

## UN Global Compact Communication on Progress Danske Bank Group 2013

Danske Bank is the largest bank in Denmark and a universal Nordic bank. With our headquarters in Copenhagen, we serve customers in 15 countries, offering a full range of banking services to personal, business and large corporate clients in the international financial markets.

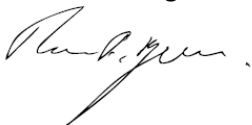
Banking, more than any other industry, is about trust. You cannot run a profitable bank if you do not behave in a responsible manner that inspires confidence among your stakeholders. It is therefore necessary for us to conduct our business with integrity and assume responsibility for our actions and their effects on customers, employees, shareholders and society. We have worked systematically with corporate responsibility initiatives since 2006, and we strive continually to integrate environmental, social and ethical principles more fully in our core investments, credit practices and supply chain. These measures will ensure that we do business with companies that comply with internationally recognised standards for human and labour rights, the environment and anti-corruption.

Corporate responsibility issues are becoming a key aspect of our entire business. The overall responsibility for Danske Bank's Responsibility Policy and programmes lies with the Group Responsibility Board. The Board, which is chaired by a senior member of the Executive Board and consists of decision makers from across the Group, meets two to four times a year to discuss corporate responsibility at a strategic level. The Board has the authority to make decisions, but the chairman can also escalate issues to the Executive Board. In 2013, Danske Bank's Board of Directors adopted a new group-wide stakeholder policy and updated the Group's Responsibility Policy.

We are signatories to several international initiatives on corporate responsibility, including the UN Global Compact. Danske Bank has supported Global Compact since 2007, and its ten principles provide a framework for our responsibility work. Our Communication on Progress covers the calendar year 2013. It consists of Danske Bank Group's Corporate Responsibility 2013 report and this document, which presents brief descriptions of our policies, programmes, activities and future targets that help promote the principles of the Global Compact. The activities and targets are organised under the principles of the Global Compact that they apply to.

More information on these activities can be found on the Group's website and in the [Corporate Responsibility 2013 report](#).

Thomas F. Borgen



CEO, Danske Bank Group.

**1. Businesses should support and respect the protection of internationally proclaimed human rights.**

## ACTIVITIES

### FINANCIAL LITERACY

The Universal Declaration of Human Rights, Article 26, stresses the importance of education in the development of the human personality and the strengthening of respect for human rights and fundamental freedoms. At Danske Bank, we are convinced that financial education and sound advice are crucial for personal prosperity and healthy economic growth in society.

Financial education has therefore been a priority in our CR work since we launched the Financial Literacy Programme in 2008. Under the programme we develop new products, advisory services, educational materials and events to stimulate financial skills and knowledge. We also develop surveys and research on an ongoing basis to gain a better understanding of the challenges and opportunities related to financial literacy.

In 2013 we launched a mobile and tablet version of our online game Moneyville. The game was first developed in 2008 and aims to improve the financial literacy among five to nine year olds. Moneyville currently has 5.6 million users and we hope to expand the reach of the game further by making it easily accessible on portable devices.

To strengthening young people's skills in personal finance, we have developed Mind Your Money, an online universe for young adults aged 18 to 27. The website offer tools such as budget templates, advice on loans, buying property, and the financial considerations one should have in mind when switching from part time student jobs to full time jobs. The universe also features a dedicated facebook page, where young advisors engage in dialogue about personal finances. In 2013 we expanded the universe to include a smartphone application that provides the user with a budget tool which when completed can be sent as a PDF to the user's e-mail.

In 2013, we also did a pilot project in Roskilde, Denmark, where our online learning game, Control Your Money, served as the foundation of a personal finance module for 8th grade students. The Game challenges young children aged 10 to 15 to solve financial and mathematical problems that are part of school curricula. We expect the first learning results by the end of 2014. We also launched a project to develop children's skills in social responsibility, innovation, and sustainable business ideas. The project was initiated in collaboration with the Children's Aid Day (Børnehjælpsdagen), a Danish non-profit organization that supports children who live in orphanages in Denmark.

In collaboration with the School of Financial Independence, the Ministry of Finance, and the Ministry of Education and Science, Danske Bank in Lithuania held "The Financial Olympics" for the thirds time in 2013. Organised as a contest and intended to promote financial literacy, the project was held for the second time in October 2013, where some 5,000 children from almost 200 schools participated and challenged one another on financial understanding of topics from savings to public finances.

### 2014 TARGETS

## **ETHICAL GUIDELINES**

Danske Bank's Code of Conduct is intended to make certain that external stakeholders know what to expect from the Group and that employees know what the Group expects from them. The code apply to all employees, and each manager must set an example through his or her behaviour and make sure that employees are familiar with the code.

In 2013 we replaced our Customer policy with a Stakeholder Policy to ensure that we are transparent about how, and with which stakeholders, we engage. Our stakeholders span from customers to the employees and their unions, to local, national and international authorities, media, and the general public where we do business. Our success as a business depends, among other things, on our ability to maintain good relations with our stakeholders. We therefore want to create lasting, trusting relationships through an open and constructive dialogue and by considering our stakeholders' views when we make decisions.

## **ACCESS TO FINANCIAL SERVICES**

Part of our responsibility towards society is to support financial inclusion, that is, to ensure that customers has equal access to financial services at an affordable cost, including savings and deposit services, payment and transfer services, credit and insurance. In 2013 we launched a new pricing structure for personal customers. We believe that the new structure offers increased price transparency and allows customers to make informed decisions about their choice of service and even their choice of bank.

When we launch new digital services, we are aware that some customer groups are not used to conducting their banking business on the Internet. On the basis of a comprehensive survey and in order to make our digital solutions as accessible as possible, we began the development of a new and simplified version of our eBank in 2013. It has been developed in close cooperation with several organisations that represent groups of customers and citizens who, for various reasons, find the digitalisation of banking a challenge. It will be launched in Denmark at the beginning of 2014 and rolled out in the other markets at a later stage. We also continued our "Step-by-step" meeting that are intended to give senior citizens basic knowledge about the public and private digital solutions available to them as well as the skills to use the solutions. At the end of 2013, we held more than 50 "Step-by-step" meetings.

## **2014 TARGETS**

### **LINKS**

Read more about the [Financial Literacy Programme](#)

Read the [Code of Conduct](#)

Read more about our [efforts to assist senior citizens](#)

**2. Businesses should make sure that they are not complicit in human rights abuses.**

## **ACTIVITIES**

### **SRI**

At Danske Bank, we have been screening our investment portfolio against internationally recognised principles for social and environmental responsibility since 2008. We conduct a stringent screening process to determine whether to exclude individual companies, and publish a list of excluded companies twice each year. The screening process is based on the internationally recognised guidelines of the UN Global Compact (1999), the UN Guiding Principles on Business and Human Rights and a number of international conventions reflecting the development of the SRI field since 2003. The SRI screening is performed by Ethix SRI Advisors.

In 2010, we joined the UN Principles for Responsible Investment (UN PRI), and reported to the UN PRI for the first time in 2011. In 2012, We merged our policies on environment, responsible investments and overall corporate responsibility into one to ensure an easy access to our position on responsibility matters for all our stakeholders.

In 2013 we successfully implemented an investment procedure that excludes sovereign bonds from countries with a high risk of systematic human rights violations.

Since 2008, our main approach to responsible investing has been to screen our investment portfolio against internationally recognised standards on a regular basis. In 2014, we will explore the opportunities to improve the integration of ESG risks into the investment process beyond the norm-based screening and simultaneously provide customers with more transparency on the topic when choosing their investment products.

## **2014 TARGETS**

### **RESPONSIBLE LENDING:**

At Danske Bank, we acknowledge that the impact of our business on the environment and society extends beyond our own activities. We therefore insist that our customers behave responsibly and adhere to commonly accepted principles of sustainable business conduct. We endeavour to prevent credit facilities from being used in violation of internationally recognised standards in the areas of human rights, labour rights, the environment and anti-corruption.

In 2013, we explored a number of measures to improve the Group's assessment of ESE risks associated with the credit facilities we grant to businesses. These measures, which will be implemented in 2014, are intended to ensure that we grant credit to businesses only when we are reasonably certain that they comply with the standards listed above. We started developing sector-specific policies for the assessment of such ESE risks. In 2014, we will continue to develop and implement policies for sensitive sectors and will continue to strengthen our ability to identify and manage ESE risks.

## RESPONSIBLE SOURCING

Because we are a financial institution, our products are based on services and we have no production facilities. Our procurement spending is therefore mainly indirect, on items such as office supplies and maintenance services that have little effect on our core business and the products we provide to customers. Even so, we want to do our purchasing only from suppliers that conduct their business responsibly. We therefore screen all our suppliers on an ongoing basis to ensure that they comply with our supplier policy and our requirements for social and environmental conduct. In 2013, we decided to focus our efforts to further strengthen the implementation of Environmental, Social and Ethical standards in our credit granting organisation and we have therefore postponed advancement on our objectives within responsible sourcing to 2014.

## 2014 TARGETS

### LINKS

Read more about [socially responsible investment](#)

Read more about [responsible sourcing](#)

## Labour standards

**3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.**

### ACTIVITIES

#### AGREEMENT WITH UNI FINANCE

The Danske Bank Group holds an agreement with UNI Finance, a part of the international labour union, UNI Global Union. The framework agreement describes the Group's commitment to ensuring fundamental employee rights, including freedom of association and collective bargaining. The agreement also ensures that fundamental human rights are observed in countries with a history of child labour or forced labour.

### LINKS

Read more about [the agreement](#)

**4. Businesses should uphold the elimination of all forms of forced and compulsory labour.**

See principle 3.

**5. Businesses should uphold the effective abolition of child labour.**

See principle 3.

**6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.**

### ACTIVITIES

#### DIVERSITY AND INCLUSION

At Danske Bank, we see diversity as a prerequisite for maintaining an attractive place to work with a healthy and innovative working environment. We strive to support diversity in the organisation and ensure equal opportunities for all staff without regard to nationality, religion, sexual orientation or gender. We believe

that diversity is a strength that helps to ensure the Group's access to the most talented employees. We offer our staff good and attractive employment conditions and actively try to promote their job satisfaction. The objective of our HR policies is to promote a good work-life balance and to support employees suffering illness or stress or having an alcohol- or substance-related problem.

In 2012, the Danish Parliament adopted legislation to ensure equal rights for men and women in private organisations. The law requires Danish companies to set specific targets for the number of women on the Board of Directors and to develop policies to increase the number of women in leadership positions.

In March 2013, the Board of directors therefore adopted a new diversity policy for the entire Group. We have also set new targets for 2017 – for women to constitute 12.5% of the Executive Board (currently there are no female Executive Board members) and 25% of the Board of Directors elected by the annual general meeting (currently 12.5%).

Ensuring a higher percentage of women in management is now part of HR executives' performance agreements. Diversity is also an important selection criterion in the internal and external recruitment process. E.g. searches must present at least one female candidate for a vacant position.

## 2014 TARGETS

### LINKS

Read more about the Group's work on [diversity and inclusion](#).

Read more about our [HR policies](#).

## Environment

**7. Businesses should support a precautionary approach to environmental challenges.**

## ACTIVITIES

### CLIMATE STRATEGY

At Danske Bank, we have been working systematically on climate and environmental measures since 2007, integrating them in to our business model and also limiting the negative impact on the climate from our operations. As part of our climate strategy, we strive to reduce our own emissions as much as possible. The emissions we cannot eliminate, we offset by investing in verified carbon credit projects that reduce CO<sub>2</sub> emissions. Danske Bank has been carbon-neutral since 2009.

Electricity continues to be the main source of impact on the environment. In 2013 it accounted for 42% of the Group's total CO<sub>2</sub> emissions and thus constitutes an important area for improvement. In 2012, we reached our target of reducing electricity consumption by 20%, two years ahead of schedule. We have therefore set a new target of reducing consumption 30% from the 2009 level by the end of 2014. In 2013 we reduced our consumption by 28%, which brings us close to achieving our objective. Key reasons for the large reduction is our new branch network, which has fewer conventional teller branches and more advisory centres, and the replacement of standard light bulbs with high efficient LED bulbs to the offices in Norway, Sweden, and Northern Ireland.

addition, our solar panels installed at our offices in Høje Taastrup performed very well in 2013, delivering more electricity than expected.

## 2014 TARGETS

### LINKS

Read [the climate strategy](#)

Read the [Group's Responsibility Policy](#)

**8. Businesses should undertake initiatives to promote greater environmental responsibility.**

## ACTIVITIES

### INITIATIVES TO PROMOTE ENVIRONMENTAL RESPONSIBILITY

As part of our climate strategy, we work hard to reduce our CO<sub>2</sub> emissions wherever we can. We do this by optimising energy consumption in buildings and purchasing energy-efficient IT and office equipment. In 2013, all Danske Bank offices in Norway, became certified by the "Eco Lighthouse Programme".

We also seek to improve our energy efficiency by changing our behaviour and setting clear targets in several areas. In our efforts to reduce our environmental impact, we always look for ways to maximise the benefits of our initiatives. We try to gain as much knowledge as possible about the underlying causes of the consumption in order to identify the areas that will yield the biggest reductions. To achieve this, we implemented a new online system for monitoring electricity consumption from IT equipment. The system, called Joulex, enables us to monitor, analyse and control how much energy we use in IT equipment that is connected to a network, ultimately allowing us to reduce energy consumption.

In 2013, an analysis based on data from the system revealed an energy savings potential of 64% from the consumption caused by laptops, PCs and monitors running idle. In 2014, we will implement measures to redress this unnecessary consumption.

In addition we strive to promote environmental responsibility among our customers. For example, the Group's leasing company, Nordania Leasing, offers an environmental programme in its corporate car leasing business. The programme includes reporting on emissions from cars, environmental ratings of cars, and advice on how to set up an environmentally friendly car policy.

To show our support for the development of a financial infrastructure that supports the transformation to a low-carbon economy, we signed [the 2011 Global Investor Statement on Climate Change](#), sponsored by UNEP-FI and UN PRI.

## 2014 TARGETS

### LINKS

Read about [energy optimisation](#)

Read the [Group's Responsibility Policy](#)

Read about [Nordania Greenfleet](#)

**9. Businesses should**

## ACTIVITIES

encourage the development and diffusion of environmentally friendly technologies.

## INVESTING IN CLIMATE

We believe that the financial sector can play a significant role in reconciling financial returns and environmental sustainability. We are aware that we are in a unique position to help customers generate a profit from the investments they place with us while we promote an awareness of the financial benefits of investments in climate-friendly solutions.

At Danske Bank, we offer various investment products involving sustainability. ClimateTrends is a Danske Invest mutual fund sold on the Danish market focused on companies that appear to be well prepared for climate change challenges. It aims to achieve attractive long-term returns, not only from companies specialising in sustainability but also from companies that can profit from market trends caused by climate change. In Finland, we offer a sustainability bond fund that follows the Dow Jones Sustainability Index and an equity fund that incorporates environmental, social and governance (ESG) factors in its investment decisions. Many of these investment vehicles are delivering returns above the average for comparable alternatives. One of our newest products is a sustainability fund from ING that we offer to Danica Link pension customers.

### LINKS

Read about [climate-friendly homes](#)

Read about [investing in climate](#)

## Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

## ACTIVITIES

### DANSKE BANK CODE OF CONDUCT

Danske Bank has developed a Code of Conduct. The code presents a set of guidelines to ensure that the Group and its employees avoid corruption in all its forms, including extortion and bribery. In 2011, we updated our Code of Conduct and our ethical guidelines and the previous Code of Conduct were merged into one document, which also reflects the revised UK Bribery Act. We also try to diminish money laundering in cooperation with the authorities.

Read about [money laundering](#)

Read the [Code of Conduct](#)

### WHISTLEBLOWER SYSTEM

As part of its good corporate governance practices, the Danske Bank gives employees the opportunity to be whistleblowers. If an employee has any knowledge of irregularities, they must be reported. The Group wants to establish and maintain an environment that encourages the free flow of information. This also means ensuring the security of employees who report a suspicion and protecting them from retaliatory measures. Reports and questions that are received through the whistleblower system are therefore treated confidentially. The responsibility for managing whistle blowing in the Group lies with the heads of the legal and internal audit departments. In 2013, four cases were reported through the whistleblower system, covering Denmark as well as foreign entities. Three cases are closed and have resulted in changed procedures or increased management focus. One case is still being investigated. Finally, we have established a function to assist the management in ensuring



that the Group complies with laws, regulations and ethical standards.

Read about [compliance](#)

Read about [whistle blowing](#)

February 6, 2014.