

A photograph of an industrial facility, likely a refinery or chemical plant, silhouetted against a bright orange sunset sky. A tall smokestack on the left emits a thick plume of dark smoke that stretches across the top of the frame. Several other tall distillation columns and complex piping structures are visible in the background. In the foreground, there are dark silhouettes of trees and a road. A bright sun is visible on the right side, creating a lens flare effect.

Fossil fuels

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.

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

Fossil fuels

POSITION STATEMENT
DANSKE BANK

1. Introduction

The global need for energy continues to rise. According to the International Energy Agency's New Policies Scenario, primary energy demand is expected to increase 30% globally from 2017 to 2040⁹. Even with the development of lower-carbon and more efficient energy systems, fossil fuels will remain an important part of power and fuel delivery throughout the world and will support broad-based economic development.

Activities related to fossil fuels (oil, coal and natural gas) contribute to climate change, which is reflected in the identified ESG risks in the fossil fuel industries. The environmental risks concern water use, discharges of emissions, waste as well as biodiversity, whereas governance and social risks concern bribery, corruption, impact on local community and indigenous people, employment terms as well as worker's safety and health conditions.

While we at Danske Bank acknowledge the need for fossil fuels in the coming years to support economic development, we also recognise that we play an important role in the transition towards a net zero carbon economy. Therefore, we refrain from investing in certain types of fossil fuels because of their severe environmental impact. As regards the companies in fossil fuel industries with whom we continue to invest in and lend to, we aim to minimise the potential adverse environmental and social effects and to support good governance by promoting internationally recognised principles whenever relevant.

2. Our approach

At Danske Bank, we do not invest in or grant new loans 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.

In regards to Danske Bank's own funds, our Treasury department refrains from investing in companies that have activities related to coal and oil from tar sands.

For the remaining companies with activities in fossil fuels, we invest in and lend to, Danske Bank observes a number of international principles in order to minimise potential risks. We expect the companies we lend to and invest in to operate in accordance with relevant international norms as well as regional and national laws, regulations and permits.

As set forth in our Responsible Investment Policy and Credit Policy, we take into consideration ESG risks based on international standards and principles in our investment and lending practices.

3. Implementation

To ensure that we manage our investments and lending associated with ESG risks on the basis of the international standards 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

- We integrate ESG considerations in investment and lending practices and monitor the development of ESG risks on an ongoing basis
- When investing in listed companies in the fossil fuel industries, we conduct an ESG screening 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 fossil fuel industries, 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 seek to influence the companies we invest in through active ownership such as dialogue, voting at general meetings or participation in nomination committees when relevant.
- 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 sets of international agreements and principles:

- UN Global Compact¹⁰
- UN Guiding Principles on Business and Human Rights¹¹
- The Universal Declaration of Human Rights¹²
- The ILO Declaration of Fundamental Principles of Rights at Work¹³
- OECD Guidelines for Multinational Enterprises¹⁴

Industry specific

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

- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List¹⁵
- Do not have a negative impact on the wetlands covered by the Ramsar convention¹⁶
- Do not have a negative impact on the protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN)¹⁷
- Reduce waste from extraction and mining of oil and gas
- Include the environmental and health effects of dismantling of production facilities
- Reduce the effects of seismological research on whales and other marine mammals
- Follow the Voluntary Principles on Security and Human Rights¹⁸ for the protection of their employees and the company sites
- 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, including techniques that mitigate chances of accidents and contingency plans for emergency situation
- 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 Convention¹⁹ and Worst Forms of Child Labour Convention²⁰
- Respect the indigenous people and their right to customary lands by obtaining acceptance when entering such land as described in the principle for Free, Prior and Informed Consent (FPIC)²¹

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:

- UNESCO World Heritage List²²
- Ramsar convention²³
- International Union for Conservation of Nature (IUCN)²⁴
- Minimum Age Convention²⁵
- Worst Forms of Child Labour Convention²⁶
- Free, Prior and Informed Consent (FPIC) as covered in ILO Convention 169²⁷ and the UN Declaration on the Rights of Indigenous Peoples²⁸
- Rio Declaration on Environment and Development²⁹
- The Kyoto Protocol³⁰

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- 9) <https://www.iea.org/Textbase/npsum/weo2017SUM.pdf>
- 10) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- 11) 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
- 14) <http://www.oecd.org/>
- 15) <http://whc.unesco.org/en/list/stat>
- 16) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
- 17) <https://www.iucn.org/theme/protected-areas/about>
- 18) http://www.voluntaryprinciples.org/wp-content/uploads/2013/03/voluntary_principles_english.pdf
- 19) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138
- 20) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO
- 21) Covered in the ILO Convention 169: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO and the UN Declaration on the Rights of Indigenous People: http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf
- 22) <http://whc.unesco.org/en/list/stat>
- 23) http://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf
- 24) <https://www.iucn.org/theme/protected-areas/about>
- 25) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138
- 26) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO
- 27) http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO
- 28) http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf
- 29) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>
- 30) <http://unfccc.int/resource/docs/convkp/kpeng.pdf>