



# *Arms and defence*

Position statement  
Danske Bank

September 2018





# Introduction

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## 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 Goals<sup>1</sup>
- UN Global Compact<sup>2</sup>
- OECD Guidelines for Multinational Enterprises<sup>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- UN-supported Principles for Responsible Investment (PRI)<sup>5</sup>
- The Universal Declaration of Human Rights<sup>6</sup>
- UN Environment Programme Finance Initiative (UNEPFI)<sup>7</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>8</sup>

## 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](http://www.danskebank.com/responsibility). Please contact Kristina Øgaard, Head of Sustainability Strategy & Governance, Danske Bank ([krga@dankebank.com](mailto:krga@dankebank.com)) with any questions or comments.

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

# Arms and defence

POSITION STATEMENT  
DANSKE BANK

## 1. Introduction

Danske Bank acknowledges the right of nations to use legitimate weapons for national self-defence and legitimate national security purposes as set forth in the Charter of the United Nations. We accept that various types of weapons are necessary for achieving internationally accepted goals such as peacekeeping missions.

The arms and defence industry is complex, however, and we acknowledge that the industry entails risks related to various types of weapons and their potential use where international humanitarian law is violated or used for other purposes than national security and self-defence. We must address these risks in our business activities when providing financial services to the industry.

## 2. Our approach

Danske Bank does not conduct business with a company if there is verified information that the company directly or through their supplies of bespoke components, systems or services is involved in the production of illegal weapons, such as anti-personnel mines, cluster munitions, and biological and chemical weapons. This also includes companies that are involved in the stockpiling, transfer or use of these weapons.

While the above-mentioned weapons are considered illegal according to international law, nuclear weapons, within the Non Proliferation Treaty, are not. However, a potential use of nuclear weapons could have indiscriminate effects and could be a violation of human rights. As a result, Danske Bank has a set of standards for companies that are involved in activities relating to nuclear weapons within the Non Proliferation Treaty. In this connection, Danske Bank does not invest in or grant new credit to companies that are directly involved in R&D or the production of nuclear warheads, have activities related to core nuclear missile components, or are involved in the upgrading or enhancement of nuclear weapons. We recognise, however, that maintenance and service are necessary to ensure an adequate level of security with respect to existing nuclear weapons.

Finally, Danske Bank does not invest in or lend to companies that are involved in any activity related to nuclear weapons outside the Non Proliferation Treaty.

In regards to Danske Bank's own funds, our Treasury department refrains from investing in companies active in the arms and defence industry.

### 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

- When investing in the arms and defence industry, we conduct an ESG screening and risk analysis 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 lending and renewing credit to the arms and defence 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 engage in a dialogue with the companies we invest in when issues of concern have been identified. The dialogue serves to verify whether there is any possible involvement in illegal or controversial arms manufacturing. If involvement is verified, we will refrain from investing in the company.
- 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 internationally recognised agreements and framework:

- UN Global Compact<sup>9</sup>
- OECD Guidelines for Multinational Enterprises<sup>10</sup>
- UN Guiding Principles on Business and Human Rights<sup>11</sup>
- The Universal Declaration of Human Rights<sup>12</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>13</sup>

#### Industry specific

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

- 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 Convention<sup>14</sup> and Worst Forms of Child Labour Convention<sup>15</sup>

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:

- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (The Ottawa Treaty)<sup>16</sup>
- Biological Weapons Convention<sup>17</sup>
- Chemical Weapons Convention<sup>18</sup>
- Convention on Cluster Munitions<sup>19</sup>

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

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

11) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

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

13) [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)

14) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)

15) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)

16) <http://www.unog.ch/80256EDD006B8954/>

([http://assets.unog.ch/80256EDD006B8954/80256EDD006B8954/\\$file/APLC+English.pdf](http://assets.unog.ch/80256EDD006B8954/80256EDD006B8954/$file/APLC+English.pdf))

17) <http://disarmament.un.org/treaties/t/bwc/text>

18) [https://www.opcw.org/fileadmin/OPCW/CWC/CWC\\_en.pdf](https://www.opcw.org/fileadmin/OPCW/CWC/CWC_en.pdf)

19) <http://www.clusterconvention.org/files/2011/01/Convention-ENG.pdf>