks may cause financial losses on investments, for instance due to losses on the company’s physical assets, weakened growth and poorer debt-servicing ability in vulnerable countries.

Examples of other sustainability risks are social risks that may arise in consequence of problematic social conditions, such as violation of human rights, poor working conditions, child labour, health issues, inequality, and discrimination. Other examples are governance risks, which may arise in connection with problematic staff and governance issues such as corruption, conflicts of interest and tax affairs that are open to criticism.

Financial products are exposed to sustainability risks, which may have an adverse effect on the value of returns. The consequences of sustainability risks vary across companies, sectors, markets and asset classes. Some companies, sectors and markets are in particular exposed to sustainability risks and hence they may pose a heightened risk of financial losses. Energy companies are, for instance, known to be big emitters of greenhouse gases and may be subject to substantial regulatory pressure, and therefore investments in such companies may pose a heightened risk of financial losses.

Below is a description of how Jyske Bank integrates sustainability risks in various advisory services situations.

### **Advice about funds administered by Jyske Invest Fund Management A/S.**

Part of the product universe about which Jyske Bank offers advisory services to its customers are investment funds administered by Jyske Invest Fund Management A/S. In these funds sustainability risks have been integrated in the underlying investment processes. Read more about how sustainability risks are integrated in the associations' prospectuses and investor information.

We may use knowledge about the funds' integration of sustainability risks in our investment advice but information as to whether sustainability risks for a specific investment fund have been assessed to be small, medium or high is not systematically integrated in the investment advice.

### **Advisory services on investment funds from external asset managers**

In our advisory services about investment funds from external asset managers we are dependent on the asset managers of the products about which we offer advisory services integrating sustainability risks in the investment decisions. We may incorporate such knowledge in our investment advice but sustainability risks are not systematically integrated in our investment advice processes.

### **Advice about equities and corporate bonds**

When giving advice about equities and corporate bonds, our investment advisers have access to an internal tool where information on companies' sustainability risks is available. The investment tool provides information on companies' ESG ratings, companies with revenue from fossil fuel extraction, and CO<sub>2</sub>e emissions, which are considered to affect companies' sustainability risks.

Our internal tool, which supports our advisers in providing investment advice, does not contain information on sustainability risks for mortgage bonds and government bonds.

### **Investment advice based on sustainability preferences**

When providing investment advice, we are required to identify our customers' sustainability preferences in relation to the following parameters:

- 1) Financial instruments that contribute to an environmental target and comply with the requirements of the EU Taxonomy.
- 2) Financial instruments that contribute positively to an environmental or social target and meet the definition in Article 2(17) of the Disclosure Regulation.
- 3) Financial instruments that focus on minimising the negative impact on society and the environment, including opting out of investments in certain fossil fuel activities such as coal and tar sands and taking into account the CO<sub>2</sub> emissions of the companies in which investments are made.

Customers who wish to avoid the risk of so-called '*stranded assets*' in the fossil fuel sector or are concerned about lower returns from companies with insufficient CO<sub>2</sub> reduction measures as the global community transitions to a low-emission society can submit preferences that reflect this and will be advised accordingly. We therefore consider this identification of the customer's sustainability

preferences and the subsequent investment advice to be a systematic integration of sustainability risk considerations.

<b>Date</b>	<b>Version</b>	<b>Change</b>
27 March 2022	1.0	Document created
23 April 2024	1.1	Update with assessment of likely impact of sustainability risks on returns
20 December 2025	1.2	Elaboration regarding asset class as well as addition of description relating to sustainability preferences