

Climate change

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.

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

Climate change

POSITION STATEMENT
DANSKE BANK

1. Introduction

Climate change is fundamentally altering the risks that people, businesses and the financial sector face throughout the world. The direct impact of climate change already affects companies, for example in the flooding of essential infrastructure and land areas and shortages of raw materials owing to severe weather conditions. In addition, 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.

2. Our approach

At Danske Bank, we believe that it is imperative that global warming is limited to well below two degrees Celsius, which is why we have committed to the Paris Pledge for Action. We also believe that the transition to a low-carbon economy can not only reduce the risks of climate change but also create new, sustainable growth and development opportunities. 'Climate & environment' is therefore one of the three strategic themes in Danske Bank's Societal Impact & Sustainability Strategy, focusing on emissions reduction – both directly through our own operations and indirectly by supporting our customers, portfolio companies and business partners in a transition towards a low-carbon economy.

All Danske Bank's core markets (Denmark, Sweden, Norway and Finland) are on low-carbon trajectories with ambitious national targets to limit CO₂ emissions. As one of the largest financial institutions in the Nordic countries, Danske Bank is well positioned to take responsibility and support the transition to a sustainable economy. We do this by encouraging and supporting climate-friendly solutions in our lending, investments and other financial services.

Accordingly, we assess the environmental risks and opportunities associated with our business activities on the basis of internationally recognised principles, and we increasingly integrate climate considerations into our product offerings in investments, lending and capital market services. Finally, we also work towards minimising the negative environmental impact of our business operations, for example by reducing our CO₂ emissions and by sourcing renewable electricity.

3. Implementation

To support the transition to a net-zero carbon economy, we have implemented a number of measures (listed on the following pages). 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.

Working on integrate climate risks and opportunities into our business model

In September 2018, Danske Bank signed up to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This cements our commitment to integrating climate considerations into our governance, strategy, risk management, metrics, as well as into our external reporting.

As society moves towards a low-carbon economy, having a comprehensive understanding of climate-related risks and opportunities is vital if we want to continue to support the business needs of our customers. With this in mind, we are engaging in dialogue with experts and customers to exchange experience about TCFD tools, climate scenarios and practical case examples.

Together with our annual external reporting, we expect to publish our first reporting in accordance with the TCFD framework on the integration of climate-related considerations into our business and operations at the beginning of 2020. We also report annually on our overall progress on societal impact to the UN Global Compact and PRI. All reporting is carried out in accordance with the Danish reporting requirements on non-financial information – requirements that include disclosures on climate change and the environment.

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 in our investment portfolio, our customers and business partners to adhere to whenever relevant:

- UN Global Compact¹
- OECD Guidelines for Multinational Enterprise²
- UN Environment Program Finance Initiative (UNEPFI)³
- UN-supported Principles for Responsible Investments (PRI)⁴
- Principles for Responsible Banking⁵
- Task Force on Climate-related Financial Disclosures⁶
- Institutional Investor Group on Climate Change⁷
- CDP (formerly the Carbon Disclosure Project)⁸
- UN Framework Convention on Climate Change⁹
- The Kyoto Protocol¹⁰
- Rio Declaration on Environment and Development¹¹
- The Montreal Protocol on Substances that Deplete the Ozone Layer¹²
- UNESCO World Heritage List¹³
- Ramsar Convention¹⁴
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)¹⁵
- UN Convention on Biological Diversity¹⁶ and the related Nagoya Protocol¹⁷ and Cartagena Protocol¹⁸

Providing sustainable finance opportunities

In 2019, Danske Bank launched our own green bond framework that guides issuance of green bonds across the Danske Bank Group¹⁹. Based on this framework, Danske Bank Group and Realkredit Danmark have issued their first green bonds that will finance climate-friendly projects across the Nordic region. The framework also guides our work on issuing green loan products for our clients across the Nordic regions, thereby supporting them in the transition towards a sustainable future.

Danske Bank is amongst the largest green bond intermediaries both globally and in the Nordic market. We help companies and local governments to access capital markets to finance low-carbon projects while contributing to developing the market for green bonds.

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

Furthermore, since 2015 Danske Bank Group Treasury has invested more than DKK 3.5 billion in green bonds that, for example, are issued for large renewable energy projects and climate protection. New opportunities to invest in green bonds are evaluated on an ongoing basis.

Excluding coal and oil from tar sands

Danske Bank does not provide direct finance for the establishment of new coal mines. Furthermore, we do not invest in or lend to companies that obtain 30% or more of their revenue 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 into the considerations the ambitions of these companies to transition to renewable energy sources, and we monitor their progress.

Reducing 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.

Our operations are being adjusted to make them more energy efficient, and we source 100% green electricity for our operations. To underline our commitment to sourcing renewable electricity, Danske Bank signed up to RE100. We offset the emissions that we cannot eliminate by purchasing 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.

Taking environmental risks into consideration

On the basis of the international standards and principles we support, and on the basis of our Societal Impact & Sustainability Policy, Sustainable 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 continuously assess the environmental risks of our investments as part of our overall screening and ESG risk analysis. If any issues of concern are identified, we engage with the companies in our investment portfolio in order to verify the scope of the environmental issue and if relevant encourage the development of higher standards for responsibility. We prefer to engage instead of excluding a company, but if the company does not change behaviour, we will withdraw and refrain from the investment whenever possible. In this context, we actively engage with companies on climate topics e.g. energy efficiency and energy transformation.

As part of our general credit process, we consider the purpose for which the funds will be used, and we also assess possible environmental risks associated with our lending. If our assessments show that a customer relationship does not comply with our policies, we initiate a dialogue in order to determine a solution together with the customer. If this process is fruitless and our only remaining option is to terminate the credit agreement, we do so in a controlled process that takes all legal aspects into consideration.

Together with external partners, we conduct an ESG assessment of suppliers that have elevated risk profiles, and we clarify our expectation of responsible business conduct based on recognised international standards. For specific product categories, we also list environmental requirements, and should a supplier be unable to live up to the requirements, we initiate a constructive dialogue with the company to find a better solution.

Expect the 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 and metals address these specifically. Generally, we expect the companies we lend to and invest in to follow the internationally recognised standards related to climate change and the environment whenever relevant:

- Reduce and mitigate climate change impacts
- Disclose and reduce directly and indirectly greenhouse gas emissions - especially large-sized companies
- Integrate criteria on environment and nature into their procurement and operational policies²⁰
- Switch from using fossil fuels to renewable energy sources²⁰
- Understand their material responsibility and risks regarding the environmental issues (air, water and soil) in their business operations, e.g. supply chain and contracts with subcontractors²¹
- 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 List²²
- Do not have a negative impact on the wetlands covered by the Ramsar convention²³
- 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)²⁴
- Comply with the conditions set forth in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)²⁵ when being engaged in trading of endangered plant and animal species
- Minimise and prevent any negative impact on threatened animal species when operating in areas with these animal species present²¹
- Prevent deforestation and protect natural forests such as old growth forests, bogs, mangroves and rainforests, as described in the high conservation value (HCV) concept²⁶
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity²⁷ and the related Nagoya Protocol²⁸ and Cartagena Protocol²⁹
- Do not take part in lobbying aimed at weakening international climate policy³⁰

Collaboration with the finance community

Danske Bank participates 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). Through IIGCC, we support long-term international policies related to climate that cultivate a stable investment environment for a low-carbon economy.

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- 1) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
 - 2) <http://www.oecd.org/>
 - 3) <http://www.unepfi.org/about/unep-fi-statement/>
 - 4) <https://www.unpri.org/about/the-six-principles>
 - 5) <https://www.unepfi.org/wordpress/wp-content/uploads/2019/06/PRB-Consultation-Document-12-Web-june-2019.pdf>
 - 6) <https://www.fsb-tcfd.org/>
 - 7) <http://www.iigcc.org/>
 - 8) <https://www.cdp.net/en>
 - 9) http://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf
 - 10) <http://unfccc.int/resource/docs/convkp/kpeng.pdf>
 - 11) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>
 - 12) <http://ozone.unep.org/en/treaties-and-decisions/montreal-protocol-substances-deplete-ozone-layer>
 - 13) <http://whc.unesco.org/en/list/stat>
 - 14) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
 - 15) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
 - 16) <https://www.cbd.int/convention/>
 - 17) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
 - 18) <http://bch.cbd.int/protocol/text/>
 - 19) <https://danskebank.com/-/media/danske-bank-com/pdf/news-insights/files-in-press-releases/2019/danske-bank-green-bond-framework-2019-.la=en.pdf>
 - 20) *Whereas we encourage all the companies that we lend to and invest in to follow these expectations, we recognise that some smaller companies may not have the scale and resources to fully comply.*
 - 21) *Whereas we encourage all the companies that we lend to to follow these expectations, we recognise that some smaller companies may not have the scale and resources to fully comply*
 - 22) <http://whc.unesco.org/en/list/stat>
 - 23) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
 - 24) <https://www.iucn.org/theme/protected-areas/about>
 - 25) <https://cites.org/sites/default/files/eng/disc/CITES-Convention-EN.pdf>
 - 26) <https://www.hcvnetwork.org/about-hcvf/the-hcv-process-folder>
 - 27) <https://www.cbd.int/convention/>
 - 28) <https://www.cbd.int/abs/doc/protocol/nagoya-protocol-en.pdf>
 - 29) <http://bch.cbd.int/protocol/text/>
 - 30) *This is especially applicable for the companies that we invest in*