

Corporate Responsibility 2018

UN Global Compact
Communication on
Progress



About this report

This report constitutes Danske Bank Group's Communication on Progress to the UN Global Compact and covers the financial year 1 January 2018 to 31 December 2018. With this document, we fulfil the requirements regarding the management's report of section 135a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

The report covers the activities in Danske Bank Group. In order to provide a balanced overview of corporate responsibility matters related to our business, we assess and report on material issues, see p. 15.

To ensure data consistency, definitions and descriptions of data are provided in our business procedures, and internal control procedures have been established to ensure that data is reported according to the definitions outlined in our Corporate Responsibility Reporting Principles, see p. 38. Danske Bank has engaged Deloitte to verify selected performance data according to the ISAE 3000 assurance standard, as outlined in the independent assurance report, see p. 37.

Danske Bank Group's annual reporting suite for 2018 includes the Annual Report 2018, Risk Management 2018 and this report. In addition to presenting detailed and segmented data on corporate responsibility issues in our Corporate Responsibility Fact Book 2018, we also issue a Statement on Modern Slavery Act 2018 and a Statement on Carbon Neutrality 2018, all of which are available at danskebank.com/societal-impact.

We always value feedback and strive to improve our reporting, so we welcome any comments or suggestions you may have regarding this report or our performance. Please contact Jeanette Fangel Løgstrup, Head of Societal Impact and Sustainability, at jl@danskebank.dk.

danskebank.com/societal-impact

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*Foreword by
Jesper Nielsen*



Dear reader,

In many ways, 2018 has been a year of challenges and change for Danske Bank.

The overriding issue has been the suspicious transactions at our Estonian branch from 2007 to 2015 and the major deficiencies that allowed these to take place. As the largest financial services provider in Denmark and one of the largest financial institutions in the Nordic region, we have a particular responsibility to conduct our business in a sustainable and transparent manner. The Estonia case clearly shows that we have failed to live up to this responsibility.

It is disappointing and unacceptable, and we continue to offer our apologies.

The case has led to intense self-scrutiny and justified public scorn. Today, we are in a different place than when the events in Estonia took place. Several anti-money laundering measures have been implemented over the past years, and we have decided to make substantial investments in 2019 to further accelerate our ability to prevent financial crime and terrorist financing. We cannot guarantee that suspicious transactions will not take place, but to prevent something similar from ever happening again, nourishing a strong compliance culture, improving our systems to fight financial crime and working closely with the authorities and others will remain of the highest priority for us.

We know we have a huge task ahead of us to regain our stakeholders' trust, and taking our corporate responsibility efforts to the next level is an important part of this journey.

Strengthening our societal impact

In May 2018, we launched our Nordic Integrator corporate strategy to help bring Danske Bank closer to our customers, colleagues and society. Key elements of the strategy centre upon ensuring sustainable core business processes as well as making a positive difference in the societies we are part of. We refer to this as our societal impact and have developed a separate Societal Impact and Sustainability Strategy to guide the way forward towards 2025.

This strategy builds on the achievements of our Corporate Responsibility Strategy 2015-18, which is summarised in this report along with our 2018 performance.

The strategy draws upon the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals, and we continue to support and align the way we conduct business with the 10 principles of the UN Global Compact. Our goals for 2025 are to help people and businesses become financially confident and secure in a digital age, help social entrepreneurs grow their positive impact on society, and help society transition to a net-zero carbon economy through green financing.

A first initiative was the launch of a new Nordic digital hub named +impact to help purpose-driven start-ups increase their impact on society. Another 2018 example is our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This cements our commitment to integrate climate considerations into our governance setup, strategies, risk management framework, metrics and external reporting.

Transparency and engagement with stakeholders is important to us, and we invite you to engage in dialogue with us on our role and responsibilities in the transition towards a sustainable future.

Jesper Nielsen
Interim Chief Executive
Officer of Danske Bank





The Estonia case

The Estonia case has been a major focus point for Danske Bank and all our stakeholders in 2018.

The findings from the investigation of the non-resident portfolio at the Estonian branch, published in September, showed that a series of major deficiencies in governance and control systems in Danske Bank made it possible to use Danske Bank's branch in Estonia for suspicious transactions.

The approximately 10,000 customers in the non-resident portfolio carried out transactions for around EUR 200 billion in the period from 2007 to 2015, but only a small part of these customers and transactions were reported as suspicious to the authorities at the time. The investigation includes additional customers with non-resident characteristics. In September, it was reported that most of the customers investigated by that time (6,200 customers, starting with the customers hitting the most risk indicators) should have been classified as suspicious and reported to authorities.

It is clear that we have not lived up to our own standards, our responsibility and the expectations of our stakeholders in this case. We did too little too late both in terms of closing the portfolio down and realising the seriousness and scope of the problems. We failed to grasp the magnitude of the case and to adjust our response and communication accordingly. This is disappointing and unacceptable, and we offer our apologies to all of our stakeholders - not least our customers, investors, employees, regulators and society in general. We acknowledge that we have a big task ahead of us in regaining their trust. We are working hard to get to the bottom of the matter and to learn from it, so that we can take all necessary steps to prevent something similar from happening

again. In this process, we wish to be as transparent as possible and we share all relevant findings with the authorities on an ongoing basis.

The case has led us to take a number of actions:

- Several members of management as well as staff connected with the case have left Danske Bank, among these former CEO Thomas F. Borgen. On the Board of Directors, the Chairman of the Board and the Chairman of the Audit Committee were replaced in December. Another two members will step down at the upcoming Annual General Meeting.
- As reported in September, eight former employees of our Estonian branch have been reported to the police, and a further 42 employees and agents have been reported to the Estonian Financial Intelligence Unit (FIU).
- We have strengthened our anti-money laundering (AML) measures and financial crime compliance efforts and continue to do so. We have also increased the number of people working to combat financial crime considerably. We are using this experience to learn and to improve our efforts in financial crime compliance in order to prevent something similar from happening at Danske Bank again.
- On the basis of learnings from the Estonia case and following a full review at the end of the year of our efforts and ambitions within AML, we have decided to accelerate our AML improvement efforts over the next three years through earmarked investments of up to DKK 2 billion. The purpose is to improve both the

quality and the efficiency of our controls and to integrate the processes into the customer journey as part of our ambition to offer the best customer experience.

- Our governance and control systems have also been improved. Danske Bank's new Chief Compliance Officer is a member of the Executive Board and reports directly to the Board of Directors and day-to-day to the CEO. Furthermore, on top of basic and mandatory AML training, our new AML Academy provides specialised training in detecting and combating financial crime for relevant employees.
- We have also taken several steps to increase our financial strength. We have increased our Pillar II requirement by DKK 10 billion and have cancelled our share buy-back programme, resulting in an additional DKK 3.1 billion of CET1 capital. Furthermore, we will not launch a share buy-back programme in 2019.
- The estimated gross income from the non-resident portfolio in Estonia in the period from 2007 to 2015 of DKK 1.5 billion has been set aside net of confiscation as a donation for measures to combat financial crime. The donation will be transferred to an independent foundation, which will be set up to support initiatives aimed at combating international financial crime, including money laundering. The foundation will be set up independently from Danske Bank with an independent board.
- It has been very important to us to engage with our customers and address any concerns and questions that they may have. At the end of 2018, we had held around

150 town hall meetings at our branches all across Denmark. We also encourage our staff across the organisation to use all customer-facing opportunities to talk about the issue and the measures we have taken to prevent something similar from happening again. Our customer satisfaction scores have been adversely impacted, especially among Danish retail customers. We remain committed to regaining the trust of our customers, but we acknowledge that this will not happen overnight.

The investigation into the customers in the terminated non-resident portfolio* of the Estonian branch continues, and we keep the authorities informed of all progress on an ongoing basis.

The timing of the completion of the investigations, the outcome and the subsequent discussions with the authorities are subject to uncertainty. It is not yet possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

Below is a short summary of the key events related to the Estonia case in 2018 and 2019:

- On 3 May, the Danish Financial Supervisory Authority (FSA) published its assessment of the role of Danske Bank's management and senior employees in relation to the Estonia case. Danske Bank received eight orders and eight reprimands from the FSA and immediately launched measures to comply with all requirements.
- On 18 July, we announced that we do not wish to benefit financially from suspicious transactions in Estonia in the period from 2007 to 2015. Consequently, we decided to donate the estimated gross income from the non-resident portfolio in that period to an independent foundation supporting initiatives to combat international financial crime.
- On 19 September, we published the findings of the Estonia investigations. We also announced the resignation of CEO Thomas F. Borgen, and on 1 October, he was relieved of his duties. Jesper Nielsen was appointed Interim CEO as of the same date.
- On 4 October, it was announced that we had received requests for information from the US Depart-

ment of Justice (DoJ) in connection with a criminal investigation relating to our Estonian branch conducted by the DoJ. We also remain under investigation by the Danish FSA and the Estonian FSA, as well as the Danish State Prosecutor for Serious Economic and International Crime (SØIK) and the Estonian Office of the Prosecutor General (the Estonian FIU). We cooperate fully with all authorities.

- On 4 October, the Danish FSA ordered us to reassess our solvency need with a view to adding an absolute minimum of DKK 10 billion to our Pillar II requirement. In addition to increasing our Pillar II requirement, we revised our CET1 capital target from 14-15% to around 16% and our total capital target from above 19% to above 20%. At the same time, the share buy-back programme for 2018 was discontinued.
 - The Estonia case has also impacted our ratings. Following the publication of the findings of the investigations, Moody's downgraded Danske Bank's issuer rating from A1 to A2 and changed the outlook to negative, while Fitch and S&P both maintained their issuer ratings of Danske Bank but also changed the outlook to negative.
 - On 2 November, we published the results of the EU-wide stress test conducted by the European Banking Authority. In the adverse scenario, Danske Bank had a CET1 capital buffer of almost DKK 10 billion. The test took into account the capital need and assumed costs in relation to the Estonia case, within the scope of the Danish FSA decision of 4 October 2018.
 - On 19 and 21 November, Interim CEO Jesper Nielsen participated in AML hearings at the Danish and European parliaments, respectively. He answered questions from politicians regarding the Estonia case and our efforts to prevent something similar from happening again.
 - On 28 November, SØIK presented Danske Bank with a preliminary charge.
 - On 7 December, an Extraordinary General Meeting was held to elect two new members to the Board of Directors. These were Karsten Dybvad and Jan Thorsgaard
- Nielsen. They replaced Ole Andersen and Jørn P. Jensen, who both stepped down. Karsten Dybvad is now Chairman of the Board of Directors.
- On 9 January 2019, an action was filed in New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against Danske Bank. The complaint seeks unspecified damages on behalf of a putative class of purchasers of Danske Bank's American Depositary receipts between 9 January 2014 and 23 October 2018. Danske Bank intends to defend itself against the claims. The timing of completion of the lawsuit and the outcome is uncertain.
 - On 11 January, we announced that we had received a letter from the French Tribunal de Grande Instance de Paris summoning Danske Bank to an interview to discuss matters relating to the ongoing investigation into organised money laundering of tax evasion proceeds. The letter states that the judge envisages placing Danske Bank under formal investigation after having previously changed Danske Bank's status in the case to that of an assisted witness.
 - On 16 January, we issued USD 3 billion worth of new funding in non-preferred senior format. The transaction demonstrated that despite the Estonia case, Danske Bank retains good market access. We acknowledge, however, that current spreads are significantly wider than those applying to our NPS issuance in June 2018 and that this is due partly to the negative impact of the Estonia case on our reputation.
- As is clear from the above, the Estonia case has had a substantial impact on Danske Bank, and the case will probably continue to impact us in 2019. However, we remain dedicated to learning from this case in order to prevent anything like this from happening again. Consequently, going forward we will continue our efforts to get to the bottom of the case and will keep the authorities informed of all progress and findings.

More insights

Find more details about the Estonia case at danskebank.com/investigations.

* Terminated portfolio as defined in the report by Bruun & Hjejle as of 19 September.

Our business in brief

Danske Bank Group is a Nordic universal bank with bridges to the rest of the world. Since our foundation in Denmark in 1871, we have been providing banking services for retail and commercial customers, and today our home market has expanded to cover the entire Nordic region.

In May 2018, we launched our corporate strategy, Nordic Integrator, designed to bring Danske Bank employees closer to our customers, their colleagues and the societies in which we operate.

The Nordic Integrator Strategy builds on the Essence of Danske Bank, which sets out our vision, strategic core, customer promise and core values. The strategy serves as the foundation for all our business activities across all units and countries. We combine financial expertise with innovative

products, solutions and services, and we engage with our customers at our branches and through a wide range of self-service and digital transaction solutions.

With our ambition to be a solid, balanced and predictable bank, we are committed to delivering value to our key stakeholders and to making a positive societal impact in the societies we are part of. We can only create value if our key stakeholders trust us to do so, and we earn this trust by working in an integrated manner in alignment with our aspirations framework.

The Essence of Danske Bank

Vision

To be recognised as the most trusted financial partner

Strategic core

We are a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions

Customer promise

We help customers be financially confident and achieve their ambitions by making daily banking and important financial decisions easy

Core values

We deliver expertise - *make knowledge relevant*

We act with integrity - *be responsible*

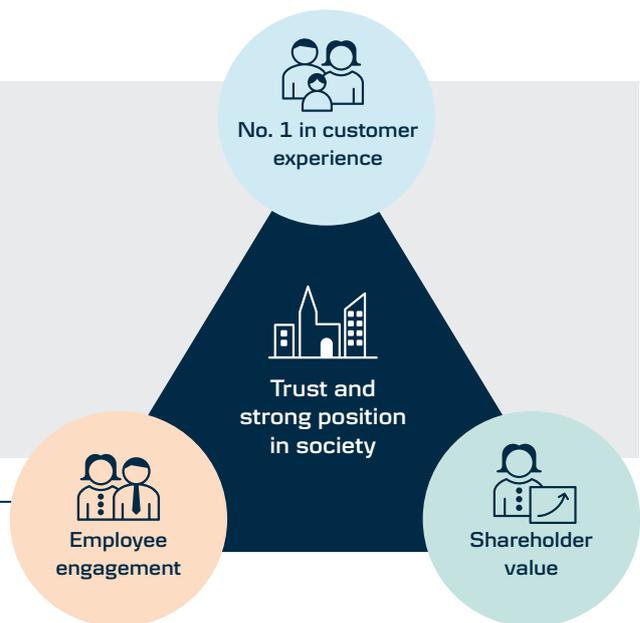
We create value - *make a difference*

We progress through agility - *embrace change and be responsive*

We believe in collaboration - *engage, listen and act*

Aspirations framework

Our customers are at the front and centre in our overarching aspiration of becoming No. 1 in customer experience.



More insights

More details of our financial performance, market positions and corporate strategy can be found in our Annual Report 2018 and in our quarterly financial fact books.

A Nordic universal bank

With branches located across our core markets of Denmark, Norway, Sweden and Finland, as well as in Northern Ireland, Estonia, Latvia and Lithuania, we operate to service our Nordic-affiliated personal, business and institutional customers. In addition, we also have offices in several other European countries, the US, China and Russia, as well as support functions in India.

Our offices outside the Nordic markets offer gateways to the rest of world for Nordic customers and points of entry to our region for international customers whose activities are anchored in the Nordic countries.



DANSKE BANK IN NUMBERS

16
countries

237
branches

3.3 million
Customers, end-2018*

20,683
full-time employees

DKK 1,769 billion
loans issued

DKK 1,575 billion
assets under management

DKK 44.4 billion
total income

DKK 19.7 billion
profit before tax

DKK 4.7 billion
tax on profit

9,8%
return on equity

* Customers in Banking DK, Banking Nordic, Corporates & Institutions, Wealth Management (Private Banking customers only), and Northern Ireland.

SERVING OUR CUSTOMERS THROUGH FIVE BUSINESS UNITS

Banking DK serves retail and commercial customers in Denmark. The unit offers personal customers advice tailored to their financial needs and is a leading provider of daily banking, home financing, investment and retirement planning solutions. For business customers, the unit provides targeted advice and solutions based on the size and situation of the customers' business.

1,700,000 customers	3,341 employees	DKK 7.3 billion profit before tax
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Banking Nordic serves retail and commercial customers in Sweden, Norway and Finland, providing customer offerings similar to those of Banking DK. In addition, the unit includes the Group's global asset finance activities, such as lease activities.

1,135,000 customers	2,442 employees	DKK 5.6 billion profit before tax
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Corporates & Institutions is the wholesale banking division of the Group, serving the largest corporate and institutional customers. We offer our expertise in debt and equity raising, corporate finance advisory services, risk facilitation, daily banking, trade finance and investment services.

1,815 customers	1,858 employees	DKK 4.3 billion profit before tax
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Wealth Management serves the Group's entire customer base through a range of products and services within wealth and asset management, investments, pension savings and insurance. This unit consists of Danica Pension, Danske Invest, Asset Management and Private Banking.

64,000 customers	2,201 employees	DKK 3.2 billion profit before tax
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Northern Ireland is one of the leading financial institutions in its market serving personal and business customers through leading digital channels and a network of branches and business centres.

437,000 customers	1,322 employees	DKK 0,7 billion profit before tax
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The current business unit structure was implemented during 2018. In addition to these business units, Danske Bank Group offers mortgage financing through Realkredit Danmark, real estate brokerage through home, and leasing through Nordania Leasing.

Taking stock of the 2015-18 strategy

2018 has been a year of strategic transition and was the final year of our four-year Corporate Responsibility Strategy. A key strategic focus has been to build the foundation for integrating corporate responsibility into our core business.

Since 2015, we have worked in accordance with our Corporate Responsibility Strategy. With its two strategic themes and five focus areas, the strategy aimed to integrate corporate responsibility into our core business. The two strategic themes, Fostering financial confidence and Accessible finance for everyone, every day, not only defined our programme and initiatives for building financial confidence in the next generations, in start-ups and in growth companies, but they also supported our commitment to a responsible transition to future financial services.

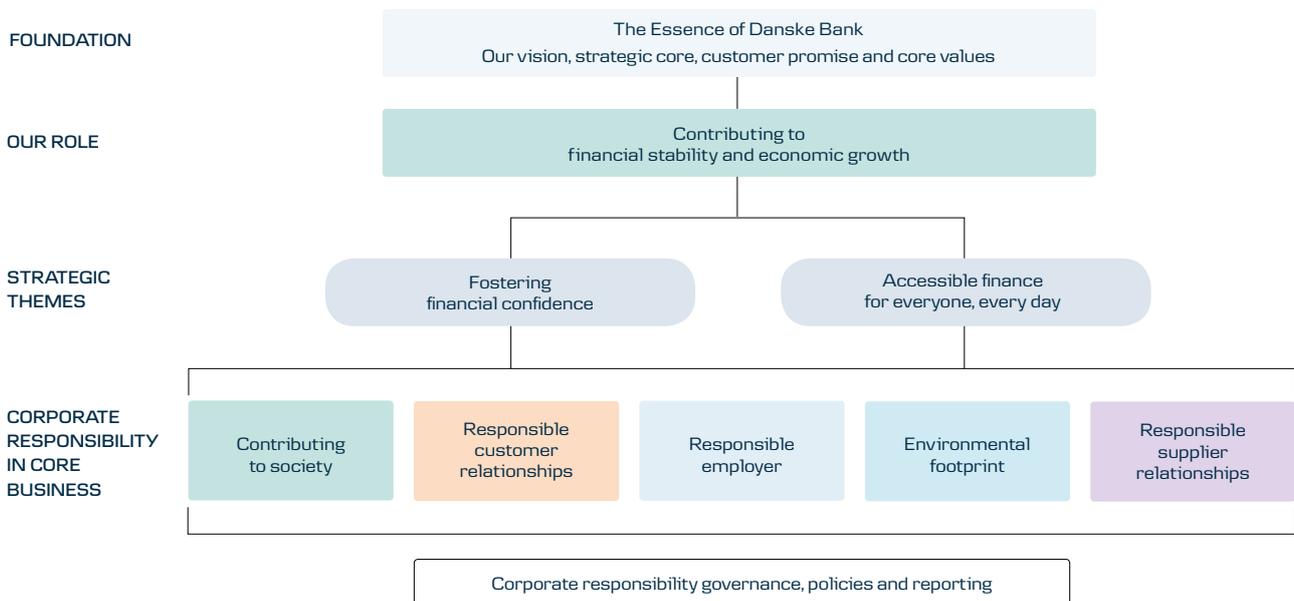
Integrating corporate responsibility into our core business has been a key element in building the foundations that exist today. Our five focus areas have been: contributing to society, fostering responsible customer relationships, being a responsible employer, reducing our environmental footprint, and ensuring responsible supplier relationships.

Corporate responsibility is an ever-changing field where new sustainability issues continue to arise and mature. As well as being able to adapt to new developments, our Corporate Responsibility Strategy also accommodated

an increased focus on specific areas, as has been the case with the area of combatting financial crime. Another key objective of the strategy has been the alignment of our strategic themes with the UN Sustainable Development Goals (SDGs), where we have focused on quality education (SDG 4) and on decent work and economic growth (SDG 8). A status for our contribution towards the SDGs can be found on p. 16 and 18.

Building on our achievements from the strategy period, we are now ready to move ahead and take our corporate responsibility efforts to the next level.

Corporate Responsibility Strategy 2015-18



Key achievements

During the strategy period, we steadily increased our efforts to embed corporate responsibility in our core business processes, and we launched programmes and initiatives within our strategic themes. Across the Group, we focussed on strengthening our shared governance setup, policies and reporting. Below we highlight our areas of focus and key achievements 2015-18 - some of these achievements can be attributed to our new Societal Impact and Sustainability Strategy, see p. 12.

Strategic themes	Key achievements 2015-18
Fostering financial confidence Building financial confidence in the next generations as well as in growth companies	<ul style="list-style-type: none"> • Educational programmes, tools and free online universes for children, teachers and parents • Pocket Money app for children • Digital hubs and accelerator programmes for Nordic start-ups and social entrepreneurs
Accessible finance for everyone, every day Ensuring a responsible transition to future financial services	<ul style="list-style-type: none"> • Customised solutions for people with special requirements, including seniors and the visually impaired • MobilePay partnership for Nordic banks • Digital solution for homeless people in partnership with the Hus Forbi organisation

Core business area	Key achievements 2015-18
Contributing to society Enhancing transparency, creating long-term value and local community engagement	<ul style="list-style-type: none"> • Tax policy to increase transparency and seek a proactive, open and cooperative relationship with the tax authorities • Stakeholder engagement principles to guide our engagement with various stakeholder groups • Public debates and knowledge sharing on responsible growth and financial confidence • Partnership with ISOBRO on fundraising for charities via MobilePay • Employee volunteering in local communities
Responsible customer relationships Providing sustainable finance solutions and strengthening our compliance practices	<ul style="list-style-type: none"> • Significant strengthening of sustainable investment and lending strategies, integrating environmental, social and governance (ESG) into core processes • Topic- and sector-specific position statements for investment, lending and procurement • European Corporate Sustainable Bonds fund and impact investment funds on climate and water • Disclosure on active ownership as well as CO₂ footprint of selected funds • Supported the recommendations of the Task Force on Climate-related Financial Disclosures • Established centre of anti-money laundering (AML) expertise to further enhance AML service quality and efficiency across the Group • Annual mandatory Code of Conduct e-learning for employees • Data security platform, Keep it safe, for customers and employees • Extensive collaboration within and outside the financial sector on combatting fraud
Responsible employer Fostering an inclusive and diverse culture and providing a healthy and safe working environment	<ul style="list-style-type: none"> • Human rights risk assessment in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) • Diversity and inclusion initiatives, including focus on gender composition • Core values integration in peoples practices • Human rights guideline and statement on sexual harassment
Environmental footprint Reducing our own carbon footprint	<ul style="list-style-type: none"> • 100% renewable electricity supply and signatory of RE100 • CO₂ offsets to uphold carbon neutrality • Danske Bank funds invested in green bonds
Responsible supplier relationships Developing and implementing an improved responsible sourcing process	<ul style="list-style-type: none"> • Supplier Code of Conduct aligned with UNGPs • Environmental requirements for selected products and services • Assessment of high-risk suppliers as part of responsible sourcing process • Audit programme for suppliers

Moving ahead with new 2025 strategy

Our new Societal Impact and Sustainability Strategy is an integral part of our corporate strategy and was launched in May 2018. Towards 2025, we will accelerate the integration of societal impact into our business model.

We want to improve our customers' lives and make societies more prosperous and to do so in a sustainable way. Our new Societal Impact & Sustainability strategy is firmly embedded in Danske Bank's corporate strategy and defines our 2025 ambition of driving sustainable progress and positive impact in the societies that we are part of. We see the integration of societal impact and sustainability into our business model as part of our license to operate and as a source of value creation.

The Societal Impact and Sustainability Strategy outlines how we will further embed corporate responsibility into our core business. The strategy includes four foundational factors that address sustainable core business processes and products and which are essential to

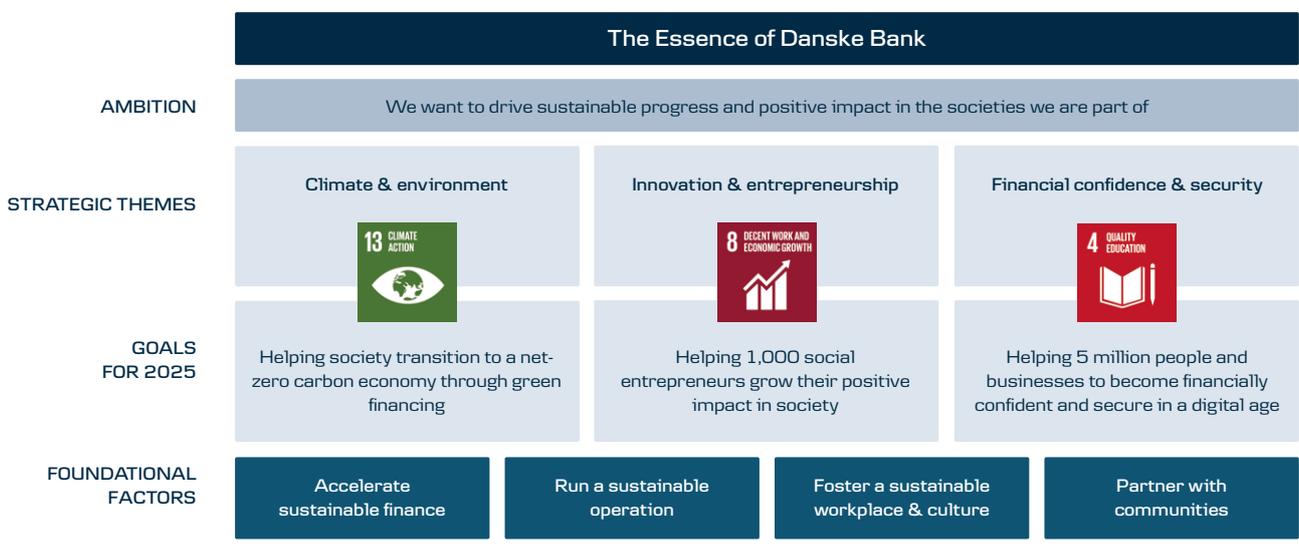
ensure that we live up to market expectations and international principles. The four factors are: accelerating our work on sustainable finance, continuing to run a sustainable operation, fostering a sustainable workplace & culture and partnering with local communities to create value.

In addition, we will apply our skills and expertise within three strategic themes where we aim for a measurable impact on sustainable development and can contribute to the UN Sustainable Development Goals (SDGs). The first theme is Climate & environment, where we see a significant impact potential by offering green financing and encouraging customers and portfolio companies to take climate action, thereby contributing to SDG 13. The second theme is Innova-

tion & entrepreneurship, where we can generate significant societal impact by helping entrepreneurs to drive employment and economic growth, thereby contributing to SDG 8. The third theme is Financial confidence & security, where we can leverage our stronghold in financial confidence, IT security and fraud prevention to educate our customers, thereby contributing to SDG 4.

To enable us to accelerate the integration of societal impact into our business model, we have during 2018 doubled the number of full-time employees working with sustainability at both Group and business unit level. A continuous strengthening of our governance setup, ongoing stakeholder dialogue and transparent reporting will further support our ambition to raise our standards.

Societal Impact and Sustainability Strategy 2025



Strategy development and 2019 outlook

The Executive Board initiated the strategy-development process in autumn 2017, and the strategy was signed off by the Board of Directors in May 2018. As well as customer surveys, workshops with employees and managers, and market analysis and benchmarking, this process also included an in-depth analysis of Danske Bank's sustainable finance positions and processes.

We are in the process of conducting a comprehensive analysis of performance indicators (KPIs) so that we can select the right KPIs for tracking our impact in a reliable and measurable way. This is part of our outlook for 2019.

Continued commitment to international principles

In our past and new strategy, and in associated policies, we recognise the importance of international commitments aimed at helping businesses to operate responsibly. In our Societal Impact & Sustainability Policy (October, 2018), we state our support of the following:

- 2030 Agenda and the UN Sustainable Development Goals
- The UN Global Compact
- The OECD Guidelines for Multinational Enterprises
- The UN Guiding Principles on Business and Human Rights
- The UN-supported Principles for Responsible Investment
- The UN Environment Programme Finance Initiative
- The Universal Declaration of Human Rights
- The ILO Declaration of Fundamental Principles of Rights at Work

Additional industry-specific international principles and conventions that guide our lending, investment and procurement activities are detailed in our publicly available position statements.

Strategic themes	2019 outlook
Climate & environment Developing financial products and services that support the transition to a greener economy	<ul style="list-style-type: none"> • Increase volume of green lending • Issue Danske Bank green bonds • Continued facilitation of customers' green bond issuance • Further implement the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
Innovation & entrepreneurship Developing tools and services to enable entrepreneurs to succeed	<ul style="list-style-type: none"> • Further develop +impact hub with tailor-made tools and support for social entrepreneurs • Continue to develop +impact Accelerator programme for social entrepreneurs • Further develop The Hub from start-up job board to talent management platform
Financial confidence & security Providing knowledge, education, products and services to help customers become financially and digitally confident	<ul style="list-style-type: none"> • Develop financial confidence tools for children and parents • Launch primary school programmes and activities • Implement new tools and activities to increase data security and prevent fraud
Foundational factors in core business	2019 outlook
Sustainable finance Integrating ESG factors into our investment and lending decisions to decrease risk and leverage opportunities	<ul style="list-style-type: none"> • Continued environmental, social and governance (ESG) education and training programmes for portfolio managers • Strengthen our ESG integration through an improved ESG data platform and tools • Implement IT-supported ESG processes and training of frontline and credit staff
Sustainable operation Incorporating ESG considerations into operational business practices including compliance, sourcing, customer advice, products, tax, lobbying, accessibility and IT security	<ul style="list-style-type: none"> • Maintain and continue to improve high standards for anti-money laundering, counter-terrorist financing and financial sanctions • Publish new policy on anti-corruption • Strengthen partnerships on data security and fraud with national and international law enforcement agencies and industry networks • Integrate ESG considerations in product approval process • Further strengthen ESG screening of suppliers
Sustainable workplace & culture Providing a good physical, structural and cultural working environment for our employees and limiting our CO ₂ footprint	<ul style="list-style-type: none"> • Increased focus on initiatives related to mental health • Continue focus on hiring a diverse workforce, equal pay and increasing the share of female leaders • Strengthen compliance awareness among all employees • Continue to optimise energy consumption in building portfolio
Partner with communities Ensuring presence and positive impact in national and local communities	<ul style="list-style-type: none"> • Launch employee volunteer programme Time to Give • Strengthen local community engagement and stakeholder dialogue • Activate local sponsorship strategy

A strong focus on compliance and sustainability governance

Financial services are based on trust and there should be no doubt that complying with the law and adhering to international principles for responsible business conduct is fundamental to Danske Bank. Strengthening our compliance culture and our governance setup is – and will always be – an ongoing priority for us.

Our compliance culture is supported by our core values, policies, procedures and training. The Code of Conduct Policy, to which all staff must adhere, provides employees with guidance on the subject of prudent behaviour. We ensure that awareness of the code remains high at all times, which is supported by a mandatory annual e-learning course for all employees.

In 2018 we introduced an Escalation Policy to set the requirements for appropriate and timely internal reporting of potentially problematic cases across Danske Bank Group. This policy ensures that such cases are reported to the Executive Board and reported onwards to the Board of Directors.

The anchoring of Group Compliance has been further strengthened with the introduction of direct reporting lines to the CEO, and as of November 2018 the Chief Compliance Officer is a permanent member of the Executive Board. This will reinforce the collaboration with the business and will integrate compliance even further into how we do business. In addition to ensuring that all applicable laws,

market standards and internal rules are complied with across the Group, Danske Bank's Group Compliance function also provides advice on how to mitigate against compliance risks.

Improved whistleblower system and mandatory training

A healthy feedback culture should be a mainstay of Danske Bank. However, when feedback and knowledge sharing with colleagues and superiors are not enough, whistleblowing plays a vital role. Employees can report their concerns anonymously if they become aware of incidents of non-compliance or wrongdoing, such as money laundering, fraud, sexual harassment or other failure to comply with applicable regulation, laws or internal standards.

Over the past few years, we have strengthened our whistleblower system by transferring the responsibility for investigating submitted reports to Group Compliance. We have improved our processes for handling reports, and Group Compliance's correspondence with supervisory authorities forms part of reporting to the Board of Directors. We

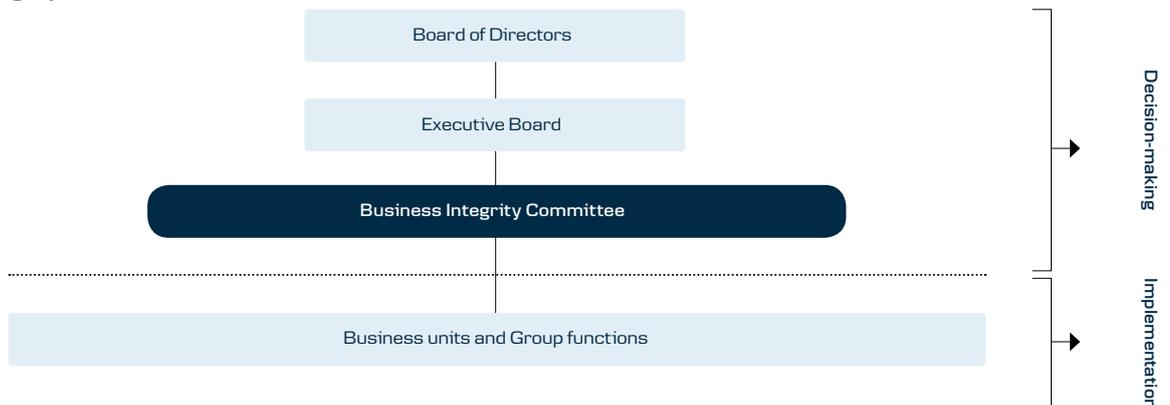
ensure proper protection of employees who report wrongdoings. The Group does not tolerate any form of reprisals against whistleblowers.

All employees are introduced to Danske Bank's whistleblower system as part of their annual mandatory e-learning training. In 2018, the number of whistleblower reports continued to rise in relation to past years. We believe that this increase can be directly attributed to our strong focus on training and on raising awareness.

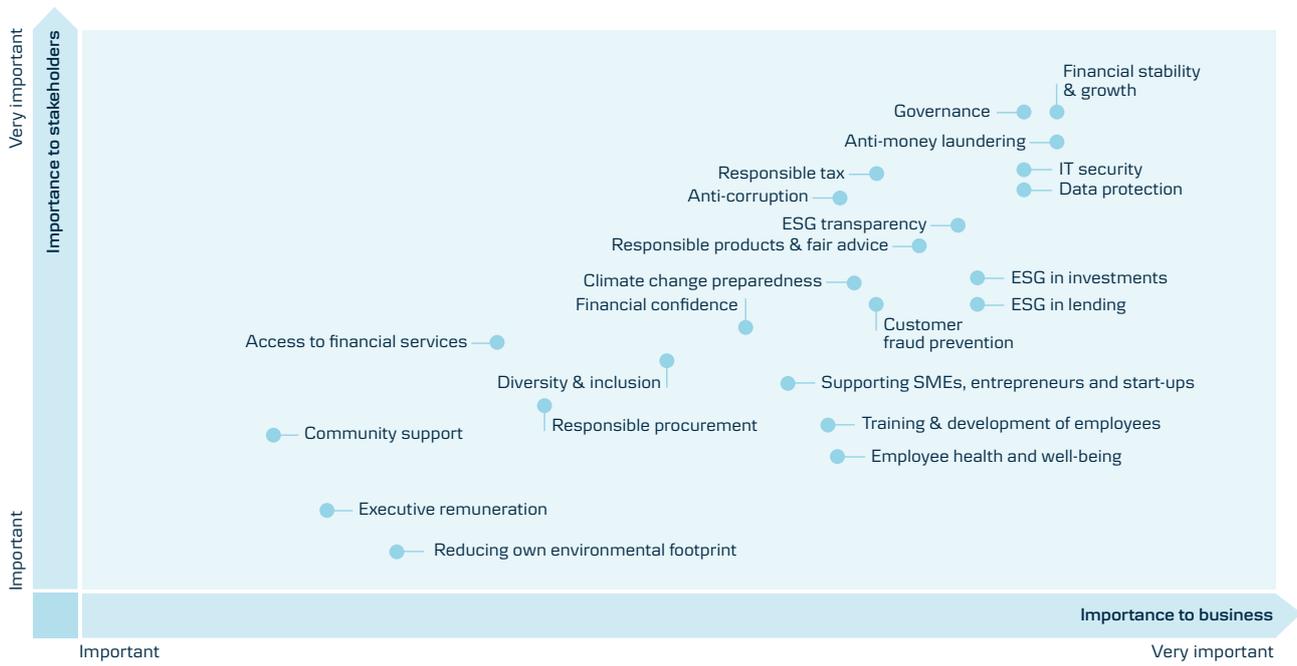
Sustainability governance

The Board of Directors receives an update on our sustainability performance on an annual basis. The Board approved the new Societal Impact and Sustainability Strategy and policy in May 2018 and October 2018 respectively. The policy confirms our commitment to responsible business practices in accordance with internationally recognised sustainability principles for environmental protection, human and labour rights, business ethics and anti-corruption, see p. 13.

Business Integrity Committee



Materiality assessment 2018



Since 2014, our Business Integrity Committee has developed and overseen the implementation of our strategies and policies related to sustainability. Our Interim CEO, Jesper Nielsen, chairs the Business Integrity Committee, which consists of the Executive Board, the CEO of Danica and the Head of Societal Impact and Sustainability. The Board convened five times in 2018 to discuss, among other things, strategic KPIs, sector exclusions as part of our sustainable finance activities, as well as the annual materiality assessment.

In addition to coordinating the implementation of decisions made by the Business Integrity Committee, our Societal Impact and Sustainability function also tracks progress on the strategy and is responsible for our annual corporate responsibility reporting.

Assessing material ESG topics

Our Societal Impact and Sustainability Strategy and associated policies and procedures address key sustainability risks and impacts across our business. To guide our reporting and help identify issues that represent significant risks or opportunities for our business and soci-

ety, we annually assess the materiality of environmental, social and governance (ESG) related topics. This report provides details of our performance and mitigation of identified risks. The materiality assessment is based on information gathered from our most recent customer and employee surveys, from workshops with key internal stakeholders, as well as from ESG rating agency surveys, which we use as a proxy for investor importance.

When we conducted the assessment in October 2018, climate change preparedness was introduced as a new topic. The assessment also showed that topics such as AML and ESG in investments and lending activities have increased in perceived importance - for us and for our stakeholders. Many of the topics have a human-rights dimension, and all topics in the matrix are reflected in this report.

In 2019, we will develop our materiality assessment by aligning the classifications further with our risk framework, and we will engage with additional internal and external stakeholders to help us better understand their expectations.



Relevant policies

Group policies of specific relevance to our corporate responsibility include:

- Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Sanctions Policy
- Code of Conduct Policy
- Compliance Policy
- Conflict of Interest Policy
- Credit Policy
- Diversity and Inclusion Policy
- Escalation Policy
- Remuneration Policy
- Security Policy
- Societal Impact & Sustainability Policy
- Stakeholder Policy
- Supplier Code of Conduct
- Sustainable Investment Policy
- Tax Policy
- Whistleblower Policy

More insights

Further information on executive remuneration and how we govern our business and manage risks can be found in our Corporate Governance Report 2018 and in our Risk Management Report 2018.

Building financial confidence in a cashless society

Children's understanding of the value of money has changed fundamentally with the digitalisation of the financial infrastructure. This poses a societal challenge, and we consider it as part of our role to help enhance the next generation's financial confidence and ability to navigate in a cashless society.

Since 2007, we have been focussing on the core of financial literacy by bringing financial teaching into schools and by creating new platforms where children can learn about finances. With the digi-



Digital pocket money

Parents can use our Pocket Money solution as a starting point for conversations about money with their children. Pocket Money consists of an app, a pocket money card for children aged 8 to 14, and a feature in our Mobile Banking app for parents. The solution, which has had 24,650 users since its launch in 2017, is available in Denmark, Norway, Sweden and Finland. Our national websites also offer inspiration and advice on pocket money.



SDG 4 is about ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

We measure our contribution to SDG 4 by the number of children and young people in our markets we have helped improve their financial skills.

In 2018, more than 16,269 children and young people participated in our educational programmes - a figure that exceeds our 2018 target of 12,500.

talisation of the financial infrastructure, children are exposed to a world where they engage with money not as cash or coins, but as swipes and taps. Money has become seamless and intangible, and a Danske Bank survey from June 2018 confirms that 70% of Danish parents believe digital money makes it harder for children to grasp how much money they spend.

We believe that developing financial confidence will help children to develop a sense of financial rights and wrongs to guide them through a challenging world of money. We will continue to develop tools and educational programmes that help both parents and teachers build financial confidence and good financial behaviour in the next generation. This ambition is in line with our new strategic theme Financial confidence & security in our Societal Impact and Sustaina-

bility Strategy, and this work is part of our strategic focus on UN Sustainable Development Goal (SDG) 4 concerning quality education.

Our on-line universes

In 2018, we closed some of our financial literacy online universes. The former Control your money website will be replaced by a free learning universe to be launched in 2019. The new universe will be an educational website that teachers can use to teach pupils aged 10 to 15 about personal finances, the sharing economy and digital security. Our popular Moneyville game, which since its launch in 2008 has had approximately 8 million users, is being updated. In Moneyville, children aged 5 to 9 can play their way to a better understanding of how money is earned, how to prioritise spending, and the importance of saving.

Our educational programmes for schools

SMART Money in Denmark

Our programme where pupils aged 13 to 15 can receive a visit from a Danske Bank financial adviser to discuss financial assets and pitfalls and learn how to protect themselves against cybercrime.

Launch: 2015
Partners: Danish Association of Teachers of Mathematics
Outreach: 2,943 pupils participated in 2018

Money Week in Denmark

A programme where pupils aged 13 to 15 can attend a guest lecture at their school about digital security, budgeting and personal finances given by a financial adviser from Danske Bank or another Danish financial institution.

Launch: 2014
Partners: Finance Denmark and the Danish Association of Teachers of Mathematics
Outreach: 327 classes and 7,728 pupils participated in 2018

SMART in Northern Ireland

Our programme delivered in the classroom by Danske Bank Youth Ambassadors. Post-primary school pupils learn about budgeting and saving, credit and debit, buying and renting property, and entrepreneurship. Primary school children are introduced to money through interactive activities.

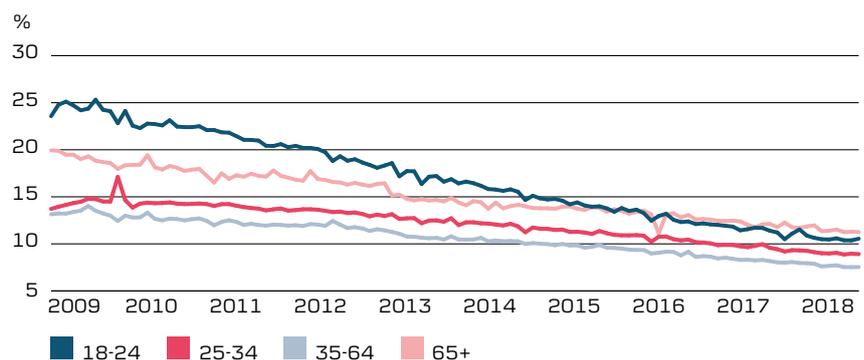
Launch: 2015
Outreach: In 2018, 40 schools and 5,455 pupils participated

Accessible finance for everyone

A cashless society with digitalised financial services increases the risk of excluding vulnerable groups from making financial transactions. It is part of our responsibility to ensure that our services are accessible and easy to use for all customer groups.

According to the European Commission's 2018 digital index, the Nordic countries are the best-performing countries when it comes to digitisation. This is a trend that is reflected in our customers' adoption of mobile and digital banking solutions as their main point of contact with us. From 2015 to 2018, we saw an increase in the number of self-service eBanking transactions from 17.7 million to 50 million, and self-service mobile and tablet banking transactions rose from 10.8 million to 51 million. In the same period, the number of ATM transactions decreased from 43 million to 32 million. However, some customer groups are less comfortable with digitalisation or have special requirements, so we offer customised solutions to accommodate the needs of these customers.

Cash payment in Denmark – share of total expenditure 2009-2018



The number of cash payments is in decline, and we are seeing significant decreases in both the amount of cash withdrawn and the frequency of withdrawals. This is due to the increase in card payments and the use of services such as MobilePay, which makes it easy to make person-to-person payments without using cash. Today, cash payment represents only 8% of total expenditure in Denmark compared to 2009 where the share was 15%. The most dramatic drop in cash payment is seen among young people under the age of 25, although the use of cash by seniors has also decreased and is today in line with other age groups.

Our financial services for people with special requirements



Cash card

The Danske Bank cash card is aimed at customers in Denmark who are unable to visit branches or ATMs, have difficulty remembering a PIN, or need someone to make payments on their behalf. The card, which can be used at ATMs and shops that accept Mastercard, has an easy-to-remember PIN, a maximum balance of DKK 7,500 and no overdraft facility.



Easy Banking

In Denmark, customers who do not feel confident using digital banking can use our Easy Banking solution, which is a simplified version of our eBanking solution. The system has only three functions: account overview, bill payment and transfers – including transfers to a cash card.



Ordinary mail and mail payment

Customers who have difficulties with digital communication can choose correspondence by post at no extra cost. For a minor fee, these customers can also send us their invoices and we will take care of payment.



Cash deposits

Cash can be deposited at selected ATMs in Denmark, Norway, Finland and Northern Ireland. In 2018, we established 31 new deposit ATMs, bringing the total to 327.



Step-by-step meetings

At Step-by-step meetings held at our local branches, senior customers in Denmark can acquire basic knowledge about our digital services and can develop the skills they need to use these services.



MobilePay for the homeless

Homeless vendors of the Hus Forbi magazine on the streets of Denmark can receive payments via MobilePay and have this money transferred to a cash card that is not linked to a personal bank account. In 2018, MobilePay was used by 396 vendors.



Braille services

To help visually impaired customers, many ATMs in Denmark, Sweden and Northern Ireland have braille keyboards and synthetic speech. In Denmark, we also offer monthly account statements in braille and home deliveries of cash once a month.



Partnering up to support impact start-ups

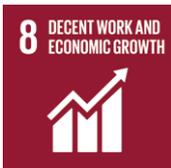
Helping companies scale their business lies at the core of our business. Using our experience to enable purpose-driven start-ups increase their impact on society is a natural extension of our ambition to support the UN Sustainable Development Goals.

Since 2015, we have been engaging with partners in a collaborative effort to help start-ups grow their businesses. Experience from our digital platform, The Hub, show that focusing on the ecosystem for entrepreneurs is worthwhile, and in May 2018, we launched a new Nordic digital hub named +impact.

The +impact hub is the first step in a wider initiative seeking to help purpose-driven start-ups increase their impact on society in line with our new strategic theme Innovation & Entrepreneurship in our Societal Impact and Sustainability Strategy. The +impact hub focuses on companies that address one or more of the UN Sustainable

Development Goals (SDGs) and that have the potential to scale and accelerate sustainability - also from a business perspective.

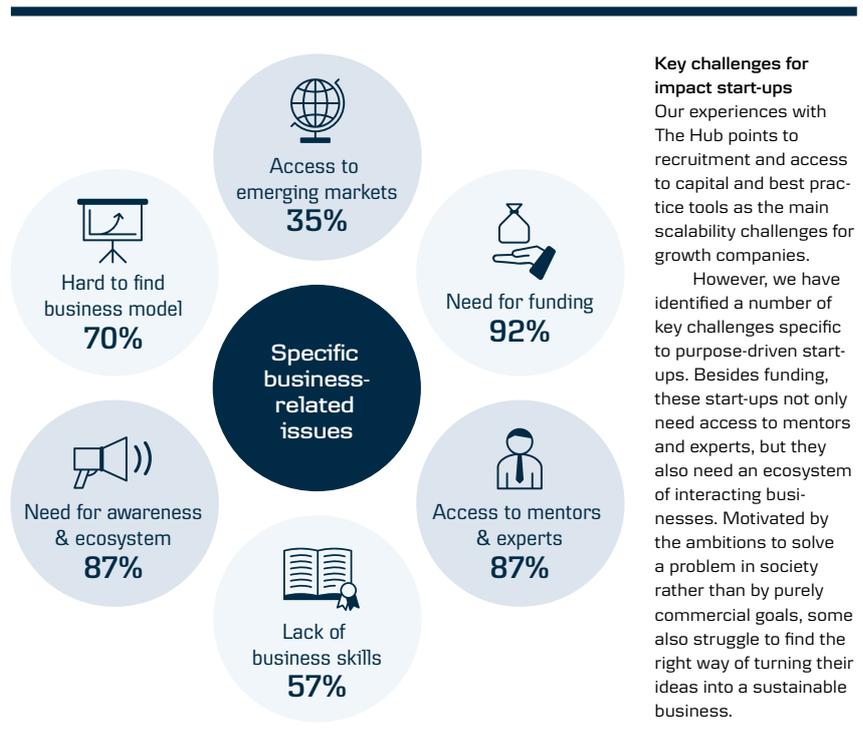
The Nordic impact start-up scene is growing fast and many companies are already making a difference. Our hope is that the Nordic countries can be-



SDG 8 is about promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

We measure our contribution to SDG 8 by the number of jobs posted on The Hub and the number of applications.

With 171,379 applications for 13,194 jobs posted, we exceeded our 2018 targets of 80,000 applications for 9,000 jobs.



Key challenges for impact start-ups

Our experiences with The Hub points to recruitment and access to capital and best practice tools as the main scalability challenges for growth companies.

However, we have identified a number of key challenges specific to purpose-driven start-ups. Besides funding, these start-ups not only need access to mentors and experts, but they also need an ecosystem of interacting businesses. Motivated by the ambitions to solve a problem in society rather than by purely commercial goals, some also struggle to find the right way of turning their ideas into a sustainable business.

come a centre for entrepreneurs who drive sustainable development, and together with likeminded partners, we can help facilitate that development. Our work to support start-ups grow their business and contribute to sustainable development in the Nordic countries and beyond is part of our strategic focus on SDG 8 on decent work and economic growth.

+impact accelerator programme

Building on the +impact hub, we launched a 10-week free-of-charge accelerator pilot programme in October 2018 together with the Norwegian company Katapult. Nine early-stage Nordic start-ups whose products are designed to help solve environmental or social issues were handpicked for the programme. All nine start-ups were offered a temporary base at SingularityU in Copenhagen, and through mentoring, training and networking, the programme helped them fine-tune their business models and prepare them for the stakeholders at the next stages of growth. In 2019, we will evaluate the pilot and decide how best to build upon what we learned from the programme.

Supporting female entrepreneurship

In 2018, we continued a number of activities to support female entrepreneurship. Although the Nordic societies are focusing on gender equality, we still have a long way to go when it comes to unleashing the hidden potential and to providing the same opportunities to all.

In Sweden, we sponsored and co-organised the Femtech Hackathon in partnership with Startup Weekend SingularityU and Norrskan. A total of 50 women participated and had the opportunity to network, team up and create business ideas.

Our initiatives to help start-ups to scale

The Hub

Our free, digital community platform tailored to the needs of growth start-ups. As well as receiving assistance with their recruitment of talent and connecting with investors, these start-ups also gain access to best-practice tools such as employment contract and pitch deck.

Launch: Denmark in 2015, Norway, Sweden and Finland in 2016, and the UK in 2018

Partners: Rainmaking in Denmark, Nordic Impact in Norway, SingularityU in Sweden, Maria O-1 in Finland and Catalyst Inch in UK

Outreach: 5,000+ start-ups, 12,000+ jobs, 120,000+ job applications since 2015

Danske Bank Growth

Our Centre of Excellence for start-ups and growth companies with advisers specialised in understanding the start-ups and their business models and in guiding the young growth companies on their journey.

Launch: September 2016

Partners: Accountants, lawyers, co-working spaces and investors

Outreach: 50+ advisers across our business and market areas

+impact

Our free, cross-Nordic digital platform, where purpose-driven start-ups can share their challenges with and receive advice from expert volunteers from organisations such as Boston Consulting Group, Implement, E&Y, PA Consulting, IBM and Danske Bank.

Launch: May 2018

Partners: Strategic partnership with Rainmaking in Denmark

Outreach: 40+ Nordic start-ups in 2018

In Norway, about 1,000 women participated at two SHE FUTURE Conferences, where the focus was on diversity, tech and female potential. We sponsored and co-organised both conferences and held a pitching contest, sourced through The Hub, and awarded a Danske Bank Silicon Valley Prize.

In Denmark, we arranged and hosted a similar conference, Unleash Female Potential event, in partnership with DIF and PwC. Here, the winner of the pitching contest received a Danske China and nHack prize that included a study trip to

China. More than 100 women attended the conference.

In collaboration with nHack, we also gave presentations and moderated investor panels in Shanghai where the focus was on diversity, tech and female potential.

Lastly, we hosted three informal Female Founder breakfast events in Denmark, at which women who have founded their own companies shared their stories with the 80 participants.



To articulate our focus, profile our activities and receive feedback, we have been active at a number of events for start-ups across the Nordic countries throughout 2018. These events included: in Norway, KatapultFuture Fest, SHE conference and Oslo Innovation Week; in Denmark, TechBBQ, Tech Festival and Global Entrepreneurship Week; in Sweden, SingularityUNordic Summit; and in Finland, Slush and GreenTechChallenge Day.

Creating long-term value

Dialogue with our key stakeholders to enhance transparency, long-term value creation and local community engagement has been a main focus over the course of the strategy period 2015-18. As a natural consequence of the Estonia case, we focused much of our stakeholder dialogue in 2018 on explaining how this could happen and on communicating what we are doing to combat financial crime.

Banks play an important role in society as providers of the financial infrastructure, and they have a large impact on society through the way capital is deployed by lending money to private individuals and businesses and by investing capital on behalf of customers.

Danske Bank is Denmark's largest financial services provider, one of the largest financial institutions in the Nordic region and one of Denmark's systemically important financial institutions. We fully recognise the responsibilities this entails, and it is our ambition

to support financial stability by being a solid, balanced and predictable bank.

Overall, Danske Bank's financial value creation since 2015 has been quite stable. The main variations have been seen in asset management and shareholder distribution, where there have been some significant increases over the period.

In 2017, we exceeded our target of achieving at least 12.5% return on shareholders' equity (ROE) by 2018 at

Value creation



Banking customers

DKK 1,769 billion

DKK 1,609 billion (2015)

Loans issued to banking customers in 2018.

Loans to Banking DK customers represent 43% of all loans, and loans to Banking Nordic customers account for 29%.



Asset management

DKK 1,575 billion

DKK 714 billion (2015)

Assets under management consists of our conventional life insurance business, asset management and assets under advice (the investment decision is taken by the customer) from personal and business customers.



Shareholders

DKK 17.1 billion

DKK 10.5 billion (2015)

Distributed in 2018 to our approx. 270,000 shareholders, including share buy-backs totalling DKK 7.8 billion. 51% of our shareholders are based in Denmark, 12% in the UK, 15% in the rest of Europe, 17% in the US and Canada and 5% in the rest of the world.



Employees

DKK 14.3 billion

DKK 13.9 billion (2015)

Salaries, bonuses and social security costs paid in 2018 to our 20,683 full-time employees.

At the end of 2018, gender representation among our employees was split evenly with 50% women and 50% men.



Suppliers

DKK 8.9 billion

DKK 8.8 billion (2015)

Payments for products and services delivered by our 11,095 suppliers in 2018.

Most of our suppliers are in the premises and facilities management, IT, and professional services fields.



Tax authorities

DKK 4.7 billion

DKK 4.6 billion (2015)

Tax on profit for 2018.



the latest. A new target based on relative performance has been introduced. Our long-term ambition is to rank among the top three of our major Nordic peers in terms of ROE. In 2018, we reached a ROE of 9,8%, and we are awaiting the performance of our peers to evaluate our 2018 ranking.

The decrease in ROE and net profit from 2017 was driven mainly by difficult conditions on the financial markets, which had a negative impact on trading as well as fee income. The results also reflect the donation of the estimated gross income from the non-resident portfolio in Estonia from 2007-2015 of DKK 1.5 billion.

Economic value in society is also created through our payment of salaries and social security costs to our employees, as well as through procurement and tax payments. According to a ranking list presented by the Danish tax agency in December 2018, Danske Bank was the second largest payer of corporate tax among all Danish companies in 2017.

Tax transparency

Tax compliance and the risk of tax fraud and tax evasion are critical issues, and our stance on these issues is clearly stated in our Tax Policy.

Published in 2017, the policy sets out our commitment to being transparent and to seeking a proactive, open and

cooperative relationship with the tax authorities. It also details our commitment to disclosing our tax payments in accordance with national and international requirements and in line with good practice among our peers. If it comes to our attention that any of our customers or business partners are engaging in tax fraud or tax evasion, we will cooperate with the relevant authorities in accordance with applicable rules and regulations.

To be able to identify risk indicators of tax evasion, the main principles of the policy and an understanding of the global tax framework are included in our mandatory employee training related to anti-money laundering (AML).



CONTRIBUTING TO SOCIETY

Policy commitment

“We conduct our business in a responsible and transparent manner and support financial stability by being solid, balanced and predictable. We are driven by an ambition to create value for all our stakeholders and use our expertise to drive sustainable progress and make a positive impact in the societies we are a part of.

We engage with all our stakeholders through collaboration and dialogue and we make our expertise available for the benefit of the societies we are part of. We engage employees in local volunteering activities and events, and we are involved in solving relevant societal challenges at a national level.”

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Create value for all our stakeholders
- Contribute to financial stability
- Contribute to economic growth
- Transparent tax payments
- Transparency, contributing to communities and stakeholder engagement

Key actions 2018

- Continued to contribute to economic growth and financial stability through our services and innovation of the financial infrastructure
- Trained all employees in identifying risk indicators of tax evasion as part of mandatory e-learning in AML
- Held customer and investor meetings where we explained and discussed the conclusions of the Estonia investigations
- Published a new study on Danes’ financial confidence, including a Nordic outlook
- Launched set of guidelines for employee voluntary work to be rolled out in 2019

More insights

More details on our financial performance, tax payments and value distribution can be found in our Annual Report 2018.

Stakeholder dialogue

At Danske Bank, we welcome dialogue with all our stakeholders – no matter what their views. In recent years, we have increased our stakeholder engagement, the general principles and guidelines for which are outlined in our publicly available Stakeholder Policy.

In 2018, the overriding issue has naturally been the Estonia case. In addition to having close talks and meetings about the case with many personal and business customers, we have also been engaged in an ongoing dialogue with various authorities, politicians and other stakeholders. Our website has a specific section where we publish the most recent developments relating to the investigations into Danske Bank's Estonian branch.

We have a huge task ahead of us in restoring the trust of our customers and society at large, and we will continue to maintain an open dialogue with all of our stakeholders in the months and years to come. Below are some notable examples of how we engaged with stakeholders in 2018.

Public hearings into the Estonia case

In November 2018, Danske Bank's Interim CEO, Jesper Nielsen, attended two public hearings about financial crime and money laundering in the

Danish and European parliaments. At the hearings, he answered questions regarding suspicious transactions at our Estonian branch. These hearings were not part of any legal process.

We fully understand that politicians in both Denmark and at EU level are critical of Danske Bank in connection with the Estonia case, and it is only natural that the topic of money laundering in general should attract their attention. We are determined to be as open as possible and will continue make ourselves available for questions and dialogue concerning the case.

Dialogue with customers and investors

After the publication of the results from the Estonia investigation, we invited retail, commercial and institutional customers to town hall meetings. At these meetings, of which more than 150 were held in our branches across Denmark, we explained and discussed the conclusions of the Estonia investigations and answered questions about the case and about the work we are doing to combat money laundering. We will encourage further intensive dialogue over the coming months, and we will continue to meet with customers in all our markets to discuss the Estonia case as long as the need exists.

As a consequence of the Estonian case, interest from investors and shareholders on issues related to our governance and anti-money laundering measures has increased, leading to several meetings and calls with our compliance department and/or Executive Board members. The extraordinary general meeting held on 7 December 2018, where a new chairman and a member of the Board of Directors were elected, was convened at the request of our main shareholder A.P. Møller Holding A/S.

Attending political festivals

As part of our common engagement practices, we attended the annual

political festivals that take place across the Nordic countries: Folkemødet in Denmark, Almedalsveckan in Sweden, Suomi Areena in Finland, and Arendalsuka in Norway. Danske Bank hosted events and engaged in debates with politicians, opinion makers and customers on the topic of corporate responsibility. Naturally, the Estonia case was high on the agenda, especially in Denmark.

Seminars on growth and financing

In 2018, we continued to hold quarterly seminars to support and facilitate important debates on growth and financing. To ensure a broad input of perspectives, a wide range of stakeholders were invited to attend these seminars, including politicians, experts, interest organisations and think tanks.

The first of these four seminars focused on the issues that had attracted the greatest interest at the 2017 seminars, namely how to prevent promising Danish growth companies from being sold to foreign investors with the consequence that jobs, innovation and tax revenue disappear abroad. The second seminar focused on the UN Sustainable Development Goals and the challenges facing impact start-ups; also addressed here were the questions of how these challenges can be solved and what role the Nordic countries should play. The third seminar addressed alternative investment, and the fourth seminar focused on sustainable finance, green bonds and responsible investments.

Annual report on financial confidence

In order to put financial confidence on the public agenda and share our knowledge of how people actually feel about their personal finances and financial prospects, we publish a yearly report on the financial confidence of citizens living in Denmark. The 2018 report included a survey on the financial confidence across the Nordic countries and showed that the Nordic citizens in general have a high degree of financial confidence due to factors such as high incomes and low unemployment.

Our engagement principles

- We want to share our knowledge and expertise with our stakeholders
- We act and operate with transparency and integrity
- We want to create value for all our stakeholders and to form long-term partnerships of mutual value
- We make ourselves available for dialogue and respond to input and feedback in a timely and agile manner
- We believe in collaboration and base our engagement on genuine dialogue – we engage, listen and act

More insights

Visit danskebank.dk/tryghed to learn more about our study on financial confidence among citizens resident in Denmark (in Danish). Find more details about the Estonia case at danskebank.com/investigations.

Employee volunteering and charity

For many years, we have encouraged our employees to volunteer and share their time and expertise for the benefit of local communities. We partner with a number of organisations to provide volunteering opportunities in the countries where we operate.

Guidelines for employee volunteering

Building on our existing activities, we have in 2018 developed new guidelines for employee volunteering. The guidelines, which will be fully rolled out in 2019, are aligned with the three strategic themes in our new Societal Impact and Sustainability Strategy and include a Group-wide Time to Give programme allowing all employees to participate in volunteer activities for one day per year paid by the Group. Below, you can read about some of our local activities from 2018.

Time to Give in Northern Ireland

In 2018, 305 employees in Northern Ireland volunteered 2,100 hours through their local Danske Time to Give programme. The employees participated in community activities through the organisations Action Mental Health, Business in the Community, Keep Northern Ireland Beautiful, Ulster Wildlife, and Young Enterprise. Together with our customers, we also raised over £60,000 to fund Healthy Me, an Action Mental Health programme for 8 to 11 year olds.

Helping youngsters in Finland manage finances

In Finland, 43 employees volunteered for the Financial knowledge and skills programme aimed at helping young people who are not in employment, education or training to manage their personal finances. The programme is a collaboration between the three largest banks in Finland and the Finnish Ministry of Education and Culture.

Mentoring immigrants in Sweden

We cooperate with the Swedish organi-

sation Mitt Livs Chans, which helps individuals with a foreign background to enter the Swedish labour market. Danske Bank employees have volunteered as mentors for academics who have recently arrived in the country.

Debt counselling in Denmark

In 2018, four financial advisers provided debt counselling at debt counselling centres established across the country. These centres were established by Finance Denmark in cooperation with other organisations such as the Danish



A total of DKK 408,420 was donated in our annually recurring Christmas Donation in Denmark, Finland, Norway Sweden and Northern Ireland. In Denmark, the donation was given to Danske Hospitalskløvne.

YMCA's Social Work. The advisers offer impartial, confidential and free advice to enable citizens to manage their personal finances and thereby improve their quality of life.

Charity work in Norway

About 200 employees participated in our Norwegian initiative, Danske Charity, in which employees are given a paid day off to do corporate volunteering work at an NGO. The majority participated in activities at the Church Mission and Blue Cross, which help people harmed by alcohol and drugs, as well as at the Sunnaas Foundation, which is a hospital for spinal cord injury that we also support financially.

Little Hearts Foundation in India

In collaboration with the NGO Need Base India, we founded the Danske Little Hearts Foundation in 2016 to support the rehabilitation and education of

underprivileged children and orphans in India. The programme provides housing, medical attention and special training to cover any educational gaps, and the children stay in the programme until they complete their secondary education. In 2018, 32 boys and 29 girls were enrolled in the programme, and 51 employees spent a total of 237 hours teaching the children English, Maths and Hindi.

Supporting students in Latvia

In Latvia, we support gifted and underprivileged students by granting university study scholarships in collaboration with the Vītols Fund. In the academic year 2017/18, we supported 13 students, who each received a monthly contribution of EUR 150.

Vilnius Marathon

In 2018, we were again the main sponsor of the Danske Bank Vilnius Marathon. The event, which is the largest sporting event in Lithuania, attracts more than 17,000 runners from over 50 countries and promotes a healthy lifestyle for locals. Our employees prepared for the marathon in the

Endomondo challenge, tracking their sports activity with the app. In total, 4 million calories were burned and converted into 67,000 food portions, which were donated to vulnerable social groups through the Maisto Bankas project.

Christmas donations

The Christmas Donation is an annually recurring charity in Denmark, Finland, Norway, Sweden and Northern Ireland. In 2018, DKK 408,420 was donated to the Danske Hospitalskløvne, the Finnish Hyvä Joulumieli campaign, the Norwegian Blue Cross Barnas Stasjon, the Swedish Musikhjälpen Sveriges radio, and the Air Ambulance, Almost Home Animal Rescue and the Children's Hospice in Northern Ireland. In addition, the Danske Bank Fund made 26 donations totalling DKK 1,289,000 million.

Customer engagement

Building long-term relationships with our customers is fundamental for us. Since 2015 we have been working to provide sustainable finance solutions and strengthen our compliance practices. In 2018, we continued to develop our defences against financial crime and fraud to safeguard our customers and Danske Bank.

Delivering a good customer experience and providing sound solutions to our more than three million customers has never been more important. Negative sentiments aroused by the Estonia case have resulted in some customers choosing to leave Danske Bank, particularly in Denmark. This is a matter that we take very seriously, and we have engaged with our customers about the circumstances and will continue to do so, see p. 22.

Customer satisfaction

The Estonia case has had a negative effect on our image, which also affects our customer satisfaction. In the second half of 2018, we saw a decline in customer

Conduct standards

Our Code of Conduct Policy communicates the behaviour and conduct expected by our employees in their daily activities and we have a mandatory annual e-learning Code of Conduct course covering the following areas:

- Conduct in customer interactions
- Customer complaints
- Personal conduct
- Anti-money laundering, counter-terrorist financing and financial sanctions
- Anti-corruption and bribery
- Gifts and hospitality
- Handling conflicts of interest
- Inheritance from customers
- Data protection and confidentiality
- Insider information and market manipulation
- Whistleblowing
- Remuneration
- Human rights

satisfaction for personal and business customers especially in Denmark, but also in Norway and Sweden. For Private Wealth Management, we have seen a drop in satisfaction across markets, and in our business unit Corporates & Institutions (C&I) the satisfaction results have been mixed. C&I still ranks number one in customer satisfaction across the Nordic region, while perception of the Danske Bank brand has declined across all markets among corporate clients.

We recognise the impact the Estonia case has had on customer loyalty and satisfaction, and we acknowledge that there is no quick fix to the situation. Our customer satisfaction target of being ranked among the top two in all our core markets will remain one of our parameters for measuring progress over the coming years. Delivering the best customer experience at all points of contact will continue to be a key priority for us.

Know your customer

Central to our customer relationships and our anti-money laundering efforts are the regulatory Know Your Customer (KYC) measures. In practice, KYC means that our customers must verify their identity and that we may have to ask them to answer detailed questions about certain transactions. This is to ensure that we know who they are and how they expect to use our products and services. In 2018, we initiated a common Nordic KYC utility with other Nordic banks to establish best practice, see p. 26. We will ensure continuous focus on our risk and compliance culture to embed it deeper into our way of doing business.

Customer advising

To ensure that our customer advisers act in the best interests of our customers and offer the most suitable products

and advice, our customer advisers do not have sales-related targets. Communications, regardless of the channel and the customer, should be open, truthful and unambiguous. If customers are not satisfied with our services, they can use our customer complaints functions and we use the feedback to improve the customer experience.

Anti-corruption and bribery

We express our zero-tolerance stance on corruption and bribery in our Code of Conduct Policy. In practice we are working to mitigate the risk of bribery and corruption through our compliance infrastructure, which includes controls, centralisation of processes, training and escalation procedures.

We operate according to three principles: not to accept or solicit bribes in any form; not to make or accept facilitation payments; and not to give or receive gifts above a token value, except for gifts given or received in specific situations. We keep a register of gifts and hospitality, and the principles are described in more detail in directives. To avoid conflicts of interest or accusations of bribery and corruption, employees should consult their manager or Group Compliance if they are in doubt. Group Compliance also operates as a sounding board for employees if employees have any question relating to gifts and hospitality.

In 2018, we initiated work on developing criteria for sponsorship agreements. These will be implemented in 2019, when we also will publish a new separate policy on anti-corruption.

Data protection

The EU General Data Protection Regulation (GDPR) requirements entered into force in May 2018, and we made

substantial investments to prepare the Group and our IT systems for the introduction. We appreciate that many of the processes and solutions launched to protect data and individual privacy are still new to our employees and cus-

tomers, and we will continue to assist a smooth implementation of the data protection principles.

Transparency should be at the core of a good GDPR customer experience. As

an example, we created a new area in our Mobile Bank app called MyProfile giving customers easy access to their own data.



RESPONSIBLE CUSTOMER RELATIONSHIPS

Policy commitment

“We act with integrity to ensure the trust of our customers by ensuring compliance across all business activities, by preventing financial crime and by eliminating all forms of corruption. We build long-term responsible customer relationships by providing responsible and sustainable advice across customer segments and through easy and secure access to financial products and services. We ensure that customer data is kept safe and secure with respect to data privacy.”

“When our customers entrust us with their assets and savings, it is our duty to serve their interests by providing investment solutions with the goal of delivering competitive

and long-term performance. We integrate ESG matters into the investment process as factors alongside financial factors, and we are active owners who influence companies directly through dialogue, voting and collaboration with peers.”

“We ensure that loans and credit facilities are granted on the basis of a professional credit assessment, which includes ensuring that our customers understand the implications of taking out loans. We do not conduct business with customers whom we believe disregard or deliberately violate UN-based principles on environmental protection, human rights, labour rights and anti-corruption.”

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Provide responsible customer advice
- Prevent financial exclusion by offering access to financial products and services
- Improve the customer experience
- Offer responsible investment opportunities for customers
- Integrate responsible lending principles into credit practices
- Build customer trust through reliable IT security

Customer satisfaction target

Ranked among the top two in all our core markets

Performance 2018

Banking DK:

- Personal customers: Below target
- Business customers: Below target

Banking Nordic:

- Personal customers:
On target in 2 of 3 countries
- Corporate business:
On target in 2 of 3 countries

Corporate & Institutions:

- Number 1 overall in the Nordics.
On target in 3 of 4 countries

Wealth Management:

- Private Wealth Management:
Below target in all countries
- Asset Management:
Number 1 overall in the Nordics.
On target in 2 out of 4 countries

Key actions 2018

- Approved a new sustainable investment strategy that promotes the integration of environmental, social and governance (ESG) into our investment process
- Updated our sustainable lending strategy that further integrates ESG into our KYC and lending processes
- New position statement on Human Rights and exclusions on coal, tar sands and certain forms of nuclear weapons
- Launched impact investment funds on climate and water
- Supported the recommendations of the Task Force on Climate-related Financial Disclosures
- Strengthened governance for our whistleblower system, including launch of a new Escalation Policy
- Continued consolidation of anti-money laundering services into one centre of expertise, including new IT systems and automation
- Initiated common Nordic KYC utility together with other Nordic banks
- Dedicated additional resources to the collaboration within and outside the financial sector to combat fraud, including the Nordic Financial CERT
- Substantial investment to ensure that our organisation and IT systems are GDPR compliant

More insights

More information on our customer satisfaction target and performance can be found in our Annual Report 2018.

Fighting financial crime



AML 2018 figures

- **Resources:** More than 1,200 full-time employees worked on combating financial crime, including 1,000 AML professionals in AML CSD.
- **Training:** Every employee underwent mandatory AML training – 63 different AML training curriculums were offered and total of 46,000 hours were invested in training by employees across the Group.
- **Customer screening:** About 15 million customers (Danske Bank Group, including Danica Pension and MobilePay) were screened weekly against Politically Exposed Persons (PEPs) and sanctions lists.
- **Transaction screening:** All Danske Bank Group's cross-border transactions, and some domestic transactions including Finnish, Estonian, Latvian and Lithuanian transactions, were screened in real time against sanctions lists.
- **Warnings:** Around 1,35 million sanction warnings together with around 240,000 matches on politically exposed persons were reviewed manually.
- **Rejections:** Around 1,050 transactions were rejected due to possible international sanctions breaches.
- **Reports:** Around 10,000 reports were sent to the authorities regarding suspicious matters.

Money laundering and other financial crime have major adverse implications for societies across the world. Being a member of the global financial community, Danske Bank conducts business in several jurisdictions around the world, and regardless of jurisdiction, we are committed to developing and maintaining high standards with regard to anti-money laundering (AML), counter-terrorist financing (CTF) and financial sanctions.

Towards the end of 2018, we initiated a comprehensive review of our AML programme in order to see what could be done to further improve our AML performance. In addition to uncovering opportunities to strengthen internal governance and organisational performance, the programme review also supported the acceleration of our IT deliveries. Embedding this programme will be an ongoing process throughout the coming year. In many areas, we can still improve our ability and step up our efforts, and we will never be in a position where there is nothing more that can be done.

In 2018, a new head of Group Compliance joined the Executive Board, and risk management and compliance became an integral part of performance agreements for all members of the Executive Board and senior managers.

Centre of AML expertise

In order to achieve better AML service quality and efficiency across the Group, the global AML Customer Service Delivery (AML CSD) unit continued its work of consolidating AML services into one centre of expertise throughout 2018. In parallel, a competency development and training framework has been built to support both the intake of new activities and the on-boarding of new employees. Today, the AML CSD executes the majority of AML-related activities across Banking DK, Nordics, Wealth Management, and Corporates & Institutions, including our international units and the Baltics.

New IT systems and automation

New IT systems and increased automation of work routines, in general terms as well as specifically in relation to AML controls, are important measures for ensuring better surveillance of transactions and customers. In 2018, we developed eight robots to support AML

professionals in areas such as ongoing due diligence, transaction screening and customer screening. Handling repetitive AML execution activities and minimising the possibility of human errors, the robots allow AML professionals to focus more on investigative work where more analysis and decision making is needed to ensure regulatory compliance.

Mandatory AML training

Our compliance knowledge and culture continued to be strengthened throughout 2018 by means of management focus and extensive annual mandatory training for all employees.

In 2017, we established an AML Training Academy, and in 2018 we developed a continuous AML/CTF training methodology. The ongoing training sessions focus on providing sufficient AML/CTF knowledge to relevant employees. These sessions train employees to recognise activities that may be related to money laundering or terrorist financing and ensure they are educated and aware of how to proceed in such situations. The primary objective of the training is to protect Danske Bank from possible financial crime.

Dialogue and collaboration

Criminals and criminal networks are continuously testing our controls, and their methods are becoming more and more sophisticated. Working closely with authorities and the financial sector to establish the most effective possible defence against the criminal networks will remain a priority in years to come.

In view of the Estonia case, we have been highly engaged with our key stakeholders in a number of dialogues and through public hearings in the Danish and European Parliaments, and shared information with the relevant authorities, see p. 22.

In 2018, we initiated a common Nordic know your customer (KYC) programme with other Nordic banks to consolidate our KYC processes. This was established because collecting and validating publicly available customer data has become a critical component in fighting financial crime. By pooling our financial and compliance resources, we can establish best practice, increase quality, ensure efficient services and cooperate on preventing financial crime.

Protecting our customers against fraud

Online fraud continues to be a challenge for individuals and businesses, and we are doing our best to provide our customers with a strong line of defence against fraud. When fraud does occur, we try to secure the best possible outcome for our customers, and we offer guidance on how to report the fraud to relevant authorities. In addition to this, we assist law enforcement agencies around the world in their work to bring perpetrators of fraud to justice. In 2018, the Danish Police and the Federal Bureau of Investigation (FBI) in the US were among the authorities we assisted.

Our Keep it safe online platform, which we launched in 2017, helps our customers to stay safe when they are online, and it also supports our employees in preventing internal IT issues. In 2018, the platform had 44,324 unique visitors and was also launched in Northern Ireland.

Detecting card and payment fraud

To analyse and detect fraudulent card and payment transactions, we use real-time fraud-prevention systems and we proactively alert our customers to potential fraud. When possible, we halt fraudulent transactions before funds are moved. During 2018, we continued to invest in both people and technology, and the total number of customers impacted by fraud decreased from the 2017 level.

In 2018, around 3,600 of our customers were affected by card and payment fraud each month. Card fraud continues

to be the most common type of fraud and the average retail customer loss from card fraud was DKK 573 in 2018. Payment fraud is on the rise with investment scams, romance scams, ID theft, CEO fraud and Beneficiary Account Change as the most common fraud types. In 2018, the average retail customer loss to payment fraud was DKK 9,980 and the average commercial customer loss was DKK 330,172.

Online fraud is particularly challenging because it is always changing. For this reason, we continuously analyse individual fraud cases and gather intelligence so that we can provide a rapid response. Highly advanced systems are needed to detect fraud in real-time, and to mitigate card fraud we expanded our fraud-detection infrastructure in 2018 with a new real-time adaptive behavioural analytics solution.

This new system will be fully implemented in 2019, and we are working on finding similar solutions to strengthen our payment-fraud-prevention infrastructure further.

Joint efforts against fraud

Danske Bank is an active participant in private and public forums dedicated to combatting fraud. In addition to being a member of the steering committee for the Danish Forum against Economic IT Crime, founded by the Danish police, we also participate in Europol's European Cybercrime Centre, where we are member of both the Advisory Group on Financial Services and the European Payment Council's Card Fraud Prevention Forum.

In 2018, we also dedicated additional resources to the Nordic Financial CERT, where Nordic banks exchange information and best practice with a view to reducing the risk of fraud.

In 2017, we contributed to the My Digital Self-Defence app launched by Tænk, the Danish Consumer Council. This app offers specific advice on how to avoid fraud and what to do if you become a victim of fraud. The app continues to attract new users and has approximately 26,000 active users a month. As of 31 December 2018, the app had been downloaded a total of 100,300 times.



Counter-fraud 2018 figures

- **Resources:** More than 90 employees worked to fight against fraud.
- **Payment screening:** Every month, more than 10 million payments were screened, more than 10,000 payments were manually verified, and an average of 253 fraudulent payments occurred.
- **Disputed card transactions:** Customers on average disputed 17,417 card transactions every month.
- **Replaced cards:** 3,242 cards proactively replaced on average every month.

More insights

Visit danskebank.dk/erhverv/find-hjaelp/keep-it-safe-en to learn more.

Sustainable finance

In a world facing growing challenges from climate change and social inequality, the provision of sustainable finance is of the utmost importance. This is underscored by the EU Commission's adoption of the action plan for sustainable finance, which was launched in 2018 to promote a financial system that supports a sustainable economy.

Over the past years, we have become increasingly transparent about how we are working to integrate environmental, social and governance (ESG) criteria into our financial services. As part of our new Societal Impact and Sustainability Strategy, we will further scale our efforts to finance the transition to a net-zero carbon economy by providing green finance solutions.

Supporting TCFD recommendations

In September 2018, Danske Bank signed up to supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This cements our commitment to integrating climate considerations into our gov-

ernance, strategy, risk management, metrics, as well as into our external reporting. An internal working group has been set up and is in the process of defining a governance structure and developing an implementation plan. A key element of this is to include TCFD disclosures in our future 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.

Sector position statements

Since 2016, we have published position statements to serve as input to our credit and investment procedures for different sectors. The statements are also important for us when we engage with our stakeholders on sustainability issues, especially in relation to ESG ratings that are becoming increasingly important among our customers across the Nordic countries.

In 2018, we updated these statements and developed a position statement on human rights to supplement our cross-sectors and sector-specific statements on agriculture, arms and defence, climate change, forestry, fossil fuels and mining and metals. In the review process, the Executive Board decided that Danske Bank should no longer invest in or lend to companies with a revenue of 30% or more derived from thermal coal mining, thermal coal utilities or the extraction of oil from tar sands – activities that have a negative impact on the environment. This reflects our endorsement of the Paris Pledge for Action to help limit global warming to a maximum of 2 degrees Celsius.

Due to the indiscriminate effects and disproportionate harm caused by weapons prohibited by international law or weapons deemed controversial, Danske Bank has also decided not to grant new loans or invest in companies directly involved in the research and development or production of such weapons. This decision also extends to the production of nuclear warheads, activities related to core nuclear missile components and involvement in the upgrading or enhancement of nuclear weapons.

Following the implementation of investment restrictions related to thermal coal, tar sands and nuclear weapons, we have published an annual list of companies in which we do not invest.

Green bonds on the rise

Sustainable finance includes the issuance of green bonds – an area that is receiving increasing interest from Nordic companies. Green bonds are debt instruments whose proceeds are most often separated from general corporate purposes and used exclusively for projects that have a positive impact on the environment. Sweden has dominated the green bond market since 2014, but since 2017 the Danish market has picked up with more companies seeing the potential that issuing green bonds offers for attracting new investors.

As a partner with the Climate Bond Initiative, not only did we continue to help companies issue green bonds in 2018, we also acted as a joint lead manager for Ireland's inaugural 12-year green bond transaction. From our own balance sheet we have developed a framework for issuing green bonds, which we plan to launch in 2019, and we also plan to offer green loans. Danske Bank has been a signatory of the Green Bond Principles since 2014, and we also invest part of our own funds in green bonds, see p. 32.



Sustainable investment insights

- **Voting:** We voted at 313 general meetings in 2018, and we publish details of our voting records in an active ownership report semi-annually.
- **Dialogue:** We held more than 500 dialogues with over 300 companies in 2018, and we publish details on our active ownership report semi-annually.
- **Carbon footprint:** As signatory of the UN's Montreal Carbon Pledge, we measure and publish the CO₂ footprint of a selected range of our funds annually.

More insights

Read more about our sustainable finance at danskebank.com/societal-impact/sustainable-business.

Sustainable investment

Over the course of 2018, we developed a new sustainable investment strategy that promotes the integration of ESG into the core of our investment processes. This strategy, which we call ESG Inside, focusses on making better-informed investment decisions and addresses the issues of risk, problems and dilemmas. It also employs active dialogue to influence portfolio companies to contribute to a positive outcome. Our strategy supports our commitment to serve our customers and meet their growing demand for investment solutions that can deliver competitive and long-term performance whilst simultaneously contributing to sustainable development.

As stated in our updated Sustainable Investment Policy, our approach is aligned with the UN-supported Principles for Responsible Investment and the Danish Stewardship Code. The implementation of our investment strategy is overseen by our own Sustainability & Impact Investment Committee.

Active ownership through dialogue

We are active owners who focus on making a difference by using our ability and power as an investor to influence companies through dialogue and voting. Rather than divesting from companies and hoping that others will solve the issues, we contribute to a positive development by addressing challenging issues, risks, or problems.

Our dialogue with the companies we have invested in is driven by our portfolio managers. We believe that this approach is the most effective way to influence companies and contribute to a positive outcome. These managers engage on a regular basis with portfolio companies on material ESG matters in order to understand these companies' risks and opportunities and to support their growth and development.

We seek to be transparent on our progress and results, and in 2018 we launched our first report on our active ownership activities. We also launched a digital platform disclosing how we vote at the general meetings of companies whose shares are held in actively managed funds and in which we have significant holdings. Sustainable investment is an important and ongoing journey for us, and we will continuously update our customers and stakeholders on our progress.

Sustainable lending

In support of our sustainable finance ambitions, we have approved a sustainable lending strategy. The implementation of this strategy, which will be overseen by our Sustainable Lending Committee, will begin in 2019. During the course of 2018, we also updated our directives for sectors with elevated ESG risks and revised our ESG guidelines based on in-depth ESG analyses of specific sectors.

Assessing and promoting ESG

When we grant a loan, we begin a long-term commitment with our customers. To gain an understanding of a customer's financial situation, we always make a careful evaluation and consider the purpose for which our lending products are to be used. We offer loans that are appropriate to our customers' needs and financial capacity, and we make sure that customers understand their financial obligations.

As well as conducting our own assessment of possible ESG risks associated with lending to our business customers, we also engage third party providers to screen potential and current lending customers for ESG risks. Customers flagged in the screening will have their ESG risks assessed by us. We endeavour to reach an understanding with customers so that they will conduct their business in accordance with international principles promoting and safeguarding the environment, human rights, labour rights and anti-corruption.

In 2018, to assist our advisers in their dialogues with customers on ESG matters, we developed ESG materials and sector factsheets. We take a risk-based approach and focus our dialogues on customers for whom the risk of adverse impact is highest, with any dilemmas discussed at the Sustainable Lending Committee. In some cases, sustainable lending means that we must refrain from providing loans to customers.



Impact investment funds: Climate and water

In 2018, we launched two impact investment funds committed to creating returns and making a positive societal impact. The first is a climate fund, which invests in companies that develop solutions that support the transition to a low-carbon society; the second is a water fund, which invests in companies that develop solutions to ensure water supply security, clean water and sanitation. This initiative has been well received by customers, who in 2018 invested DKK 710 million in the funds.



Responsible ship recycling

In 2018, we adopted the Responsible Ship Recycling Standards (RSRS). Backed by a number of financial institutions, this initiative is a step towards sustainable funding for the shipping industry, and we will promote these standards when dealing with our shipping-industry customers.

The initiative aims to minimise the environmental and social impact associated with ship scrapping, and the standards are leading principles for the dialogue between banks that finance ships and representatives of the international shipping industry.

People and culture

Fostering an inclusive and diverse culture and providing a healthy and safe working environment for our employees have been key priorities since 2015. In 2018 we started to implement MyTalk, our new performance-management initiative that focusses on core values behaviour – an element central to our ongoing cultural transformation.

In support of our new Danske Bank corporate strategy, which was launched in May 2018, we have adjusted our Group structure and made changes to our Executive Board. Further changes at executive-management level and on the Board of Directors were implemented following the September 2018 publication of the results from the Estonia investigations. These included a change of CEO and a new Chairman of the Board of Directors.

Overall, 2018 has been a year of challenges and changes, and this has naturally had an impact on our employees. We highly appreciate their understanding and loyalty.

Employee engagement in a changing organisation

Our employee engagement score fell over the course of the year, ending at an Engagement Index (three-month average) of 84% against our long-term ambition of 90% by 2020. It is our assessment that this decrease can be attributed to the reorganisation that took place over the course of the year. We take this very seriously and are focused on increasing our engagement over the course of 2019. Our new corporate strategy will be a strong driver behind the rebuilding of our engagement.

To reconnect with our core values, our new Performance Management initiative, MyTalk, will be rolled to all employees and leaders across the Group during 2019. Key in securing engagement and supporting our cultural transformation at all levels of the organisation, as well as addressing personal engagement, MyTalk promotes and rewards the right mind-set and behaviours based on our core values. We will reinforce our cultural transformation in 2019 by enlisting our top 500 leaders who, after participating in specifically designed camps, will begin the transformation in their own teams and across the wider organisation.

Redesigning recruitment

At Danske Bank, we are more than 20,000 employees, and during 2018 more than 3,000 new colleagues chose to join us. Therefore, the first logical step in our work to enhance the employee journey has been to focus on the joining journey. In 2018, we redesigned the entire joining journey process, starting when candidates first consider us as a future employer, through the actual recruitment process, and on to their final on-boarding and first 100 days with us.

We have established talent-acquisition teams based in Denmark, Sweden, Norway, Finland and Lithuania. Not only do these teams increase efficiency and quality of hiring, but they also provide better support to managers and ensure the successful on-boarding of new colleagues. The importance of cultural fit and value-based alignment between a candidate's personal values and our corporate core values is incorporated into test feedback and our on-boarding processes.

A diverse workforce

To succeed with our corporate strategy, we need access to a diverse pool of candidates; consequently, the new talent-acquisition teams have a strong focus on diversity. This includes working to reduce gender bias in recruitment by, for example, providing recruitment training for managers, screening job ads for gender neutrality and ensuring a gender-neutral use of recruitment channels. Another way we address gender equality is by monitoring equal pay and by reporting our numbers annually to the Danish Employers' Association for the Financial Sector.

With a view to promoting our diversity mind-set, a number of initiatives have taken place during 2018. In Sweden, for example, all new managers have received Danske Inclusion training, and in Corporates & Institutions, a diversity

education programme for young employees was piloted. A further example is the introduction of diversity as a KPI in the performance agreements for the management team in Corporates & Institutions.

Increasing the share of female leaders is an area of particular focus for us because we see this as a stepping-stone to unlocking other facets of diversity such as education, nationality, age, ways of thinking, seniority and experience.

In 2018, the Board of Directors revised the targets for the share of female leaders on the Executive Board, bringing our 2020 target to 25%. Our long-term ambition is 38-40%, which is in line with our target for female leaders at all management levels in Danske Bank. As a result of our systematic focus on diversity and best use of talents during the organisational changes carried out in May 2018, we came close to accomplishing the latter target with a 37% share of women in management positions. The share of women on the Board of Directors elected at the annual general meeting (AGM) was 38%, which meets our 2020 target.

Equality and non-discrimination

Our Group Human Resources (HR) function not only defines employee-related policies but also continuously addresses risks associated with our workforce.

In 2018, we introduced new internal guidelines on human rights to supplement our existing policies. These guidelines clarify how Danske Bank promotes equal treatment and underlines the fact that we do not accept any kind of discrimination. We also issued a statement that clarifies our zero-tolerance position on sexual harassment, and various preventive measures are in place, supported by established protocols, in the event breaches occur. Furthermore, employees can use our whistleblower

system for reporting gross HR-related misconduct.

Health and safety

A combination of an active working-environment organisation, councils, and collaboration with unions, employee representatives and local management enables Group HR to ensure our workplace is healthy and safe – both physically and mentally. Our TeamTalk tools engage managers and employees in dialogue on a local team level, and our monthly PULSE survey provides valuable insights into overall employee engagement and well-being across the Group. Another indicator of our working environment is the employees' average days of absence due to illness which in 2018 stands at 5.4.

In 2018, new work environment training was introduced in Sweden and Finland, and across the Group, the mental health of employees has been a priority in our collaboration and dialogue with

the working-environment organisation. Well-being, stress and failure to thrive are issues that we must talk about and address, and with this in mind we have updated our tools and established a HR mental health expert team to support managers in their engagement with employees. If employees experience

stress symptoms, they can also receive qualified, unbiased and anonymous help through our stress hotline.

Our work in this area will continue through 2019, and we plan to increase our focus on initiatives related to mental health and a healthy life style.

Employee-related performance 2015-2018

	2018	2017	2016	2015
Full-time employees (FTE)	20,683	19,768	19,303	19,049
Share of women in workforce (%)	50	49	50	51
Employee engagement*	84	85	66	-
Employee turnover (%)	13	12	11	11
Absence due to illness (avg. days)**	5.4	5.4	5.3	6.0

* In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

** In 2018, as a result of the implementation of a new HR system, we changed our reporting principle for Absence due to illness, see p. 38. Due to missing data for Finland in 2018, data only covers Denmark, Sweden and Norway. Data for 2015-2017 remains unchanged. Find more details and KPIs on p. 36.



RESPONSIBLE EMPLOYER

Policy commitment

“We promote a sustainable workplace and culture by focusing on the structural, cultural and physical working environment that we provide our employees. We are a responsible employer and we base our actions on our core values. We provide challenging and meaningful work, and give our employees the opportunity to develop and grow. We sustain a healthy and safe working environment and a collaborative culture where our employees feel engaged. We set clear expectations for our leaders to role model our values, drive customer centricity, and inspire their employees to succeed. We promote diversity and

an inclusive culture, ensure equal opportunity and eliminate discriminatory treatment. We protect our employees' right to freedom of association and collective bargaining, right to privacy and right to raising concerns without fear of retaliation.”
Societal Impact & Sustainability Policy, October 2018

“The Danske Bank Group is committed to working towards increasing the share of the underrepresented gender (women) in executive and managerial positions. The goal is to increase the number of female managers at all levels.”
Diversity and Inclusion Policy, October 2018

Ambitions and strategy 2015-18

- Integrate core values in people practices
- Develop a culture of continual learning
- Broaden the diversity and inclusion agenda
- Ensure a healthy and safe working environment
- Engage employees in corporate volunteering activities

Gender targets and performance

	Performance 2018	Targets 2020
Share of AGM-elected Board of Directors being women (%)*	38%	38%
Share of women on the Executive Board (%)	10%	25%
Share of women in management positions (%)	37%	38-40%

* The total share of women on the Board of Directors, including the employee-elected members, is 50%.

Key actions 2018

- Established a specialist talent-acquisition team with a strong focus on hiring a diverse workforce
- Ran early implementation of the new performance-management initiative MyTalk, ready for full roll out in 2019
- Introduced a guideline on human rights and a statement that clarifies our zero-tolerance position on sexual harassment
- Initiated several initiatives throughout the Group related to mental health focusing on well-being and engagement at work

More insights

Find more employee-related KPIs in our Corporate Responsibility Fact Book 2018.



Environmental performance

Our main environmental focus since 2015 has been on reducing our own carbon footprint. Nevertheless, we have not been able to reach our ambitious 2018 energy reduction target. We see our carbon footprint as an important indicator of how effectively we are driving sustainability internally and will continue to limit our emissions.

Climate change is a global challenge. It presents major risks to not only the environment, but also to societies worldwide, and the Financial Stability Board (FSB) regards climate-related risk as a potential driver of future financial instability. Consequently, the financial sector plays a key role in facilitating the societal transition to a net-zero carbon economy, and we are committed to

providing financial offerings that have a positive impact on climate change and the environment.

We seek transparency in all of our operations, and since 2010 we have been signatories to the Carbon Disclosure Project (CDP). Having signed the Montreal Carbon Pledge in 2016, Danske Bank is also obliged to disclose the carbon footprint of selected investment funds, which has been done since 2017. In September 2018, Danske Bank signed up to supporting the recommendations of the FSB's Task Force on Climate-related Financial Disclosures (TCFD). Read more about sustainable finance on p. 28.

more than DKK 3 billion in green bonds issued for large renewable energy projects and climate protection in Northern Europe. Green bonds represent a low-risk investment opportunity with competitive returns, and we evaluate new opportunities to invest in green bonds on an ongoing basis.

Energy efficiency in Danica Pension

By 2020, Danica Pension together with its business partners aim to have invested more than DKK 100 million in energy efficiency in 15 Danish shopping centres. The target is to reduce the energy consumption of the centres' shared service installations by 40% relative to the 2015 level, and it will save more than 20 GWh heat and electricity and 10,000 tonnes of CO₂. So far, DKK 54 million has been invested, resulting in a 20% reduction in the energy consumption of the shared service installations. One example from 2018 is the energy renovation of the shared service installations in Lyngby Storcenter, which will result in annual energy savings of 40%.

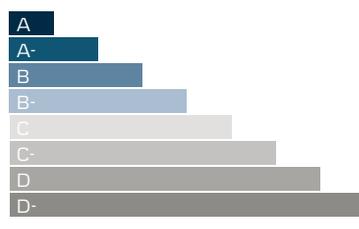
Decreased CO₂ emissions

Compared to other industries, Danske Bank has low carbon emissions. Nevertheless, we see our own carbon footprint as an important indicator of how effectively we are driving sustainability internally.

Energy-saving initiatives in 2018 included consolidating several sites into more energy-efficient facilities in Denmark, as well as upgrading light, heating and ventilation systems in our building portfolio in general. Despite our annual efforts, we have not been able to reach our ambitious 2018 energy target of a 15% reduction in overall energy consumption from the level in 2014. In 2018, there has been a minor decrease, which leaves us with an 8%

Carbon Disclosure Project score 2018

- Danske Bank: C
- Sector average: B-
- Regional average: B-



We have been disclosing our annual CDP score since 2015. In 2018, CDP aligned its questionnaire with the TCFD recommendations. With the revised CDP scoring categories and weighting, Danske Bank received an overall score of C, which is lower than both the sector average of B- and the Europe regional average of B-.

As part of our commitment to the TCFD, we will further strengthen the integration of climate considerations into our governance, strategy, risk management, metrics, as well as into our external reporting. This will be in line with the CDP recommendations for the next steps to be taken in order to improve our score.

Carbon neutrality

Danske Bank's operations have been carbon neutral since 2009, and we publish an annual Statement of Carbon Neutrality. We have achieved this by purchasing renewable electricity and carbon credits. One hundred percent of the electricity we purchase comes from renewable sources certified by Guarantees of Origin and International Renewable Energy Certificates. In addition, to underline our commitment and increase the demand for renewable energy, we joined RE100 in 2017.

To offset the emissions from transportation and consumption of heat and paper that we cannot eliminate, we purchase carbon credits. All carbon credits purchased by Danske Bank are for projects that guarantee a real reduction in CO₂ emissions and they have been verified according to international standards, such as the Gold Standard.

Investing in green bonds

We have allocated a total of DKK 4 billion for investment in green bonds, and since 2015, we have invested

reduction in overall energy consumption in the strategy period.

Environmental performance at our facilities is measured against the criteria in the green building rating system LEED (Leadership in Energy and Environmental Design). In 2018, some of our largest facilities in Denmark were LEED Gold certified. This certification not only guarantees that the buildings are energy efficient, but also guarantees that they save water, generate less waste and support human health. Danske Bank's future headquarters in Copenhagen, the construction of which will begin in 2019, will also meet the criteria for LEED Gold. In 2018 we also relocated our Helsinki corporate office to a more energy efficient facility.

As part of our environmental management, we also monitor and report on our consumption of paper and on our use of transportation. As a result of digitalisation initiatives related to customer service and documents, we have continued to reduce our paper consumption, which

fell by 31% in 2018, across the Group. Our use of road transportation also decreased by 7% in 2018, while air travel remained at the same level as in 2017.

Altogether, these savings result in a decrease in our CO₂ emission of 9% from 2017 to 2018. This is mainly due to a warm spring and summer, which

resulted in less need for heating. Our efforts to reduce our CO₂ emissions will continue through 2019, and we will further optimise the energy consumption of our building portfolio. Similarly, more documents will be digitalised, and we will maintain our drive to encourage employees to use trains and have online meetings and video conferences.

Environmental performance 2015-2018

	2018	2017	2016	2015
CO ₂ emissions (tonnes)	16,396	18,089	18,664	18,836
Electricity consumption (MWh)	59,135	57,203	60,311	57,166
Heat consumption (MWh)	51,912	56,213	53,130	54,542
Paper consumption (tonnes)	603	870	1,161	1,598
Road transport (company vehicles and employees' cars) (1,000 km)	11,660	12,485	13,883	13,969
Air transport (1,000 km)	73,013	72,003	67,570	61,392

Find more details and KPIs on p. 36.



ENVIRONMENTAL FOOTPRINT

Policy commitment

"We achieve a strong environmental performance by working systematically to limit the negative environmental impact of our business operations. We strive to minimise the environmental impact of our operations and reduce our CO₂

emissions through energy and environmental management."

"We integrate environmental considerations into the Group's own portfolio management"

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Revise the Climate Strategy
- Continue to develop the environmental management system
- Increase transparency and communication
- Reduce energy consumption 15% from the 2014 level (MWh)

Energy target 2018

15% reduction in overall energy consumption from the 2014 level

Performance 2018

8% reduction in overall energy consumption from the 2014 level

Key actions 2018

- Optimised energy consumption by consolidating several sites into more energy-efficient facilities in Odense and Kolding, Denmark (LEED Gold certified)
- Implemented a wide range of initiatives to reduce heating and electricity consumption (light upgrades, ventilation changed to efficient motors, district heating upgrades)
- Reduced paper consumption throughout the Group by means of digitalisation initiatives related to customer service and documents

More insights

Find more environmental KPIs in our Corporate Responsibility Fact Book 2018.

Read the Statement of Carbon Neutrality 2018 at danskebank.com/societal-impact.

Responsible sourcing

Our main focus over the course of the strategy period 2015 to 2018 was on developing and implementing a new Supplier Code of Conduct and an improved responsible sourcing process. We will continue to optimise our screening and assessment of high-risk suppliers in close dialogue with our partners and suppliers.

Responsible sourcing and collaboration with our suppliers is part of our value-chain approach to embedding environmental, social and governance (ESG) considerations throughout our business. Supplier selection is based on assessment of price, quality and sustainability performance. The price assessment takes into account the total cost of ownership, which includes purchase price, quality, delivery, current costs and disposal of the asset.

In 2018, we had a total spend of DKK 8.9 billion and 11,095 active suppliers. Our Group Procurement unit collaborated with branches, departments and business units across the Group on 1,033 new contracts. Group Procurement is responsible for setting a competitive landscape, optimising business value through market analysis, ten-

dering and implementing a negotiation strategy. The individual business units are accountable for the scope, budget, vendor selection and implementation of the contracts. Incorporating the EU General Data Protection Regulation (GDPR) compliance requirements into relevant contracts for suppliers who handle personal data on behalf of Danske Bank was an important and resource-heavy task in 2018.

Consolidation of our responsible sourcing process

Our improved responsible sourcing process was launched in 2016. The sustainability requirements for suppliers are specified in our Supplier Code of Conduct and are based on internationally recognised standards, including the UN Global Compact and UN Guiding Principles on Business and Human

Rights. In addition, we set specific environmental requirements for selected products and services such as office supplies, paper, merchandise, furniture, hardware, cleaning and conferences. Both the Supplier Code of Conduct and the environmental requirements are aligned with the commitments in our Position Statements.

Implementation efforts included training of all employees in Group Procurement, and responsible sourcing is now part of the introduction and training of new employees in Group Procurement. In 2018, we managed to get 97% of tenders in scope involving Group Procurement through the responsible sourcing process and thereby exceeded our target.

A risk-based approach to sourcing

Our responsible sourcing process ensures that suppliers comply with our sustainability standards. The process is based on dialogue, and we try to minimise burdening our suppliers with unnecessary and time-consuming questions. Our risk assessment process consists of three steps, but many suppliers need only go through the first.



Supplier Code of Conduct

The Supplier Code of Conduct applies to all suppliers that deliver goods or services to any of our business units and subsidiaries, and it is included in all contracts. The Code of Conduct states that suppliers must set the same or comparable standards for their subcontractors.



Step 1: Pre-qualification questions

We assess the risk profile of suppliers for contracts exceeding DKK 1 million on the basis of information about the type of products or services of the tender and where these are produced.



Step 2: Self-assessment questionnaire

Suppliers assessed as high-risk and suppliers of contracts exceeding DKK 10 million are asked to complete an additional in-depth questionnaire about their ESG policies and performance. We use Verisk Maplecroft and Ecodesk as external partners to assess the country and category risk and to evaluate the replies from the suppliers.



Step 3: Corrective action plan

If we deem the result of the self-assessment questionnaire to be unsatisfactory, we engage in dialogue with the supplier and agree on a corrective action plan, if needed. If this does not resolve the issues to our satisfaction, we may not select the supplier or may stop using their services.

Throughout 2018, we continued the consolidation of the process for screening and assessment of high-risk suppliers. Engaging with external partners has provided us with an overview of social and ethical risks in various countries, and this has enabled us to zoom in on the specific risks that may affect our supply chain, including conflict minerals and modern slavery. Under no circumstances will Danske Bank tolerate human trafficking or any type of forced labour, including work on a forced contract, slavery and other forms of work that are done against an employee's will or choice, as also stated in our annual Statement on Modern Slavery.

We are working closely with partners and suppliers to ensure an optimised screening and assessment process, and our performance in 2019 will form the baseline for setting new targets.

Independent audits

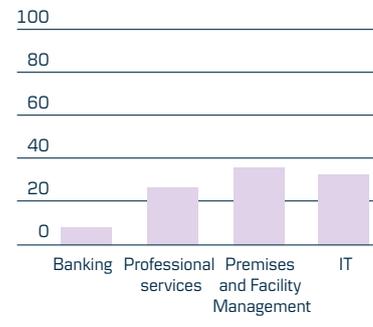
A new audit programme for suppliers was implemented in 2017. We have engaged an independent third-party auditor to conduct yearly audits, each covering one of the four categories in our self-assessment questionnaire: Social, Environment, Governance and

Supply chain. The suppliers are selected on the basis of their risk profile and on their impact on our business. Audits, which include both desk studies and announced on-site visits, evaluate whether the supplier's self-assessment (step 2) is sufficient and credible and whether their ESG policy and performance live up to our Supplier Code of Conduct. We go through the audit report with the supplier and agree on any areas in need of improvement. Our Responsible Sourcing Escalation Committee reviews all audit reports and decides upon the appropriate follow-up action based on the severity of the issues in question.

In 2018, we conducted two audits of key suppliers of facility management on their compliance to our Supplier Code of Conduct. The first audit was in India and covered the categories Social and Governance. The second audit was in Denmark and covered Supply chain management because the supplier in question works with subcontractors on behalf of Danske Bank. None of the conducted audits revealed any severe cases of non-compliance.

Spending per category in 2018

(% of total spend)



In 2018, our largest spending was on Premises and Facility Management and on IT. Premises and Facility Management covers rental of buildings for offices and branches; IT procurement covers hardware and software, as well as IT consultants, services and extra costs for the GDPR project. Professional services covers consultancy, HR, marketing and communications services, as well as services for travel, meetings and events. The largest share of the spending for Banking was on the procurement of market data.



RESPONSIBLE SUPPLIER RELATIONSHIPS

Policy commitment

"We ensure responsible supplier relationships by integrating ESG considerations into our procurement processes. We maintain constructive relations with our suppliers based on dialogue and improvement. We expect our suppliers to respect internationally recognised sustainability principles and to set similar standards in their supply chain. Furthermore, if a product potentially has an adverse environmental impact, we integrate environmental requirements."

Societal Impact & Sustainability Policy, October 2018

"The Code applies to all Danske Bank's suppliers that deliver goods and services to any of Danske Bank Group's business units and subsidiaries, and the criteria will be taken into account when selecting and evaluating suppliers. The Code is a total supply chain initiative, and the Group's suppliers are responsible for setting the same or comparable standards for their subcontractors. It is the responsibility of the supplier to ensure that their subcontractors are informed of the Code and uphold the requirements."

"The supplier has a duty to proactively report to Group Procurement any deviation from this policy."

Supplier Code of Conduct, December 2018

Supplier target 2018

80% of tenders involving Group Procurement to go through the responsible sourcing process

Performance 2018

97% of tenders involving Group Procurement went through the responsible sourcing process

Key actions 2018

- Conducted two on-site supplier audits with ESG focus, and revised the audit process for future audits
- Continued to assess and evaluate high-risk suppliers through self-assessment questionnaires
- Implemented GDPR fulfilment requirements in contracts for suppliers handling personal data on behalf of Danske Bank

Key performance indicators

As part of our annual reporting practices, we include an overview of assured performance data related to our business operations, employees and the environment.

The Key Performance Indicators (KPIs) listed in the table provides an overview of our performance over the past four years for comparison.

Data performance related to employees and environment is elaborated on p. 30-33, and the data is prepared according to our reporting principles, see p. 38-39.

Assured KPIs

	2018	2017	2016	2015
Business operations (DKK millions)*				
Total income	44,365	48,149	47,959	45,611
Operating expenses	25,011	22,722	22,642	23,237
Profit before tax	19,722	26,288	25,357	17,762
Financial services employer tax and social security costs	1,826	1,802	1,659	1,520
VAT	1,248	1,207	1,126	933
Tax	4,721	5,388	5,500	4,639
Net profit for the year	15,001	20,900	19,858	13,123
Net profit for the year before goodwill impairment charges	15,001	20,900	19,858	17,724
Return on avg. shareholders' equity (%)	9,8	13,6	13,1	8,5
Return before goodwill impairment charges on avg. shareholders' equity (%)	9,8	13,6	13,1	11,6
Employees				
Number of full-time employees (FTE), end of year*	20,683	19,768	19,303	19,049
Percentage of women in workforce (%)	50	49	50	51
Percentage of women in management (%)	37	35	35	35
Employee turnover (%)	13	12	11	11
Average years of service	12	12	13	14
Absence due to illness (avg. number of illness days per employee)**	5.4	5.4	5.3	6.0
Employee engagement (%)***	84	85	66	-
Environment				
CO ₂ emissions (tonnes) [†]	16,396	18,089	18,664	18,836
CO ₂ emissions per employee (tonnes/FTE)	0.82	0.93	0.97	1.0
Energy consumption (electricity and heat) (MWh) ^{††}	111,046	113,416	113,441	111,708
Energy consumption per employee (MWh/FTE)	5.7	6.0	6.1	6.3
Electricity consumption (MWh) ^{††}	59,135	57,203	60,311	57,166
Heat consumption (MWh)	51,912	56,213	53,130	54,542
Road transport (company vehicles and employees' cars) (1,000 km) ^{††}	11,660	12,485	13,883	13,969
Air transport (1,000 km)	73,013	72,003	67,570	61,392
Paper consumption (tonnes) ^{††}	603	870	1,161	1,598

* Data are from Annual Report 2018 and Fact Book Q4 2018. For a definition of ratios, see Definition of alternative performance measures on p. 65 in Annual Report 2018.

** In 2018, as a result of the implementation of a new HR system, we changed our reporting principle for Absence due to illness, see p. 38. Due to missing data for Finland (FIN) in 2018, data only covers Denmark (DK), Sweden (SE) and Norway (NO). Data for 2015-2017 remains unchanged.

*** In 2017, we replaced our annual Employee Opinion Survey with new tools to facilitate a constructive ongoing dialogue on employee engagement. This means that the Employee engagement Index has replaced two HR indicators on Employee satisfaction and motivation as well as perceived opportunities for professional and personal development. In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

[†] Data covers DK, SE, NO, Ireland (IRL), Northern Ireland (NI), FIN and Lithuania (LIT) and include estimated figures for the remainder of the Group. We included exact figures from our operations in India (IN).

^{††} Data covers DK, SE, NO, IRL, NI, FIN and LIT. In 2017, we included figures from our operations in IN.

Independent auditor's assurance report

To the Management and the stakeholders of Danske Bank

We have assessed Danske Bank's 2018 Corporate Responsibility Report ('the Report') to provide limited assurance on selected 2018 data on page 36 of the Report. The Report covers Danske Bank's international activities from 1 January to 31 December 2018.

Our assessment was performed in order to assess whether:

- All environmental data and all employee data on page 36 in the Report have been stated in accordance with the criteria defined by the reporting principles;
- Danske Bank has offset its consolidated CO₂ emissions for 2018.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Danske Bank is responsible for collecting, analysing, aggregating and presenting the information in the report, ensuring that data are free from material misstatement, whether due to fraud or error. Danske Bank's non-financial reporting principles contain Management's defined reporting scope for each data type. The criteria for the reporting principles can be found on page 38-39 of the Report.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on all environmental data and all employee data on page 36 in the Report. Furthermore, our responsibility is to provide limited assurance on whether Danske Bank has offset its consolidated CO₂ emissions for 2018. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain

all information and explanations necessary to support our conclusion.

We performed our on-site reviews at Danske Bank's Head Office in Copenhagen in November and December 2018. Our work has included interviews with key functions in Danske Bank, inquiries regarding procedures and methods to ensure that selected CR data and information have been incorporated in accordance with the reporting principles. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating CR data at Group level, and performed analytical review procedures and tested CR data prepared at Group level against underlying documentation. Furthermore, we have received documentation that the consolidated CO₂ emissions have been offset by purchase of offset certificates. Finally, we have evaluated the overall presentation of the report, including the consistency of information.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

Conclusion

Based on our work, nothing has come to our attention causing us not to believe that:

- the employee and environmental data subject to our review have been stated in accordance with the criteria mentioned in the reporting principles;
- Danske Bank has offset its consolidated CO₂ emissions for 2018.

Copenhagen, 1 February 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



Jens Ringbæk
State-Authorised
Public Accountant



Helena Barton
Lead Reviewer

Identification No
(MNE) mne27735

Reporting principles

These reporting principles cover employee and environmental KPIs presented on p. 36. Reporting principles for Business Operation KPIs can be found in the Annual Report 2018.

The employee and environmental KPIs covers Danske Bank Group's (the Group's) five main business units (Banking DK, Banking Nordic, Corporates & Institutions, Wealth Management and Northern Ireland) as well as our activities in the Baltic countries and India.

We believe that the reporting provides a fair and balanced representation of our financial, environmental and social performance.

To ensure data consistency, data has been defined and described in business procedures. Internal control procedures have been established to ensure that the data is reported according to the definitions.

Data on employees

Full-time employees

The number of full-time employees (FTEs), end of year, is based on information registered in Danske Bank's accounting system at the end of Q4 2018.

Women in workforce

The percentage of women in the workforce is based on information registered in Danske Bank's Group Financial System (GFS) at the end of Q4 2018.

Women in management

The percentage of women in management is based on information registered in Danske Bank's GFS system at the end of Q4 2018.

"Management" is defined as employees with staff responsibility.

Employee turnover

Employee turnover is defined as the number of employees (head count) who retired or resigned divided by the number of employees (head count) per month and converted to a percentage rate. The information was retrieved from

Danske Bank's GFS system and covers the entire Group. The employee turnover rate is based on information registered from Q1 to Q4 2018.

Average years of service

Data on average years of service was retrieved from Danske Bank's GFS system at the end of Q4 2018.

Absence due to illness

Absence due to illness is defined as time lost due to the employee's own illness, including pregnancy-related sick leave, and occupational accidents and diseases.

The rate of absence is calculated as the total number of registered days of absence per employee divided by the total number of employees at the end of the year. The data may be underreported if employees do not register their illness. In 2015-2017, data covered Denmark, Sweden, Norway and Finland.

In 2018 we implemented a new HR system to improve data quality and to streamline and automate our registration and data aggregation processes. If an employee registers absence due to illness across a change of year, that absence and period will now be counted in the year the absence ends. Due to missing data for Finland, 2018 data only covers Denmark, Sweden and Norway. For this reason, data for 2018 cannot be compared directly against data from previous years.

Employee Engagement

Data on employee engagement is based on survey results from the PULSE survey covering the entire Group. The employee engagement index is based on replies to five questions in the PULSE survey: three on Encouragement and two on Enablement. The PULSE survey is conducted monthly, except for the month of July.

In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

Data on the environment

Environmental data covers the Group's operations in Denmark, Finland, Ireland, Northern Ireland, Norway, Sweden, Lithuania and India. The reporting period for the year 2018 runs from Q4 2017 to Q3 2018. Data is retrieved from the Credit 360 reporting system.

CO₂ emissions

CO₂ emissions (tonnes) are calculated on the basis of energy and paper consumption as well as data on travel by car and air. The quality of CO₂ emission factors may vary, depending on the availability of specific factors. We monitor emission factors to identify the most recent and specific ones available. For emissions from heat consumption, we use specific emission factors from energy companies whenever possible. Otherwise, we use average emission factors for heating for the country or region.

In accordance with the market-based methodology from greenhouse gas (GHG) Protocol Guidance, the emissions from electricity consumption were omitted owing to the purchase of renewable electricity certified by Guarantees by Origin and International Renewable Energy Certificates. For location-specific reporting, which is necessary for Carbon Disclosure Project (CDP) reporting, we use region- or country-specific factors from either electricity companies or the International Energy Agency.

For transport by car - both employee and company cars - we use emission factors from the Department of Environment, Food and Rural Affairs.

Emissions from air travel are reported directly by our travel agency, American Express, which provides data on the distance travelled and the number of trips. Emissions from paper consumption are based on average emission factors from the Department of Environment, Food and Rural Affairs.

We report GHG emissions in the CO₂ equivalent amounts. However, since the vast majority of greenhouse gases are CO₂ emissions, we have generally chosen to use the term CO₂ emissions without specifying equivalents.

For operations that do not have any measured consumption, we estimate CO₂ emissions on the basis of the average number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018 and the average emissions per employee in the Group. These estimates represent 3% of the total CO₂ emissions in 2018.

CO₂ emissions per employee

CO₂ emissions per employee (tonnes/FTE) are calculated on the basis of the total amount of CO₂ emissions (tonnes) and the number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018.

Energy consumption

Energy consumption from electricity and heat is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. Electricity consumption is calculated mainly on the basis of statements from energy companies, and heat consumption figures for our head offices are similarly based on actual readings by the energy companies. If no reading or statement is available, we estimate the consumption on the basis of the average electricity or heat consumption at the country unit and the floor space. Data on floor space covers all properties, including Danske Bank's own premises and leased premises, that Danske Bank and its subsidiaries use for their own operations in various countries.

In Sweden, heat consumption is calculated on the basis of information from www.boverket.se (energy labelling of buildings). The consumption figure is calculated on the basis of the Group's share of floor space in the various buildings in Sweden. According to this method, the heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because of similar consumption patterns in the branches.

Energy consumption per employee

Energy consumption per employee (MWh/FTE) is calculated on the basis of the total energy consumption (MWh)

and the number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018.

Electricity consumption

Electricity consumption is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. If no reading or statement is available, we estimate the consumption on the basis of the average electricity consumption at the country unit and the floor space.

Heat consumption

Heat consumption is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. If no reading or statement is available, we estimate the consumption on the basis of the average heat consumption at the country unit and the floor space.

In Sweden, heat consumption is calculated on the basis of information from www.boverket.se (energy labelling of buildings). The consumption figure is calculated on the basis of the Group's share of floor space in the various buildings in Sweden. According to this method, heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because of similar consumption patterns in the branches.

Road transport

Road transport includes transport in both company vehicles and employees' cars for business purposes. Transport in company cars is measured on the basis of odometer readings from drivers. Transport in employees' cars is calculated in kilometres as paid mileage allowance divided by mileage allowance payable according to current government tariffs.

Air transport

Air transport is calculated in kilometres on the basis of quarterly statements from our travel agency, American Express.

Paper consumption

Paper consumption is calculated on the basis of volumes purchased and registered in the Group's Dynamics AX system or on the basis of statements from external suppliers (only in Lithuania, India and to some extent Sweden and Denmark). Paper consumption is defined as copying and printing paper, letterhead and envelopes with logos, printed matter (internal and external publications) as well as miscellaneous (cards and books).

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