



Position Statement on Agriculture

May 2024

Introduction



Danske Bank is committed to creating sustainable progress, and we believe that including sustainability in all aspects of our business is fundamental to creating lasting value for all our stakeholders. The agriculture sector operates within a natural system that produces multiple economic, social and environmental values - and the sector has a key role to play regarding climate action and biodiversity preservation. We see multiple points of entry towards meaningful discussions on sustainability and want to support customers and companies who take initiative to promote sustainable growth and greater societal responsibility. This position statement covers agriculture and establishes guidelines for comprehensive sustainability practices.

At Danske Bank, our purpose is to release the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come. In the agricultural sector, this means helping our customers transition to more sustainable production and where needed, setting clear standards and expectations, while also being transparent about our efforts and approach.

Agriculture is essential for food production across the world. The global population has increased from around 2 billion in 1928 to more than 8 billion today. The increase in population is in many ways a success story of lower child mortality rates, better access to health care services and better nutrition.

Globally, 50% of habitable land is used for agriculture, which leads to nature risks such as deterioration of natural resources, stressed ecosystems and the loss of biological diversity.¹ Meeting the dietary requirements and aspirations of the global population is therefore an opportunity that requires strong management of the impact on nature. Danske Bank's core markets are among the most regulated in the world, and we seek to help customers transition to more sustainable production where relevant.

Continuing to feed a growing population requires an increase in agriculture yields.² This can be done in several ways, including by expanding areas used for agriculture, improving agricultural practices to deliver better yields, changing diets to contain less meat, minimising food waste or a mix of these.³ As a bank, we have an important role to play in supporting our customers navigate the transition through advisory services and products.

One of the key challenges for the industry is to navigate its impact on climate change. As much as one quarter of global GHG emissions are released by agriculture. Looking at Danske Bank's markets, the agricultural sector is responsible for a

significant share of total emissions - the major part coming from pig and cattle breeding, manure management and animal feeding. Managing emissions in the agricultural sector therefore plays a key role in lowering climate emissions.

Whereas some high-emitting sectors are dominated by large companies already working with sustainability, the agricultural sector mainly consists of smaller companies with no designated sustainability personnel. As a large Nordic bank, we are in a strong position to support customers in this sector in managing the transition to a low-carbon economy.

Climate-related physical risks for the agricultural sector include changes in weather patterns, for example an increase in extreme weather events such as droughts or heavy precipitation. Some sources suggest that warmer weather in Denmark may lead to a longer growing season; however, unpredictable weather is a challenge for the agricultural sector because crop yields rely on predictable weather.

Globally, social challenges in the agricultural sector relate to 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. However, in a Nordic context, these areas are covered by strict regulation.

It is a key commitment of Danske Bank to be a responsible and predictable partner for all our stakeholders in the green transformation. In agriculture, this means being mindful of the ability agriculture has to provide many different values for societies, and engaging in related discussions while helping our customers to navigate the sustainability implications. We welcome dialogue about potential approaches and the material sustainability risks and opportunities that the sector is facing.

¹ Land Use - Our World in Data

² Meat and Dairy Production - Our World in Data

³ Yields vs. Land Use: How the Green Revolution enabled us to feed a growing population - Our World in Data

Position Statement on Agriculture

1. Objective and purpose

Danske Bank's position statement on agriculture aims to create transparency and predictability regarding our ambitions, efforts and governance with regard to agriculture and our management of the related impacts, 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

This position statement applies to the Danske Bank Group and all legal entities under its control.

We take a materiality-based approach, meaning that our engagement focus will be on larger customers with high impacts and that we take into consideration relevant risks and opportunities for the customers. When we assess which actions are relevant for individual customers, the size of the customer, exposure towards the customer and geographical scope of activities of the customer are taken into consideration.

Geography

The position statement is global in scope with no exceptions.

Danske Bank's activities

The position statement applies to lending and investment services offered by Danske Bank.

Customers

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

Industries and subsectors

The approach outlined below on agriculture applies to all customers and investment companies within the Group's core agriculture segment.

Projects and companies

The position statement applies to financial services offered for both general finance and project finance purposes offered to companies as well as for investment services.

3. Definitions

Relevant definitions include:

- Investment services: Assets managed by Danske Invest as well as life insurance and pension products offered by Danica Pension
- GHG: Greenhouse gases
- Climate risk: The risk of significant negative business-related impact due to climate change

- Nature risk: The risk of significant negative business-related impact due to dependencies and impacts on nature
- Transition risk: Business-related risks that follow societal and economic shifts toward a low-carbon and more sustainable future
- Physical risks: Business-related risks that follow the physical impacts of climate change and changes in nature

4. Rules and standards of the position

As one of the largest financial institutions in the Nordic countries, Danske Bank has both the ability and the determination to be part of finding solutions to the challenges our planet and societies are facing. We are committed to creating sustainable progress, and we believe that including sustainability in all aspects of our business is fundamental to creating lasting value for all our stakeholders.

For the agricultural sector, this means having a close dialogue with our customers to help them meet their sustainability ambitions and manage the risks they are exposed to, ensuring that our investments align with our sustainability standards and being transparent about our efforts. The section below outlines our approach in lending and investments, and it lists common standards across all business activities.

4.1 Climate-related expectations for lending

Climate change is one of the greatest risks of our time for society, our customers and Danske Bank. When we look at our agriculture portfolio, we consider climate risk and nature risk to be the most material sustainability risks facing the sector. Consequently, we have set specific expectations to help and support our customers in navigating the required transition of activities and practices.

Our approach to climate change is based on insights from climate science and industry best practices. Based on this, we see two main steps in supporting our customers in transitioning to a low-carbon economy, which are outlined below.

Carbon footprint assessment

In order to manage climate risk in the agricultural sector, Danske Bank's first step is to obtain data on carbon emissions in the sector. When we manage climate-related issues, we endeavour to take a fact-based approach, so having access to data and setting ambitions based on this data is key. We expect customers in the agricultural sector to take the following actions, where appropriate:

- Monitor scope 1 and 2 emissions (and preferably scope 3 emissions)

- Define commitments and targets to reduce emissions
- Identify the required investments and adjustments to their business model and engage with Danske Bank on needed financing

The purpose of these expectations is to help our customers understand their carbon footprint and help them manage the climate risks affecting their business.

Implementing existing technologies and solutions to accelerate customers' transition towards decarbonisation, based on knowledge of carbon emissions

The second step of managing the climate risks focuses on accelerating customers' transition towards lower emissions. Transition technologies can be categorised into two main groups: 1) existing technologies, and 2) technologies expected to be developed in the coming years. The expectations Danske Bank has towards customers focus on existing technologies and are based on both the Danish government action plan and leading research on lowering emissions from agriculture. In this regard, we expect customers to take the following actions, where appropriate:

- Optimise the feed mix for dairy cattle and rearing cattle with concentrates, fat and highly digestible fodder, effective in reducing enteric fermentation
- Improve manure management practices to mitigate methane and nitrous oxide emissions, e.g. through frequent slurry manure collection and transfer, covering manure storage facilities, applying nitrification inhibitors to manure (slurry) and acidification
- Use land management practices that promote carbon sequestration and/or soil conservation, including stopping peatland draining, clearing and burning; wetting or setting aside lowland soils; private afforestation; or changing farming methods (e.g. precision agriculture, conservation agriculture, organic farming, extensification of farming)
- Commit to zero emissions from farm machinery and equipment
- Comply with the EU's new Common Agricultural Policy (CAP) or UK Domestic Agricultural Policy requirements in such areas as soil protection and quality (crop rotation) as well as landscape and biodiversity; as well as apply climate-friendly farming practices, such as organic farming, agro-ecological practices, precision farming, agro-forestry or carbon farming, in line with eco-schemes criteria
- Practise efficient nitrogen management by e.g. applying nitrification inhibitors to fertilisers, as well as reduce nitrogen input in line with both voluntary and obligatory provisions for nitrogen reductions

- Use manure and farm residues to generate energy (with and without cooling of manure in the livestock barn and frequent slurry transfer to store) for potential GHG emissions savings, in terms of substitution of fossil fuels and proper management of animal manure
- Reduce reliance on imported feed protein by efficient utilisation of different/other protein sources, through e.g. cultivation of high-quality protein crops or grass protein
- Work towards deforestation-free commodity supply chains (e.g. adopt certifications, rely on domestic protein feed)
- Have a credible evidence-based transition plan with science-based metrics and KPIs
- Report publicly on value chain climate goals and progress towards them

Not all of the above expectations will be applicable to all customers. We expect customers to implement the initiatives relevant to their business, taking into consideration the size of the business and the risks their business is exposed to.

4.2 Investment screenings

For the listed companies that Danske Bank invests in, screening is performed in collaboration with research partners to make sure that the companies act in line with the following international principles and conventions:

- UNESCO World Heritage List
- Ramsar Convention
- International Union for Conservation of Nature (IUCN)
- Minimum Age Convention
- Worst Forms of Child Labour Convention
- Free, Prior and Informed Consent (FPIC) as covered in ILO Convention 16920 and the UN Declaration on the Rights of Indigenous Peoples
- Rio Declaration on Environment and Development
- The Kyoto Protocol

4.3 Supporting standards and principles

In general, Danske Bank expects the companies it invests in and finances to operate in accordance with the following sets of international agreements and principles:

- 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 Enterprises

Danske Bank also expects companies in the agriculture sector that it invests in and finances to conduct their business in accordance with the guidelines listed below, whenever relevant:

Environmental expectations

- Limit the use of pesticides, and if their use is necessary, use them in a responsible manner
- Use water efficiently and prevent water pollution
- In water-scarce regions, conduct water-scarcity impact assessments to prevent negative impacts
- Reduce direct and indirect emissions of greenhouse gases and harmful substances such as nitrogen oxide and ammonia
- Prevent the introduction of invasive alien species in ecosystems
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity and the related Nagoya Protocol and Cartagena Protocol
- 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 protected areas that fall under categories I-IV of the International Union for Conservation of Nature (IUCN)
- Do not have a negative impact on the wetlands covered by the Ramsar Convention
- Have comprehensive mitigation measures in place to address community and ecosystem water requirements in areas where environmental impact assessments identify that significant impacts to water resources are likely

- Make an environmental impact assessment on the total consequences of large-scale projects on biodiversity, at least according to GRI 304: Biodiversity 2016 or other relevant standards

Social expectations

- Work with and adopt relevant standards and certifications for raw materials, e.g. Fairtrade
- 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 refrain from using 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 Convention and Worst Forms of Child Labour Convention
- Respect indigenous peoples 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)
- Prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of peoples with customary tenure rights

Animal welfare expectations

- Observe and follow national and EU legislation as well as relevant industry assurance schemes on animal welfare
- Respect the Five Freedoms of animals
- Do not genetically modify animals for food or produce derived food products, unless clear animal welfare benefits can be demonstrated
- Livestock farming companies are certified in accordance with the criteria of certification schemes that include animal welfare requirements
- Apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimise antimicrobial resistance
- Integrate animal welfare criteria into procurement and operational policies
- Include clauses on compliance with criteria on animal welfare in contracts with subcontractors and suppliers

General expectations

- Work with relevant standards and initiatives regarding commodities and/or raw materials
- Are certified according to relevant certification schemes regarding commodities and/or raw materials
- Large enterprises and multinational enterprises are expected to publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards
- Include clauses on compliance with environmental, social and governance criteria in contracts with subcontractors and suppliers

Because our credit customers in the agriculture industry operate mainly in the Nordic countries and Northern Ireland, where they are subject to strict EU and/or national regulation and monitoring, there is limited risk of breach of the international agreements, frameworks and industry-specific guidelines referenced above.

5. Implementation, follow-up and disclosure

Implementation

This position statement is implemented by integrating its substance into Danske Bank's governing information, including policies, instructions and business processes - and subject to annual review.

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

- The Business Integrity Committee (BIC)
- The Sustainable Finance Council (SFC)

In addition to Group-level escalation paths, there are also separate business unit committees tasked with the oversight of the implementation of this position statement.

Monitoring adherence to endorsed standards and principles

In order to monitor that Danske Bank's business is conducted in line with the international standards that we endorse, the bank has developed processes for financial services and investments separately.

For financial services, the position, and the standards it endorses, are integrated into the credit process. Focus will be on larger customers with high emissions and take into consideration relevant risks and opportunities for the customers. When assessing which expectations are relevant for individual customers, the size of the customer, exposure towards the customer and geographical scope of activities of the customer are taken into consideration.

For investing, Danske Bank takes a risk-based approach that is structured around two phases:

- Screening and ESG Risk Analysis
- Dialogue and Engagement

In the Screening and ESG Risk Analysis phase, we screen companies to ensure that their conduct is in accordance with the international agreements we endorse.

In the Dialogue and Engagement phase, we address potential breaches through dialogue, voting or participation in nomination committees when relevant.

Disclosure

Danske Bank will provide transparency to all stakeholders on our agriculture exposures and aims to provide relevant disclosures in several reporting channels. Disclosures can for example be found in our annual report, climate-related disclosures and Sustainability Fact Book.