

# Corporate Responsibility 2016

UN Global Compact  
Communication on  
Progress



# *Five things you should know about this report*

**In this report, we outline our approach to corporate responsibility and report on our performance in 2016. When you read the report, please note the following:**

**1. It is our Communication on Progress to the UN Global Compact**

Our Communication on Progress covers the financial year 1 January 2016 to 31 December 2016. With this document, we fulfil the requirements of section 135 and subsection 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. See our compliance overview on page 34.

**2. We assess and report on material issues**

In order to give a balanced overview of corporate responsibility matters related to our business, we assess and report on material issues. These issues either represent a significant risk or opportunity for us in our business operations or could possibly affect our stakeholders' views of Danske Bank. We assess materiality periodically as part of our reporting process.

**3. Our reporting is systematic in its scope and treatment of information**

The report covers the Group's five main business units and activities in our core markets. We prepare performance data according to our Corporate Responsibility Reporting Principles, which are available on our website. Deloitte has verified selected performance data according to the ISAE 3000 assurance standard.

**4. The report is part of Danske Bank Group's annual reporting**

This report is part of Danske Bank Group's annual reporting, along with Annual Report 2016 and Risk Management 2016, which present detailed information about our financial results and risk management practices. You can find more detailed and segmented data on corporate responsibility issues in the Corporate Responsibility Fact Book 2016, in the Statement on Modern Slavery Act 2016, in the Statement of Carbon Neutrality 2016 and in our Materiality Assessment 2016.

**5. We welcome and value your feedback**

Please provide us with feedback and suggestions, which can help us improve our reporting and meet your needs. Contact Dorte Eckhoff, Head of Corporate Responsibility, at [deck@danskebank.dk](mailto:deck@danskebank.dk).

**The front page photo**

The front page photo was taken by Mette Kramer Kristensen, a photographer for Hus Forbi. Hus Forbi is a Danish newspaper sold by homeless or otherwise socially marginalised vendors in the streets of Denmark, and the Hus Forbi organisation has given us permission to use the photo. In 2016, MobilePay launched a pilot project in partnership with Hus Forbi. Now 35 homeless people across the country can offer purchasers of Hus Forbi the option of paying with MobilePay. The money from the sales is transferred to a Danske Bank cash card, and the vendors can use the cash card even if they do not have a bank account. The pilot project will give us experience we can use in developing a potential permanent solution. Read more on page 17.

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# *Foreword from CEO Thomas F. Borgen*



## Corporate responsibility plays a central role in realising our vision of being recognised as the most trusted financial partner.

At Danske Bank, we are a mirror of our customers and the societies we are part of. When they do well, so do we. We have always recognised that our position in society carries a responsibility, and it is important to me that we conduct our business in a way that is sustainable and that creates greater opportunities for current and future generations.

In 2016, we integrated corporate responsibility further in our core business. For example, we worked steadily to combat financial crime, to clarify our positions on responsible lending and investment, and to increase our attention to cybersecurity. Moreover, we continued to use our expertise to foster financial confidence and provide access to financial services.

Almost ten years ago, we joined the United Nations Global Compact. As part of our continuing commitment, we support the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals. Reaching these challenging goals, which range from reducing inequality to ensuring economic growth, will require the full attention of governments, the private sector, civil society, and people like you and me.

As a leading financial institution in the Nordic countries, we contribute to the pursuit of a variety of the UN goals, but to maximise the value of our efforts, we have so far chosen to use our expertise to advance two in particular: "Quality Education" and "Decent Work and Economic Growth".

We encourage children and young people to learn about personal finance at an early age in order to build their financial confidence. This not only benefits the individual

later in life, it also contributes to sound economic developments. In 2016, we offered websites, online games, teaching material and information for parents in order to improve children's and young people's financial confidence in an inspiring way.

We support economic growth as part of our core business of providing capital for investments, absorbing risks, innovating the financial infrastructure, and helping people and businesses realise their ambitions. In 2016, we invited all interested Danish, Norwegian, and Finnish banks to participate in a new MobilePay partnership. Furthermore, we expanded The Hub, our programme for startups, to the Swedish and Norwegian markets and increased our commitment in Denmark. The Hub helps new businesses pursue their growth plans and international ambitions, and in the coming years we will intensify our efforts to assist startups and small and medium-sized businesses.

Throughout 2016, we also continued to engage with our stakeholders to better understand their concerns, explore how we can work together, and get their views on how we can do more to create long-term value in a sustainable way.



Thomas F. Borgen  
Chief Executive Officer



# A Nordic universal bank

Danske Bank Group is a Nordic universal bank with bridges to the rest of the world. We offer a full range of banking services to personal customers, businesses and large institutional clients. Our business is driven by an ambition to create long-term value for our customers, investors and the societies where we operate.

## The Essence of Danske Bank

<i>Vision</i>	To be recognised as the most trusted financial partner
<i>Strategic core</i>	We are a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions
<i>Customer promise</i>	We help customers be financially confident and achieve their ambitions by making daily banking and important financial decisions easy
<i>Core values</i>	<p>We deliver <b>expertise</b> - make knowledge relevant</p> <p>We act with <b>integrity</b> - be responsible</p> <p>We create <b>value</b> - make a difference</p> <p>We progress through <b>agility</b> - embrace change and be responsive</p> <p>We believe in <b>collaboration</b> - engage, listen and act</p>

The Essence of Danske Bank is the foundation on which we develop our business, execute our strategies and build partnerships throughout our value chain.

## Serving our customers at five main business units in 2016

Our employees serve a broad variety of industries and customers at our five main business units. The units are segmented according to the characteristics of their customers, products and services.

### Personal Banking serves personal customers

The unit provides proactive advice to customers and makes day-to-day banking simple and efficient through innovative digital solutions.

**4,623 employees**  
**Total income DKK 12.1 billion**  
**Profit before tax DKK 5 billion**

### Business Banking serves small and medium-sized businesses

The unit offers leading solutions in financing, investing, cash management and risk management through a large network of national finance centres, branches, contact centres and online channels.

**2,662 employees**  
**Total income DKK 11.2 billion**  
**Profit before tax DKK 6.7 billion**

### Corporates & Institutions serves large Nordic corporate and institutional customers

The unit provides strategic advice, financial solutions and products in capital markets, fixed income, currencies and commodities, and transaction banking.

**1,796 employees**  
**Total income DKK 10.6 billion**  
**Profit before tax DKK 4.8 billion**

### Wealth Management serves the Group's entire customer base

The unit encompasses expertise within pension savings, private banking, and wealth and asset management. The unit includes Danica Pension, Danske Capital and Private Banking customers with complex finances.

**1,948 employees**  
**Total income DKK 8.6 billion**  
**Profit before tax DKK 4.8 billion**

### Northern Ireland serves personal and business customers

The unit provides banking activities through a network of branches in Northern Ireland and leading digital channels.

**1,289 employees**  
**Total income DKK 2.1 billion**  
**Profit before tax DKK 1.1 billion**

We also offer mortgage finance through Realkredit Danmark, real estate brokerage through "home", and leasing through Nordania Leasing, and we have a number of group support functions and non-core activities.

Danske Bank has provided banking services for more than 145 years. Our core markets are Denmark, Norway, Sweden and Finland, and we also operate in Northern Ireland, Estonia, Latvia and Lithuania. We have additional offices in several other European countries, the US and Russia as well as support functions in India.

**DKK 48 billion**

Total income in 2016

**DKK 25.4 billion**

Profit before tax in 2016

**13.1%**

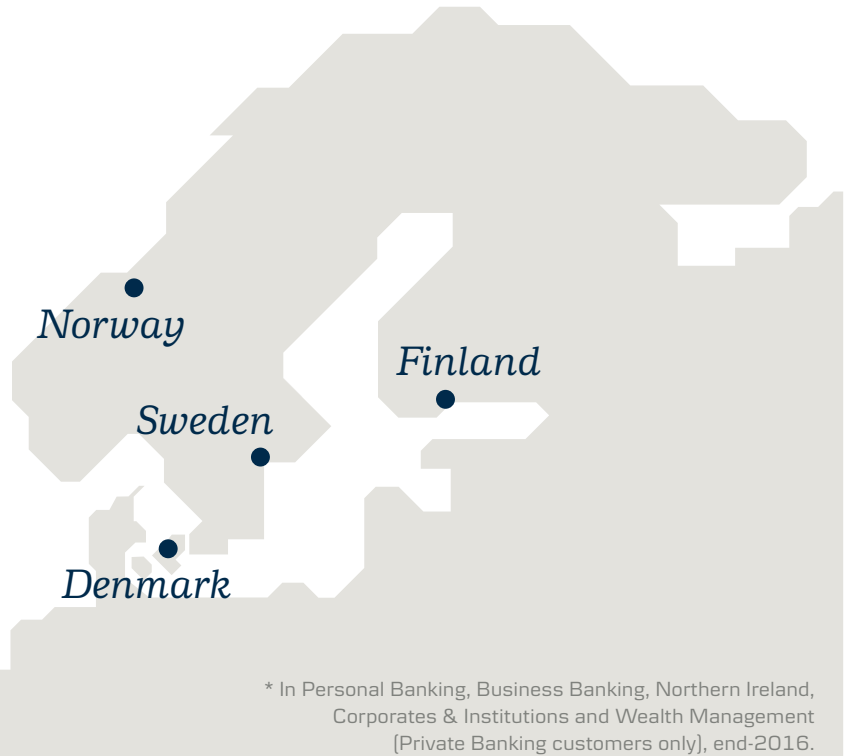
Return on equity before goodwill impairments in 2016

**3.4 million**

Customers\*

**19,303**

Full-time employees, end-2016

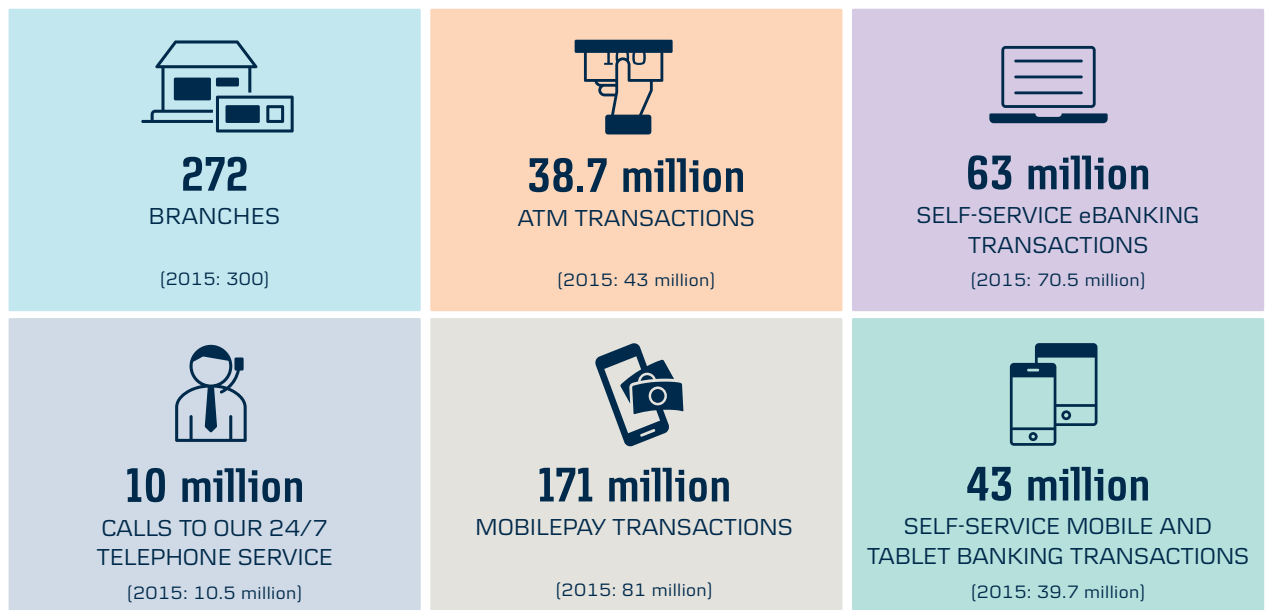


\* In Personal Banking, Business Banking, Northern Ireland, Corporates & Institutions and Wealth Management [Private Banking customers only], end-2016.

**More insights**

You can find more details on our financial performance, market positions and business strategy in our Annual Report 2016 and our quarterly financial fact books.

*Engaging customers through multiple touchpoints in 2016\*\**



\*\* Calls and transactions are from 2016; the number of branches is from the end of 2016.

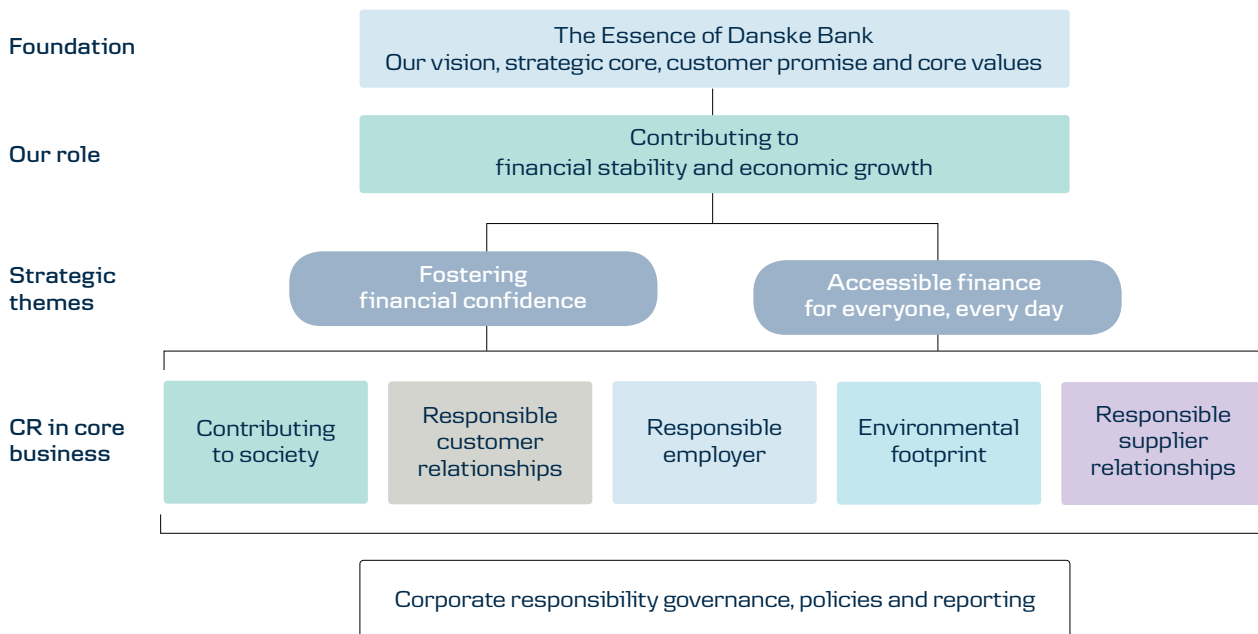
# Strategic direction

The Corporate Responsibility Strategy sets our course for the period until 2018. It delineates our ambition to increase financial confidence and access to financial services and to integrate corporate responsibility in our core business.

Danske Bank has an important role in contributing to financial stability and economic growth. Our Corporate Responsibility Strategy sets forth two strategic themes and five areas of focus to integrate responsibility in our core business. With the two strategic themes, we aim to foster financial confidence and provide accessible finance for everyone by enabling people to make sound

financial decisions and ensuring a responsible transition to future financial services. Furthermore, we work to integrate corporate responsibility in our core business by contributing to society, fostering responsible customer relationships, being a responsible employer, reducing our environmental footprint, and ensuring responsible supplier relationships.

## Corporate Responsibility Strategy 2015-18



We are two years into our Corporate Responsibility Strategy, which we developed on the basis of stakeholder consultation, materiality assessment and market trend analysis. Our strategy is dynamic in order to adjust and to accommodate the needs of our business units, local markets and new developments.



## Contributing to the UN Sustainable Development Goals



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

**Our 2017 target:**

To help 10,000 children and young people in our markets improve their financial skills in 2017.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

**Our 2017 target:**

To support startups by facilitating applications to 2,000 startup jobs and guiding 800,000 visitors to discover Nordic startups on The Hub platforms in 2017.

We contribute to a variety of the Sustainable Development Goals adopted by the UN in 2015. For example, we contribute to Health and Well-being, Gender Equality, Climate Action and Partnerships through our Corporate Responsibility Strategy 2015-18. Further, we have chosen to advance goals No. 4 and 8 in particular.



**Jeanette Fangel Løgstrup**

Senior Executive Vice President and Head of Group Marketing & Communications at Danske Bank

**Question:**

*Why is Danske Bank focusing on Sustainable Development Goals No. 4 and 8?*

**Answer:**

*The Sustainable Development Goals call for action from every one of us. Countries, companies and civil society have to put forth their best effort for the world to reach these challenging goals. To maximise the impact of our efforts, we have so far chosen to focus on quality education and decent work and economic growth. By focusing on financial literacy among children and youth as well as supporting startups in their growth ambitions, we aim to make our expertise available for the benefit of the generations to come.*





STRATEGIC THEMES: FOSTERING FINANCIAL CONFIDENCE



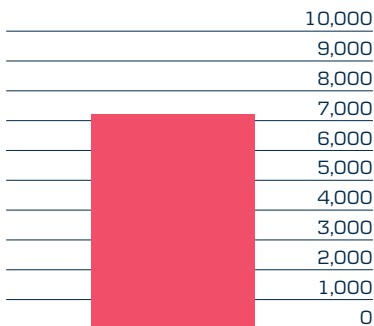
**The Sustainable Development Goal No. 4**

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

**Our 2017 target:**

To help 10,000 children and young people in our markets improve their financial skills in 2017.

**2016 Performance**



In 2016, 7,408 children and young people improved their financial skills by participating in Money Week, our SMART Money programme in Denmark and our Young Dreams workshop in Finland. Further, some 67 schools registered for our SMART Partnership programme in Northern Ireland.

## Encouraging sound finances in the younger generation

Gaining knowledge about money and finances at a young age contributes to sound finances later in life. We offer websites, online games, teaching material for schools and information for parents in order to improve children’s and young people’s financial confidence in an inspiring way. Key initiatives in 2016 included the rollout of our SMART Money and SMART Partnership programmes and the development of our Young Dreams workshops.

We believe that a higher level of financial literacy and education not only enriches the life of the individual but also contributes to healthy economic growth in society. Consumers with financial knowledge and healthy personal finances help increase competition, innovation and product quality in the financial sector by challenging us to develop better and more efficient products and solutions.

Many people - including children, young people, students and parents - benefit from improving their financial literacy. Therefore, our financial confidence initiatives are aimed at these groups in order to prepare the younger generation for a healthy financial start to adult life.

*“50,000 young people are registered as bad debtors in Denmark’s largest debtor register, RKI”*

Source: calculations from The Danish Bankers Association on the basis of data from Experian (2016).

## Promoting sound financial habits



In December 2015, we collected our educational materials in the SMART Money programme. The programme, which was developed in collaboration with the Danish Maths Association, consists of a full range of websites, games and teaching material. Pupils take part in games and exercises such as digital polls and a game in which they test their knowledge about money and compete in groups. Older pupils can get a visit from one of our financial advisers who engages them in discussions about understanding financial assets, avoiding pitfalls such as opaque payday loans, and protecting themselves against cybercrime.

## Increasing financial literacy

One hundred and forty-one schools have registered for our SMART Partnership programme in Northern Ireland since the launch in 2015. The programme consists of cross-curricular modules in which students increase their financial literacy. In 2016, we added a new module about running a business. The modules were presented by local employees who are trained as Youth Ambassadors. In 2016, we also launched SMART Junior - a version of the programme for primary school pupils. Fifty schools have registered for this version.

### Moneyville Live

Together with W5, Northern Ireland's award-winning science and discovery centre for families, we developed Danske Bank World of Moneyville in 2016. Intended for primary school

children, the exhibit introduces the concepts of money and finance in interactive exercises. Children created profiles and played Moneyville on iPads installed at the exhibit.

## Nurturing young dreams

Together with our Finnish partner, Youth Academy, we want to encourage young people to dream and live out their dreams. In 2016, we developed a workshop for upper secondary schools and vocational schools. The young people were encouraged to think about their dreams and what it would take financially to achieve them. Some 680 pupils attended 28 test workshops, which were held in eight cities. By the end of 2017, we will have launched a nationwide campaign with 130 workshops at schools, Danske Bank offices and big public events. The campaign is part of the programme for the centenary of Finland's independence in 2017 and the celebration of Danske Bank Finland's 130th anniversary.

## Our online universes

### Moneyville

Moneyville is a fun game in which 5 to 9 year-olds can learn about the value of money. They can earn money and decide themselves whether to spend it or save it. Since its launch in 2008, the Moneyville website has had over 7 million users.



### Control Your Money

Control Your Money is an educational website that teachers can use to teach 10 to 15 year-olds about personal finances. The pupils can carry out missions, such as arranging and financing a trip abroad and moving away from home. Since its launch in 2010, 71,367 Control Your Money missions have been completed.

### Introducing Money

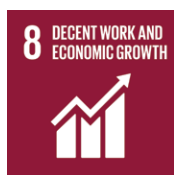
At the Introducing Money website, parents can find age-specific information on how to talk with their children and youngsters about money and personal finances - on subjects ranging from children's first pocket money and after-school jobs to managing their own finances. Since its launch in 2014, the website has had 10,746 visitors.

### More insights

You can find more information on our SMART Money programme in Corporate Responsibility Fact Book 2016.



STRATEGIC THEMES: FOSTERING FINANCIAL CONFIDENCE



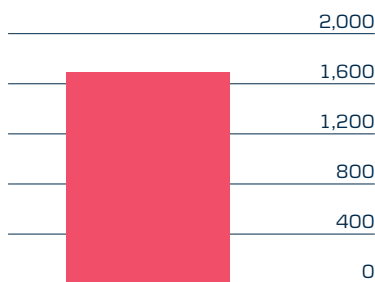
The Sustainable Development Goal No. 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

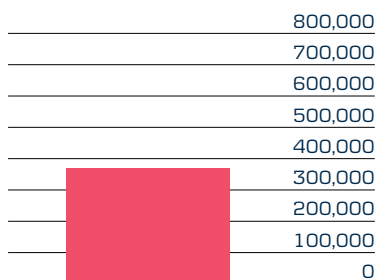
Our 2017 target:

To support startups by facilitating applications to 2,000 startup jobs and guiding 800,000 visitors to discover Nordic startups on The Hub platforms in 2017.

Jobs posted on The Hub in 2016



Visits to The Hub in 2016



## Contributing to growth

Startups are essential for innovation and economic growth. In order to foster growth at startups, we provide platforms for knowledge sharing and facilitate access to capital and financing. Key initiatives in 2016 included launching The Hub in Norway and Sweden and supporting events across the Nordics.

To succeed in their growth ambitions, startups must be well equipped to navigate in a competitive environment. The main barriers have proven to be recruitment and access to best-practice tools and venture capital. By removing the barriers, startups can focus on commercialising their ideas and innovating their business model to stay attuned to their customers' expectations and needs.

To support startups in fulfilling their potential, we make our expertise available by providing advice, access to capital, and entering partnerships to accelerate our efforts and co-create solutions. For example, together with Danica Pension, ATP and PensionDanmark, we have established a DKK 1 billion fund to which businesses can apply for equity loans.

## The Hub - a platform for startups

The Hub is an online platform tailored to the needs of startups with a global outlook and an ambition to expand quickly. The platform makes it easier to recruit skilled employees, raise capital and gain access to best-practice tools.

shared platform for Nordic startups and increase collaboration across borders between investors and entrepreneurs.

We launched The Hub in December 2015, and today it is one of the largest job and investment platforms for startups in Denmark. In 2016, we expanded The Hub to Sweden and Norway. Our ambition is that it will be a

We founded The Hub together with our strategic partner Rainmaking, which is an experienced player in the Danish startup community. In Sweden, we also partnered up with SUP46, one of Sweden's leading startup hubs, and additional partners will be invited to join the platform on an ongoing basis.



With The Hub, we participate in conferences and events for startups

across the Nordic region. In 2016, we attended conferences such as Sweden Demo Day (Sweden's largest startup conference), TechBBQ (the largest startup and innovation summit in Denmark), and Slush Finland (the biggest startup event in the Nordics).



## Sponsoring a gazelle event

For the past 13 years, we have sponsored conferences at regional centres in Lithuania to promote growth at SMEs as well as an annual gazelle event at which companies with the highest growth and development rates receive awards. In 2016, more than 1,500 SMEs attended the gazelle event and got the opportunity to expand their networks and receive recognition for their business success.

## DenmarkBridge

Danske Bank is a founding member of DenmarkBridge, a membership-driven initiative established in 2016 because strategic networking is a key ingredient in understanding, adapting and developing disruptive innovations. The initiative is intended to build a bridge between Danish companies and Silicon Valley by creating a community based on high-level strategic networking and knowledge sharing.

## Early Warning for small businesses

Many companies get in trouble at some point. The difficulties range from financial problems and market changes to leadership issues. Experience shows that, in times of crisis, impartial guidance reduces the number of bankruptcies, encourages second chances, and changes the stigma associated with bankruptcy. Early Warning is a Danish counselling programme that offers free, impartial and confidential advice to SMEs that are undergoing a crisis. It is a collaboration between consultants, volunteer advisers and lawyers initiated by the Danish Ministry of Business and Growth. In 2016, three financial advisers from Danske Bank joined Early Warning.

## Boosting the Finnish economy

The Finnish economy has been weak for the past four years, and in 2016, we organised an event called Growth 2016 for SMEs, investors and specialists. To support areas outside the capital region, we held the event in Tampere, Finland's third-largest city. The focus was on the conventional manufacturing industry and commerce, businesses that do not benefit from

the hype surrounding software startups. We addressed SMEs on three tracks: cooperation between startups and re-starts, funding, and the challenges of marketing and expanding businesses abroad. The event was attended by 730 people, and numerous one-on-one meetings between venture capitalists and startups resulted in immediate funding decisions.



**Kasper Vardrup**  
Partner Rainmaking Loft

### Question:

*What opportunities does the partnership with Danske Bank provide?*

### Answer:

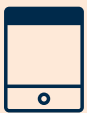
*Danske Bank has enabled us to develop The Hub into a product superior to others in the market by providing funds and inducing an air of seriousness and legitimacy to the product. In just a year, we have grown to become one of the largest job and investment facilitators in Denmark.*

*The Nordics is a genuine innovation powerhouse for startups and growth enterprises. In fact, Nordic growth enterprises are attracting an impressive quarter of all investments in Europe. With Danske Bank as a partner, it has been obvious to open The Hub to other Nordic countries and provide Danish enterprises with access to Nordic investors and vice versa. The same goes for talents with preferences to startups. This workforce is extremely mobile and to them relocating is no hindrance.*

STRATEGIC THEMES: ACCESSIBLE FINANCE  
FOR EVERYONE, EVERY DAY

## Making banking easy for everyone

Rapid technological advances and changing customer expectations mean that our digital reach is increasingly important. To ensure a responsible transition to digital financial services, we aim to take a leading role in developing innovative products that are accessible, easy to use, and secure. A key initiative in 2016 was relaunching our Step-by-step meetings.



**38%**

of 65-74 year-olds use a tablet to access the Internet



**17%**

of 65-74 year-olds use smartphones for banking

As customers become more accustomed to digital services, they also expect a seamless experience. Therefore, we are constantly challenging ourselves to provide products that enable self-service around the clock. At the same time, we want all our customers to be able to gain access to our products and

services – and to feel secure using them.

To increase accessibility for everyone, we have launched several customised solutions for senior citizens, the visually impaired and other customers with special needs.

Source: The Danish Agency for Culture and Palaces, 2016.

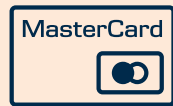
### Step-by-step meetings 2.0

For some seniors, digital banking is easily done. For others, it can be a challenging experience. In our contact with elderly customers, we seek to help them and explain all the solutions we have developed to make banking easier.

In Denmark and Northern Ireland, we invite elderly customers to Step-by-step meetings. At the outset, our focus was on making computers part of their daily lives and guiding them through our

digital banking services. Over the years, we have seen increasing demand for training in the use of mobile devices. Therefore, in 2016 we decided to relaunch the Step-by-step meetings in Denmark to teach senior citizens how to use tablets for online banking and payments. The new meetings consisted of two courses combined with the opportunity to get help from a personal adviser. The first course was intended to make the participants comfortable

using a tablet to access the Internet. In the second course, participants learned how to use tablet banking, including how to check their account balance, pay bills and transfer money. In autumn 2016, we held two pilot courses in the Danish city of Odense with 30 participants. The experience from the pilot project will enable us to refine the meetings for wider application.



For customers in Denmark who are unable to visit branches or ATMs, need someone to make payments on their behalf, or have difficulty remembering a PIN, we offer a cash card. It has a PIN that is easily memorised, a maximum balance of DKK 5,000, and no overdraft facility. It can be used at all ATMs and shops that accept MasterCard.



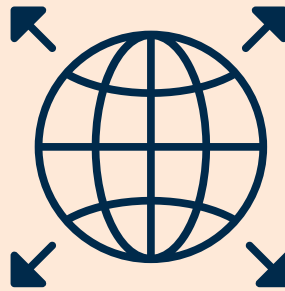
To increase accessibility for personal customers who need to deposit and withdraw money, we have arranged for some 190 post offices in Denmark to provide these services.



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



For all customers with eBanking, we offer online meetings for easy access to advisers. Advisers can display graphics and calculations on the screen during the meetings. In 2016, we held some 60,000 online meetings.



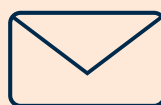
## Accessible finance for everyone



To accommodate customers who are not confident with digital banking, we developed Easy Banking. It is a simplified version of our eBanking system in Denmark. The system has only three basic functions - account overview, bill payment and transfer, including transfers to a cash card.



To support young people, we launched Youth Direct - a department where advisers have first-hand knowledge of the financial issues young customers face, such as student housing and study abroad.



For customers with special needs who have difficulty with digital communications, we offer correspondence by ordinary post at no extra cost.



To keep up with customers' diverse and changing lifestyles, we offer several self-service solutions as well as 24/7 telephone support.



STRATEGIC THEMES: ACCESSIBLE FINANCE  
FOR EVERYONE, EVERY DAY

## *MobilePay brings us closer to a cashless society*

MobilePay is our best example of the convenience and instant access that digital solutions can offer. Since 2013, more than 3.3 million people in Denmark have downloaded MobilePay, and the payment platform is gaining ground in Norway and Finland. From the beginning, we made MobilePay available to everyone, not only Danske Bank customers. A major development in 2016 was opening the platform to all interested Nordic banks, ensuring more resources to develop the solution for the benefit of consumers, businesses and society at large.

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### **About MobilePay**

MobilePay enables people to transfer and receive money and make payments in apps, physical stores and online shops simply by using a smartphone. For businesses, handling less cash also means increased security and reduced administration. Businesses pay a fee for using MobilePay, while the app is free of charge for consumers and available to anyone with a smartphone.

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We created MobilePay to address the need for very simple money transfers, and MobilePay feeds into our strategic effort to provide accessible finance for everyone. In 2016, we invited all interested Danish, Norwegian and Finnish banks to participate in a MobilePay partnership. The partnership will ensure that consumers and businesses have a widely used, user-friendly mobile payment

platform that is subject to constant innovation and new features. Features such as "Payment link", a simple value-add for small businesses, which can now easily accept invoice payments via MobilePay Business by means of accounting tools such as Dinero. The solution makes it possible to attach a MobilePay button to an invoice so that customers can pay conveniently with MobilePay.



## Making charitable donations easy

Since fewer people carry cash these days, charitable organisations sometimes miss out on donations. MobilePay has given them access to a larger donor group since it allows donations to be made whenever and wherever it suits the donor.

In 2016, more than 270 charitable organisations used

MobilePay to collect donations. In collaboration with ISOBRO, the Danish Fundraising Association, MobilePay developed a “free of charge” package that allows charitable organisations to use MobilePay Business for collections and donations without paying a fee. The package includes transactions and subscriptions, training in using MobilePay for fundraisers

and collectors, and marketing materials.

In 2016, MobilePay added a new feature that allows donors in Denmark to report donations through the bank to the charity organisations, which then do the tax reporting so that donors can get their tax deductions more easily.

## MobilePay in figures 2016



*The figures cover the Danish market*

## Providing digital solutions for homeless people

How can we prevent digital solutions from having negative consequences for organisations and people who still rely on cash? A cashless society will affect more than 2,600 homeless people who raise money by selling the Hus Forbi newspaper in the streets of Denmark. In 2016, MobilePay launched a pilot project in partnership with the Hus Forbi organisation. Now 35 homeless people across the country can offer

purchasers of Hus Forbi the option of paying with MobilePay. The money from the sales is transferred to a Danske Bank cash card, and the vendors can use the cash card even if they do not have a bank account. The card can be used at all ATMs or wherever MasterCard is accepted. The pilot project will give us experience we can use to develop a potential permanent solution.



**Rasmus Wexøe Kristensen**  
Secretariat Director at Hus Forbi

### Question:

*How do MobilePay and the cash card solution help the homeless?*

### Answer:

*It is important that our vendors are able to sell as many newspapers as possible. It is a vital income that makes their life on the streets more bearable. The combination of a cashless payment and the cash card is the big advantage. Often they don't carry a valid ID, and when you don't have an address, it is very difficult to get a bank account and a debit card. With this solution, we reduce some of the stigmatising effects that homeless people unfortunately experience with increased digitalisation. The solution also provides new opportunities for Hus Forbi as it will be quicker and easier to get payments to our vendors regardless of where they are in the country. We hope the pilot will lead to a permanent set-up.*

## CORE BUSINESS: CONTRIBUTING TO SOCIETY

# Creating long-term value

We strive to create long-term value, increase transparency, and engage in dialogue with our stakeholders. Key developments in 2016 included clarifying our positions on tax and our ambitions for engagement with various stakeholder groups.

## VALUE CREATION

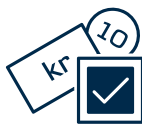


## Banking customers

**DKK 1,689 billion**

Loans issued for banking customers in 2016.

Loans to Personal Banking customers represent 44% of all loans, and loans to Business Banking customers 39%.



## Asset management

**DKK 1,420 billion**

Assets under management consists of our conventional life insurance business (Danica Traditionel), asset management (Danica unit-linked and Danske Capital) and assets under advice (the investment decision is taken by the client) from personal, business and private banking customers.



## Shareholders

**DKK 16.2 billion**

Distributed in 2016 to our 266,000 shareholders, including a DKK 8.1 billion share buy-back. 46% of our shareholders are based in Denmark, 19% in the UK, and 21% in the US and Canada.



## Suppliers

**DKK 7.4 billion**

Payments for products and services delivered by our 13,746 suppliers in 2016.

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



## Employees

**DKK 13.8 billion**

Salaries, bonuses and social security costs paid in 2016 for our 19,303 employees.

At the end of 2016, 50% of our employees were women and 50% were men.



## Tax authorities

**DKK 5.5 billion**

Tax on the profit for 2016.

### More insights

You can find more details on our financial performance and value distribution in Annual Report 2016.



## Increasing transparency

Acting in a transparent manner and with integrity is a fundamental principle in our engagement and dialogue with society. In 2016, we updated our Tax Policy to clarify what we mean by having a responsible and transparent approach to tax. The policy sets out a conduct for responsible behaviour that our employees must follow, which includes that we do not tolerate any illegal actions on tax. If any customers or business partners engage in tax fraud or tax evasion, we cooperate with the authorities in accordance with all applicable rules and regulations. In line with our core values, we do not participate in any abusive tax arrangements. Through the policy we commit to being transparent, to seek a pro-active, open and cooperative relationship with the tax authorities and to disclose our tax payments in accordance with national and international requirements and good practice among peers.



**Sara Jespersen**  
Project Manager,  
The Tax Dialogue, at Oxfam IBIS

### Question:

*What does IBIS expect from companies with regard to responsible tax practices?*

### Answer:

*We expect all types of companies and corporations to be transparent on their tax policy, strategy and the account data to support how these are implemented in practice. A clear communication on tax positions that acknowledge the challenges of the current tax framework and how to address these in the short term and the long term is in our view essential to bring the agenda forward. More companies like Danske Bank go through an internal consultation to clarify their positions and make their tax policies public available, which is an important first step.*



## CONTRIBUTING TO SOCIETY

### Policy commitment

We want to contribute to growth and prosperity through the products and services we deliver and by innovating the financial infrastructure. We are committed to conducting our business in a responsible and transparent manner and to making our expertise available for the benefit of the societies in which we operate, for example, through education, corporate volunteering and supporting growth initiatives.\*

### Ambitions and strategy 2015-18

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

### Target 2018

**12.5% ROE**

A return on shareholders' equity above 12.5% by 2018 at the latest\*\*

### Performance 2016

**13.1% ROE**

Return on equity in 2016\*\*

### Key actions 2016

- Contributed to economic growth and financial stability through our services and innovation of the financial infrastructure
- Invited all interested Danish, Norwegian and Finnish banks to participate in a new MobilePay partnership
- Updated our Responsibility Policy and Stakeholder Policy
- Engaged in dialogue with tax authorities and clarified our positions on tax
- Engaged in activities and partnerships to support our communities

### Outlook for 2017

- Conduct a study, in collaboration with Copenhagen Business School, to determine our impact on Danish society
- Strengthen our programmes in financial confidence and accessibility linked to the Sustainable Development Goals
- Increase transparency on our approach to tax and continue dialogue with tax authorities
- Update our Stakeholder Policy
- Develop a process for coordinating our donations and monitoring corporate volunteering

\* From Danske Bank's Responsibility Policy. Other supporting policies includes our Stakeholder Policy and Tax Policy.

\*\* For more detailed information, see Annual Report 2016.

## CORE BUSINESS: CONTRIBUTING TO SOCIETY

## How we engage with our stakeholders



### Customers

#### Our ambition is to:

- be the most trusted financial partner
- deliver the best customer experience
- help customers become financially confident and achieve their ambitions by making daily banking and important financial decisions easy

In 2016, we engaged in dialogues with customers in personal meetings, on social media and at our multiple touchpoints. We continued to simplify our products by making them more transparent and easy to use, for example by offering 200 customers the opportunity to try the beta version of June, our new online investment product. During the beta period, we will use their feedback to keep improving June.

### Employees and their representatives

#### Our ambition is to:

- build a truly customer centric culture where employees are empowered, guided by our core values

In 2016, we launched new tools to promote employee engagement through dialogue and discussion, and we continued to cooperate with employees' organisations and local unions. At Wealth Management Denmark, we launched an initiative called Health Week to increase employees' awareness of issues related to health and well-being.



### Business partners, financial industry associations, suppliers and market participants

#### Our ambition is to:

- be an open and credible partner and a trustworthy and responsible representative of the sector

In 2016, we invited all interested Danish, Norwegian and Finnish banks to participate in a new MobilePay partnership for the benefit of users, businesses and society at large.

### Investors and analysts

#### Our ambition is to:

- comply with the Investor Relations policy and to be an open and transparent partner
- achieve a stable and diversified investor base

In 2016, we engaged in an ongoing dialogue with investors and analysts by holding meetings with them individually, in small groups and together with management at roadshows in Europe and the US.



## Interest organisations

### Our ambition is to:

- be an open, collaborative, and value creating partner, that engages in a true dialogue

In 2016, we had an ongoing dialogue with Oxfam IBIS on responsible tax practices in order to understand their views and expectations as we reviewed our Tax Policy. In addition, Danica Pension and Børneulykkesfonden developed the Active Generations programme to promote healthy habits across generations in Denmark.



## Governments and politicians

### Our ambition is to:

- be a constructive partner driven by an ambition to create value for society
- have an open and collaborative dialogue and deliver expertise in a transparent way

In 2016, we participated in political festivals such as Folkemødet in Denmark and Almedalsveckan in Sweden by engaging in debates and events on broader societal issues such as growth, corporate responsibility and the role of the financial sector.



## Regulators and authorities

### Our ambition is to:

- be an open and credible expert, and a constructive partner in developing and implementing regulation

In cooperation with regulators and authorities, we have engaged in an effort to ensure that the coming Basel standards on simplicity, comparability and risk sensitivity are balanced in order to secure Nordic and Danish specificities such as the Danish mortgage system.



## Supporting local communities

Another way we contribute to society is by participating in local charitable work and corporate volunteering.

In Northern Ireland, we launched a new programme called "Danske Time to Give". Since the launch, we have volunteered 233 hours. In Estonia, we joined "Let's donate time", a scheme led by the Estonian Employers' Confederation in which employees get one paid day off per year to do voluntary work.

In Norway, we developed Danske Charity, in which employees can get a paid day off to do corporate volunteering at one of ten NGOs. It will be implemented in 2017.

In India, we embarked on a new initiative in collaboration with the NGO, Need Base India, to finance the rehabilitation and education of 25 underprivileged boys. In Lithuania, our employees participated in the Endomondo challenge, in which they tracked the results of their sports activity with the app. Afterwards, the calories burned were converted into food and donated to the "Food Bank": 3 million calories were converted to 45,000 food portions and distributed to vulnerable social groups in 2016.

In Denmark, Finland, Norway, Sweden and Northern Ireland, employees voted for charities that would receive the annual Christmas donations. In 2016, they selected the Danish Julemærkefonden, the Finnish Hyvä joulumielikeräys, the Norwegian Kirkens Bymisjon, the Swedish Musikhjälpen, and TinyLife in Northern Ireland. In addition, we made 50 donations totalling DKK 1.7 million through the Danske Bank Fund.



## The media, opinion leaders, experts and the general public

### Our ambition is to:

- be an open and collaborative partner for the media and to ensure fair and balanced coverage
- show availability to external stakeholders

In 2016, we improved our dialogue with the media. As digitalisation and disruptive business models become more important in the financial sector, we share our expertise about this area at meetings and briefings with journalists.

### More insights

You can find more information on our corporate volunteering in Corporate Responsibility Fact Book 2016.



CORE BUSINESS: RESPONSIBLE CUSTOMER RELATIONSHIPS

## *Demonstrating accountability*

We work constantly to integrate responsibility measures in our investment and lending practices and to build responsible customer relationships by offering proactive advice. Key developments in 2016 included the formulation of sector-specific position statements and measures to prevent financial crime.

We offer a wide range of financial products. Some products are complex, and the customer's choice may have important financial consequences. It is therefore essential that customers can rely

on our integrity when we offer advice. In 2016, we continued to simplify our products and services and to develop our expertise, systems and processes in order to be able to exercise best practice. Our efforts

produced the biggest improvement in customer satisfaction among personal banking customers in the Danish industry according to the EPSI annual report on Danes' satisfaction with their banks.

### *Publishing new position statements*

In 2016, we developed five sector-specific position statements. The statements clarify how we work with screening and ESG risk analysis. They establish a general framework for proactive dialogue about risks and opportunities with our customers,

business partners and the portfolio companies we invest in. The statements, which cover fossil fuels, forestry, climate change, arms and defence, and mining and metals, apply to all the markets where we operate and encompass all our operations.

#### **More insights**

You can find more information on our customer satisfaction performance in Annual Report 2016.

## Responsible investing

When customers entrust us with their savings, we have an obligation to serve their interests by delivering both competitive and sustainable returns. To do so, we integrate ESG considerations in all our investment practices. We screen our investment universe and holdings on an ongoing basis to ensure that we are investing only in companies and assets that adhere sufficiently to international principles of corporate responsibility. We are signatories to the UN-backed Principles for Responsible Investment and local social investment forums.

We believe that well-functioning corporate governance is a precondition for producing competitive and sustainable returns. When necessary, we seek to influence the companies we invest in through dialogue and voting at general meetings and participation in nomination committees. Through ongoing dialogues between our investment teams and companies on both financial and non-financial matters, we are able to act as active owners and investment managers in evaluating companies' corporate governance. We focus our ownership efforts on companies where it can have substantial impact. Our ownership efforts are therefore mainly focused on companies domiciled in the Nordic countries, funds with significant holdings and where clients have authorised us to do so. In 2016, we cast votes by proxy at more than 200 company general meetings.

### Launching a new fund

In 2016, we launched a new fund, European Corporate Sustainable Bonds. The fund selects corporate bonds on the basis of two criteria: a financial assessment of the company and an evaluation of the company's sustainability efforts. Investments in the fund may include the development of new sustainable technologies, water purification and biotechnology, for example.

### The Montreal Pledge

While companies are already feeling the physical impact of climate change, many companies also face even more acute non-physical risks, such as shifting market trends and public policies that accelerate the transition to a low-carbon economy. In 2016, we signed the Montreal Pledge – a pledge to measure and publicly disclose the carbon footprint of our investments. The first step is measuring the carbon footprint of selected funds, and we plan to expand the coverage to all of our Danske Invest equity and bond funds in 2017.



## RESPONSIBLE CUSTOMER RELATIONSHIPS

### Policy commitment

We want to build long-term responsible customer relationships through advice with a high level of integrity, through easy access to financial products and services and through responsible investment and lending practices and high information security. We integrate environmental, social and governance (ESG) considerations in our investment practices, and will, when necessary, act as active owners. In addition, we invest with respect to international principles for human rights, labour rights, the environment and anti-corruption.

We want to ensure that loans and credit facilities are granted based on a professional credit assessment, making sure our customers understand the implications of taking out loans. In collaboration with our customers, we include environmental, social and governance aspects in our lending activities.\*

### Ambitions and strategy 2015-18

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

### Customer satisfaction target

#### Number 1 or 2

in our focus segments in all our Nordic markets for Personal Banking and Business Banking.\*\*

### Performance 2016\*\*

**Personal Banking**  
On target in 3 of 4 countries

**Business Banking**  
On target in 4 of 4 countries

### Key actions 2016

- Published position statements on responsible investing and lending
- Updated our Whistleblowing Policy
- Continued to simplify products and services
- Continued customer-focused training programmes
- Conducted a human rights risk assessment in accordance with the UN Guiding Principles on Business and Human Rights
- Implemented our Responsible Investment Strategy, including active ownership measures
- Implemented an action plan to expand communications and education on IT security

### Outlook for 2017

- Develop a strategy for raising our ambition on responsible investing
- Update and publish new position statements on how we work with screening and ESG risk analysis
- Increase our attention to cybersecurity
- Host an IT security conference in Copenhagen

\* From Danske Bank's Responsibility Policy. Supporting policies include our AML Policy, Responsible Investment Policy, Security Policy, Credit Policy, Position statements, Code of Conduct and Whistleblowing Policy.

\*\* For more detailed information, see Annual Report 2016.

## CORE BUSINESS: RESPONSIBLE CUSTOMER RELATIONSHIPS



## Responsible lending

We grant loans and other credit facilities on the basis of a professional credit assessment of the customer's needs and financial situation. It is in both our and the customer's interest that credit facilities are granted only when the customer understands the associated obligations and risks. For business customers, in addition to assessing the customer's needs and repayment ability, we consider the purpose for which the funds will be used and assess possible conflicts with our corporate responsibility principles. If we assess a customer relationship to be contrary to our principles, we seek a solution in collaboration with the customer. If the only option available is terminating the credit relationship, we do so in a controlled process.

In 2016, we updated our Credit Policy to more explicitly articulate the assessment of ESG risks in our credit standards. We also appointed 17 ESG champions to support our relationship managers in their assessment of ESG risks.

## Understanding our human rights impacts

To better understand our potential human rights impacts, we conducted a high-level, group-wide risk assessment in 2016 in collaboration with the Danish Institute for Human Rights. The assessment was based on the UN Guiding Principles on Business and Human Rights. Forty-seven recommendations were made,

including recommendations to expand our coverage of human rights issues in some of our policies and procedures, to strengthen our internal approach to human rights issues, and to improve our reporting on human rights performance.



**Cathrine Bloch Poulsen-Hansen**

Programme Manager of the Corporate Engagement Programme,  
at the Danish Institute for Human Rights.

### Question:

*What is the role of the financial sector in promoting respect for human rights?*

### Answer:

*The financial sector has a unique opportunity to serve as a multiplier for human rights. By setting firm human rights expectations for the companies they invest in and for their customers, banks can contribute to the human rights on a massive scale. However, very few banks have performed a human rights risk assessment on the full scope of their activities. We commend Danske Bank for embarking on this journey to identify and address actual and potential human rights impacts. We have recommended Danske Bank to further build capacity among relevant employees and increase its communication on human rights due diligence to raise awareness internally and externally of its role, responsibility and leverage in lending and investment activities.*





## Keeping our customers safe

As we digitalise our business, we also increase our attention on cybercrime at all levels. We make global threat assessments regularly so that we can adjust rapidly to new kinds of threats and shield our customers from attacks. We participate in a number of networks in order to be at the forefront of developments. For example, we participate in Europol's European Cybercrime Centre, where we sit on the

Advisory Group on Financial Services. We also take part in local banking security forums to ensure that we have a broad perspective on fraud.

In 2016, we started gathering our IT security communication initiatives in a single programme. The programme is intended for personal customers, businesses and anyone else who wishes to stay up to date on IT security.

It offers advice on how to protect yourself against fraud and cyber-crime.

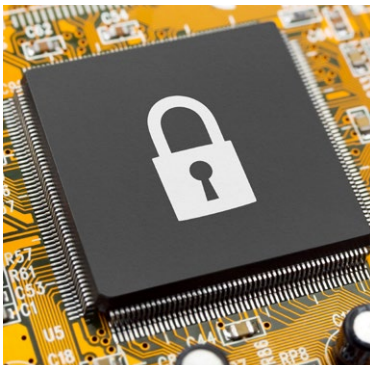
One activity that we have already launched is a set of five customer seminars on cybercrime related to recent CEO-whaling fraud attempts. Some 170 customers, mainly from the UK, attended the seminars.

## Preventing financial crime

Financial crime is a major problem for society. Estimates for the Nordic countries alone suggest that money laundering involves billions of euro every year in each country. To ensure that our services are not abused for illegal purposes like money laundering and other criminal activities, we seek continuously to improve our

processes and systems and to train our employees thoroughly. For example, we have automatic monitoring of transactions and screening of customers in order to check if they are on international sanctions lists.

In March 2016, after an on-site anti-money laundering inspection, the Danish Financial Supervisory Authority (FSA) issued eight orders to Danske Bank. The final resolution from the FSA also included a report to the Danish Prosecutor for Special Economic and International Crime for investigation related to correspondent banking. Throughout 2016, we have made substantial efforts to comply with regulation and in September, we submitted a statement on compliance with the orders.



## License to operate

Every year, employees associated with the Personal Banking and Wealth Management business units, must complete mandatory "License to operate" eLearning courses.

The training covers issues such as whistleblowing, competition law, anti-money laundering measures, market manipulation and our Code of Conduct. In 2016, some 6,000 employees had to complete the training. If they did not do so by year-end, they were denied access to customer data.



# Becoming a values-based organisation

## CORE BUSINESS: RESPONSIBLE EMPLOYER

We believe an engaging and inclusive workplace is a prerequisite for running a high-performance organisation that is driven by our core values and meets our business objectives. Key developments in 2016 included reinforcing our diversity ambitions and increasing our focus on employee engagement.

### Creating an engaging and inclusive workplace

We see employee engagement as a cornerstone for delivering the best customer experience. Having open and honest conversations about how things are going and giving feedback to both our team and top management are essential in making Danske Bank an even better place to work. At the same time, we seek to shape an environment where different kinds of people feel welcome, integrated and valued.

Our work environment builds on our core values, but we also take specific working preferences, lifestyles and life stages into account when we define cultural initiatives. Such initiatives include flexible working conditions, mentoring programmes and the promotion of role models as well as seminars and networking opportunities. We believe that by maintaining a balance between

a shared foundation and the opportunity for employees to express their individuality at work, we will be able to attract and retain the diverse people we need for the future.

### Focusing on diversity and competency development in our workforce

We seek to foster a diverse workforce that reflects the preferences and tastes of our customer base. We promote diversity, including a balanced gender composition, in managerial positions at all levels and in the recruitment, search and selection of new employees. For example, candidate pools for senior positions always include at least one candidate from the underrepresented gender. We materialise our commitment to addressing gender imbalances by being signatories to the Danish Charter for Diversity. In 2016, we made good overall progress

towards our 2017 gender targets. In addition to gender composition, we see an increase in the cultural diversity of our senior management teams. This is the result of a recent increase of non-Danish hires in management positions and our emphasis on working in global teams. Specifically, we have established a global team structure, in which leaders and employees work together across national and cultural borders.

Moving forward, we want to broaden our diversity efforts to encompass not only inherent diversity such as gender, age and nationality but also acquired diversity in terms of opinions, ways of thinking, personalities and educational backgrounds. We will also continue to develop our employees' competencies and to adjust our organisation to changing market requirements.

## Addressing gender biases in Sweden

In 2016, Danske Bank Sweden launched an initiative called Danske Inclusion to increase leader and employee awareness of gender issues related to unconscious biases. The programme included an extensive, mandatory three-day training module for leaders at all levels, who learned about their gender

biases and the consequences for customers and employees. The leaders passed on what they learned to their teams, and together they discussed how to address the issues identified – both in their own team and in their customer base.

## Necessary adjustments

In order to succeed in today's market and stay competitive in the future, we need to be as efficient as possible. Part of our strategy to achieve this is through digitalisation and new ways of working. This means that we must adjust our organisation on an ongoing basis and also, unfortunately, that we must close down a number of positions. We work to limit the adverse effects of this process through, for example, natural attrition, job rotation and employee development. In autumn 2016, we granted 244 employees a voluntary severance agreement and reduced the number of layoffs to 77 employees in Denmark as part of these efforts.

## Engaging our employees

In 2016, we introduced new tools to facilitate a constructive ongoing dialogue on employee engagement: Team Talk and PULSE. Team Talk enables a structured team dialogue about what creates a good workplace, whereas PULSE measures engagement throughout the Group. In this way, PULSE is a channel for direct communication from all employees to senior management, and it offers a temperature check on strategic themes such as empowerment, collaboration, innovation and our core values.



**Henriette Fenger Ellekrog**  
Senior Executive Vice President  
and Head of Group Human Resources

### Question:

*Why has Danske Bank launched new employee engagement tools?*

### Answer:

*Engagement is the main driver of performance as highly engaged employees are crucial in creating the best customer experience. Therefore, we have launched new tools that will help us enhance engagement through dialogue and discussion – and ultimately enable us to become a more values-based organisation.*



## RESPONSIBLE EMPLOYER

### Policy commitment

We want to be a responsible employer by acting on our core values, providing challenging and meaningful work, and giving our employees an opportunity to develop and grow. We want to sustain a healthy and safe working environment and a collaborative culture where our employees feel engaged, and where our leaders are expected to role model our values, drive customer centricity, and inspire their employees to succeed. We want to promote diversity and a global culture, ensure equal opportunity and eliminate discriminatory treatment, while protecting our employees' privacy, right to freedom of association and collective bargaining and right to raising concerns without fear of retaliation.\*

The Danske Bank group is committed to working towards increasing the share of the underrepresented gender (women) in executive and managerial positions. The goal is to increase the number of female managers at all levels.\*\*

### Ambitions and strategy 2015-18

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

### Gender targets 2017

**25%** Annual General Meeting-elected women on the Board of Directors\*\*\*

**12.5%** women on the Executive Board

**38%** women in management positions

### Performance 2016

**25%** Annual General Meeting-elected women on the Board of Directors\*\*\*

**0%** women on the Executive Board

**35%** women in management positions

### Key actions 2016

- Updated Diversity and Inclusion Policy
- Rolled out a leadership model and launched a matching leadership curriculum
- Launched a new framework to discuss employee engagement at all levels of the organisation
- Implemented learning agendas to develop a culture of continual learning
- Increased focus on diversity and inclusion, including gender composition
- Increased the visibility of female executives and second-level female managers in selected areas

### Outlook for 2017

- Increase our focus on diversity and inclusion, setting and cascading new targets and launching supporting initiatives
- Continue to strengthen our leadership through leadership development matching our leadership model
- Continue to work on identifying, developing and retaining the right competencies
- Roll out our updated Code of Conduct
- Continue to engage employees in corporate volunteering activities

\* From Danske Bank's Responsibility Policy.

\*\* From Danske Bank's Diversity and Inclusion Policy. Other policies supporting this area include our HR policies and the Code of Conduct.

\*\*\* In 2016, six men and two women on the Board of Directors were Annual General Meeting-elected and we reached our 2017 gender target of 25% Annual General Meeting-elected women on the Board of Directors.

CORE BUSINESS: ENVIRONMENTAL FOOTPRINT

# Mobilising climate efforts

We work constantly to improve our environmental management systems in order to minimise the footprint of our products and operations. Key developments in 2016 included becoming the first Nordic bank to join the Climate Bonds Partnership Programme and engaging our employees in Danske Bank Earth Day.

In November 2016, the Paris Agreement took effect solidifying international cooperation for climate action and sending a signal to the private sector that a rapid transformation was needed in the global economy. At Danske Bank, we have implemented an environmental management system to minimise our CO<sub>2</sub> emissions and manage our environmental impact as effectively as possible. The system helps us improve our environmental performance on an ongoing basis. In 2016, we expanded our

environmental reporting to include figures from our operations in India. Our CO<sub>2</sub> emissions totalled 18,664 tonnes, a minor decline of 1% from the level in 2015. We reduced heat and paper consumption by optimising the branch network and digitalising documents. In 2016, we continued to eliminate CO<sub>2</sub> emissions from electricity by switching from a mixture of electricity sources to sourcing renewable electricity certified by Guarantees of Origin and International Renewable Energy Certificates.

The 18,664 tonnes of emissions we could not eliminate, we offset by investing in carbon credit projects in India, Turkey, Lithuania and Uganda. All the projects guarantee a reduction of CO<sub>2</sub> emissions. Besides reducing CO<sub>2</sub> emissions, the projects promote sustainable development in their local communities. The investments are managed by a carbon asset management company and are verified according to international standards such as the Gold Standard.

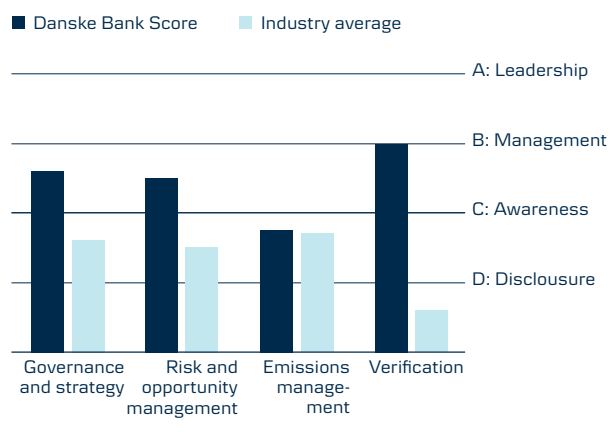
**More insights**

You can find more information on our environmental impact in Statement of Carbon Neutrality 2016.

## CDP score 2016

Danske Bank is a signatory to the Carbon Disclosure Project (CDP). The CDP is a not-for-profit organisation that scores companies on their climate performance. In 2016, it adopted a new four-step approach in measuring a company's progress towards carbon disclosure leadership.

Danske Bank received a score of B in recognition of the actions, policies and strategies we have implemented to address environmental issues. The CDP's new approach and the information requested are fundamentally different from before, so the 2016 score is not directly comparable with our earlier scores. On the basis of our score, the CDP recommends that we plan further emission reduction targets and activities and provide examples of management methods implemented to identify risks and opportunities.



## Danske Bank Earth Day

The WWF's Earth Hour is an annual global event in which people switch off their lights for one hour to show they care about the future of our planet. Earth Hour is not about how much energy is saved during the hour. Rather, it is a chance to put spotlight on the issues that the planet faces and to inspire millions around the world to live more sustainably.

In the UK, we have supported Earth Hour since its inception in 2007, switching off all lights, except security lights, at our head office. In 2016, we expanded this to an all-day event called Earth Day, with various initiatives throughout the Group. The activities included turning off the lights at all corporate offices, an environmentally friendly lunch in canteens, campaigns to reduce food waste and paper consumption, and measures to promote public transportation, car pooling and cycling. A survey showed that 76% of our employees felt that the Earth Day initiative made them think about how they could behave in a more environmentally friendly way.

## Green bonds

In 2016, we joined the Climate Bonds Partnership Programme as the first Nordic bank. Joining the Climate Bonds Partnership Programme gives us an opportunity to help shape the standards for future green bonds together with global financial institutions. The Climate Bonds Initiative – an investor-focused not-for-profit organisation promoting large-scale investment in the low-carbon economy – leads the programme.



**Sean Kidney**  
CEO, The Climate Bonds Initiative

### Question:

*What opportunities does the partnership with Danske Bank provide?*

### Answer:

*The Climate Bonds Initiative is a driving force for universal standards, which help promote green bonds for investors, issuers and underwriters. We commend that Danske Bank as a major Nordic financial institution has taken an active role towards the transition to a low carbon economy and green finance, committing to sustainable business practices and climate-related investments. Partnering gives us the opportunity to work cooperatively with the Danske Bank, on green bond awareness, labelling and standards, to expand the growing green bond market in northern Europe, as they intensify their efforts towards a zero emissions future.*



## ENVIRONMENTAL FOOTPRINT

### Policy commitment

We want to achieve a strong environmental performance by working systematically to limit the negative environmental impact of our business operations. We want to minimise the environmental impact of our operations and reduce our CO<sub>2</sub> emissions through energy and environmental management in accordance with the ISO 14001 standard.\*

### Ambitions and strategy 2015-18

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

### Energy target 2018

#### 15% reduction

in overall energy consumption from the level in 2014 (megawatts)\*\*

### Performance 2016

#### 6% reduction

in overall energy consumption from the level in 2014 (megawatts)\*\*

### Key actions 2016

- Continued implementing energy-reducing projects and initiatives in order to reach our overall energy-reduction target
- Expanded environmental reporting to include our operations in India
- Engaged employees in an Earth Day event to raise awareness of environmental issues and promote behavioural change

### Outlook for 2017

- Increase energy efficiency at our offices
- Continue to implement energy-reducing projects and initiatives in order to reach our overall energy-reduction target of 15% by 2018
- Increase environmental awareness among employees by expanding Earth Day to a larger environmental event

\* From Danske Bank's Responsibility Policy.

\*\* The overall energy consumption in 2014 was 121,126 megawatts.

CORE BUSINESS: RESPONSIBLE SUPPLIER RELATIONSHIPS

# Promoting responsibility in our supply chain

We strive to establish lasting relationships with our suppliers, and we continue to develop our procurement processes to ensure that we minimise any adverse impacts in the supply chain. Key developments in 2016 included an improved responsible sourcing process and a new Supplier Code of Conduct.

Responsible sourcing is an important part of our procurement process when we tender new contracts, and in 2016 we revised our approach to ensure that suppliers comply with our responsibility standards. The human rights risk assessment conducted in 2016 provided valuable input. It identified a need to strengthen the human rights aspect of our supplier

screening and our sector-specific questionnaires as well as to request that suppliers have due diligence processes.

We clarified our requirements in the Supplier Code of Conduct, which also states that suppliers are responsible for setting the same or comparable standards for their subcontractors. The Supplier Code of Conduct applies to all

suppliers that deliver goods and services to any of our business units and subsidiaries, and it is part of all contracts.

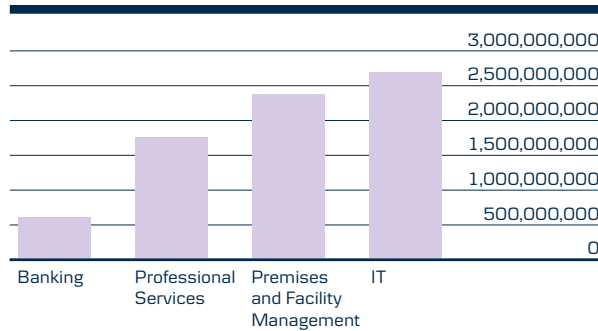
In October 2016, we implemented the Supplier Code of Conduct and responsible sourcing process, which included training 60 Group Procurement employees as well as communications to relevant stakeholders at all business units.

## A responsible sourcing process based on dialogue

We base our responsible sourcing process on dialogue and try to avoid burdening suppliers with unnecessary questions and time-consuming processes. Our risk assessment process consists of three steps, and many suppliers need to go through the first one only.

	Level 1	Level 2	Level 3
Levels	Prequalification questions	Self-assessment questionnaire	Corrective action plan
Suppliers in scope	Contracts above DKK 1 million	If assessed as high risk or contract above DKK 10 million	If self-assessment result unsatisfactory
	<p><b>Level 1:</b> On the basis of information about the type of products or services in the tender and where they are produced, we assess the risk profile of the supplier and whether it is relevant to ask further questions.</p>	<p><b>Level 2:</b> Suppliers that pose a high risk are asked to complete an additional in-depth questionnaire about their ESG policies and performance. We use Verisk Maplecroft and Ecodesk as external partners to assess the country and category risk and to evaluate the replies from the suppliers. Verisk Maplecroft provides background information for our risk assessment of conditions in 198 countries.</p>	<p><b>Level 3:</b> If the result of the in-depth questionnaire shows that the supplier does not live up to the expected standards, it will be asked to engage in dialogue and, if necessary, agree on a corrective action plan. If this does not resolve the issues to our satisfaction, we may not select the supplier or may stop using its services.</p>

**Spending per category in 2016**



In 2016, we had 13,746 suppliers, and Group Procurement collaborated with our business units on more than 1,300 contracts. Our largest spending was on IT and Premises and Facility Management. IT procurement includes not only hardware and software but also IT consultants and services. Professional services include HR, marketing and communications services as well as services for travel, meetings and events, whereas the largest share of the spending for Banking was on the procurement of market data.



**Erin McVeigh**  
Head of Americas Consulting at Verisk Maplecroft

**Question:**

*What are the most significant supply chain risks and challenges for financial institutions like Danske Bank?*

**Answer:**

*The biggest concern and challenges for companies today is how to identify and understand the social and environmental risk beyond first tier of the supply chain. This agenda is being driven by a multitude of factors from new regulations like those related to modern slavery and conflict minerals all of which are driving businesses to focus on transparency and visibility within the supply chain.*

*Many companies are still struggling to gain visibility across tier one of their supply chain making it very difficult for them to predict and mitigate risk. We work together with Danske Bank to provide country and product/sector risk scores combined together with internal management data allowing them to narrow the lens and focus more on specific risks which may affect their supply chain.*

*Danske Banks approach may not be unique but we would definitely believe that their proactive approach to assessing risk is best business practice and we would thoroughly support that more financial institutions follow their lead.*

**RESPONSIBLE SUPPLIER RELATIONSHIPS**

**Policy commitment**

We want to ensure responsible supplier relationships by integrating environmental, social and ethical standards and by focusing on impact and risk. We aim at maintaining constructive relations based on dialogue and improvement and expect that our suppliers share our adherence to international principles for human rights, labour rights, the environment and anti-corruption. Furthermore, we integrate environmental requirements if a product have potential adverse environmental impact in order to increase both financial and environmental performance.\*

**Ambitions and strategy 2015-18**

- Update Supplier Policy with detailed guidelines for environmental and social responsibility
- Implement responsible sourcing screening process
- Conduct dialogue with non-compliant suppliers

**Supplier target 2017**

All tenders in scope to go through the responsible sourcing process\*\*

**Performance 2016**

88% of tenders in scope went through the responsible sourcing process since the process was implemented in October 2016\*\*

**Key actions 2016**

- Conducted a human rights risk assessment in accordance with the UN Guiding Principles on Business and Human Rights
- Re-vitalised responsible sourcing process and developed a new Supplier Code of Conduct
- Trained Group Procurement employees in the responsible sourcing process

**Outlook for 2017**

- Develop a plan for onboarding existing suppliers in the responsible sourcing process
- Assess and evaluate high-risk suppliers by means of a self-assessment questionnaire
- Implement an audit programme for suppliers and follow up on suppliers' corrective action plans

\* From Danske Bank's Responsibility Policy. Other policies that support this effort include Danske Bank's Supplier Code of Conduct.  
\*\* Tenders involving Group Procurement according to the Procurement Policy.



## Governing corporate responsibility and commitments

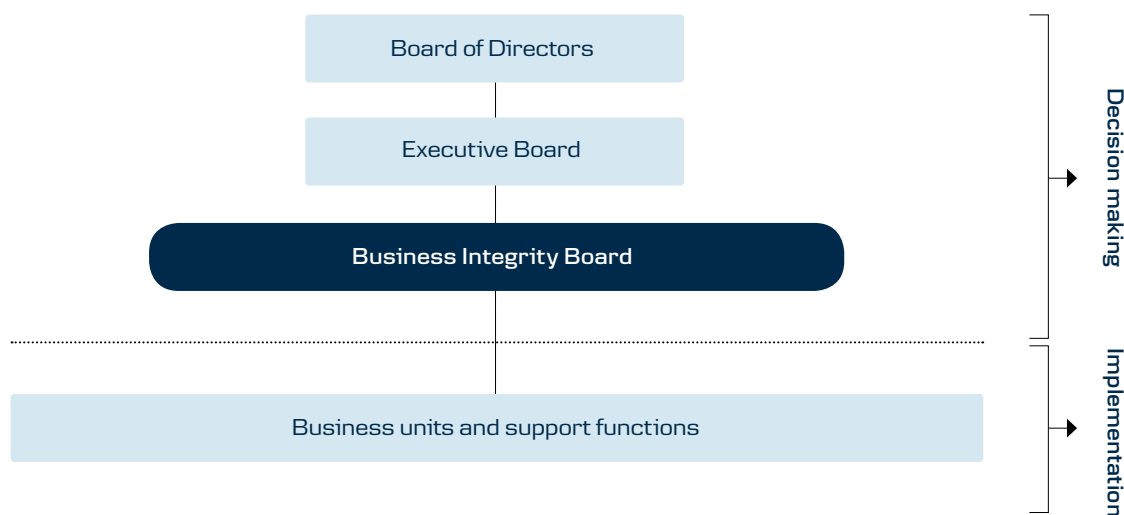
We govern our business activities according to internationally recognised principles of corporate responsibility. Our policies outline the way we conduct our business in a responsible and transparent manner, and we report on our performance annually.

Danske Bank has a two-tier management structure, with a board of directors and an executive board. The Board of Directors receives annual updates on our corporate responsibility performance and activities and has final approval of our Responsibility Policy. The Executive Board has appointed the Business Integrity Board, which is chaired by CEO Thomas F. Borgen and consists of the Executive Board members and heads of the Group's business units and support functions. The purpose of the Business Integrity Board is to set the ambition level

and to develop and oversee the implementation of the Corporate Responsibility Strategy and related policies of Danske Bank Group. In addition to the Business Integrity Board, a number of local committees and boards exist throughout the Group, which drive day-to-day decisions on corporate responsibility.

The Corporate Responsibility department coordinates the implementation of the Board's decisions and the Corporate Responsibility Strategy throughout the Group.

### Business Integrity Board





## Responsibility Policy

Our Responsibility Policy was updated in 2016. It provides the overall frame for our strategic priorities and addresses key Environmental, Social and Governance (ESG) risks and impacts associated with our core business activities. In the Policy, we recognise the importance of supporting international commitments that assist businesses in operating responsibly and endorse the following:

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

## Potential risks

The potential ESG risks that Danske Bank faces and the impacts of its activities are similar to those of most Nordic financial institutions. They involve issues that the Bank itself causes directly, for example because of how we treat employees, how our business operations impact the environment, and how we engage with our customers. They may also be issues that we contribute to or are linked to through business relationships, such as labour issues in our supply chain. When it comes to our investments and lending to business customers, we may be associated with the ESG impacts of the business we invest in or provide credit to.

We have a responsibility to act with due diligence throughout our business, and the way we manage that responsibility reflects our sphere of influence. In addition to our policies, we have a number of directives and procedures that support us in identifying, assessing and addressing ESG risks and impacts. In 2016, we updated a number of our policies and procedures on the basis of a high-level, group-wide human rights risk assessment.

## Supporting policies

To elaborate on commitments in our Responsibility Policy, we have a number of supporting policies and statements covering our core activities:

- Anti-Money Laundering Policy
- Credit Policy
- Code of Conduct
- Diversity and Inclusion Policy
- Procurement Policy
- Remuneration Policy
- Responsible Investment Policy
- Security Policy
- Stakeholder Policy
- Succession and Talent Management Policy
- Supplier Code of Conduct
- Tax Policy
- Whistleblowing Policy
- Position statements on fossil fuels, forestry, climate change, arms and defence, mining and metals

## Whistleblowing scheme

In order to protect our integrity, employees must have easy access to a means of reporting wrongdoings to management. For this reason, the Group has established a whistleblowing scheme. Any potential wrongdoing no matter its potential financial and non-financial impact for Danske Bank is suitable for being reported through our whistleblowing scheme, which applies to all employees and members of our management. In 2016, we updated our Whistleblowing Policy supported by further awareness activities across the Group.



### More insights

You can find more information on our corporate governance in Corporate Governance Report 2016.

## Compliance overview

	Corporate responsibility in core business					
	Contributing to society	Responsible customer relationships	Responsible employer	Environmental footprint	Responsible supplier relationships	Governance and commitments
<b>Voluntary commitments and legal requirements</b>	Pages 18-21	Pages 22-25	Pages 26-27	Pages 28-29	Pages 30-31	Pages 32-34
<b>UN Global Compact</b>						
Human rights: Principles 1-2	X	X	X		X	X
Labour: Principles 3-6	X		X		X	X
Environment: Principles 7-9		X		X	X	X
Anti-corruption: Principle 10	X	X	X		X	X
<b>Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.</b>						
Corporate responsibility, including human rights and climate: Section 135	X	X	X	X	X	X
Gender distribution at management level: Subsection 135a			X			

## 2016 key performance indicators

	2016	2015	2014
<b>Business operations (DKK millions)*</b>			
Total income	47,959	45,611	45,330
Operating expenses	22,642	23,237	23,972
Profit before tax	25,357	17,762	7,969
Financial services employer tax and social security costs	1,659	1,520	1,529
VAT	1,126	933	1,184
Tax	5,500	4,639	4,020
Net profit for the year	19,858	13,123	3,948
Net profit for the year before goodwill impairment charges	19,858	17,724	13,047
Return on avg. shareholders' equity (%)	13.1	8.5	2.5
Return on avg. shareholders' equity before goodwill impairment charges (%)	13.1	11.6	8.6
<b>Employees</b>			
Number of full-time employees (FTE), end of year*	19,303	19,049	18,603
Percentage of women in workforce (%)	50	51	54
Percentage of women in management (%)	35	35	36
Employee turnover (%)	11	11	9
Average years of service	13	14	15
Absence due to illness (avg. number of illness days per employee)	5.3	6	6
No. of injuries or incidents of post-traumatic stress related to robberies	85	93	73
Employee Engagement (%)**	66	-	-
<b>Environment</b>			
CO <sub>2</sub> emissions (tonnes) <sup>†</sup>	18,664	18,836	37,807
CO <sub>2</sub> emissions per employee (tonnes/FTE)	0.97	1.0	2.0
Energy consumption (electricity and heat) (MWh) <sup>††</sup>	113,441	111,708	121,126
Energy consumption per employee (MWh/FTE)	6.1	6.3	6.7
Electricity consumption (MWh)	60,311	57,166	61,355
Heat consumption (MWh)	53,130	54,542	59,861
Road transport (company vehicles and employees' cars) (1,000 km)	13,883	13,969	16,643
Air transport (1,000 km)	67,570	61,392	52,662
Paper consumption (tonnes)	1,161	1,598	1,726

\* Data are from Annual Report 2016 and Fact Book Q4 2016. The financial highlights for 2015 and 2014 have been restated owing to the treatment of Danica Pension under the new Wealth Management unit and reclassification of equity finance income from Net trading income to Net fee income. See note 2 in Annual report 2016 for more information. For a definition of ratios, see Definition of Alternative Performance Measures on page 44 in Annual report 2016.

\*\* In 2016, we replaced our annual Employee Opinion Survey with new tools to facilitate a constructive ongoing dialogue on employee engagement. This means that the Employee Engagement Index has replaced two HR indicators on Employee satisfaction and motivation as well as perceived opportunities for professional and personal development [Read more about our new Employee Engagement Tools on page 27].

<sup>†</sup> Data cover DK, SE, NO, IRL, NI, FIN and LIT and include estimated figures for the remainder of the Group in 2014 and 2015. In 2016, we included exact figures from our operations in IN.

<sup>††</sup> Data cover DK, SE, NO, IRL, NI, FIN and LIT. In 2016, we included figures from our operations in IN.

# Assurance statement

## Independent Assurance Report

### To the Management and the stakeholders of Danske Bank

We have assessed Danske Bank's 2016 Corporate Responsibility Report ('the Report') to provide limited assurance on selected 2016 data on page 34 of the Report. The Report covers Danske Bank's international activities from 1 January to 31 December 2016.

Our assessment was performed in order to assess whether:

- All environmental data and all employee data on page 34 in the Report have been stated in accordance with the criteria defined by the reporting principles;
- Danske Bank has offset its consolidated CO2 emissions for 2016.

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 at <https://www.danskebank.com/da-dk/CSR/rapportering/Pages/rapportering.aspx>

### Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the environmental data and all employee data on page 34 in the Report. Furthermore, our responsibility is to provide limited assurance on whether Danske Bank has offset its consolidated CO2 emissions for 2016. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

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

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

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance

engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed our on-site reviews at Danske Bank's Head Office in Copenhagen in November 2016 and in January 2017. Our work has included interviews with key functions in Danske Bank, inquiries regarding procedures and methods to ensure that selected CR data and information have been incorporated in accordance with the reporting principles. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating CR data at Group level, and performed analytical review procedures and tested CR data prepared at Group level against underlying documentation.

Furthermore, we have received documentation that the consolidated CO2 emissions have been offset by purchase of offset certificates. Finally, we have evaluated the overall presentation of the report, including the consistency of information.

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

### Conclusion

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

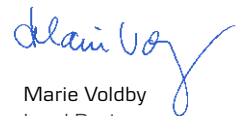
- the employee and environmental data subject to our review have been stated in accordance with the criteria mentioned in the reporting principles;
- Danske Bank has offset its consolidated CO2 emissions for 2016.

Copenhagen, 1 February 2017

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56



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