



Agriculture

Position statement
Danske Bank

September 2018

Introduction

About Danske Bank Group

Danske Bank is a Nordic universal bank with strong regional roots and close ties to the rest of the world. For more than 145 years, we have helped people and businesses in the Nordics realise their ambitions. Today, we serve more than 3.2 million personal, business and institutional customers in 16 countries, and in addition to banking services, we offer life insurance, pension, mortgage credit, wealth management, real estate and leasing services and products. Our vision is to be recognised as the most trusted financial partner.

Societal impact and sustainability at Danske Bank Group

Danske Bank Group has a responsibility and sizeable societal impact as one of the largest Nordic financial institutions. By being solid, balanced and predictable, we aim to conduct our business in a responsible and transparent manner and contribute to financial stability and economic growth. We are driven by an ambition to create value for all our stakeholders and use our expertise to drive sustainable progress and a positive impact in the societies we are part of.

We are committed to respecting human and labour rights, mitigating adverse environmental impacts and eliminating corruption in all of its forms throughout our business. Internationally recognised principles dealing with environmental, social and governance (ESG) aspects of business lay the foundation for how we conduct our business in a responsible and transparent manner. Further, they provide a shared framework for our relations and dialogue with stakeholders.

Danske Bank Group observes and supports the following international agreements, guidelines and voluntary standards:

- 2030 Agenda and the UN Sustainable Development Goals¹
- UN Global Compact²
- OECD Guidelines for Multinational Enterprises³
- UN Guiding Principles on Business and Human Rights⁴
- UN-supported Principles for Responsible Investment (PRI)⁵
- The Universal Declaration of Human Rights⁶
- UN Environment Programme Finance Initiative (UNEPFI)⁷
- The ILO Declaration of Fundamental Principles of Rights at Work⁸

Purpose and scope of position statements

Danske Bank Group works continually to improve its responsible business practices, and we expect the companies we work with to do the same by integrating ESG in their business practices.

Our position statements clarify how Danske Bank Group operates and outline our expectations to companies we actively invest in, lend to and procure from. They establish a shared framework for a constructive and forward-looking dialogue about risks and opportunities.

The statements apply to all markets we operate in and encompass all the operations of Danske Bank Group.

Existing policies and position statements

The internationally recognised principles that Danske Bank Group has endorsed lay the foundation for several of our policies and procedures. We have sector-specific position statements on agriculture, arms & defence, fossil fuel, mining & metals and forestry. These position statements are complemented by cross-sector position statements on climate change and human rights.

In addition to the position statements, we have a Responsibility Policy, Code of Conduct Policy, Whistleblower Policy, Responsible Investment Policy, Supplier Code of Conduct and Credit Policy as well as Credit Directives on ESG risks in specific industries. We also publish an annual statement of carbon neutrality and annual statement on the steps taken to eradicate and prevent modern slavery in the supply chain and any other parts of our business in the past financial year.

Engagement, feedback and contact

For more information about how we work in this area, please visit our website at www.danskebank.com/responsibility. Please contact Kristina Øgaard, Head of Sustainability Strategy & Governance, Danske Bank (krga@dankebank.com) with any questions or comments.

1) <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

2) <https://www.unglobalcompact.org/what-is-gc/mission/principles>

3) <http://www.oecd.org/>

4) http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

5) <https://www.unpri.org/about/the-six-principles>

6) <http://www.un.org/en/universal-declaration-human-rights/>

7) <http://www.unepfi.org/about/unep-fi-statement/>

8) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf

Agriculture

POSITION STATEMENT
DANSKE BANK

1. Introduction

The agriculture industry encompasses crops, livestock, fisheries and aquaculture, making it an essential part of the world's food production. According to the Food and Agriculture Organization of the United Nations, global food production must increase 61% from 2014 to 2050 in order to meet the changing dietary patterns and demands of a growing population⁹.

Since it is highly dependent on natural resources, the agriculture industry is exposed to climate change, the deterioration of natural resources, stressed ecosystems and the loss of biological diversity. The industry itself contributes to climate change through the emission of greenhouse gases into the atmosphere. The industry can also negatively contribute to ecosystems, soil quality and biological diversity.

The environmental issues are reflected in the ESG risks identified in the agriculture industry, which concern water use, biodiversity, ecosystems and pesticide use. While the social risks in the agriculture industry concern animal welfare, land use, community relations, indigenous rights and working conditions such as working hours, child labour, wages, forced labour and health and safety measures.

At Danske Bank, we acknowledge the need for sustainability in the agriculture industry because it can help to maintain natural resources, reduce poverty and minimise hunger around the world. When working with the companies we invest in and lend to in the industry, we aim to minimise the potential adverse environmental and social effects and to support good governance by promoting recognised international principles whenever relevant.

2. Our approach

In promoting sustainable agricultural practices, Danske Bank is guided by a number of international principles. We expect the companies we lend to and invest in to operate in accordance with relevant international norms as well as regional and national laws, regulations and permits.

As set forth in our Responsible Investment Policy and Credit Policy, we take into consideration ESG risks based on international principles and standards in our investment and lending practices.

3. Implementation

To ensure that we manage our investments and lending associated with ESG risks based on the international principles we endorse, we have implemented processes that have a risk-based approach and are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We will continue

to monitor our efforts in order to meet our customers' and stakeholders' needs and expectations in the best possible manner.

Screening and ESG risk analysis

- We integrate ESG considerations in investment and lending practices and monitor the development of ESG risks on an ongoing basis.
- When investing in listed companies in the agriculture industry, we conduct an ESG screening of the portfolio companies in collaboration with our screening and research partners to ensure that their conduct is in accordance with our Responsible Investment Policy and the international principles we endorse.
- When investing in unlisted companies in the agriculture industry, we screen for possible ESG risks as part of the due diligence process. If the ESG risks are assessed to be of significant importance, the results will be examined with the Sustainability & Impact Investment team in Danske Bank.
- When we decide to invest in agricultural activity that is not within close proximity, we prefer to do it in collaboration with other investors in order to create the best possible foundation for ESG risk management.
- When lending and renewing credit to the agriculture industry, we conduct an ESG assessment in order to ensure that our customers' conduct is in accordance with our Credit Policy, Responsibility Policy and the international principles we endorse.

Dialogue and engagement

- We seek to influence the companies we invest in through ongoing dialogue, voting at general meetings and participation in nomination committees when we believe it will have a substantial effect.
- If there are allegations that a company who we lend to is potentially breaching the international principles we endorse, has identified ESG issues or is not compliant with our Credit Policy or our Responsibility Policy, we initiate a dialogue in order to determine a solution with the customer. The aim is to clarify the circumstances, recommend that they follow a set of international standards and principles (as set forth in section 4) and to determine whether the company plans to change its behaviour.
- We prefer to engage with the companies we lend to and invest in and encourage the development of higher standards of responsibility instead of excluding them from our portfolio or terminating the credit relationship. However, if a company fails to demonstrate sufficient commitment towards improvement, we reserve the right to terminate the relationship whenever possible and in a controlled manner.

4. Standards and principles

Whenever relevant, we expect the companies we lend to and invest in to operate in accordance with the following sets of international agreements and framework:

- UN Global Compact¹⁰
- OECD Guidelines for Multinational Enterprises¹¹
- UN Guiding Principles on Business and Human Rights¹²
- The Universal Declaration of Human Rights¹³
- The ILO Declaration of Fundamental Principles of Rights at Work¹⁴

Industry specific

For the companies we invest in and lend to in the agriculture industry, we expect them to follow the guidelines listed below whenever relevant:

- Limit the use of pesticides, and if their use is necessary, use them in a responsible manner
- Use water efficiently, and prevent water pollution

- Reduce direct and indirect emissions of greenhouse gases and harmful substances such as nitrogen oxide and ammonia
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List¹⁵
- Do not have a negative impact on the wetlands covered by the Ramsar convention¹⁶
- 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)¹⁷
- Have management systems or processes that deal with employee complaints, labour law violations and conflicts, and monitor and ensure compliance with labour laws
- Have policy commitments on health and safety
- Ensure equal treatment and working conditions for all employees, including women and migrant workers
- Respect the rights of children and do not use exploitative forms of child labour, such as labour that damages children's physical or mental health or prevents them from going to school as stated in the Minimum Age Convention¹⁸ and Worst Forms of Child Labour Convention¹⁹
- Respect indigenous people and their right to customary lands by obtaining acceptance when entering such land as described in the principles of Free, Prior and Informed Consent (FPIC)²⁰
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity²¹ and the related Nagoya Protocol²² and Cartagena Protocol²³

As our credit customers in the agriculture industry mainly operate in the Nordic countries and Northern Ireland, public authorities oversee compliance of most of the standards and conventions referenced to above.

For the listed companies we invest in, we perform a screening in collaboration with our screening and research partners to make sure that they act in line with the below international principles and conventions:

- UNESCO World Heritage List²⁴
- Ramsar convention²⁵
- International Union for Conservation of Nature (IUCN)²⁶
- Minimum Age Convention²⁷
- Worst Forms of Child Labour Convention²⁸
- Free, Prior and Informed Consent (FPIC) as covered in the ILO Convention 169²⁹ and the UN Declaration on the Rights of Indigenous Peoples³⁰
- UN Convention on Biological Diversity³¹ and the related Nagoya Protocol³² and Cartagena Protocol³³

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- 9) <http://www.fao.org/3/a-i3940e.pdf>
 - 10) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
 - 11) <http://www.oecd.org/>
 - 12) http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
 - 13) <http://www.un.org/en/universal-declaration-human-rights/>
 - 14) http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf
 - 15) <http://whc.unesco.org/en/list/stat>
 - 16) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
 - 17) <https://www.iucn.org/theme/protected-areas/about>
 - 18) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138
 - 19) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO
 - 20) Covered in the ILO Convention 169: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO and the UN Declaration on the Rights of Indigenous People: http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf
 - 21) <https://www.cbd.int/convention/>
 - 22) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
 - 23) <http://bch.cbd.int/protocol/text/>
 - 24) <http://whc.unesco.org/en/list/stat>
 - 25) http://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf
 - 26) <https://www.iucn.org/theme/protected-areas/about>
 - 27) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138
 - 28) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO
 - 29) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO
 - 30) http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf
 - 31) <https://www.cbd.int/convention/>
 - 32) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
 - 33) <http://bch.cbd.int/protocol/text/>