

Danica Pension

Nature-related impact and
dependency analysis

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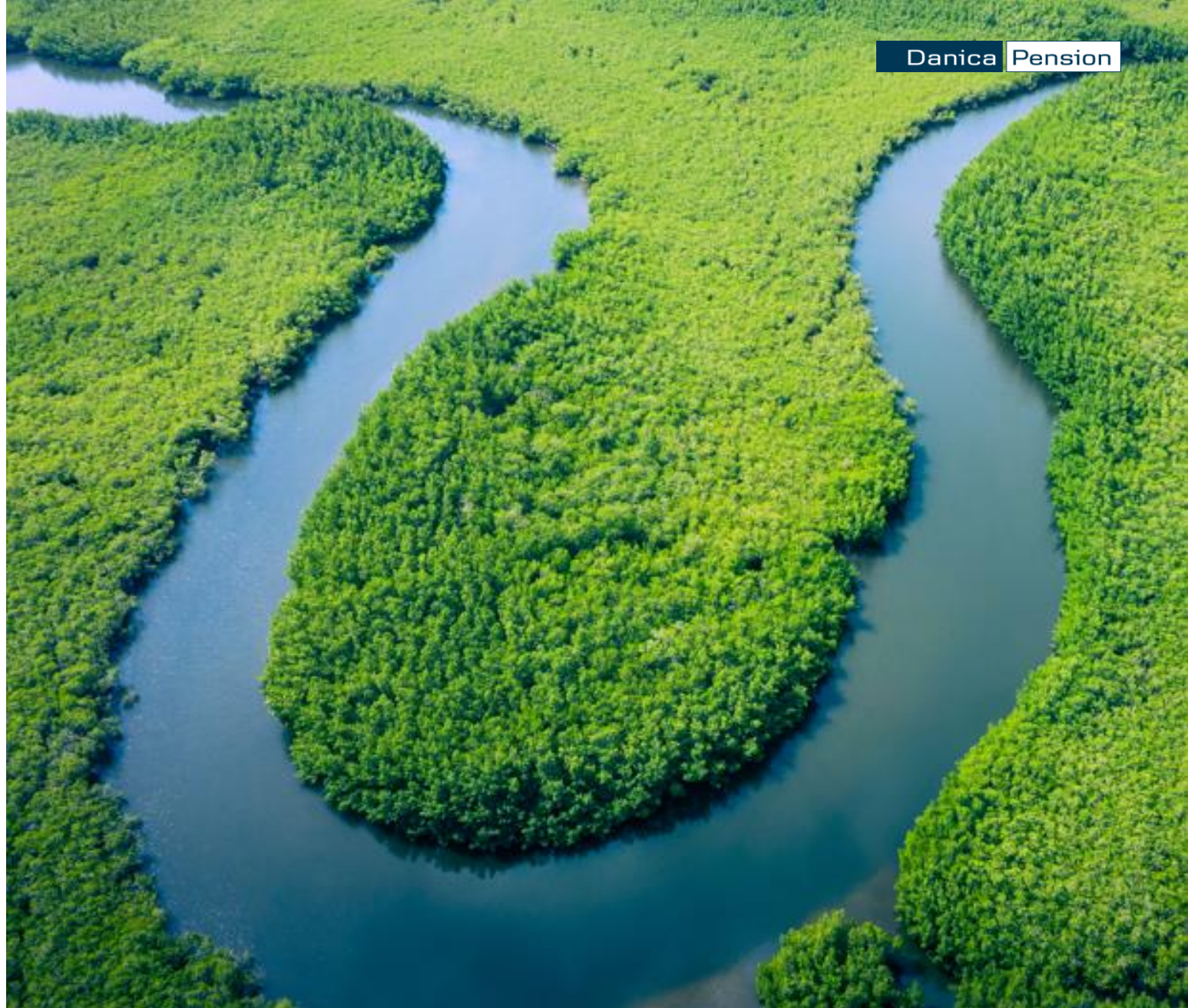
Introduction

The future profitability and success of many companies relies upon the health of global biodiversity, which is supported by analyses from the World Economic Forum. They show that as much as 50 percent of the world's gross domestic product depends on natural resources, and if biodiversity is not restored, it can have significant consequences for global prosperity and hence pension savings.

Conversely, the economic activity of companies amounts to one of the largest contributors to biodiversity loss, which furthermore significantly reduces the capacity of our planet to sequester carbon and hence mitigate global warming. These negative impacts present material challenges for business in the form of increased physical and transitional risks. It is thus incumbent on companies to

report their impacts and dependencies on and set targets for how they will seek to reduce any adverse impacts.

As investors, we need greater knowledge about biodiversity, the biodiversity risks of companies, and how we can most effectively make a difference. This requires us to collectively share knowledge, test solutions and methods, and initiate the development of new technologies. Biodiversity is complex, and therefore it is even more important that we all get started as soon as possible and work systematically to restore it. In this report we show our first steps to measure our potential impacts and dependencies in relation to biodiversity and what we are doing today to reduce our adverse impacts on biodiversity.



Summary

Danica Pensions' equities and fixed income investments potentially have a significant impact on one or more key drivers of biodiversity loss. 66% of these assets under management (AUM) have a high or very high potential of impacting on key drivers of biodiversity loss such as resource exploitation, climate change, and pollution.

Pharmaceuticals, Industrial Machinery, and Oil & Gas Exploration & Production are the sub-industries within the portfolio with the highest potential nature-related impacts through their direct operations.

Additionally, 32% of Danica Pensions' AUM have a high or very high potential dependency on at least one ecosystem service. Surface water provision is identified as the most material ecosystem service, followed by ground water and flood and storm protection. Sub-industries such as Machinery, Pharmaceuticals, and Food products has the highest potential dependency on one or more ecosystem services.

Our first steps to address findings

Our strategic starting point is to engage with 30 portfolio companies on biodiversity aspects related to marine areas and woodlands. This addresses a wide array of identified potential impact drivers and dependencies, including pollution prevention, land/water/sea use change, and sustainable resource management (timber, water, food production, plants, animals, etc.). Furthermore, this covers also climate regulation and flood and storm protection issues as oceans, wetlands, and woodlands provide these ecosystem services.

In addition, we have set carbon emission reduction targets for specific investments to curb the climate change impacts of investee companies, which is instrumental in mitigating biodiversity loss. We constantly aim to build on existing initiatives so that we can better manage investment risks, set appropriate biodiversity requirements for companies, and set targets that together can help restore a diverse nature. Learn more about our biodiversity initiatives on page 16 and onwards.

Why we measure biodiversity risks

This is the first time that Danica Pension have conducted an impact and dependency analysis using ENCORE data to understand the exposure of our investments to biodiversity risks. It is critical for us to understand the biodiversity risks that we are facing in our investments. Biodiversity loss and its impact on society, economy and the planet have become major concerns globally. As an asset owner, we want to be aware of the potential biodiversity-related impact and dependencies of our investments and take necessary actions to address them. Measuring potential biodiversity impact and dependencies can help us as an asset owners to identify companies that contribute to or harm biodiversity and invest in

those that have positive impacts. Additionally, reporting on our biodiversity impact and dependencies helps us understand our role in protecting and preserving nature. At Danica Pension we recognize that the health and stability of ecosystems is directly linked to the long-term viability of our investments. By assessing and reporting on biodiversity impact and dependencies, we can make informed decisions that promote sustainability, protect our investments, and contribute to a healthier planet. We remain committed to transparency and responsible investing, and we believe that reporting on biodiversity is an important step towards achieving these goals.



Impact drivers of biodiversity loss

IPBES has identified five major drivers of biodiversity loss, which are changes in land and sea use, climate change, direct exploitation of organisms, pollution, invasive species. IPBES notes that these five drivers of biodiversity loss are interconnected and often exacerbate each other, leading to a "synergistic effect" that can have even greater impacts on ecosystems and species. Furthermore, according to the Natural Capital Protocol, 2016 impact drivers are defined as: a measurable quantity of a natural resource that is used as an input to production or a measurable non-product output of business activity.

An impact driver such as Terrestrial ecosystem use might lead to environmental change such as droughts, landslides and floodings, among others, which in turn can have consequences for habitats, species, water and other natural capital assets. E.g., habitats which refers to conditions of the environment necessary for life to prosper are very important for ecosystems such climate regulation, meaning that without a good and healthy habitat environment the nature cannot obtain long-term storage of CO2 in soils, vegetable biomass and the oceans.

Nature-related issue area	Impact driver	Definition
Land/Water/Sea Use Change	Terrestrial ecosystem use	Examples include area of agriculture by type, area of forest plantation by type, area of open cast mine by type, etc.
	Freshwater ecosystem use	Examples include area of wetland, ponds, lakes, streams, rivers or peatland necessary to provide ecosystem services such as water purification, fish spawning, areas of infrastructure necessary to use rivers and lakes such as bridges, dams, and flood barriers, etc.
	Marine ecosystem use	Examples include area of aquaculture by type, area of seabed mining by type, etc.
Resource exploitation	Water use	Examples include volume of groundwater consumed, volume of surface water consumed, etc.
	Other resource use	Examples include volume of mineral extracted, volume of wild-caught fish by species, number of wild-caught mammals by species, etc.
Climate Change	GHG emissions	Examples include volume of carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), Sulphur hexafluoride (SF6), Hydrofluorocarbons, (HFCs) and perfluorocarbons (PFCs), etc.
Pollution	Non-GHG air pollutants	Examples include volume of fine particulate matter (PM2.5) and coarse particulate matter (PM10), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NO and NO2, commonly referred to as NOx), Sulphur dioxide (SO2), Carbon monoxide (CO), etc.
	Water pollutants	Examples include volume discharged to receiving water body of nutrients (e.g., nitrates and phosphates) or other substances (e.g., heavy metals and chemicals).
	Soil pollutants	Examples include volume of waste matter discharged and retained in soil over a given period.
	Solid waste	Examples include volume of waste by classification (i.e., nonhazardous, hazardous, and radioactive), by specific material constituents (e.g., lead, plastic), or by disposal method (e.g., landfill, incineration, recycling, specialist processing).
Invasives and Other	Disturbances	Examples include decibels and duration of noise, lumens and duration of light, at site of impact.
	Biological alterations/interferences	Examples include number of non-native and invasive animals or plants released by species, area of agriculture with genetically modified organisms or reduced genetic diversity, number of animals at risk of catching cattle-transmitted disease by species, etc.

Ecosystem services

Ecosystem services are the links between nature and business. Each of below ecosystem services represents a benefit that nature provides to enable or facilitate business production processes.

Ecosystem services	Definition
Animal-based energy	Physical labour is provided by domesticated or commercial species, including oxen, horses, donkeys, goats and elephants. These can be grouped as draught animals, pack animals and mounts.
Bio-remediation	Bio-remediation is a natural process whereby living organisms such as micro-organisms, plants, algae, and some animals degrade, reduce, and/or detoxify contaminants.
Buffering and attenuation of mass flows	Buffering and attenuation of mass flows allows the transport and storage of sediment by rivers, lakes and seas.
Climate regulation	Global climate regulation is provided by nature through the long-term storage of carbon dioxide in soils, vegetable biomass, and the oceans. At a regional level, the climate is regulated by ocean currents and winds while, at local and micro-levels, vegetation can modify temperatures, humidity, and wind speeds.
Dilution by atmosphere and ecosystems	Water, both fresh and saline, and the atmosphere can dilute the gases, fluids and solid waste produced by human activity.
Disease control	Ecosystems play important roles in regulation of diseases for human populations as well as for wild and domesticated flora and fauna.
Fibres and other materials	Fibres and other materials from plants, algae and animals are directly used or processed for a variety of purposes. This includes wood, timber, and fibres which are not further processed, as well as material for production, such as cellulose, cotton, and dyes, and plant, animal and algal material for fodder and fertiliser use.
Filtration	Filtering, sequestering, storing, and accumulating pollutants is carried out by a range of organisms including, algae, animals, microorganisms and vascular and non-vascular plants.
Flood and storm protection	Flood and storm protection is provided by the sheltering, buffering and attenuating effects of natural and planted vegetation.
Genetic materials	Genetic material is understood to be deoxyribonucleic acid (DNA) and all biota including plants, animals and algae.
Ground water	Groundwater is water stored underground in aquifers made of permeable rocks, soil and sand. The water that contributes to groundwater sources originates from rainfall, snow melts and water flow from natural freshwater resources.

Ecosystem services	Definition
Maintain nursery habitats	Nurseries are habitats that make a significantly high contribution to the reproduction of individuals from a particular species, where juveniles occur at higher densities, avoid predation more successfully, or grow faster than in other habitats.
Mass stabilisation and erosion control	Mass stabilisation and erosion control is delivered through vegetation cover protected and stabilising terrestrial, coastal and marine ecosystems, coastal wetlands and dunes. Vegetation on slopes also prevents avalanches and landslides, and mangroves, sea grass and macroalgae provide erosion protection of coasts and sediments.
Mediation of sensory impacts	Vegetation is the main (natural) barrier used to reduce noise and light pollution, limiting the impact it can have on human health and the environment.
Pest control	Pest control and invasive alien species management is provided through direct introduction and maintenance of populations of the predators of the pest or the invasive species, landscaping areas to encourage habitats for pest reduction, and the manufacture of a family of natural biocides based on natural toxins to pests.
Pollination	Pollination services are provided by three main mechanisms: animals, water and wind. The majority of plants depend to some extent on animals that act as vectors, or pollinators, to perform the transfer of pollen.
Soil quality	Soil quality is provided through weathering processes, which maintain bio-geochemical conditions of soils including fertility and soil structure, and decomposition and fixing processes, which enables nitrogen fixing, nitrification and mineralisation of dead organic material.
Surface water	Surface water is provided through freshwater resources from collected precipitation and water flow from natural sources.
Ventilation	Ventilation provided by natural or planted vegetation is vital for good indoor air quality and without it there are long term health implications for building occupants due to the build-up of volatile organic compounds (VOCs), airborne bacteria and moulds.
Water flow maintenance	The hydrological cycle, also called water cycle or hydrologic cycle, is the system that enables circulation of water through the Earth's atmosphere, land, and oceans. The hydrological cycle is responsible for recharge of groundwater sources (i.e. aquifers) and maintenance of surface water flows.
Water quality	Water quality is provided by maintaining the chemical condition of freshwaters, including rivers, streams, lakes, and ground water sources, and salt waters to ensure favourable living conditions for biota.

Case: Pharmaceutical company - Impacts and dependencies

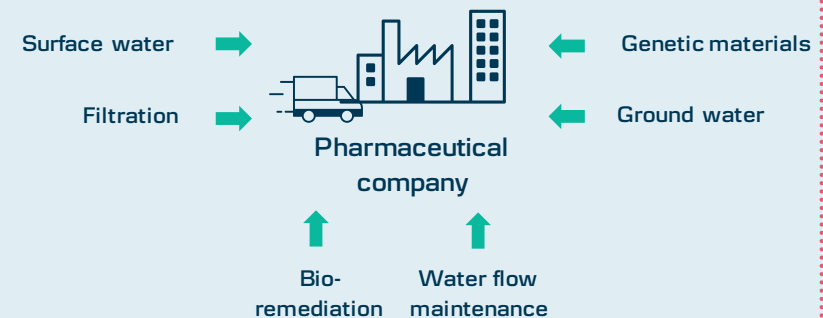
The pharmaceutical industry impact different ecosystems and at the same time they are highly dependent on healthy and diverse ecosystems and biodiversity to continue to develop and produce new drugs. Without these ecosystem services, the industry would face significant challenges in meeting the growing demand for safe and effective medications. For example, the manufacturing process for pharmaceuticals can generate a variety of pollutants, including chemicals, heavy metals, and other toxic substances. If these pollutants are not properly managed and treated, they can contaminate soil, air, and water, and harm local wildlife and ecosystems. Furthermore, they may have significant amount of waste, including hazardous waste such as unused or expired drugs, contaminated

packaging, and other materials. Improper disposal of this waste can have serious impacts on biodiversity, particularly if it contaminates soil or water sources. At the same time, pharmaceutical companies rely on ecosystem services to develop and produce new drugs. Many pharmaceuticals are derived from natural sources such as plants, animals, and microorganisms. Biodiversity is therefore critical to the discovery and development of new drugs. Overexploitation of these resources can lead to declines in biodiversity and loss of important ecological functions. The consequences of not mitigating biodiversity risk can be significant across multiple dimensions such as operational, legal & regulatory, financing, reputational and societal.

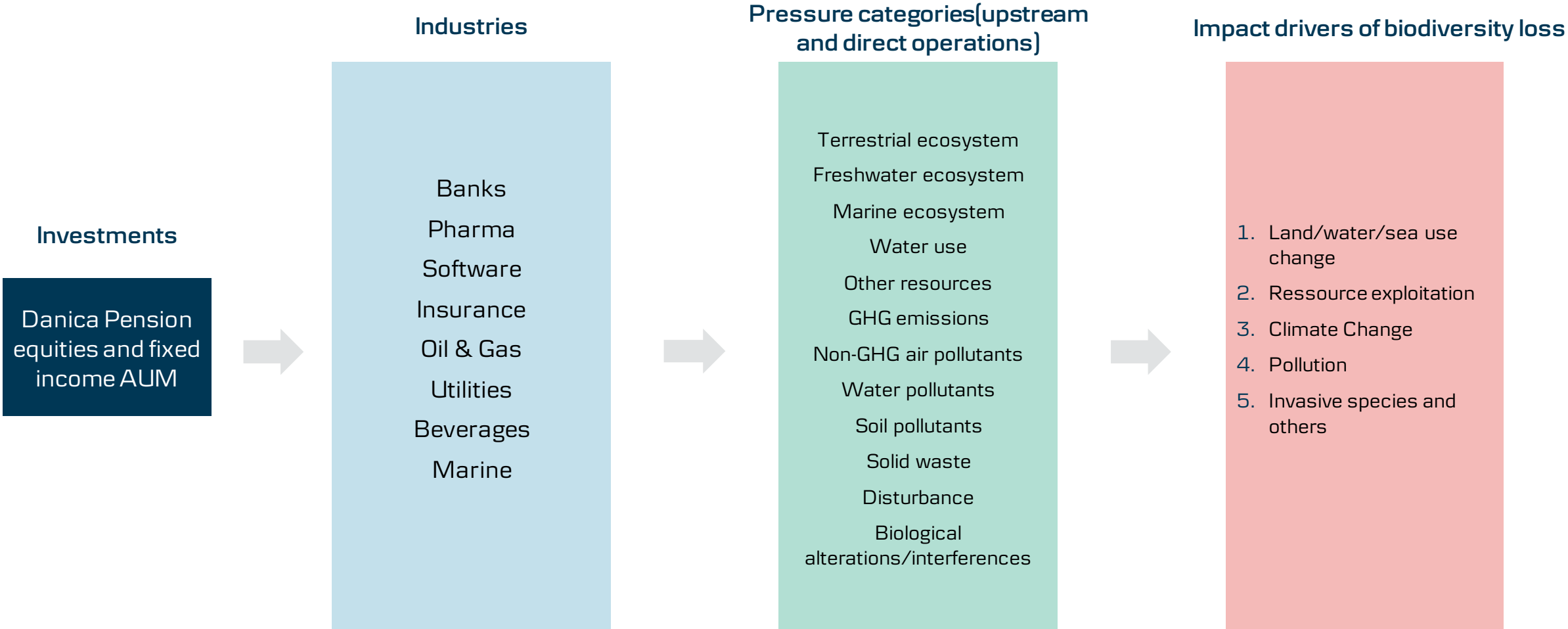
Example of how a business can impact, impact drivers



Example of business dependencies on ecosystems



Methodology - Investments that potentially contribute to impact drivers that can lead to biodiversity loss in direct operations



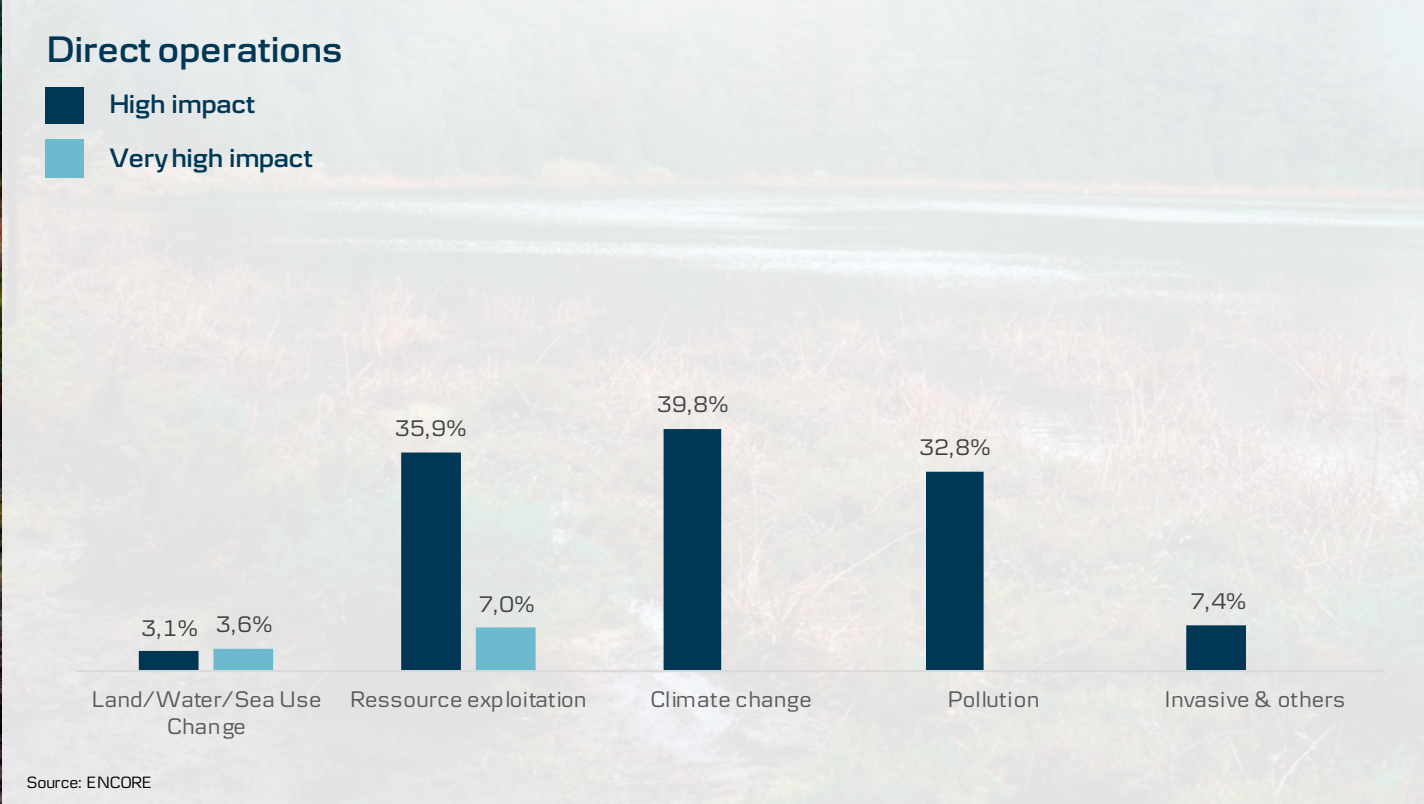
Our exposure to sectors that impact key drivers of biodiversity loss

Direct operations

Biodiversity risks in direct operations refer to the potential negative impacts that a company's activities and operations can have on biodiversity. These impacts can include changes to land, water, and sea use, pollution, habitat destruction, climate change, and overexploitation of natural resources. Companies can mitigate these risks by adopting sustainable practices, such as reducing waste and pollution, minimizing land use changes, conserving and restoring habitats, and using natural resources responsibly. These actions not only protect biodiversity but can also improve a company's

reputation, reduce costs, and ensure long-term sustainability.

We've identified that approximately 66% of our AUM are in sectors that potentially have a high or very high impact on one or more key drivers of biodiversity loss through their direct operations. Our analysis has pinpointed specific sub-industries, including Pharmaceuticals, Industrial Machinery, and Packaged Food & Meats, as having the highest potential impact on one or more of these drivers..

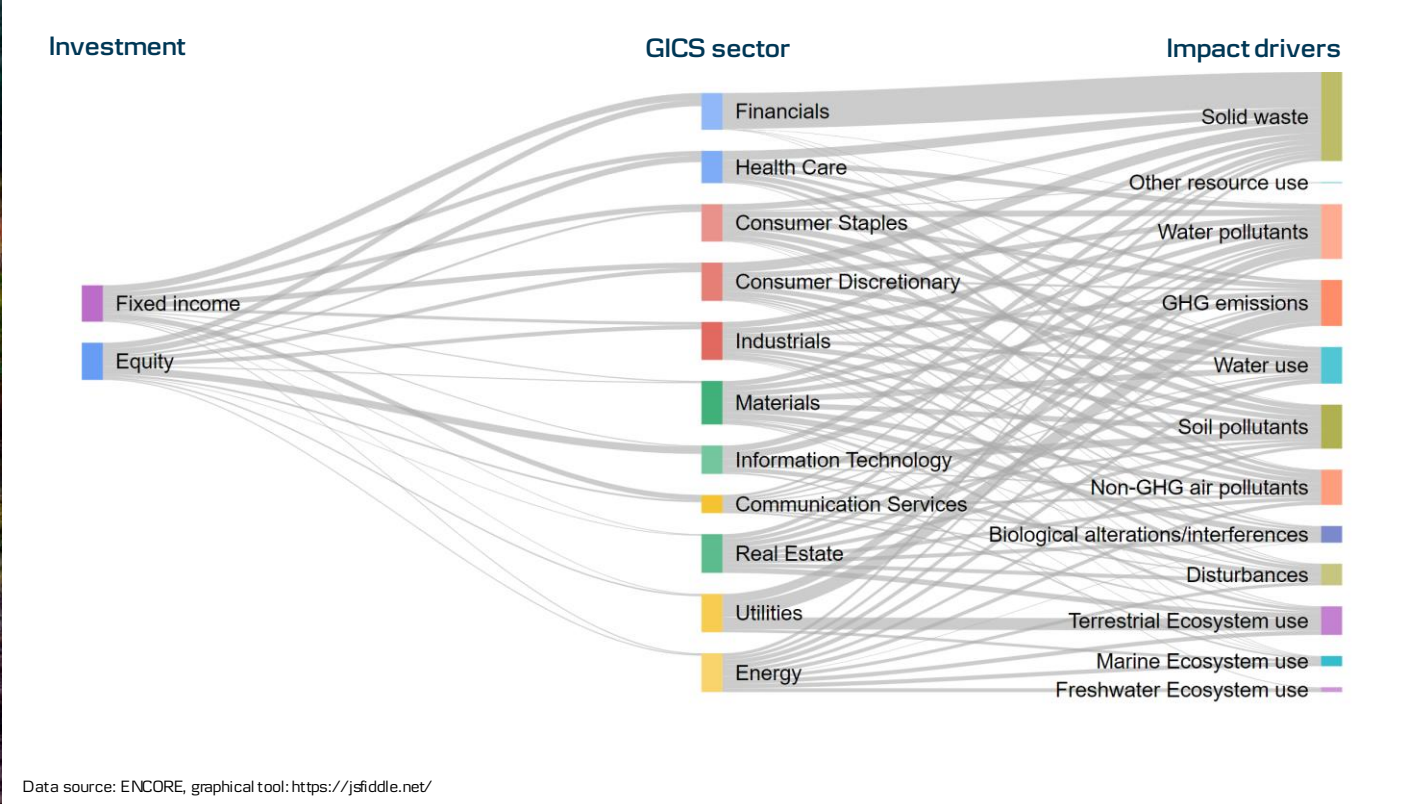


Our investment exposure to different pressure categories

Direct operations

The Sankey diagram allows us to visualize how we've allocated our assets under management (AUM) across equities and fixed income, and the sectors to which we've invested. It also highlights how our investment choices can expose us to different pressure categories. Of these, the highest exposure to impact key drivers is associated with solid waste. This is largely due to the significant proportion of financial holdings in our portfolio, which have a direct material impact on solid waste. Following solid waste, the diagram shows exposure to water pollutants, greenhouse

gas emissions, soil pollutants, water use, and non-greenhouse gas air pollutants. This analysis serves as a starting point for integrating biodiversity risks into our investment approach when assessing and engaging with companies.



Data source: ENCORE, graphical tool: <https://jsfiddle.net/>

Subindustries with the highest material nature-related impacts in direct operations

Within our investment portfolio, we have identified sub-industries that could have a significant impact on one or more of our key impact drivers related to the environment. We arrived at this list based on a combination of materiality and assets under management (AUM) invested in each sub-industry. Our analysis suggests that the pharmaceutical industry carries the highest potential risk. ENCORE's data reveals that the pharmaceutical industry has the potential to impact five of the twelve pressure categories, namely water use, GHG emissions, water pollutants, soil pollutants, and solid waste, through their direct operations.

The Industrial Machinery sector is the second-highest potential risk area. ENCORE's data indicate that this industry has a high potential impact on GHG emissions and water use, depending on the production process.

Our third-highest potential risk area is Oil & Gas Exploration & Production, which has either a high or very high potential impact on four of the twelve pressure categories. The impact of this industry could be felt in areas such as marine ecosystems, water use, GHG emissions, and disturbance.

Rank	Industry	Subindustry	Associated AUM	Share of total AUM
1	Pharmaceuticals	Pharmaceuticals	7,282,899,223.99	5.57%
2	Machinery	Industrial Machinery	2,199,579,085.74	1.68%
3	Oil, Gas & Consumable Fuels	Oil & Gas Exploration & Production	405,872,587.99	0.31%
4	Food Products	Packaged Foods & Meats	1,943,280,021.43	1.49%
5	Chemicals	Specialty Chemicals	1,357,858,916.35	1.04%
6	Diversified Telecommunication Services	Integrated Telecommunication Services	1,707,600,799.78	1.31%
7	Automobiles	Automobile Manufacturers	1,828,835,071.24	1.40%
8	Building Products	Building Products	505,962,037.20	0.39%
9	Auto Components	Auto Parts & Equipment	469,647,703.33	0.36%
10	Trading Companies & Distributors	Trading Companies & Distributors	615,075,591.55	0.47%
11	Machinery	Construction Machinery & Heavy Trucks	829,149,648.47	0.63%
12	Real Estate Management & Development	Real Estate Operating Companies	146,625,060.28	0.11%
13	Construction & Engineering	Construction & Engineering	1,376,953,881.99	1.05%
14	Hotels, Restaurants & Leisure	Hotels, Resorts & Cruise Lines	928,768,262.31	0.71%
15	Household Durables	Homebuilding	192,794,348.17	0.15%
16	Equity Real Estate Investment Trusts (REITs)	Specialized REITs	425,720,608.16	0.33%
17	Life Sciences Tools & Services	Life Sciences Tools & Services	2,543,684,403.01	1.95%
18	Semiconductors & Semiconductor Equipment	Semiconductors	3,854,713,239.25	2.95%
19	Airlines	Airlines	182,319,052.32	0.14%
20	Biotechnology	Biotechnology	2,299,312,587.91	1.76%
21	Equity Real Estate Investment Trusts (REITs)	Retail REITs	146,482,000.92	0.11%
22	IT Services	IT Consulting & Other Services	1,635,365,388.05	1.25%
23	Textiles, Apparel & Luxury Goods	Apparel, Accessories & Luxury Goods	2,079,693,811.27	1.59%
24	Real Estate Management & Development	Diversified Real Estate Activities	364,974,706.62	0.28%
25	Oil, Gas & Consumable Fuels	Integrated Oil & Gas	3,109,736,294.52	2.38%

Our exposure to sectors that depend on ecosystem services

Biodiversity dependencies refer to the ways in which human societies and economies rely on the natural world for their well-being, livelihoods, and survival. Biodiversity, which encompasses the variety of life on Earth, including species, ecosystems, and genetic diversity, provides a range of ecosystem services that are essential for human well-being, such as pollination, water purification, and climate regulation.

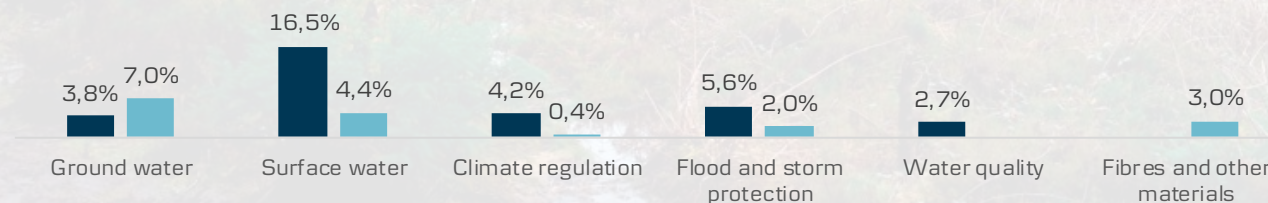
More than 32% of Danica Pensions' assets under management exhibit a significant degree of dependence, either high or very high, on at least one ecosystem service. The provision of surface water was identified as the most material, followed by ground water and flood and storm protection. The sub-industries exhibiting the

greatest dependency across ecosystem services were identified as oil & gas exploration & production, packaged Food & Meats, Specialty Chemicals and Pharmaceuticals.

In the future, we intend to enhance the granularity of our assessments to enable a more in-depth analysis and comparison of biodiversity performance across companies operating within high-risk sub-industries. Moreover, we anticipate integrating the assessment of individual issuers' exposure to biodiversity risks and impacts as a fundamental component of our investment processes.

Dependency

- High dependency
- Very high dependency



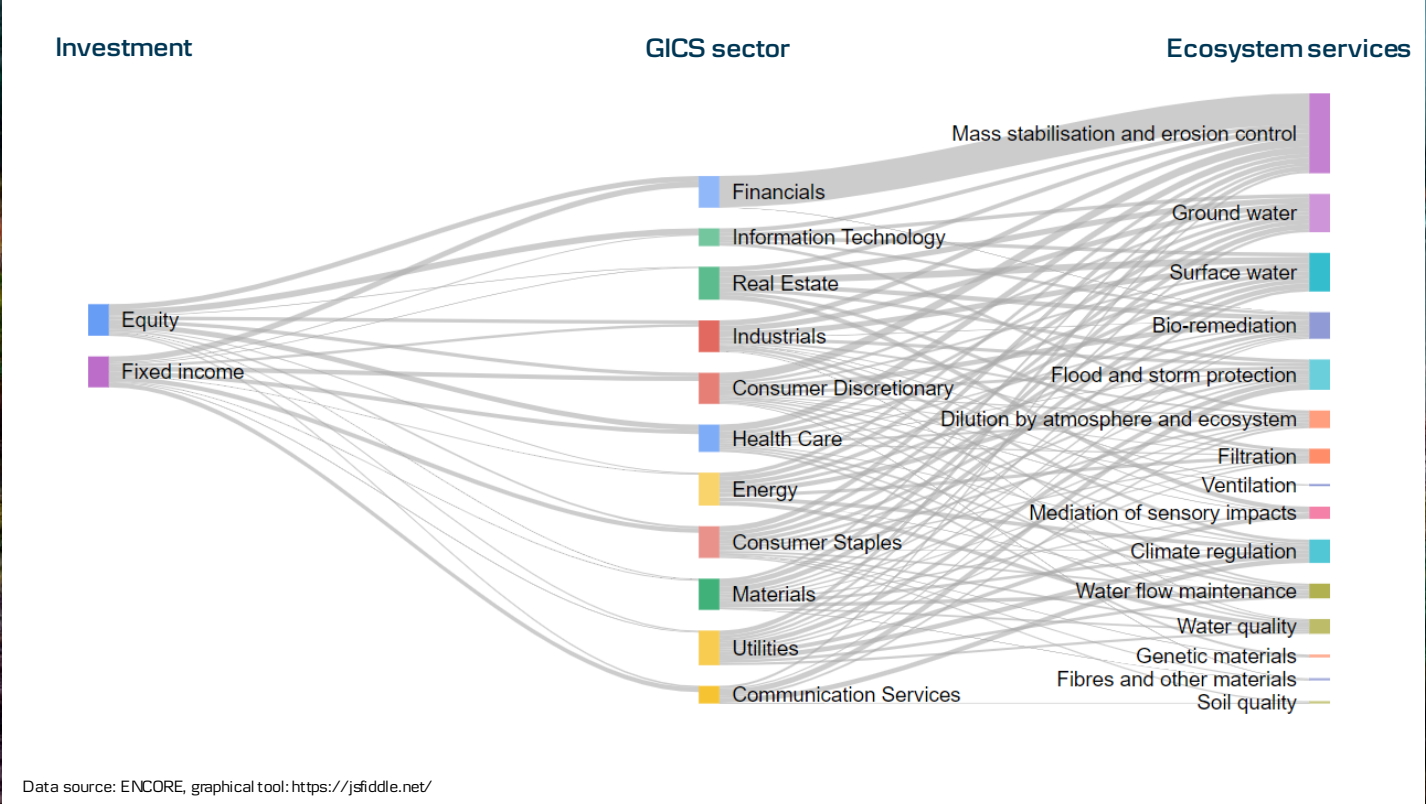
Source: ENCORE

Our exposure to sectors with dependencies to ecosystem services

Direct operations

The Sankey diagram allows us to visualize how we've allocated our assets under management (AUM) across equities and fixed income, and the sectors to which we've invested. It also highlights how our investment choices can expose us to different dependencies on ecosystem services. Of these, the highest exposure to dependency-related risks is associated with the mass stabilization and erosion control. This is largely due to the significant proportion of financial holdings in our portfolio; however, financials have a low dependency on mass stabilization and erosion

control according to ENCORE. Where our highest potential dependency risk might be is within ground and surface water.



Data source: ENCORE, graphical tool: <https://jsfiddle.net/>

Our exposure to sub-industries with dependencies to ecosystem services

Within our investment portfolio, we have identified sub-industries that could depend significantly on one or more ecosystem services. We arrived at this list based on a combination of materiality and assets under management (AUM) invested in each sub-industry. Our analysis suggests that Industrial Machinery carries the highest potential dependency risk. ENCORE's data reveals that Industrial Machinery industry are dependent on different ecosystem services such as ground and surface water.

The Pharmaceutical sector is the second-highest potential risk area. ENCORE's data indicate that this industry has a

high potential dependency on surface water.

Our third-highest potential risk area is Packaged Food & Meats, which depends on different ecosystem services. The dependencies of this industry are ecosystems services such as ground and surface water, flood and storm protection, water flow maintenance and water quality.

Rank	Industry	Subindustry	Associated AUM	Share of total AUM
1	Machinery	Industrial Machinery	2,199,579,085.74	1.68%
2	Pharmaceuticals	Pharmaceuticals	7,282,899,223.99	5.57%
3	Food Products	Packaged Foods & Meats	1,943,280,021.43	1.49%
4	Automobiles	Automobile Manufacturers	1,828,835,071.24	1.40%
5	Chemicals	Specialty Chemicals	1,350,953,962.42	1.03%
6	Oil, Gas & Consumable Fuels	Oil & Gas Exploration & Production	405,872,587.99	0.31%
7	Auto Components	Auto Parts & Equipment	467,786,603.48	0.36%
8	Machinery	Construction Machinery & Heavy Trucks	750,783,024.32	0.57%
9	Electric Utilities	Electric Utilities	3,398,773,206.61	2.60%
10	Household Durables	Homebuilding	192,794,348.17	0.15%
11	Textiles, Apparel & Luxury Goods	Apparel, Accessories & Luxury Goods	2,079,693,811.27	1.59%
12	Building Products	Building Products	501,989,306.86	0.38%
13	Biotechnology	Biotechnology	2,299,312,587.91	1.76%
14	Life Sciences Tools & Services	Life Sciences Tools & Services	2,543,684,403.01	1.95%
15	Road & Rail	Railroads	960,089,153.16	0.73%
16	Hotels, Restaurants & Leisure	Hotels, Resorts & Cruise Lines	928,768,262.31	0.71%
17	Hotels, Restaurants & Leisure	Restaurants	1,278,220,611.11	0.98%
18	Real Estate Management & Development	Real Estate Operating Companies	146,625,060.28	0.11%
19	Banks	Diversified Banks	7,657,071,784.89	5.86%
20	Construction & Engineering	Construction & Engineering	1,376,953,881.99	1.05%
21	Chemicals	Commodity Chemicals	132,329,914.54	0.10%
22	Semiconductors & Semiconductor Equipment	Semiconductor Equipment	362,010,767.03	0.28%
23	Aerospace & Defense	Aerospace & Defense	350,013,281.31	0.27%
24	Energy Equipment & Services	Oil & Gas Equipment & Services	270,466,700.18	0.21%
25	Hotels, Restaurants & Leisure	Casinos & Gaming	658,829,566.33	0.50%

Our commitments

We have joined the international initiative Finance for Biodiversity Pledge. It sets the long-term stakes for our ambition that our investments should contribute to the protection and restoration of the world's biodiversity, which is important for future-proofing the value of our customers' investments. Biodiversity is of great importance to the companies we invest in, as they require natural resources and materials to conduct business and generate returns for our customers.

As members of Finance for Biodiversity Pledge we commit to:

- Collaborating and share knowledge
- Engaging with companies
- Assessing impact

- Setting targets
- Reporting publicly on the above before 2025

Further, to begin with we have initiated a targeted active ownership effort, where we will engage in dialogue with 30 global companies to assist them in getting started with minimizing the impact on biodiversity in forest and marine areas, setting goals, and improving reporting in this area.



Our tools to accelerate a nature positive future

As a responsible investment manager, we are mindful of not only how Sustainability Factors impacts investment performance but also how our investments may have positive and/or negative impacts on the environment or society. We refer to this as “Double Materiality” considerations. We believe that attentiveness to these sustainability dimensions when investing is a cornerstone of our fiduciary duty to create value for customers and to create a responsible investment product offering that support the transition to a more sustainable society. Based on what is relevant for a specific asset class and investment strategy, these Double Materiality considerations can

be addressed through Inclusions, Exclusions and Active Ownership

We analyze how companies deal with sustainability risks, such as their approach to climate change and biodiversity protection, to ensure we invest in businesses that align with society. We actively engage with company management and vote at their general meetings to encourage sustainable practices and behavior. We also exclude companies that engage in harmful climate practices, are involved in tobacco or harming nature, as we believe these practices undermine the long-term well-being of both the planet and our clients

Inclusion

We aim to improve our understanding and analytical capabilities to effectively identify the level of exposure that companies and assets have to biodiversity risks

Active Ownership

Our objective is to actively engage with companies, with the goal of mitigating their exposure to biodiversity risks and reducing their negative impacts on nature.

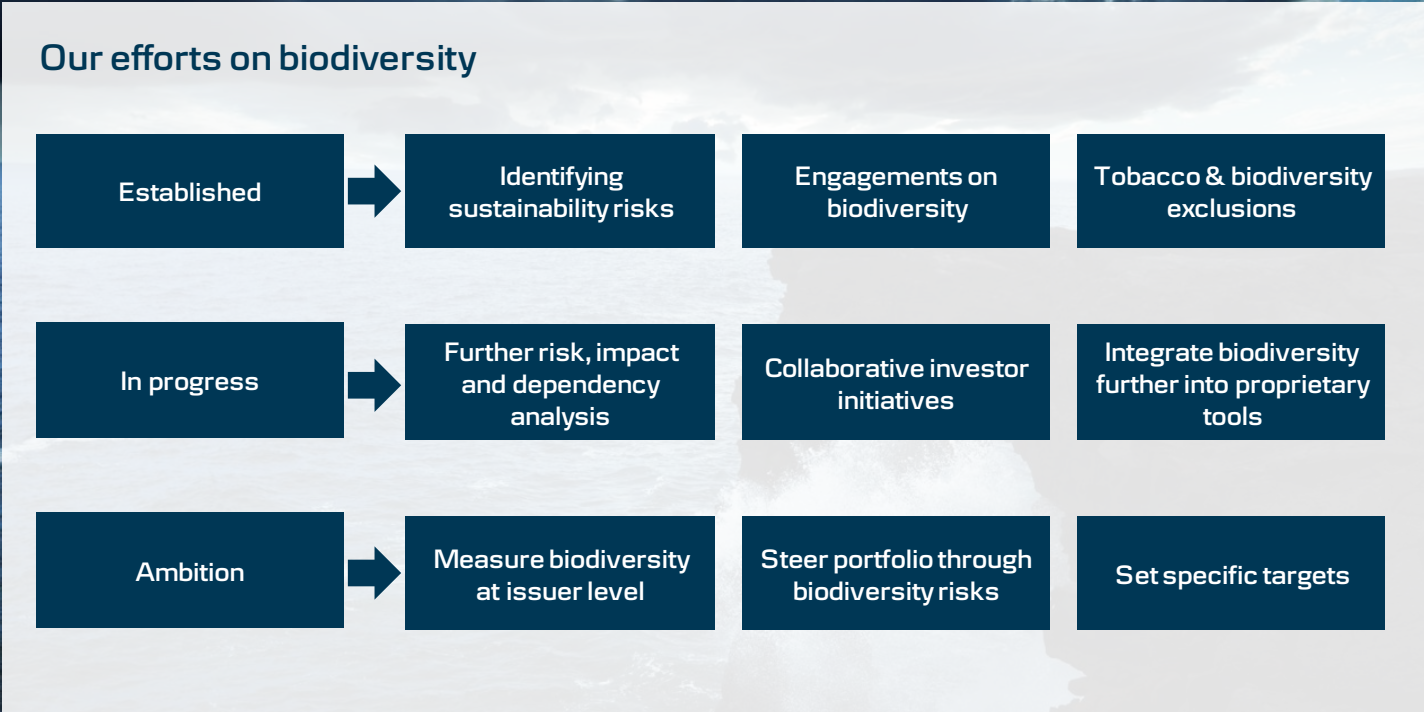
Exclusion

Continue to do a thorough screening of the investment universe to not only identify and mitigate sustainability risks, but also to safeguard and promote biodiversity.

Our actions on nature

Danica Pension have proactively taken measures to integrate biodiversity into our processes. To this end, we have incorporated research and data into our proprietary ESG analysis tool, mDASH, empowering our investment teams to gain valuable insights into companies' efforts towards biodiversity management. Since 2019, we have engaged with numerous companies on biodiversity-related matters, having held over 200 engagements. Additionally, we have excluded more than 200+ companies that engage in activities with a significant adverse impact on biodiversity. However, we recognize that we cannot tackle biodiversity loss alone and have formed partnerships with other organizations, such as FAIRR, the Biodiversity Pledge, and PBAF, who provide us with frameworks and research.

Our goal is to further enhance our capabilities by integrating more biodiversity data, research, and knowledge into mDASH, increasing engagement with companies on biodiversity matters, and reviewing exclusions to ensure our investments align with societal objectives. We will also set targets to reduce our impact on biodiversity and track our progress towards achieving them. We acknowledge that data and methodologies related to biodiversity assessment are not yet perfect, and we will continue to work with experts in the field to improve our understanding and analysis of biodiversity risks and opportunities. In conclusion, our commitment to biodiversity reflects our belief that a healthy and diverse natural world is essential for our long-term prosperity and survival.



Targeted biodiversity engagements

As a pension fund company, we can influence companies, steering them towards a nature-positive trajectory. We can engage with these companies on the topic of their impact on biodiversity, aiding them in the adoption of policies and practices that encourage them to restore biodiversity and safeguard natural habitats. Our first step is to engage in targeted dialogue with 30 large companies, spanning sectors such as energy, food, transportation, and pharmaceuticals. The companies are selected based on their potential of impacting different key drivers of biodiversity loss, degree of dependency on natural resources to operate their business, location of operations, and share of investments in the companies. The selected companies cover 10% of our equity and fixed income AUM. Our objective is to assist them in

setting goals for reducing their adverse impact on biodiversity, adopting biodiversity policies, or providing more comprehensive insights into how they manage biodiversity aspects that are crucial to their businesses. In particular we will focus on biodiversity aspects related to marine areas and woodlands as they are linked to broad range of our AUM's potential dependencies and impact on biodiversity. Our initiative supports our goal of investing in alignment with the Paris agreement because loss of biodiversity is tightly connected with climate change, as plants, forests, plankton, seaweed, coral reefs, animals and the entire ecosystems in marine areas and woodlands are essential elements in absorbing a significant proportion of Global CO₂ emission, thus slowing down global warming



Influencing companies to reduce their exposure to biodiversity risk

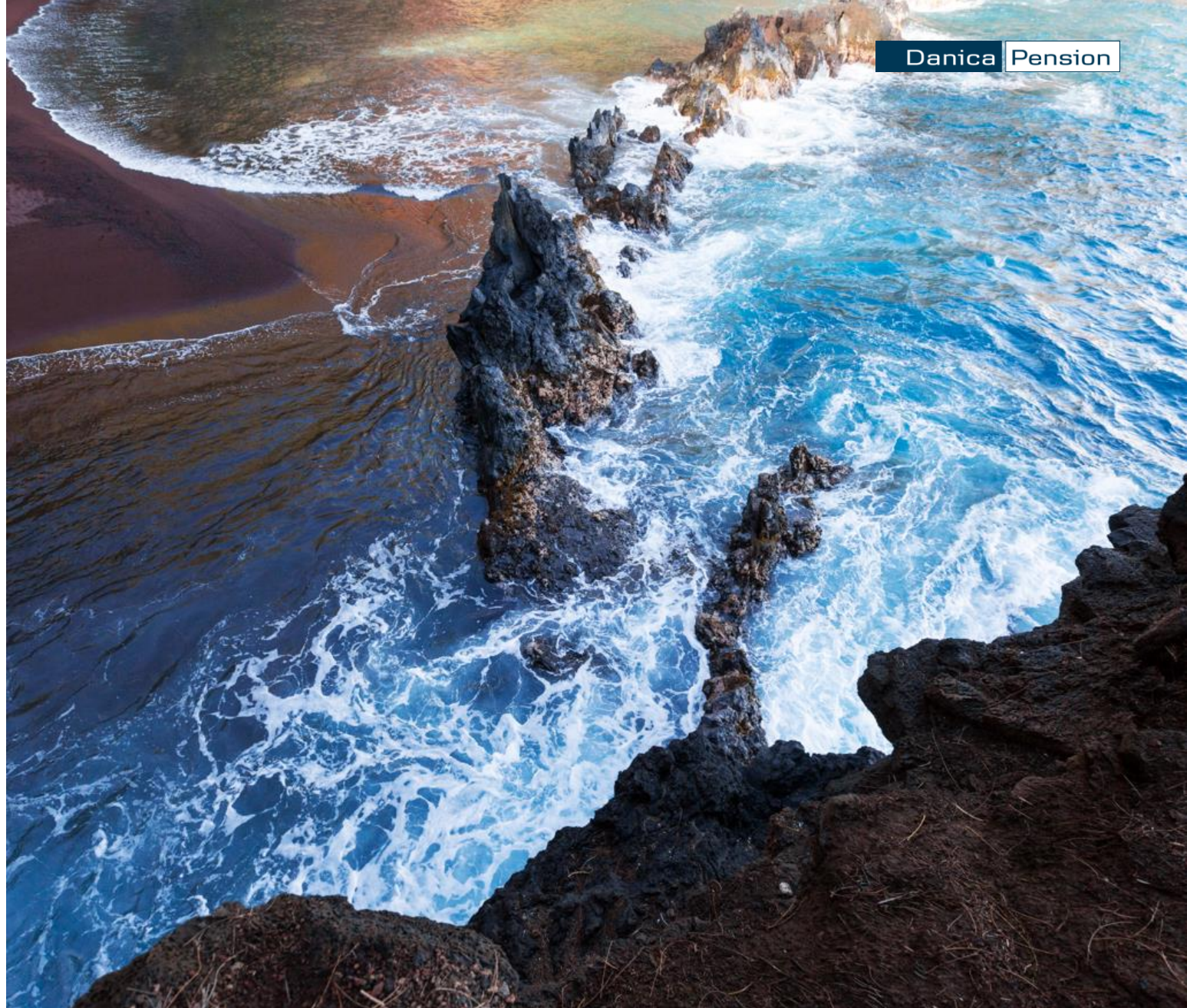
We want to contribute to improving the ability of businesses to protect and restore biodiversity, which, in turn, safeguards the value of our clients' pension investments. To achieve this objective, we intend to engage with companies on four crucial areas that can support nature capital:

- Acknowledge
- Ambitions
- Activities
- Reporting

We anticipate companies assess their risks, dependencies, and impacts on nature. This assessment should encompass the impact of their activities on ocean or forest areas and how they manage and protect natural resources essential for producing goods or

delivering services. Ideally, this process will involve establishing targets with SBTN, and implementing new or enhancing measures to restore the ocean and forest areas that they affect and depend on. We will encourage companies to improve their disclosure and reporting on biodiversity impact and dependency and urge them to follow the framework of the Task Force on Nature-related Financial Disclosures (TNFD).

Our approach will entail continuous monitoring to ensure that companies make progress and receive support for their biodiversity initiatives. Through this engagement, we aspire to motivate companies to take the lead in sustainability and generate positive impacts on the environment and society.



Danica Real Estate and our biodiversity actions

We are setting new standards for our property investments, where a biodiversity strategy for each new Danish property project will be developed in collaboration with landscape architects or biologists. At the same time, we will demand biodiversity aspects for building materials and activate the outdoor areas around our existing Danish properties to create better living conditions for plants and wildlife. For example, we are already underway in Postbyen in Copenhagen, where herbs, plants, and trees will improve living conditions for insects, bees, and birds.

Additionally, we are transforming Tuborg Strandeng in Hellerup from a former factory site into a natural area

the size of Kongens Have, which provides optimal conditions for insects, beetles, and birds with wild growing vegetation.

We will increase our ambitions and sharpen the demands for our investments and properties as the area develops. We will also prioritize increased cooperation with other stakeholders, supporting new legislation, and engaging in dialogue with legislators to encourage more companies to work seriously with biodiversity and create space for nature in urban areas.



Appendix - Methodology

ENCORE

The potential risks, impacts and dependencies of our AUM in Danica Pension are calculated by utilizing the data and research from ENCORE. The results of the analysis will enable us to get a better understanding of nature-related risks associated with our investments and how to address them. ENCORE is a tool that provides expertise, information and tools on material aspects of natural capital for financial institutions. It can enable financial institutions to integrate natural capital considerations into their risk management processes and products as well as helping them to discover new opportunities. The Sectoral Materiality Tool is a comprehensive approach to assess the environmental impact of businesses across 12 impact categories. These categories are grouped by nature-related issue areas, as defined by IPBES, namely land/water/sea use change, resource exploitation, climate change, pollution, and invasives & other. The tool uses a four-level hierarchical structure of the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, which is the UN international reference classification of productive activities. Each ISIC class is associated with one or more production processes that capture impacts within each activity that may not be captured at the ISIC class level. Three types of ratings are given for each pressure category and ISIC class

combination: one for upstream impacts, one for direct operations impacts, and one for downstream impacts (still under development). Ratings are assigned based on the scientific and grey literature collated for the development of the ENCORE impacts database, using a scale of Very High (VH), High (H), Medium (M), Low (L), or Very Low (VL). In our assessment we have only included activities that have a high or very high impact.

The ratings assigned are independent of other production processes, and when there is not enough information to attribute a rating, the matrix will read ND for "No Data". Direct operations ratings were ranked on three dimensions: Frequency, Timeframe, and Severity, based on information in the ENCORE impacts database. In summary, the Sectoral Materiality Tool is a valuable tool that can help organizations identify and address environmental risks and opportunities. By assessing the environmental impact of their activities across 12 impact categories, businesses can develop strategies to minimize negative impacts on nature and contribute to a sustainable future. The tool's approach to using ISIC classes, production processes, and rating scales provides a comprehensive and systematic framework for environmental impact assessment.

Data

The calculations are grounded on our equity and fixed income investments, which currently amount to approximately 130 billion DKK. The analysis was made using portfolio data from end of year and ENCORE data from February 2023.

Limitations to the data and calculations

There are certain limitations to the data, calculations and methodology that are important to understand before concluding on the results. First, it is important to understand that the analysis is a high-level screening of direct nature-related risks i.e. a heat map that can enable us to understand which companies or sectors that potentially are at risks in relation to biodiversity. Second, ENCORE provides information on direct material dependencies and impacts, not indirect ones. Third, it is also important to note that the assessment only represents potential impacts and not actual impacts, it cannot be concluded based on the results whether companies have an impact on nature or not, as companies might already be taken the correct measures to address their material biodiversity risks and impacts. Fourth, it is assumed that investee companies only have one production process in many cases companies will actually have more production processes depending on the different products and services that they offer. This is something that we want to investigate further in the future.

Furthermore, ENCORE is still developing their research and methodology on upstream and downstream operations, which is why they have not been included in the assessment.

In the future, we intend to enhance the granularity of our assessments to enable a more in-depth analysis and comparison of biodiversity performance across companies operating within high-risk sub-industries. Moreover, we anticipate integrating the assessment of individual issuers' exposure to biodiversity risks and impacts as a fundamental component of our investment processes.

Read more about ENCORE:

Impact drivers:

<https://encore.naturalcapital.finance/en/data-and-methodology/impact-drivers>

Ecosystem services:

<https://encore.naturalcapital.finance/en/data-and-methodology/services>

Sectors:

<https://encore.naturalcapital.finance/en/data-and-methodology/sectors>

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