

An aerial photograph of a beach at sunset. The sun is low on the horizon, casting a golden glow over the scene. The ocean waves are breaking onto the shore, creating white foam. In the distance, a lighthouse is visible on a small island or headland. The overall mood is serene and peaceful.

# *Sustainability Report 2019*



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### About this report

This report covers activities in Danske Bank Group for the financial year 1 January 2019 to 31 December 2019. Our reporting approach is to provide an overview of our Societal Impact & Sustainability Strategy and the issues that are material to our stakeholders and our business. We aim to provide a fair and balanced representation of our activities and progress, as outlined in our reporting principles.

This report represents our statutory statement on corporate social responsibility and gender diversity at management level, in accordance with sections 135a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Our annual reporting suite includes Danske Bank Group's Annual Report 2019, Risk Management 2019 and this report. We present segmented and detailed data in our Sustainability Fact Book 2019, and we issue a Statement on Modern Slavery Act 2019 and a Statement on Carbon Neutrality 2019 - all of which are available at [danskebank.com/societal-impact](https://danskebank.com/societal-impact).

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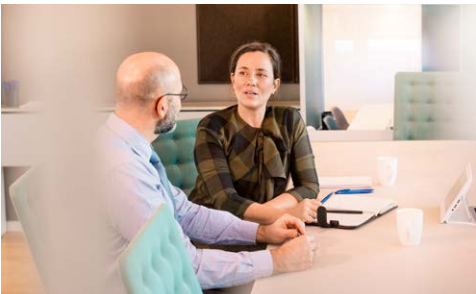
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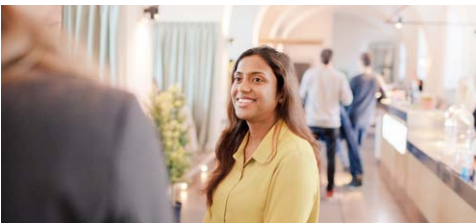
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We welcome any comments, suggestions or questions you may have regarding this report or our performance. Please send an email to [societalimpact@danskebank.com](mailto:societalimpact@danskebank.com)

You can stay up to date on the most recent developments at [danskebank.com/societal-impact](https://danskebank.com/societal-impact), and you can follow Danske Bank on Twitter, LinkedIn and Instagram.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



FOREWORD BY CHRIS VOGELZANG



*“We need to change, and we are committed to becoming a better bank for all our stakeholders – customers, employees, society and shareholders.”*

CHRIS VOGELZANG  
CEO - DANSKE BANK

Dear reader,

I firmly believe that a company is a community within a wider society. Companies recognise that to be successful they must create value for society as profitable businesses – and they know they can only achieve this if they change and adapt in line with the general evolution of the world.

As the largest financial services provider in Denmark, and one of the largest financial institutions in the Nordic countries, Danske Bank has a special responsibility to create long-term value for all stakeholders and to contribute to the sustainability of the societies we are part of.

Since 1871, Danske Bank has been creating opportunities and helping individuals and businesses realise their ambitions, and we have evolved in tandem with the societies around us.

I took on the role as CEO of Danske Bank in June 2019. Being a new CEO in a long-established bank requires striking a careful balance between respecting tradition on the one hand and undertaking the change necessary for meeting the evolving demands of our stakeholders on the other.

Danske Bank is a solid bank with a strong platform, but it is clear to me that we have the potential to become a much better bank and that we need to change in order to realise this potential. And it is also clear to me that becoming a better bank

requires having a focus that extends beyond pure financial results and involves looking at the broader impact we are making.

Having a balanced approach is key, as is realising that we cannot deliver value to our shareholders unless we deliver value to customers, employees and society in equal measure. All of these things are part of the same equation.

Shareholders and other stakeholders benefit from strong financial results. Financial results are a function of commercial success, and commercial success depends on delivering superior value to customers, being an attractive workplace and contributing to societal progress.

To ensure that we keep this balanced focus, we have announced a new set of concrete ambitions and focus areas. These ambitions cover societal impact, customer satisfaction, employee engagement and financial results.

Another significant signpost for the future has been our endorsement of the UN Responsible Banking Principles in September 2019. These six principles help banks align their business strategy with society's goals, and they provide a framework for a sustainable banking system. This is a natural next step in the continuation of our Nordic Integrator Strategy and our Societal Impact & Sustainability

Strategy – a strategy that supports the UN's Sustainable Development Goals (SDGs).

We specifically focus on three of the 17 SDGs. We contribute to these three goals by helping society transition to a net-zero carbon economy through green financing, by helping people and businesses become financially confident and secure in a digital age and by helping social entrepreneurs grow their positive impact on society. We also continue to support and run a responsible business in alignment with the UN Global Compact principles.

The journey that we have ahead of us requires ambition, persistent dedication and the courage to set progressively ambitious targets over time. We have a new and committed Executive Leadership Team in place, and we are increasing our investments in 2020 across a number of areas to promote and develop our accountability and leadership and also to embrace sustainability in everything we do and deliver positive societal impact.

Ultimately, it is all about contributing to the long-term success and sustainability of Danske Bank and of the societies we are part of.



**Chris Vogelzang**  
Chief Executive Officer  
Danske Bank

BUSINESS AND STRATEGY

# Our business

Danske Bank is a Nordic bank with strong local roots and close ties to the rest of the world. Our 22,000 employees serve more than five million customers, helping them to build their lives and businesses on a solid financial foundation.

Danske Bank is one of the largest Nordic financial institutions, and we are deeply engrained in our Nordic home markets. In these markets, we are in a strong position to help our customers meet their financial objectives by providing banking services based on our financial competencies and through our dedicated focus on developing leading and innovative solutions.

**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*





## Becoming a better bank

With our Nordic Integrator Strategy launched in 2018, we take a more active role in making our customers financially confident and in contributing to societal growth and stability.

We aim to become integral to our customers lives by offering coherent solutions tailored to their needs. We aim to integrate more closely with the Nordic societies using our assets and competencies to drive sustainable progress and create a positive impact. And internally, we aim to integrate more by organising ourselves around our customers, harmonising our ways of working and living our core values.

In support of our corporate strategy, we in 2019 introduced four promises and ambitions towards 2023 that will guide us in becoming a better bank for all our stakeholders: customers, employees, society and our shareholders. Besides getting costs under control, this entails investing significantly in our ways of working, in our capabilities and in technologies.

Our Executive Leadership Team is committed to delivering on specific short- and long-term priorities, and each member has taken charge of specific initiatives to ensure we achieve our 2023 ambitions.

Promises	2023 ambitions
 <p><b>We put customers first</b></p>	We want to be among the top two on customer satisfaction in everything we do.
 <p><b>We care about and develop our employees</b></p>	More than 90% of employees should be engaged (as measured in our Employee Engagement Index).
 <p><b>We contribute to society</b></p>	We operate sustainably, ethically and transparently - and we have a positive impact on the societies we are a part of. We will measure progress across seven identified focus areas: Sustainable investing, Sustainable financing, Governance, Diversity & Inclusion, Environmental footprint, Entrepreneurship and Financial literacy.
 <p><b>We deliver strong returns to our investors</b></p>	We must achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s by continuously improving the profitability level - thereby leveraging our full potential.





### Group key figures 2019

- 5.3 million** customers\*
- 22,006** employees
- DKK 13.8 billion** profit before tax
- 64.8%** cost/income ratio
- 9.6%** return on avg. shareholders' equity

\*excluding non-core

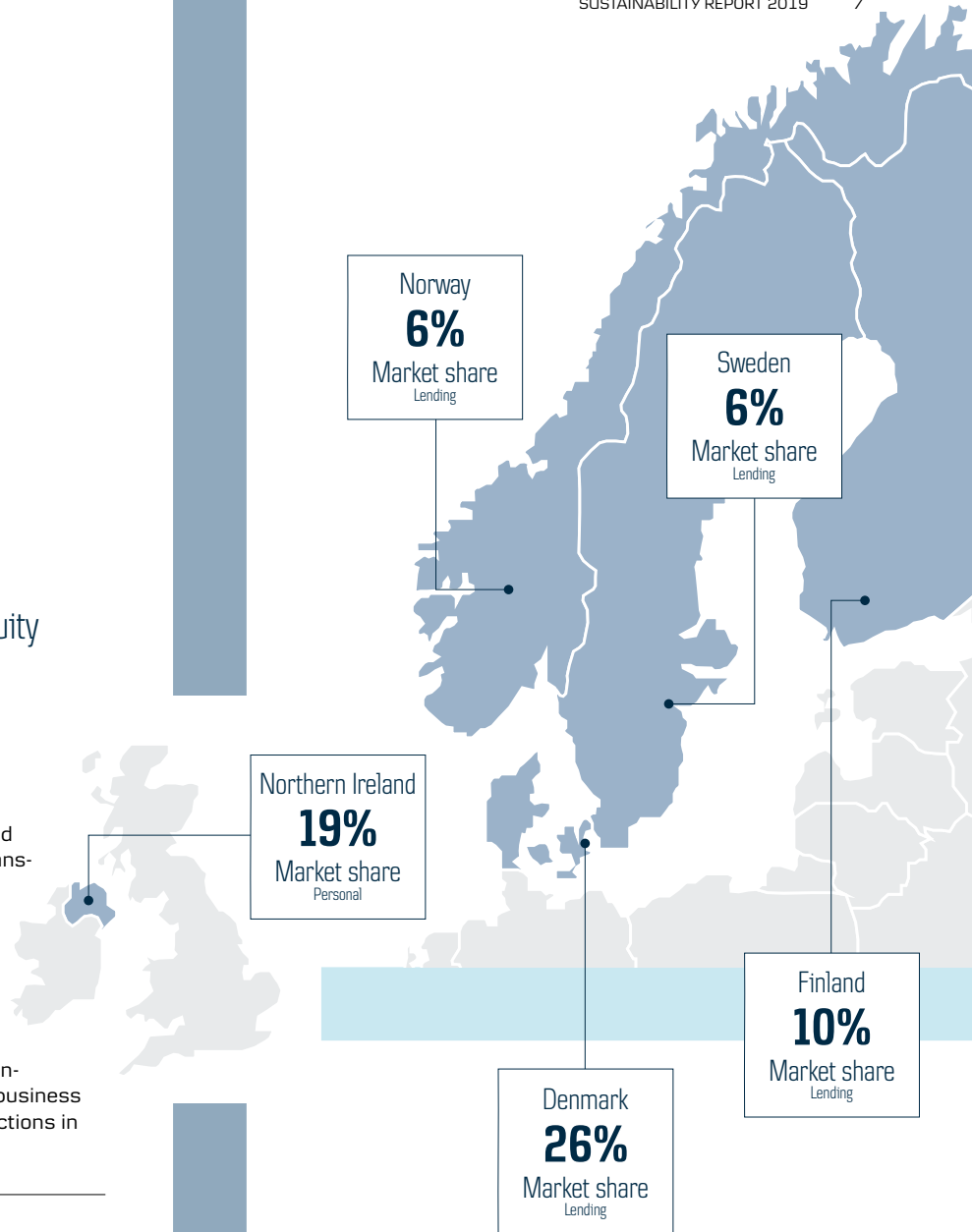
### Serving our customers

We serve our customers at our 221 branches and through a wide range of self-service and digital transaction solutions. We deliver services to customers in 13 countries, with Denmark, Norway, Sweden and Finland being our core markets.

Our offices outside the Nordic countries offer gateways to the rest of world for Nordic customers and serve as points of entry to our region for international customers whose activities are anchored in our core markets. We have a separate business unit in Northern Ireland, and we have support functions in Lithuania and India.

**Read more**

For more details, please see our Annual Report 2019.



Danske Bank is listed on NASDAQ Copenhagen's OMX C25 index.

Customer services operate through five business units. In addition to banking services, we offer our customers life insurance and pension products, mortgage credit, wealth management, real estate, and leasing products and services.



#### Banking DK

4,588 employees serve 1.7 million personal customers and small and medium-sized businesses in Denmark.

**DKK 6.5 billion** profit before tax



#### Banking Nordic

2,599 employees serve 1.1 million personal customers and small and medium-sized businesses in Finland, Norway and Sweden.

**DKK 3.8 billion** profit before tax



#### Corporates & Institutions

1,665 employees serve 2,060 corporate and institutional clients across the entire Group.

**DKK 1.7 billion** profit before tax



#### Wealth Management

1,563 employees provide pension savings, private banking, and asset management services across the entire Group.

**DKK 3.0 billion** profit before tax



#### Northern Ireland

1,285 employees serve 441,000 personal and business customers through digital channels, branches and business centres.

**DKK 0.8 billion** profit before tax

## BUSINESS AND STRATEGY

# Our role in society

At Danske Bank, we recognise our role and responsibility in providing financial infrastructure for a prosperous, stable and sustainable economy.

Banks are of great significance to the economy and the financial infrastructure of society. In addition to being the cornerstone of most people's personal finances, banks are also central providers of capital, financial services and advice for businesses and institutions. Banks also contribute to value creation and employment and play an important role in ensuring a responsible transition to a digital and greener society.

It is essential to the overall economy that the financial system is robust. If a company in the financial sector experiences problems, it is important that these problems do not spread and prevent the financial system from functioning. At Danske Bank, we fully recognise our responsibility and role in upholding financial stability and a well-functioning financial infrastructure, and we report on our 2019 performance.

## Contributing to a prosperous economy

Danske Bank contributes to economic growth by converting short-term deposits to long-term loans by managing financial assets, by spreading risks and by facilitating payments between counterparties.

**DKK 963 billion** in deposits

**DKK 1,821 billion** loans to customers

**DKK 1,651 billion** assets under management (AuM)

## Contributing to financial stability

Danske Bank is one of Denmark's systemically important financial institutions. Operating a solid, balanced and predictable business is a prerequisite for financial stability. Through our mortgage credit institutions, we provide stable and sustainable financing of real estate in all our core markets.

**DKK 803 billion** net lending in Realkredit Danmark

**DKK 238 billion** net lending via rest of Group



## Creating local jobs and growth

We contribute to job creation and an employable workforce in local communities by offering direct employment and development opportunities in 13 countries. Through our business activities, we also indirectly create jobs at our suppliers' companies and for our customers when we help them grow their business.

**DKK 13 billion** in salary and pension payments to our 22,006 employees

**DKK 9 billion** in payments to our 11,035 suppliers

## Financing public housing

In Denmark, Danske Bank plays a key role in the financing of public housing. This system dates back to 1850 and has gradually been expanded to the current level where about 1,000,000 people live in such accommodation.

**DKK 83.1 billion** in net lending financing public housing via Realkredit Danmark



## Innovating the financial infrastructure

By providing innovative financial solutions that make daily banking easy and secure, Danske Bank is contributing to a digital transformation of the financial infrastructure. One such example is MobilePay, which we launched in Denmark and Finland in 2013 as the first app in both markets to offer mobile payments and which today is a company in its own right.

**47.6 million**  
eBanking transactions

**55.6 million**  
mobile and tablet banking transactions

## Combatting financial crime

Financial crime has major adverse implications for societies across the world, and we are working closely with authorities and the financial sector to establish the most effective possible defence against the criminal networks. We contribute to combatting financial crime by developing and implementing effective measures with regard to anti-money laundering, counter-terrorist financing and financial sanctions.

**2,400 employees** working to combat financial crime  
**15,889 reports** on suspicious matters sent to authorities

## Accelerating the green transition

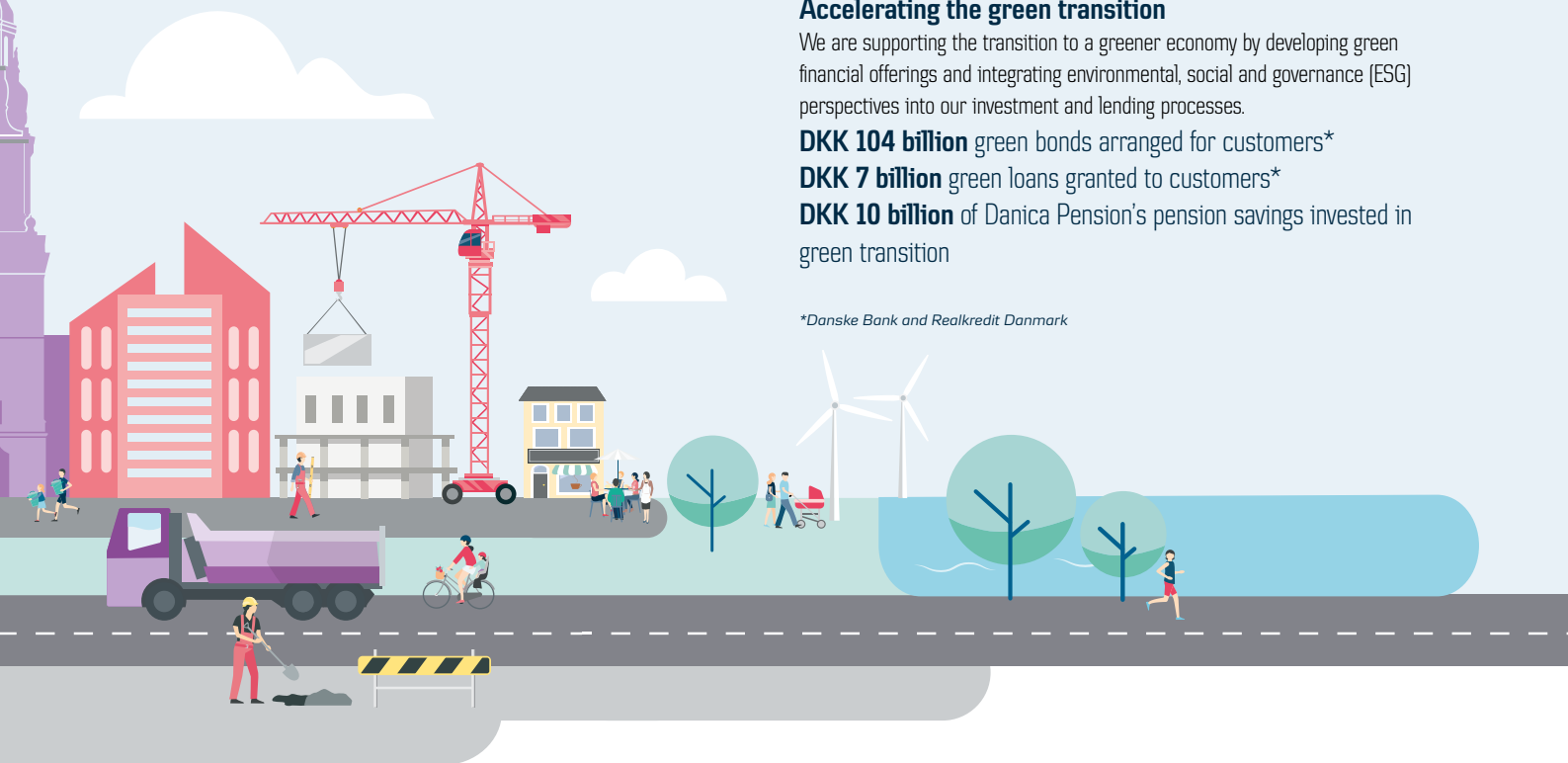
We are supporting the transition to a greener economy by developing green financial offerings and integrating environmental, social and governance (ESG) perspectives into our investment and lending processes.

**DKK 104 billion** green bonds arranged for customers\*

**DKK 7 billion** green loans granted to customers\*

**DKK 10 billion** of Danica Pension's pension savings invested in green transition

\*Danske Bank and Realkredit Danmark



## Providing accessible finance for everyone

At Danske Bank, we aim to provide accessible finance for everyone by offering customised solutions for people with special requirements. For customers who are less comfortable with digitalisation, our services include ordinary mail and mail payment, Easy Banking, cash cards and cash deposits. To help visually impaired people, many of our ATMs have braille keyboards and synthetic speech.

**221 local branches**  
**30 million** ATM transactions

## Facilitating healthy financial decisions

By sharing our expertise on core financial literacy, we enable individuals and businesses to make healthy financial decisions and achieve their ambitions. Since 2008, our financial literacy programmes have targeted the younger generation, and we share knowledge and tools to help individuals and businesses prevent fraud and keep their data safe.

**20,739 children and young people** participated in educational programmes  
**25,400 unique visits** to our Keep It Safe platform

BUSINESS AND STRATEGY

# Our strategic direction

In 2019, we diligently executed on our Societal Impact & Sustainability Strategy to integrate societal impact into our business model. At the same time, we took steps to further accelerate and drive sustainable progress in the societies where we operate.

Since 2018, our Societal Impact & Sustainability Strategy has guided our work at Danske Bank. Having a responsible and sustainable business and workplace that live up to societal expectations and our international commitments is the foundation of this strategy.

In addition to integrating environmental, social and governance (ESG) factors into investment, lending and procurement decisions, foundational elements also include maintaining a strong focus on compliance, customer satisfaction and the

prevention of financial crime. Engaging our employees, fostering an inclusive and diverse culture, reducing our environmental footprint and ensuring presence and positive impact in national and local communities are also key foundational elements.

Building upon this foundation, we have three strategic themes. Through these themes, we apply our skills and expertise, and we develop tools and services to contribute to a positive impact on society and to the 17 UN Sustainable Development

Goals (SDGs). The first theme is Climate & environment, where we see a significant impact potential by offering green financing and by encouraging customers and portfolio companies to take climate action, thereby contributing to SDG 13 - Climate action.

The second theme is Innovation & entrepreneurship, where we can generate significant societal impact by helping entrepreneurs drive employment and economic growth, thereby contributing to SDG 8 - Decent work and economic growth.

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 - Quality education.

Through our strategic efforts, we contribute both directly and indirectly to several of the 17 SDGs, and we report on sub-targets where we have supporting metrics.

## Societal Impact & Sustainability Strategy



### The way forward

As the sustainability field is constantly evolving and expectations for businesses to integrate sustainability into their core business are accelerating, remaining agile and ambitious is key. The SDGs and the Paris Agreement on Climate Change continue to be the most significant global initiatives driving the sustainability agenda, and society's emphasis on these frameworks is increasing.

In the financial sector, three initiatives in particular define the future. The first of these is the European Commission action plan on sustainable finance, which will entail major changes for the banking sector. Secondly is the Task Force on Climate-related Financial Disclosures (TCFD) initiative, which Danske Bank signed up to in 2018, and which provide a framework for companies to measure and disclose climate change risks and opportunities.

The third initiative is the Principles for Responsible Banking formulated by the UN Environment Programme Finance Initiative (UNEP FI) that we endorsed in September 2019, and which will contribute to future-proofing Danske Bank. More specifically, these principles involve further alignment of our business strategy with society's goals and continuously working to map, act on and disclose both positive and negative impact. With our new Executive Leadership Team

in place, we are accelerating our focus on societal impact and sustainability even further.

### New metrics and targets

In view of Danske Bank's promises and 2023 ambitions to become a better bank, we will in 2020 calibrate our Societal Impact & Sustainability Strategy and adjust our existing metrics and our strategic 2025 goals. We will do this in line with the seven focus areas (see p. 6) and our commitment to the



Principles for Responsible Banking. As an initial part of this strategic review, we introduce new supporting KPIs and targets related to these focus areas, with the aim of setting climate-related targets aligned with the Paris Agreement on Climate Change. Within the area of sustainable investing, we will

report on Danica Pension's 100 billion green pledge towards 2030, see p. 15. Within the area of sustainable financing, we will measure the total volume [DKK] of sustainable financing, including green loans granted and sustainable bond facilitation. Governance will be measured as the share







of employees who have passed mandatory tests in relation to their risk and compliance training. Within diversity and inclusion, we will also monitor the share of women in senior leadership positions. We will continue to measure our CO<sub>2</sub> emissions across scopes 1, 2 and 3.

Entrepreneurship will be measured as the number of start-ups and scale-ups supported with growth and impact tools, services and expertise. Finally, we will monitor the number of people supported with financial literacy tools and expertise. Status and 2023 targets are presented on p. 36.

*“During the past few years, we have increased our focus on how to use our financing capabilities to drive societal change. We expect the Principles for Responsible Banking to become a benchmark for the conduct of banks, and we see them as an important framework for stepping up our efforts.”*

Berit Behring, Member of the Executive Leadership Team and Head of Wealth Management.



Principles for Responsible Banking	Current state The slider indicates our status from no alignment, far left, to full alignment with the principles, far right.
<p><b>1. Alignment</b> We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p>Our Societal Impact and Sustainability Strategy integrates the societal goals where we have significant impact. We will focus on integrating sustainability even further into our business model and key business decision-making processes.</p>
<p><b>2. Impact &amp; Target Setting</b> We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p>We have increased our focus on the identification of sustainability-related risks and opportunities. We will map and analyse our positive and negative impact and set KPIs to increase our positive and decrease our negative impact accordingly.</p>
<p><b>3. Clients &amp; Customers</b> We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	 <p>Over the last year, we have started to build our sustainability-related product offerings. We have also accelerated our efforts on our financial confidence programmes for retail customers. We will focus on further developing our solutions and advisory services to ensure that we, as a financial adviser, can fully support our clients' sustainability transition.</p>
<p><b>4. Stakeholders</b> We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>We are entering into partnerships and engaging stakeholders as part of our ongoing strategy work across the Group.</p>
<p><b>5. Governance &amp; Culture</b> We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>Over the last years, we have integrated sustainability into our governance and policies, and we have trained key parts of the organisation in sustainability. We will focus on further training activities, and we will integrate sustainability measures into our performance assessments and remuneration.</p>
<p><b>6. Transparency &amp; Accountability</b> We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	 <p>We have started to integrate the Responsible Banking Principles and our sustainability targets and measures into our reporting cycle.</p>

BUSINESS AND STRATEGY



# Governance and stakeholder dialogue

To ensure the execution and delivery of our Societal Impact & Sustainability Strategy, Danske Bank has strengthened its governance setup and monitoring on progress. We engage with stakeholders and use their views and expectations to inform our strategic direction and reporting.

Since 2018, we have tripled the number of full-time employees working with sustainability at both business unit and Group level to ensure an effective execution of our strategy. When integrating sustainability from a governance perspective, Danske Bank builds on existing structures, products and processes to ensure that sustainability is a natural part of everyday workflows. Consequently, the majority of the new employees are firmly rooted in the business units, assisting the units with integrating sustainability perspectives into daily operations.

In addition, we have developed new key performance indicators to monitor our progress against our targets in a reliable and measurable way. Our Societal Impact & Sustainability Strategy Execution Dashboard enables us to provide a solid documentation of our achievements on regular basis.

**Engaging with stakeholders**

The focus on responsibility and sustainable banking is accelerating across our main stakeholder groups. Besides expecting Danske Bank to be transparent, these stakeholders also expect us to assume accountability

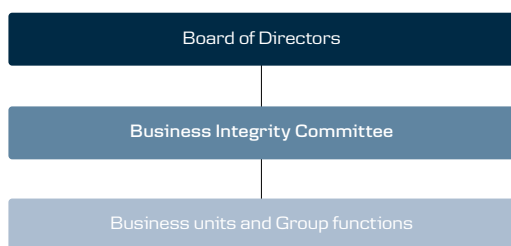
and to behave responsibly. Furthermore, we are expected to show value creation beyond profit, drive societal impact and create solutions for and with our customers.

In 2019, we updated our Stakeholder Policy to increase transparency in relation to the European Transparency Register, and we aligned the policy with our endorsement of the Principles for Responsible Banking. By doing so, we have committed to proactively and responsibly consulting, engaging and partnering with relevant stakeholders with the

aim of contributing to society's goals. The updated policy also specifies that we do not make financial contributions to political parties or candidates.

In 2019, we continued to maintain an open stakeholder dialogue. The Flexinvest Fri case and the money laundering case in Estonia, see pp. 25 and 27, were overriding issues in many of these dialogues. There remains a huge task ahead of us in restoring the trust of our customers and society at large.

**Sustainability governance structure**



The Board of Directors receives regular updates on sustainability to review performance and discuss environmental, social and governance (ESG) issues.

Our Business Integrity Committee develops and oversees the implementation of our sustainability-related strategies and policies. The committee is chaired by the Head of Wealth Management, and consists of the Executive Leadership Team, the CEO of Danica Pension and the Head of Societal Impact & Sustainability.

As well as being responsible for coordinating the implementation of decisions made by the Business Integrity Committee, the Societal Impact & Sustainability function is also responsible for monitoring progress on the strategy and for the annual sustainability reporting.



## Assessing material sustainability issues

In order to identify issues that represent risks or opportunities for our business and for society, we annually assess the materiality of ESG-related topics. The assessment is based on information gathered from our stakeholder engagements and surveys. We use the assessment to calibrate our Societal Impact & Sustainability Strategy and to ensure that we report on topics that are important to our stakeholders. This report provides details of our performance and mitigation of identified risks.

In 2019, our stakeholder engagements included retail customer questionnaires in Denmark, Norway and Finland;

interviews with large Corporate & Institutions clients, investors, municipalities, labour unions and NGOs; and a Groupwide employee survey.

A majority of our retail customers in the Nordic countries confirm that sustainability is an important focus area for Danske Bank. Not surprisingly, they see governance- and compliance-related topics such as AML, anti-corruption, data privacy and protection against cybercrime as the most material topics for Danske Bank to focus on. Climate change and sustainable use of natural resources are the two most important environmental topics; however, these topics are given

lower priority than governance and compliance. Similarly, investors also consider governance- and compliance-related topics to be of most importance, with climate change preparedness as an area of increasing focus.

Our work on societal impact and sustainability is very important to the majority of our employees. Compliance-related topics are high on the agenda for our employees, but climate change is assessed as the most important topic. This is followed by employee health and working conditions, which naturally also retain a high priority.

### Our commitment to international sustainability principles

In our Societal Impact & Sustainability strategy and policies we state our commitment to 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 Banking
- The UNEP FI Principles for Responsible Banking
- 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 position statements available at [danskebank.com](https://danskebank.com).

### Our engagement principles

The following principles guide our interaction with our stakeholders:

- 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.



\* Please see our Annual Report 2019

## SOCIETAL IMPACT



## Climate and environment

Climate change is a global challenge that fundamentally alters the risks that people, businesses and the financial sector face. Danske Bank is committed to helping society transition towards a net-zero carbon economy through green financing.



The main objective of the Paris Agreement on Climate Change

is to limit global temperature rises to well below 2°C, and governments worldwide have committed to transforming to a low-carbon economy. The level of global warming reached will be affected by the magnitude and speed of actions taken. It will also shape the nature of the risks we will face.

While major global changes in temperature, weather, sea levels and flooding patterns – as well as transitions in technology, regulation and market demand – pose risks, they may also provide opportunities. As stressed by the Task force on Climate-related Financial Disclosures (TCFD), transparency and the management of climate-related risks and opportunities are key to enabling a shared understanding of the implications of climate change at both a company and a systemic level.

In March 2019, we launched Danske Bank's Green Bond Framework, which serves

as a cornerstone for the advancement of our green bond issuance and development of green loan offerings. We will continue to scale and accelerate climate action by providing financial offerings that have a positive impact on climate change and the environment.

### Demand for green assets

Based on the framework, Danske Bank in 2019 issued its first green bond, and the first green mortgage series was launched by Realkredit Danmark. This was followed by the provision of green personal mortgage loans in Norway, Sweden and Finland. By issuing green bonds, we can provide green loans to personal and business customers. Danske Bank also finances and refinances loans and investments predominantly taken out and made in the Nordic region, where green funding has increased significantly over the course of the past few years.

Currently, we are seeing a strong interest in green bonds, and the volume of green bonds arranged for clients by Danske Bank has grown around 170% from 2018. As a result,

Danske Bank has moved up in Bloomberg's Global Green Bond League Table, and we are currently in the top 10 banks globally when it comes to green bond facilitation. In November 2019, this also led us to elevate our partnership with the Climate Bonds Initiative to further promote and develop green financing, and we co-sponsored the Green Bond European Investor Survey to identify market accelerators. Not only did this survey show that investors want deals that have a high level of climate impact, but it also revealed that investors see public policy as being key to scaling up the green bonds market. We are also engaged in the market for social and sustainability bonds and sustainability-linked loans, see p. 28.

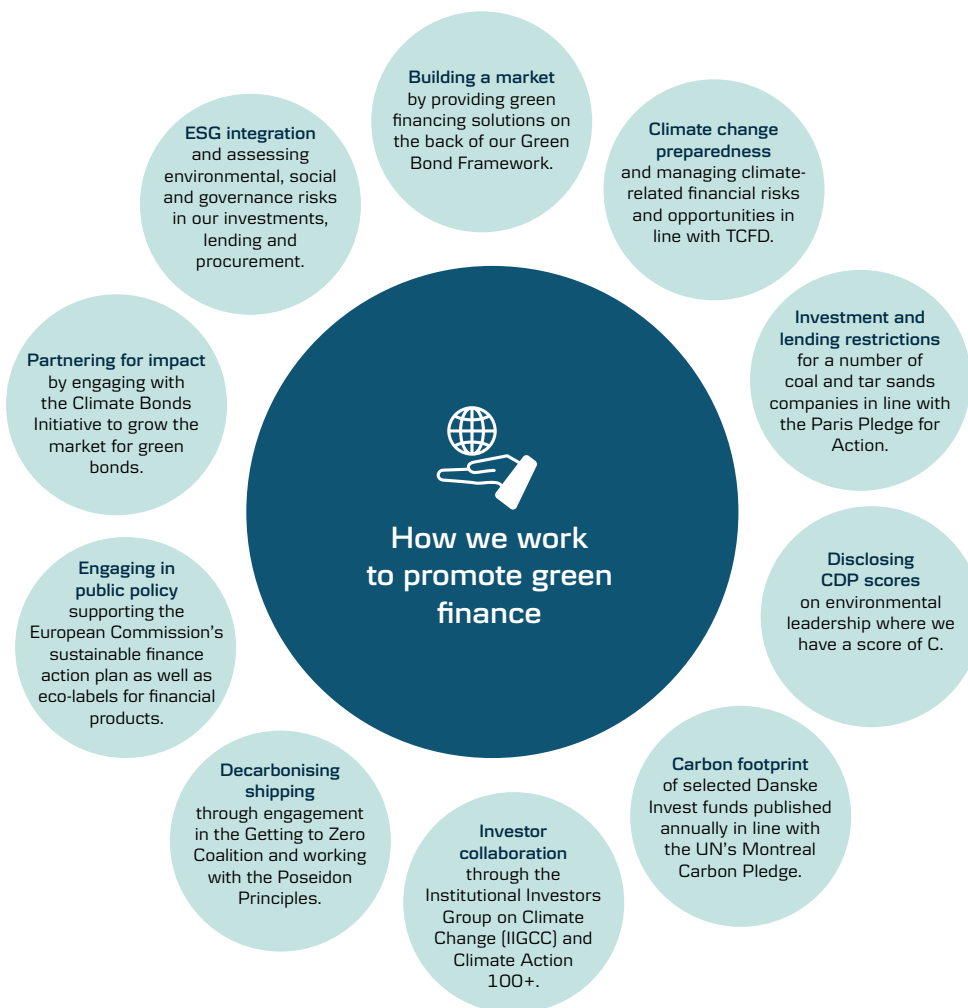
Danske Bank makes its own green bonds investments through Danske Bank Group Treasury, and in 2019 we allocated DKK 10 billion for our dedicated Green Bond Portfolio towards 2022.

Also in 2019, Danica Pension announced a DKK 100 billion green pledge towards 2030.

This means that 15% of pension savings expected by our customers will be invested in the green transition by 2030, and it also means that we will start reporting against the target from 2020. Danica Pension is also working to make its property portfolio more energy efficient thanks to the dual effect of reducing both its environmental footprint and its operational costs. Towards 2022, DKK 27 million will be invested in shopping centres with a target of another 20% reduction in energy consumption relative to the 2015 level. Danske Bank has been carbon neutral since 2009, and we continuously strive to reduce the direct environmental footprint of our operations, see p. 35.

Looking ahead, in addition to working to introduce new green concept offerings we are also working to address positive and negative societal impact at portfolio level to help steer our full portfolio in a sustainable direction.





## Introducing our Green Bond Framework

Through Danske Bank's Green Bond Framework, we aim to develop the green bond market by channelling capital into the environmentally beneficial projects of our customers and by addressing the investor demand for green assets. The framework defines the loans or investments eligible for funds by the proceeds of green bonds issued by Danske Bank. It also outlines the process used to identify, select and report on eligible loans, as well as the portfolio approach used to manage proceeds. The framework aligns with the four core components of the Green Bond Principles 2018 administered by the International Capital Market Association.

We have used the definitions in the framework to review the loan portfolio among large corporate clients. Existing loans that had qualified as green loans served as the foundation for the issuance of the first Danske Bank Green Bond in March 2019. When the bond was launched, not only was the level of demand high, but it also attracted significant investor diversification. The impact of our framework aligns with several Sustainable Development Goals (SDGs), including SDG 7 on affordable and clean energy. Contributions to reductions in carbon emissions are relative to the purpose the proceeds are to be used for. Our first Green Bond Impact Report will be published in 2020.

### Use of proceeds categories

- Clean transportation
- Renewable energy
- Transmission and energy storage
- Green and energy-efficient buildings
- Environmentally sustainable management of living natural resources and land use
- Sustainable water and wastewater management
- Pollution prevention and control
- Climate change adaptation

### Green Bond Committee

Danske Bank's Green Bond Committee approves green loans, monitors the eligible portfolio and the allocation of green bond net proceeds, and maintains and updates the framework.

### Green finance figures 2019

- **Danske Bank facilitation:** DKK 3 billion Climate Awareness Bond issued by the European Investment Bank led by Danske Bank has been the largest green bond in DKK to date.
- **Danica Pension investments:** Over DKK 10 billion invested in the green transition (sub-target for 2023 is DKK 30 billion), and DKK 54 million invested in energy efficiency in property portfolio.
- **Danske Bank Group Treasury:** DKK 7 billion treasury funds invested in green bonds issued, for example, for large renewable energy projects and climate protection in Northern Europe.

### Read more

For more details, please see p. 36 and our Sustainability Fact Book 2019.

## 2025 goal

Helping society transition towards a net-zero carbon economy through green financing. Our aim is to continuously grow the volume of green bonds, loans and investments.

## 2019 performance

- DKK 7 billion Green loans granted to customers\*
- DKK 4.5 billion Green bonds issued\*
- DKK 104 billion Green bonds arranged for customers

\*Danske Bank and Realkredit Danmark

## SDG contribution

We stimulate climate change measures, sustainable management of natural resources and the share of renewable energy in support of SDGs 13.2, 12.2 and 7.2

## SOCIETAL IMPACT

## TCFD reporting – climate-related risks and opportunities

To support the transition to a net-zero economy and to future-proof our business model, Danske Bank has committed to implementing the recommendations from the Task force on Climate-related Financial Disclosures (TCFD). Working with the TCFD recommendations requires significant analysis of climate issues and integration of findings in processes throughout our business, and we are currently in the early stages of a multi-year journey.

In 2019, we started working on our first climate-related scenario analyses, and together with leading banks from around the world

we are participating in working groups organised by UNEP FI to test and further develop methodologies.

Looking ahead, we will build on our initial insights to further strengthen our processes for managing climate-related financial risks and opportunities. We see our commitment to integrating climate considerations across our business as integral to our fulfilment of the Principles for Responsible Banking.

### Governance

Our Board of Directors exerts oversight of climate-related issues, both as routinely scheduled items and when important matters arise. Environmental, social and governance (ESG) considerations, including climate-related issues, are taken into account when taking stands on sector risks. In this regard, the Board Risk Committee operates as a preparatory committee for the Board of Directors by focusing on Danske Bank's risk management and related matters.

At management level, the overall responsibility for climate-related issues lies with our Business Integrity Committee, which includes all members of the Executive Leadership Team. The committee has oversight of KPIs and targets related to our emission reductions and climate-related offerings,

including green loans and bonds, as well as oversight of the implementation of the TCFD recommendations. Our Business Integrity Committee is supplemented by our Sustainable Investment and Sustainable Lending committees that focus on activities specific to investment and credit granting respectively.

Furthermore, ESG risks, including climate-related risks, are subject to oversight by our All Risk Committee, on which all Executive Leadership Team members sit. This committee makes decisions on and monitors all material risks associated with the Group's business model and activities across all risk categories, business units, functions and geographical regions. These efforts are conducted in accordance with our enterprise risk management at a country level and at a business unit level.

### Strategy

As part of our Nordic Integrator Strategy, we aim to integrate societal impact and sustainability, including climate perspectives, into our business model as we believe this is key to running a sustainable long-term business. Specifically concerning climate change, our goal is to help society transition to a net-zero carbon economy through green financing, and we see an increasing demand for sustainable finance offerings and products that incorporate climate-related considerations.

In 2019, we started working on our first climate-related scenario analyses, and we are working towards taking a sector-based approach to assess both transition and physical risks. For example, we have examined the transition risks for our oil and gas portfolio, which in the long term could affect the credit quality of this portfolio. However, further work with scenario analyses is required to obtain a more complete and detailed overview of the climate-related risks and opportunities we face across sectors, thereby allowing us to fully describe the strategic implications.

We will also be monitoring closely the impact of upcoming regulation that is expected to shape the climate-related risks and opportunities we face, for example, the European Commission action plan on sustainable finance.

In terms of our offerings, in 2019 we announced a new framework for our granting of green loans and issuance of green bonds. The foundation for the issuance of the first Danske Bank green bond was laid by existing loans that qualified as green. This first Danske Bank green bond launched with higher levels of demand, a more diversified investor base and consequently a somewhat cheaper funding cost than that of comparable non-green bond issues.

Furthermore, Realkredit Danmark has introduced a green mortgage covered bond as the first institution in Denmark to do so. On the client side, the volume of green bonds arranged for clients by Danske Bank has grown significantly since 2018, and we are now among the top 10 banks globally for green bond facilitation in Bloomberg's Global Green Bond League Table. We are also working to make Danica Pension's property portfolio more energy-efficient with a view to reducing both the carbon footprint and operational costs, and Danica Pension has committed to increasing its green investments to DKK 100 billion by 2030. Looking ahead, we expect to develop more green offerings across our markets, including green mortgage loans and sustainability-linked loans.



### Risk management

We assess and consider environmental risks in our investment, lending and procurement practices on the basis of our commitments to international sustainability principles, our policies and our position statements. Included in this is our decision to no longer invest in or lend to companies with a revenue of 30% or more derived from thermal coal mining, thermal coal utilities or extraction of oil from tar sands.

Our Credit Policy sets out the principles for managing credit risk, and ESG is an integrated part of this policy. Our ESG directives also set the minimum requirements for managing specific ESG risks, including climate-related risks, within five specific sectors: fossil fuels, mining and metals, forestry, agriculture and arms and defence. Our ESG instructions and factsheets provide further practical guidance on the procedures when handling ESG risks.

Additionally, we regularly assess climate-related risks as part of our credit analysis for individual large corporate customers, and we perform risk assessments for selected credit portfolios based on their impact on the Group's financial position under stress and/or significant relation to the Group's strategy. The sector risk assessments include an ESG assessment and screenings of our customers using external ESG data providers. These assessments help inform our risk appetite for a given sector and are presented to the All Risk Committee and the Board Risk Committee. This can lead to specific actions such as tightening of credit standards.

In 2019, we started to include climate-related risk reporting using sector-specific scenario analyses for relevant sectors, and together with leading banks from around the world we are participating in working groups organised by UNEP FI in order to test and further develop methodologies for this work.

Our first analysis covering transition risks was performed for the oil and gas sector, following TCFD recommendations and the World Energy Outlook scenarios from the International Energy Agency. A physical risk analysis was also conducted to examine the impact of flooding risk on parts of our real estate portfolio. The scenario-based sector assessments provide insights into climate-related risks and opportunities. We will continue our efforts with climate-related scenario analyses with the aim of covering additional sectors and refining our methodology while also ensuring further integration of the results in our processes.

In our role as asset owner and asset manager, we acknowledge that the significant financial climate-related exposures of our investments are not fully captured by traditional financial metrics. We are therefore working to gradually implement the TCFD recommendations into our investment decision-making processes. This includes developing methodologies to identify climate-related risks and opportunities, assessing the relative exposure of industries to different climate-related risks and opportunities, and evaluating how well companies manage those exposures. Since these issues are complex, the implementation will be a multi-year journey, increasing in scope gradually over time.

### Metrics and targets

In 2019, we carried out two types of climate-related scenario analysis using two different sets of metrics. The first analysis was on transition risks in the oil and gas sector, focusing on potential effects to the credit quality of our portfolio. The second analysis was on physical risks related to increased frequency and severity of flooding in our retail mortgage portfolio, which produced estimates of exposure and collateral value at risk.

In terms of our climate footprint, our own operations have been carbon neutral since 2009. Please refer to the section on our

environmental footprint on p. 35 and the ESG performance table on p. 36 for further details of our metrics and targets.

We have also commenced work on analysing the carbon footprint of our lending and investment portfolios. No portfolio targets have yet been set based on current findings, although Danica Pension has committed to increasing its green investments to DKK 100 billion by 2030.

*“By working with the recommendations of the TCFD, we’re preparing Danske Bank for the future. As part of our credit analysis for large corporate customers, we’ve started working with assessments of climate-related risks. And we’ve also begun developing methodologies to identify climate-related risks and opportunities as part of our investment decision-making processes.”*

Carsten Rasch Egeriis, Member of the Executive Leadership Team and Head of Group Risk Management.



### Read more

For more details, please see our Annual Report 2019 and our Risk Management Report 2019. Danske Bank also discloses detailed information based on the TCFD framework as part of our reporting to CDP on climate change available at [cdp.net](http://cdp.net).

## SOCIETAL IMPACT

# Innovation and entrepreneurship

Entrepreneurs are essential to innovation and economic growth in society. Danske Bank is committed to helping start-ups scale their business and increase their positive impact on society.

## Entrepreneurship 2019 figures

- **Danske Bank Growth:** 70+ advisers in our Centre of Excellence specialise in helping start-ups and growth companies across our business and market areas.
- **+impact:** 825 times an expert offered to help an impact start-up with a challenge through our free, cross-Nordic, digital matchmaking platform. The platform currently lists 250+ start-ups and 850+ expert volunteers. This represents a 380% engagement growth since 2018.
- **+impact accelerator:** 20 Nordic start-ups graduated from our training programme for impact start-ups.
- **The Hub:** 6,000+ start-ups, 18,000+ jobs, and 280,000+ applicants listed on our free, digital-community platform tailored to the needs of growth companies across our markets. This represents a 200% engagement growth since 2018.
- **Hub Invest in Finland:** 16 start-ups and about 70 angel investors participated in matchmaking events.
- **Canute:** 34 start-ups participated in the market introduction programmes for scale-ups going international. The programme is run by the Danish Ministry of Foreign Affairs, and Danske Bank is a founding partner.
- **SHE Conference in Norway:** More than 2,000 people participated at the gender-equality conference for start-ups. The conference is sponsored and co-organised by Danske Bank.



The Sustainable Development Goals (SDGs) address the global challenges we face – poverty, inequality and climate change, to name but a few. As such, these goals form a blueprint for achieving a better future, and they encourage and stimulate new business models and innovations. Impact start-ups – new ventures that make a positive social and environmental impact whilst also securing financial returns – are the embodiment of all that the SDGs represent.

Start-ups, however, are high-risk businesses that need solid ecosystems to succeed. Since 2015, Danske Bank has been building a portfolio of activities to help start-ups to scale their business and increase their positive impact.

## Helping impact entrepreneurs

Raising capital, recruitment and access to best practice tools are the main scalability challenges for all growth companies. On top of these, other key challenges specific to impact start-ups include access to mentors and experts, the need for an ecosystem of interacting businesses, and the need for help to develop a viable business model.

To gain a deeper understanding of the challenges and to help build a strong community around impact start-ups, Danske Bank conducts an annual survey, and the insights gained are shared in our State of Nordic Impact Start-ups report. The 2019 survey carried out in-depth analyses of specific topics, including business models, markets, customers and gender diversity. The survey revealed a gender gap

at leadership level among Nordic impact start-ups, with women representing only 14% of all CEOs. In 2020, we will continue our activities to support female entrepreneurship.

In 2018, we launched +impact, our free, cross-Nordic, digital matchmaking platform tailored to social entrepreneurs who address one or more of the SDGs. Through +impact, entrepreneurs can share their challenges and receive advice from mentors and expert volunteers. In order to promote our activities and increase

the engagement of mentors, Danske Bank frequently participates at Nordic start-up events, including at events that focus on diversity and female potential.

In addition to this digital platform, Danske Bank has also kick-started a 10-week accelerator programme for Nordic impact start-ups. The programme helps start-ups fine-tune their business models and prepares them for the next stages of growth. The first accelerator programme was launched in October 2018 in Copenhagen with a broad focus

## SDGs addressed by impact start-ups match investor preferences

Top four SDGs most frequently addressed by Nordic impact start-ups:



This finding from our 2019 State of Nordic Impact Start-ups report fits well with the impact focus of Nordic investors. A 2019 survey of impact investing in the Nordic countries conducted by One Initiative and co-sponsored by Danske Bank shows that the most popular SDG preferences are the following:



However, there are also differences. Many impact start-ups focus on changing the way goods and resources are consumed (SDG 12), whereas investors see industrial innovation and infrastructure (SDG 9) as investment opportunities.

The State of Nordic Impact Start-ups survey 2019 also shows that energy solutions (SDG 7) represent 65% of profit generated by impact start-ups. Although SDG 7 is popular with investors, their interests and impact intention are in general more spread across the SDGs than the solutions provided by impact start-ups.

A total of 83% of the Nordic impact investors expect their impact portfolio to deliver a rate of return that is at or above the market rate. This is good news for the emerging practice of impact investment.



on all SDGs. In 2019, second and third programmes ran in Copenhagen and Stockholm. In Copenhagen the focus was specifically on start-ups working with sustainable fashion and food, whereas the participants in Stockholm focused on circular economy solutions. The accelerator programme is all-expenses-paid and offers mentoring, training and networking. Each programme ends with a Demo Day, at which the start-ups pitch their business ideas in front of more than 100 participants and potential investors.

At Danske Bank, we believe that the Nordic region can become a centre for impact start-ups, and, together with partners, we can help facilitate that development. Ensuring that we have the right competencies on board is a further reason why we enter into partnerships with others. Our strategic partner on the +impact platform is the venture development firm Rainmaking, and partners who have contributed to our +impact accelerator programme include SingularityU Nordic, Katapult Accelerator, RISE and WeWork Labs.

**Supporting tech entrepreneurs**  
In addition to our initiatives that focus on supporting impact entrepreneurs, we are also supporting tech entrepreneurs across the Nordic region. A key activity in this respect is

The Hub – Danske Bank’s free, digital community platform that makes it easier for start-ups to recruit talent and helps applicants find the right job. Through The Hub, start-ups can create a profile to increase their visibility among investors, access free tools to support growth (including templates for contracts and pitch decks), and can promote their vacant positions to job seekers.

Built by Rainmaking and powered by Danske Bank, The Hub was originally launched in Denmark in 2015. With the support of local partners, The Hub has since expanded to cover Sweden, Norway, Finland and Northern Ireland.

In 2019, The Hub was redesigned and new innovative features were introduced. Not only has the applicant management system been radically improved, but the start-up public profiles have also been upgraded to give start-ups more opportunities to promote their business and work culture.

Being able to offer an attractive salary can be crucial for attracting and retaining the right people needed to scale a business. To help founders and employees find a mutually agreeable and attractive price for a career, Danske Bank and Arkwright X conducted a Nordic Start-up Salary Survey in 2018 to chart pay levels within Nordic

start-ups. The survey also brought to light the fact that employees who own shares in the company they work for work on average eight hours more per week.

**Matchmaker for risk capital**  
To help bring start-ups into contact with investors, Danske Bank engages with local investor networks such as DanBan and FiBan. In 2019, Danske Bank held four events as part of The Investor Series event programme. In conjunction with these events, we invited international venture capital companies to Denmark to meet promising Nordic scale-ups looking for funding.

Another way to help start-ups gain access to risk capital is through the activation of our personal customers as angel investors. In 2019, we launched our new Hub Invest programme in Finland, through which private banking customers are trained in making informed decisions about angel investing. The programme covers topics such as risk handling, building a portfolio, due diligence and exit strategies. Upon completion of their training, the angel investors meet with early-stage start-ups at a matchmaking event. We will arrange similar training and events across the Nordic countries in 2020.

**2025 goal**

Helping 1,000 social entrepreneurs grow their positive impact in society.

**2019 performance**



Data is accumulated from baseline 2018.

**SDG contribution**

We stimulate formalisation and growth among start-ups in support of SDG 8.3.



## SOCIETAL IMPACT

# Financial confidence and security

Financial challenges are a key driver of personal stress in society, and the risk of financial cybercrime and fraud is increasing. At Danske Bank, we are committed to helping people and businesses become financially confident and secure in today's digital age.

## Financial confidence 2019 figures

- **MoneyVille:** 338,699 children across our markets used our online game to gain a better understanding of how money is earned, how to prioritise spending, and the importance of saving.
- **PengeKøbing in Denmark:** 1,480 children aged 6 to 12 attended our 13 events together with their parents and learned about money through a mix of theatre, talks and games.
- **Money Week in Denmark:** 392 classes and 9,562 pupils aged 13 to 15 attended a guest lecture at their school about digital security, budgeting and personal finances given by one of our financial advisers.
- **Pocket Money app:** 16,344 new users in Denmark, Norway, Sweden and Finland.
- **Pocket Money Day in Denmark:** 1,542 children aged 8 to 12 opened small shops in three large shopping centres to earn their own pocket money.
- **SMART in Northern Ireland:** 5,536 pupils in 53 primary and post-primary school were educated by our Youth Ambassadors on the subjects of budgeting and saving, credit and debit, buying and renting property, and entrepreneurship.
- **Economic know-how in Finland:** Dozens of our financial advisers helped hundreds of young people who are not in employment, education or training to manage their personal finances.
- **Financial confidence in Finland:** Almost 400,000 viewed the YouTube series and over 50,000 listened to podcasts.



Children today are living in an ever-changing financial world.

Digital money, contactless payments, in-app purchases and cryptocurrency are just some of the things they need help in understanding. At Danske Bank, we believe that practice makes perfect and that good money habits can help children progress all the way to a financially secure adulthood. Together with our partners, experts and NGOs, we are continually developing tools and educational programmes that ensure the sharing and activating of knowledge throughout the community, in schools and at home with the family.

A Danske Bank study carried out by YouGov in 2019 shows that three out of four parents in the Nordic countries give pocket money to their children. About half of all parents give pocket money to help their children become financially responsible and to teach them that money

has to be earned. Our Pocket Money solution, launched in 2017, enables parents to have regular discussions with their children about spending and saving up. The solution consists of an app, a pocket money card for children aged 8 to 14, and a feature in the Danske Mobile Banking app for parents.

## Launching new impact programmes

A new initiative in Denmark launched in 2019 is Pocket Money Day. On this day, children can earn their pocket money by setting up small shops, and parents are provided with videos with tips on how to help their children build a sustainable small business.

Another new initiative aimed at opening up the topic of money is PengeKøbing, launched in Denmark in 2019. This event involves actors performing a play for children about the history of money while a psychologist provides advice to parents on how to talk to children about the topic of

money. Afterwards, the families play games such as making DKK 100 go as far as possible for groceries, discovering hidden household expenses and earning money by carrying out household chores.

These initiatives are part of our new impact programme, The Safe-box. This programme provides a safe environment in which children's most influential role models can help children develop good money habits. New initiatives targeted at parents will be launched in early 2020, and an educational concept for schools is currently under development in close collaboration with the Danish students' organisation, Danske Skolelever. The programme will subsequently be adapted to the markets in the other Nordic countries.

In Finland, Danske Bank launched a two-year programme in 2018 to make it easier to start talking about money and to encourage people to take charge of their personal finances. Our first step was to rent public saunas and engage in conversation about money with the more than 600 people who sat down in the saunas to talk with us. Initiatives in 2019 included investment gifts for babies in collaboration with SOS Children's Villages Finland, a YouTube series with popular journalist-producer Arman Alizad, and podcasts in which people living in Finland in different life situations find financial piece of mind with the help of Danske Bank mentors. Together with the Children and Youth Foundation and the Young Entrepreneurship Association, we will in 2020 launch a free financial education programme created in alignment with the Finnish school curriculum.



At Pocket Money Day, children can earn pocket money by setting up small shops.



## The fight against fraudsters continues

Every month, thousands of customers become victims of card and payment fraud, such as investment scams, romance scams and ID theft. The monetary losses can amount to millions for business customers and hundreds of thousands for retail customers. In 2019, we saw a 20% increase in fraudulent payment transactions, but we managed to keep the combined gross losses for card and payment fraud at levels similar to those of 2018.

Nevertheless, fraudsters are becoming more skilled and the scams are getting more sophisticated. Throughout 2019, we continued to invest in defences to ensure that Danske Bank's and our customers' assets remain secure. To increase security and enable compliance with ever-increasing regulatory requirements, we have ramped up our security capabilities, increased our collaboration with authorities, and enhanced our systems and processes.

### Detecting fraudulent transactions

At Danske Bank, highly advanced real-time fraud-prevention systems are used to analyse and detect fraudulent card and payment transactions. In 2019, we improved our FraudEngine programme - a programme that screens millions of transactions among our retail and business customers each month to prevent payment fraud. The

FraudEngine detects and flags for review any transactions that do not follow the usual payment pattern for the specific customer. Once such a transaction has been brought to our attention, we contact the customer to receive first-hand confirmation of whether the payment was legitimate or not. When possible, fraudulent transactions are halted before funds are moved.

Because most card fraud occurs when a thief steals a card's PIN (enabling the perpetrator to withdraw DKK 30,000 in just a few minutes), we took the precautionary measure in 2019 of reducing the pre-defined cash withdrawal limit to DKK 6,000. Customers can increase this limit if they wish.

### Raising fraud awareness

To help strengthen cyber resilience across all of the Nordic countries, Danske Bank collaborates with external cyber security organisations connected to the Danish police and various intelligence agencies. Such agencies include the Danish Centre for Cyber Security, the Danish National Center of IT-related Economic Crime (LCIK), and the Nordic Financial CERT, with which we share best practice on the latest fraud intelligence and which plays a lead role in the joint effort to fight cybercrime.

In 2019, we saw a doubling of cases where customers - especially our younger

customers - were used as so-called money mules. Criminals target these customers and lure them into transferring illegally obtained money between different payment accounts. In 2020, Danske Bank in collaboration with national authorities and other banks will be conducting information and awareness campaigns about the growing trend in money mules.

Collaboration between Danske Bank and Finance Denmark to raise awareness of fraud prevention has also been intensified. Together, we hosted an event on payment fraud techniques at the annual Danish political festival, Folkemødet, in 2019.

In 2020, we will launch a redesigned version of our Keep It Safe platform, through which we share the latest insights in the area of cyber security and provide tools for businesses and personal customers to protect themselves against cyber criminals.

We continue to make relevant content from the Keep It Safe platform available to The Danish Consumer Council, which offers a free app, Mit digitale selvforsvar [My digital self-defence], that provides advice on how to avoid becoming a victim of fraud and what to do if it happens. We also provide alerts on fake email campaigns and guides on what to look out for when shopping online.

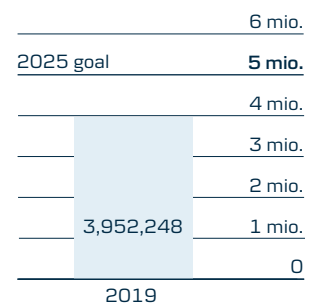
### Counter fraud 2019 figures

- **Resources:** More than 100 employees working across multiple locations to fight fraud and protect Danske Bank customers.
- **Payment screening:** Every month, more than 10 million payments were screened, with customers being contacted if payment verification is required.
- **Keep It Safe:** In the first quarter of 2019, more than 27,000 unique visits were registered on our platform since 2018, increasing to 52,855 in the fourth quarter of the year.
- **Awareness raising:** Our content on social media is, on average, viewed by more than 40,000 users. This includes articles, videos and other engaging content.
- **Business customer visits:** At least once a month, we visited business customers to raise awareness of the most common fraud trends.
- **Mit digitale selvforsvar [My digital self-defence]:** More than 150,000 downloads - an increase of more than 50% since 2018.

### 2025 goal

Helping five million people and businesses to become financially confident and secure in today's digital age.

### 2019 performance



Data is accumulated from baseline 2018.

### SDG contribution

We stimulate people in achieving literacy and numeracy in support of SDG 4.6.

SUSTAINABLE BUSINESS



# Compliance culture

A strong compliance culture is fundamental to regaining the trust of our stakeholders. At Danske Bank, managing risks is a responsibility shared by all employees, and we continue to work to ensure it is an integral part of the day-to-day work routines of each and every employee.

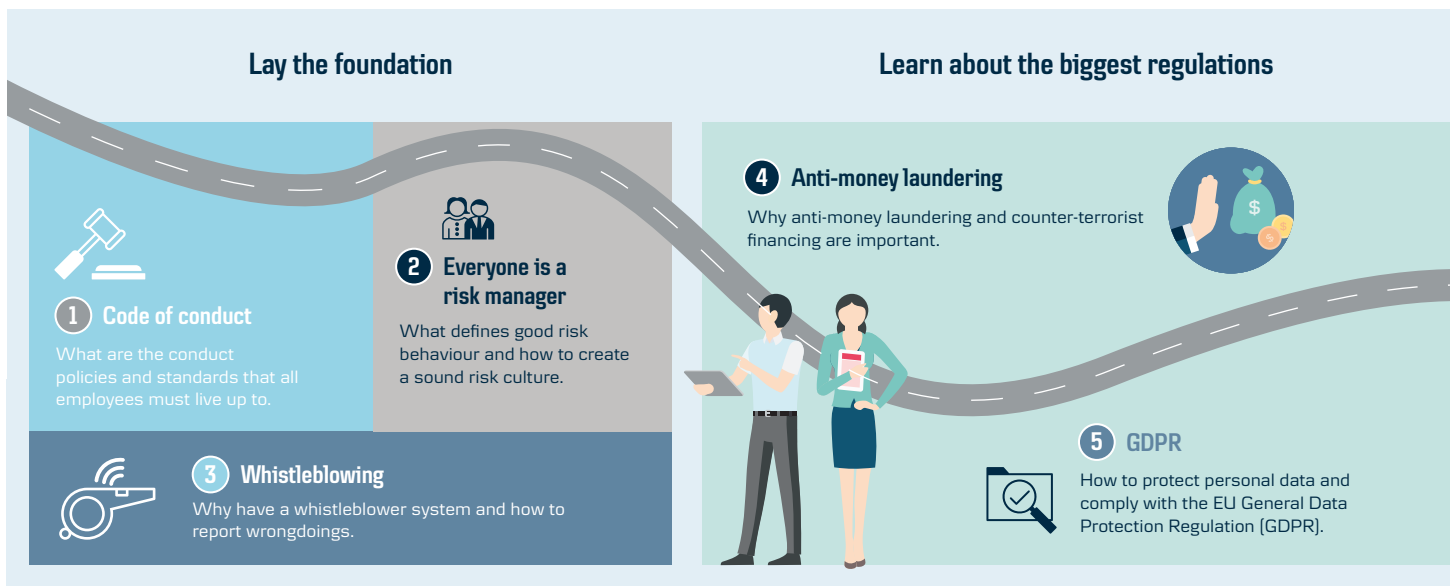
Complying with applicable legislation, market standards and international principles for responsible business conduct is fundamental to Danske Bank. Taking an enterprise risk management (ERM) approach, we set common standards for risk management across all risk

types, creating the framework to run a responsible business. We work to ensure that strong internal controls and risks assessments are embedded at the core of all that we do, and in 2020 we will invest further in this area.

Our Group Compliance function is responsible for monitoring compliance across the Group and for providing advice on mitigating compliance risks. The Chief Compliance Officer reports directly to the CEO and the Board of Directors and is a member of our Executive

Leadership Team. Clear policies, a high level of risk-awareness and mandatory training for all employees are key to building and maintaining a strong culture of compliance. An essential pillar in all of this is our Code of Conduct Policy, to which all employees must adhere.

## Learning path for mandatory risk and compliance training





This policy provides guidance on the subject of prudent behaviour and assists our employees in their daily work and decision-making. In addition, our Escalation Policy sets the requirements for appropriate and timely internal reporting of potentially problematic cases, ensuring that such cases are escalated to the Executive Leadership Team and reported onwards to the Board of Directors, when relevant.

**Improved whistleblower system**

We strive to foster a healthy feedback culture in which employees can feel free to voice any concerns they may have. Should employees become aware of irregularities or wrongdoings, they can also report their concerns anonymously through our whistleblower system. All reports are treated in the strictest confidence, and whistleblowers are protected against retaliatory measures. In 2019, we revised our Whistleblowing Policy to ensure clearly defined requirements and expectations for the use of the whistleblower system and raised the profile of the critical importance of whistleblower protection. The number of

whistleblower reports increased by more than 20% from 2018 to 2019.

**Tax transparency**

Tax fraud and tax evasion contribute to rising inequality, and at Danske Bank we have a firm position on tax compliance, as set out in our Tax Policy. In addition to seeking transparency and a proactive, open and cooperative relationship with the tax authorities, we are also committed to disclosing our tax payments in accordance with national and international requirements and in line with good practice among our peers. Should it come to our attention that any of our customers or business partners are engaging in tax fraud or tax evasion, we cooperate with the relevant authorities in accordance with applicable rules and regulations.

Possessing a general understanding of the tax affairs of our customers is a key competency that enables our employees to mitigate compliance risk in relation to customer tax evasion. The main principles of our Tax Policy and the global tax framework are part of our mandatory anti-money laundering (AML) training. In 2019, we

added a new training module - Introduction to Taxes. This module is available to all employees and helps them learn more about taxation and detecting tax evasion.

**Anti-corruption and bribery**

Corruption and bribery represent a significant barrier for economic and social development. We are working to mitigate the risks associated with corruption and bribery through our compliance infrastructure, which includes controls, centralisation of processes, training and escalation procedures. We operate in accordance with the following five principles: (i) not to accept or solicit bribes in any form; (ii) not to make or accept facilitation payments; (iii) not to offer, promise or give a financial or other advantage; (iv) to only accept gifts given or received in specific situations; and (v) to avoid any conflict between our personal interests and the interests of the Group.

To avoid conflicts of interest or accusations of bribery and corruption, employees should consult their manager or Group Compliance if ever they are in doubt. Our register of gifts and hospitality provides further transparency to this end.

Our stance on corruption and bribery is expressed in our Code of Conduct Policy. In 2020, this policy will be augmented by a separate set of criteria for sponsorship agreements.

**Relevant policies**

Group policies of specific relevance to sustainability include:

- Anti-money Laundering, Counter-Terrorist Financing and Sanctions Policy
- Code of Conduct Policy
- Compliance Policy
- Conflict of Interest Policy
- Credit Policy
- Diversity and Inclusion Policy
- Escalation Policy
- Market Abuse Policy
- Remuneration Policy
- Security Policy
- Societal Impact & Sustainability Policy
- Stakeholder Policy
- Supplier Code of Conduct
- Sustainable Investment Policy
- Tax Policy
- Whistleblowing Policy

**Read more**

For more details, please see our Annual Report 2019 and our Risk Management Report 2019.

**Gain specialised knowledge**

**6 Competition law**

How the requirements affect our activities including key risk areas.

**7 Information security awareness**

How to behave in a secure manner regarding sensitive and confidential data.

**8 Market abuse**

How the market abuse regulation affects our activities.



**9 Social engineering**

What is social engineering and how to prevent it.

**Ambition**

Our aim is to have more than 95% employees trained in risk and compliance in 2023.

**2019 performance**

96% of our employees completed and passed risk and compliance training.

**SDG contribution**

We work to reduce corruption and bribery in all forms in support of SDG 16.5.

To further drive our strong compliance culture, all employees must complete an annual eLearning package containing courses covering risk and compliance issues related to internal policies and external regulation. The courses follow a learning path that helps employees to complete the training in an order that ensures the best possible learning experience and the embedding of knowledge.

## SUSTAINABLE BUSINESS

# Customer engagement

Building long-term responsible customer relationships is key to Danske Bank's business success. In addition to striving to provide responsible advice and easy and secure access to financial services, we also strive to keep customer data safe.

At Danske Bank, we are fully committed to becoming a better bank for all our stakeholders. As well as acting with integrity, we hold ourselves to a high ethical standard where profit may never overshadow responsible behaviour. We use customer satisfaction as a pointer for how well we live up to the expectations of our more than five million customers, and it is our aim to be among the top two banks when it comes to customer satisfaction by 2023.

Our 2019 performance shows room for improvement. We fully recognise the negative sentiments aroused by the money laundering case in Estonia, see p. 27, and the Flexinvest Fri case and the impact these have had on our image, customer loyalty and satisfaction. Regaining our stakeholders' trust is fundamental when it comes to building long-term responsible

customer relationships. We are taking all steps necessary to improve our performance and to prevent something similar from happening again.

#### Customer due diligence

Like all other banks in the EU, Danske Bank is subject to Know Your Customer (KYC) regulations. It is a requirement that by the end of 2020 all our customers will have undergone ongoing due diligence (ODD) processing. The ODD process, which we started in 2017, involves documenting who our customers are and understanding how our customers are using our products and services.

In 2019, we focused on contacting our more than 1.7 million retail customers in Denmark. We understand that some customers may feel inconvenienced when we ask them to provide proof of identity

– particularly if they have been a loyal customer for many years. However, KYC regulations are not only necessary, but they are in the best interests of us all.

Through our Nordic KYC utility, we aim to simplify the KYC processes, thereby improving the customer experience for corporate customers, see p. 26.

#### Responsible advising

At Danske Bank, we also have a legal obligation to provide responsible customer advice, which means ensuring that advisers act in the best interests of our customers and offer the most suitable products and advice. Our advisers undergo continuous training, and we have set up internal controls and audits to ensure that we live up to our obligations and follow our own business procedures. As a matter of principle, retail advisers do not have sales-related

targets – and communication, irrespective of channel and customer, should be open, truthful and unambiguous.

If our customers are not satisfied with our services, we encourage them to contact us with a view to settling the matter and helping us improve the customer experience. It is also possible to file a complaint online.

#### Keeping customer data safe

We keep customer data safe and secure with respect to data privacy in line with EU General Data Protection Regulation (GDPR) requirements. GDPR entered into force in May 2018, and since then more than 7,000 customers have expressed an interest in knowing what personal data we store by requesting an overview. We recognise that GDPR is a cultural change for both customers

#### When asking customers...

to provide their proof of identity and citizenship, if they are a politically exposed person (or related to such a person), to provide details of certain transactions, and which country or countries they are liable to pay tax in, including tax liability in the United States.



#### ...we are better able to...

protect customers from the fraudulent activities of others, spot criminals who exhibit behaviour that stands out from the norm, combat money laundering, the financing of terrorism and other financial crime, and assist our national and foreign tax authorities.

*“We invest a lot of time and effort in developing concepts that give a better customer experience. Open Banking is set to be the biggest seismic shift in financial services since online banking. We have created a virtual bank environment to test prototypes and concepts with Nordic fin-tech companies, and our investments in this space form part of our long-term strategy to support innovative financial solutions.”*



Glenn Söderholm,  
Member of the Executive Leadership Team and Head of Banking Nordic



and employees, and working with the data protection principles has required the implementation of new procedures and systems.

Throughout 2019, we continued to assist a smooth implementation by providing tools and guidance. GDPR is also part of our mandatory compliance training, which has included a module on secure communication in view of the Danish Data Protection Agency's new guidelines for encrypting electronic communications. We have also made a data inspection test to prepare ourselves for future inspections, and we have developed additional training modules for employees who are particularly exposed to GDPR to be rolled-out in 2020.

#### Daily banking made easy and secure

To make daily banking easy and secure for our customers, we continuously simplify our processes and create innovative financial solutions. In 2019, we rolled-out a new Danske Mobile Banking app, and one of our major areas of investment is Open Banking. Regulated by the EU's PSD2 directive to secure data and regulate how this data is used, Open Banking gives third parties direct access to banking data, which is of value to our customers and for integrating with partners.

Previously, Danske Bank used an interface from a third party. However, in 2019, in alignment with the PSD2 directive, we introduced three new online

interfaces for our new financial technological ecosystem. These allow our customers to view accounts from other banks in the Danske Mobile Banking app, for example. The interfaces open up a range of new services for our customers and present new business opportunities for many companies.

Danske Bank also offers customised solutions for people with special requirements. For example, in 2019 Danske Bank Northern Ireland started working to become dementia friendly. This involves training employees in how to support customers affected by dementia - a condition where memory loss and problems with processing information can make banking and managing money a challenge.

### The Flexinvest Fri case

The Flexinvest Fri case was a major focus point for Danske Bank in 2019.

On 24 June 2019, Danske Bank publicly announced that customers who had invested in the Flexinvest Fri product during a certain period paid fees that were too high. This was a result of a number of management decisions to change Flexinvest Fri fees in connection with the implementation of new regulation (MiFID II) in 2017. At the time, interest rates and expected returns were low. From this perspective, the management decisions caused the fees to be set at a level that was too high in relation to the expected returns, which meant the product was unsuitable for some customers.

In October 2018, Danske Bank commenced an investigation and notified the Danish Financial Supervisory Authority (FSA) about the case. On 30 August 2019, the Danish

FSA issued a decision containing a number of orders. Danske Bank is currently taking the steps necessary to ensure compliance with these.

On 14 November 2019, Danske Bank was preliminarily charged by the Danish State Prosecutor for Serious Economic and International Crime (SØIK) for violating the Danish Executive Order on Investor Protection in connection with the Flexinvest Fri case. Danske Bank cooperates fully with SØIK.

As of 31 December 2019, a total of DKK 310 million in compensation had been paid to almost 83,000 customers. The remaining 4,000 or so affected customers can expect to receive compensation in 2020.

For a full overview of the Flexinvest Fri case, please see Annual Report 2019.

#### Customer engagement 2019 figures

- **Users of Danske Mobile Banking:** 1,421,680 users of our new Danske Mobile Banking app and mobile banking is now almost as used as e-banking is by our customers.
- **Customer meeting bookings:** 17% of all customer meetings were booked by our customer through our website or Danske Mobile Banking which allows the customer to engage with us in the way that suits them best.
- **KYC outreach:** 387,668 customers contacted as part of our KYC obligations.
- **Percentage of employees trained in GDPR:** 96%

#### Read more

For more detail on customer satisfaction, see our Annual Report 2019.



#### Ambition

Build long-term responsible customer relationships. Our aim is to be among the top two on customer satisfaction in everything we do by 2023.



#### 2019 performance

##### Banking DK:

- Retail customers: Below target
- Commercial customers: Below target

##### Banking Nordic:

- Retail customers: On target in 2 of 3 countries
- Commercial customers: On target in 3 of 3 countries

##### Corporate & Institutions:

- Number 3 overall in the Nordic countries
- On target in 2 of 4 countries

##### Wealth Management:

- Asset Management: Number 2 overall in the Nordic countries
- On target in 1 out of 4 countries

##### Danica Pension:

- Below target in 2 countries

##### Northern Ireland:

- Personal Banking & Small Business: Number 1
- Corporate & Business Banking: Number 1



#### SDG contribution

We seek to deliver easy and secure access to financial services for all in support of SDG 8.10.



## SUSTAINABLE BUSINESS

# Fighting financial crime

The implications of financial crime on society are significant and continue to challenge our industry. Taking responsibility for the integrity of our systems and the prevention of financial crime is fundamental to Danske Bank.

In recent years, Danske Bank has made substantial investments to improve systems and competencies to fight money laundering and other types of financial crime. Those who attempt to misuse the financial system continue to evolve their methods and are becoming more sophisticated; consequently, fighting financial crime will remain at the top of our agenda.

We are continuing our investigation of the matters related to the historical non-resident customers at the now-closed Estonian branch. Working in close cooperation with the authorities, we are deeply committed to getting to the bottom of the case. The case is still a topic in many of our stakeholder dialogues, and transparency about how we contribute to fighting financial crime is of great importance to our stakeholders.

#### **Bolstering our defences and capabilities**

Our holistic anti-money laundering (AML) Operating Model extends across our entire customer base. Throughout 2019, we invested heavily in optimising the processes and technology that underpin our

financial crime prevention efforts. One such investment has been a new IT system to support our ongoing due diligence (ODD) processing of customers, see p. 24. This is an important milestone as ODD sits at the very centre of our AML activities. In 2020, we will continue to focus on robotics and digitalisation to allow our employees to concentrate on investigative work, with robots handling the more repetitive activities.

Significant investments in our transaction monitoring and customer and transaction screening systems were also made in 2019. Our work has included improving risk and transactional coverage and tightening alert thresholds, all of which are important steps towards protecting the banking system and keeping our customers safe. Monitoring and screening continues to be a priority for Danske Bank, and we are making further investments in our systems during 2020.

We have invested heavily in our staff, ensuring we have the right expertise to effectively combat the rapidly evolving risks of financial crime. In 2019 we strengthened the Group

Compliance leadership team with staff who have a high level of expertise in these areas. Another area of focus has been to provide comprehensive training to raise employee skills and expertise within the areas of AML and combatting financial crime. Our internal AML Training Academy will extend its training offers in 2020.

#### **Working with peers and advocating industry change**

The threat of financial crime is not something Danske Bank faces alone. Excellence in compliance and crime prevention is central to all financial institutions, and we strongly believe that AML should not be a competitive parameter. AML is an area where the whole industry should work together, share insights and expertise, and develop solutions that keep our collective systems safe and secure.

The Nordic Know Your Customer (KYC) Utility, which we initiated in 2018 together with five other large Nordic banks, serves as good example of this as it will make it easier for corporate customers to effectively and efficiently provide all banks with high quality KYC

information. The aim of this initiative has been to create a joint venture company, and in August 2019 this company received approval from the European Commission to proceed. The first commercial launch is scheduled for early 2020, with all six banks investing an equal share in the company.

Our commitment to the UN Principles for Responsible Banking will also be an important platform for sharing AML best practices with other banks, see p. 11.

In 2019, we participated in the AML Task Force of Finance Denmark (the Danish business association for the financial sector). In November 2019, the task force presented 25 recommendations on how the financial sector and the authorities can improve their efforts to combat financial crime. These recommendations include the development of joint IT solutions in the financial sector and a shared code of conduct. The task force also suggested the creation of a joint unit in which banks, supervisors and law enforcement agencies can share knowledge and exchange intelligence related to money laundering, the financing of terrorism and specific suspicious cases.

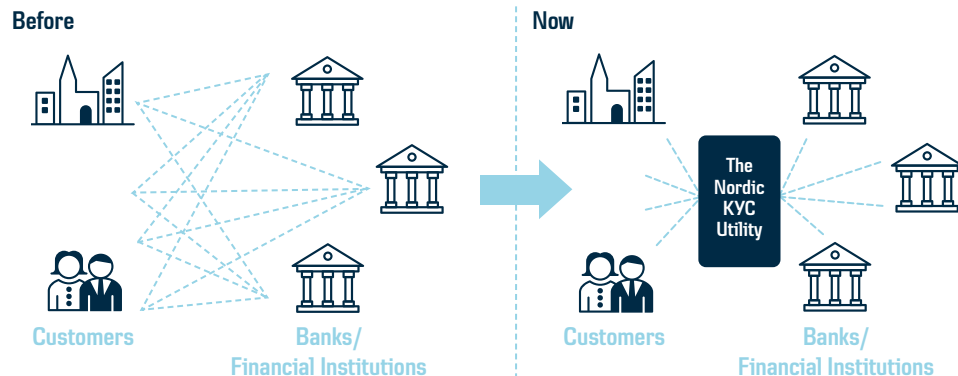
*“Our most important asset for fighting financial crime is not technology – it is our employees. IT and artificial intelligence are great and important tools, and we strive to automate as many controls as possible. But we’ll never achieve our goal unless each and every one of us is engaged and alert to the task of identifying and bringing to light suspicious activities.”*

Philippe Vollot, Member of the Executive Leadership Team and Chief Compliance Officer



**Nordic KYC utility**

The aim is to define common KYC standards, simplify KYC processes and manage KYC information for corporate customers, thereby strengthening financial crime prevention.



**AML 2019 figures**

- **Resources:** Approximately 2,400 full-time employees are working on combating financial crime. Our Group Compliance (which includes Financial Crime) has doubled in size to 300 employees, and the number of employees who carry out ongoing due diligence grew from 600 in early 2019 to 1,200 by the end of the year.
- **Training:** Over 3,000 of our front-line staff in our personal banking segment completed the full-day training course, Our AML, and over 1,400 employees completed onboarding and ongoing training programmes at our internal training organisation, AML Training Academy. Over 200 employees attended our AML EXPERT 2019 Conference in Vilnius, Lithuania, where our leading AML professionals and industry experts shared AML trends and insights.

**Estonia case**

The Estonia case continues to be a major focus area for Danske Bank and all our stakeholders.

The findings of the investigation into the non-resident portfolio at the Estonian branch, published in September 2018, revealed a series of significant deficiencies in governance and control systems at Danske Bank’s Estonian branch as well as deficiencies at Group level.

Danske Bank remains in dialogue with various international authorities regarding the matters arising out of its Estonian branch. This includes criminal and regulatory investigations by authorities in Estonia, Denmark, France and the US. Danske Bank is reporting to, responding to inquiries from and cooperating with these authorities, including the U.S. Department of Justice (DOJ), the U.S. Securities and Exchange Commission (SEC), the Estonian Office of the Prosecutor General and the Danish State Prosecutor for Serious Economic and International Crime (SØIK), relating to Danske Bank’s Estonian branch. We are cooperating with the authorities and continue to share material.

The overall timing of completion and the outcome of the investigations by, and subsequent discussions with, the authorities are uncertain.

Danske Bank’s internal investigation into the terminated non-resident portfolio is currently expected to conclude by the fourth quarter of 2020. This timing is estimated and is subject to change, including as a result of further requests from authorities. The investigation continues to focus on issues arising out of the non-resident portfolio at the Estonian branch and includes reviewing whether similar issues have been present historically at Danske Bank’s other Baltic branches.

A further, and important, aspect of Danske Bank’s ongoing investigation into historical activities at the Estonian branch relates to sanctions screening. As set out in our interim report for the first nine months of 2019, Danske Bank has enhanced its methodology since publishing the Report on the Non-Resident Portfolio in September 2018 and is screening historical data on relevant historical customers of the Estonian branch, including the terminated non-resident portfolio, as well as associated persons and transaction information for possible sanctions violations. Danske Bank will inform the market if there are material developments that require disclosure.

In addition to the investigations by the authorities, a number of lawsuits have been filed against Danske Bank in the US and in Denmark.

These cases relate to alleged violation at Danske Bank’s branch in Estonia of the rules on prevention of money laundering and the alleged failure to timely inform the financial markets of such violation.

Danske Bank is defending itself against these claims. The timing of completion of any lawsuits (pending or threatening) and their outcome are uncertain.

In 2019, Danske Bank essentially exited its banking activities in Estonia following a precept from the Estonian Financial Supervisory Authority (FSA) to terminate our remaining banking activities in Estonia.

For a full overview of events related to the case in 2019, please see Annual Report 2019.

**Ambition**

Prevent financial crime through effective AML governance.

**2019 performance**

15,889 reports submitted to the authorities regarding suspicious matters.

**SDG contribution**

We work to reduce illicit financial flows and combat all forms of organised crime in support of SDG 16.4.

## SUSTAINABLE BUSINESS

# Sustainable finance

The provision of sustainable finance is key to addressing growing challenges such as climate change and social inequality. Strengthening integration of environment, social and governance (ESG) perspectives into Danske Bank's investment and lending practices is one of our highest priorities.

The realisation of the European Commission action plan on sustainable finance will impose major regulatory changes on the financial sector, which will also impact the way we engage with our customers. In addition

to enabling the transition to a sustainable economy, these changes will also ensure that a stable financial system is maintained. Danske Bank welcomes the plan, and we are engaging through various forums to

stimulate the agenda. We also support clear European and national standards.

To debate the future of sustainable investments, we in 2019 hosted the CFA Society Denmark conference Sustainability in Finance: ESG products and integration. As a member of the Forum for Sustainable Finance under the auspices of Finance Denmark, we also contributed to the 20 recommendations launched in December 2019 that point to more green and sustainable finance solutions as an important lever for accelerating the agenda.

Danske Bank already commits to supporting the transition to a net-zero carbon economy by providing green finance solutions and by working with the TCFD, see pp. 14-17. These efforts build on our foundation for integrating ESG into our financial services. We align our approach with the UN-supported Principles for Responsible Investment and the Danish Stewardship Code, and we will

align with the Principles for Responsible Banking that we endorsed in September 2019, see pp. 12-13.

In recent years, we have increased our transparency on how we work to accelerate sustainable finance, and we communicate our position clearly. Forming the basis for our investment, lending and sourcing processes alongside our Sustainable Investment Policy and our Credit Policy are our position statements. These position statements cover the areas of Climate Change, Human Rights, Agriculture, Arms and Defence, Forestry, Fossil Fuels, and Mining and Metals. We have separate committees that oversee and decide on principal sustainable finance decisions.

In 2019, a key focus was on improving the ESG data foundation to support better-informed decisions and on training to assist our relationship and portfolio managers in assessing and integrating ESG matters.



## Sustainable bonds

We support capital allocation to projects that have an environmental benefit or positive social developments through green, social and sustainability bonds. Bonds that fund a combination of green and social projects are known as sustainability bonds. In addition to green bonds, we also helped customers to issue social and sustainability bonds in 2019 to the value of DKK 4.1 billion.

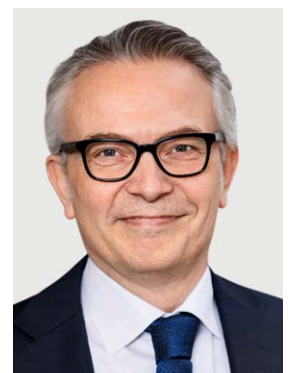


## Sustainability-linked loans

We see an increasing interest from companies for sustainability-linked loans. Such loans enable companies to prove their sustainability commitments as the loan margin depends on the borrower's achievement of sustainability targets. In 2019, we granted a Finnish company our first ever sustainability-linked loan.

*“We listen to what’s important to our clients, and they mention two types of risk: risks related to geopolitical changes and risks related to climate change. That’s why we decided to focus our first Nordic Corporates & Institutions Summit in 2019 on navigating a new world order and on the global climate challenge. It’s our responsibility to help clients address those risks and realise their climate ambitions through green and sustainable finance provisions.”*

Jakob Groot, Member of the Executive Leadership Team and Head of Danske Bank Corporates & Institutions.





## Our sustainable investment journey

Sustainable investment is an integral part of Danske Bank's duty to deliver long-term and attractive risk-adjusted returns to our customers. Introduced in 2018, our sustainable investment strategy – ESG Inside – focuses on making better-informed investment decisions by addressing risks, problems and dilemmas, as well as by influencing portfolio companies through active dialogue to contribute to a positive outcome.

Implementing ESG Inside across our investment processes is an ongoing task, and we do not believe in a one-size-fits-all approach. Our portfolio managers are tailoring their ESG integration to fit the unique features and characteristics of each strategy and asset class. In 2019, we had DKK 1,651 billion Assets Under Management (AuM).

To assist our investment teams, we in 2019 introduced the tool mDASH. This materiality dashboard evaluates companies' ESG performance and helps portfolio managers identify aspects that may have a significant effect on a company's future financial value and value creation. We also established a team of ESG analysts across the Nordic countries who act as on-site support for our local investment teams. In addition, we rolled out an educational and skill-building programme, which engaged more than 600 advisers and client managers in 31 different sessions held in 2019. We will engage more advisers and client managers in

the training, and new education programmes will continue to be developed.

We have set an ambition that 100% of our investment teams will have integrated ESG in their investment processes by the end of 2020. To reach that target, we will continue to strengthen our foundation and support our investment teams in deploying strong and systematic ESG integration.

### Engaging to influence

At Danske Bank, we see active ownership as one of the most effective mechanisms for managing risks, maximising returns and contributing to positive societal impact. Our direct dialogue and voting at annual general meetings are important aspects for creating long-term value, and our portfolio managers are change agents who can influence how companies manage their ESG risks and opportunities. Rather than refraining from investing when issues of concern or risks arise, we engage so that we can influence.

We primarily exert active ownership through single engagements and voting, and twice a year we publish an active ownership report on our asset management.

### Product transparency

As part of our desire for transparency, we want to communicate even more clearly to our customers the sustainability characteristics of our investment funds. This means that

we will position investment strategies based on their most prominent ESG characteristics. This work will enable us to meet different customer needs and preferences, and it will make it easier for customers to select an investment fund that aligns with their financial goals and sustainability preferences.

Danske Bank publishes an annual investment restriction list, and as a signatory to the UN's Montreal Carbon Pledge, we have measured and published the carbon footprint of a selected range of Danske Invest funds. To advance transparency, we will additionally launch one-page fact sheets for selected funds that detail the carbon footprint, ESG risks and specific investment restrictions.

In 2018, our Climate Change and Arms and Defence position statements led us to apply group-wide restrictions on companies deriving more than 30% of their revenue from thermal coal mining, thermal coal utilities or the extraction of oil from tar sands. Similarly, Danske Bank does not invest in companies directly involved in the research and development or production of weapons prohibited by international law or weapons that are deemed controversial. Also in 2019, we made a decision to stop investing in tobacco – this restriction has been applied to both equity and bond investments across all Danske Invest funds and Danica Pension investments.

### Active ownership 2019 figures

- **Dialogue:** More than 800 dialogues with about 500 companies domiciled across 38 countries. Most company interactions took place in the Nordic region, and we primarily engaged small-, mid- and large-cap companies.
- **Voting:** 5,801 proposals for voting at 407 meetings across 33 country domiciles. Primarily, we voted at general assembly meetings and for the proposals.

### Read more

For more details on how we work to integrate ESG in the investment processes, address issues of risk or dilemmas, see Our Sustainable Investment Journey 2019 report.

For more sustainable finance figures, please see p. 36.



ESG Inside Integrated is for funds that actively and systematically work to integrate ESG into the investment process.

**124 DKK billion AuM**



ESG Inside Thematic is for funds that invest and work in a targeted way according to specific sustainability objectives.

**5 DKK billion AuM**



ESG Inside Restricted is for funds that opt out of investments with additional criteria in relation to Danske Invest's basic investment restriction criteria.

**40 DKK billion AuM**

### Ambition

Integrate ESG factors into our investment and lending practices through the training of portfolio managers, relationship managers and credit officers.

### 2019 performance

- More than 600 investment advisers and client managers trained in ESG
- 712 relationship managers and credit officers across the Group trained in ESG

### SDG contribution

We seek to encourage customers and portfolio companies to adopt sustainable practices, thereby supporting SDG 12.6.

## SUSTAINABLE BUSINESS

## Our sustainable lending journey

When we grant a loan to a customer, we enter into a long-term commitment. We carefully evaluate the customer's financial situation to make sure that we understand it, and we offer loans that are suited to that customer's needs and financial capacity. Besides considering the purpose for which the funds will be used, we also seek to integrate ESG considerations into credit granting on par with the assessment of financial key figures. In 2019, we granted DKK 1,821 billion in loans to banking customers.

In 2015, ESG was integrated into our Credit Policy, and we defined sectors that we consider to have an elevated ESG risk. Our work has progressed since then, and in 2018 we developed a sustainable lending strategy. When working with ESG at a customer level, our focus is to help our customers understand their ESG risks and to reduce or mitigate those risks.

We use screening to identify companies that fail to meet the criteria of our Group-wide restrictions and to identify companies in our loan portfolio that are in the elevated risk sectors. For companies in the elevated

risk sectors, we have additional expectations when granting loans, so comprehensive ESG assessments are made for these companies. Besides having access to external data, we base this assessment on the customer's sustainability reporting, by scanning the media and by having a dialogue with the customer.

In 2019, we integrated ESG risks into the ongoing industry analysis for the All Risk Committee. We have found that ESG risks make an important contribution to the analysis of market developments and financial risks for an industry. Among other things, we use the industry analysis when making decisions to determine risks limits for certain industries.

### Strengthened governance and training

Danske Bank's Sustainable Lending Committee was established in 2018. As well as representing different business units, the members of the committee represent Group functions, including Business Development, Societal Impact & Sustainability and Risk Management. The committee is responsible for defining and executing our strategy, and members

discuss principal dilemmas and ensure robust and transparent governance and training of employees. In 2019, we strengthened our ESG governance by setting clear guidelines and by training our employees in how to spot ESG risk and make ESG assessments.

We rolled-out the training programmes to relationship managers and credit officers via a train-the-trainer concept. Throughout 2019, our now 80 trainers across the Nordic countries trained their colleagues, and more will follow in 2020. Our training programme has a strong focus on governance and includes the option of handling imaginary and real-life ESG loan cases – an option that has proven to be an effective way of learning.

Looking ahead, our offerings and training will continue to be developed, and we will expand our ESG assessment to cover more credit customers and expand the usage of industry analysis. We will also work to ensure that all relevant employees receive the guidance and help they need to engage in dialogue with our customers, and we will integrate ESG into credit granting.

### Sustainable lending figures 2019

- **Trainers:** 80 ESG leading trainers across the Nordic countries following our train-the-trainer concept.
- **Dialogue:** 95% of our relationship managers covering corporates, institutions and large real estate credit customers have discussed sustainability issues with their customers.
- **Handling ESG dilemmas:** 15 ESG dilemmas for credit customers discussed by our Sustainable Lending Committee and decided upon by our Credit Committee.

### Getting to Zero Coalition and the Poseidon Principles

Danske Bank is part of the Getting to Zero Coalition, established in September 2019. This coalition is an alliance of more than 80 companies within the maritime, energy, infrastructure and finance sectors.

International shipping emits 2-3% of all global greenhouse gas emissions and transports close to 80% of global trade by volume. To reduce emissions, the International Maritime Organization (IMO) set a reduction target in 2018 of 50% by 2050. To reach this target, zero-emission vessels must enter the global fleet by 2030 – this requirement has served

as the basis for the establishment of the Getting to Zero Coalition.

The role of Danske Bank is to help finance the decarbonisation of maritime shipping, which we will do by applying the Poseidon Principles. These principles establish a common baseline to quantitatively assess and disclose whether financial institutions' lending portfolios are in line with adopted climate goals. In this way, the principles also serve as an important tool to manage critical investment risks. As one of 11 international banks, Danske Bank signed up to the principles in June 2019, and we will start reporting on our portfolio from 2020.

# Responsible sourcing

Responsible sourcing is an essential part of running a sustainable operation. Danske Bank works closely with partners and suppliers to promote responsible business conduct throughout our supply chain.

Responsible sourcing and collaboration with our suppliers form part of our value-chain approach to embedding environmental, social and governance (ESG) considerations throughout our business. Our responsible sourcing process ensures that all suppliers comply with our sustainability standards as set out in our Supplier Code of Conduct and with additional specific environmental requirements for selected products and services. The code is based on international sustainability

principles, including the UN Global Compact and UN Guiding Principles on Business and Human Rights.

We expect our suppliers to set similar sustainability standards in their supply chains, and in 2019 we had dialogues with several suppliers about their own responsible sourcing process and supplier codes of conduct.

In 2019, we continued to optimise our screening and assess-

ment of high-risk suppliers in close dialogue with our partners and suppliers. The responsible sourcing process will be part of a future supplier due diligence programme alongside other supplier assessments, such as IT security, financial assessment and GDPR. In order to monitor the compliance effectiveness of our critical suppliers, the programme will include ongoing due diligence assurance of key areas.

## Procurement 2019 figures

- **Spending:** DKK 9 billion spend in total, of which partnerships and core banking accounts for 7%, IT and data accounts for 36%, and indirect procurement accounts for 57%. Indirect procurement covers real estate, workplace services, consultancy and HR services.
- **Suppliers:** 11,035 suppliers delivered products or services across the Group, and Group Procurement collaborated with branches, departments and business units on 1,763 new contracts.

## Our risk assessment has three main steps



**Step 1: Pre-qualification questions**  
The risk profile of suppliers is pre-assessed based on the contract spend, their geographical location and the category of their product or service.



**Step 2: Self-assessment questionnaire**  
High-risk suppliers and suppliers of contracts exceeding DKK 10 million complete an additional in-depth questionnaire about their ESG policies and performance. Their replies are evaluated by our external partners.



**Step 3: Corrective action plan**  
If the self-assessment questionnaire reveals unsatisfactory issues, we engage in dialogue with the supplier and agree on a corrective action plan. If the issues are not resolved to our satisfaction, we may end the business relationship.

**Independent audits**  
Each year, a few suppliers are selected for independent third-party audits to evaluate whether they live up to our Supplier Code of Conduct and to identify areas where we may help them improve their ESG performance. The suppliers are selected on the basis of their risk profile, their impact on our

business and their score in the self-assessment questionnaire. In 2019, to gain more insight into what type of specific ESG requirements we can place on hospitals, we audited two private hospitals in Denmark that are key suppliers of Danica Pension's health insurance. We also selected the two property owners of our premises in

Vilnius, Lithuania, and Warsaw, Poland, for audits because their ESG performance directly affects the workplace and well-being of our employees. None of these audits revealed any severe non-compliance issues, and the audit reports have provided good insights into the performance and maturity level of the suppliers.

## Ambition

Integrate ESG into our procurement practices. Our ongoing target is to have minimum 90% of tenders in scope through the responsible sourcing process.

## 2019 performance

93% of tenders in scope through the responsible sourcing process.

## SDG contribution

We encourage partners and suppliers to adopt sustainable practices in support of SDG 12.6.

SUSTAINABLE WORKPLACE

# Our employees and culture

Good leadership, a sustainable workplace and living our core values are all crucial when it comes to engaging employees and creating value for our customers. At Danske Bank, we strive to create a collaborative culture that empowers our employees to succeed.

Only with the expertise and dedication of our employees are we able to fulfil our regulatory requirements, deliver customer value and meet stakeholder expectations. We strive to ensure that Danske Bank remains an attractive workplace for our more than 22,000 employees by providing challenging and meaningful work and by fostering a culture that empowers everyone to learn and grow. We set clear expectations for our leaders to act as role models who promote our core values, drive customer centricity and inspire their employees to succeed by working with engagement.

We operate in a rapidly changing business environment driven by digitalisation, and the competition for talent is intense. In addition to our need for engaged and dedicated employees with capabilities and talent fit for the future, we also require processes that can support and accelerate this transition. In line with this, we in 2019 continued developing our talent through our expert talent programmes and Talent Unite Days, and we also strengthened the local value creation of our Strategic Workforce Planning process across the business, across

support functions and across countries.

How well we manage to foster a sustainable workplace and a collaborative culture where people feel engaged and free to speak up is reflected in our employee engagement score. In 2019, we saw a slight increase in this score from 84 in 2018 to 86 in 2019.

### Employee journey

To improve the employee journey at Danske Bank, we nurture a culture of continuous learning to build our employees' competencies and refresh their skills. Taking a systematic work approach, we provide guidance and best practice concepts, tools and processes that create user-centric and effective learning experiences. In 2019, we offered more than 2,000 unique training sessions and events via our MyLearning platform, and we implemented a learning toolbox for our around 900 Learning Facilitators to further heighten the impact of our training.

At the beginning of 2019, we launched MyTalk to foster a culture of continuous feedback. MyTalk helps us ensure that we act in accordance with our

core values, and it also makes employee development more employee-driven. Based on the feedback received on initial experiences with MyTalk, we have made adjustments to our performance setup to reinforce the crucial role played by core values and behaviour. In 2020, we will continue this journey by stepping up our engagement initiatives and strengthening the role of managers in relation to empowering employees.

In 2019, we also tested our Grow Universe. This is an initiative that provides tools to support the embodiment of our employees' development ideas, competencies and career development. Further developments and roll-out of the tools are planned for 2020.

**Mental health and well-being**  
 Danske Bank's HR organisation continuously addresses risks and opportunities related to our workforce. To sustain a workplace that is healthy and safe – both physically and mentally – we build our efforts on an active working-environment organisation, councils, and our engagement initiatives, as well as collaboration with unions, employee representatives and local management. The well-

### Promoting human rights

Danske Bank is committed to protecting and respecting all human rights, including labour rights, across our business, and we are working to identify, assess and address potential and actual adverse human-rights infringements. Our Code of Conduct Policy and HR-related policies address human rights risks in the workplace and are supplemented by internal human rights guidelines. We actively promote diversity and an inclusive culture, as well as healthy and safe working environment, with the aim to eliminate discriminatory treatment and protect our employees' right to freedom of association and collective bargaining, right to privacy and right to raising concerns without fear of retaliation. See details on our Code of Conduct and whistleblower system on pp. 22-23.

**Engagement at different levels**



**MyTalk** is a flexible solution for frequent conversations between employees and their leaders on what matters most to them at an individual level.



**TeamTalk** is the team's discussion on how to create better results, great days at work, and a speak-up culture at team level.



**PULSE** is the monthly survey giving the Executive Leadership Team insight into the employee engagement at an organisational level.



being of our employees is a key factor in relation to our ability to recruit, develop and retain a diverse and motivated workforce. And it is only with such a workforce that we will be able to provide an even better service to our customers.

Stress and failure to thrive are issues and risks that must be talked about and addressed to ensure the well-being of our employees. In 2018, we established an expert team to focus specifically on mental health and well-being, and in 2019 we launched training for leaders and appointed 490 mental health and happiness ambassadors. These ambassadors include employees and union representatives, and their role is to promote initiatives that focus on and elevate

the mental well-being of our employees. At a Group level, we provide training and facilitate knowledge-sharing among our ambassadors, and we promote World Mental Health Day by inviting an external guest speaker to talk about mental resilience and promote healthy lifestyles.

#### Engaging employees in community activities

Employees are also encouraged to engage in purposeful activities in their local communities. For many years, Danske Bank has provided opportunities for employees to volunteer and share their time and expertise for the benefit of society. Inspired by our existing activities, we launched a corporate volunteering programme called Time to Give in early 2019 to heighten our community im-

pact. Through the programme, employees are empowered to participate in volunteer activities one day per year paid by the Group. A total of 70% of our employees say that this initiative makes them proud to be working at Danske Bank.

In partnership with NGOs and other organisations, Danske Bank provides volunteering opportunities in all the countries in which it has operations. Employees can sign up for an initiative within the three strategic themes of our Societal Impact & Sustainability Strategy or can choose their own cause. We recommend activities that have a link to business and where employees can contribute with their professional skills. We aim to engage even more employees in Time to Give in 2020.

#### Employee 2019 figures

- **Full-time employees (FTEs):** 22,006 FTEs, which is an increase from 2018 where the number stood at 20,683 FTEs.
- **Employee turnover:** 13%. This is on par with the turnover in 2018.
- **Mental health ambassadors:** 490 mental health and happiness ambassadors engaged across the Group.
- **Time to Give volunteers:** 2,034 employees participated in our Time to Give initiative across the Group.

#### Read more

For more employee figures, please see p. 36 and our Sustainability Fact Book 2019. Please also see our Statement on Modern Slavery Act 2019 for further details.

## Selected Time to Give activities 2019



#### The Children's Aid Foundation (Børnehjælpsdagen)

In Denmark, employees offered mentorships and workshops about personal finances to children in care and socially abandoned youths through our partnership with the Children's Aid Foundation in Denmark.



#### Champion Girls Home

27 volunteers in India organised a science workshop for children from the local Champion Girls Home. Together they built solar panels and wind turbines that can be used as teaching materials in local public schools.



#### Church Mission

118 employees in Norway helped at various events where they served soup, stood in sales stands and made gifts to be sold by the Church Mission.



#### Clean up days

217 employees in Lithuania volunteered for various environmental projects, including cleaning up rivers and picking up rubbish from the countryside.



#### Action Mental Health

70 colleagues in Northern Ireland volunteered with our charity partner Action Mental Health. The volunteers helped with practical activities, including painting and gardening at the charity's service centres, and held education sessions with the charity's clients on topics such as budgeting and fraud.



#### Knæk Cancer events

Together with customers and business partners, 60 employees in Denmark raised funds for the Danish Cancer Society by participating in sporting events such as cycling, yoga and dancing.



#### Det Kærlige Måltid

30 employees in Denmark took turns volunteering with Det Kærlige Måltid [Loving Meal] and helped to deliver healthy food for critically ill individuals who struggled without help after they had been discharged from hospital.



#### Ambition

Sustain a healthy and safe working environment and a collaborative culture where our employees feel engaged. Our aim is to have more than 90% employee engagement by 2023.



#### 2019 performance

86% score in the Employee Engagement Index



#### SDG contribution

We seek to protect labour rights and promote safe and secure working environments for all our employees in support of SDG 8.8.

## SUSTAINABLE WORKPLACE

# Diversity and inclusion

At Danske Bank, an inclusive culture and a diverse workforce are seen as prerequisites for maintaining a high-performance organisation and for broadening our thinking. By promoting gender balance, we also unlock other facets of diversity.

A diverse and inclusive workplace is important – not only to leverage and attract the right employees but also to provide the best customer experience and deliver on our strategic priorities. We review our Diversity & Inclusion Policy annually, and in 2019 we continued to raise awareness and launch initiatives to foster a culture where all employees have the same opportunities and in which employees feel that all points of view are openly welcomed.

Danske Bank recognises the importance of gender balance across the organisation, and we are pleased to have a 50% share of women in our workforce. However, in some parts of the organisation we are far from having a gender balance. This is why we need to increase our focus on reducing gender bias in recruitment and on increasing the share of women in different leadership positions. At Corporates & Institutions, diversity and inclusion is addressed when it comes to a balanced intake of young talents, as well as across teams and leadership positions. Throughout Danske Bank in Norway, we have defined gender ratio targets for teams and for leader groups, and in Northern Ireland we introduced mandatory training for all employees to address unconscious bias.

In 2019, we also introduced principles for recruitment to senior leadership roles, both internally and externally. This means that the recruitment panel will always include a woman, as will the final group of candidates. In addition, our female executive talents have access to a mentor to help accelerate their career development towards more senior roles.

There have been significant changes at top management level in Danske Bank in recent years, and currently one commercial role in the Executive Leadership Team is held by a woman. At the Annual General Meeting (AGM), two women were elected to the Board of Directors. As two women chose not to run for re-election and with only one new woman appointed, the AGM-elected share of women on the Board decreased from 38% in 2018 to 25% in 2019. Danske Bank aims for adequate diversity in terms of gender, qualifications and competencies on the Board.

Among the employee-elected members of the Board of Directors, three out of four are women, and our share of women in management positions is stable at 37%, thereby close to our 2020 target of 38-40%. Going forward, we will also monitor

the share of women in senior leadership position, as part of our increased focus on diversity and inclusion, see p. 36.

## Free To Be Me

At Danske Bank, we seek to create an environment where differences are a strength and where people feel valued and can realise their full potential. In 2019, we sponsored and participated in Copenhagen Pride Week, which is a tribute to diversity and which promotes the right to be oneself – irrespective of gender, ethnicity or sexual orientation.

Around 300 employees and family members participated in the annual parade in Copenhagen under the slogan Free To Be Me, and Danske Bank marked Pride Week internally with external guest lectures on diversity and inclusion. As a follow up, Danske Bank decided to launch an employee association for lesbian, gay, bisexual and transgender (LGBTQ+) employees.

We also engaged in the Belfast Pride and Newry Pride, and we are pleased that Danske Bank in Northern Ireland won three awards in 2019 for its diversity and inclusion initiatives, including for colleague-led growth in their diversity networks covering gender diversity, LGBTQ+ and disability.

## Ambition

Promote diversity and an inclusive culture. Our aim is to increase the number of female managers at all levels.

## 2019 performance

- 25% AGM-elected women on the Board of Directors\* (2020 target 38%)
- 11% women in the Executive Leadership Team (2020 target 25%)
- 37% women in management positions (2020 target 38-40%)

\* The total share of women on the Board of Directors, including the employee-elected members is 42%.

## SDG contribution

We seek to provide equal opportunities for leadership at all levels of decision-making in support of SDG 5.5.



In 2019, Danske Bank was included in the Bloomberg Gender-Equality Index (GEI). The index is a blueprint for measuring how companies promote gender equality across the five dimensions: Female Leadership & Talent Pipeline, Equal Pay & Gender Pay Parity, Inclusive Culture, Sexual Harassment Policies, and Pro-Women Brand.

# Our environmental footprint

Working systematically to limit the negative environmental impact of our business operations is important for fostering a sustainable workplace. Our key focus is to reduce carbon emissions through environmental management.

As a provider of financial services, the environmental footprint of Danske Bank's business operations is limited compared with that of many other industries. Our provision of green financing is our main contribution to society's transition to a net-zero carbon economy, see pp. 14-17. Nevertheless, with more than 22,000 employees and premises across 13 countries, our environmental footprint is not insignificant, and minimising it is an important part of driving sustainability in the workplace.

In 2019, energy consumption in our premises accounted for 32% of the Group's total carbon emissions, and energy saving is a key focus area for us. Not only will our energy efficiency initiatives reduce our environmental footprint, but they will also reduce our operating costs. We achieved a reduction in our energy consumption per FTE and in our CO<sub>2</sub> emissions per FTE from the levels in 2018. We

aim to align our CO<sub>2</sub> emissions target with the Paris Agreement on Climate Change, see p. 36.

### Carbon neutrality

Since 2009, Danske Bank's operations have been carbon neutral. This has been achieved by certified renewable energy and verified carbon credits for the CO<sub>2</sub> emissions that we cannot eliminate, for example from transportation and from the consumption of heat and paper. In 2019, our operations resulted in 15,230 tonnes of CO<sub>2</sub> emissions, which is a decrease compared with our emissions in 2018.

All electricity used by Danske Bank comes from renewable sources certified by Guarantees of Origin and International Renewable Energy Certificates. We only purchase carbon credits for projects verified according to international standards, such as the Gold Standard, and we guarantee a real reduction in CO<sub>2</sub> emissions. By offsetting our

emissions, we set an internal price on carbon, thereby motivating energy efficiency across the Group.

### New workplace initiatives

In 2019, we launched new initiatives to reduce our environmental impact and motivate sustainable behaviour. Every step taken helps, and a simple initiative such as introducing reusable water bottles and coffee cups will reduce our annual consumption of around 4.2 million disposable cups, which corresponds to around 21 tonnes of waste. Similarly, our new bio-grinders in Denmark will help us dispose of approximately 320 tonnes of bio-waste.

In 2020, we will introduce sustainability requirements for our workplace and premises and will focus on energy efficiency initiatives at our most energy-consuming premises. We will also focus on waste sorting in Denmark, Norway and Sweden.

### Read more

For more environmental figures, please see p. 36, our Sustainability Fact Book 2019 and our Statement on Carbon Neutrality 2019.

## Selected environmental initiatives 2019



**Energy efficiency:** Top 10 energy-consuming buildings in Danske Bank's portfolio identified with the aim of implementing energy saving initiatives from 2019 onwards, including:

- UV protection window film at selected premises in Sweden and Finland
- Light sensor technology and LED lights at selected premises in Denmark, Sweden and Finland
- Optimisation of air, heat and ventilation systems in Vilnius, Lithuania



**Virtual meetings:** In Sweden alone, six telepresence systems were installed to support online meetings and reduce travel.



**Eco-friendly and reusable products:** Global roll-out of eco-friendly disposable products in our kitchenettes and introduction of reusable personal water bottles and coffee cups.



**Biodiversity:** Local biodiversity policy launched in Northern Ireland including a commitment to increase the amount of suitably selected flora and fauna planted at our properties.



**Waste handling:** Bio-grinders installed at nine locations in Denmark turning bio-waste into bio-energy and fertiliser. Northern Ireland changed waste management supplier so all waste will be recycled or regenerated, with zero waste ending up in landfill.

### Ambition

Reduce our carbon emissions through environmental management.

### 2019 performance

- Energy consumption per FTE  
5.18 MWh/FTE
- CO<sub>2</sub> emissions per FTE  
0.72 tonnes CO<sub>2</sub>/FTE

### SDG contribution

We seek to improve energy efficiency in support of SDG 7.3.

## DATA AND ASSURANCE

# ESG performance data

As part of our annual reporting practices, we include an overview of assured performance data related to our strategy for societal impact and sustainability. In 2019, we included several new metrics that support our strategy - naturally only data from 2019 is available for these. New metrics and targets for 2023 were also introduced in late 2019 and these are presented alongside the targets already set. In 2020 we will further review our future metrics and targets. All data is prepared in accordance with our reporting principles, see pp. 38-39.

	2019	2018	2017	2016	Current targets (Time frame)	New targets (2023)
<b>Sustainable finance</b>						
Green bonds issued by Danske Bank (DB) (DKK billion)	3.7	-	-	-		
Green bonds issued by Realkredit Danmark (RD) (DKK billion)	0.8	-	-	-		
Share of green bonds issued (DB+RD) in relation to total bonds issued (%)	0.4	-	-	-		
Share of green bonds in relation to total bonds issued by DB (%)	1.1	-	-	-		
Share of green bonds in relation to total bonds issued by RD (%)	0.1	-	-	-		
Bloomberg Leage table share of arranged Sustainable Bonds (DKK billion)	39.1	-	-	-		
Green loans granted to customers in DB (DKK billion)	6.2	-	-	-		Well above DKK 100 billion in sustainable financing <sup>1</sup>
Green loans granted to customers in RD (DKK billion)	0.8	-	-	-		
Share of total green loans (DB+RD) in relation to total loans (%)	0.8	-	-	-		
Volume of treasury funds placed in green bonds (DKK billion)	7	-	-	-	10 in allocation (2022)	
Ranking among Nordic Banks in the Bloomberg Global Green Bonds - Corporate & Government League table	2	-	-	-	Top 3 in the Nordic countries	
Assets under Management (AuM) (DKK billion)	1,651	1,575	1,530	1,420		
AuM with ESG Inside, of which:						
- ESG Inside: Integrated (DKK billion)	124	-	-	-		
- ESG Inside: Thematic (DKK billion)	5	-	-	-		
- ESG Inside: Restricted (DKK billion)	40	-	-	-		
<b>Environment</b>						
CO <sub>2</sub> emissions scope 1 (tonnes) <sup>2</sup>	790	1,270	1,523	1,502		75% reduction in total CO <sub>2</sub> emis- sions vs. 2010 <sup>3</sup>
CO <sub>2</sub> emissions scope 2 (tonnes) <sup>2</sup>	4,480	4,308	5,363	5,789		
CO <sub>2</sub> emissions scope 3 (tonnes) <sup>2</sup>	9,960	10,818	11,203	11,373		
CO <sub>2</sub> emissions per FTE (tonnes/FTE)	0.72	0.82	0.93	0.97		
Energy consumption (electricity and heat) (MWh) <sup>4</sup>	107,615	111,046	113,416	113,441		
Energy consumption per FTE (MWh/FTE)	5.18	5.70	6.04	6.10		
Renewable energy share scope 1 and 2 (%)	52	53	50	53		
<b>Social</b>						
Number of full-time employees (FTE), end of year <sup>5</sup>	22,006	20,683	19,768	19,303		
Women in the Executive Leadership Team (%) <sup>6</sup>	11	10	13	0	25% (2020)	
Women in senior leadership positions (%)	23	-	-	-		35%
Women in management (%)	37	37	35	35	38-40% (2020)	
Women in the workforce (%)	50	50	49	50		
Employee turnover (%)	13	13	12	11		
Employee Engagement (%)	86	84	85	66		> 90%
Number of social entrepreneurs helped	214	-	-	-	1,000 (2025)	
Number of start-ups and scale-ups supported with growth and impact tools, services and expertise	3,851	-	-	-		10,000
Number of people and businesses helped	3,952,248	-	-	-	5 million (2025)	
Number of people supported with financial literacy tools and expertise	719,763	-	-	-		2 million
Number of participants in employee volunteering programmes	2,034	-	-	-		
<b>Governance</b>						
Women on the Board of Directors elected at the Annual General Meeting (%)	25	38	38	25	38% (2020)	
Employees trained in risk and compliance (%)	96	-	-	-		> 95%
Tenders through responsible sourcing process (%)	93	97	60	85	> 90% (ongoing)	

<sup>1</sup> Sustainable financing includes green loans in DB and RD and Bloomberg Leage table share of arranged Sustainable Bonds. Total sustainable financing in 2019 was DKK 46.1 billion.

<sup>2</sup> Data covers Denmark (DK), Sweden (SE), Norway (NO), Ireland (IRL), Northern Ireland (NI), Finland (FI) and Lithuania (LT) and includes estimated figures for the remainder of the Group. We included exact figures from our operations in India (IN).

<sup>3</sup> Baseline is 55,690 tonnes of CO<sub>2</sub> emissions in 2010. A 75% emissions reduction equals 13,705 tonnes of CO<sub>2</sub> emissions in 2023, meaning that by 2023 we need to have reduced our emissions 10% from 2019 levels. Our total CO<sub>2</sub> emissions in 2019 was 15,230 tonnes (scope 1, 2 and 3).

<sup>4</sup> Data covers DK, SE, NO, IRL, NI, FIN and LIT. In 2017, we included figures from our operations in IN.

<sup>5</sup> Data is from Annual Report 2019 and Fact Book Q4 2019. For a definition of ratios, see Definition of alternative performance measures on p. 65 of our Annual Report 2019.

<sup>6</sup> Actual percentage of women in the Executive Leadership Team (ELT) in 2019 is 14% (Six men and one woman. Two men are currently holding two positions, as there are two vacancies in the ELT)



# Independent auditor's assurance report

## To the Management and the stakeholders of Danske Bank

We have assessed Danske Bank's Sustainability Report 2019 ('the Report') to provide limited assurance on selected 2019 data on page 36 of the Report. The Report covers Danske Bank's international activities from 1 January to 31 December 2019.

Our assessment was performed in order to assess whether:

- the ESG performance 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 CO<sub>2</sub> emissions for 2019.

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 the ESG performance data on page 36 in the Report. Furthermore, our responsibility is to provide limited assurance on whether Danske Bank has offset its consolidated CO<sub>2</sub> emissions for 2019. 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 on-site reviews at Danske Bank's Head Office in Copenhagen as well as interviews per phone throughout November and December 2019. Our work has included interviews with key functions in Danske Bank, inquiries regarding procedures and methods to ensure that selected ESG 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 ESG data at Group level, and performed analytical review procedures and tested ESG data prepared at Group level against underlying documentation. We have reviewed the reported data (some measured, some calculated and some estimated) as well as evaluated and given feedback on the reliability and validity of the underlying sources, especially of estimated data. Furthermore, we have received documentation that the consolidated CO<sub>2</sub> 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 forwardlooking 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 ESG performance data subject to our review have been stated in accordance with the criteria mentioned in the reporting principles;
- Danske Bank has offset its consolidated CO<sub>2</sub> emissions for 2019.

Copenhagen, 5 February 2020

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56



Jens Ringbæk  
State-Authorised  
Public Accountant



Helena Barton  
Lead Reviewer

Identification No  
(MNE) mne27735

## DATA AND ASSURANCE

# Reporting principles

The Sustainability Report 2019 covers Danske Bank (DB) Group [the Group]. We believe that the reporting provides a fair and balanced representation of our performance within sustainable finance, environment, social perspectives and governance.

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.

## SUSTAINABLE FINANCE

### Green bonds

Green bonds consists of green bonds issued by DB and by Realkredit Danmark (RD). Green bonds are defined in our Green Bond Framework. Total funding consists of the following: i) long-term bonds issued by DB (excluding tier 2 and additional tier 1), and ii) bonds issued by RD (excluding pre-issued bonds).

### Bloomberg Leage table share of arranged Sustainable Bonds

Size of Bloomberg Leage table share of arranged Sustainable Bonds (green, social and sustainability bonds). We use the Deal Size (USD) and Leage Credit (USD) for all sustainable bonds arranged, and exchange into DKK.

### Green loans

Green loans granted by the Group as defined in our Green Bond Framework. The green loan ratio is calculated by applying green loans granted by the Group over total loans, excluding reverse transactions in i) Banking DK, Commercial; ii) Banking Nordic, Commercial; and iii) Corporates & Institutions.

### Volume of treasury funds placed in green bonds

Total accumulated volume (DKK) of Group treasury funds

placed in green or social bonds (and similar) or alternatively bonds that have been issued with a government guarantee and founded within Danish or another Nordic country's law that promotes the sustainable transition of our society.

### Ranking among Nordic Banks in the Bloomberg Global Green Bonds - Corporate & Government League table

Ranking among Nordic banks in the Bloomberg Global Green Bonds - Corporate & Government League table as of end 2019.

### AuM with ESG Inside

Reporting principle for Assets under Management (AuM) is included in the Annual Report 2019. AuM with ESG Inside is defined as the AuM by end of year for investment strategies positioned within DB's ESG Inside product positioning framework. AuM per positioning category (Integrated, Thematic and Restricted) is calculated as the sum of AuM for all investment strategies within that category. Data on positioned strategies and funds comes from the product positioning process and framework. Data on AuMs comes from the ordinary financial reporting conducted by the CFO area in Wealth Management.

## ENVIRONMENT

Environmental data covers the actual consumption from the Group's operations in Denmark, Finland, Ireland, Northern Ireland, Norway, Sweden, Lithuania and India, and it also covers the estimated consumption from the Group's remaining operations without registered data. The reporting period for the year 2019 runs from Q4 2018 to Q3 2019. Data is retrieved from the Credit360 reporting system.

### CO<sub>2</sub> emissions scope 1

Scope 1 comprises CO<sub>2</sub> emissions from heating using oil and gas and from the usage of company cars. The emissions from heating are calculated on the basis of heating consumption and either specific emission factors from energy companies or average emission factors for heating for the country from International Energy Agency (IEA) and the Department of Environment, Food and Rural Affairs (DEFRA). For transport by company cars, the emissions are calculated on the basis of the mileage and emission factors from DEFRA.

### CO<sub>2</sub> emissions scope 2

Scope 2 comprises CO<sub>2</sub> emissions from heating and electricity supplied by external suppliers. The emissions from heating and cooling are calculated on the basis of heating consumption and on either specific emission factors from energy companies or average emission factors for heating for the country from IEA and DEFRA. Similarly, emissions from district cooling are calculated on the basis of district cooling consumption and the specific emissions factor used for district heating. This is a conservative approach. In accordance with the market-based methodology from Greenhouse Gas 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.

### CO<sub>2</sub> emissions scope 3

Scope 3 comprises CO<sub>2</sub> emissions from paper usage and business travel by employee cars and flights. The emissions from paper usage are calculated on the basis of the paper consumption and the emission factors from DEFRA. For transport by employee cars, the emissions are calculated on the

basis of the mileage and emission factors from DEFRA. The emissions from air travel are reported directly by our travel agency, American Express.

### Estimated CO<sub>2</sub> from operations without registered data

For operations that do not have any measured consumption, we estimate CO<sub>2</sub> emissions on the basis of the average number of full-time employees as provided by Group Finance from Q4 2018 to Q3 2019 and the average emissions per employee in the Group. These estimates represent 2% of total CO<sub>2</sub> emissions in 2019 and are distributed across the three scopes based on the share of the individual scope.

### CO<sub>2</sub> emissions per FTE

CO<sub>2</sub> emissions per employee (tonnes/FTE) are calculated on the basis of the total amount of CO<sub>2</sub> emissions (tonnes) and the number of full-time employees provided by Group Finance from Q4 2018 to Q3 2019.

### Energy consumption

Data for energy consumption from electricity and heat is either based on automatic data transfers from smart meters or quarterly meter readings, or it is calculated on the basis of statements received regularly during the year from energy companies and lessors. Data on 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 taken by the energy companies. If no reading or statement is available, we estimate 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 used by the Group and its subsidiaries, including the Group's own premises and leased premises, for own operations in various countries.

In Sweden, heat consumption data is calculated on the basis of information from 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, data on heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because consumption patterns for branches in Finland are similar to those for branches in Sweden.

#### Energy consumption per FTE

Energy consumption per full-time 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 2018 to Q3 2019.

#### Renewable energy share scope 1 and 2

Renewable energy share within scope 1 and 2 is calculated on the basis of the total energy consumption and the amount of renewable electricity certified by Guarantees by Origin and International Renewable Energy Certificates. With limited data on the energy mix for heating, it is assumed that the energy mix is made up of a variety of different fossil sources. This is a conservative approach.

## SOCIAL

#### Full-time employees

The number of full-time employees (FTEs), end of year, is based on information registered in the Group's accounting system at the end of Q4 2019.

#### Women in the Executive Leadership Team

Percentage of women in the Executive Leadership Team based on total number of positions.

#### Women in senior leadership positions and in management

The percentages of women in senior leadership positions and in management are based on information registered in the

Group Financial System (GFS) at the end of Q4 2019. Senior leadership is defined as female employees who hold the title First Vice President, Senior Vice President or Executive Vice President. Management is defined as employees with staff responsibility.

#### Women in the workforce

The percentage of women in the workforce is based on information registered in the GFS at the end of Q4 2019.

#### 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 the GFS and covers the entire Group. The employee turnover rate is based on information registered from Q1 to Q4 2019.

#### Employee Engagement

Data on employee engagement is based on survey results from the PULSE survey, which covers 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. The reported data is a 2019 average.

#### Number of social entrepreneurs helped / start-ups and scale-ups supported with growth and impact tools, services and expertise

Number of unique impact start-ups matched with mentors on +impact, via Growth & Impact (G&I) supported accelerators or other G&I initiatives. The unique impact start-up is counted at the time the start-up is matched with the first mentor. Impact start-ups matched via the accelerator are counted at the kick-off of the accelerator programme. Data has been accumulated from 2018 and onwards.

*The number of start-ups and scale-ups supported with growth and impact tools,*

*services and expertise* has been accumulated from 2016 and onwards and includes the number of unique start-ups and scale-ups supported at least once with growth and impact tools, services and expertise. The support can be via matches with experts on +impact, advice from DB Growth Advisers, enrolment in +impact accelerators or Canute programmes etc. Knowing that companies may use The Hub for services other than job postings, the number of companies with a job posting on The Hub is used as a proxy.

Data for both KPIs covers companies registered in Denmark, Sweden, Norway and Finland. Data covers all types of corporate structures (IVS, ApS, AS, AB, Inc. etc.). Data is retrieved from the Keystones system and from lists of start-ups participating in accelerator programmes.

#### Number of people and businesses helped / people supported with financial literacy tools and expertise

Data includes active unique users of DB educational tools developed to support financial confidences and/or strengthen IT security. Data also includes people participating in related physical events arranged by DB. For IT security, receivers of communication through radio broadcasts, articles in newspapers etc. provided by DB with the purpose of strengthening IT security and fraud prevention are estimated and included.

*The number of people supported with financial literacy tools and expertise* excludes all IT security-related activities. Data has been accumulated from 2018 and onwards.

#### Number of participants in employee volunteering programmes

Data includes the total number of employees (head count) who have reported their participation in the Time to Give programme during the year. All employees in the Group have the opportunity to participate. Registration is captured and reported via an internal IT system. For Northern Ireland and India, registrations

are captured and reported using Excel and are sent to the Group.

## GOVERNANCE

#### Women on the Board of Directors (AGM elected)

Percentage of women on the Board of Directors elected at the Annual General Meeting.

#### Employees trained in risk and compliance

The risk and compliance eLearning courses are mandatory for all employees of the Group and must be completed once a year. In addition, all new employees in the Group must complete the module within the first 14 days of their employment. All temporary employees and external consultants with access to the Group's IT systems must also complete training. The completion data has been extracted from DB's external Learning Management System, Cornerstone at the end of 2019. eLearning training assigned after 16 December has not been included.

#### Tenders through responsible sourcing process

Data covers all new or re-negotiated supplier contracts where Group Procurement is involved across the whole Group where the total contract is in scope for pre-qualification (supplier with total contract value above DKK 1 million). The percentage of tenders that have been through the responsible sourcing process is calculated by dividing the number of activities in scope by the number of activities marked as compliant.

Danske Bank A/S  
Holmens Kanal 2-12  
DK-1092 København K

Tel. +45 33 44 00 00  
CVR No. 611262 28-København  
[danskebank.com](http://danskebank.com)