

Climate change

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.

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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) <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

Climate change

POSITION STATEMENT
DANSKE BANK

1. Introduction

At Danske Bank, we acknowledge that climate change is a global challenge that poses major environmental, economic and societal risks worldwide. According to UN's Intergovernmental Panel on Climate Change (IPCC), the average surface temperature has risen 0.7-1.1 of a degree Celsius worldwide in the past century, and consequences have already been observed across continents and oceans⁹. The International Monetary Fund expects that further increases in temperature will translate into significant market impacts with output losses especially among climate-sensitive sectors¹⁰. Scientists and organisations such as IPCC believe that only substantial and sustained reductions in greenhouse gases will stop global warming.

Climate change is fundamentally altering the risks that people, businesses and the financial sector face throughout the world. While the direct impact of climate change already affects companies, for example in the flooding of essential infrastructure and land areas and shortages of raw material owing to severe weather conditions, many companies also face substantial indirect climate risks, such as shifting market trends, increased legislation and public policies that accelerate a global transition to a low-carbon economy. New opportunities also arise as investments in renewable energy and energy-efficient solutions can combine sound financial returns with environmentally sound behaviour.

2. Our approach

We believe that reducing emissions can not only reduce the risks of climate change but also create new, sustainable growth and development. It is imperative that global warming is limited to less than 2 degrees Celsius. We have endorsed this position in our commitment to the Paris Pledge for Action, and we support the recommendations set forth by the Task Force on Climate-related Financial Disclosures.

We acknowledge that the financial sector plays a role in facilitating the transition to a low-carbon economy – both directly through our own operations and indirectly through our business relationships with the companies, we invest in, lend to and procure from. We therefore work to minimise the negative environmental impact of our business operations by reducing our CO₂ emissions and by sourcing renewable electricity, among other things. We assess the environmental risks of our business activities on the basis of internationally recognised principles, and we offer responsible investment products for investors.

3. Implementation

To support the transition to a net zero carbon economy, we have implemented a number of measures listed below. We will continue to monitor our efforts in order to meet our customers' and stakeholders' needs and expectations in the best possible manner. To this end, we report annually on our progress to the UN Global Compact, PRI and in accordance to the Danish reporting requirements on non-financial information, which include disclosures on climate change and the environment.

We are guided by international standards and principles

Our business conduct is guided by a number of international standards and principles related to environmental issues, which we also expect the companies we invest in, lend to and procure from to adhere to whenever relevant:

- UN Global Compact¹¹
- OECD Guidelines for Multinational Enterprise¹²
- UN Framework Convention on Climate Change¹³
- The Kyoto Protocol¹⁴
- Rio Declaration on Environment and Development¹⁵
- The Montreal Protocol on Substances that Deplete the Ozone Layer¹⁶
- UNESCO World Heritage List¹⁷
- Ramsar Convention¹⁸
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹⁹
- UN Convention on Biological Diversity²⁰ and the related Nagoya Protocol²¹ and Cartagena Protocol²²

We reduce our own carbon footprint

Since 2009, Danske Bank has been carbon-neutral as communicated in our annual statement on carbon neutrality, and we continue to reduce our negative impact on the environment through our environmental management system.

We adjust our operations to make them more energy-efficient, and we source green electricity for our operations. To underline our commitment to sourcing renewable electricity, we signed up to RE100. The emissions that we cannot eliminate, we offset by the purchase of carbon credits for projects that guarantee a real reduction in CO₂ emissions and that are verified according to international standards, such as the Gold Standard.

We invest in green bonds and energy efficiency

Since 2015, Danske Bank Group Treasury has invested more than DKK 2 billion in green bonds that for example are issued for large renewable energy projects and climate protection. We evaluate new opportunities to invest in green bonds on an ongoing basis.

In the period until 2020, Danica Pension will together with business partners invest more than DKK 100 million in energy efficiency in order to reduce energy consumption in our shopping centre portfolio by 35-45%. By investing in energy efficiency, we will save more than 20GWh heat and electricity and 10,000 tonnes of CO₂.

We provide sustainable finance opportunities

We provide opportunities for investors to allocate capital to sustainable products by offering funds dedicated to green investments and making it possible to include emissions data and measuring the climate footprint and carbon intensity for selected investment funds.

We assist our customers in setting up a platform to issue green bonds for their sustainable projects and thereby help to build a market for green bonds.

We consider environmental risks

On the basis of the international standards and principles we support, and our Responsibility Policy, Responsible Investment Policy, Credit Policy and Supplier Code of Conduct, we analyse and consider environmental, social and governance (ESG) risks in our investment, lending and procurement practices.

We integrate environmental matters into the investment process as factors alongside financial factors. Based on external data and information, and internal expertise and advice, we assess portfolio companies' performance as well as identify risks and opportunities related to environmental matters based on industry best practice, international norms and voluntary frameworks for corporate responsibility. We seek to be active owners and influence companies directly through dialogue, voting and collaboration with peers, like-minded investors and stakeholders on material environmental matters. Based on our assessment and company dialogue, we may decide to divest or restrict investments in a company, in a specific investment strategy or across multiple strategies.

As part of our general credit process, we consider the purpose for which the funds will be used and assess possible environmental risks associated with our lending in collaboration with our customers. If our assessments show that a customer relationship is contrary to our policies, we engage with the customer and recommend another approach. If this process is fruitless and our only remaining option is a termination of the credit agreement, we do so in a controlled process that takes all legal aspects into consideration.

We conduct an ESG assessment of suppliers with elevated risk profiles together with our external partners and we clarify our expectation of responsible business conduct based on recognised international standards in our Supplier Code of Conduct. In the Supplier Code of Conduct we have also clarified that suppliers are responsible for setting the same or comparable standards for their subcontractors. For specific product categories, we have additional environmental requirements, and if a supplier cannot live up to the requirements, we initiate a constructive dialogue with the company to find a better solution.

We expect companies we lend to and invest in to follow international guidelines

Some sectors are more prone to environmental risks than others and our sector-specific position statements within agriculture, forestry, fossil fuels and mining & metals address these specifically. Generally, we expect the companies we lend to and invest in to follow the below international recognised standards specifically related to climate change and the environment whenever relevant:

- Reduce and mitigate climate change impacts
- Disclose and reduce greenhouse gas emissions - especially large-sized companies
- Integrate criteria on environment into their procurement and operational policies
- Prevent the introduction of invasive alien species in ecosystems
- Conduct an environmental impact assessment on the total consequences of a large scale project on biodiversity
- Conduct water scarcity impact assessments and prevent negative impacts in water scarce regions
- Do not have a negative impact on the cultural and natural sites on the UNESCO

World Heritage List²³

- Do not have a negative impact on the wetlands covered by the Ramsar convention²⁴
- 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)²⁵
- Comply with the conditions set forth in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)²⁶ when being engaged in trading of endangered plant and animal species
- Prevent deforestation and protect natural forests such as old growth forests, bogs, mangroves and rainforests, as described in the high conservation value (HCV) concept²⁷
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity²⁸ and the related Nagoya Protocol²⁹ and Cartagena Protocol³⁰

We exclude coal and oil from tar sands

We do not invest in or lend to companies with a revenue of 30% or more coming from thermal coal mining, thermal coal utilities, the combination of thermal coal mining and thermal coal utilities, or the extraction of oil from tar sands. However, we take the companies' ambitions to transition to renewable energy sources into consideration, and we monitor their progress.

We collaborate with the finance community

We participate actively in the Nordic Bankers' Associations and the Nordic Securities Association's work on sustainable finance. At the various associations, we aim to support regulators and authorities in adapting the financial regulatory frameworks and implementing relevant standards and benchmarks that facilitate the transition towards a low-carbon economy.

In addition, we collaborate with the rest of the investment community as a member of the Institutional Investors Group on Climate Change (IIGCC). At IIGCC, we are committed to promoting low-carbon and climate-resilient investments. We also support long-term international policies related to climate that cultivate a stable investment environment for a low-carbon economy.

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- 9) http://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf
- 10) <http://www.imf.org/external/pubs/ft/sdn/2016/sdn1601.pdf>
- 11) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- 12) <http://www.oecd.org/>
- 13) http://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf
- 14) <http://unfccc.int/resource/docs/convkp/kpeng.pdf>
- 15) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>
- 16) <http://ozone.unep.org/en/treaties-and-decisions/montreal-protocol-substances-deplete-ozone-layer>
- 17) <http://whc.unesco.org/en/list/stat>
- 18) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
- 19) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
- 20) <https://www.cbd.int/convention/>
- 21) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
- 22) <http://bch.cbd.int/protocol/text/>
- 23) <http://whc.unesco.org/en/list/stat>
- 24) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
- 25) <https://www.iucn.org/theme/protected-areas/about>
- 26) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
- 27) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
- 28) <https://www.cbd.int/convention/>
- 29) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
- 30) <http://bch.cbd.int/protocol/text/>