



Arms and defence

Position statement
Danske Bank

September 2019



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 Nordic countries realise their ambitions. Today, we serve more than 3.3 million personal, business and institutional customers in 16 countries. 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

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

We have 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. Furthermore, these 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
- Principles for Responsible Banking⁶
- Task Force on Climate-related Financial Disclosures⁷
- The Universal Declaration of Human Rights⁸
- UN Environment Programme Finance Initiative (UNEPFI)⁹
- The ILO Declaration of Fundamental Principles of Rights at Work¹⁰

Purpose and scope of position statements

Danske Bank Group works continually to improve its sustainable 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 also outline the expectations we have for our business partners, our customers and companies

we actively invest in. These position statements establish a shared framework for a constructive and forward-looking dialogue about risks and opportunities. The statements apply to all of the 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 Societal Impact & Sustainability Policy, Code of Conduct Policy, Whistleblower Policy, Sustainable 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 over the course of the past financial year to eradicate and prevent modern slavery in the supply chain and any other parts of our business.

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@danskebank.com) if you have 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
 - 5) <https://www.unpri.org/about/the-six-principles>
 - 6) <https://www.unepfi.org/wordpress/wp-content/uploads/2019/06/PRB-Consultation-Document-12-Web-june-2019.pdf>
 - 7) <https://www.fsb-tcfd.org/>
 - 8) <http://www.un.org/en/universal-declaration-human-rights/>
 - 9) <http://www.unepfi.org/about/unep-fi-statement/>
 - 10) 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 verified information exists that the company directly or through its 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 legal. Nevertheless, 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, business activities and lending associated with ESG risks based on the international principles we endorse, we have implemented processes that have a risk-based approach and that are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We also regularly monitor and assess our efforts in order to meet the needs and expectations of our customers and stakeholders 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 Sustainable 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, Societal Impact & Sustainability 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 of possible breaches of international principles, identified ESG issues or if the customer is not compliant with our Credit Policy or our Societal Impact & Sustainability Policy, we initiate a dialogue in order to determine a solution together with the customer. The aim is to clarify the circumstances, to 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 and encourage the development of higher standards of responsibility instead of terminating the credit relationship. However, if a company does not take any corrective measures, we will exclude it whenever possible and in a controlled process.

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 Compact¹
- OECD Guidelines for Multinational Enterprises²
- UN Guiding Principles on Business and Human Rights³
- The Universal Declaration of Human Rights⁴
- The ILO Declaration of Fundamental Principles of Rights at Work⁵

Industry-specific

To ensure that non-controversial arms will not be used to enhance violations of human rights, Danske Bank follows all relevant sanctions, including EU, UN, UK and US financial sanctions. This implies that Danske Bank will not engage in transactions involving entities identified by HMS⁶ or OFAC⁷ to be trading in arms with countries subject to a UN arms embargo. Additionally, Danske Bank will not participate in transactions where we believe the principles of the UN Arms Trade Treaty are not met. In practice, our internal ESG experts will assess the risk that arms will be used to facilitate serious violations of international humanitarian law.

Furthermore, 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 following 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)⁸
- Biological Weapons Convention⁹
- Chemical Weapons Convention¹⁰
- Convention on Cluster Munitions¹¹

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

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

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

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

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

6) [http://www.unog.ch/80256EDD006B8954/\[httpAssets\]/8DF9CC31A4CA8B32C12571C7002E3F3E/\\$file/APLC+English.pdf](http://www.unog.ch/80256EDD006B8954/[httpAssets]/8DF9CC31A4CA8B32C12571C7002E3F3E/$file/APLC+English.pdf)

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

8) https://www.opcw.org/fileadmin/OPCW/CWC/CWC_en.pdf

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