JYSKE BANK

Sustainability – integration 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 the obligation to publish the way in which sustainability risks are integrated in our investment advice on financial products as well as an assessment of the probable impacts that sustainability risks may have on the return.

A sustainability risk means an environmental, social or governance risk that, if it occurs, could cause an actual or potentially material, negative impact 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 arise in the transition to an increasingly CO_2e-neutral 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.

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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 clients 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 section on ”Sustainability risks – integration in the investment process”.

We may use knowledge about the funds’ integration of sustainability risks in our investment advice but information about sustainability risks 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 on equities
When giving advice about equities, our investment advisers have access to an internal tool where information on companies' sustainability risks is available. The investment tool can, for example, provide information on companies' ESG rating

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and CO_2e emissions. This data can be used in investment advice but the specific risks are not systematically integrated into investment advice.

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