



Position Statement on Agriculture

March 2022

Introduction

Danske Bank is committed to creating sustainable progress, and we believe that including sustainability in all aspects of our business is fundamental to create lasting value for all our stakeholders. The agriculture sector oversees a system that produces multiple economic, social and environmental values and plays a key part in climate action and biodiversity preservation. We see multiple points of entry towards meaningful discussions on sustainability and want to support customers and companies who take initiative to promote sustainable growth and greater societal responsibility. This position statement covers agriculture and establishes guidelines for comprehensive sustainability practices.

At Danske Bank we release the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come. In the agricultural sector this means helping our customers transition to more sustainable productions and where needed, setting clear standards and expectations and being transparent about our efforts.

Agriculture is essential for food production across the world. Global population has increased from 2 billion around 1928 to more than 7 billion today. The increase in population is in many ways a success story of lower child mortality rates, better access to health care services and better nutrition.

Globally 50% of habitable land is used for agriculture, which leads to nature risks such as deterioration of natural resources, stressed ecosystems and the loss of biological diversity¹. Meeting the dietary requirements and aspirations of the global population is therefore an opportunity, which require strong management of the impact on nature. Danske Bank's core markets are among the most regulated in the world and as a bank we seek to help customers transition to more sustainable productions where relevant.

Continuing to feed a growing population requires an increase in agriculture yields². This can be done in several ways, including expanding areas used for agriculture, improving agricultural practises to deliver better yields, changing diets to contain less meat, minimizing food waste or a mix of these³. As a bank we have an important role to play in supporting our customers navigate the transition through advisory and products.

One of the key challenges for the industry to navigate is the impact on climate change. As much as one fourth of global GHG emissions are released by agriculture. In Danske Bank's core markets, the share ranges from 13% in Sweden to 22% in Denmark and 27% in Northern Ireland - the major part coming from pig and cattle breeding, manure management and animal feeding. Hence managing emissions

in the agricultural sector plays a key role in lowering climate emissions.

While some high-emitting sectors are dominated by large companies already working with sustainability, the agricultural sector mainly consists of smaller companies with no designated sustainability resources. As a large Nordic bank we have a strong position to support our customers in managing the transition to a low carbon economy.

Physical risk for the agricultural sector includes changing weather patterns e.g. an increase in extreme weather events such as droughts or heavy rainfalls. Some sources predicts warmer weather in Denmark leading to a longer growing season, however unpredictable weather is a challenge for the agricultural sector as crop yields depend on predictable weather.

Globally, social challenges in the agricultural industry concern animal welfare, land use, community relations, indigenous rights and working conditions such as working hours, child labour, wages, forced labour and health and safety measures. However, in a Nordic context these areas are covered by tight regulation.

It is a key commitment for Danske Bank to be a responsible and predictable partner for all our stakeholders in the green transformation. In agriculture, this means minding agriculture's ability to provide many different values for societies, engaging in related discussions while helping our customers to navigate the sustainability implications. We welcome dialogue around potential approaches and the material sustainability risks and opportunities that the sector is facing.

¹ Land Use - Our World in Data

² Meat and Dairy Production - Our World in Data

³ Yields vs. Land Use: How the Green Revolution enabled us to feed a growing population - Our World in Data

Position Statement on Agriculture

1. Objective and purpose of the position statement

Danske Bank’s position statement on agriculture aims to create transparency and predictability on our ambitions, efforts and governance with regards to agriculture and managing the related risks and opportunities. The position

statement establishes a shared framework for a constructive and forward-looking dialogue with our stakeholders on these topics.

2. Scope of position

This position statement applies to Danske Bank Group and all legal entities under its control.

Geography

The position statement is global in scope with no exceptions. Danske Bank’s activities

The position statement applies to lending and investment services offered by Danske Bank.

Clients

The position statement covers existing as well as potential new clients of Danske Bank.

Industries and subsectors

The rules stated below on agriculture apply to all customers and investment companies within the group’s core agriculture segment.

Projects and companies

The position statement applies to financial services offered for both general finance and project finance purposes offered to companies as well as for investment services.

3. Definitions

Relevant definitions include:

- Investment services refer to assets managed by Danske Invest and life & pension products offered by Danica
- GHG: Greenhouse gases
- Climate risk: The risk of significant negative impact on the bank due to climate change

- Transition risk: Business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future
 - Physical risks of climate change: The risk of significant negative impact on the bank due to the physical impacts of climate change
 - Nature risk: The risk of significant negative impact on the bank due to changes in nature.
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4. Rules and standards of the position

As one of the largest financial institutions in the Nordic countries, Danske Bank has both the ability and the determination to be part of finding solutions to the challenges our planet and societies are facing. We are committed to creating sustainable progress, and we believe that including sustainability in all aspects of our business is fundamental to create lasting value for all our stakeholders.

For the agricultural sector this means having a close dialogue with our customers to help them meet their sustainability ambitions and manage the risks they are exposed to, ensuring our investments align with our sustainability standards and being transparent about our efforts. The below section outlines our approach in lending and investments and common standards across all business activities.

4.1 Climate expectations covering lending

Climate change is one of the greatest risks of our time for society, our customers and Danske Bank. When looking at our agriculture portfolio, we consider climate risk the most material sustainability risk facing the industry. In that regard, we have set out specific expectations to help and support our customers in navigating the required transition of activities and practices.

Our approach to climate change is based on insights from climate science and industry best practices. Based on this we see two main steps in supporting our customers in transitioning to a low carbon economy, which are outlined below.

Carbon footprint assessment

In order to manage climate risk in the agricultural sector Danske Bank's first step is to get data on carbon emissions in the sector. We prefer a fact-based approach when managing climate-related issues and in that regards having data and setting ambitions based on these is key. For customers in the agricultural industry we expect them to take the following actions where appropriate:

- Monitor scope 1 & 2 (and preferably 3) emissions
- Define commitments and targets to reduce emissions
- Identify the required investments and adjustments to business model and engage with the bank on needed financing

The purpose of these expectations is to help our customers understand their carbon footprint and help them manage the climate risks affecting their businesses.

Implementing existing technologies and solutions to accelerate customers' transition towards decarbonisation, based on knowledge of carbon emissions

The second step of managing the climate risks focuses on accelerating customers' transition towards lower emissions. Transition technologies can be categorized into two main groups: Existing technologies and technologies expected to be developed in the coming years. Danske Bank's expectations to customers focus on existing technologies and are based on both the Danish government action plan and leading research on lowering emissions from agriculture. In this regards we expect customers to take the following actions where appropriate:

- Optimize the animal feed mix of dairy cattle and rearing with concentrates, fat and highly digestible fodder, effective in reducing enteric fermentation
- Improve manure management practices to mitigate methane and nitrous oxide emissions by e.g. frequent slurry manure collection and transfer, covering manure storage facilities, applying nitrification inhibitors to manure (slurry) and acidification
- Use land management practices that promote carbon sequestration and/or soil conservation, incl. stopping peatland draining, clearing and burning; wetting or setting-aside lowland soils; private afforestation or changing farming methods (e.g. precision agriculture, conservation agriculture, organic farming; extensification of farming)
- Commit to zero-emissions on farm machinery and equipment
- Comply with the new EU's Common Agricultural Policy (CAP) or UK Domestic Agricultural Policy requirements in such areas as soil protection and quality (crop rotation) as well as landscape & biodiversity; as well as apply climate friendly farming practices, such as organic farming, agro-ecological practices, precision farming, agro-forestry or carbon farming, in line with eco-schemes criteria.
- Practice efficient nitrogen management by e.g. applying nitrification inhibitors to fertilizers, as well as reduce nitrogen input in line with both voluntary and obligatory provisions for nitrogen reductions



- Use manure and farm residues to generate energy (with and without cooling of manure in the livestock barn and frequent slurry transfer to store) for potential GHG emissions savings, in terms of substitution of fossil fuels and proper management of animal manure
- Reduce reliance on imported feed protein by efficient utilization of different /other protein sources, through e.g. cultivation of high quality protein crops or grass protein
- Work towards deforestation free commodity supply chains (e.g. adopt certifications, rely on domestic protein feed)
- Have a credible evidence based transition plan with science-based metrics and KPIs
- Report publicly on value chain climate goals and progress towards them

Not all of the above expectations will be applicable to all customers. We expect customers to implement the initiatives relevant to their business, taking into consideration the size of the business and the risks they are exposed to.

4.2 Investment screenings

For listed companies Danske Bank invests in, a screening is performed in collaboration with research partners to make sure that they act in line with the following international principles and conventions:

- UNESCO World Heritage List
- Ramsar convention
- International Union for Conservation of Nature (IUCN)
- Minimum Age Convention
- Worst Forms of Child Labour Convention
- Free, Prior and Informed Consent (FPIC) as covered in ILO Convention 16920 and the UN Declaration on the Rights of Indigenous Peoples
- Rio Declaration on Environment and Development
- The Kyoto Protocol

4.3 Supporting standards and principles

In general, Danske Bank expects the companies it invest in, and finance, to operate in accordance with the following sets of international agreements and principles:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- The Universal Declaration of Human Rights
- The ILO Declaration of Fundamental Principles of Rights at Work
- OECD Guidelines for Multinational Enterprises

Danske Bank also expects that the companies it invests in and finances in the agriculture sector conduct their business in accordance with the guidelines listed below whenever relevant:

Environmental expectations

- Limit the use of pesticides, and if their use is necessary, use them in a responsible manner
- Use water efficiently, and prevent water pollution
- In water-scarce regions, conduct water-scarcity impact assessments to prevent negative impacts
- Reduce direct and indirect emissions of greenhouse gases and harmful substances such as nitrogen oxide and ammonia
- Prevent the introduction of invasive alien species in ecosystems
- Meet the permission and processing requirements described in the UN Convention on Biological Diversity and the related Nagoya Protocol and Cartagena Protocol
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List
- Do not have a negative impact on the protected areas that fall under categories I-IV of the International Union for Conservation of Nature (IUCN)
- Do not have a negative impact on the wetlands covered by the Ramsar convention
- Companies have comprehensive mitigation measures in place to address community and ecosystem water requirements in areas where environmental impact assessments identify that significant impacts to water resources are likely



- Companies make an environmental impact assessment on the total consequences of a large scale project on biodiversity, at least according to GRI 304: Biodiversity 2016 or other relevant standards
- Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.

Social expectations

- Work with and adopt relevant standards and certifications for raw materials, e.g. Fairtrade
- Have management systems or processes that deal with employee complaints, labour law violations and conflicts, and monitor and ensure compliance with labour laws
- Have policy commitments on health and safety
- Ensure equal treatment and working conditions for all employees, including women and migrant workers
- Respect the rights of children and refrain from using exploitative forms of child labour, such as labour that damages children's physical or mental health or prevents them from going to school as stated in the Minimum Age Convention and Worst Forms of Child Labour Convention
- Respect indigenous people and their right to customary lands by obtaining acceptance when entering such land as described in the principles of Free, Prior and Informed Consent (FPIC)
- Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of peoples with customary tenure rights.

Animal welfare expectations

- Observe and follow national and EU legislation as well as relevant industry assurance schemes on animal welfare
- Companies respect the Five Freedoms of animals

- Genetic modification of animals for food and the production of derived food products is unacceptable, unless clear animal welfare benefits can be demonstrated.
- Livestock farming companies are certified according to the criteria of certification schemes that include animal welfare requirements
- Companies apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance.
- Companies integrate animal welfare criteria into their procurement and operational policies.
- Companies include clauses on the compliance with criteria on animal welfare in their contracts with subcontractors and suppliers.

General expectations

- Companies work with relevant standards and initiatives for raw materials
- Companies are certified according to certification schemes criteria for raw materials
- Large enterprises and multinational enterprises publish a sustainability report that is set up in accordance with the (Core or Comprehensive option of) GRI Standards
- Companies include clauses on the compliance with environmental, social and governance criteria in their contracts with subcontractors and suppliers.

Because our credit customers in the agriculture industry mainly operate in the Nordic countries and Northern Ireland, where they are subject to a strict EU and national regulation and monitoring, there is limited risk of breach of the international agreements, frameworks and industry-specific guidelines referenced above.



5. Implementation, follow-up and disclosure

Implementation

This position statement is implemented in the organisation by integrating it into the bank's governance hierarchy and business processes and is reviewed yearly.

Should this position statement be breached, there are several escalation paths in Danske Bank's governance structure where breaches could be addressed. On a group level, relevant forums include:

- Danske Bank's Business Integrity Committee (BIC), and;
- The Sustainable Finance Council (SFC).

In addition to Group level escalation paths, there also exists separate business unit committees tasked with the oversight of the implementation of this position statement.

Monitoring adherence to endorsed standards and principles
In order to monitor that Danske Bank's business is conducted with respect to the international standards that we endorse, the bank has developed processes for financial services and investments separately.

For financial services, the position, and the standards it endorses, will be integrated in the credit process over the coming year. Focus will be on larger customers with high emissions and take into consideration relevant risks and opportunities for the customers. When assessing which expectations are relevant for individual customers the size of the customer, exposure towards the customer and geographical scope of activities of the customer are taken into consideration.

All credit cases are reviewed for potential breaches, and cases with concerns are escalated for further review by ESG experts and the bank's 2nd line credit teams.

For investing, Danske Bank takes a risk-based approach that is structured around two phases:

- Screening and ESG Risk Analysis, and;
- Dialogue and Engagement.

In the Screening and ESG Risk Analysis phase, we screen companies to ensure that their conduct is in accordance with the international agreements we endorse.

In the Dialogue and Engagement phase, we address potential breaches through dialogue, voting or participation in nomination committees when relevant.

Disclosure

Danske Bank will also provide transparency to all stakeholders on our agriculture exposures and aims to provide relevant disclosures in several reporting channels. Disclosures can for example be found in our annual report, TCFD reporting and Sustainability Fact Book.