



Arms and defence

Position statement
Danske Bank

March 2024



About Danske Bank

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Danske Bank is a Nordic universal bank with strong regional roots and close ties to the rest of the world. For more than 150 years, we have helped people and businesses in the Nordic countries realise their ambitions. Today, we serve more than 3.2 million personal, business, corporate and institutional customers in 8 countries. In addition to banking services, we offer life insurance, pension, mortgage credit, wealth management, real estate and leasing services and products.

Sustainability at Danske Bank Group

At Danske Bank, we release the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come. In relation to Arms & Defence, this means helping to support our societies' security agenda while setting clear standards and expectations to limit risks of inadvertently contributing to the proliferation of illegal weapons.

As one of the largest Nordic financial institutions, Danske Bank Group has sizeable societal impacts and a responsibility to manage them. 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.

Danske Bank is committed to respecting human rights, mitigating adverse environmental impacts and eliminating corruption in all 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 a number of international agreements, guidelines and voluntary initiatives, including:

- The 2030 Agenda and the UN Sustainable Development Goals¹
- The UN Global Compact²
- The OECD Guidelines for Multinational Enterprises³
- The UN Guiding Principles on Business and Human Rights⁴
- The UN-supported Principles for Responsible Investment (PRI)⁵
- The Principles for Responsible Banking⁶
- The Task Force on Climate-related Financial Disclosures⁷
- The Universal Declaration of Human Rights⁸
- The UN Environment Programme Finance Initiative (UNEPFI)⁹
- The ILO Declaration of Fundamental Principles of Rights at Work¹⁰

Purpose and scope of position statement

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

Engagement, feedback and contact

For more information about how we work in this area, please visit our website at danskebank.com/sustainability. Please contact us at sustainability@danskebank.com if you have 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 <https://www.unepfi.org/wordpress/wp-content/uploads/2019/06/PRB-Consultation-Documents-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>

¹⁰ http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf

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. Furthermore, various types of weapons are necessary for achieving internationally accepted goals such as peacekeeping.

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 will 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 according to international law, such as anti-personnel mines, cluster munitions, and biological and chemical weapons, and nuclear weapons outside the Non-Proliferation Treaty. 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 (NPT) are legal. Therefore, Danske Bank will not invest in or grant credits to companies involved in any activity related to nuclear weapons outside the Non-Proliferation Treaty.

3. Implementation

We have implemented structured processes to ensure that we identify, manage and prioritise ESG risks and impacts associated with our investments, business activities and lending activities.

For lending, restrictions are reflected in the Credit Policy of Danske Bank. The policy and underlying instructions and tools further steer the implementation and monitoring of the restrictions. All credit cases are reviewed for potential breaches of the Credit Policy, and cases that raise concerns are escalated for further review.

The approach to manage these risks and impacts for investments is anchored in the Responsible Investment Policy of Danske Bank and underlying instructions on Inclusions, Exclusions, Sustainability Risk Integration and Active Ownership.

In the screening and ongoing due diligence, we screen companies in relation to their activities in accordance with the international agreements we endorse. Investments identified to be in breach of our approach for illegal (controversial) weapons are excluded in accordance with the governance process set out herein.

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 frameworks:

- UN Global Compact¹¹
- OECD Guidelines for Multinational Enterprises¹²
- UN Guiding Principles on Business and Human Rights¹³
- The Universal Declaration of Human Rights¹⁴
- The ILO Declaration of Fundamental Principles of Rights at Work¹⁵

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 HMS¹⁶ or OFAC¹⁷ 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)
- Biological Weapons Convention¹⁸
- Chemical Weapons Convention¹⁹
- Convention on Cluster Munitions²⁰

¹¹ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

¹² <http://www.oecd.org/>

¹³ http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

¹⁴ <http://www.un.org/en/universal-declaration-human-rights/>

¹⁵ http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf

¹⁶ Her Majesty Treasury, The Office of Financial Sanctions Implementation, United Kingdom

¹⁷ The Office of Foreign Assets Control of the US Department of the Treasury

¹⁸ Biological Weapons Convention - UNODA

¹⁹ https://www.opcw.org/fileadmin/OPCW/CWC/CWC_en.pdf

²⁰ [The Convention on Cluster Munitions \(clusterconvention.org\)](http://www.clusterconvention.org/)