

Danske Bank's 2022 self-assessment for implementation of the Principles for Responsible Banking

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

The Danske Bank Group ('Danske Bank') is a Nordic universal bank with strong regional roots. We provide services to customers in eight countries, with Denmark, Norway, Sweden, and Finland being our core markets. Serving almost 3.3 million customers, from households to multinationals, the Danske Bank Group is one of the major Nordic universal banking groups and Denmark's largest financial services provider. We offer leading innovative solutions within retail and private banking as well as business, corporate and institutional banking, including investment and trading activities. In addition, we operate a substantial wealth management business.

The Group operates through three business units: Personal Customers (PC), Business Customers (BC), and Large Corporates & Institutions (LC&I). We also operate a separate business unit that serves personal and business customers in Northern Ireland. We serve our customers at our branches and through a wide range of self-service and digital transaction solutions.

Danske Bank employs about 21,000 people, and we have approximately 281,000 shareholders.

Links and references

Webpage:

[About Danske Bank](#) – presentation of Danske Bank

[Annual Report 2022](#) – description on key business units on p. 39 and p. 207, note P1. Net interest and fee income and value adjustments broken down by business segment interest

[Sustainability Report 2022](#) – a brief presentation of our business is provided on pp. 06-07.

[Danske Bank's Climate Action Plan](#) – our Nordic lending exposure is presented on p. 14.

While we do engage with heavy-emitting sectors, these represent a very small share of our loan portfolio. In total, shipping, oil and gas, power generation, cement, and steel constitute only around 3% of our portfolio.

Danske Bank's total Nordic loan exposure:

Personal Customers

- Personal mortgages: 31%
- Personal other: 6%

Corporates (LC&I and BC)

- Commercial real estate: 12%
- Public and financial institutions: 18%
- Corporates – all others: 33%

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
- No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **TCFD**
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: **The UK Modern Slavery Act**
- None of the above

Response

As a large financial institution, Danske Bank has the ability to instigate change and support sustainable progress in our societies by using the power of finance. A key strategic lever to effect change is our provision of finance that supports economic growth while simultaneously reducing negative and increasing positive impact on environmental, social and governance factors.

Our Group Sustainability Strategy integrates selected Sustainable Development Goals (SDGs) where we have significant impact. The strategy also outlines significant steps to align our lending and investment activities to the Paris Climate Agreement. We support the Task Force on Climate-related Financial Disclosures (TCFD) initiative, and we disclose climate related risks and opportunities in our Annual Report.

The Danske Bank Group has joined net-zero initiatives for banks, asset managers and asset owners to support the green transition in line with the Paris Agreement’s target of limiting global warming to 1.5°C. We have also announced a comprehensive Climate Action Plan in January 2023. This plan outlines how we aim to reach net zero by 2050 or sooner across the majority of our activities within our four main impact areas: our lending activities, asset management activities, life insurance and pension, and own operations. Building on the latest scientific research, we have set intermediate 2030 targets for all four impact areas, and we have submitted our targets for SBTi validation, which is still pending.

We remain committed to the UN Global Compact principles for responsible business conduct, and we publish an annual statement on modern slavery in accordance with the UK Modern Slavery Act.

Links and references

[Sustainability Report 2022](#) – our Group Sustainability Strategy is presented on pp. 12-13 and our net-zero commitments on pp. 10-11.

[Annual Report 2022](#) – our TCFD reporting is presented on pp. 22-27.

[Danske Bank’s Climate Action Plan](#) – our plan to achieve net zero is presented on pp. 8-12.

[Statement on Modern Slavery Act](#)

Principle 2: Impact and Target Setting



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.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response

- We have used the UNEP FIs Portfolio Impact Analysis Tool to undertake an impact analysis of our lending portfolio across Danske Bank's key business units (personal banking, business banking, and corporate lending within LC&I) and key geographic markets (Denmark, Finland, Norway, Sweden). The resulting scope represents a total of ~65% of Danske Bank's total income. Furthermore, we have engaged Impact Institute to support us running the tool and conducting our impact analysis. Impact Institute is a consultancy firm specialising in assessing impacts.
- Of the ~35% of Danske Bank's total income excluded from the scope, notable banking segments left out are investment banking (M&A, DCM & ECM within LC&I) and asset management. Investment banking was excluded due to data availability issues. Asset management was excluded due to the fact that it is not covered by the analysis capabilities of the PRB tool.
- Across Danske Bank, Northern Ireland, which is one area outside the Nordic countries where Danske Bank has a business footprint, has been left out as it constitutes a small part (~3% of total income during Q1-Q3 2022 of Danske Bank).

Links and references

Information about the [PRB tool](#) used for mapping portfolio impact is publicly available on the PRB's website.

The [PRB Guidance](#) describes reporting on the PRB, including the impact assessment.

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

- Pursuant to the tools methodology, we have been able to analyse potential impacts across business-relevant Sustainable Development Goals (SDGs) given the bank's industry exposures (NACE codes) across different credit portfolios.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
 i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

- For each business unit (personal banking, business banking and corporate lending within LC&I) in scope, representing ~65% of the total income, the lending portfolio composition has been determined per geographical scope and within each geography, per sector aligned with NACE sectors. This analysis was done with the PRB tool Excels and following the framework.
- The main sectors (NACE) that we finance across our business lending in our key geographical markets are real estate (36%), manufacturing (21%), public administration and defence (12%), electricity, gas, steam and air conditioning supply (5%), transportation and storage (5%), wholesale and retail trade (5%), a total of ~84%. The remaining ~16% is spread across a number of sectors, all individually representing less than 5%.
- The analysed portfolio is largest in Denmark (64%), second largest in Sweden (16%) and evenly distributed across Finland (10%) and Norway (10%).

Links and references

Information about the [PRB tool](#) used for mapping portfolio impact is publicly available on the PRB's website.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

³ Key sectors relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<p><i>Response</i></p> <p>Completion of the Context module of the PRB assessment tool, supporting our impact analysis, revealed that key societal needs in key geographical markets were the following: Biodiversity and healthy ecosystems (“Biodiversity”); Circularity; Climate stability (“Climate change”); and Availability, accessibility, affordability and quality of resources and services.</p> <p>The results from the analysis were discussed with key internal stakeholders, including our Sustainable Finance Council and the Business Integrity Committee, and with the external consultant from Impact Institute, who supported us with the analysis.</p>	<p><i>Links and references</i></p> <p>Sustainability Report 2022 – the results from the impact assessment and the description of the Business Integrity Committee are presented on pp. 16-19.</p>
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.</p>	
<p><i>Response</i></p> <p>The impact analysis shows that the largest potential positive social impact is Availability, accessibility, affordability and quality of resources and services as Danske Bank is creating access to finance for customers, which stimulates the real economy and increases people’s welfare. At the same time, this access can potentially have negative effects due to the risk of over-indebtedness, for example. Climate change, Biodiversity and Circularity stand out as the most relevant areas for Danske Bank to address due to a combination of potential negative environmental impacts of our lending exposures. These areas are also prioritised politically in all the key geographic markets.</p> <p>We selected climate change as our first impact area, and over the past couple of years we have assessed our financed carbon emissions to form basis for setting targets. Intermediate emission reduction targets can be found in our Climate Action Plan, which was published in January 2023 (and in section 2.2b of our self-assessment).</p> <p>We have decided to focus on biodiversity as our second major impact area and have committed to the Finance Pledge for Biodiversity and the Partnership for Biodiversity Accounting Financials. In 2022, we initiated actions to conduct a biodiversity impact assessment to enable us to manage impacts and set targets. This work will continue throughout 2023.</p> <p>We regard Circularity as being a method of achieving sustainability and as an integral part of our climate and biodiversity efforts.</p>	<p><i>Links and references</i></p> <p>Sustainability Report 2022 – the results from the impact analysis are presented on p. 16.</p> <p>Danske Bank’s Climate Action Plan – an overview of our intermediate emission reduction targets is presented on p.10.</p>

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas): Performance measurement. Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex 1.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

In line with the governance structure described in Principle 5.1, the results of the Impact analysis were discussed with and approved by the Business Integrity Committee.

Climate change

Danske Bank has a broad and diverse exposure across our key geographical markets of Denmark, Finland, Norway and Sweden. Out of a total credit exposure of about DKK 2.73 trillion across our key business units, personal mortgages make up 31%, corporate customers around 33%, and commercial real estate 12%.

While we do engage with heavy-emitting sectors, these represent a very small share of our loan portfolio. In total, shipping, oil and gas, power generation, cement, and steel constitute only around 3% of our portfolio.

Although our exposure to heavy-emitting sectors is limited, these sectors represent the vast majority (~63%) of our total financed emissions. Shipping is the most material sector, being responsible for 42% of our financed emissions, followed by the oil and gas sector, which accounts for 15%.

In contrast, personal mortgages make up 31% of our total loan portfolio but are only responsible for 5% of our financed emissions. In total, we estimate that the financed emissions from our carbon-mapped corporate and private lending portfolio account for around 18.8 million tonnes of CO₂ equivalent (CO_{2e}) per year, corresponding to an intensity of approximately 13 tonnes of financed CO_{2e} per million on-balance DKK per year.

Links and references

[Danske Bank's Climate Action Plan](#) – our total Nordic loan exposure (p. 14), an overview of carbon mapped in the lending portfolio (p. 15), and an overview of our lending targets (p.16). Each specific sector target and methodology is detailed in Danske Bank's Climate Action Plan pp. 18-25 and pp. 46-51.

Our sector scope is aligned with the list of priority sectors included in the Science Based Targets initiative, the Net-Zero Banking Alliance and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI. Sectors are disclosed in 2.2 b.

Each target is described in detail in our Climate Action Plan, including scope and methodology considerations.

Biodiversity

Danske Bank is currently in the process of conducting an in-depth analysis of its biodiversity impacts. This work will form the basis for an assessment of where targets are most urgently needed. From that, Danske Bank will set targets for key sectors and business units as appropriate. To this end, we expect to report on and obtain assurance over Principle 2.1.d - Performance measurement for the significant impact area Biodiversity within our 2023 self-assessment.

[Sustainability Report 2022](#) – the impact area of biodiversity is presented on p. 16 and our biodiversity initiatives for lending on p. 25.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

- | | | | |
|--------------------------|---|---|-----------------------------|
| Scope: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change and biodiversity

How recent is the data used for and disclosed in the impact analysis?

⁶ You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) *Alignment:* which international, regional or national policy frameworks to align your bank’s portfolio with⁷ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

Climate change

Our climate target-setting has taken the following aspects into consideration:

- the overall objectives of the Paris Agreement – near-term (2030) and long-term (2050)
- recommendations and methodologies from leading industry associations and scientific research such as the Partnership for Carbon Accounting Financials (PCAF) standard.
- Danske Bank’s overall strategic direction and Group-wide net-zero ambition

At Danske Bank, we want to be a leading financial partner when it comes to helping our customers succeed in their green transition. The net-zero transition requires major amounts of financing for companies to invest in new technologies and solutions, transform business operations and achieve net-zero supply chains. Therefore, the targets support Sustainable Development Goal 13: Climate Action.

To ensure alignment with the latest scientific research, we in January 2023 submitted our targets for validation by the Science Based Targets initiative (SBTi).

This self-assessment focuses on targets set for our lending portfolio as only this part was part of the impact analysis (see 2.1). We have also set climate targets for asset management, asset ownership (life insurance and pension) and our own operations as part of our commitment to the SBTi. Please see our Climate Action Plan.

Links and references

[Sustainability Report 2022](#) – our net-zero commitments are presented on pp. 10-11.

[Danske Bank’s Climate Action Plan](#) – information about our target-setting and SBTi commitment is presented on pp. 9-10

Biodiversity:

No targets have been set yet because we must first measure our impact. To this end, we expect to report on and obtain assurance over Principle 2.2.a – Alignment for the significant impact area Biodiversity within our 2023 self-assessment.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex 1 of this self-assessment.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	Yes – climate strategy is in place – see Climate Action Plan
	A.2.1	Yes – for all sectors in scope, see 3.1
	A.3.1	DKK 56.3 billion in green loans granted to customers (Danske Bank and Realkredit Danmark)
	A.4.1	No data to disclose yet as targets are set this year
	A.1.2	Yes – net zero by 2050 or sooner. Intermediate 2030 targets set for high-emitting sectors – see table below
	A.2.2	18,26 million tonnes CO ₂ e mapped in lending portfolio
	A.3.2	See on-balance exposure per sector in scope for target-setting in table below
	A.4.2	Indicator is currently not calculated
	A.1.3	Yes – see our Sustainable Finance Policy
	A.2.3	Yes – see sector-specific emission intensity in table below
A.1.4	Yes – see result of lending portfolio analysis in table below	

Links and references

[Sustainability Report 2022](#) – our net-zero commitments are presented on pp. 10-11. Our sustainable finance volume targets are presented on p. 20, and the emissions reduction targets for our lending portfolio are presented on p. 24. Sustainable finance data, including green loans, is presented on p.48.

[Danske Bank's Climate Action Plan](#) – an overview of all our climate targets is presented on p. 10, and an overview of our lending targets and a carbon-mapped portfolio overview is presented on pp.15-16. On pp.18-25, we present details of our lending targets for each sector. On p. 46-51, we present the scope of our carbon-mapped portfolio and methodological considerations.

⁷ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

	A 2.4	Indicator is currently not calculated
	A 1.5	Yes – see selected business opportunities in 3.2

Our [Sustainable Finance Policy](#) is available on our website.

We assessed the indicator codes for climate change to support the target setting process. See Annex 1 for an explanation of indicator codes.

Climate change

We have updated and expanded our climate targets for our loan portfolio by setting targets for high-emitting sectors, based on analysis of our loan exposure, our total financed emissions, customer analysis, and the quality of GHG emission data. Our sector scope is aligned with the list of priority sectors included in the SBTi, the Net-Zero Banking Alliance and the Guidelines for Climate Target Setting for Banks developed by the UNEP FI. For more details about our climate targets including scope, baseline and methodological considerations, please see our Climate Action Plan.

Sector	Metric	2030 target CO ₂ reduction	2020 baseline	On-balance exposure (DKK bn)
Shipping	Alignment data as in Poseidon Principles (%)	0 (50%)	3.8	18.3
Oil and gas (upstream E&P)	Financed emissions million tCO ₂ e	1.6 (50% reduction)	3.3	3.2
Oil and gas (downstream refining)	Financed emissions thousand tCO ₂ e	54.8 (25% reduction)	73.1	0.4
Oil and gas (downstream refining)	gCO ₂ e/MJ	53.3 (25% reduction)	71	2.8
Power generation	kgCO ₂ e/MWh	36 (50% reduction)	72	13.9
Steel	tCO ₂ /t	0.82 (30% reduction)	1.17	0.5
Cement	tCO ₂ /t	0.48 (25% reduction)	0.64	0.4
Personal mortgages – Nordic countries	kgCO ₂ /m ²	6.4 (55% reduction)	14.3	833
Commercial real estate – Nordic (residential and non-residential)	kgCO ₂ /m ²	6.0 (55% reduction)	13.5	259.9

As the climate target has just been set and because 2022 customer data is not yet available, we will start reporting on progress and level of alignment in our 2023 annual sustainability statement. To this end, we expect to obtain assurance over the progress and level of alignment (Significant impact area: Climate change) in our 2023 self-assessment.

Biodiversity

No targets have been set yet because we must first measure our impact. To this end, we expect to report on and obtain assurance over Principle 2.2.b – Baseline for the significant impact area Biodiversity within our 2023 self-assessment.

c) SMART targets (incl. key performance indicators (KPIs)⁸): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

Climate change

In January 2023, Danske Bank committed to the Science Based Targets initiative (SBTi). In advance of our commitment, we developed our intermediate 2030 climate targets for our impact areas lending, asset management, asset ownership and our own operations. We consider these to be in adherence with the SMART principles. We developed the targets based on the latest scientific research, and we have submitted them for SBTi validation, which is still pending. We expect the submitted targets to be validated by the SBTi during the first half of 2023, and we expect to confirm these and to report on level of alignment from 2023.

For lending, we have set climate targets for key areas of our portfolio (see 2.2b). We have chosen individual sectoral decarbonisation approaches, as recommended by the SBTi, to most accurately steer our impact, facilitate engagement and measure progress. We will continuously work to improve our financed emissions coverage and set targets for further sectors, as recognised guidelines are developed for more sectors.

Biodiversity

Links and references

[Sustainability Report 2022](#) – our net-zero commitments are presented on pp. 10-11. Our emission reduction targets for our lending portfolio are presented on p. 24.

[Danske Bank's Climate Action Plan](#) – an overview of our climate targets is presented on p. 10.

⁸ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p>We aim to set biodiversity-related targets once we have an overview of our biodiversity impact from our corporate lending and from our investments. This approach is similar to when Danske Bank joined the Partnership for Carbon Accounting Financials in 2020, which helped to kick off our efforts to measure our climate impact and set targets. To this end, we expect to report on and obtain assurance over Principle 2.2.c – SMART targets for the significant impact area Biodiversity within our 2023 self -assessment.</p>	<p>Sustainability Report 2022 – our work with biodiversity in lending is presented on p. 25 and for activities within asset ownership on p. 29.</p>
<p>d) <u>Action plan:</u> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.</p>	
<p><i>Response</i></p> <p>Climate change</p> <p>To achieve our targets, we collaborate closely with our customers and actively provide financial advice and solutions. The transition to a low-carbon economy requires significant new investments in low-carbon production facilities, infrastructure and transportation as well as energy-efficiency improvements. At the same time, it requires limiting investments in technologies that lock our societies into high-carbon economies. At Danske Bank, we can influence our customers’ investment decisions by managing access to capital and the cost of capital and by providing customers with sound financial advice.</p> <p>Advisory concepts vary across customer segments depending on the maturity level and transition needs of our customers. Our large corporate customers are generally well aware of the need to transition and of the investments that are required to succeed. For this customer segment, our financial advisory services revolve mostly around whether the company’s business strategy and the transparency of its plans is sufficient to meet the financial market’s requirements for accessing capital – capital from us as a bank and also capital from capital markets.</p> <p>For mid-sized and small business customers, our advisory services typically also include inspiration and guidance on how to transition and the investments required. Because many such businesses often have limited dedicated sustainability resources, we offer sparring on specific actions and initiatives that may support the customers’ green transition and most importantly provide financial advice on how to best finance the required investments.</p> <p>We want to make the sustainable choice easy for our personal customers by encouraging sustainable behaviour and change. Our offerings therefore aim to provide our personal customers with knowledge, tools and convenience to enable and support their green transitions.</p>	<p><i>Links and references</i></p> <p>Sustainability Report 2022 – on p. 22, we present three overarching ways to reduce our financed emissions and our view on how to transition from fossil fuel.</p> <p>Danske Bank’s Climate Action Plan – on pp. 26-28, we present how we advise different customer segments.</p>

For the climate change targets, we have assessed the indirect impact. At Danske Bank, we believe that energy companies should follow the recommendations of the International Energy Agency (IEA) to reduce their use of fossil fuels and increase their use of renewable energy sources. As envisaged in the IEA's Net Zero Emissions by 2050 Scenario, this represents a gradual phase-out of all non-abatable fossil fuel use. Although our investments in fossil fuels have been reduced by 37% since 2018, we do not consider a complete and immediate stop of financing of all types of fossil fuels to be the right short- or long-term solution. The resulting impacts on energy supply and prices would affect societies' ability to orchestrate an orderly transition. We see it as part of our role to act as a catalyst for the sector's green transition through active ownership and engagement with our lending customers on requirements related to revenue exposures and transition plans.

In 2023, we have developed a short-term action plan of products and services for our customers that support our ambition of reducing CO₂ emissions from our lending portfolio. This has been discussed with the Business Integrity Committee and the Board of Directors.

We continue to refine and detail our medium- and long-term action plan towards achieving our set targets as these mature and we gain more knowledge on feasibility. We will monitor and report on progress continuously. To this end, we expect to report on and obtain assurance over Principle 2.2.d – Action Plan for the significant impact area Climate Change within our 2023 self-assessment, specifically with respect to the established actions, at that stage, and the governance process for monitoring progress and remedial action if the Bank does not achieve its targets or milestones or detects unexpected negative impacts.

Biodiversity

No targets, nor actions and milestones to achieve these have yet been set as we first must measure our impact. To this end, we expect to report on and obtain assurance over Principle 2.2.d – Action Plan for the significant impact area Biodiversity when targets have been set and an action plan has been developed.

	... first area of most significant impact: <i>Climate change</i>	... second area of most significant impact: <i>Biodiversity</i>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input checked="" type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Climate change

To measure our progress and guide our actions, we have been mapping the emissions from our customers in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard and following guidance from Finance Denmark. Our main approach to reducing carbon emissions from our loan portfolio is to work with our customers and support them in transitioning and reducing carbon emissions as much as possible.

In 2022, we developed a new methodology to assess our corporate customers' transition plans. The assessments cover the customers' current performance and their short-, medium-, and long-term ambitions and plans to meet their decarbonisation strategies and targets. The assessments also evaluate the customers' risk of not being able to execute their strategies because of external factors affecting their ability to transition, i.e. technology and government support.

The outcome includes a transition plan assessment score in one of four categories: transitioned, transitioning, start of transition, and lagging transition.

In 2022, our initial assessment of customers subject to high transition risk in the shipping, oil and gas, and utilities sectors showed that our exposure to the lagging transition category was limited.

From 2023, transition plan assessments will continue to be carried out for relevant corporate customers in high-risk portfolios as part of the regular credit application and renewal processes.

Our climate targets were sent to the SBTi for validation in January 2023. The climate targets and related actions will be included in management information oversight performed by the Business Integrity Committee. Execution of actions and milestones will be monitored, challenges and risk flagged, and addressed, and progress against targets will be a recurring discussion point at the quarterly Business Integrity Committee meetings. To this end, we

Links and references

[Sustainability Report 2022](#) – our mapping of CO₂e emissions in our lending portfolio is briefly described on p. 24.

[Danske Bank's Climate Action Plan](#) – our measurement of carbon emissions in the lending portfolio is presented on p. 15. A description of new methodology for assessing corporate customers transition plans is presented on p. 26.

expect to report on and obtain assurance over Principle 2.3 – Target implementation and monitoring for the significant impact area Climate Change within our 2023 self-assessment.

Biodiversity

In 2022, we initiated high-level mapping of biodiversity loss hotspots in our corporate lending portfolio, the preliminary results of which showed that the agriculture, forestry, shipping and utilities sectors can be considered hotspots. In 2023, we will work further to understand the potential customer-related impact, and we will aim to disclose specific policy targets for sectors in which we have the most material impact on biodiversity through our lending portfolio. To this end, we expect to report on and obtain assurance over Principle 2.3 – Target implementation and monitoring for the significant impact area Biodiversity when targets have been set.

[Sustainability Report 2022](#) – our work with biodiversity in lending is presented on p. 25.

Principle 3: Clients and Customers



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.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers⁹ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹⁰). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank.

Response

To achieve our targets, we collaborate closely with our customers and actively provide financial advice and solutions. The transition to a low-carbon economy requires significant new investments in low-carbon production facilities, infrastructure and transportation as well as energy-efficiency improvements. At the same time, it requires limiting investments in technologies that lock our societies into high-carbon economies. These investment decisions are made by companies, private individuals and the public sector, namely our customers. At Danske Bank, we can influence our customers' investment decisions by managing access to capital and the cost of capital and by providing customers with sound financial advice. Please also see 2.2d.

Our Sustainable Finance Policy and our Credit Policy form the basis for our investment and lending processes alongside our seven position statements.

Links and references

[Sustainability Report 2022](#) – we present briefly how we engage with clients/customers and investees to reduce financed emissions on p. 22. Our sustainable finance volume targets are presented on p. 20.

[Danske Bank's Climate Action Plan](#) – on pp. 26-28, we present how we advise different customer segments.

Moreover, we in 2020 set volume targets for our sustainable financing products and services and our investments. We report on target progress in our Sustainability Report 2022.

- By 2023, DKK 300 billion in sustainable financing including granted green loans and arranged sustainable bonds
- By 2030, DKK 150 billion invested in funds with sustainability objectives (Article 9 funds in SFDR)
- By 2023, DKK 50 billion invested in the green transition by Danica Pension – and DKK 100 billion by 2030

[Policies and position statements](#) – our Sustainability Finance Policy and our positions statements are publicly available on our website. Our Credit Policy is not publicly available.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

Danske Bank is committed to supporting the green transition by being a trusted lender and financial adviser to our customers and by offering attractive financial products that enable customers to reach their climate targets. We report on our selected sustainable financing-related metrics in our Sustainability Report (green bonds issued, green loans granted etc.). Several of our product offerings have a positive impact on one or more of the UN Sustainable Development Goals, in particular SDG 13: Climate Action.

A few selected examples:

Green loans and energy improvement loans

Danske Bank and Realkredit Danmark’s green loans are aligned with our framework for green finance and are therefore earmarked for specific green projects. In 2022, Danske Bank introduced attractive energy improvement loans for homeowners in Denmark, for example to finance replacing gas or oil heating.

Sustainability-linked loans

Danske Bank’s sustainability-linked loans link the financing costs of the loan to the corporate customer’s sustainability performance.

Links and references

[Sustainability Report 2022](#) – we present a few examples of business solutions provided to support sustainable progress on p. 23. We report on sustainable finance-related data on p. 48. Our contribution to SDG 13 is presented in the 2023 target overview on p.13.

[Danske Bank’s Climate Action Plan](#) – we present a few examples of solutions provided to support sustainable progress on p. 27.

⁹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁰ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Sustainable bonds arranged for customers

Sustainable bonds are green bonds, social bonds, sustainability bonds, and sustainability-linked bonds. Sustainability-linked bonds are used to finance the sustainability strategy of the issuer, and the other bond types are use-of-proceed bonds that exclusively finance projects that have a positive environmental and/or social impact.

Green fleet

Through Asset Finance, we offer our GreenFleet70 concept, which helps businesses in Denmark and Sweden reduce their road transportation emissions. The concept includes an extensive selection of electric vehicle models and a number of tools.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹¹) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

¹¹ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Response

At Danske Bank, we engage with a wide range of stakeholders to understand what they expect from us and to learn what we should do better. How we engage with our different stakeholders is guided by the principles outlined in Danske Bank's Stakeholder Policy. Principles that apply to all stakeholders include collaborating to reach shared goals for the benefit of our customers and society, always seeking to engage in an open and constructive dialogue and making our knowledge and expertise available to our stakeholders.

The insights we gain from engaging with our stakeholders feed into an annual materiality assessment, which identifies the sustainability issues that represent risks or opportunities for society and for our business.

Links and references

[Sustainability Report 2022](#) – we report on our stakeholder engagement and how stakeholders inform our materiality assessment on pp. 14-15.

[Stakeholder Policy](#) – presents our main stakeholder groups.

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

At Danske Bank, our general approach to implementation involves embedding sustainability responsibilities and building out our competencies throughout the organisation in order to further advance the integration of sustainability across our business. The governance of our sustainability efforts, including implementation of the PRB, is anchored at the level of the Board of Directors (BoD) and the Executive Leadership Team (ELT).

The BoD is tasked with approving as well as overseeing execution of our Group Sustainability Strategy and related policies and targets, where the PRB are an integrated element. The BoD reviews our sustainability strategy and execution at least on an annual basis, and it approves related policies and targets as relevant.

At the executive and operational level, we have a range of committees and councils governing various dimensions of sustainability, for which the ELT's Business Integrity Committee (BIC) chaired by our CEO is the overall governing body. The BIC has a mandate to endorse Danske Bank's strategic direction, ambition level and related policies and targets, and it also develops and monitors the implementation of the Group

Links and references

[Sustainability Report 2022](#) – our sustainability governance structure and executive remuneration are presented on pp. 18-19. Our sustainable finance policy and position statement are briefly mentioned on p.20.

Sustainability Strategy, in which the PRB are an integrated element. The BIC meets four to six times per year. Two sub-committees refer to the BIC – one on responsible investment and one on sustainable finance related regulation.

In 2022, we continued our efforts to integrate sustainability-related KPIs into our performance management framework. Members of the ELT and senior leaders all have a sustainability-related KPI in their short-term incentive programme with reference to our 2023 Group Sustainability Strategy targets. This includes targets related to sustainable finance and climate change. The KPI is approved by the Board of Directors upon review by the Board of Directors' Remuneration Committee.

The execution of our sustainable finance initiatives is primarily anchored in our business units and in Group Risk Management, and our Group-wide sustainable finance framework helps to ensure that we work in an effective and consistent manner as we develop our offerings and products. Both the framework and our Sustainable Finance Policy are inspired by the Principles for Responsible Banking and are subject to regular updates in line with the ongoing development and phase-in of sustainable finance regulation. Danske Bank's Position Statements detail our stance on material sustainability issues across sectors and themes, and they are subject to approval by our Business Integrity Committee.

[Remuneration Report 2022](#) – on pp. 13-14, we inform about the sustainability-related KPI included in the executive remuneration.

[Policies and position statements](#) can be downloaded from our website.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

Danske Bank's sustainability expertise is anchored in several clusters across business units that are working to integrate sustainability into our processes and solutions. To ensure that all employees know how we are working with sustainability and how they can use this insight when they engage in discussions with colleagues, customers and partners, all employees must undergo an annual sustainability eLearning course. The eLearning course has a mandatory sustainable finance module, which is designed to support our common understanding that we create the greatest societal impact as a bank through our core business activities.

Supporting our customers in their green transitions also requires that our advisers are equipped with the specific skills in the areas of sustainability and sustainable finance that match their customer segments and types. During 2022, we continued to develop and rollout a comprehensive and targeted training programme for advisers across the Nordic countries and Northern Ireland to prepare advisers for customer dialogues on our various sustainable finance offerings and endeavours.

Links and references

[Sustainability Report 2022](#) – training of advisers and employees in sustainability is presented on p. 35 and on p. 41.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹² Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

When we grant a loan to a customer, we enter into a long-term commitment. Assessing the level of ESG risks is one of many risk factors we have to consider to determine creditworthiness and to ensure that the loan is in line with the Group's position statements and policy requirements. At the individual customer level, we perform ESG risk assessment using our screening tool. This assessment allows us to identify and monitor high ESG risk cases as part of the standard credit process. In 2022, we have assessed 71% of our business customers in scope for this assessment. In addition to this, we have developed an approach to assessing our customers' transition plans, see p. 24. Both of these due diligence processes will be further developed in line with regulatory requirements and to accommodate developments in the area of ESG, such

Links and references

[Sustainability Report 2022](#) – ESG due diligence in lending is presented on p. 23.

as those related to human rights and biodiversity. At the portfolio level, risks are monitored and managed through sector risk reviews and through our risk appetite setup, which is also informed by the mapping of our financed emissions and climate scenario analysis. Sectors that have a high level of exposure to ESG risks are subject to additional oversight, as outlined in our policies.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



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.

6.1 Assurance

¹² Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes
 Partially
 No

If applicable, please include the link or description of the assurance statement.

Response

Please refer to Annex 3 for the independent assurance report.

Links and references

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other:

Response

A SASB cross-reference index is included in our Sustainability Fact Book 2022.

Danske Bank reports annually to the CDP, and in 2022 we received a B score.

Danske Bank has reported in line with the recommendations of the TCFD since 2019. The disclosure is included in our Annual Report 2022.

Links and references

[Sustainability Fact Book 2022](#) – includes a separate sheet for the SASB cross-reference index.

[CDP](#) – our 2022 reporting is available on the CDP's website

[Annual Report 2022](#) – our annual TCFD reporting is included on pp. 22-27.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹³, target setting¹⁴ and governance structure for implementing the PRB)? Please describe briefly.

¹³ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁴ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Response

Climate change

We expect the submitted climate targets to be validated by the SBTi during the first half of 2023, and we expect to report on these targets from 2023. We are committed to improving our reporting and alignment with net-zero pathways as methodologies continue to evolve and as industry standards align and data quality improves.

Biodiversity

In 2023, we will work further to understand the potential customer-related impact on biodiversity, and we will aim to disclose specific targets for sectors in which we have material impact on through our lending portfolio.

Links and references

[Sustainability Report 2022](#) – our commitment to the SBTi is presented on p. 11.

[Danske Bank’s Climate Action Plan](#) – an outlook for the future is presented on pp. 44-45.

[Sustainability Report 2022](#) – we report on our ambitions for the future work with biodiversity on p. 25.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Customer engagement
- Gaining or maintaining momentum in the bank
- Stakeholder engagement
- Getting started: where to start and what to focus on in the beginning
- Data availability
- Data quality

- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

To be able to set targets, we need data of good quality from customers and investees. We expect that data quality and availability will increase with the implementation of the Corporate Sustainability Reporting Directive (CSRD) and other international reporting frameworks for ESG.

Annex 1 | Basis of preparation

The 2022 self-assessment for implementation of the Principles for Responsible Banking has been prepared in accordance with the Principles for Responsible Banking Guidance document and the Self-assessment Template, published in November 2021 and September 2022 respectively by the UNEP FI.

The purpose of this document is to provide a self-assessment summary that, as a whole, gives an accurate, balanced and transparent view of Danske Bank's stage of implementation of each of the six principles under the Principles for Responsible Banking Framework at 31 December 2022. This will allow us to measure progress on implementation in a consistent manner.

The open questions in the Self-Assessment Template, designed by the UNEP FI, allow banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate. The Principles for Responsible Banking Framework aims to keep any additional reporting burden for banks to a minimum while ensuring transparency and accountability, as set out in Principle 6.

To this end, Danske Bank's 2022 self-assessment for implementation of the Principles for Responsible Banking makes use of publicly available reporting such as information on our website and in our Climate Action Plan, our Sustainability Report 2022, our Remuneration Report 2022, and our Annual Report 2022, to which we refer throughout this document.

To provide enhanced clarity and understandability of the self-assessment, we provide supplementary information below detailing the basis and methodologies used to prepare selected responses, for which the provision of such information is deemed appropriate.

Principle 2.1 | Impact analysis

Principle 2.1a | Scope

The scope forms the basis for our impact analysis. When selecting the scope, we considered the lending portfolio for our key business units across our key geographical markets as defined in our annual report. In preparing the impact analysis, we applied 2021 data reconciled with the Annual Report. The revenue streams 'Net Interest Income' and 'Net fee Income' were included for our key business units across our key geographical markets, making up a total of ~65% of our total income in 2021 (DKK 42,584 million).

Principle 2.1b | Portfolio composition

In order to analyse our portfolio composition, we used 2021 data for defined scope and applied the PRB tool and methodology, including its predefined NACE codes used to categorise exposure by segments.

Principle 2.1c | Context

In analysing key challenges and priorities and determining our most significant impact areas, we applied the PRB tool and methodology, including its context module with guidance on key local societal needs. Climate change, Biodiversity and Circularity stand out as the most relevant areas for Danske Bank to address due to a combination of potential negative environmental impacts of our lending exposures. These areas are also prioritised politically in all the key geographic markets. We determined our two most significant impact areas to be Climate change and Biodiversity. Judgement was applied in determining the two most significant impact areas of the three. We regard Circularity as being a method of achieving sustainability and as an integral part of our climate and biodiversity efforts. Furthermore, Biodiversity decline is a threat to ecosystem services and the economic activities and livelihoods that depend on them, and this area attracts increasingly attention from policymakers and regulators, also Climate change is regarded a matter of global urgency and is a major impact area for Danske Bank, and this area attracts significant stakeholder and regulatory attention as well as policymaker priority, as reflected in the evolving European ESG regulation.

Principle 2.1d | Performance measurement

For the impact area of Climate change, we have measured the financed emissions across our business units. All numbers are based on our year-end 2020 portfolio (using 2020 as a baseline). Please see our [Annual Report 2020](#) p. 180 for a definition of credit exposure. Total loans account for loans and credits, and the DKK 2.73 trillion deviates from the DKK 1.46 trillion carbon-mapped exposure (see p. 15 and table 4.1 on p. 15 in our [Climate Action Plan](#)), which only accounts for the on-balance exposure according to the PCAF methodology.

The measurement of the financed emissions is subject to significant estimates and judgements related to the data quality, which varies from sector to sector. Please refer to our [Climate Action Plan](#) pp. 18-25 and pp. 46-50 for sector specific methodology and descriptions of estimates and judgements related to the data quality.

When using financed emissions as a measure, we considered how to apply this consistently and also considered which factors could potentially impact this measurement. Please refer to our [Climate Action Plan](#) p. 15 for further details.

Principle 2.2 | Target setting

Principle 2.2b | Baseline

Establishing the 2020 baseline for financed emissions is subject to significant estimates and judgements related to the data quality, which varies from sector to sector. Please refer to our [Climate Action Plan](#) pp. 18-25 and pp. 46-50 for sector-specific methodology and descriptions of estimates and judgements related to the data quality.

Pathway to impact (indicator codes) provided by PRB

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹⁵ The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets¹⁶ (highlighted in **green**) or to client engagement¹⁷ targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in this Annex to measure your performance and baseline.¹⁸ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

→ **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.

¹⁵ It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

¹⁶ Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

¹⁷ Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹⁸ You might not be able to report on all indicators and/or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

Impact area	Practice ¹⁹ (pathway to impact)									Impact ²⁰		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; <i>If yes:</i> Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; <i>please specify</i> the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²¹
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; <i>If yes:</i> - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base year for your target? - Climate scenario used: What climate scenario(s)	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio?	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-intensive sectors and activities ²² ? How much does your bank invest in	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

¹⁹ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²⁰ Impact: the actual impact of the bank's portfolio

²¹ If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

²² A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

		aligned with the Paris climate goals has your bank used?					transition finance ²³ ?			
A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (<i>depending on the sector and/or chosen metric</i>): kg of CO ₂ e/kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit					
A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% <i>(denominator: financed emissions in scope of the target set)</i>					

²³ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	<p>A.1.5</p>	<p>Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?</p>	<p>Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for</p>		<p>a transition plan in place?</p>			
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Principle 2.2c | Target setting

For most of our sector targets, we have set a physical intensity metric (emissions per economic output, e.g. kgCO₂/MWh) instead of an absolute emission metric. This allows us to take into account the different decarbonisation paces of different sector and helps us to understand and contextualise the reduction causes in a given sector. Examples of this include emission reductions achieved due to a decrease in production, as happened during the COVID-19 pandemic; or emission reductions achieved by our customers due to efficiency gains in the production of, for example, power, cement and steel. Please refer to our [Climate Action Plan](#) p. 17 for additional considerations related to target metrics.

Annex 2 | Statement by the Management

On behalf of the management of the Danske Bank Group and Danske Bank Group Sustainability, we have considered and approved Danske Bank's 2022 self-assessment report on the implementation of the Principles for Responsible Banking Framework, developed by the United Nations.

Danske Bank's 2022 self-assessment report has been prepared in accordance with the Principles for Responsible Banking Guidance document and the Self-assessment Template, published in November 2021 and September 2022 respectively by the United Nations Environment Programme Finance Initiative ('UNEP FI').

In our opinion, the 2022 self-assessment report, as a whole, provides an accurate, balanced and transparent view of the Danske Bank Group's stage of implementation of each of the six principles under the Principles for Responsible Banking Framework at 31 December 2022.

Copenhagen, 2 February 2023

Chief Executive Officer

Carsten Egeriis

Kristin Parello-Plesner
Head of Group Sustainability

Annex 3 | Independent Assurance Report

Independent Auditor's Assurance Report over selected responses within Reporting and Self-Assessment under Principles for Responsible Banking

To Management of Danske Bank A/S

Management of Danske Bank A/S (also "the Bank") has engaged us to provide limited assurance over responses to principles: 2.1 Impact Analysis, 2.2 Target Setting, 2.3 Target Implementation and Monitoring and 5.1 Governance Structure for Implementation of the Principles ("the selected responses"), included within their Self-assessment for implementation of the Principles for Responsible Banking ("the PRB Reporting and Self-Assessment Template") for the year ended 31 December 2022, presented on pages 4-17, 22 and 23 in the published PRB Reporting and Self-Assessment Template of Danske Bank A/S. Our procedures were informed by the Guidance for assurance providers – Providing Limited Assurance for Reporting - Version 2 (October 2022) published by the United Nations Environment Programme Finance Initiative ("UNEP FI") in November 2022. However, we have performed the procedures as outlined in the Work performed section below which do not necessarily obtain the confidence level as outlined by UNEP FI's Guidance for assurance providers, but what is normally obtained by a practitioner in a limited assurance engagement under ISAE 3000 (Revised).

Management's responsibility

Management of Danske Bank A/S is responsible for designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the PRB Reporting and Self-Assessment Template, ensuring it is free from material misstatement, whether due to fraud or error.

Furthermore, Management is responsible for the preparation of the PRB Reporting and Self-Assessment Template, and for measuring and reporting qualitative information and data in accordance with the Principles for Responsible Banking Guidance Document, published by UNEP FI in November 2021, the PRB Reporting and Self-Assessment Template, published by UNEP FI in September 2022 and Basis of preparation included on pages 29 to 34 (collectively "the applicable criteria").

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) 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.

We are responsible for:

- planning and performing the engagement to obtain sufficient appropriate evidence about whether the selected responses included in the PRB Reporting and Self-Assessment Template is free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the applicable criteria;

- forming an independent limited assurance conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to Management and broader stakeholders of the Bank.

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 requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

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.

Work performed

We are required to plan and perform our work to consider the risk of material misstatement in the PRB Reporting and Self-Assessment Template. To do so, based on our professional judgement and acknowledging the fact that banks are in different stages of implementation of the Principles for Responsible Banking, we have:

- Planned our procedures informed by the Guidance for assurance providers – Providing Limited Assurance for Reporting - Version 2 (October 2022) published by UNEP FI in November 2022, considering the Bank's stage of implementation of the Principles for Responsible Banking;
- Conducted interviews with process owners and internal stakeholders to understand the processes and control activities for measuring, reporting, and presenting information in the PRB Reporting and Self-assessment Template, in accordance with the applicable criteria;
- Made inquiries with process owners and internal stakeholders, obtained and reviewed supporting evidence to assess whether disclosures within the selected responses in the PRB Reporting and Self-Assessment Template reflect the Bank's assessment of the stage of implementation of the Principles;
- In respect of Principle 2.1 (Impact analysis), based on inquiries made and information obtained and reviewed, checked that the Bank's business areas and scope are clearly described, reconciled portfolio composition to management information and checked that challenges and priorities have been analysed, including the rationale for business areas where the analysis was not performed. Furthermore, we checked that the Bank has disclosed the method for determining its impact areas and has selected what was determined as the two most significant areas of impact. For the one impact area where performance has been measured (Climate change), reconciled to published information referenced in the response and to supporting management information. Finally, we checked to supporting evidence, including meeting minutes, that the stated governance process was followed;
- In respect of Principle 2.2 (Target setting), based on inquiries made and information obtained and reviewed, checked that the Bank sets targets for one of its two significant impact areas (Climate change) and that the targets are linked to that impact area. We

checked that the Bank has identified frameworks to align with and explained how targets contribute to relevant goals. Further, for the one impact area where targets have been set (Climate change), we checked that the base year for climate targets (2020) is no more than two full reporting years prior to the year when the targets have been set (2022) and that the targets are Specific, Measurable, Achievable, Relevant and Time-bound;

- In respect of Principle 2.3 (Target Implementation and Monitoring), based on inquiries made with process owners and internal stakeholders, obtained and reviewed supporting evidence to assess whether disclosures within the selected responses in the PRB Reporting and Self-Assessment Template reflect the Bank's assessment of the stage of implementation of the Principle;
- In respect of Principle 5.1 (Governance Structure for Implementation of the Principles), based on inquiries made and information obtained and reviewed, checked consistency to supporting evidence, including organisation charts and meeting minutes with that of the disclosures of the Bank's governance structure for implementation of the Principles, that there is oversight over the implementation and monitoring, that the structure is in line with existing governance structures as defined by the Bank. Further, we checked that the Board of Directors obtained information on the Bank's stage of implementation of the Principles for Responsible Banking on an annual basis.

Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us not to believe that the selected responses on pages 4-17, 22 and 23 in the PRB Reporting and Self-Assessment Template for the year ended 31 December 2022, have been prepared, in all material respects, in accordance with the applicable criteria.

Copenhagen, 2 February 2023

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Kasper Bruhn Udam
State Authorised Public Accountant
Identification No (MNE) mne29421

Mads Stærdahl Rosenfeldt
Lead Reviewer