



Guidelines for Investments in Fossil Fuel Companies

BANKiNVEST

Approach

BankInvest seeks to contribute to the green transition and fundamentally believes that the companies that create value are those that, over the long term, act responsibly in their business practices. We therefore recognise the importance of addressing climate change and understanding how climate-related risks affect our investments.

Emissions of CO₂ into the atmosphere must be reduced, and fossil energy plays a key role in that transition. Fossil fuels continue to account for a significant share of global energy supply¹, even as the world moves towards a more climate-neutral society.

We therefore acknowledge that fossil fuel companies have the potential, both now and in the future, to contribute to the transition towards a more climate-friendly world, provided that they demonstrate transition readiness and move in the right direction. It is therefore essential that our investments in fossil fuel companies support this development and that we base our assessments of these companies on their ability and willingness to transition. Companies of significance to Danish and European energy supply security may, following an individual assessment, be exempted from the phase-out.

The purpose of this document is to clarify and ensure transparency regarding BankInvest's position and approach to investments in fossil fuel companies.

Guidelines

BankInvest seeks to invest in those fossil fuel companies² that address climate change in a meaningful way within their organisations by demonstrating transition readiness.

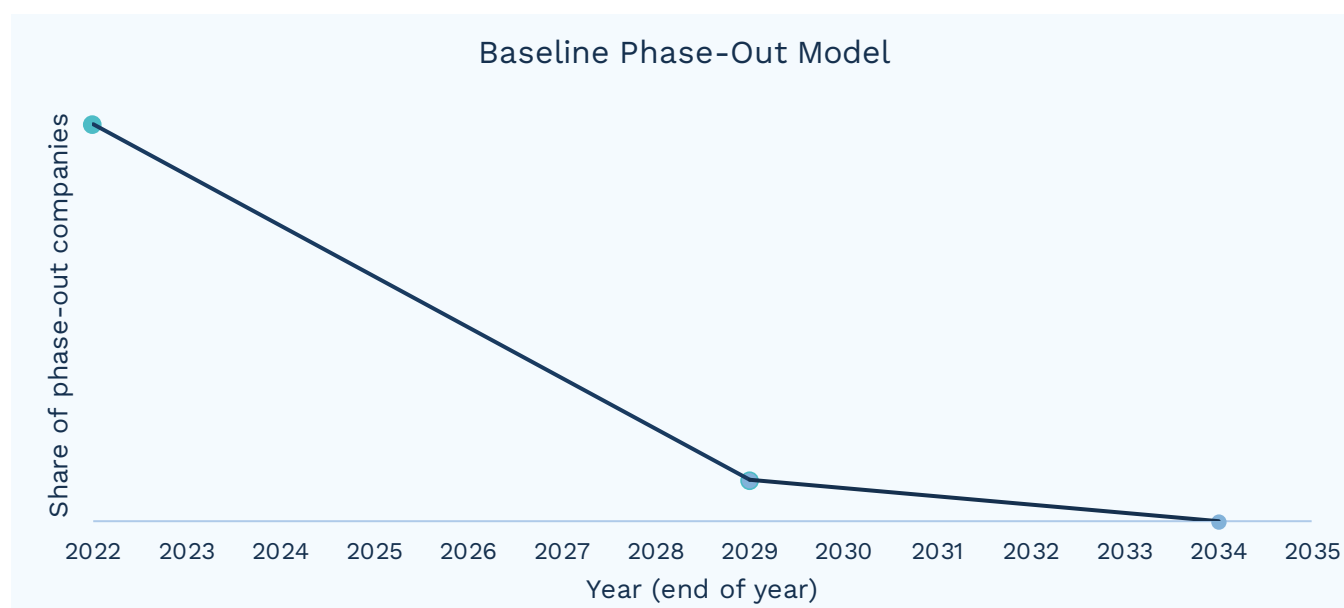
BankInvest has therefore set a target to gradually phase out investments in fossil fuel companies deemed not to demonstrate sufficient transition readiness.

The phase-out is measured from the exposure to these companies in the covered assets' benchmarks as of end-2022 and is to be completed by 2030. For investments in companies from Emerging Markets countries, a longer phase-out period applies, extending to 2035³. The phase-out applies to companies only.

¹ According to the IEA's World Energy Outlook 2024, fossil fuels accounted for 80% of global energy demand in 2023

² Fossil fuel companies are defined as companies with either: more than 5% of revenues from energy production based on coal or oil & gas; more than 5% of revenues from coal extraction or oil & gas production; or more than 50% of revenues from coal or oil & gas-related services. The identification is based on available third-party data

³ The Paris Agreement recognises that developing countries require additional support on their transition journey and that it will take them longer to reach their peak emissions point, which is why we have chosen to add five years to their phase-out timeline



Traffic Light Model for Transition Readiness

BankInvest invests in fossil fuel companies based on a traffic light model, whereby red companies are excluded, yellow companies are phased out by 2030/2035, while green companies are included in the investment universe as long as they meet a set of criteria.

	Exclusion <i>Companies involved in controversial fossil fuel activities</i>	Purpose: Exclusion of fossil fuel companies with significant environmental and transition risks, defined as companies generating more than 5% of revenues from coal mining, oil sands production or oil and gas exploration in offshore Arctic regions
	Phase-Out <i>Companies not demonstrating transition readiness</i>	Purpose: Phase-out of fossil fuel companies that do not demonstrate transition readiness
	Inclusion <i>Companies demonstrating transition readiness</i>	Purpose: Continued inclusion of fossil fuel companies that demonstrate transition readiness

The assessment of companies' transition readiness is based on a quantitative data model using data from recognised international providers such as MSCI, Morningstar Sustainalytics, the Transition Pathway Initiative (TPI) and the Carbon Disclosure Project (CDP). The assessment depends on the availability and quality of the external data used, and data limitations may occur, including incomplete coverage of certain companies, which may affect the identification of fossil exposure. Such limitations may, where relevant, be supplemented by the portfolio managers' assessments, after which a manual evaluation and classification may be carried out.

The tests applied to companies depend on the type of fossil activity in which the company operates (extraction, services or energy production). Factors assessed include companies' ESG ratings, CO₂-intensity, their CO₂-related governance practices and the climate scenario with which companies' climate targets are aligned. For companies that fall at the margin between two categories in the quantitative model, a manual assessment of transition readiness is conducted. Green bonds issued for the purpose of financing green projects are classified as a transition-ready activity and will therefore not be subject to phase-out. The assessment of companies' transition readiness will be updated and reviewed on an annual basis.

Companies of significance to Danish and European energy supply security may be exempted from the phase-out. Such cases are always assessed individually and are submitted to the Committee for Responsible Investments for final approval.

BankInvest already excludes fossil fuel companies involved in controversial fossil fuel activities, including companies generating more than 5% of revenues from any of the following: coal mining, oil sands production, or oil and gas exploration in offshore Arctic regions.

Scope and Compliance

The guidelines apply to BankInvest's funds and to investments made by BI Asset Management Fondsmæglerselskab A/S (BIAM) as well as external managers appointed by BIAM. Third-party administration business is exempt, and institutional mandates may be exempted by agreement.

BankInvest's phase-out target is measured at BIAM level and reported to BankInvest's Committee for Responsible Investments on an annual basis.