

An aerial photograph of a coastal town in winter, with snow-covered roofs and streets. The town is situated along a large body of water, likely a fjord, with a long bridge extending across it. In the background, there are large, snow-capped mountains under a cloudy sky with soft, warm light.

Position Statement on Climate Change

March 2021

Introduction

As one of the largest financial institutions in the Nordics, Danske Bank recognises our important role in the transition of society to a low carbon future. We assess the climate risks and opportunities associated with our business activities, and on the basis of the international standards and principles that we support, we increasingly integrate climate considerations into our product offerings in investments and lending. Furthermore, we have made several commitments on climate to support the decarbonisation of our economies.

The surface temperature on Earth has increased in recent decades due to the release of greenhouse gas (GHG) emissions associated with human activity. Unmitigated emissions are expected to result in significant temperature increases by the end of the century that will have catastrophic impacts on life, ecosystems and human societies. Danske Bank recognises that it is imperative that global warming is limited to well below two degrees Celsius and that action now is vital to ensure the future prosperity of humanity.

The financial system has an important role to support decarbonisation of our economies. The sector is uniquely positioned to affect change in the real-economy through its ability to mobilise capital, direct funds and price risks. Danske Bank also operates in a region where this is high on the agenda, and wants to be a responsible and active partner in the energy transition. The Nordic countries - Danske Bank's home markets - have set some of the most ambitious targets in the world in terms of combatting climate change. Realising these targets will require a close link between public policy and the financial sector, as policy changes could affect the economic profile of several industries, ranging from agriculture and forestry to fossil fuels and transportation.

On the basis of the international standards and principles that Danske Bank supports, and on the basis of Danske Bank's Sustainable Finance Policy, Responsible Investment Policy, Credit Policy and Supplier Code of Conduct, we analyse and consider environmental, social and governance (ESG) risks in our investment, lending and procurement practices.

Accordingly, we assess the climate risks and opportunities associated with our business activities and increasingly integrates climate considerations into our product offerings in investments and lending.

Danske Bank has made several commitments on climate, including:

- Joining the Net Zero Asset Managers initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner
- Joining the Net Zero Asset Owner Alliance, a UN-backed group of institutional investors committed to transitioning their investment portfolios to net-zero greenhouse gas emissions by 2050 (joined via our pension subsidiary, Danica Pension)
- Committing to set targets for aligning the CO₂ emissions of our corporate lending book with the Paris Climate Agreement by 2023
- Setting targets to reduce the CO₂ emissions from our own operations in accordance with the Paris Climate Agreement.

These commitments also substantiate our support for the Principles for Responsible Banking.

Position Statement on Climate Change

1. Objective and purpose of the position

Danske Bank’s position statement on climate change aims to create transparency and predictability on our ambitions, efforts and governance with regards to navigating the transition towards a low carbon economy and managing

the related risks and opportunities. The position statement establishes a shared framework for a constructive and forward-looking dialogue with our stakeholders on these topics.

2. Scope of position

This position statement applies to Danske Bank Group and all legal entities under its control. Specific sector level requirements and expectations are listed in our sector-specific positions. This position covers both Danske Bank’s direct impact via our own business activities and our indirect impact through our investment and lending activities.

Geography

The position statement is global in scope with no exceptions.

Danske Bank’s activities

The position statement applies to all banking services provided by Danske Bank including general financing and lending to corporates, advisory services, Danica and Danske Invest.

Clients

The position statement covers existing as well as new clients of Danske Bank.

Industries and subsectors

Danske Bank’s position on climate change applies to all sectors, where we have exposure within our lending and investment activities. However, we recognise that some sectors are more exposed to climate related risks and opportunities. Sectors where green opportunities are significant are covered by our Green Bond Framework. Sectors where risks are higher are subject to specific climate related stress-testing and are further detailed in our sector-specific position statements.

3. Definitions

Danske Bank’s climate impact can be divided into two overarching categories:

- Direct impact caused by Danske Bank’s operations. E.g. emissions from business related travels.

- Indirect impact stemming from Danske Bank’s lending and investment activities.

The most significant impact that Danske Bank has on climate change is via its indirect impact.



4. Rules and standards of the position

Danske Bank takes a fact-based approach when taking decisions on climate-related issues. Our position on climate change is based on insights from climate science and industry best practices. Given the constant development of science-based ways to manage climate change mitigation and adaptation, the position on climate change will be updated on a regular basis.

4.1 Danske Bank's own operations

Danske Bank is committed to ensuring and advancing sustainability throughout our operations and workplace. This includes minimising our own environmental footprint and climate impact. In connection with this, we have set targets for the reduction of our own operations' climate footprint in line with the Paris Climate Agreement.

To underline our commitment to sourcing renewable electricity, Danske Bank is a member of RE100, an initiative for businesses committed to achieving 100% renewable electricity use in their own operations. We work continually to bring down our energy consumption, and have since 2015 purchased renewable electricity certificates on a country-by-country basis for 100% of our remaining electricity consumption.

Beyond electricity, Danske Bank also continually work to reduce our total carbon emissions via e.g. shifting from physical to digital meetings where possible, in order to reduce our corporate travels. We offset the emissions that we cannot eliminate by purchasing carbon credits from projects that guarantee a real reduction in CO₂ emissions and that are verified according to international standards, such as the Gold Standard. We have offset our total carbon emissions since 2009, as communicated in our annual statement on carbon neutrality.

Together with external partners, Danske Bank conduct ESG assessments of suppliers that have elevated risk profiles, and we have defined our expectations on responsible business conduct in our Supplier Code of Conduct, which is based on recognised international standards. For specific product categories, we also list environmental requirements, and should a supplier be unable to live up to these requirements, we initiate a constructive dialogue with the company to find an alternative solution.

4.2 Danske Bank Treasury

At the end of 2020 Danske Bank Group Treasury had invested more than DKK 9.4 billion in green bonds that, for example, are issued for large renewable energy projects and climate protection. New opportunities to invest in green bonds are evaluated on an ongoing basis.

For updated information on our progress, please visit danskebank.com/sustainability/strategic-direction

4.3 Investments

Danske Bank continuously assess the climate risks of our investments as part of our overall screening and Environmental, Social and Governance risk analysis. If any issues of concern are identified, we engage with the companies in our investment portfolio in order to verify the scope of the environmental issue and if relevant encourage the development of higher standards for responsibility. We prefer to engage instead of excluding a company, but if the company does not present and deliver on a credible plan, we will withdraw and refrain from the investment whenever possible. In this context, we actively engage with companies on climate topics e.g. energy efficiency and energy transformation.

Climate considerations are integrated into Danske Bank's governance setup on investments through the Responsible Investment Policy, which is publicly available.

In order to support the green transition, Danske Bank has joined both the Net Zero Asset Managers Initiative and the Net Zero Asset Owners Alliance¹. Sub-targets for our Net Zero Asset Owners commitment have been published, while our sub-targets for our Net Zero Asset Managers commitment will be released ultimo 2021.

Additionally, our subsidiary, Danica, has set a target to invest DKK 30 billion in the green transition by 2023, increasing to DKK 100 billion by 2030. At the end of 2020 Danica had DKK 27 billion invested in the green transition.

For updated information on our progress, please visit danskebank.com/sustainability/strategic-direction

4.4 Financing

Environmental, Social and Governance considerations are addressed in Danske Bank's Credit Policy and integrated in the credit process for business customers. When granting a loan, we consider the purpose for which the funds will be used, and we also assess possible environmental risks associated with our lending.

If our assessments show that a customer relationship does not comply with our policies, we initiate a dialogue in order to determine a solution together with the customer. We strive to be transparent and predictable in our actions, and seek to find long-term solutions. If this process does not succeed and our only remaining option is to terminate the credit relationship, we do so in a controlled process that takes all legal aspects into consideration.



For sectors with elevated risks on climate change, portfolio level stress-testing is done of the sector, to ensure the risks associated with the sector are properly assessed and integrated into our portfolio management.

Danske Bank recognises that some companies have a strong positive impact through their activities or projects and help support their activities by issuing green loans. In order to support these companies we have set the goal to provide well above DKK 100 billion in sustainable financing including granted green loans and arranged bonds by 2023. At the end of 2020 our sustainable finance volume was at DKK 102 billion, and thus the original target will be revised during 2021. Our green bond framework is publicly available and describes which loans are eligible for green financing.

Beyond green financing, Danske Bank has pledged to set a climate target for our corporate loan portfolio in alignment with the Paris Climate Agreement by 2023. At the end of 2020, 23% of our corporate loan portfolio had been mapped for climate impact. We will continually provide results of the climate impact analyses leading up to the target setting by 2023.

In 2020 Danske Bank joined PCAF, which is a collaboration between financial institutions to develop and implement a harmonised approach to measure and disclose the greenhouse gas emissions associated with loans and investments.

For updated information on our progress, please visit danskebank.com/sustainability/strategic-direction

4.5 Reporting

Since 2019, Danske Bank has reported on climate-related information based on guidance from the TCFD framework and we have committed to begin reporting according to the SASB standard for commercial banks for the fiscal year 2021. We also report annually on our overall progress on societal impact to the UN Global Compact, the Principles for Responsible Banking and the Principles for Responsible Investment. All reporting is carried out in accordance with the Danish reporting requirements on non-financial information - requirements that include disclosures on climate change and the environment.

To increase transparency on our sustainability efforts, Danske Bank has created a Sustainability Fact book, which contains both current and historic data from Danske Bank on sustainability. Both our Sustainability Fact book and our Sustainability Report are publicly available on our website. Furthermore Danske Bank reports yearly to CDP, and annually publish our CDP score on our website.

¹⁾ Danske Bank is a member of the Net Zero Asset Owners Alliance via our pension subsidiary, Danica

5. Supporting standards and principles

Our business conduct is guided by a number of international standards and principles related to environmental and climate issues, which we also expect the companies in our investment portfolio, our customers and business partners to adhere to whenever relevant:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- The Universal Declaration of Human Rights
- The ILO Declaration of Fundamental Principles of Rights at Work
- OECD Guidelines for Multinational Enterprise
- UN Environment Program Finance Initiative (UNEPFI)
- UN-supported Principles for Responsible Investments (PRI)
- Principles for Responsible Banking
- Task Force on Climate-related Financial Disclosures
- Institutional Investor Group on Climate Change
- CDP (formerly the Carbon Disclosure Project)
- UN Framework Convention on Climate Change⁹
- The Kyoto Protocol
- Rio Declaration on Environment and Development
- The Montreal Protocol on Substances that Deplete the Ozone Layer
- UNESCO World Heritage List
- Ramsar Convention
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- UN Convention on Biological Diversity and the related Nagoya Protocol and Cartagena Protocol

Danske Bank expects the companies we lend to and invest in to follow international guidelines. Some sectors are more prone to environmental risks than others, and our sector-specific position statements within agriculture, forestry, fossil fuels and mining & metals address these specifically.



Generally, we expect the companies we lend to and invest in to follow the internationally recognised standards related to climate change and the environment whenever relevant:

- Reduce and mitigate climate change impacts
 - Disclose and reduce direct and indirect greenhouse gas emissions – especially large-sized companies
 - Integrate criteria on environment and nature into their procurement and operational policies
 - Switch from using fossil fuels to renewable energy sources
 - Understand their material responsibility and risks regarding the environmental issues (air, water and soil) in their business operations, e.g. supply chain and contracts with subcontractors
 - Prevent the introduction of invasive alien species in ecosystems
 - Conduct an environmental impact assessment on the total consequences of a large scale project on biodiversity
 - Conduct water-scarcity impact assessments and prevent negative impacts in water-scarce regions
 - Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List
- Do not have a negative impact on the wetlands covered by the Ramsar convention
 - Do not have a negative impact on the protected areas that fall under categories I-IV of the International Union for Conservation of Nature (IUCN)
 - Comply with the conditions set forth in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) when being engaged in trading of endangered plant and animal species
 - Minimise and prevent any negative impact on threatened animal species when operating in areas with these animal species present
 - Prevent deforestation and protect natural forests such as old growth forests, bogs, mangroves and rainforests, as described in the high conservation value (HCV) concept
 - Meet the permission and processing requirements described in the UN Convention on Biological Diversity and the related Nagoya Protocol and Cartagena Protocol
 - Do not take part in lobbying aimed at weakening international climate policy

6. Implementation, follow-up and disclosure

Danske Bank ensures the implementation of this position statement throughout the organisation by integrating it into the bank's governance hierarchy and business processes. As the topic climate change is dynamic in terms of both the politics and market forces that govern it, we will ensure the relevance of this position statement by regularly reviewing and updating it.

Should this position statement be breached, there are several escalation paths in Danske Bank's governance structure where these could be addressed. On a group level, relevant forums include:

- Danske Bank's Business Integrity Committee (BIC), and;
- The Sustainable Finance Council (SFC).

Danske Bank will also provide transparency to all stakeholders on our sector-level exposures and aims to provide relevant disclosures through several reporting channels. Disclosures can be found in our Annual Report and Sustainability Report.