

A photograph of an industrial facility, likely a refinery or power plant, silhouetted against a bright orange sunset sky. A tall smokestack on the left is emitting a thick plume of dark smoke that drifts across the top of the frame. The foreground shows a paved road and some trees, with the sun's glow creating a lens flare effect on the right side.

# *Fossil fuels*

Position statement  
Danske Bank

September 2019



# Introduction

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## 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 Goals<sup>1</sup>
- UN Global Compact<sup>2</sup>
- OECD Guidelines for Multinational Enterprises<sup>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- UN-supported Principles for Responsible Investment (PRI)<sup>5</sup>
- Principles for Responsible Banking<sup>6</sup>
- Task Force on Climate-related Financial Disclosures<sup>7</sup>
- The Universal Declaration of Human Rights<sup>8</sup>
- UN Environment Programme Finance Initiative (UNEPFI)<sup>9</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>10</sup>

## 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](http://www.danskebank.com/responsibility). Please contact Kristina Øgaard, Head of Sustainability Strategy & Governance, Danske Bank ([krga@danskebank.com](mailto: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](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](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)



# Fossil fuels

POSITION STATEMENT  
DANSKE BANK

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## 1. Introduction

The global need for energy continues to rise. Despite current efforts to curb energy consumption, the International Energy Agency's New Policies Scenario projects that primary energy demand will increase by 30% globally from 2017 to 2040<sup>1</sup>. Even with the development of lower-carbon and more efficient energy systems, fossil fuels - particularly natural gas - will remain an important part of power and fuel delivery towards 2040, thereby supporting broad-based economic development.

Activities related to fossil fuels (oil, coal and natural gas) contribute to climate change. This is reflected in the identified environmental risks in the fossil fuel industries, such as water use, discharges of emissions, waste and biodiversity loss. The risks related to governance and social aspects 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 aim to support good governance by promoting internationally recognised principles whenever relevant.

## 2. Our approach

At Danske Bank, we refrain from providing direct finance for the establishment of new coal mines. Furthermore, we do not invest in or grant new loans 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 consideration the ambitions of these companies to transition to renewable energy sources, and we monitor their progress.

In regards to Danske Bank's own funds, our Treasury department does not invest in companies that have activities related to coal and oil from tar sands.

For the remaining companies with activities in fossil fuels that 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 with regional and national laws, regulations and permits.

As set forth in our Sustainable Investment Policy, Supplier Code of Conduct and Credit Policy, we take into consideration ESG risks based on international standards and principles in our investment, procurement and lending practices.

### 3. Implementation

To ensure that we manage our investments, business activities 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 that are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We 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

- We integrate ESG considerations in investment 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 Sustainable 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, Societal Impact & Sustainability Policy and the international agreements 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 of possible breaches of international agreements, 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 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 Compact<sup>2</sup>
- UN Guiding Principles on Business and Human Rights<sup>3</sup>
- The Universal Declaration of Human Rights<sup>4</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>5</sup>
- OECD Guidelines for Multinational Enterprises<sup>6</sup>

### Industry-specific

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

- Reduce waste from extraction and mining of oil and gas
- Manage and process waste from extraction and mining in a responsible manner<sup>7</sup>
- Understand their material responsibility and risks regarding the environmental and social consequences of their business operations, e.g. supply chain and contracts with subcontractors<sup>7</sup>
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List<sup>8</sup>
- Do not have a negative impact on the wetlands covered by the Ramsar convention<sup>9</sup>
- 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)<sup>10</sup>
- Conduct water-scarcity impact assessments and prevent negative impacts in water-scarce regions
- Reduce the effects of seismological research on whales and other marine mammals
- Work with relevant standards to ensure an adequate level of security for their employees e.g. the Voluntary Principles on Human Rights<sup>11</sup>
- 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
- Have prudent health, safety and emergency procedures in place for any construction or decommissioning of assets<sup>7</sup>
- Ensure equal treatment and working conditions for all employees, including women and migrant workers
- Respect the rights of children and refrain from using 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 Convention<sup>12</sup> and Worst Forms of Child Labour Convention<sup>13</sup>
- 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)<sup>14</sup>

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:

- UNESCO World Heritage List<sup>15</sup>
- Ramsar convention<sup>16</sup>
- International Union for Conservation of Nature (IUCN)<sup>17</sup>
- Minimum Age Convention<sup>18</sup>
- Worst Forms of Child Labour Convention<sup>19</sup>
- Free, Prior and Informed Consent (FPIC) as covered in ILO Convention 169<sup>20</sup> and the UN Declaration on the Rights of Indigenous Peoples<sup>21</sup>
- Rio Declaration on Environment and Development<sup>22</sup>
- The Kyoto Protocol<sup>23</sup>

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- 1) <https://www.iea.org/Textbase/npsum/wea2017SUM.pdf>
  - 2) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 3) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](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](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)
  - 6) <http://www.oecd.org/>
  - 7) *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*
  - 8) <http://whc.unesco.org/en/list/stat>
  - 9) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
  - 10) <https://www.iucn.org/theme/protected-areas/about>
  - 11) [https://docs.wixstatic.com/ugd/f623ce\\_808340b074b041e8b5ec7d441f768012.pdf](https://docs.wixstatic.com/ugd/f623ce_808340b074b041e8b5ec7d441f768012.pdf)
  - 12) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)
  - 13) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)
  - 14) *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](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](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 15) <http://whc.unesco.org/en/list/stat>
  - 16) [http://www.ramsar.org/sites/default/files/documents/library/scan\\_certified\\_e.pdf](http://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf)
  - 17) <https://www.iucn.org/theme/protected-areas/about>
  - 18) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO::P12100_ILO_CODE:C138)
  - 19) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)
  - 20) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312314:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO)
  - 21) [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 22) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>
  - 23) <http://unfccc.int/resource/docs/convkp/kpeng.pdf>