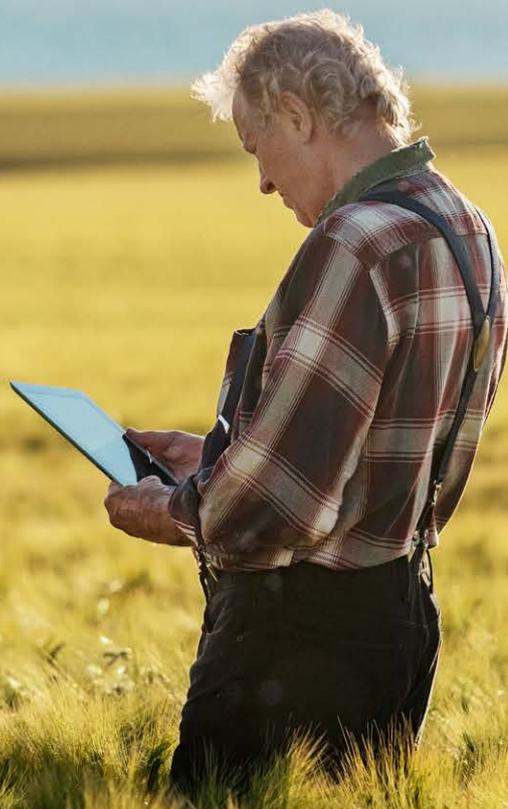


# *Sustainability Report 2020*



## About this report

This report covers activities in the Danske Bank Group for the financial year 1 January 2020 to 31 December 2020. Our reporting approach is to provide an overview of our 2023 Group Sustainability Strategy and the issues that are material to our stakeholders and our business. We aim to provide a fair and balanced representation of our activities, progress and performance, as outlined in our reporting principles.

This report represents our statutory statement on corporate social responsibility and gender diversity at management level, in accordance with sections 1.35a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. In addition, it meets proposal 14 cf. the 25 proposals by Finance Denmark's Anti-money Laundering Task Force.

Our annual reporting suite includes the Danske Bank Group's Annual Report 2020, Risk Management 2020 and this report. A full version of our Principles for Responsible Banking self-assessment is included in our Sustainability Fact Book 2020, where we also present additional information and data on our role in society, sustainable finance, Danske Bank's environmental footprint, social indicators and governance. We also issue a Statement on Modern Slavery Act 2020 and a Statement on Carbon Neutrality 2020 - these are available at [danskebank.com/sustainability](https://danskebank.com/sustainability).

# Contents

## FOREWORD

- 04 Foreword by Chris Vogelzang

## BUSINESS & STRATEGY

- 06 Our business  
08 Our role in society  
10 Our strategic direction  
12 *Strategy execution and stakeholder dialogue*

## SUSTAINABLE FINANCE

- 14 The power of finance  
16 *Financing a sustainable transition*  
18 *Investing in a sustainable future*

## ENTREPRENEURSHIP

- 20 Start-ups and scale-ups

## FINANCIAL CONFIDENCE

- 22 Financial capability at a young age

## GOVERNANCE & INTEGRITY

- 24 Customer engagement  
26 Compliance culture  
28 Financial crime prevention  
30 Responsible sourcing

## EMPLOYEE WELL-BEING & DIVERSITY

- 31 Diversity and inclusion  
32 Employee engagement  
34 *Community engagement*

## ENVIRONMENTAL FOOTPRINT

- 35 Environmental efforts

## PERFORMANCE OVERVIEW & ASSURANCE

- 36 Principles for Responsible Banking  
37 Task Force on Climate-related Financial Disclosures  
40 ESG performance data  
41 Independent auditor's assurance report  
42 Reporting principles

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

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



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

We welcome feedback on its contents.

FOREWORD



*“For Danske Bank and for our customers, sustainability and the transition to a greener economy is possibly the greatest opportunity and the greatest challenge ahead. We regard sustainable finance as a strategic lever for Danske Bank to succeed commercially.”*

Chris Vogelzang  
CEO - Danske Bank

Dear reader,

2021 marks the 150-year anniversary of Danske Bank. A company that has existed for a century and a half is a company that has managed to adapt and evolve and that has managed to run a business that has been commercially sustainable over the course of time.

At Danske Bank, we have evolved as a reflection of the societies we are part of, and we have helped shape these societies by creating opportunities and by helping individuals and businesses to realise their ambitions – as well as by helping to build and innovate the financial infrastructure.

We have a long and proud history, and we have much to celebrate. Each day, we service the needs of thousands of

customers by providing vital and innovative financial services, and we contribute to growth and the general prosperity of the Nordic countries.

But as we embark on celebrating our anniversary, we are also coming to terms with issues from our recent and distant past. We are working hard to address these issues with an ambition to promote a culture in which problems are discussed, handled and resolved openly and responsibly.

We want to be a trusted partner and become an even better bank that is simpler, faster and more competitive and that creates long-term value for our customers, employees, society and investors. As a responsible bank, we will work to resolve issues of past mistakes, while continuing to look forward and



helping our customers assess the risks, challenges and opportunities ahead.

By integrating ESG considerations into our financing and investment activities, we want to take a leading position on sustainable finance in the Nordic region. We will build on our strong customer relationships and use our leading position among corporates and institutions to drive the agenda across customer segments.

For Danske Bank and for our customers, sustainability and the transition to a greener economy is possibly the greatest opportunity and the greatest challenge ahead. We regard sustainable finance as a strategic lever for Danske Bank to succeed commercially.

Our efforts rest on our commitments to the UN Principles for Responsible Banking and Principles for Responsible Investment, as well as through our embracement of the Task Force on Climate-related Financial Disclosures. We also continue to support the UN Global Compact, and we contribute to several of the UN Sustainable Development Goals.

Our responsibility to provide resilient and sustainable financial solutions for our customers and for society also guides our work and initiatives to support families, businesses and external partners through the financial hardship and uncertainty caused by COVID-19.

The year 2020 will be remembered as a year in

which business and everyday life were turned upside down, and the social and financial consequences are likely to stay with us for years.

Danske Bank is a well-consolidated bank, and we are in a solid position to support our customers throughout the crisis. Our foremost priority in 2020 has been to safeguard the health and safety of our employees, customers and external partners while supporting our customers with lending and expertise and advice. We will continue to do so in 2021.

Throughout the process, we have had to invent new ways of working and new ways to meet and advise our customers, and the experience has strengthened our ambitions to become a better and simpler bank.

The coronavirus pandemic continues to be a tremendous challenge for us all. But our collective ability to adapt to a new and unforeseen reality has also shown us what we can achieve when we all work together. I believe that this is an important lesson to draw upon as we set out to transform our businesses and our economies in the transition towards a greener and more sustainable future.

**Chris Vogelzang**  
Chief Executive Officer  
Danske Bank

BUSINESS & STRATEGY

# Our business

Danske Bank is a bank for people and businesses across the Nordic region, and our more than 22,000 employees serve in excess of 3.3 million customers. By providing a high level of financial competence and leading innovative solutions, we strive to create long-term value for our key stakeholders.

Since 1871, we have been helping our customers to become financially confident and to build their lives and businesses on a solid financial foundation. Today, Danske Bank is one of the largest financial institutions in the Nordic countries and is listed

on NASDAQ Copenhagen's OMX C25 index. In addition to banking services, the Danske Bank Group offers customer life insurance and pension products, mortgage credit, wealth management, real estate, and leasing products and services.

## BETTER Bank 2023

At the end of 2019, we launched our Better Bank plan and announced clear ambitions for 2023 for our key stakeholder groups: customers, employees, society and shareholders. The Better Bank plan will ensure that Danske Bank becomes a simpler and more competitive bank and that we continue to be more closely integrated into the lives of our customers and Nordic societies. The plan centres on our customers, employ-

ees, our contribution to society and our investors. In 2020, to strengthen our business resilience and to future-proof Danske Bank's ability to create value, our Executive Leadership Team expedited our Better Bank transformation by focusing primarily on compliance, cost savings, better ways of working and on our purpose and culture.

Clear ambitions for our key stakeholders towards 2023	
 <p>Customers</p>	On average among the top two for customer satisfaction in everything we do.
 <p>Employees</p>	At least 90% of our employees are engaged (as measured in our Employee Engagement Index).
 <p>Society</p>	Operate sustainably, ethically and transparently - and have a positive impact on the societies we are part of.
 <p>Investors</p>	Achieve a return on shareholders' equity of 9-10% and a cost/income ratio in the low 50s.



## Group key figures 2020



**Banking services in 12 countries** with Denmark, Norway, Sweden and Finland as core markets



**3.3 million personal and business customers** served in our core markets and Northern Ireland



**1,938 corporate and institutional customers** served across the Group



**191 locations** across our core markets and Northern Ireland



**22,376 employees** including support functions in Lithuania and India



**DKK 6.3 billion** profit before tax



**2.6%** return on average shareholders' equity



**67.2%** cost/income ratio



**DKK 1.7 billion** tax on profit

## Customer services

With our strong foothold in the Nordic markets, we are well positioned to help our customers meet their financial objectives by providing them with banking services based on high levels of financial competence and leading innovative solutions.

Danske Bank is headquartered in Denmark, and in 2020 our customer services operated through four business units: **Banking DK** and **Banking Nordic**, serving personal and small and medium-sized business customers in Denmark, Finland, Norway and Sweden; **Corporates & Institutions**, serving corporate and institutional customers; and **Wealth Management**, providing pension savings, private banking, and asset management services across the entire Group.

We serve personal and business customers in Northern Ireland, which is operated and reported on as a separate business unit.

We engage with our customers at our physical locations and through a wide range of digital platforms, including self-service and other digital solutions. Our offices outside the Nordic countries offer gateways to the rest of world for Nordic customers and serve as points of entry to our region for international customers whose activities are anchored in our core markets.

Following structural reorganisation in January 2021, Danske Bank's commercial activities are managed by just two business units: **Personal & Business Customers** and **Large Corporates & Institutions**.

### Read more

For more details, please see our website and our Annual Report 2020.

## BUSINESS &amp; STRATEGY

# Our role in society

At Danske Bank, we recognise our role and responsibility in providing financial infrastructure for a prosperous, stable and sustainable economy – not least during challenging situations such as the coronavirus pandemic.

In 2020, the coronavirus pandemic caused major upheavals for society, businesses and families alike, and the crisis clearly showed that financially stable and resilient banks are of great significance to the economy and to the financial infrastructure of society. Danske Bank has initiated a wide range of initiatives to protect and support customers, employees and suppliers and to help mitigate the financial consequences of the coronavirus pandemic for society.

Key figures on our role in society in 2020 are provided here.



## Selected responses to the coronavirus crisis

- Our Executive Leadership Team and Group Crisis Management Team continuously assessed the situation to ensure we applied appropriate measures in response to any new developments.
- More than 19,000 employees across countries and business units worked from home, enabling thousands of customer dialogues through online meetings and other digital communications.
- We helped 9 out of 10 customers who requested our help with everything from proactive advisory services and tailored webinars aimed at start-ups to extension of due dates and overdraft facilities.
- We made DKK 100 billion in corona-related credit available to business and large corporate and institutional customers and DKK 3.5 billion to personal customers.
- We assisted in arranging bonds that finance projects alleviating the social and economic consequences of the pandemic.
- We invested more than DKK 1 billion of our treasury funds in bonds issued to respond to the economic consequences of the coronavirus pandemic.
- We advanced payments by at least two weeks, which resulted in early payment of hundreds of million DKK in total for several thousand suppliers across the markets.
- Through our leasing company, Nordania, we donated 44 leasing cars for roadside testing and infection detection of COVID-19 in Denmark.

## A prosperous economy

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

**DKK 1,193 billion** in deposits

**DKK 1,838 billion** loans to customers\*

**DKK 1,765 billion** assets under management

\*Loans and advances (ex. repurchase agreement)



## Local jobs and growth

We continue to support job creation and an employable workforce in local communities by providing direct employment and development opportunities in the countries where we operate. We also indirectly create jobs at our suppliers' companies and for our customers when we help them grow their business.

**DKK 16 billion** in salary and pension payments to our 22,376 employees

**DKK 11 billion** in payments to our 9,090 suppliers

### Financial stability

Danske Bank is one of Denmark's systemically important financial institutions. Through our mortgage credit institutions, we provide stable financing of real estate in all our core markets.

**DKK 819 billion** net lending in Realkredit Danmark  
**DKK 1,019 billion** net lending via rest of the Group

### Green transition

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

**DKK 91 billion** green bonds arranged for customers  
**DKK 22 billion** green loans granted to customers\*  
**DKK 27 billion** of Danica Pension's pension savings invested in the green transition

*\*Danske Bank and Realkredit Danmark*

### A digital financial infrastructure

By providing innovative financial solutions that make daily banking easy and secure, Danske Bank is contributing to a digital transformation of the financial infrastructure.

**48.9 million** eBanking transactions  
**67.2 million** mobile and tablet transactions

### Public housing

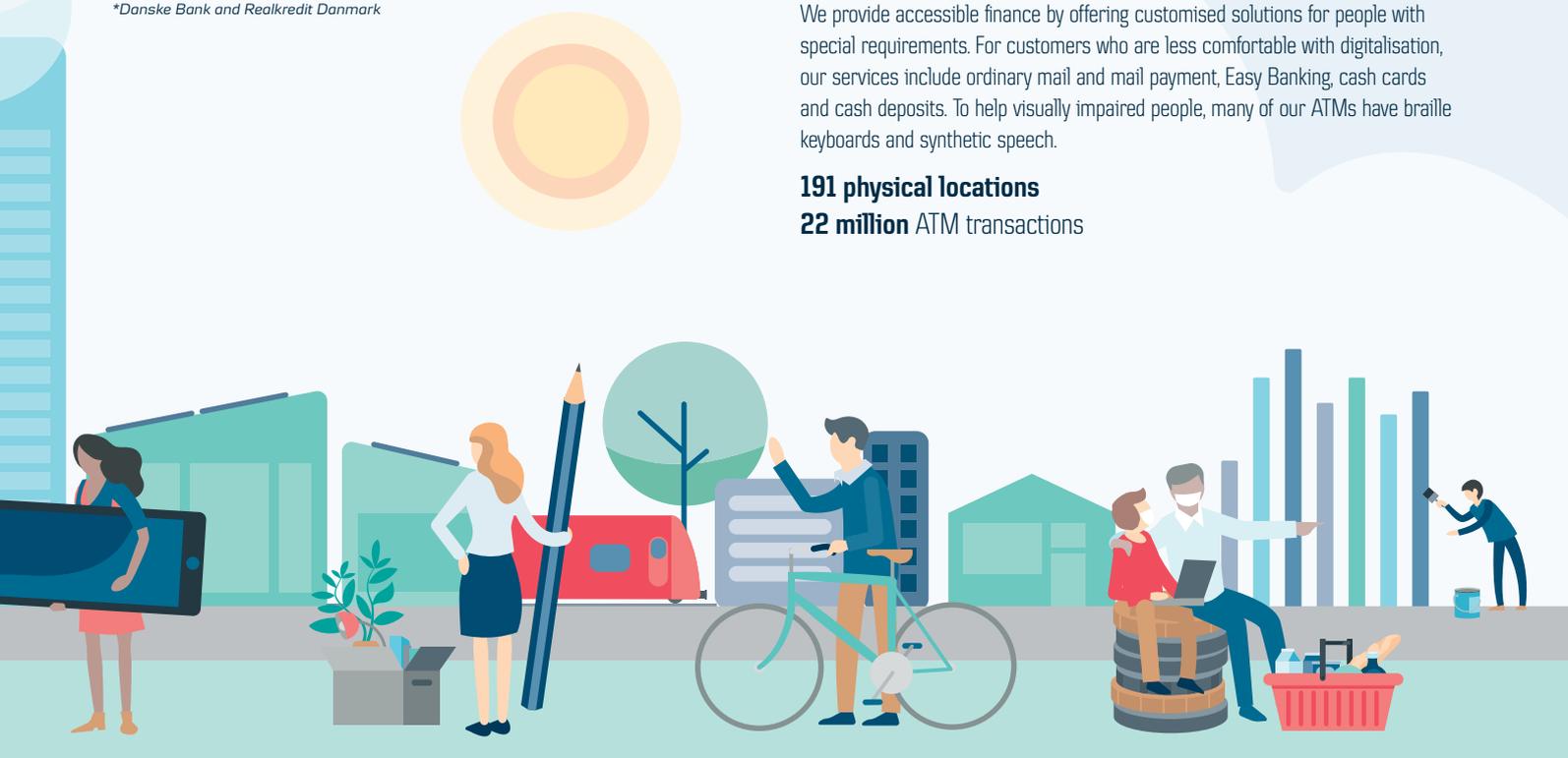
In Denmark, Danske Bank plays a key role in the financing of public housing. This system dates back to 1850, and today about 1 million people live in such accommodation.

**DKK 89.8 billion** in net lending to finance public housing via Realkredit Danmark

### Accessible finance

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

**191 physical locations**  
**22 million** ATM transactions



### Financial crime prevention

We contribute to combatting financial crime by working closely with authorities and the financial sector and by developing and implementing effective measures with regard to anti-money laundering, counter-terrorist financing and financial sanctions.

**3,100 full-time employees** dedicated to the financial crime agenda  
**More than 2.6 million customers** had their ongoing due diligence completed as scheduled

### Safe and sound financial behaviour

By sharing knowledge and tools, we help individuals and businesses prevent fraud and keep their money and data safe. We also share our expertise on financial literacy to help individuals develop sound financial behaviour.

**28,847 unique visits** to our Keep It Safe platform  
**105,862 unique visits** to PengeSkyen, our new online universe in Denmark

BUSINESS & STRATEGY

# Our strategic direction

We aim to support value creation for all our stakeholders and have updated our 2023 Group Sustainability Strategy, thereby placing sustainable finance at the core of our strategy to future-proof Danske Bank’s business.

The creation of societal value and business value can and must go hand in hand. This assumption drives our approach to sustainability and is an important lever for our Better Bank transformation towards 2023.

The 17 UN Sustainable Development Goals (SDGs) and society’s sustainability transition towards 2030 are driving rapid change across markets. For the financial sector in particular, the EU Action Plan on Sustainable Finance, the Task Force on Climate-related Financial Disclo-

ures (TCFD), the Principles for Responsible Banking (PRB) and the Principles for Responsible Investments (PRI), all of which are supported by Danske Bank, are significantly shaping market developments and our business.

To seize opportunities and avoid risks associated with these developments while also meeting our stakeholders’ expectations, we in 2020 revisited and updated our Group Sustainability Strategy. Our updated sustainability strategy builds on our foundation, on the results

achieved in recent years as well as on our Better Bank 2023 ambitions. By doing so, we further develop the areas that create both societal value and business value, which in turn also strengthens Danske Bank’s competitiveness.

Our main area of impact is through sustainable finance. Consequently, sustainable finance is at the core of our sustainability strategy, and our ambition is to take a leading position on sustainable finance in the Nordic countries. We define

sustainable finance as “*finance to support economic growth while reducing negative impacts and increasing positive impacts on ESG factors*”. This aligns well with the EU’s definition, and it covers integration of ESG considerations into our financing and investments activities across the Group. The strategy includes five additional focus areas that continue to be of high importance for our stakeholders and which are vital to our performance and credibility on the overall sustainability agenda.

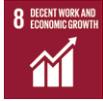
## 2023 Group Sustainability Strategy



## Our contribution to the SDGs

With our strategy and our 2023 targets, we aim to contribute to the UN's 2030 Agenda for Sustainable Development and to the SDGs. Over the past couple of years, we have targeted our efforts on SDG 4: Quality education, SDG 8: Decent work and economic growth, and SDG 13: Climate action. Reflecting our work to promote equal opportunities in leadership and our efforts to reduce illicit financial flows and combat financial crime, the updated strategy also addresses SDG 5: Gender equality and SDG 16: Peace, justice and strong institutions.

Through our sustainable finance activities, we potentially have an indirect impact on all 17 SDGs. Depending on the underlying activities, the impact can be both negative and positive, which we will start mapping in more detail in 2021, in line with our PRB commitment, see p. 13 and p. 36. In this report, we refer to relevant SDG targets for which we are currently able to disclose supporting metrics on progress across our six focus areas.

Strategy focus areas and value creation	2023 targets	2020 status	SDGs
<p><b>Sustainable finance</b></p> <p>Massive investments are needed to achieve society's sustainability goals. Through sustainable financing and investing, we can address society's needs while supporting our customers, mitigating ESG risks and avoiding stranded assets.</p>	<p>Increase volume of sustainable finance to 1) well above DKK 100 billion in sustainable financing including granted green loans and arranged bonds and to 2) DKK 30 billion investments in the green transition by Danica Pension</p> <p>Set a climate target for our corporate loan portfolio in alignment with the Paris Agreement on Climate Change</p>	<p>Sustainable financing: <b>DKK 102 billion</b> since 2019</p> <p>Investing in the green transition: <b>DKK 27 billion</b> since 2019</p> <p><b>23%</b> of corporate loan portfolio mapped for climate impact</p>	
<p><b>Entrepreneurship</b></p> <p>Entrepreneurs play a vital role in driving growth and innovation for sustainable solutions. By enabling and supporting entrepreneurship, we can support growth and positive impact, attract new customers and also strengthen our value propositions for existing customers.</p>	<p>10,000 start-ups and scale-ups supported with growth and impact tools, services and expertise</p>	<p><b>5,065 start-ups and scale-ups</b> supported since 2016</p>	
<p><b>Financial confidence</b></p> <p>Personal finances are a source of worry for many people. By fostering financial confidence and sound financial practices among the next generation, we can support their financial literacy and enhance our value propositions towards these customer segments.</p>	<p>2 million people supported with financial literacy tools and expertise</p>	<p><b>1,154,913 people</b> supported since 2018</p>	
<p><b>Governance &amp; integrity</b></p> <p>By fighting financial crime and promoting responsibility and sustainability in the value chain, we can exert significant societal impact. In all aspects of our business operations, governance and integrity is fundamental to rebuilding trust and avoiding financial losses.</p>	<p>Over 95% of employees trained annually in risk and compliance</p>	<p><b>95% of employees</b> trained</p>	
<p><b>Employee well-being &amp; diversity</b></p> <p>By focusing on our employees' well-being and diversity, we support healthy and inclusive workplaces and we can strengthen employee engagement, while also improving efficiency, enhancing our talent pool and lowering hiring costs.</p>	<p>More than 35% share of women in senior leadership positions</p>	<p><b>28% share of women</b> in senior leadership positions</p>	
<p><b>Environmental footprint</b></p> <p>Achieving the objectives of the Paris Agreement on Climate Change requires efforts from all stakeholders in society to reduce their CO<sub>2</sub> emissions. Minimising our use of resources and minimising our environmental footprint also enhances cost efficiency.</p>	<p>Reducing our CO<sub>2</sub> emissions by 75% from 2010 and 10% from 2019</p>	<p><b>86% CO<sub>2</sub> emissions reduction</b> since 2010 and 48% since 2019</p>	

*“The SDGs address global challenges and patterns in society that no one can solve alone. We want to make a real difference, and we contribute through our actions and financial offerings and by joining forces with stakeholders who share our sustainability ambitions.”*

Maria Simonson,  
Head of Group Sustainability

BUSINESS & STRATEGY



## Strategy execution and stakeholder dialogue

Key levers for an efficient execution of our sustainability strategy are our governance framework, our engagement with stakeholders and our reporting efforts.

Because our 2023 Group Sustainability Strategy cuts across the entire business, it is essential to have clear roles and responsibilities that enable efficient execution. This is of particular importance for the sustainable finance area, which has matured and grown in significance to involve more employees across the organisation. To further support coordination and accelerate Group-wide execution, we in

2020 established a Sustainable Finance Council and a Diversity & Inclusion Council, both of which include representatives from all business units and from relevant Group functions.

The majority of employees working with sustainability are firmly rooted in our business units, and in collaboration with our Group Sustainability function, they lead the work in their units to embed sustainability in everything we do.

We monitor progress against our targets using a set of key performance indicators (KPIs), and our sustainability strategy execution dashboard

provides a solid overview of our achievements on a regular basis. Towards 2023, we will further develop and integrate sustainability-related KPIs into our performance management framework. We took the first step in 2020 by including three sustainability-related KPIs in the Group's variable remuneration structure to ensure that all employees' variable remuneration is clearly linked to our ambitions. The remuneration KPIs are based on our 2023 sustainability targets and include Environmental footprint, Employee well-being & diversity and Governance & integrity, which together represent all three ESG dimensions.

**International sustainability principles and initiatives**

In our sustainability strategy and policies, we state our support and commitment to the following:

- 2030 Agenda and the UN Sustainable Development Goals
- Paris Agreement on Climate Change
- UNEP FI Principles for Responsible Banking
- UN-supported Principles for Responsible Investment
- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- ILO Declaration of Fundamental Principles of Rights at Work
- Task Force on Climate-related Financial Disclosures

Additional industry-specific international principles and conventions that guide our financing, investment and procurement activities are detailed in our position statements, which are available at [danskebank.com](https://www.danskebank.com).

Organisation level	Roles and responsibilities
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Approve Group strategic direction and policies</li> <li>• Oversee Group execution via annual strategy updates</li> </ul>
<b>Business Integrity Committee (BIC)</b>  Executive Leadership Team and Head of Group Sustainability	<ul style="list-style-type: none"> <li>• Endorse Group strategic direction and policies and approve KPIs and targets</li> <li>• Approve integration of sustainability in unit roadmaps</li> <li>• Monitor strategy execution and target achievement</li> <li>• Oversee integration of sustainability on a strategic, operational and cultural level</li> </ul>
<b>Sustainable Finance Council</b> <b>Diversity &amp; Inclusion Council</b>	<ul style="list-style-type: none"> <li>• Advise BIC on the overall strategic direction within specific areas</li> <li>• Review and provide comments to BIC on unit roadmaps</li> </ul>
<b>Business units</b> <b>Group functions</b>	<ul style="list-style-type: none"> <li>• Integrate sustainability into unit strategies and roadmaps</li> <li>• Integrate sustainability into offerings, processes, policies, etc.</li> <li>• Develop and execute action plans to achieve targets and report on progress</li> </ul>
<b>Group Sustainability</b>	<ul style="list-style-type: none"> <li>• Develop Group Sustainability Strategy, incl. KPIs and targets</li> <li>• Enable and monitor strategy execution and drive external reporting</li> <li>• Serve as centre of excellence on sustainability-related issues</li> <li>• Spearhead programmes on entrepreneurship and financial confidence</li> </ul>

## Our stakeholder engagement

It is key for us that our stakeholders provide us with input about what they expect from us and what we should do better. Partnerships with our stakeholders are also an important lever to success because we recognise that collaboration is needed to solve global and complex challenges.

In 2020, we updated our Stakeholder Policy and specified the principles for engaging with each of our stakeholder groups to support our ongoing stakeholder dialogues. Our interactions with stakeholders are guided by cross-cutting principles that include collaborating, with the objective of reaching shared goals for the benefit of our customers and society; always seeking to engage in an honest dialogue; and making our knowledge and expertise available to our stakeholders.

Compliance remediation related to the Estonia case, closure of the Flexinvest Fri case and the Danish debt collection case, see p. 24, have been topics in many of our stakeholder dialogues in 2020. This naturally also influences how we engage in dialogue on sustainability issues. We remain humble to the task ahead of us in restoring the trust of our customers and of society.

Danske Bank is a registrant to the online European Transparency Register, to which we provide information on our lobbying efforts, including our fields of interest and membership of industry associations. As a registrant, we have also signed the Transparency Register Code of Conduct.

## Material sustainability issues

Based on information gathered from our stakeholder engagements, we annually assess the materiality of ESG-related topics to identify issues that represent risks or opportunities for society and for our business.

This year's assessment is also informed by our comprehensive stakeholder survey from 2019. The survey confirmed that a majority of our personal customers in the Nordic countries and investors consider sustainability to be an important focus area for Danske Bank, with governance- and compliance-related topics as the most material areas. Investors also highlighted climate change preparedness as an area of increasing importance.

Similarly, a Group-wide employee survey in 2019 documented that our sustainability efforts are important to the majority of our employees. Climate change was assessed as the most important topic, followed by employee health and working conditions.

To ensure that the six focus areas in our sustainability strategy embrace our material impacts and risks, we in 2020 held workshops with key sustainability experts across the Group.

The workshops confirmed that sustainable finance stands out as the area of greatest significance, from both a societal and business perspective.

We are accelerating our efforts to understand and measure positive and negative impacts of our activities. In 2020, we joined the Banking for Impact Working Group, which works to develop a data-based and comparable method for measuring and valuing the impact of banks' activities. We also collaborate within the industry via Finance Denmark on better understanding different stakeholder perspectives on sustainability issues in the Danish society. This is in line with our commitment to PRB, see p. 36.

We present and report on our material sustainability issues within the six strategic focus areas. Actual and potential impact on human rights and labour rights are an integral part of several of these issues. Likewise, COVID-19 risks and responses affect numerous issues and reinforce the importance of sustainability as we look to support our customers and society in 'building back better'.

### Sustainable finance

- Financial stability and growth
- ESG in financing
- ESG in investments
- Climate change preparedness
- Sustainable use of natural resources and circular economy
- Biodiversity and natural habitats
- Social well-being

### Entrepreneurship

- Support for start-ups and scale-ups
- Innovation and sustainable business models

### Financial confidence

- Financial capability for customers
- Financial education for young people and families

### Governance & integrity

- Anti-money laundering
- Anti-corruption
- Responsible tax
- Responsible products and fair advice
- Access to financial services
- Data protection and data ethics
- Responsible procurement
- IT security
- Financial crime prevention
- ESG transparency

### Employee well-being & diversity

- Employee health and well-being
- Training and development of employees
- Community support
- Diversity and inclusion
- Executive remuneration\*

### Environmental footprint

- CO<sub>2</sub> reduction
- Responsible resource consumption
- Waste management

\*Please see our Annual Report 2020

SUSTAINABLE FINANCE

# The power of finance

Our most significant impact on society comes through our financing and investment activities. Danske Bank's ambition is to take a leading position in the Nordic countries when it comes to sustainable finance.

## Ambition

By 2023, we will increase volume of sustainable finance to 1] well above DKK 100 billion in sustainable financing including granted green loans and arranged bonds and to 2] DKK 30 billion investments in the green transition by Danica Pension.

We will also set a climate target for our corporate loan portfolio in alignment with the Paris Agreement on Climate Change.

## 2020 performance



23% of corporate loan portfolio mapped for climate impact.

## SDG contribution

We stimulate climate change measures, in support of SDG 13.2.

In future, robust and relevant sustainable finance offerings will constitute a bank's licence to operate – particularly in the Nordic countries, where sustainability standards are relatively advanced.

In 2020, Danske Bank ranked as the number one Nordic arranger in Bloomberg's 2020 Global League Tables for bookrunners for both sustainable bonds and green bonds. Also, 82 of our funds and sub-funds were awarded the acknowledged European sustainable finance label LuxFLAG ESG in 2020, thereby positioning Danske Invest as the fund manager in Europe that has the most funds with this certification. Our score from the CDP Climate Change 2020 Questionnaire, which is aligned with the TCFD, increased from C to B. However, achieving a leading position in the Nordic countries requires persistency, proactive engagement and a strategic approach to the regulatory agenda. We will further develop our position across customer segments and sectors and will use the power of finance to create immediate and long-term sustainable progress.

In 2019, we introduced volume targets for sustainable finance towards 2023. Because market conditions were more favourable in 2020 than expected, we have already met our Group

volume target on sustainable financing, and we are close to reaching our target for investing in the green transition. Consequently, we will update our ambitions for our volume targets in 2021 while aligning our definitions with the incoming EU taxonomy on climate change mitigation and adaptation. We will also continue our work to align our corporate loan portfolio and Danica Pension's investment portfolio with the objectives of the Paris Agreement on Climate Change.

### Market development

The financial sector is increasingly taking a central role in the sustainability transition by facilitating sustainable financing and investing, and banks currently face a number of significant market developments that bring new risks and opportunities.

Firstly, Nordic customers are relatively advanced in their sustainability considerations, and they expect their bank to be able to support sustainable development across segments. Secondly, the speed of the climate transformation has a disruptive effect on sectors and companies, rapidly creating new winners and losers. This offers opportunities for the financing of high performers and those that want to transition, but it also carries the risk of stranded assets for those who do not. Thirdly, competition is strong as

our competitors are also actively targeting the field of sustainable finance. Lastly, the EU is rolling out ambitious regulations in its Action Plan on Sustainable Finance, which will have a profound impact on our sector.

In addition to these developments, voluntary initiatives that aim to advance the financial sector's integration of ESG factors and drive transparency are also gaining increasing support. Such initiatives include PRI, PRB and TCFD – all of which we support, see pp. 36-39. We are also an active member of the Taskforce on Nature-related Financial Disclosures (TNFD) informal working group, which has started to scope the mandate and governance of the formal TNFD.

### Beyond climate

To classify sustainable economic activities, the EU taxonomy is introducing screening criteria for climate change mitigation and adaptation activities. Although this is an important first step, Danske Bank fully supports the intention to expand the taxonomy and to include broader definitions of ESG factors. This is in line with the societal trend to go beyond climate and consider other environmental challenges, such as threats to biodiversity and natural habitats, while also increasing emphasis on reducing inequality and

*“The EU Action Plan on Sustainable Finance aims at channelling financial flows towards Paris-aligned activities. Danske Bank takes on this responsibility by ensuring competitive and robust sustainability offerings that support a net zero carbon economy by 2050. We are committed to helping our customers in this transformation.”*

Berit Behring, Member of the Executive Leadership Team, Head of Wealth Management and Interim Head of Corporates & Institutions.



ensuring a just transition to a low-carbon future.

Although it is too early to draw decisive conclusions, the coronavirus pandemic seems to have reinforced and accelerated focus on social factors, in particular unemployment and related socio-economic

challenges. This is reflected in the increased focus on social bonds and investments, see p. 16 and p. 18, as well as in a raised awareness on employee well-being - not least at Danske Bank, see p. 32.

Nevertheless, we expect climate change to remain a

dominant theme that challenges people, business and societies to act differently as we all look to 'build back better'. Green loans, green bonds and green investments, which represent our key contribution to SDG 13: Climate action, currently dominate our sustainable finance portfolio. As we move

forward, we will use mapping of our negative and positive impacts to develop our insights and to increase our contribution to society. We also work to reduce our own environmental footprint, see p. 35.

**In support of regulatory incentives**

Danske Bank engages actively in developing the regulatory framework for sustainable finance through our industry association memberships, and we fully support the recommendations of the Danish Government's climate partnership on finance and the intention and ambitions of the EU Action Plan on Sustainable Finance. This action plan further consolidates the agenda and introduces regulatory

incentives for financial institutions to channel more capital towards projects that have a clearly defined environmental and/or social benefit. Increased requirements for ESG integration and disclosures will also help address challenges and dilemmas related to lack of both data and standards for measuring performance and risks.

**Group-wide sustainable finance framework**

Integrating sustainability into everything we do is key to our way of working with sustainable finance at Danske Bank. Our approach is to use our financial expertise as the starting point and to develop the sustainability competences in our financial teams. By developing our financial teams' sustainability capabilities and by equipping them with ESG data, we aim to deliver best-in-class sustainable finance advice. This also means that the responsibility for developing sustainable finance solutions lies with the respective business units, where knowledge of customers and stakeholders is strongest. To ensure that we work in an effective and consistent manner, a Group-wide sustainable finance framework

has been developed. Launched in December 2020, the framework provides guidance on the implementation of our sustainable finance ambition and targets, and it also identifies key focus areas for execution and potential synergies.

The framework includes a set of guiding principles for the entire Group. Inspired by and aligned with the PRB,

these guidelines will help safeguard our sustainability ambitions and commitments while developing commercial approaches. How we work with governance, transparency, training and data is key to supporting our development and our customers' sustainability journey.

In 2021, we will introduce a Sustainable Finance Policy,

which will be anchored in the PRB. Our position statements will also be reviewed in order to ensure that they remain relevant in a market where new issues emerge as society is transitioning. Our current position statements cover Agriculture, Arms and Defence, Climate Change, Forestry, Fossil Fuels, Human Rights, and Mining and Metals.

**Danske Bank's guiding principles on sustainable finance**



Align business and societal goals



Enable our customers' sustainability journey



Measure and improve impact



Engage and partner with stakeholders

## SUSTAINABLE FINANCE



## Financing a sustainable transition

Sustainable financing is the provision of loans and bonds for projects and activities that have a clearly defined environmental or social benefit. At Danske Bank, we issue our own green bonds to finance our green lending activities, and we arrange sustainable bonds for our customers to support the financing of their own sustainable transition.

Our Green Bond Framework, launched in 2019, defines the loans or investments eligible to be funded by the proceeds of green bonds issued by Danske Bank. In March 2020, we published our first Green Bond Impact Report, which highlighted the fact that our two inaugural green bonds have provided DKK 7 billion in green loans to our corporate customers, resulting in 532,039 tonnes of avoided CO<sub>2</sub> emissions.

In 2020, the continued growth and interest in green loans combined with interest in arranged sustainable bonds for customers resulted in a total of DKK 102 billion in sustainable financing being provided by the Group.

In 2020, we granted green loans to customers across the Nordic countries to cover clean transportation, renewable energy, green and energy-efficient buildings, and sustainable forestry. In Denmark, we introduced the first green building loan for public housing by granting a loan of approximately DKK 500 million to Boligselskabet Sydfyn.

Danske Bank was also one of the banks behind the financing of Swedish company Northvolt's USD 1.6 billion project to build the largest battery manufacturing facility in Europe – a facility that will support electrification and a carbon-neutral transportation and energy sector. Furthermore, Danske Bank provided green loans amounting to DKK 1,635 million for the financing of wind farms in Bolivia and Ethiopia in cooperation with Danida Sustainable Infrastructure Finance (DSIF).

### ESG risk assessments

When we grant a loan to a customer, we enter into a long-term commitment. We carefully assess the financial situation of our customers to ensure we offer loans that are suited to the customer's needs and financial capacity. We also take into consideration the purpose for which the funds will be used and work to integrate ESG considerations into our risk management framework, see p. 26.

At individual business customer level, we perform ESG risk assessment of regulatory compliance, track record, ESG commitment, and of the business's efforts to mitigate any issues. The ESG risk analysis is an integrated part of the credit analysis, and we aim to assess whether the customers' ESG approach is aligned with Danske Bank values and with how current or potential risks could affect Danske Bank and customers' conduct, repayment

ability and reputation. Certain industries face more ESG risks than others, and in line with Danske Bank's position statements, we treat these industries with a risk-based approach. This means that these industries are subject to higher expectations in terms of their management and mitigation of risks than low risk industries are. In line with the principle of three lines of defence, we train and supply all relevant personnel with knowledge, tools and governance understanding to ensure awareness of our ESG risk policies and to help, in particular, first-line relationship managers and second-line credit officers to comply with these.

In 2020, we developed a new digital solution for ESG risk assessment, thereby making the process smoother and enabling better monitoring and reporting at both customer level and portfolio level. We launched the solution in the autumn of 2020 to the larger customer segments, and we expect to expand the solution to other customer segments in 2021. ESG risk analysis is also performed at portfolio level, where we also conduct climate scenario analysis in line with the TCFD, see pp. 37-39.

### Record for sustainable bonds

In terms of the number and volume of sustainable bonds that were issued globally, 2020 was yet another record year. The volume of sustainable bonds exceeded the total volume of

### Financing 2020 figures

- **Loans:** DKK 1,838 billion in loans granted to banking customers across the Group.
- **Green loans:** DKK 22.3 billion provided by Danske Bank and Realkredit Danmark.
- **Sustainability-linked loans:** DKK 24.4 billion.
- **Green bond issuance:** DKK 13.5 billion provided by Danske Bank and Realkredit Danmark.
- **Green bonds arranged for customers (nominal amount):** DKK 91 billion.
- **Social bonds arranged for customers (nominal amount):** DKK 17 billion.
- **Group Treasury:** DKK 9.4 billion in treasury funds placed in green bonds out of DKK 10 billion allocated towards 2022.
- **ESG risk training:** Approximately 500 relationship managers and credit line officers trained in ESG risk assessment.

### Read more

For more financing figures, please see p. 40 and our Sustainability Fact Book 2020. For more details about ESG risks, please see our report Risk Management 2020.

global sustainable bonds issued in 2019 by 51%. And as a likely result of the coronavirus pandemic, the volume of social bonds issued increased significantly, accounting for almost a quarter of the total sustainable bond market. In the Nordic countries, the volumes of sustainable bonds issued also grew and provided opportunities for attracting new investors, creating higher demand, ensuring enhanced visibility, and improving investor dialogue. The Swedish krona remains the main currency for sustainable bond issuance in the Nordic countries, and it is the third most-used currency for green bonds globally. Our ranking as number one among Nordic banks in Bloomberg's 2020 Global League Tables for bookrunners on sustainable and green bonds underscores our contribution to supporting the market.

We began 2020 by structuring the first ever Green Bond Framework for a seafood business - Mowi ASA, a Norwegian producer of farmed salmon - and we acted as joint bookrunner for the business's inaugural EUR 200 million green bond issue. Following this, we acted as bookrunner in connection with a number of other key bond issues: the Kingdom of Sweden's inaugural SEK 20 billion green bond issue, the Dutch public sector bank NWB's EUR 2 billion social bond issue to finance affordable housing, and the Nordic Investment Bank (NIB) SEK 1.5 billion Nordic-Baltic Blue bond issue within water resource management and protection. We ended the year by acting as joint bookrunner and green structuring adviser on the Swedish residential property company Heimstaden Bostad's inaugural SEK 1.2 billion green bond issue.

**Sustainability-linked loans**  
For the financing of activities that cannot be classified as green or sustainable, we offer sustainability-linked loans. Interest in this type of loan, for which the terms of financing are linked to material ESG-related performance criteria, continued to increase throughout 2020.

Danske Bank's facilitation of a NOK 1.5 billion sustainability-linked revolving credit facility for Bane NOR Eiendom - a Norwegian property manager and developer - is one example of a sustainability-linked loan. The margin that applies to the facility is linked to the ability of Bane NOR Eiendom to meet specific sustainability certifications for the eligible real estate projects and its ability to meet annual reductions in energy consumption across its building portfolio.

**Responsible shipping**  
To support the transformation of the international shipping sector and help finance its decarbonisation, Danske Bank is both a member of the Getting to Zero Coalition and one of the founding signatories of the Poseidon Principles (PP), launched in 2019. And as one of 18 international shipping banks, Danske Bank has begun to assess and

disclose the climate alignment of our shipping portfolios.

Our target is to have a portfolio in line with, or lower than, the PP trajectory, which is at least a 50% total reduction in GHG by 2050 from 2008 levels, as set by the International Maritime Organization. In December 2020, the first report published showed that in 2019 our portfolio alignment score was 11.9% higher than target, and we will engage in dialogue with our customers to drive progress.

Danske Bank also supports the Responsible Ship Recycling Standards, and in 2020 we inserted separate clauses on responsible recycling in 94% of all new loan agreements for the sector. Our target for 2021 is 100%.

**Promoting a green fleet**  
A greener company vehicle fleet offers the potential to

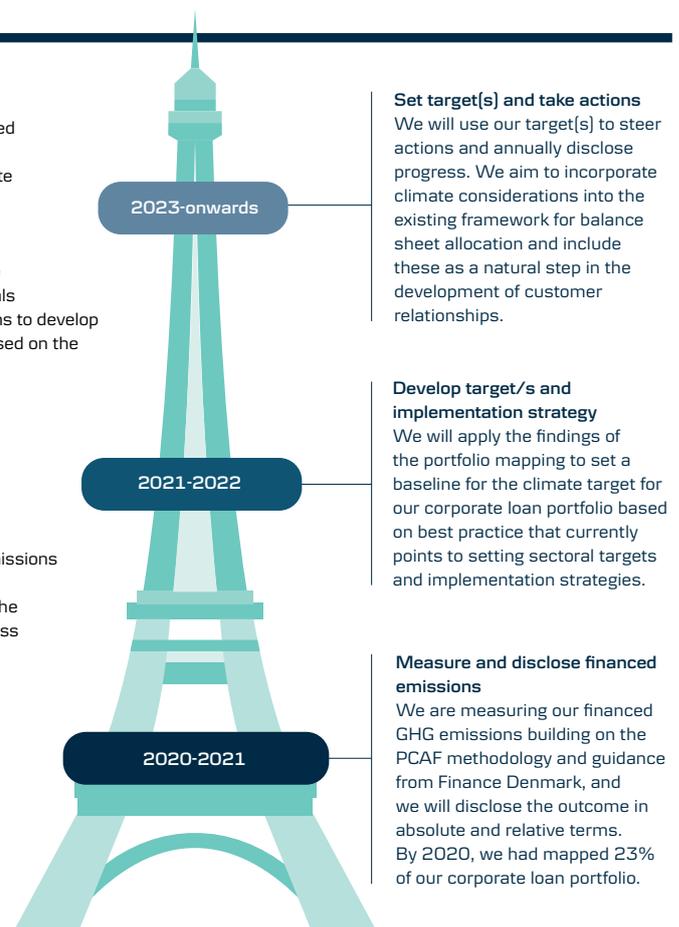
reduce CO<sub>2</sub> and to contribute to national climate targets, such as Denmark's target for a 70% reduction in GHG emissions from 1990 levels by 2030.

In Denmark, the average company car annually emits around five tonnes of CO<sub>2</sub>, which is around 30% of the average citizen's total annual emissions. GreenFleet70 is a concept that has been introduced to help Danish companies reduce emissions from road transport. In addition to offering an extensive selection of electric vehicle models, the concept provides a number of tools, including an advanced fleet planner. Partnerships with electric mobility providers is also an important part of GreenFleet70, which Nordania Leasing introduced in April 2020. In total, 14% of all new car orders in 2020 were electric or plug-in hybrid vehicles, against only 3% of all new car orders in 2019.

**Paris-aligned loan book**

In line with our ambition to lower our financed greenhouse gas (GHG) emissions, Danske Bank in 2020 committed to setting a climate target by 2023 for our corporate loan portfolio in alignment with the climate goals of the Paris Agreement on Climate Change. To guide our work in this area, we joined the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership that aims to develop and implement a harmonised approach, based on the GHG Protocol, to measuring and disclosing GHG emissions associated with loans and investments. We also contributed to Finance Denmark's financial sector guidelines for CO<sub>2</sub> disclosures, which links to our support for standardised sustainability disclosures and TCFD.

In 2020, we mapped 100% of the GHG emissions associated with the Group's utilities lending book, and we gained valuable insights into the power-generation technologies applied across our customer base. Our mapping is now being extended to other sectors, with priority being focused on the emissions-intensive industries where our engagement can have the most positive impact. We will regularly disclose the outcomes of our analysis, and we aim to cover a major share of the corporate lending portfolio by 2022.



## SUSTAINABLE FINANCE

## Investing in a sustainable future

Responsible investing is a cornerstone of our fiduciary duty to protect and grow our customers' investments, and it supports our ambition to create value for society.

We continued to integrate ESG factors into our investment processes, products and advisory services throughout 2020. Our ESG Integration Council ensures the integration of ESG into the investment decisions across Wealth Management, including Danica Pension. Across all fronts, we also strengthened our disclosures

and our efforts in relation to active ownership, screenings and restrictions. ESG is integrated so that it fits the unique features and characteristics of each of our investment strategies and asset classes. Our portfolio managers integrate ESG into their investment processes, and they identify material financial and ESG factors to assess the potential impact of these on performance when they make investment decisions. And to improve our processes and assist our investment teams in their everyday work, we develop tools and training programmes on an ongoing basis.

### Platform for ESG integration

- mDASH, our proprietary analytical tool that helps to identify and evaluate material ESG issues likely to impact a business's financial performance.
- ESG data platform that sources high-quality ESG data from multiple suppliers, thereby helping to integrate ESG and enable better-informed investment decisions.
- Educational programmes to build skills in including sustainability in investment processes and in advising customers about sustainability matters.
- On-site ESG analysts and specialists across the Nordic countries to help deploy robust ESG integration processes locally.

### Active ownership

By exercising active ownership, Danske Bank seeks to effectively manage risks and opportunities, maximise returns, positively influence businesses, and create value for customers and society. When sustainability issues of concern arise, our approach is to actively engage with businesses instead of refraining from investing and leaving the problem for someone else to deal with.

Our portfolio managers regularly engage with businesses to address material ESG issues that affect the businesses' financial performance. The top three ESG topics in 2020 were greenhouse gas (GHG) emissions, employee health and safety, and energy efficiency. Coronavirus pandemic-related issues were of course also on the agenda in 2020, and activities carried out by our portfolio managers in relation to these included assessing business model resilience; discussing potential behavioural changes, including shifts in demand for e-commerce and payment services; and addressing social well-being as a means to protect employees, the business and society.

To extend our voting activity at the annual general meet-

ings of portfolio companies, we strengthened our voting infrastructure in 2020. Our aim is to exercise our voting rights for all the shares we hold, albeit taking into account preconditions, resources and the cost of exercising voting rights. We also developed voting guidelines to enable us to vote on passively managed assets. These guidelines cover a range of topics, ranging from board compensation and capital structure to biodiversity, water scarcity and anti-corruption. As a result, we voted at more than 5,200 company meetings in 2020 against 406 in 2019.

We disclose data on our engagement and voting activities twice a year in our Active Ownership Report. And in 2020, to increase transparency and enhance the reliability of data, we published Active Ownership Stories about selected engagements, the handling of dilemmas and the expected outcomes of these.

### Restrictions

In 2020, we enhanced the process for applying norms-based investment restrictions covering all Danske Invest funds and Danica Pension's investment activities. The enhanced process enables us to better meet customer demand and

invest in line with customers' values. We restrict businesses that are involved in ESG-related controversies, practices or other activities considered unacceptable by Nordic societies. This includes businesses that contribute to climate change, loss of biodiversity and weak labour standards. As a result of our norms-based investment restrictions, more than 150 companies were restricted in 2020, and these are on our publicly available Investment Restriction List.

### Product innovations

The EU's incoming Sustainable Finance Disclosure Regulation (SFDR) sets out reporting requirements that aim to create transparency for customers on the actual sustainability characteristics of investment products. The SFDR imposes new obligations for transparency on how specific financial products promote environmental and/or social characteristics and how products target sustainable investment objectives.

In 2020, we started the process of adjusting and enhancing a wide range of our investment products to ensure compliance with the SFDR. From January 2021, we will discontinue using current sustainability labels, such as our ESG Inside Inte-

grated, Restricted and Thematic labels for investment funds, and these will be replaced with a labelling system compliant with the SFDR.

For our funds, we prepared a set of sustainability one-pagers that include details of carbon footprint, investment restrictions and third-party ESG ratings of the individual fund. And as we move ahead, we will further strengthen the visibility of ESG characteristics across our product range in order to meet the sustainability preferences of our customers.

Our two new investment and pension solutions, Global Sustainable Future and Danica Balance Sustainable Choice, both introduced in 2020, also cater for the increasing demand for investment products that meet specific requirements. These two solutions enable customers to invest in a green and sustainable transition in support of the SDGs. Through new product innovations, we will continue to develop our sustainable investment offerings, and we plan to introduce a 2023 sustainability target for Danske Bank Asset Management in 2021.



Danske Invest Global Sustainable Future

**DKK 15.3 billion AuM**

invested in companies driving the global sustainability transition and addressing selected SDGs.

Danica Balance Sustainable Choice

**DKK 580 million AuM**

invested in companies addressing specific sustainability topics and supporting the SDGs.

**Large-scale CO<sub>2</sub> emitters**

As well as encouraging businesses to act on climate change, we also participate in investor coalitions such as Climate Action 100+, which we joined in 2019. This coalition specifically targets 100 of the most systemically important GHG emitters, which together account for two-thirds of annual global industrial emissions. We engage with businesses to curb CO<sub>2</sub> emissions, improve governance and strengthen climate-related financial disclosures.

In 2020, we voted at annual general meetings of businesses such as Duke Energy, ExxonMobil, Chevron, Ford, General Motors, Delta Airlines and United Airlines. We voted in favour of aligning lobbying activities with the climate targets of the Paris Agreement on Climate Change and for increased disclosures on climate and energy-related lobbying activities.

Another way to address unacceptable business developments is to apply

climate-related investment restrictions, as is the case for TC Energy Corporation, for example. This energy infrastructure company is constructing a pipeline to connect the Canadian tar sands production area to the USA for the purpose of delivering crude oil, and the pipeline forms part of the oil industry's pursuit to triple tar sands production by 2030. Because the tar sands pipeline conflicts with the Paris Agreement, TC Energy Corporation is now on our Investment Restriction List.

**Danica Pension investments**

In 2019, Danica Pension communicated our green investment pledge of DKK 100 billion by 2030. In 2020, Danica Pension increased its investments in the green transition by 164% - from DKK 10.3 billion to DKK 27.2 billion. The current volume of investments means that Danica Pension is close to reaching its initial 2023 milestone of DKK 30 billion, and we will review our investment milestones in 2021.

In 2020, we joined the global UN-convened Net-Zero Asset Owner Alliance and committed to make Danica Pension's investment portfolio carbon neutral by 2050. We are further developing a 2025 milestone for CO<sub>2</sub> reductions in our investments. Launched in 2020, Danica Pension's first carbon footprint report shows that equity and corporate bond investments made by Danica Pension in 2019 emitted 33 tonnes of CO<sub>2</sub> per DKK million invested. This is 21% lower than a global benchmark covering scope 1, 2 and 3 emissions. Also, a first scenario analysis of the expected short- and long-term emissions from portfolios indicated that 80% of equity investments are Paris-aligned towards 2030, whereas 55% are aligned towards 2050. This indicates the need for businesses to commit to more ambitious CO<sub>2</sub> reduction targets.

Ambitions for investments in the green transition

**DKK 30 billion    DKK 50 billion    DKK 100 billion**

Ambitions for a Paris-aligned investment portfolio

2023

2025

2030

2050

**CO<sub>2</sub> reduction target**  
(being developed)

**Carbon neutral**

Danica Pension also launched a new sustainable investment strategy on its property portfolio. The ambition is to reduce the CO<sub>2</sub> emissions of the Danish property portfolio by 37% in the period 2019 to 2025. Furthermore, at least 25% of the Danica Real Estate property should be sustainability certified by 2025.

**Investment 2020 figures**

- **Assets under Management (AuM):** DKK 1,765 billion AuM across the Group. Our Responsible Investment Policy applies to all AuM.
- **Danica Pension:** DKK 27.2 billion investments in the green transition incl. equities, fixed income, green bonds, alternative investments and real estate. Also, there are ongoing energy-efficiency projects for a total of DKK 38 million invested in shopping centres.
- **ESG integration:** 96% of our investment managers integrate ESG into their investment processes.
- **LuxFLAG ESG label:** 82 of our funds and sub-funds were awarded the external label that recognises ESG integration throughout the entire investment process.
- **Engagement:** More than 800 interactions with 525 companies domiciled across 42 countries and with whom we engaged on approximately 100 financially material ESG issues.
- **Voting:** More than 5,200 company meetings across 65 countries attended to exercise our voting rights on more than 56,700 voting proposals.

**Read more**

For more investment figures, please see our Sustainability Fact Book 2020.

ENTREPRENEURSHIP

# Start-ups and scale-ups

Danske Bank supports the growth of new businesses that can drive innovation and job creation, thereby contributing to the overall well-being and sustainable development of society.

All businesses today need to conduct their operations in an increasingly sustainable way. Many entrepreneurs view global sustainability challenges as business opportunities and will create innovative solutions in which growth and positive impact go hand in hand.

However, many start-ups fail to develop into viable businesses despite the significant potential they possess. Supporting growth companies is part of Danske Bank's core business, and since 2015 we have been working with start-ups and scale-ups across the Nordic countries in a more structured way with an ambition to help them grow their business and increase their positive impact at the same time. We understand what businesses need at each of the different phases of their lifecycles, and we can support them with relevant financial and non-financial solutions. Since early 2016, we have supported 5,065 start-ups and scale-ups with growth and impact tools, services and expertise.

The successful businesses of the future will be found among the entrepreneurs of today. They are using tech and risk capital to achieve growth and innovation, and they are able to rapidly scale up their global presence. For Danske Bank, this represents opportunities for establishing relationships with high-growth business customers, extending our insights into new technologies and business models, and tapping into new top line and profit pools. This also allows us to provide alternative investment opportunities for Private Banking customers and enable business customers to access to new technologies. Nordic societies will benefit from growth in jobs and productivity, and Nordic

companies will be able to face the strong competition from competitor companies in Asia and the USA.

**The Hub – a cornerstone for start-ups**

Recruitment and access to capital have proven to be the main scalability challenges for growth companies. A key initiative in addressing these challenges is The Hub, Danske Bank's free, digital community platform. Today, The Hub is the Nordic region's largest job portal for start-ups – not only helping start-ups to recruit talent but also helping applicants to find the right job. Through The Hub, start-ups can create a profile to increase their visibility among investors and promote their vacant positions and work culture to job seekers. Since its launch in December 2015, more than 500,000 job applications have been submitted to The Hub, and more than 28,000 job vacancies have been posted.

**COVID-19 briefings at The Hub**

In 2020, Danske Bank focused a great deal on helping start-ups to get through the challenging situation caused by COVID-19. However, our experience shows that start-ups, in general, have fared well during the situation thanks to the agile and opportunistic mindset prevalent in this customer segment. Some start-ups have found new opportunities thanks to their digital business models and their ability to quickly adapt their products or services to the new situation.

In March, Danske Bank conducted a survey at The Hub to identify the most pressing issues facing start-ups as a result of the pandemic, and we created a series of webinars at The Hub on relevant topics, which were held from late March to

July. At these events, advisers from Danske Bank and other experts provided inspiration and suggested approaches on how to navigate in the short-term to stay in business while protecting opportunities for long-term growth. The 15 events attracted around 800 attendees.

**Angel investor training and pitch events**

In order to help start-ups gain access to risk capital, Danske Bank offers wealthy Private Banking customers training in making informed decisions about angel investing. The training covers topics such as risk handling, defining an investor profile, building and managing a portfolio, due diligence and valuation, active ownership and exit strategies, and impact investment. Upon completion of their training, the angel investors are introduced at a pitch event to early-stage start-ups looking for funding.

The programme was launched in Finland in 2019 under the name Hub Invest and was repeated in 2020 with 47 participants. A similar programme, named Angel Investor Academy, was launched in Sweden and Denmark in 2020, attracting 15 and 24 participants respectively. New angel investor training and pitch events are planned to be held in Denmark and Norway in early 2021.

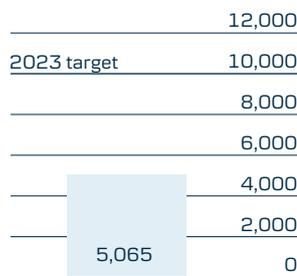
**Return on Diversity**

Women entrepreneurs in Denmark are much less likely to attract investment and on average attract smaller investments than their male peers. This is not merely a societal problem. Because there is a risk of losing out on talent, innovation, job creation and economic growth, it also represents a lost potential for start-ups and investors alike. Furthermore, an overwhelming

**Ambition**

Supporting 10,000 start-ups and scale-ups with growth and impact tools, services and expertise by 2023.

**2020 performance**



Data is accumulated from 2016.

**SDG contribution**

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

majority of research indicates a positive correlation between diversity and performance and return on investment.

To address the gender imbalance in the Danish start-up ecosystem, Danske Bank in 2020 sponsored the Return on Diversity guide. Developed by Bootstrapping, Female Founders of the Future, Nextwork and The Danish ICT Industry Association, this guide provides new tools for founders, investors and those who organise investments.

**Supporting impact start-ups**  
At Danske Bank, we believe that the Nordic region can become a centre for start-ups that make a positive social and environmental impact by addressing one or more of the SDGs. To make this a reality, we must help impact start-ups build the right capabilities among founding teams and

connect with new investment and ecosystem partners.

To gain a deeper understanding of the challenges, Danske Bank conducts an annual analysis, insights from which are shared in our State of Nordic Impact Start-ups report. The 2020 report concluded that the Nordic countries boast a growing number of impact start-ups that are maturing to a point where they are beginning to resemble regular growth-stage start-ups. As well as showing that the majority of the start-ups are based on potentially scalable business models that have the potential to work on regular early stage investment terms, the analysis also shows that nearly half of the founders have significant entrepreneurial experience.

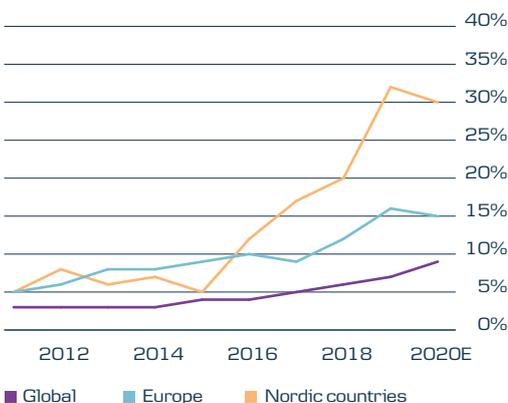
**Accelerator programme**  
In 2020, we ran Danske Bank's fourth accelerator programme

that helps early-stage Nordic impact start-ups to fine-tune their business models and prepares them for the next stages of growth. The programme is all-expenses-paid and offers mentoring, training and networking. This year's programme took place in Stockholm and was arranged in partnership with WeWork Labs, RISE and Ignite Sweden. All 11 participating start-ups focused on developing solutions revolving around the circular economy, and the programme included sessions with large corporations such as Coop, H&M, Hiliti, Husqvarna and Electrolux to provide inspiration and explore opportunities for collaboration. At the end of the programme, the start-ups pitched their business ideas in front of more than 100 participants and potential investors at a Demo Day. Since the launch of the first programme in 2018, a total of 29 start-ups have graduated.

**Entrepreneurship 2020 figures**

- **Danske Bank Growth:** 50+ employees are part of our Growth tribe, a Centre of Excellence specialising in helping start-ups and growth companies across our business and market areas.
- **The Hub:** 7,600+ start-ups, 29,500+ jobs, 560,000+ applicants and 1,000+ investors listed on our free, digital-community platform for start-ups across our markets. The Hub is operated by Rainmaking.
- **+impact:** 1,200+ purpose-driven start-ups and 400+ investors listed on our free, cross-Nordic, digital matchmaking platform.
- **+impact accelerator:** 11 Nordic start-ups graduated from our training programme for impact start-ups.
- **Angel Investor Academy and Hub Invest:** 86 Private Banking customers participated in training programmes and pitch events in Finland, Sweden and Denmark.
- **Canute:** 82 start-ups participated in the Canute market introduction programmes for scale-ups going international. Danske Bank is a founding partner.
- **Start Up Capital conference:** 100 start-ups participated at two virtual Start Up Capital conferences arranged by Tech BBQ to facilitate and curate efficient conversations between Nordic start-ups and foreign venture funds who can help start-ups scale internationally. Danske Bank is sponsor.
- **Nordic Women in Tech Awards:** 10 Nordic women were celebrated at the awards ceremony arranged by WonderCoders to recognise role models who lead the movement for more women in tech in the Nordic countries. Danske Bank is sponsor.

Impact as a percentage of total VC investment



**New home of impact and innovations**

Nordic and European start-ups are more impact-focused than their global peers. In 2019, impact investing accounted for over 30% of Nordic and 15% of total European venture capital (VC) investment, whereas the global average was 7%.

The figures are published on a new global data platform created by Dealroom, ImpactCity, Tech Nation and Danske Bank in 2020. The platform provides global intelligence and trusted insights about start-ups and scale-ups, innovations, investment, investors and other key players across ecosystems.

+impact by Danske Bank is a Knowledge Partner and has contributed with information on 1,000+ impact start-ups in the Nordic countries. By sharing our data, we hope to increase transparency and awareness of the Nordic impact scene.

**Develop Diverse**

Develop Diverse is one of the successful start-ups on our +impact platform. Develop Diverse has developed a software platform that analyses language in companies' communication channels to detect gender, age and ethnicity biases. The platform also proposes more inclusive alternatives, thereby helping companies to foster more diverse and inclusive workplaces. In 2020, Danske Bank tested the platform and now uses it to ensure more inclusive job postings and career-related content on social media and danskebank.com, all of which helps us to reach a wider and more diverse talent pool.

*"It is an important signal to investors and other companies that a large player like Danske Bank believes in us and is using our product to foster inclusion and diversity."*

Jennifer Clausell-Tormos, CEO and founder of Develop Diverse.

FINANCIAL CONFIDENCE

# Financial capability at a young age

At Danske Bank, we want to contribute to people's financial confidence by helping the next generation to develop sound money habits and progress all the way to a financially secure adulthood.

Despite the many strengths of the Nordic welfare model, personal finances are still a source of worry for many. Learning and developing sound money habits early in life is an essential foundation for financial confidence, but as money is becoming invisible and spending is becoming digital, many parents find it hard to make the value of money tangible and understandable for their children. This is why we need new insights into money habits in a digital society and new ways of talking about 'invisible money' with our children.

At Danske Bank, our ambition is to help our customers and society as a whole achieve greater financial confidence - with a particular focus on helping children and young people get off to a good start. Since early 2018, we have supported more than one million children, young people and parents with financial literacy tools and expertise. And to reach our 2023 target, we will scale up our initiatives and evolve our financial literacy programmes to reflect developments in society and technology.

We will also provide insights about how to foster good money habits among children and young people as an integral ele-

ment in our dialogue with customers. This will strengthen our advisory capabilities and can in the long-term help Danske Bank to reduce risk and build future customer relationships.

**COVID-19 affects financial confidence**

Danske Bank's annual survey of financial confidence among people in Denmark shows that the coronavirus crisis has made people in Denmark, young people in particular, more worried about their personal finances, and around a quarter of 18 to 34 year olds fear that the coronavirus situation will make it harder for them to find a new job.

**An evidence-based approach to financial capabilities**

To gain more knowledge of what drives good money habits, we developed the children's financial capability framework in 2020 to provide an evidence-based approach for teaching good money habits to children and young people. Based on this framework, we conducted a survey of the current state of financial capability in the Nordic countries, and the results provide a baseline for measuring the impact of our programmes in terms of behavioural changes.

The results of the survey point to four key elements for building financial capability.

Firstly, practice makes perfect. Knowing how to make a budget and plan for the future does not necessarily mean that children and young people will actually do these things when they become adults. To develop their financial mindset and skills, they need to practice making financial decisions themselves.

Secondly, good financial capability starts early. When children reach the age of three or four years, parents should give them access to their own money. The survey shows that children and young people who receive regular pocket money and have a bank account that they frequently use are more financially capable.

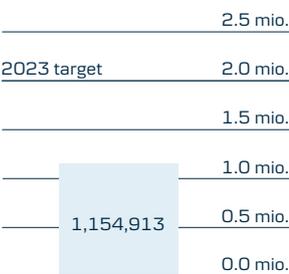
The third element is understanding the role of money in society. Information and knowledge alone are not enough to build financial capability. Children and young people who talk with their parents about general money topics are more financially capable than those who do not.

Finally, parental behaviour is essential. Parents are usually

**Ambition**

Supporting two million people with financial literacy tools and expertise by 2023.

**2020 performance**



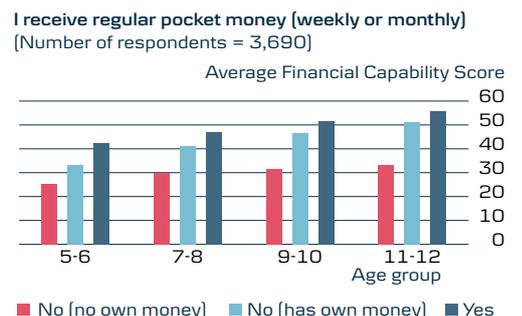
Data is accumulated from 2018.

**SDG contribution**

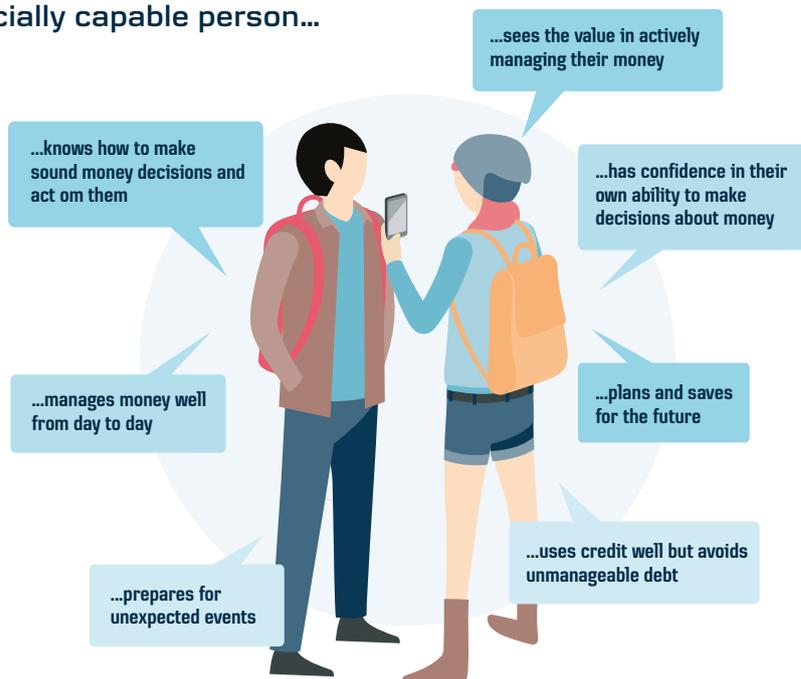
We help people to achieve literacy and numeracy, in support of SDG 4.6.

Children and young people across the Nordic countries who receive pocket money regularly have higher financial capability than those who have their own money but who do not receive pocket money regularly. Both groups have higher financial capability than the children and young people who do not have their own money. It is important to note that it is not the amount of money that matters but the frequency at which children interact with money.

Source: Financial Capability report, 2020



## A financially capable person...



good at saying the right things, but children in particular learn through observation and imitation – not by listening. Letting children see how money matters are handled with the bank or see other types of financial decision builds financial capability.

**PengeSkyen and Peng' Pong**  
In March 2020, we launched a new online universe, PengeSkyen (The Money Cloud), in Denmark. On this site, parents can find tips, inspiration and advice from experts on how to foster good money habits in children, such as understanding what money is, savings, expenditure and digital money. PengeSkyen kicked off with a campaign that reached 72% of our target group on social media alone, and our campaign evaluation showed that the site was well received by 96% of the parents using the site.

We have continued the development of new teaching material for primary school pupils in partnership with the Danish students' organisation. Based on everyday experiences and through exercises and reflection, the material helps develop the pupils' financial skills and knowledge. The material has been tested in five schools, and

the first module was launched on the PengPong.dk website in November 2020. The material is freely available for all teachers and can be combined with a guest lecture from one of our employees.

Our financial literacy programmes Pocket Money Day and PengeKøbing were launched in Denmark in 2019 and were planned to be introduced in the other Nordic countries in 2020. Unfortunately, the coronavirus pandemic meant that we were unable to invite children and their parents to such events, but we hope to roll out programmes in 2021.

**Master your Economy**  
Danske Bank in Finland has various initiatives aimed at boosting the financial skills of young people aged 16 to 29 – a demographic that receives the least support in this area. Together with Junior Achievement Finland, we in 2020 launched the Master your Economy programme, which offers the first free teaching material on financial literacy for secondary schools, created in alignment with the Finnish school curriculum. In the programme, the students examine their own attitudes, practice decision-making and accumu-

late knowledge and skills in economics. As part of the programme, Danske Bank advisers gave a presentation, held online due to COVID-19, at two school events.

In 2020, Danske Bank advisers also attended five workshops organised in collaboration with The Children and Youth Foundation in Finland and held at vocational schools. At these workshops, the youngsters created digital stories about how money affects their everyday life and future, and our advisers shared their own experiences with personal finances.

**Blogs on financial wellbeing**  
In 2020, Danske Bank in Northern Ireland developed and launched a new blog for personal customers that helps and encourages them to start talking about money. The blog will explore a wide range of topics – from savings, fraud and money and mental health to money management, including tips on money management for young people who have moved away from home and are financially independent for the first time. Customers will also be asked what money topics they themselves would like to talk about.

### Financial confidence 2020 figures

- **MoneyVille:** 304,020 children across our markets used our online game to gain a better understanding of how money is earned, how to prioritise spending and the importance of saving.
- **Money Week in Denmark:** 4,288 pupils aged 13 to 15 attended lectures in financial literacy given by 179 of our financial advisers. Money Week is arranged by Finance Denmark.
- **SMART Money in Denmark:** Our financial advisers participated in 20 guest lectures in schools to teach 290 children how to boost their financial confidence.
- **Pocket Money app:** 19,452 new users in Denmark, Norway, Sweden and Finland.
- **PengeSkyen in Denmark:** 105,862 parents visited our online universe that provides information, entertainment and advice on how to foster good money habits in children.
- **Peng' Pong in Denmark:** 323 primary school pupils and 17 teachers in five schools tested the learning material about money habits.
- **SMART in Northern Ireland:** 941 downloads of our financial literacy teaching materials that were made available to parents and teachers on our website for homeschooling following the COVID-19 lockdown.
- **Sustainable relationship with money in Finland:** 50 young people participated at five workshops at vocational schools where 10 Danske Bank advisers shared their experiences with personal finances. Organised by the Children and Youth Foundation.

## GOVERNANCE &amp; INTEGRITY

# Customer engagement

In 2020, Danske Bank's customer engagement focused primarily on helping individuals and businesses affected by the coronavirus crisis and on compliance remediation.

The coronavirus crisis has affected a large number of Danske Bank's customers, many of whom have required help within a very short period of time. Across our core markets, we offered an extended level of help and flexibility to customers, and we set up a dedicated unit to provide urgent help to customers who had been hit hard financially, for example customers who temporarily lost their jobs or whose businesses experienced drastic decreases in sales. Since the start of the pandemic, Danske Bank has been in contact with thousands of customers through online meetings, by phone and via other digital communication channels, and we have helped 9 out of 10 customers who requested our assistance.

Our offers included wider access to overdrafts, payment in

instalments, increases of facilities and extension of terms. We also suspended the charging of negative interest rates for the rest of 2020 for up to 90,000 small businesses in Denmark that have deposits of less than DKK 500,000.

Among personal customers, there was a particular need for deferred payments, and among business customers, credit cases doubled. Across the Danske Bank Group, we made DKK 100 billion in new coronavirus-related credit available to business and large corporate and institutional customers, while we also helped customers raise new funding in the debt capital markets.

Business customers asked us to provide a range of advisory services, including assisting them in making a plan for their business

and ensuring the right decisions were made earlier rather than later; helping customers to make use of public support schemes; advising about currency or interest rate hedging for customers with, for example, market shares in Norway or Sweden, where the currencies have depreciated. We have been proactive in contacting all Private Banking customers to inform them of the developments in the financial markets and to give them our assessment of the situation and provide general recommendations.

In Denmark, Danica Pension opened a hotline for all customers who have health insurance coverage. Through the hotline, customers who felt that the coronavirus pandemic was affecting their mental well-being were able to talk to a psychologist.

*"We need to help customers affected by the coronavirus crisis in a responsible way - whilst still upholding responsible debt levels and compliance requirements. We achieve this by ensuring that critical functions remain in place and that processes to extend liquidity are as flexible as possible in the situation."*

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

## Remediation efforts

In recent years, we have identified a number of legacy issues in connection with which Danske Bank has failed to act in our customers' best interests. Several of these cases have been revealed through our ongoing efforts to improve our compliance, risk and control capabilities and processes; others have been revealed through internal warnings. A case in point is the issue concerning data errors in our debt

collection system in Denmark, which led us to overcollect debt from customers despite warnings from employees and business partners who raised the issue internally. The issue has subjected Danske Bank to public criticism, and we deeply regret that employees were not heard when they voiced their concerns.

We cannot undo past mistakes, and we cannot guarantee that new mistakes will not occur, but

we can and will ensure that all the issues that may arise are dealt with as quickly as possible and that we will make things right for our customers. To this end, we have established a new remediation office to oversee the remediation of identified legacy issues and to ensure consistent, decisive and proactive handling of all issues. With direct reference to the Executive Leadership Team, the remediation office will ensure a fully transparent approach along with

## Ambition

To rank, on average, among the top two for customer satisfaction in everything we do by 2023.



## 2020 performance

### Banking DK

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

### Banking Nordic

- Retail customers: On target in 1 out of 3 countries
- Commercial customers: On target in 3 out of 3 countries

### Corporate & Institutions

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

### Wealth Management

#### Asset Management:

- Number 1 overall in the Nordic countries
- On target in 1 out of 4 countries

#### Danica Pension:

- On target in 2 out of 2 countries

### Northern Ireland

- Personal Banking & Small Business: Number 2
- Corporate & Business Banking: Number 1



## SDG contribution

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

timely communication to customers and other stakeholders.

As planned, by the end of 2020 we had completed our internal investigation into the non-resident portfolio at the now-closed Estonian branch regarding alleged violation of the rules on prevention of money laundering. We continue to be in close dialogue with authorities in Denmark, the USA, Estonia and France; however, the timing and outcome of these dialogues remain uncertain.

In 2020, we continued the process of closing down the Flexinvest Fri case, and we paid a total of DKK 310 million in compensation to almost 87,000 customers who invested in the Flexinvest Fri product during a certain period and paid fees that were too high.

Statements of inspections from the Danish Financial Supervisory Authority (the Danish FSA) are available on our website, and we are committed to continuing our close and constructive dialogue with all relevant authorities and with customers and all other stakeholders.

#### Customer satisfaction

Despite a year of challenges for Danske Bank, our customer satisfaction levels are progressing on the right path, although we are not yet meeting our objective.

Our Better Bank customer ambition for 2023 is that we rank, on average, among the top two for customer satisfaction in everything we do. Through our Better Ways of Working initiative, we aim to improve the customer experience and respond faster to changing customers' demands.

Danske Bank has a legal obligation to ensure that our advisers act in the best interests of our customers, and retail advisers do not receive sales-related bonuses as a matter of principle. Our advisers receive continuous training in how to offer the most suitable products and advice. We send questionnaires to our customers to get their input on how we can improve the customer experience, and we encourage customers who are not satisfied with our services to contact us with a view to settling the matter. It is also possible for customers to file a complaint online.

#### District - cutting complexity

In addition to the changing market conditions caused by the corona pandemic, our business customers face intensified regulatory demands and a heightened risk of fraud. To meet digital needs of these customers and to help them cut through complexity, we in 2020 launched our digital financial platform, District. With District, we introduce new and simplified

navigation that combines safeguarding customer data with a good customer experience. The platform allows our customers to service themselves and optimise their daily work, while allowing us to provide them with even better support. District also enables customers to easily see accounts across banks and offers an easy integration of data and solutions from other banks and partners. Over time, more solutions and features will be added - including solutions from new partners - to give our customers a platform that enables them to connect and act on their financial data.

#### Strong data ethics

We work diligently to ensure that data protection, privacy and integrity are taken into consideration at every step when we process personal data. In 2020, our dedication to upholding strong data ethics led to a variety of changes in the way we work and how we document our work.

Requirements of the EU General Data Protection Regulation (GDPR) form part of our mandatory compliance training, see p. 27, and in 2020 around 500 employees who are particularly exposed to GDPR received additional training. Our customers are also becoming increasingly aware of their GDPR data subject rights, and we provided more than 5,000

Customer Data Insight Reports in 2020. We also enhanced internal procedures, such as our physical archiving process, to ensure that we do not store personal data any longer than is absolutely necessary, and by doing so we updated the retention rules for more than 12 million physical documents stored centrally. We have, however, identified that some personal data has been stored for a longer time than necessary. This should of course not have happened, and we are working to solve these issues.

#### Supporting customers' green transition

For many of our customers, the green transition is high on the agenda, and we want to support them in making sustainable choices. In February 2020, Danske Bank and Realkredit Danmark introduced improved loan terms for energy improvements for personal customers in Denmark who want to reduce energy consumption in their homes. To help the customers assess the potential for energy saving in their homes, we also partnered with a consulting engineering company to provide this service. In December 2020, we announced a new car loan for electric cars. This loan has a 0% interest rate for a period of six months and reduced establishment costs. Read more about our sustainable finance offerings on pp. 14-19.

#### Customer 2020 figures

- **Danske Mobile Banking:** 1,668,010 users of our Danske Bank Mobile Banking app. The app continues to be the most used channel by our customers.
- **Corona-related credit:** DKK 16 billion in credit made available to small and medium sized business customers, and DKK 84 billion in credit made available to large corporate and institutional customers.

#### Read more

For more details about customer satisfaction, please see our Annual Report 2020.



## GOVERNANCE &amp; INTEGRITY

# Compliance culture

Danske Bank strives to build and maintain a strong culture that embeds compliance into everything we do and sets the foundation and expectations for individual behaviour across our Group.

A strong compliance culture empowers all employees to take positive steps to ensure the Group adheres to applicable laws, rules and regulations. This is achieved by setting a clear tone from the top; reinforcing individual accountability and risk-awareness through appropriate policies and training; and supporting open communication through accessible tools, behavioural standards and reward structures. As regulatory requirements continue to evolve, we will also continue to invest in developing our risk management framework and capabilities to ensure that any new expectations remain firmly embedded in our daily activities.

Our Code of Conduct Policy is the overarching document reflecting the purpose and values of Danske Bank and our expectations as to how all employees conduct themselves in their activities on behalf of the bank. The code identifies the principles we seek to uphold and the associated areas that underpin wider rules and standards across policies, processes and risk management.

Danske Bank applies an enterprise risk management (ERM) framework that sets common standards for risk management across all risk types. To ensure appropriate oversight and accountability, the framework specifies how risk governance and risk responsibilities are structured. Our risk management practices are organised in accordance with the principles of the three-lines-of-defence model.

The first line of defence consists of our frontline and direct support functions that own the risks and are responsible for their operational management across national borders, which includes designing, implement-

ing and operating effective controls.

The second line of defence consists of Group Risk Management and Group Compliance. They set the standards, policies and methods under which the first line of defence operates, and they are responsible for the risk and compliance oversight. The Chief Risk Officer and the Chief Compliance Officer are both members of our Executive Leadership Team and may also contact the Board of Directors directly.

The third line of defence is Group Internal Audit (GIA) – an independent and objective function that evaluates and improves the effectiveness of our risk management, control and governance processes. The head of GIA reports directly to the Board of Directors.

More broadly, we have an Escalation Policy that helps our employees to recognise potentially significant issues and concerns and which sets out the expectations we have of employees to raise issues of concern to the right level in the organisation. In 2020, we updated the policy to give additional clarity to all individuals within the Group on the relevant triggers and escalation paths, thereby enabling us to respond faster and more effectively.

## Whistleblowing scheme

We make an effort to promote a healthy and safe culture in which employees feel they can share their concerns with their colleagues, managers or HR. However, employees can also report concerns about irregularities or wrongdoings anonymously through our whistleblowing scheme. All reports are investigated and treated in the strictest confidence, and our

Whistleblowing Policy provides assurance that employees can raise concerns without fear of reprisals or inappropriate reactions, also if they turn out to be mistaken. The whistleblowing scheme also applies to external stakeholders and can be accessed via the Whistleblowing Policy, which was made public in December 2020.

In 2020, we redesigned the whistleblowing reporting site, making it more inviting and user-friendly and to give employees a strong sense of trust and security, and we further developed our training on whistleblowing. We also implemented a Whistleblowing Handling Instruction, which clearly outlines handling procedures for received whistleblowing reports. The number of whistleblowing reports increased by more than 50% from 2019 to 2020.

## Tax transparency

At Danske Bank, we have a firm position on tax compliance, as set out in our Tax Policy. We seek transparency and a proactive, open and cooperative relationship with the tax authorities, and we are committed to disclosing our tax payments in accordance with national and international requirements and in line with good practice among our peers.

Should it come to our attention that any of our customers or business partners are engaging in tax fraud or tax evasion, we cooperate with the relevant authorities in accordance with applicable rules and regulations and in line with our core values. We do not participate in any abusive tax arrangements. Our employee training on financial crime prevention includes understanding tax affairs at customer level and detecting tax evasion.

## Ambition

Over 95% of employees trained annually in risk and compliance by 2023.

## 2020 performance

95% of our employees completed and passed risk and compliance training.

## SDG contribution

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

**Anti-corruption and bribery**  
Mitigating the risks associated with corruption and bribery is part of our compliance infrastructure. We operate in accordance with the following five principles: (i) not to accept or solicit bribes in any form; (ii) not to make or accept facilitation payments; (iii) not to offer, promise or give a financial or other advantage; (iv) to only accept gifts given or received in specific situations; and (v) to avoid any conflict between our personal interests and the interests of the Group.

Our stance on corruption and bribery is expressed in our Code of Conduct Policy and in our recently launched Anti-Bribery and Corruption Policy. This latter policy will in 2021 be complemented by a separate

instruction that includes a set of criteria for sponsorship agreements. This will also improve our assessment of anti-corruption risks and controls across the Group.

In 2020, we updated our Gifts and Hospitality Instruction and broadened the scope, criteria and principles for providing and receiving gifts and hospitality. The updated instruction includes new thresholds and a process for pre-approval and registration of gifts and hospitality.

**Mandatory training**

All employees must complete annual training that includes courses covering risk and compliance issues related to our policies and applicable regulation. All new employees of the

Danske Bank Group must complete all courses within their first 14 days of employment.

The training provides knowledge that empowers employees to do the right thing for our customers, for our colleagues and for society. The courses follow a learning path that helps employees to complete the training in an order that ensures the best possible learning experience and the embedding of knowledge.

We are continuously improving the courses, and in 2020 we made a notable update of the course on fighting financial crime by broadening the scope from anti-money laundering to also include other financial crime risks, such as fraud, tax evasion, bribery and corruption.

**Relevant policies**

Group policies of specific relevance to sustainability include:

- Anti-bribery & Corruption Policy
- Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Policy
- Code of Conduct Policy
- Compliance Policy
- Conflict of Interest Policy
- Credit Policy
- Diversity and Inclusion Policy
- Escalation Policy
- Market Abuse Policy
- Remuneration Policy
- Security Policy
- Stakeholder Policy
- Supplier Code of Conduct
- Responsible Investment Policy
- Tax Policy
- Whistleblowing Policy

**Read more**

For more details, please see our Annual Report 2020 and our Risk Management Report 2020.

**Learning path for mandatory risk and compliance training**

**Lay the foundation**

 <p><b>1 Code of conduct</b> What are the conduct policies and standards that all employees must live up to.</p>	 <p><b>2 Everyone is a risk manager</b> What defines good risk behaviour, and how to create a sound risk culture.</p>	 <p><b>3 Share your concerns</b> Why we embrace a speak-up culture, how we share our concerns and report wrongdoings, e.g. through the whistleblowing scheme.</p>	 <p><b>4 Security and operational resilience</b> How to recognise threats to IT security and signs of fraud, and how to respond.</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Learn about the biggest regulations**

 <p><b>5 Fighting financial crime</b> How to prevent money laundering, the financing of terrorism, fraud, bribery and corruption, tax evasion, and the breaching of financial sanctions.</p>	 <p><b>6 GDPR</b> How to protect personal data and comply with the EU General Data Protection Regulation (GDPR).</p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**Gain specialised knowledge**

 <p><b>7 Competition law</b> How the requirements affect our activities, including key risk areas.</p>	 <p><b>8 Gifts and hospitality</b> What are the criteria and principles for giving and receiving gifts and hospitality.</p>	 <p><b>9 Market abuse</b> How to recognise market manipulation and inside information, and how to behave in such situations.</p>	 <p><b>10 PAD</b> Why Personal Account Dealing (PAD) rules are important, and what are the responsibilities of employees.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## GOVERNANCE &amp; INTEGRITY

# Financial crime prevention

Fighting financial crime remains at the top of Danske Bank's agenda and we continue to strengthen our defence systems, processes and capabilities.

Danske Bank has continued to make substantial investments to enhance our financial crime-prevention procedures, systems and competences. In 2020, we made solid transformational progress on our continuous path to strengthen our defences.

Those who attempt to misuse the financial system continue to evolve their methods and are becoming more sophisticated and cunning – financial crime related to COVID-19 is testimony to that. Consequently, fighting financial crime remains at the top of Danske Bank's agenda and is one of the strategic focus areas in our Better Bank plan.

#### Advanced technologies

In 2020, we continued to invest heavily in optimising and automating the processes, systems and tools that underpin our financial crime prevention efforts. This work included further integration and consolidation of our IT systems to strengthen our controls and make processes smoother and simpler for our customers.

We also increased the speed of our customer ongoing due diligence (ODD) processes across the Nordic countries through new automated processes, and we implemented new digital ways to collect customer information used in the due diligence processes and other financial crime controls. Examples

include new digital platforms to gather Know Your Customer (KYC) information and using our customers' preferred digital communication channels, such as Danske Mobile Banking and Danske eBanking, to obtain additional KYC data.

Monitoring and screening of customers and transactions is a vital part of our financial crime defence, and these underwent considerable technological upgrades in 2020. Today, customer screening and transaction screening have been significantly enhanced. We have expanded our automated surveillance of transactions by using technology to optimise the process and target relevant risk. Also, new data analytics and visualisation systems have been implemented, and these have enhanced the coverage of our investigations and the speed in which our investigators are able to identify potential financial crime risks.

#### Strong governance and capabilities

Although technology is imperative in our fight against financial crime, it can only take us some of the way. Ultimately, it is our people who make the difference. In 2020, we increased the number of capable hands working to prevent financial crime, and we hired a large number of employees who possess specialist expertise and international experience to fill key positions.

We continued to train customer-facing staff to ensure the right skill set and knowhow, and we updated our mandatory eLearning on fighting financial crime for all employees across the Group, see p. 27.

In 2020, a strong governance structure to support our transformation efforts was put into place. This includes a comprehensive Group-wide plan that outlines clear divisions of roles and responsibilities and serves as a detailed road map for our Financial Crime Transformation, which both ensures international best practice and meets our regulatory requirements in all the jurisdictions we operate in. We continue to share our progress with regulators on an ongoing basis to increase transparency.

Our work also included significant development of our policies to ensure our requirements are more precisely articulated and designed, decreasing unnecessary complexity and ensuring greater standardisation across business units. For example, we updated our policy on anti-money laundering (AML), counter-terrorist financing (CTF) and sanctions. This policy sets out our principles and standards for the management of risk and compliance, and it determines the objectives of our financial crime prevention framework that extends across our entire customer base.

#### Ambition

To continue to strengthen our efforts in the fight against financial crime to become an even better bank for all stakeholders.

#### 2020 performance

More than 2.6 million customers had their ongoing due diligence completed as scheduled.

#### SDG contribution

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

*“The threat of financial crime is a challenge for all financial institutions. Given the global nature of financial crime and the cunning behaviour of criminals, it requires a joint approach within the financial sector and between the sector and authorities to properly make the financial system safe and resilient.”*

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

### Partnering for change

Over the past years, we have actively engaged in domestic and cross-border initiatives. By doing so, we have been able to share insights and expertise and develop solutions to strengthen and secure our collective defence systems in close collaboration with supervisory authorities and other large banks across the Nordic countries and in the rest of Europe.

An example is our engagement in the public-private partnership, Swedish Anti Money Laundering Initiative (SAMLIT) – a pilot project that tests new methods for sharing information between banks and authorities under current legislation and identifies changes needed to enhance our

effectiveness in future financial crime prevention.

We also participate in a similar public-private partnership between Nordic banks and the Financial Intelligence Unit (FIU) in Finland. In this partnership, we focus on exchanging information on current and emerging crime phenomena related to money laundering and terrorist financing and the risks of these, in adherence with the Danish Anti-Money Laundering Act.

Through our industry association, Finance Denmark, we take part in a permanent AML working group, and in 2019 we participated in the AML Task Force. This task force presented 25 proposals for AML and

counter-terrorist financing measures – measures we carry out in continuous cooperation with the sector and authorities. A tangible outcome from this is our new Fighting Financial Crime webpage, which aims to increase transparency for our customers, investors and society by showing how Danske Bank works to combat financial crime.

Furthermore, we contribute to the development of more efficient AML and counter-terrorist financing legislation through our Nordic and European trade associations, and in August 2020 we provided input to the European Commission's AML Action plan via its public consultation.

### Joint efforts against cybercrime

The monetary losses from payment fraud, such as investment scams, romance scams, cryptocurrency scams and ID theft, can amount to millions for business customers and to hundreds of thousands for personal customers. Fraudsters are continually broadening and honing their techniques, and in 2020 the number of attacks on our customers increased 20% from 2019 levels.

In 2020, we also saw the emergence of COVID-19-related scams: primarily phishing, which in some cases imitated local healthcare authorities. We allocated additional resources to enable us to monitor the changing threat landscape and raise awareness amongs customers and employees of new attack scenarios on a weekly basis, which enabled us to quickly respond to COVID-19 fraud threats. Also, our customers proved to be alert to these scams, resulting in a relatively low number of these fraud cases.

Creating awareness about cyber security, both within and outside the bank, remains a priority. As part of this, we conduct an annual hacking event at which employees are exposed to a range of security challenges and are trained in preventive measures. At least once a month, we engage with business customers to raise their awareness of the most common fraud trends, and through our Keep It Safe platform

we provide tools for businesses and for personal customers that enable them to protect themselves against cyber criminals. We also collaborate with the Danish Consumer Council on their free digital self-defence app, Mit digitale forsvar, which provides advice on how to avoid becoming a victim of fraud and what to do if this happens. To date, the app has been downloaded by more than 150,000 people, and in 2020 we provided an emergency alert on the app about vulnerabilities in a particular internet browser – an alert that was viewed by 11,500 users. To raise public awareness of fraud threats, we also share our expertise with the media and through webinars. In 2020, our content on social media was viewed by more than 40,000 users.

Danske Bank shares best practice on the latest fraud intelligence, and we collaborate with external cyber security organisations to help strengthen cyber resilience within the Nordic countries. These organisations include the Danish Centre for Cyber Security, the Danish National Center of IT-related Economic Crime (LCIK), and the Nordic Financial CERT, which plays a lead role in the joint effort to fight cybercrime. We also share our insights about topics such as cyber security, hacking and password security with universities and the financial community at various industry events and seminars.

### Financial crime prevention 2020 figures

- **Resources:** 3,100 full-time employees dedicated to the financial crime agenda.
- **Financial crime training:** Over 5,000 staff across the Nordic countries completed targeted physical or virtual training sessions about anti-money laundering and financial crime prevention, building on the mandatory financial crime eLearning.
- **Payment screening:** Every month, more than 40 million payments were screened.
- **Keep It Safe:** 28,847 unique visits to our site on cyber security and fraud awareness.

GOVERNANCE & INTEGRITY

# Responsible sourcing

Danske Bank promotes responsible business conduct throughout our supply chain, and responsible sourcing is an important part of our supplier due diligence programme.

In 2020, a total of 9,090 suppliers delivered products or services across the Group, and Group Procurement collaborated with locations, departments and business units on 2,092 new contracts.

Responsible sourcing and collaboration with our suppliers forms part of our value-chain approach to embedding ESG considerations throughout our business. By doing so, we can minimise potential adverse societal effects and support positive societal change. Our responsible sourcing process ensures that all suppliers comply with the sustainability standards set out in our Supplier Code of Conduct and with additional specific environmental requirements for selected products and services. This code is based on international sustainability principles, including the UN

Global Compact and the UN Guiding Principles on Business and Human Rights. We expect our suppliers to set similar sustainability standards for their supply chains.

The responsible sourcing process is part of our supplier due diligence programme alongside other supplier assessments, such as IT security, financial assessment and GDPR. In 2021, we will implement a new Third Party Risk Management (TPRM) framework that will also include responsible sourcing.

**Environmental awareness**  
Danske Bank only uses conference venues that meet our environmental requirements. In 2020, each meeting venue listed in our conference booking tool, Meeting Manager, has also been given an eco score to enable employees to take the

environment into consideration when they select a meeting venue. Our online travel booking tool now displays information about CO<sub>2</sub> emissions for each flight, and we are also developing our own eco score for hotels to raise employee awareness of the environmental implications of their choices.

**New invoicing platform**  
Danske Bank launched a new procurement and invoicing platform called Ivalua in November 2020. Not only does this platform improve our own procurement procedures, invoice processing and collaboration with suppliers, but it also benefits our suppliers by delivering shorter processing time and better communication with Danske Bank regarding source to pay.

Our risk assessment has three main steps



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



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



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

Independent audits

A handful of suppliers are selected each year by Danske Bank for independent third-party audits. The twin aim of these audits is to evaluate whether or not the suppliers live up to our Supplier Code of Conduct and to identify areas where we may help the suppliers improve their ESG performance. Suppliers are

selected on the basis of their risk profile, how they affect our business and their score in the self-assessment questionnaire.

In 2020, we audited two suppliers at the construction site of the new Danske Bank headquarters in Copenhagen to gain insight into working conditions

and sub-contracting practices. In addition, we audited a Danish real estate administrator and an archiving supplier in Sweden. None of these audits revealed any severe non-compliance issues, and the audit reports have provided valuable insights into the performance and maturity level of the suppliers.

Ambition

Our ongoing target is to have a minimum of 80% of tenders through the responsible sourcing process. This applies to supplier contracts above DKK 1 million that are handled through Group Procurement.

2020 performance

96% of tenders through the responsible sourcing process.

SDG contribution

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

EMPLOYEE WELL-BEING & DIVERSITY

# Diversity and inclusion

At Danske Bank, we aim to build a diverse and inclusive culture that mirrors the societies we are part of and to create equal opportunities for our employees.

Diversity and inclusion are high on the agenda at Danske Bank, and in 2020 we strengthened this further by establishing a Diversity & Inclusion (D&I) Council and by making our mission clear. When people feel that they belong, they are comfortable expressing themselves openly, freely and in their own voice – and they feel empowered to make a difference. We believe that a diverse and inclusive culture unleashes the full potential of our employees and makes us a better bank for all our stakeholders.

To progress our work, we updated our D&I Policy, hired D&I experts and appointed 18 D&I leads. In 2020, we also set targets and launched new initiatives on inclusion, equal opportunities and on creating an attractive workplace.

### Gender diversity

In 2019, we set a target of increasing the share of women in senior leadership positions from 27% in 2019 to 35% in 2023. We are still at 28% and aim to increase this through a number of measures, including targeted recruitment where there is always at least one woman in the final field of candidates for leadership positions and on the hiring committee.

We have equal gender distribution across our workforce but not across our management levels, which is why we since 2018 have been working towards three 2020 targets to increase the share of women

across Danske Bank’s management levels.

Although progress has been made, the three targets are not fully met, and we will prolong current targets until 2023. Of the 13 members of the Board of Directors, nine are elected at the Annual General Meeting (AGM), and with three women in this group, the share of women in 2020 was 33% against a target of 38%. When we include our four employee-elected members, of whom three are women, the total share of women on the Board of Directors is 46%. The target for our Executive Leadership Team is 25%, and despite changes to the team in 2020, the current figure stands at 13%. The share of women in management positions in 2020 remained stable at 37% against a target of 38-40%.

A new screening tool, Develop Diverse, see p. 21, was introduced in 2020 in our recruitment process to help ensure inclusive job postings and career-related content, and a performance tool for the year-end process was rolled out to ensure focus on potential manager bias when evaluating employee teams. We also launched a D&I educational programme for managers that strengthens inclusive leadership by developing the competencies managers need to enable them to unlock the full potential of their employees. The programme, which will be rolled out across the Group in 2021, builds on UNESCO-

defined core competencies in relation to addressing gender structures, norms and values in an organisation as well as emphatic leadership.

### Inclusive workplace

Again in 2020, we sponsored Copenhagen Pride Week, during which employees and family members participated in different activities under the slogan Free To Be Me. In conjunction, we launched a set of principles in the Group that ensure equal rights to parental leave for all employees in non-traditional families, irrespective of the gender identity or sexual orientation of the employee or the employee’s biological relation to a child.

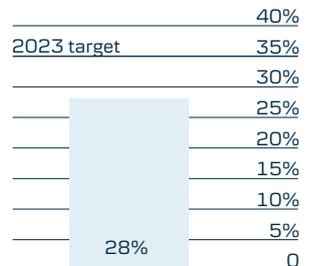
In 2020, we also joined the Stonewall Global Diversity Champion programme to further strengthen our work on becoming a more inclusive workplace for lesbian, gay, bisexual and transgender (LGBT+) people.

Stonewall is Europe’s largest LGBT+ organisation, and the Group’s decision to join the programme was inspired by the membership of Danske Bank in Northern Ireland. Another aspect of inclusivity addressed by Northern Ireland involves shaping the agenda to recruit, retain and retrain people at work whatever age and stage of their career. In 2020, a resulting age-inclusive action plan involved around 100 employees in seven online mid-career review sessions on careers and financial well-being.

## Ambition

More than 35% share of women in senior leadership positions by 2023.

### 2020 performance



### SDG contribution

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



Through the Stonewall Global Diversity Champion programme, Danske Bank’s HR function and our employee-led Rainbow Networks have access to best-practice tools such as support, webinars and guides to increase our knowledge about LGBT+ topics and to ensure that our policies are fully inclusive.

## EMPLOYEE WELL-BEING &amp; DIVERSITY

# Employee engagement

At Danske Bank, we want to foster employee well-being and be a more engaging workplace through better ways of working and by ensuring a sense of belonging and equal opportunities for all our employees.

In 2020, the coronavirus pandemic drastically changed our ways of working. The pandemic affected our daily operations because most of our employees were advised to work from home, which required a tremendous team effort. Also, our execution of our Better Bank plan with increased focus on cost and more effective ways of working led to layoffs. Both conditions had a negative effect on employee engagement, and reversing this trend is a strong ambition for us.

As announced in October 2020, we expect to discontinue up to 1,600 positions across the Group within six to twelve months' time. Part of the reduction is achieved through the 260 voluntary resignations in November, the discontinuation of positions, natural attrition and by maintaining our hiring freeze to reduce the number of layoffs. Also in November 2020, a total of 257 employees in Denmark and in other countries were laid off. We are carefully evaluating across units and markets where and how future layoffs will be effected, and the situation is being handled in close dialogue with the unions.

**Employee engagement**  
Our Employee Engagement Index decreased by two points

over the past year, ending 2020 at 84%. To aid teams in improving the employee experience, we will be introducing several initiatives, including a new engagement survey.

Providing opportunities for our employees to develop their competencies and build their career is also a key focus when it comes to becoming a more engaging workplace. In 2020, around 2,300 managers and employees tested our Grow Universe tool that supports the embodiment of our employees' development journey. The tool was found to be valuable by 80% of the test group, and it will be launched for all employees as part of our new performance set-up in 2021.

Additionally, we will continue the work done in 2020 to ensure successful onboarding as part of our recruitment processes, and we will build on the valuable input provided by 43% of our employees who responded to a survey on shaping the future culture of Danske Bank. Another way of supporting employee engagement is through our volunteering initiative, see p. 34.

**Flexible and virtual workplaces**  
In 2020, approximately 90% of our employees across locations worked remotely. This was in

line with national recommendations to mitigate the spread of the coronavirus and to safeguard the health and safety of our employees.

The pandemic has stimulated more digital ways of working, and following the introduction of coronavirus restrictions in the spring, we conducted a survey on becoming a more flexible and virtual workplace. More than 4,000 employees responded, and their message was clear: 93% find it important to have the opportunity to work remotely in future. Working from home was also seen as an important measure for improving mental health because it increased engagement, made life less stressful and decreased common illnesses. On this basis, we in June introduced our Working from Home initiative, which allows employees across the Group to work from home one to two days a week, subject to agreement with their manager.

In addition, our new initiative Working@Danske aims to build a flexible working environment driven by a more virtual, collaborative culture across the Group. This will be achieved by enabling big-scale flexibility for a stronger work-life balance, which in itself will be achieved by shaping our company for

## Better Ways of Working

One of the initiatives to help us become a more engaging workplace is Better Ways of Working. Through this initiative, we will foster new ways of collaborating by changing the way we are organised from being a traditional, hierarchical bank to becoming a modern organisation. By encouraging more collaborative relationships between departments and by reducing bureaucracy, we aim to become a better bank for our customers and our employees. Our colleagues will move from specialist departments into cross-functional teams that work towards one common goal and which have the autonomy to decide how to deliver the best solutions for our customers. Not only will this help us to become more efficient and speed up the digitalisation of customer journeys, but it will also empower our colleagues by making them responsible for deciding how we develop the best solutions.

### Ambition

By 2023, at least 90% of our employees are engaged, as measured in our Employee Engagement Index.

### 2020 performance

84% score in the Employee Engagement Index

### SDG contribution

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



flexibility while remaining fully compliant with working environment regulations. We are investing in technology to enable teams to engage and become more collaborative, effective and adaptable to the physical environment they are in. We are also transforming our workspaces, and in 2020 we designed our new offices in India, Denmark and Lithuania to support different activities and collaboration between employees and with customers – either physically or virtually.

#### **Mental health and well-being**

A high-paced work environment with frequent organisational changes can affect the mental and physical health of employees. In addition, coronavirus restrictions and uncertainty related to the pandemic may further challenge employee well-being. Because of this, mental health was a specific priority for our working-environment organisation and councils throughout 2020, and it was a key issue in our collaboration with unions, employee representatives and local management. Employee well-being also includes promoting good working habits when there are no longer physical boundaries between workplace and home.

Our expert team on mental health and well-being and our

close to 500 mental health ambassadors played a vital role in promoting initiatives that build mental resilience and elevate the well-being of our employees. We introduced a new intranet site that provides inspiration, tools and training for management and employees on how to cope with change and uncertainties – in both a professional and private context. Examples include a podcast on how to spot stress when employees work remotely, and our engagement of managers and employees in training seminars on stress prevention throughout the year. We also hosted webinars on mental resilience and healthy lifestyles in connection with World Mental Health Day.

#### **Do it right**

In 2020, the #MeToo movement continued to stoke the public debate on how to behave respectfully in both a business and social context. This led us to reinforce our communication on our zero-tolerance position on sexual harassment and emphasise that we must all act in accordance with our commitment to protect and respect all human rights, including labour rights. If employees experience inappropriate behaviour, we encourage them to contact HR legal, share their concerns on our DoRight intranet site or use

our whistleblowing scheme, see p. 26.

Our Code of Conduct Policy and HR-related policies address human rights risks in the workplace and are supplemented by internal human rights guidelines. We are continuously working to identify, assess and address potential and actual adverse human rights infringements. Also, we actively promote a healthy and safe working environment, with the aim of eliminating discriminatory treatment and protecting our employees' right to freedom of association, collective bargaining and privacy.

#### **Equal opportunities**

We disclose our median employee gender pay ratio, which illustrates whether or not men and women are evenly distributed throughout compensation layers. Our gender pay gap of 19% reflects the fact that we have more women than men in lower paid jobs and more men than women in higher paid jobs. We aim to change this by promoting equal opportunities for leadership, and we recognise gender diversity as a driving force for other diversity aspects, see p. 31. We also monitor pay levels and conduct local equal pay and gender pay analyses, which we report annually to local authorities where we operate.

*“Our employees have done a tremendous job in serving our customers and keeping the business running through this year of challenge. It has clearly shown what we as an organisation are able to achieve when we all work together towards a common purpose.”*

Karsten Breum,

Member of the Executive Leadership Team and Head of Group HR

#### **Employee 2020 figures**

- **Full-time employees (FTEs):** 22,376 FTEs in the Danske Bank Group.
- **Women in the workforce:** 49%.
- **Employee turnover:** 13%.
- **Median gender pay ratio:** 81%.
- **Time to Give volunteers:** 1,080 employees volunteered across the Group.

#### **Read more**

For more employee figures, please see p. 40, our Sustainability Fact Book 2020 and our Statement on Modern Slavery Act 2020.

## EMPLOYEE WELL-BEING &amp; DIVERSITY

## Community engagement

All Danske Bank employees are encouraged to take part in purposeful activities in their local communities through our corporate volunteering programme called Time to Give. This programme provides employees with the opportunity to spend one paid workday per year participating in volunteer work.

Whether employees want to volunteer on their own or with their team is entirely their own personal choice. Similarly, employees can choose which cause they wish to support, or they can sign up for a project that is coordinated by Danske Bank. In several countries, Danske Bank has established partnerships with local NGOs to collaborate on the development of the Time to Give projects. In 2020, more than 1,000 employees across the Group donated 6,588 hours and contributed with competencies to the value of DKK 1,358,798.

### Assessment of impact

The Time To Give partner organisations benefit from the supply of highly motivated and devoted volunteers, who have generated substantial economic value and opened up a wealth of new possibilities. This is one of the conclusions in an impact assessment of Time to Give conducted by an external firm in 2020. The partner organisations interviewed stated that Danske Bank volunteers possess sought-after and valuable skills, such as data-management skills, and can provide guidance about personal finances. Time to Give has also proven to be a recruitment channel that engages civil society in volunteer work.

The surveys conducted among 385 Danske Bank volunteers

show that 95% are satisfied with the volunteering experience and that Time to Give has a positive impact on Danske Bank – both as a business and as a workplace. For example, the programme enhances employee engagement, and 76% experience an increased sense of pride in working at Danske Bank. Furthermore, 67% of the volunteers experience an increased sense of team spirit between themselves and their colleagues, which

creates new possibilities for cooperation across the Group. All these factors contribute to creating a better daily working environment and they enhance workplace happiness and job performance. And 34% of the volunteers surveyed feel inspired to do more volunteering in their spare time.

### New initiatives in the face of COVID-19

The coronavirus pandemic also affected Time to Give by forcing

the cancellation of many activities. However, the pandemic also gave rise to creative digital solutions that made it possible for the voluntary work to be continued online. In compliance with coronavirus restrictions, we allowed employees to spend the day helping a neighbour, family member or local business in need. In 2021, we will continue to support our partners and will explore new opportunities for digital volunteering in light of COVID-19.

### Selected Time to Give activities 2020



#### Denmark - Dream Days

At three Dream Day events, arranged as part of our partnership with The Children's Aid Foundation (Børnehjælpsdagen), 151 employees spent 785 hours making dreams come true for children and young people living in care in Denmark. The dreams were large and small and included everything from getting a Harry Potter book, a trampoline and a funfair season ticket to meeting an idol or having a book published. Coronavirus restrictions meant that one of the events had to be held online, but this did not diminish either the dreams or the outcome. Through the partnership, employees also offered mentorships and workshops about personal finances to socially disadvantaged young people.



#### India - Care packages

In India, 15 Danske IT employees and their families gathered at a virtual workshop during the lockdown to create care packages for COVID-19 warriors in their neighbourhood. The packages contained handmade essentials such as breathable cloth masks, sanitisers and gloves, as well as treats such as chocolates. The packages were then handed over to health workers, services workers and municipal staff who work to fight COVID-19 in high-risk situations with only rudimentary or no safety equipment.



#### Norway - Christmas help

Danske Bank in Norway has a long-standing partnership with the Church City Mission (Kirkens Bymisjon), a non-profit organisation involved in social work. At Christmas, 40 employees helped at sales stands at a Christmas market, wrapped gifts to be given out at a Christmas dinner, folded boxes for packaging glass angels made at workshops, and assisted at Trondheim Gingerbread City. Furthermore, five employees arranged courses in personal finance for students at a Church City Mission café.



#### Lithuania - Helping hands for public health

In Lithuania, approximately 20 Danske Bank employees volunteered at the organisation Saulius Sajunga, where they assisted at medical posts and helped the police monitor citizens' compliance with coronavirus restrictions. Furthermore, approximately 50 employees volunteered at the National Public Health Centre by offering additional helping hands for collecting and documenting information about persons infected with COVID-19 and their close contacts and providing them with further guidance.



#### Northern Ireland - Inspiring young people

In Northern Ireland, colleagues volunteered their skills at the charitable organisation Young Enterprise and at local schools, where the volunteers taught young people about employability skills, such as interview skills, and provided information on career opportunities in banking. In all, 20 Danske Bank volunteers spent 108 hours on this activity in 2020.

## ENVIRONMENTAL FOOTPRINT

# Environmental efforts

Our efforts to minimise Danske Bank's own environmental footprint focus on reducing the emissions of greenhouse gases from our premises, operations and travel.

Even though Danske Bank's biggest environmental impact by far occurs indirectly through our balance sheet, we must also work to reduce the impact from our business operations. Our ambition is to minimise our environmental footprint with a focus on further reducing our own emissions of greenhouse gases. Key initiatives towards our 2023 target include more digital meetings, energy-efficient buildings, environmentally friendly company cars and a reduction in air travel. In 2020, our operations resulted in 7,871 tonnes of CO<sub>2</sub> emissions, which is a 48% decrease from 2019. Because this significant drop in CO<sub>2</sub> emissions is mainly a result of the corona pandemic, our current 2023 target will be retained without change.

Since 2009, Danske Bank has compensated for carbon emissions from its own operations, such as emissions from transport and heat consumption, that cannot be eliminated through energy reduction initiatives. This compensation has been achieved through certified renewable electricity and verified carbon credits. All electricity used by Danske Bank comes from renewable sources certified by Guarantees of Origin and International Renewable Energy Certificates, resulting in a renewable energy share of 53% across scope 1 and 2, see p. 42. We only purchase carbon credits for projects verified according to international stand-

ards, such as the Gold Standard, guaranteeing a real reduction in CO<sub>2</sub> emissions.

## Energy-efficient buildings

The energy consumption in our building portfolio accounts for about 40% of the Group's total CO<sub>2</sub> emissions. In 2020, our initiatives to increase energy efficiency focused on installing LED lights and reducing CO<sub>2</sub> emissions from heating. For example, in the Pasila building in Helsinki, Finland, we changed the heating source from fossil fuels to renewable energy sources, resulting in an annual reduction of CO<sub>2</sub> emissions of 369 tonnes. In December 2020, the Pasila building was certified with LEED Gold environmental certification. LED light installations at premises in Denmark in 2020 will account for a saving of over 16 tonnes of CO<sub>2</sub> annually. In 2020, our energy consumption was 4.53 MWh per employee [FTE], which is a 13% reduction from 2019.

## Travel-related emissions

The coronavirus pandemic has pushed us to work even faster on finding new solutions for meeting and working remotely. In 2020, our CO<sub>2</sub> emissions from air travel were 68% lower than in 2019, and we are determined to maintain lower levels of travel as we move out of the pandemic.

Several initiatives will help us reduce CO<sub>2</sub> emissions from travel, while also achieving cost savings. We have significantly

reduced the budget for travel, and internal travel recommendations about travelling by train rather than by air on specific routes have been introduced. Furthermore, we will enhance travel reporting with CO<sub>2</sub> emission follow-up, and we will nudge our employees towards making green choices through new features in our travel-booking tool.

In Northern Ireland, we have revised our company car scheme. From 2021, employees can select from a range of hybrid and electric vehicles only, and from 2022, electric vehicles will be the sole option.

## Making the most of our waste

With more than 22,000 employees, Danske Bank produces a significant amount of waste every day. To increase our recycling rate from 45% to 75%, we in 2020 replaced individual waste bins with new waste segregation stations at all offices and locations in Denmark, Sweden and Norway. Our employees in Finland and Lithuania have been successfully segregating their waste for several years.

The waste segregation stations are designed to accommodate the typical types and amounts of waste found in an office area, such as coffee cups, napkins, banana peels or plastic cups. For other types of waste, such as cardboard, batteries, paper or printer cartridges, we have other recycling solutions available in our printing rooms.



## Eco-friendly payment cards

In 2020, we took steps to phase out existing payment cards and replace them with payment cards made from 86% recycled plastic. After a period of thorough testing, the first more eco-friendly payment cards are in production, and the first customers can expect to start using them in early 2021. Each year, around six billion payment cards are produced worldwide, and this initiative makes Danske Bank one of the first banks in the world to issue payment cards made of recycled plastic.



## Ambition

By 2023, reducing our CO<sub>2</sub> emissions 75% from 2010 and 10% from 2019.



## 2020 performance

86% CO<sub>2</sub> reduction from 2010  
48% CO<sub>2</sub> reduction from 2019

810 tonnes CO<sub>2</sub> scope 1  
3,119 tonnes CO<sub>2</sub> scope 2  
3,942 tonnes CO<sub>2</sub> scope 3



## SDG contribution

We stimulate climate change measures, in support of SDG 13.2.

## Read more

For more environmental figures, please see p. 40, our Sustainability Fact Book 2020 and our Statement on Carbon Neutrality 2020.

## PERFORMANCE OVERVIEW &amp; ASSURANCE

# Principles for Responsible Banking

As a signatory bank to the Principles for Responsible Banking (PRB), we annually report on our progress in implementing the principles. The full version of our PRB self-assessment is included in our Sustainability Fact Book 2020.

Principles	Current status
<p><b>Principle 1: Alignment</b> We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.</p>	<p>Our updated 2023 Group Sustainability Strategy integrates selected SDGs that target areas where we have significant impact. We will focus on integrating sustainability even further into our business model and into key business decision-making processes. We support the TCFD initiative, and we disclose climate change risks and opportunities. We have also committed to setting a climate-related target for our corporate lending portfolio in alignment with the Paris Agreement on Climate Change, and in 2020, Danica Pension joined the global UN-convened Net-Zero Asset Owner Alliance.</p>
<p><b>Principle 2: Impact &amp; Target Setting</b> We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	<p>As part of our strategic review, we have introduced ambitions for six sustainability areas. These ambitions are supported with KPIs and SMART targets and are aligned with selected SDGs. In order to further mature our understanding of our negative and positive impact, Danske Bank joined the Banking for Impact Working Group in 2020 (<a href="http://www.bankingforimpact.org">www.bankingforimpact.org</a>). The goal of this working group is to scale up impact measurement within the banking sector to drive sustainable progress and enhance decision making. To achieve this, the working group aims to build on existing existing methodologies to develop a standardised and comparable methodology and data protocol for banks to measure and value their impacts.</p> <p>During 2021, Danske Bank also aims to apply the developed method to our own operations so that we can make an initial assessment of our full societal impact.</p> <p>We will start reporting on our results from the impact analysis in 2021, and new targets will be adapted.</p>
<p><b>Principle 3: Clients &amp; Customers</b> We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>	<p>In 2020, we continued to expand our sustainability-related product offering. We also accelerated our efforts on our financial confidence programmes for personal customers, and we help entrepreneurs grow through our +impact initiative.</p> <p>We will focus on further developing our solutions and advisory services to ensure that we, as a financial adviser, can fully support our customers' sustainability ambitions. This includes regular training programmes for our advisers in providing sustainable finance advice to our customers.</p>
<p><b>Principle 4: Stakeholders</b> We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	<p>We annually assess the materiality of sustainability-related topics. The assessment includes engagement with stakeholders, as defined in our Stakeholder Policy.</p> <p>In 2020, we joined a collaboration with Finance Denmark (FIDA) on better understanding different stakeholders' perspectives on the current challenges in Danish society.</p> <p>We are also an active member of the Partnership for Carbon Accounting Financials (PCAF), the Taskforce on Nature-related Financial Disclosure's (TNFD) informal working group, and we assisted FIDA in developing a methodology for calculating the indirect CO<sub>2</sub> footprint of financial institutions. Furthermore, we are an active member of UNEP FI's TCFD working group and the Banking for Impact Working Group.</p>
<p><b>Principle 5: Governance &amp; Culture</b> We will implement our commitment to these principles through effective governance and a culture of responsible banking</p>	<p>The Board of Directors and the Business Integrity Committee develop and oversee the implementation of our sustainability strategy, which includes the PRB. They also oversee related policies, targets and commitments.</p> <p>To foster a culture of responsible banking, all employees must annually complete mandatory training in risk and compliance.</p> <p>The Group-level performance KPIs for 2020 for the Executive Leadership Team and other senior management levels include three sustainability-related KPIs.</p>
<p><b>Principle 6: Transparency &amp; Accountability</b> We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	<p>We report annually on progress with our sustainability strategy, including on the implementation of the PRB, TCFD and the UN Principles for Responsible Investments (UN PRI).</p> <p>In 2020, we revised our Group Sustainability Strategy to further develop the areas where we create both societal value and business value while simultaneously meeting our stakeholders' expectations. We also joined the PCAF to enable us to measure and disclose the greenhouse gas emissions from our lending and investing portfolios in a harmonised way.</p>

# Task Force on Climate-related Financial Disclosures

Danske Bank's first publication aligned with the Task Force on Climate-related Financial Disclosures (TCFD) was provided in Danske Bank's Sustainability Report 2019. Since then, we have taken tangible steps forward in how we assess and act on climate-related risks and opportunities. Our TCFD execution relies on embedding climate considerations into our business units' operations and on collaborating across our organisation to share and develop best practices. In addition, we will continue to improve our development of the tools, methods and practices that are required for full TCFD implementation.

In 2020, embedding all the necessary climate data for sufficient climate risks and opportunity disclosures was a key focus area, and

this will continue to be a priority in the coming years. To enhance our own and the financial industry's expertise, Danske Bank actively participates in industry-wide collaborations. We have played an active role in UNEP FI's TCFD pilot Phase II, and we will continue to hone our climate-stress testing capabilities in Phase III in 2021. Danske Bank has also committed to financial industry initiatives that support society's transition to net zero greenhouse gas (GHG) emissions and encourage improved climate disclosures, including the Net-Zero Asset Owner Alliance and the Partnership for Carbon Accounting Financials (PCAF). During 2021, we look to disclose more quantitative information about the Group's climate-related risks and opportunities.

## 1. GOVERNANCE

### 1.a) Board's oversight

The Board of Directors (BoD) exerts oversight over climate-related issues in a variety of manners - both as routinely scheduled items and when important matters arise. The Group's sustainability strategy is reviewed annually by the BoD, which also approves new policies and the annual external reporting on sustainability, including climate. Environment, social and governance (ESG) considerations are also taken into account when the BoD considers the Group's sector risk and risk appetite. An example

of this was when the BoD in 2020 reviewed Danske Bank's approach to ESG risk in oil and gas sector financing.

### 1.b) Management's role

The overall responsibility for Danske Bank's 2023 Group Sustainability Strategy, policies and related programmes, including climate-related issues, resides with the Business Integrity Committee (BIC), which includes all the members of our Executive Leadership Team. Among other duties, the BIC is responsible for Danske Bank's approach to climate-related

products and the implementation of TCFD recommendations.

In 2020, we set up our Sustainable Finance Council, which includes members from all business units and from Group Risk Management and acts as a preparatory consulting body for the BIC. The impacts of climate risks on credit risk are also discussed in our executive Group All Risk Committee during sector reviews and risk appetite discussions. Also, our ESG Integration Council, which consists of heads of different investments strategies, includ-

ing sustainable investments, ensures the integration of ESG into the investment decisions across Wealth Management, including Danica Pension. Climate considerations are also tied to management remuneration because variable pay in Danske Bank includes three sustainability considerations, one of which is the carbon footprint of our own operations. Towards 2023, we will further develop and integrate sustainability-related considerations into our performance management framework.

## 2. STRATEGY

Climate change is an important strategic consideration for Danske Bank, and we anticipate that it will affect the bank's business in the near, medium and long term. Our business units have identified specific, high-level climate-related business impacts and opportunities, summarised here. Identifying climate risks and opportunities and assessing the likelihood and magnitude of the financial impacts from individual climate

items represent a key part of our ongoing work.

### 2.a) Identified risks and opportunities

Risks related to the transition to low-carbon societies can have an impact on many things, including the financial performance of some of our customers and investments, and there are also implications for the future regulatory environment in connection with the implemen-

tation of the EU Action Plan on Sustainable Finance. In addition, future physical changes in the Nordic climate, such as increased average temperatures and increased frequency of heavy precipitation events, can increasingly affect the operating conditions of our bank, our customers and our investments.

At the same time, several opportunities are currently materialising in connection with

society's low-carbon transition. For example, customers are increasingly requesting products that can benefit the climate agenda, and supporting companies and sectors that tackle the climate change challenge can bring us new business, enhance our investment performance and integrate us closer with the societies that we are part of. This is particularly true in the Nordic region, where the majority of Danske Bank's stake-

PERFORMANCE OVERVIEW & ASSURANCE

holders are heavily engaged in climate action. All Nordic countries have high climate ambitions and have disclosed a target to reach net zero greenhouse gas (GHG) emissions before 2050.

**2.b) Impact on business, strategy and financial planning**

If we fail to adequately take climate change into account, transition and physical risks could materialise across our major operations. This could affect, for example, customer acquisition and retention; Danske Bank's competitive position; balance sheet health; and the market value of our invest-

ments, further details of which are provided below in section three: Risk management.

On the other hand, we believe that we are in an excellent position to benefit from business opportunities that emerge from supporting our customers and investments in the low-carbon transition. Within our Nordic core markets, we see high and increasing levels of demand for sustainable financing, advisory and investment services. The sustainable financing products that we see our customers showing an interest in include green loans, green bonds and sustainable bonds. Further-

more, supporting the low-carbon transition can be beneficial when it comes to meeting our fiduciary duty to create investment value for our clients. In order to seize and capitalise on climate-related opportunities, we have included volume targets related to green lending and investments in our 2023 Group Sustainability Strategy.

**2.c) Resilience of the organisation's strategy**

To identify and manage risks, Danske Bank has developed analytical tools, sector policies and relevant expertise, all of which are deployed to assess the potential impacts

of physical and transition risks on our activities. We have also performed scenario analyses to stress-test our climate-related risk exposure in certain sectors. Our business units are continually developing new products and service offerings that enable us to seize and capitalise on the business opportunities the low-carbon transition brings with it. For instance, we in 2020 launched Global Sustainable Future, a new thematic investment product, and Danica Balance Sustainable Choice - a pension solution that invests in companies that are leading in the global sustainability transition.

**3. RISK MANAGEMENT**

Climate-related risks can have an impact on Danske Bank through numerous channels, for

example through the financial risks we take, including credit, market and liquidity risk as

well as our non-financial risks. The table below provides an overview of the focus

areas in climate-related risk management in 2020.

Unit	3.a) Process for identifying and assessing climate-related risks	3.b) & 3.c) Process for managing climate-related risks and integrating this into our overall risk management processes
Lending	We have prioritised the high-climate-risk sectors by using a climate risk heat map to qualitatively assess which of our portfolios will be most exposed to physical and transition risks given our Nordic footprint. For these high-risk industries, in particular, we include climate scenario analysis in our industry reviews to assess possible credit risk effects.	Our position statements outline our Credit Policy for industries that have elevated ESG risks. We implement position statements through the ESG screening of all corporate lending. We have integrated ESG, including climate, assessment into our standard credit process for our large corporate customers, and we provide staff training about the financial effects of climate change. Also, we take climate risks into consideration as a part of the Industry Reviews that are a central risk-management tool within our organisation. Furthermore, we have committed to align our corporate lending book with the objectives of the Paris Agreement on Climate Change.
Asset management & Danica Pension	We are integrating ESG, including climate considerations, into our investment process, and we have built the datasets, tools and resources needed to achieve this. Tools include our materiality dashboard, mDASH, which structures the material ESG assessment of individual businesses based on the SASB framework, and a climate toolkit, which provides climate-exposure metrics and alignment metrics to help our investment teams in their decision making and in one-to-one discussions.	The main methods for ESG risk management, within which climate-related risks are included, are outlined in our Responsible Investment Policy. For instance, we use a bottom-up approach based on identifying material sustainability risks to integrate ESG; we exercise active ownership to encourage companies to take action on climate; we include ESG considerations in external manager selection; and we apply screening and norm based restrictions, e.g. for coal-based-power production. Furthermore, we are establishing asset-class-level policies to decarbonise our Danica Pension portfolio.

## Climate risk scenario analysis in 2020

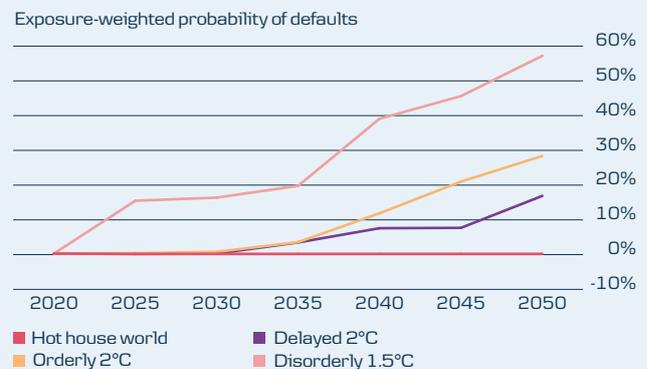
As part of our credit risk assessments, we have started to include climate risk scenario analysis in order to stress-test high-climate-risk sectors identified through a climate risk heat map. The analysis is already now starting to inform sector-specific risk strategies, but our ambition is to gradually advance over time as data and methodology evolves and as more sectors are covered. In 2020, the following sector-specific climate risk analyses were performed:

- Physical risk – real estate**  
 Physical risk assessments analysed the risk of flooding from sea, streams and lakes for both our Danish mortgage and commercial real estate portfolios by using the Danish Coastal Authority's geographical data and projections of future flooding risk. The analysis showed that flooding risk is clearly prevalent for parts of the Danish real estate portfolio. Further analysis is needed to translate the risk into financial impacts in the long term, to incorporate mitigation factors such as insurance coverage, and to extend the assessment to other Nordic markets.
- Transition risk – oil and gas**  
 A transition risk analysis was performed for the oil and gas portfolio using new climate scenarios from the Network for Greening the Financial System, including a delayed 2°C scenario and a disorderly 1.5°C. Irrespective of the scenario used, it is clear that ambitious transition plans are needed to ensure stable credit quality in the long term, and our work to ensure Paris alignment is therefore key for this sector.
- Transition risk – agriculture**  
 A sensitivity analysis was performed on our agriculture portfolio using future estimated carbon taxes. Results

show that the agricultural sector is sensitive to a carbon tax and that a proper implementation of the tax could be key in incentivising the sector towards a solid transition.

Scenario analysis is also used in investment strategies to identify possible plausible low-carbon transition pathways and to help understand what these developments could mean from risk and return perspectives. As a signatory to the Net-Zero Asset Owner Alliance, Danica Pension analyses transition scenarios to help establish decarbonisation strategies that enable CO<sub>2</sub> reduction targets to be met towards 2050.

### Credit quality in the oil and gas portfolio: exploration and production segment



The graph shows credit quality deterioration under four of the scenarios from the Network for Greening the Financial System, as used for the transition risk stress-test on the oil and gas portfolio. The climate scenarios make different assumptions about the future energy mix, but common to all the transition scenarios is that the share of oil and gas in the world energy mix will diminish over the long term. Depending on how ambitious the world is in reducing its carbon emission, credit quality will deteriorate, assuming that our customers do not react to the changing world, thereby indicating the need for ambitious transition plans.

## 4. METRICS AND TARGETS

### 4.a & 4.c) Disclose the metrics and targets used to assess and manage climate-related risks and opportunities

As a part of our 2023 Group Sustainability Strategy, we released metrics and targets that measure how well we are able to capture the opportunities that arise from the transition to a low-carbon economy. These targets include our commitment to facilitate well beyond DKK 100 billion in sustainable financing by 2023 and Danica Pension's commitment to investing DKK 30 billion in green assets by 2023, DKK 50 billion by 2025

and DKK 100 billion by 2030. We have also announced that we will set a climate target for our corporate lending portfolio in alignment with the Paris Agreement on Climate Change, and Danica Pension has joined the Net-Zero Asset Owner Alliance, thereby committing to decarbonise its total investment portfolio by 2050. These portfolio-level targets are central in ensuring that we future-proof our lending and investment portfolios. Currently, work is ongoing to develop the methodologies to implement these actions.

In 2021, Danica Pension will release an intermediate decarbonisation milestone for 2025. We are currently in the process of mapping the climate impact of our corporate lending book, and in May 2020 we joined PCAF to utilise and share financial industry best practices in this area. We have also contributed to Finance Denmark's financial sector guidelines for CO<sub>2</sub> disclosures.

In 2020, we published a report on the carbon footprint of equity and corporate bond investments made by Danica Pension as well

as a Green Bond Impact Report on avoided CO<sub>2</sub> emissions resulting from green loans to corporate customers on the back of Danske Bank's two inaugural green bonds.

For details of Danske Bank's CO<sub>2</sub> reduction target of 75% from 2010 by 2023 for our operations (4.b), our scope 1, 2 and 3 GHG emissions and other sustainability data, including on sustainable finance, please see p. 40, our Sustainability Fact Book 2020 and our Statement on Carbon Neutrality 2020.

## PERFORMANCE OVERVIEW &amp; ASSURANCE

# ESG performance data

As part of our annual reporting practices, we include an overview of assured performance data related to our 2023 Group Sustainability Strategy. All data is prepared in accordance with our reporting principles, see pp. 42-43. Complementary data and information is included in our Sustainability Fact Book 2020.

	2020	2019	2018	2017	Targets (timeframe)
<b>Sustainable finance</b>					
Green bonds issued by Danske Bank (DB) [DKK billion]	3.7	3.7	-	-	
Green bonds issued by Realkredit Danmark (RD) [DKK billion]	9.8	0.8	-	-	
Share of green bonds issued (DB+RD) in relation to total bonds issued (%)	1.2	0.4	-	-	
Share of green bonds in relation to total bonds issued by DB (%)	1.1	1.1	-	-	
Share of green bonds in relation to total bonds issued by RD (%)	1.2	0.1	-	-	
Bloomberg Leauge Table share of arranged Sustainable Bonds [DKK billion]	40.8	39.1	-	-	
Green loans granted to customers in DB [DKK billion]	12.5	6.2	-	-	Well above DKK 100 billion in sustainable financing [2023] <sup>1</sup>
Green loans granted to customers in RD [DKK billion]	9.8	0.8	-	-	
Share of total green loans (DB+RD) in relation to total loans (%)	2.6	0.8	-	-	
Volume of treasury funds placed in green bonds [DKK billion]	9.4	7.1	-	-	10 in allocation [2022] Top 3 in the Nordic countries
Ranking among Nordic banks in the Bloomberg Global Green Bonds - Corporate & Government League Table	1	2	-	-	
Investments in the green transition by Danica Pension [DKK billion]	27.2	-	-	-	DKK 30 billion [2023]
Assets under Management (AuM) [DKK billion] <sup>2</sup>	1,765	1,651	1,575	1,530	
<b>Environment</b>					
CO <sub>2</sub> emissions scope 1 (tonnes) <sup>3</sup>	810	790	1,270	1,523	75% reduction in total CO <sub>2</sub> emissions vs. 2010 <sup>4</sup> [2023]
CO <sub>2</sub> emissions scope 2 (tonnes) <sup>3</sup>	3,119	4,480	4,308	5,363	
CO <sub>2</sub> emissions scope 3 (tonnes) <sup>3</sup>	3,942	9,960	10,818	11,203	
CO <sub>2</sub> emissions per FTE (tonnes/FTE)	0.35	0.72	0.82	0.93	
Energy consumption (electricity and heat) [MWh] <sup>5</sup>	99,570	107,615	111,046	113,416	
Energy consumption per FTE [MWh/FTE]	4.53	5.18	5.70	6.04	
Renewable energy share scope 1 and 2 (%)	53	52	53	50	
<b>Social</b>					
Number of full-time employees (FTE), end of year <sup>6</sup>	22,376	22,006	20,683	19,768	
Women in the Executive Leadership Team (%)	13	11	10	13	25% [2023]
Women in senior leadership positions (%) <sup>7</sup>	28	27	-	-	> 35% [2023]
Women in management (%)	37	37	37	35	40% [2023]
Women in the workforce (%)	49	50	50	49	
Employee gender pay ratio (%)	81	-	-	-	
Employee turnover (%)	13	13	13	12	
Employee engagement (%)	84	86	84	85	> 90% [2023]
Number of start-ups and scale-ups supported with growth and impact tools, services and expertise	5,065	3,851	-	-	10,000 [2023]
Number of people supported with financial literacy tools and expertise	1,154,913	719,763	-	-	2 million [2023]
Number of participants in employee volunteering programmes	1,080	2,034	-	-	
<b>Governance</b>					
Women on the Board of Directors elected at the Annual General Meeting (%)	33	25	38	38	38% [2023]
Employees trained in risk and compliance (%)	95	96	-	-	> 95% [2023]
Tenders through responsible sourcing process (%)	96	93	97	60	> 80% [ongoing]

<sup>1</sup> Sustainable financing includes green loans in DB and RD and Bloomberg Leauge Table share of arranged Sustainable Bonds. Total sustainable financing in 2020 was DKK 102.2 billion.

<sup>2</sup> Our Responsible Investment Policy applies to all AuM. As a consequence of the upcoming Sustainable Finance Disclosure Regulation (SFDR), we will adjust our categorisation of ESG/Sustainability AuM in 2021 to follow definitions outlined in the regulation. This means that current sustainability labels, such as our ESG Inside Integrated, Restricted and Thematic labels for investment funds, will no longer be applied, and a new labelling system compliant with the SFDR and new KPIs will be defined.

<sup>3</sup> Data covers Denmark (DK), Sweden (SE), Norway (NO), Ireland (IRL), Northern Ireland (NI), Finland (FI) and Lithuania (LT) and includes estimated figures for the remainder of the Group. We included exact figures from our operations in India (IN).

<sup>4</sup> Baseline is 55,690 tonnes of CO<sub>2</sub> emissions in 2010. A 75% emissions reduction equals 13,705 tonnes of CO<sub>2</sub> emissions in 2023, meaning that by 2023 we need to have reduced our emissions 10% from 2019 levels. Our total CO<sub>2</sub> emissions in 2020 amounted to 7,871 tonnes (scope 1, 2 and 3).

<sup>5</sup> Data covers DK, SE, NO, IRL, NI, FIN and LIT. In 2017, we included figures from our operations in IN.

<sup>6</sup> Data is from Annual Report 2020 and Fact Book Q4 2020. For a definition of ratios, see Definition of alternative performance measures on p. 67 of our Annual Report 2020.

<sup>7</sup> Due to a reviewed and more accurate accounting methodology for women in senior leadership positions, we have updated the 2019 baseline from 23% to 27% (updated data is from January 2020). The increase is due to a new definition of senior leadership position, resulting in an increase of the baseline senior leader population from 603 to 927.

# Independent auditor's assurance report

## To the Management and the stakeholders of Danske Bank

We have assessed Danske Bank's Sustainability Report 2020 ('the Report') to provide limited assurance on selected 2020 data on page 40 of the Report. The Report covers Danske Bank's international activities from 1 January to 31 December 2020.

Our assessment was performed in order to assess whether:

- the ESG performance data on page 40 in the Report have been stated in accordance with the criteria defined by the reporting principles;
- Danske Bank has offset its consolidated CO<sub>2</sub> emissions for 2020.

We express a conclusion providing limited assurance.

## Management's responsibility

The Management of Danske Bank is responsible for collecting, analysing, aggregating and presenting the information in the report, ensuring that data are free from material misstatement, whether due to fraud or error. Danske Bank's non-financial reporting principles contain Management's defined reporting scope for each data type. The criteria for the reporting principles can be found on page 42-43 of the Report.

## Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the ESG performance data on page 40 in the Report. Furthermore, our responsibility is to provide limited assurance on whether Danske Bank has offset its consolidated CO<sub>2</sub> emissions for 2020. 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 review from November 2020 to January 2021. Our work has included interviews with key functions in Danske Bank, inquiries regarding procedures and methods to ensure that selected ESG data and information have been incorporated in accordance with the reporting principles. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating ESG data at Group level, and performed analytical review procedures and tested ESG data prepared at Group level against underlying documentation. We have reviewed the reported data (some measured, some calculated and some estimated) as well as evaluated and given feedback on the reliability and validity of the underlying sources, especially of estimated data. Furthermore, we have received documentation that the consolidated CO<sub>2</sub> emissions have been offset by purchase of offset certificates. Finally, we have evaluated the overall presentation of the Report, including the consistency of information.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or 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 ESG performance data subject to our review have been stated in accordance with the criteria mentioned in the reporting principles;
- Danske Bank has offset its consolidated CO<sub>2</sub> emissions for 2020.

Copenhagen, 4 February 2021

## Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56



Jens Ringbæk  
State-Authorised  
Public Accountant



Helena Barton  
Lead Reviewer

Identification No  
(MNE) mne27735

## PERFORMANCE OVERVIEW &amp; ASSURANCE

# Reporting principles

Sustainability Report 2020 covers the Danske Bank (DB) Group (the Group). For an overview of the Group and its significant subsidiaries, please refer to the Group's Annual Report 2020. We believe that the reporting provides a fair and balanced representation of our performance within sustainable finance, environment, social perspectives and governance.

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

## SUSTAINABLE FINANCE

### Green bonds

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

### Bloomberg League Table share of arranged sustainable bonds

Volume accredited to Danske Bank in Bloomberg Global Sustainable Bonds - Corporate & Government League Table (green, social and sustainability bonds). We use the Deal Size (USD) and League Credit (USD) for all sustainable bonds arranged, and exchange into DKK.

### Green loans

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

Nordic, Commercial; and iii) Corporates & Institutions.

### Volume of treasury funds placed in green bonds

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

### Ranking among Nordic banks in the Bloomberg Global Green Bonds - Corporate & Government League Table

Ranking among Nordic banks in the Bloomberg Global Green Bonds - Corporate & Government League Table as of end 2020.

### Investments in the green transition by Danica Pension

Investments in green transition are defined as investments that contribute to the transition to a low-carbon, resilient and resource-efficient economy such as investments where e.g. products, services or activities contribute to environmental adaptation, mitigation, prevention, control or restoration. Data includes: 1) investments in companies through listed equity and credit bonds with revenue relating to environmental objectives and investments in green bonds through credit, government and mortgage bonds; 2) alternative investments in renewable energy; 3) investments in sustainability certified buildings; and 4) sustainability certified buildings owned indirectly in real estate entities internationally. The reporting period for number 2, 3 and 4 runs from Q4 2019 to Q3 2020.

### Assets under Management

Reporting principle for Assets under Management (AuM) is included in the Annual Report 2020.

## ENVIRONMENT

Environmental data covers the actual consumption from the Group's operations in Denmark, Finland, Ireland, Northern Ireland, Norway, Sweden, Lithuania and India, and it also covers the estimated consumption from the Group's remaining operations without registered data. The reporting period for the year 2020 runs from Q4 2019 to Q3 2020. Data is retrieved from the Credit360 reporting system. We report our CO<sub>2</sub> emissions with guidance from the Greenhouse Gas Protocol.

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

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

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

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

from Greenhouse Gas Protocol Guidance, the emissions from electricity consumption were omitted owing to the purchase of renewable electricity certified by Guarantees by Origin and International Renewable Energy Certificates.

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

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

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

For operations that do not have any measured consumption, we estimate CO<sub>2</sub> emissions on the basis of the average number of full-time employees as provided by Group Finance from Q4 2019 to Q3 2020 and the average emissions per employee in the Group. These estimates represent 1% of total CO<sub>2</sub> emissions in 2020 and are distributed across the three scopes based on the share of the individual scope.

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

CO<sub>2</sub> emissions per employee (tonnes/FTE) are calculated on the basis of the total amount of CO<sub>2</sub> emissions (tonnes) and the number of full-time employees provided by Group Finance from Q4 2019 to Q3 2020.

### Energy consumption

Data for energy consumption from electricity and heat is either based on automatic data transfers from smart meters or quarterly meter readings, or it is calculated on the basis of

statements received regularly during the year from energy companies and lessors. Data on electricity consumption is calculated mainly on the basis of statements from energy companies, and heat consumption figures for our head offices are similarly based on actual readings taken by the energy companies. If no reading or statement is available, we estimate consumption on the basis of the average electricity or heat consumption at the country unit and the floor space. Data on floor space covers all properties used by the Group and its subsidiaries, including the Group's own premises and leased premises, for own operations in various countries.

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

#### Energy consumption per FTE

Energy consumption per full-time employee (MWh/FTE) is calculated on the basis of the total energy consumption (MWh) and the number of full-time employees provided by Group Finance from Q4 2019 to Q3 2020.

#### Renewable energy share scope 1 and 2

Renewable energy share within scope 1 and 2 is calculated on the basis of the total energy consumption and the amount of renewable electricity certified by Guarantees of Origin and International Renewable Energy Certificates. The calculation does not include fuel use from company cars. With limited data on the energy mix for heating, it is assumed that the energy mix is made up of a variety of

different fossil sources. This is a conservative approach.

## SOCIAL

#### Number of full-time employees

The number of full-time employees (FTEs), end of year, is based on information registered in the Group's accounting system at the end of Q4 2020.

#### Women in the Executive Leadership Team

Percentage of women in the Executive Leadership Team is defined as the number of women in the ELT divided by the total number of members of the ELT.

#### Women in senior leadership positions

Senior leadership is defined as female employees who hold the title CEO, any Vice President title, leader of business/function, leaders of leaders or leaders of team. Calculations were based on information registered in the HR platform at the end of Q4 2020.

#### Women in management

Women in manager positions are employees with staff responsibility. Calculations were based on information registered in the HR platform at the end of Q4 2020.

#### Women in the workforce

The percentage of women in the workforce is based on information registered in the HR platform at the end of Q4 2020.

#### Employee gender pay ratio

The calculation includes all cash compensation (salary, bonus payments and any other monetary benefits) for all employees across the Group. The gender pay ratio is calculated by comparing the female employees' median cash compensation with the male employees' median cash compensation.

#### Employee turnover

Employee turnover is defined as the number of employees (head count) who retired or resigned divided by the number of employees (head count) per month and converted

to a percentage rate. The information was retrieved from the HR platform and covers the entire Group. The employee turnover rate is based on information registered from Q1 to Q4 2020.

#### Employee engagement

Data on employee engagement for DB comes from the PULSE survey, managed by our external provider Ennova. The survey covers the entire Group. The Employee Engagement Index is based on replies to five questions in the PULSE survey: three on Encouragement and two on Enablement. The PULSE survey runs monthly except July. The reported data is a 2020 average.

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

The support can be via the digital platforms, thehub.io and +impact.io, advice from DB Growth Advisers, enrollment in +impact accelerators, Canute programmes or other Growth and Impact initiatives in DB.

The KPI is measured using the number of start-ups and scale-ups that posted a job on The Hub, as a proxy. The start-up or scale-up supported is counted at the time it has posted the first job on The Hub. Data for the KPI covers companies registered in Denmark, Sweden, Norway, Finland and Northern Ireland and has been accumulated from Dec. 2015 and onwards. Data covers all types of corporate structures (IVS, ApS, AS, AB, Inc. etc.). Data is retrieved from the back-end system [Keystones] of The Hub.

#### Number of people supported with financial literacy tools and expertise

Data includes active unique users of DB digital educational tools developed to support financial confidence. Data also includes people participating in related physical events arranged by DB. Data has been accumulated from 2018 and onwards.

#### Number of participants in employee volunteering programmes

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

## GOVERNANCE

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

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

#### Employees trained in risk and compliance

The risk and compliance eLearning courses are mandatory for all employees of the Group and must be completed once a year and on time. In addition, all new employees in the Group must complete the module within the first 14 days of their employment. All temporary employees and external consultants with access to the Group's IT systems must also complete training. The completion data has been extracted from DB's external Learning Management System, Cornerstone at the end of 2020.

#### Tenders through responsible sourcing process

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

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

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