CORPORATE RESPONSIBILITY 2012

DANSKE BANK GROUP

SOCIETY
BANKING IN THE NEW NORMAL

BUSINESS
ONE BANK FOR THE FUTURE

FINANCIAL LITERACY
SHARING KNOWLEDGE TO IMPROVE SKILLS

EMPLOYEES
RESPONDING TO CHANGE WITH OPPORTUNITIES AND RESPECT

ENVIRONMENT
A BALANCED APPROACH TO REDUCING ENVIRONMENTAL IMPACT
**Vision**

**Recognised as the most trusted financial partner**

In order to become one of the best banks in the Nordic region, we must have the trust of our customers, investors and society at large. Our vision is therefore to be “Recognised as the most trusted financial partner”. That is the new objective that Danske Bank will work to achieve.

**Mission**

**Setting new standards in financial services**

In order to become the most trusted financial partner, we must set new standards for banking operations that benefit our customers, investors, society and our own organisation. New standards will therefore be at the core of everything we do.

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5 million

Personal customers

20,308

Employees
Danske Bank is the largest bank in Denmark and one of the leading financial enterprises in northern Europe. With its headquarters in Copenhagen, the Group operates in 15 countries, offering a full range of banking services in the international financial markets.

After a comprehensive organisational restructuring in 2012, Danske Bank now has three business units – Personal Banking, Business Banking and Corporates & Institutions – that cover all of our geographical markets. Besides our banking activities, which all operate under the Danske Bank brand name, we offer services in the fields of life insurance and pensions (Danica Pension), mortgage finance (Realkredit Danmark), asset management (Danske Capital), brokerage (Danske Markets), real estate (home), and leasing (Nordania).

The Group employs more than 20,000 people and has more than 5 million personal customers and a large number of business and institutional customers. We have 327,000 shareholders, and 42% of the shares are owned by foreign investors.

This Corporate Responsibility (CR) report reflects our commitment to our core values as well as to operating a profitable, sustainable business based on the needs and expectations of our stakeholders. The core values underpin our vision to become the most trusted financial partner. They also function as quality parameters in our daily work and performance appraisals.

Our ambition is to set new standards in financial services and to restore trust in the Bank. We want to offer both personal and business customers the easiest, fastest and most convenient solutions. We will set new standards in four areas: advisory services and solutions, customer interaction, transparency and financial strength, and responsibility. You can read our Responsibility Policy and find more information about our corporate responsibility work at www.danskebank.com/responsibility.
Meet the new CEO

The year 2012 was a period of change for Danske Bank. In February 2012, Peter Straarup, CEO for 14 years, retired, and Eivind Kolding, former Chairman of Danske Bank’s Board of Directors, took over his position. A major organisational restructuring, a rebranding project, and a new business strategy, vision and mission are just some of the activities that the new CEO has undertaken in the past year. Here, he explains the background for these changes and how they are closely related to a clear focus on sustainability.

New name, new organisation, new strategy – why all these changes?

In 2012, Danske Bank started on a journey that was necessary because the world has changed dramatically in the past five years. Economic and social conditions have become more challenging for both private individuals and businesses.

We talk about a new normal. But what in fact is normal in today’s society? Is it normal for the Chinese economy to be outgrowing the US economy? Is it normal for people to demand responsibility from banks? I think the answer is yes. The fragility of the global financial markets has become a permanent issue. Confidence in governments has taken a serious blow. Climate change and environmental challenges are forcing companies to rethink their business models and society to rethink its structure. And at the same time, technology has united the world in a digital network that places many everyday activities at our fingertips. All this is not just a temporary transition. It is the new normal.

It is also a challenging time for the Bank. We have to navigate in a financially unstable world. Politicians are making more requirements about the way we run our business – and rightly so. Investors are demanding better returns, and our integrity is being questioned.

All this does not change our important role in society, however. We still carry a huge responsibility that requires trust – a trust that we have lost to a certain extent and that we must regain. First of all, we will strengthen our focus on the customer, and we must make sure that the Bank is a sound long-term investment. We have to reduce costs and improve earnings for this to happen. In 2012, we therefore structured our activities around three new business units that operate across our geographical markets. I am convinced that this structure will help us achieve our ambition to be a simpler, faster and more efficient bank for our customers. And in November 2012, we changed all our banking units’ names to Danske Bank and launched a group-wide strategy that outlines our approach to the new normal. We call it New Standards.

What is Danske Bank’s role in society?

Danske Bank and the financial sector in general play a fundamental role in society by providing a financial infrastructure and by supporting growth and ensuring economic stability. An efficient financial infrastructure makes many everyday activities easier and safer – from paying our bills and buying things to transferring money. For businesses, their growth and development are dependent on the capital we give them access to. And not least, Danske Bank is a large employer.
Many employees have new work tasks and managers, and some have even lost their jobs – how does this affect staff and customers?
Change never settles overnight. I know it will take some time for staff to adapt to relocations, new colleagues and new tasks, but at the same time I am very pleased to see that employee satisfaction remained high in 2012 despite the number of changes our employees have gone through.

In 2012, we closed a number of branches, mainly in Ireland and Denmark, and converted others to advisory centres. We had to do this because customer behaviour has changed significantly. There has been a shift from conventional teller transactions towards more self-service options and the need for specialised advice. Unfortunately, these necessary adjustments have led to redundancies, but we are very committed to helping those who will no longer be employed with the Group as well as taking care of those who are still with us.

While most of our customers welcome the digital trend, some people, especially senior citizens, have difficulty making the transition. In 2012, we therefore developed various initiatives to give senior citizens basic knowledge about the Bank’s self-service and eBanking solutions.

As the new CEO, what is your impression of Danske Bank’s performance when it comes to corporate responsibility?
As a member of Danske Bank’s Board of Directors for ten years and former chairman of the Board, I am not entirely new to Danske Bank. Still, being new on the inside of a company allows you to see the business with a fresh set of eyes. Since 2006, the Group has come a long way in establishing a framework for handling environmental, social and ethical risks and challenges in its operations and core business areas, such as investing. And I am particularly proud of our many initiatives aimed at increasing financial literacy among children and young people.

The world has changed, however, and that requires us to set new standards – for customer service and also for the economic, social and environmental sustainability of our business. Responsibility is therefore one of the four key areas of the New Standards strategy. Our standards must reflect the fact that we see ourselves as part of society. We respect our close relationships with customers and the public, and we want to help create a sustainable society. It is my ambition for this to be visible in every aspect of what we do – from credit granting and investing to children’s and young people’s education in personal finance and the consideration we give to the environment.

What are the top priorities for Danske Bank in 2013?
In the next few years, everyone at Danske Bank, from managers to back-office and front-line staff, will work towards one common goal – to set new standards for banking in order to restore the trust of our customers and shareholders. Exercising our responsibility towards customers, employees and society as a whole is a core element in this process, along with tailored advisory services and solutions, value-creating customer interaction, transparency and financial strength.

The launch of our new strategy in November 2012 attracted great attention, especially in Denmark, and many people questioned our will to make real changes that will also benefit society. I can assure them that we listen to their criticism and doubts and that we are committed to putting action behind our words so we can earn their trust. In 2013, we will continue to communicate how we set new standards – on our online channels as well as in our face-to-face meetings.

Our Corporate Responsibility report is also an important document recording our progress in reaching these goals.

EIVIND KOLDING
CHAIRMAN OF THE EXECUTIVE BOARD
The purpose of Danske Bank’s CR report is to provide stakeholders with a transparent and balanced account of our main efforts and achievements in corporate responsibility. In comparison with the annual report, the CR report covers a wider range of criteria for measuring our value creation as a business and an integral part of society.

**Business**

At the end of 2012, we had 5 million customers across our operations in 15 countries. In spite of strained economic conditions in Europe, Danske Bank generated an income of DKK 47.7 billion and a profit before tax of DKK 8.6 billion. Operating expenses amounted to DKK 26.6 billion, which represented a 2.3% increase from the level in 2011. The net profit for 2012 was DKK 4.7 billion and the ROE 6.5%. The results were generally in line with our expectations and indicate that we are heading in the right direction.

Danske Bank also contributed a total of DKK 0.6 billion to financial stability in Denmark through the Guarantee Fund for Depositors and Investors. In Denmark, it is the industry, not the taxpayers, that pays for bank failures, and as the largest bank in the country, we assume responsibility for maintaining customers’ trust in the financial system.

**Employees**

At the end of 2012, Danske Bank employed 20,308 people, who received DKK 16.3 billion in salaries, pensions and benefits. We are very pleased to see that, in spite of a somewhat hectic year, which included a large organisational restructuring and the consolidation of our business under the Danske Bank brand name, employee motivation and satisfaction remained high. In 2012, the overall score fell two points to 74. But we are still highly rated, and our efforts to improve the score will continue in 2013. We also reached our target for increasing the percentage of women in senior management to 20%, and we have set a new target of 22% female managers by 2015.

**Environment**

In 2012, our CO₂ emissions totalled 42,795 tonnes, or 2.1 tonnes per employee, which represented a decline of 19% from the level in 2011. Our total CO₂ emissions were offset against investments in CO₂ reduction projects, and Danske Bank achieved carbon neutrality for the fourth consecutive year. Our energy consumption per employee was 7.3 MWh, which was a 6% reduction from the 2011 level. We surpassed our target of a 20% reduction in electricity consumption by 2014 one year ahead of schedule. A substantial part of the reduction was owing to changes in the organisation as well as closures and mergers of branches in several countries. The data also indicate, however, that our operations have become more efficient, since less energy is used per employee.

**Tax**

At Danske Bank, we pay the correct amount of taxes in accordance with the laws of the various countries where we operate. As an international company with operations in 15 countries across northern Europe, Danske Bank follows the rules on international joint taxation according to the Danish joint taxation regime. This means that all foreign units of Danske Bank are included in our taxation calculation. International joint taxation allows us to deduct losses in a given unit against our total Danish taxable income. This rule ensures that companies pay tax only on their income. International joint taxation thus adjusts the amount paid in tax on the basis of the income and losses across the Group over a long period of time. International joint taxation is voluntary and can be chosen for a binding period of ten years.

In 2012, Danske Bank deducted losses at our units in Ireland and Northern Ireland from our total taxable income. The deduction of losses results in a deferment of Danish tax, which will become payable as the units in the region earn a profit.

In 2012, Danske Bank’s corporation taxes across the Group totalled DKK 3.8 billion. The amount of taxes due in each country in 2012 is shown in Annual Report 2012. Governments also benefited indirectly from the personal taxes paid by our employees (DKK 4.3 billion), taxes paid on financial returns generated for our customers and corporation taxes paid by suppliers. The Group payments to suppliers in 2012 amounted to DKK 11.8 billion.
### Employees
- Number of full-time employees, end of year: 20,308, 21,320, 21,522
- Percentage of women in workforce (%): 56, 56, 57
- Percentage of women in management (%): 36, 36, 35
- Employee satisfaction and motivation (scale 0-100): 79, 76, 75
- Absence due to illness (avg. number of illness days per employee): 8.0, 8.0, 5.7

### Environment
- Energy consumption (MWh per employee)*: 7.3, 7.8, 8.4
- Total air travel (km per employee): 1,972, 1,717, 1,482
- CO₂ emissions (tonnes per employee)**: 2.1, 2.4, 2.6

### Society
- Donations to society (DKK millions): 15, 20, 21
- Hours of voluntary work (hours): 9,843, 9,697, 7,477

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* Data cover DK, SE, NO, IRL, NI, FIN and LIT.

** Data cover DK, SE, NO, IRL, NI, FIN and LIT and include estimated figures for the remainder of the Group.
Performance and objectives

Since 2006 we have set objectives for our responsibility work, both at the group level and for the country units. We use considerable resources to reach our goals and ensure the steady development and implementation of the responsibility principles that lay the foundation for our business.

**BUSINESS**

**SOCIETY**

**2012 OBJECTIVES**

- Maintain a customer panel to investigate Finnish customers’ expectations and opinions.
- Raise awareness of the Payment Reform Programme among customers and other key stakeholders in Ireland.
- Develop a responsible sourcing strategy.

**2012 PERFORMANCE**

- We consulted the Finnish customer panel in 2012.
- We continued our efforts to shift customers away from a reliance on cash through various initiatives such as promoting online banking.
- To ensure thorough testing and evaluation of the best methods, we postponed the development of a new strategy for responsible sourcing.

**2013 OBJECTIVES**

- None.
- Continue to promote awareness of the Payment Reform Programme.
- Develop a self-assessment questionnaire for screening suppliers.
- Begin implementation of a process for handling high-risk suppliers.
- Roll out "Step-by-step" meetings for senior citizens in NI, IRL and FIN.
- Develop eBanking version with simplified user interface for increased accessibility.
- Develop economic advisory service for tenants in DK.
- Launch Environmental, Social and Ethical Risk Policy with separate guidelines for sensitive sectors and industries.
- Implement investment procedure that excludes sovereign bonds from countries with a high risk of systematic human rights violations.

RESULT: 100% 🟢 50% 🟡 0% 🟠
## FINANCIAL LITERACY

### 2012 OBJECTIVES
- Launch Control Your Money in Estonia and Lithuania.
- Increase the number of Moneyville users in Finland to 150,000.
- Increase the number of Dream On visitors in Norway to 10,000.
- Create a separate section for Mind Your Money on the Swedish Facebook page.
- Hold nine presentations on personal finance at Danish upper secondary schools.

### 2012 PERFORMANCE
- Control Your Money was launched in Estonia and Lithuania.
- The number of Moneyville users in Finland increased to 153,400.
- We increased the number of Dream On visitors in Norway to 7,456.
- Mind Your Money was launched on the Swedish Facebook page in December 2012.
- We held nine presentations across the country.

### 2013 OBJECTIVES
- Host seminars on Control Your Money for maths teachers in Lithuania.
- Increase the number of Moneyville users in Finland to 200,000.
- Increase the number of Moneyville users to 1,500,000 in Norway.
- None.
- Hold an additional nine presentations at Danish upper secondary schools.
- Develop Moneyville for tablets and mobiles.
- Expand awareness of Control Your Money among 1,000 Lithuanian teachers.

## EMPLOYEES

### 2012 OBJECTIVES
- Insert objectives on increasing the number of female managers in executive managers’ performance agreements.
- Integrate principles of diversity, especially gender diversity, in the Group’s succession policy.
- Increase the percentage of women in senior management to 20%.
- Achieve 10% staff participation in the Charity Partner programme in Ireland.
- Reduce employee turnover to the financial sector average in Norway.

### 2012 PERFORMANCE
- Increasing the number of female managers is included in several executive managers’ performance agreements.
- Diversity and gender were implemented as criteria in succession work. No changes were made to the Group’s succession policy.
- We reached the target for the percentage of women in senior management.
- We achieved 10% staff participation in the Charity Partner programme in Ireland.
- Employee turnover in Norway was 10.9.

### 2013 OBJECTIVES
- Maintain objectives on increasing the number of female managers in the executive managers’ performance agreements.
- None.
- Increase the percentage of female managers to 22% by 2015.
- Achieve 10% staff participation in the Charity Partner programme in Ireland.
- Reduce employee turnover to the financial sector average in Norway.
- Improve the score for indicators of noise below 50 in the Workplace Assessment.
- Roll out management training on working environment at units outside Denmark.
- Finland: Ensure systematic competency development for the most common job profiles.
- Sweden: Five employees serve as mentors in “My life” organisation’s work to attract highly educated women with foreign backgrounds.
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<tr>
<th><strong>ENVIRONMENT</strong></th>
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<tbody>
<tr>
<td><strong>2012 OBJECTIVES</strong></td>
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<tr>
<td>Reduce the Group’s electricity consumption by 20% from 2009 to 2014.</td>
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<td>Set a new reduction target for CO₂ emissions from air travel.</td>
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<td>Denmark: Increase the number of ecolabelled products.</td>
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<td>Finland: Develop a plan to increase recycling at the head office premises.</td>
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<tr>
<td>Ireland: Reduce electricity consumption by 10% from the 2010 level.</td>
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<tr>
<td>Northern Ireland: Reduce electricity consumption by 10% from the 2010 level.</td>
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<tr>
<td>Norway: Achieve Eco-Lighthouse certification of large business premises.</td>
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<tr>
<td>Sweden: Reduce electricity consumption by 10% from the 2011 level.</td>
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RESULT: 100%  50%  0%
2012 Achievements

When we look back on our corporate responsibility work in 2012, some achievements stand out.

STEP-BY-STEP MEETINGS
To help senior citizens make the transition to digital banking, we held 25 “Step-by-step” meetings in Denmark in the autumn of 2012 to give them basic knowledge about public and private digital solutions available to them and the skills to use the solutions.

GENDER INCLUDED IN EXECUTIVE PERFORMANCE AGREEMENTS
To ensure an increase in the percentage of female managers in our organisation, we focus on making management positions equally attractive to all aspiring leaders in the Group regardless of gender. In 2012, objectives on increasing the number of female managers were included in the performance agreements of executive managers at the business units.

22% REDUCTION IN ELECTRICITY CONSUMPTION
In 2009, the Group set an ambitious target of a 20% reduction in electricity consumption by 2014. We are very pleased to have reached this goal one year ahead of schedule by reducing consumption by 22%.

NEW STANDARDS JAM
After the launch of our new strategy in October 2012, all Danske Bank employees were invited to take part in an online Jam session intended to kick-start the implementation of the new strategy and gather employees’ ideas and opinions. Some 7,700 employees contributed more than 5,000 entries, sharing their interests, concerns and ideas on how to execute the strategy and make it a success.

MONITORING ELECTRICITY CONSUMPTION
In 2012, we implemented an online system for monitoring electricity consumption from IT equipment. The system, called Joulex, allows us to reduce energy consumption by monitoring, analysing and enabling us to control how much energy we use in IT equipment connected to a network.

LITHUANIAN AWARD
For its achievements in Lithuania, Danske Bank received the “Socially Responsible Business Award 2011” from the Lithuanian Business Confederation in 2012. Danske Bank was acknowledged particularly for financial literacy projects that addressed social needs.

0-18 SITE FOR PARENTS
With the launch of the “0-18” online initiative, we expanded our selection of financial literacy initiatives aimed at children, young people and their parents. On websites in Denmark, Sweden, Finland and Norway, parents can find age-specific information on financial topics and tools that facilitate dialogue about money and finances with their children up to the age of 18.
Danske Bank has reported on corporate responsibility matters since 2006. In our report we address issues that are important to stakeholders who are interested in Danske Bank Group’s corporate responsibility performance. We seek to provide a comprehensive and balanced overview of the important non-financial aspects of our business in five main areas: society, business, financial literacy, employees and the environment.

The report is part of Danske Bank’s annual reporting. It covers the entire Group and its business units but not companies under administration because of financial difficulties. Full information about the Group’s financial results and risk management practices can be found in our annual Report 2012 and Risk Management 2012.

This is the second year that the report is being published online only, except for a few samples. This is part of our ambition to reduce our environmental impact. In conjunction with the Group’s organizational restructuring in 2012, we expect our reporting to change slightly in the coming years. We will elaborate on any changes made to the process, structure or choice of content in future reports.

Statutory requirements
Since 2009, the 1,100 largest Danish companies have been required to account for their corporate responsibility policies, activities and results as part of their annual financial reporting. In March 2012, the Danish government issued “Responsible Growth: Action Plan for Corporate Social Responsibility 2012-2015”, which proposes expanding the reporting requirements. The expansion includes an obligation to report explicitly on efforts made to respect international human rights and to reduce the effects of climate change. We welcome this change and draw attention to our membership in the UN Global Compact, which we have supported since 2007. We have reported on our progress since 2009, including progress in the areas of human rights and climate protection, and we refer readers to our Global Compact reporting. It consists of a Communication on Progress report and this CR report. The Communication on Progress can be found on the Global Compact website.

Reporting principles
This report has been prepared according to the Global Reporting Initiative (GRI) G3 sustainability Reporting Guidelines, including the Financial Services Sector Supplement, in accordance with application level B, self-declared. A GRI content index corresponding to the relevant UN Global Compact principles is available at www.danskebank.com/CR.

In reporting on greenhouse gas emissions, we draw guidance from the Greenhouse Gas Protocol and ISO 14.064-1. Detailed information on our data calculations and reporting principles can be found on our website and in the CR Factbook 2012. For 2013, we wish to obtain external verification of our CR report to further demonstrate our commitment to transparent accountability.

Principles for Responsible Investment reporting
This is the second year we are reporting to the UN PRI organisation. The UN PRI Report on Progress explains how we integrate the principles of socially responsible investing in day-to-day investing processes. Because of changes in the reporting structure made by the UN PRI organisation, the 2012 report will not be publicly disclosed.
Economic uncertainty, sluggish growth, lack of confidence and increasing regulation. These are not just temporary challenges. These are the NEW NORMAL
Because of the financial crisis and its repercussions, credit-driven growth in the Western economies is muted and high unemployment, stagnant wages and declining housing prices are just some of the challenges that consumers face. Although it is hard to predict how long the crisis will last, we can be sure that the new economic landscape will not look the same as it did a few years ago.

For both private individuals and businesses, the concept of the new normal thus often means financial restraint and anxiety. Since the crisis, a more moderate attitude towards spending has spread among consumers. Money that previously would have been spent on a new car or a second home is now being used to bring down debt. The result is an economic system with significantly less financial leverage. Banks issue fewer loans and generate less profit. For some businesses, near-term survival has been the main item on the agenda for some time. And the world has become increasingly unpredictable for all companies, forcing them to be flexible and adapt their business models continually.

New standards
For the global financial sector, the economic crisis has also become a crisis of confidence. Issues ranging from bad financial results and the credit crunch to diverging interest rates and branch closures have caused concern and uncertainty among the public and bank customers. Trust in banks and the financial system is therefore at a historic low.

We believe that together these factors mark the beginning of a new period of banking in which integrity, capital strength and responsibility come first. At Danske Bank, we are firmly committed to regaining customers’ confidence. We know that it will take time and require a number of fundamental changes in the way we do business. But we see running a healthy, profitable business as our most important contribution to society in the new normal, and we are already well on the way there.

Improved financial strength
Although interest rates were low in 2012, the Group’s earnings improved because of higher net interest income, trading income and income from our insurance business. Our earnings initiatives,
improved conditions in the capital markets and tight cost control also supported the results. The Group’s income in 2012 totalled DKK 47.7 billion, an increase of 9.9% from the level in 2011. Profit before loan impairment charges rose 16.4%. Difficult conditions persisted in several of the Group’s markets, and impairment charges were high at the units in Ireland and Northern Ireland and in some segments in Denmark. The Group’s expenses, including payments to the Danish Guarantee Fund for Depositors and Investors of DKK 0.6 billion, matched the 2011 level.

New ROE target for 2015
Despite the positive trend, we need to improve our financial performance further in order to be sustainable in the long run, and our goal is to raise the return on equity (ROE) from the current 4% to 12% in 2015. The journey towards this goal will be challenging, but a number of new business initiatives that we estimate will improve ROE 4% to 6% will help us to get on the right track. This also depends on an improvement in the macroeconomic climate, however. Our projection of 12% ROE is based on a rise in interest rates of 2 percentage points. This would add 4%-5% to the ROE, and a decline in impairment charges would add another 5%-6%. On the other hand, regulation, inflation and increased taxes are expected to lower ROE by 6%-7%.

Measures to stabilise the financial system
Continental European banks have failed mainly because of a lack of sound credit risk management coupled with inadequate capital and liquidity, not because of losses on trading activities or investment portfolios, which occurred mostly in the US. In order to prevent a future crisis, regulators are trying to create a more resilient financial system by setting stricter capital and liquidity requirements that will make banks more robust. Danske Bank fully supports this approach, and we are well prepared for the changes. The stress tests conducted by the European Banking Authority in 2012 showed that we are one of best-capitalised banks in Europe. We have now set prudent capital targets for the end of 2013: a total capital ratio of 17% and a core tier 1 capital ratio of 13%.

Other important new regulations concern harmonised rules on the recovery and resolution of banks in crisis. While crisis prevention should take priority, it is important to have a framework that will enable the recovery and resolution of banks with minimal disturbance for society. One important element is removing the current implicit or explicit guarantees from governments and thus the moral hazard in the banking system. In Denmark, some steps have already been taken in the 2010 Bank Package 3, which made it possible for senior creditors to lose their investments upon the resolution of a bank [a bail-in resolution]. Although we support the use of bail-in schemes, they have not been harmonised at the EU level and therefore pose a severe competitive challenge for Danish banks, whose funding is more expensive than that of banks in Sweden, for example. This of course puts pressure
on earnings and, in turn, customer prices. The most important principle for regulation should therefore be international harmonisation to create a level playing field.

Too big to fail?
Systemically Important Financial Institutions (SIFIs) are banks whose failure could trigger a global or national financial crisis, and they will be given special regulatory attention and treatment. These banks are deemed “too big to fail”. Identifying SIFIs is thus an important step in protecting the global economic system. The International Financial Stability Board has published a list of global SIFIs, and regulators at the EU and in individual countries are following suit.

Danske Bank is the largest bank in Denmark and an integral part of the Danish economy and society. We acknowledge our responsibility to help ensure financial stability and growth, and we expect to become one of the Danish SIFIs. We do not yet know what new regulations this designation will entail, although we do expect at least an increase in capital requirements and a requirement to develop recovery and resolution plans. The basic issue is that no one trusts a weak bank. In order to support society – that is, to support business growth and consumer spending – we need to make money. The objective of our new strategy is to restore trust. One aspect of this is increasing our earnings, and we will do this by setting new standards for financial services. In some areas we already have leading solutions, and we are developing a number of additional initiatives to create a strong and efficient bank.

RESPONSIBLE INVESTMENT
At Danske Bank, we have been screening our investment portfolio against internationally recognised principles for social and environmental responsibility since 2008. We have a comprehensive set of daily routines to ensure that we do not invest our own or our customers’ funds in companies that violate these principles.

In 2010, we joined the UN-backed Principles for Responsible Investment (PRI), thus committing ourselves to incorporating environmental, social and governance issues in our investment research and decision-making processes and to practicing active ownership.

We participate with other investors in various forums and on specific cases. For example, in November 2012, we joined a coalition of 49 investors that called on Canadian oil sands developers to reduce the environmental and social impact of their operations by lowering greenhouse gas emissions, managing water use, promoting land reclamation and consulting with indigenous peoples.

Beyond the company approach
The field of Responsible Investment (RI) is under constant development, and new issues are regularly brought to our attention by our external expert advisers and other stakeholders. We welcome this information, and we always examine each case carefully before taking action.

In 2012, two issues attracted special attention, and it became apparent that not all ethical risks are manageable exclusively through a company-based approach.

Commodities
Trading activity usually has a stabilising effect on commodity prices because it provides liquidity in the market. But investments and speculation in commodities and basic foodstuffs through derivatives and structured products have been linked to increases and heavy volatility in commodity prices by the FAO and UNTCAD.

The poorest people in the world are hurt the most by these effects on prices. Since the right to food is a basic human right, financial speculation in foodstuffs can lead indirectly to a violation of fundamental international principles. High food prices are not necessarily uniformly bad for the world’s poor, however. For example, some support themselves as farmers and sell their produce on the market, where they benefit from higher prices. On the other hand, they are also food buyers, and high prices can put pressure on their ability to obtain food. In any case, there is widespread agreement that heavily fluctuating prices create uncertainty and difficult conditions for the poorest populations in developing countries. Research is steadily giving us a better understanding of how financial activity affects the
DILEMMA

Can we find a balance between growth and stability?

The financial sector faces a need on the part of business to invest and generate growth as well as demands for moderation in credit granting. Is it possible to accommodate both?

Financial institutions play an important role in generating economic growth through the credit facilities they grant and the investments they enable. In the aftermath of the financial crisis, policymakers responded with tighter regulations and more comprehensive rules for credit granting in order to make the banking sector more resilient. We support the regulations because they aim to help create a level playing field where all financial institutions maintain a responsible approach to lending and investment and because it will help us improve our own processes. But we continue to urge policymakers to impose industry regulation with care.

Acting as both a vehicle for growth and a gatekeeper of financial stability, banks find themselves in a difficult balancing act. There is no doubt that a healthy banking industry is a prerequisite for economic recovery in Europe. New regulations, however, have made it increasingly difficult for banks to grant credit, and too much regulation over too short a period of time may impede economic growth.

In Denmark, half of all start-ups fail within the first year, making it very risky for banks to grant credit to new entrepreneurs. Even though we have a responsibility to assist the economy in moving forward by funding new projects and businesses, we also have a responsibility to society and our customers, so we must make sure that borrowers are able to repay their loans. A substantial part of the economic growth generated in society comes from established companies that expand their business. Danske Bank wants to support this growth, and in 2012, our market share of lending increased.

Whenever we are unable to accommodate a credit application, we always explain why it has been rejected. We often advise start-ups to seek guidance on developing their business further before applying for credit again.
real prices of commodities, but no clear conclusions have been reached yet. While there are indications of a correlation between increased trading activity and real prices, the causality has not been clarified. In political circles, steps are being considered to define rules that would prevent speculation without impeding sound trade and investment in commodities.

We currently offer two structured products involving commodities, with foodstuffs accounting for about one-third of them. We introduced the products in 2010, and they mature in 2013. Since the allegations about derivatives trading based on foodstuffs are severe, we have taken a precautionary approach and decided not to develop new structured products involving foodstuffs until the relation between trading and price volatility has been clarified.

**Government bonds**
Another issue that has recently come under the spotlight is investing in government bonds of controversial nations. The criticism is that, when investors purchase government bonds, they have difficulty following the money and may involuntarily contribute to violations of human rights, for example. When investing in companies, Danske Bank has the opportunity to conduct an ongoing dialogue with company managements about their financial circumstances and their maintenance of a sound business culture. With sovereign nations, it is not possible to exercise active ownership.

In June 2012, the Danish Minister for Business and Growth entered an agreement with the Danish pension industry and the *Federation of Danish Investment Associations (IFR)* on greater openness about investments in government bonds from controversial states. Danske Bank Group supports this, and we are in the process of adjusting our RI procedures to the special conditions that apply to government bonds. We follow closely various international evaluations of countries’ management of human rights and corruption. The bank also takes part in working groups under the PRI and the IFR in which the issue is addressed.

In order to ensure that customers’ funds will not be invested in sovereign bonds from the most vulnerable states, where there is an elevated risk of systematic human rights violations, we will adopt a precautionary approach when investing in sovereign bonds.

**RESPONSIBLE LENDING**
Upon the major reorganisation of the Group in June 2012, a new department was created: Group Risk Management. The department is responsible for the Group’s overall risk policies, risk management, credit appetite and risk-reward alignment as well as group-wide risk management projects and processes. The three new business units – Personal Banking, Business Banking, and Corporates & Institutions – are responsible for credit granting, credit segment strategy, and segment-related risk and pricing decisions for their units. The largest credit applications and exposures will continue to be submitted to the Executive Board or the Board of Directors for approval.

To head the Risk Management department, the Group appointed a new Head of Group Risk Management, Robert Endersby, who has also joined Danske Bank’s Executive Board. One of the department’s main tasks is to strengthen the Group’s credit policy and risk management framework and to streamline the department’s activities and make its organisation more agile. Among the initiatives planned for 2013 is the development of an Environmental, Social and Ethical Risk Policy.

**Extended responsibility**
Unlike most other industries, the banking industry does not produce or sell physical products. Instead, we provide capital that goes to work in a multitude of sectors to drive social and economic development. As a result, we have a responsibility to ensure that our activities are aligned with the principles of sustainable development.

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**2013 OBJECTIVES**

- Launch Environmental, Social and Ethical Risk Policy with separate guidelines for sensitive sectors and industries.
- Implement investment procedure that excludes sovereign bonds from countries with a high risk of systematic human rights violations.
of ways, for example to enable an expansion of production facilities. While manufacturers are concerned primarily with the ethical and environmental risks of the production process and the product itself, the financial sector, to an increasing degree, is expected to share accountability for customers’ use of our products, even though we are not directly involved in their management. This makes sense, and just as we try to ensure that the funds we invest on behalf of our customers do not support the violation of internationally recognised standards for human and labour rights, the environment and anti-corruption, we must consider the possible ethical risks associated with the credit facilities we grant to companies.

In 2011, we therefore began to cross-check Danske Bank’s credit exposure against the Group’s SRI exclusion list to ensure that we are not doing business with companies that violate our social, ethical or environmental guidelines. While this was a step in the right direction, the process revealed a need to further develop our business procedures for managing ethical risks related to corporate customers.

Towards a new risk management framework

In 2012, we decided to implement a number of measures to improve the Group’s assessment of companies’ risks related to human and labour rights, the environment and corruption. The current process of updating the Group’s credit policy will cover these issues on the basis of the principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

In 2013, we will develop a specific set of guidelines for particularly sensitive sectors that will be implemented in the credit policies and procedures for the Business Banking and Corporates & Institutions credit units. In addition, the Group will evaluate the new version of the Equator Principles when they are published in the beginning of 2013. The principles serve as a benchmark for financial institutions when they assess and manage environmental and social risks in global capital investment projects.

Danske Bank Group had considered joining the Equator Principles previously but decided not to because the Group has very little involvement in large-scale project financing.

Just as we try to ensure that the funds we invest on behalf of our customers do not support the violation of internationally recognised standards for human and labour rights, the environment and anti-corruption, we must consider the possible ethical risks associated with the credit facilities we grant to companies.
Ensuring trust and confidence is crucial to maintaining a good relationship with our customers and to sparking a POSITIVE CHANGE in the economy. People need to have a clear picture of who we are and know that they can trust us, our products and our actions. With a single banking brand, we can devote all our energy to offering the best solutions to all our customers.
On 15 November 2012, the Group said goodbye to the local brand names Fokus Bank, Northern Bank, Danske Bankas, Danske Banka, National Irish Bank, Sampo Pankki and Sampo Pank, replacing them with the Danske Bank name, which we will now use in all our markets. The change was not just a matter of rebranding several banking units and changing the signs on almost one thousand branches and buildings. Behind the implementation of the enterprise name in all countries lies an ambition to deliver the same high-quality products and services to our customers no matter where they are.

**Streamlining the business**

Societal needs and behaviour are changing rapidly, and customers are making increasing demands for new solutions with instant access to banking services around the clock and competitive prices. At the same time, the international banking authorities are increasing regulations to ensure economic stability. While we welcome these initiatives, regulations have costs because they make it harder and more expensive to run a bank. For example, it has become more expensive for Danske Bank to obtain funding in the capital markets, and this affects customers as well as shareholders. We therefore need to become more efficient, and the single banking brand will enable us to streamline business development and internal processes.

**Customer needs largely the same across borders**

Customers’ needs and demands do not depend on nationality but rather on whether they are personal customers, SMEs or large multinational corporations. When people buy cars, phones and computers, few care about where in the world the product originates. What they care about is quality, innovation, accessibility and sustainability. The same goes for banking products, and we must respond to this. Our efforts to operate under a single brand also reflect an ambition to give all customers the same banking experience and to be perceived as the same bank in all our markets.

In June 2012, the Group therefore abolished the geographical structure with a more or less autonomous banking unit in each country. We replaced it with a new organisation with three business units based on our three main customer segments. The new units – Personal Banking, Business Bank-
ing and Corporates & Institutions – work across borders and are each responsible for credit granting, business development, communications and marketing for their customer segments.

Instead of cultivating differing approaches, we will now focus on similarities, and we want to use our resources to deliver strong products and service programmes to customers faster and more efficiently. Because of the difficult financial environment, we require stronger growth potential from businesses before granting credit facilities. We have made a clear customer segmentation plan that will reduce risk and increase capital efficiency, and we have begun to transform our credit process to improve credit quality. Some banks have lowered their credit ceilings, but at Danske Bank, we are still willing to lend money for sensible projects.

In addition, in January 2013 we changed our pricing structure for personal customers in Denmark to enhance transparency and ensure that we have a fair offer for every customer, regardless of their business volume and the complexity of their needs.

**Banking at your fingertips**

Since personal customers in all our markets are rapidly moving to online solutions for an efficient, easy and convenient way of doing their everyday banking, we closed a number of branches and teller stations in all our markets in 2012. We are making very large investments to develop digital and phone solutions, to modernise existing branches, and to develop innovative advisory centres. With these initiatives, we wish to give personal customers self-service options for simple transactions as well as proactive and specialised advisory services for their more complex needs. For example, customers can set up accounts, sign agreements and credit applications, and transfer mortgages in the eBanking system. In 2013, we will continue to expand the range of self-service solutions, for example with online face-to-face meetings outside normal business hours.

We are aware that some customer groups do not favour these developments and are not embracing them. Many senior citizens are more comfortable with face-to-face meetings, and many young people have fragile personal finances and need regular contact with their bank. We want to make sure that all our customers feel we are accessible to them regardless of their age and needs. In 2012, we therefore focused on providing extra assistance to the elderly as well as to young customer groups with fragile personal finances.

**Taking responsibility**

In 2012, the marketing campaign for our new strategy received widespread attention from the media and the general public. In Denmark, many stakeholders – including customers – were critical of the campaign and demanded results. We fully acknowledge the need to restore people’s trust in the banking industry, and we are committed to fulfilling our ambition of setting new standards and becoming a better bank. The campaign received positive feedback in other countries.
Because of digitalisation and more and better self-service options, the way customers use the Bank is changing. In Denmark, teller transactions have declined 48% since 2009, and more than 600,000 customers now use our mobile and tablet banking solutions. This digital trend is not unique to Danske Bank; an increasing number of people access both government and commercial services online.

Many senior citizens have already adapted to the new digital reality, but for some, the switch to self-service can be somewhat of a hurdle. They are used to face-to-face contact with staff at their branch or local authority office and find personal contact more reassuring and accessible. Many are not familiar with information technology and do not even have access to the Internet. In order to ease the transition, Danske Bank held 25 “step-by-step” meetings in 2012, and 32 meetings are planned for 2013. The idea was to give senior citizens basic knowledge about the public and private digital solutions available to them and to give them the skills to use the solutions.

Danske Bank invited the DaneAge organisation [Ældre Sagen] to participate in the meetings, which were organised in cooperation with service centres in more than 55 local authorities. At the meetings, a small IT company that specialises in developing user-friendly computers for senior citizens gave examples of how computers can easily become part of everybody’s daily life. The participants could also sign up for our eBanking schools, in which we provide free guidance on how to access and use our eBanking solutions.

The first meetings, which were held in Denmark in November 2012, were fully attended. We are very pleased with the interest in the meetings, and we will begin to roll out the initiative in Ireland, Northern Ireland and Finland in 2013.

In order to make the Bank more accessible for all age groups, we will research how to tailor digital banking solutions to senior citizens. In 2013, on the basis of this research, we will develop a new eBanking version with a simplified user interface.
In the past few years, we have seen a trend among customers away from branch banking towards online and telephone banking. Many customers find that online and telephone banking are more flexible and convenient, and we expect this trend to continue. The number of branches that Danske Bank operates will be reduced accordingly.

A large number of our customers, however, are used to face-to-face contact with banking staff. Some of these customers have never used the Internet and use their debit cards only at their local branch. Our data show that in 2012 almost half the teller transactions we had with customers over the age of 60 were general enquiries about account balances or interest rates, which could be dealt with easily over the phone or through online channels. In a period of transition, when there is less need for branches and more demand for digital solutions, we must keep up with this trend in order to maintain a competitive and agile banking model. The number of Danske Bank branches declined from 670 in 2010 to 491 at the end of 2012.

This challenge is not unique to Danske Bank or the banking industry. Other industries and the public sector are also changing their services to become more digital. This poses a challenge since more than 400,000 people in Denmark have no access to the Internet in their homes.

We believe that the public and private sectors have a joint responsibility to ensure a smooth transition to the digital society. We are therefore engaging in a dialogue with customers and NGOs and establishing partnerships with companies, NGOs and local authorities in order to make the transition to a digital society and to digital banking as easy as possible.
MANAGING DEBT
Unmanaged debt will grow and can become increasingly difficult to control. At Danske Bank, we have teams who are trained to spot early warning signs of debt problems. If customers appear to be in financial trouble, we contact them to try and prevent the problem from growing.

Every year, many customers find themselves in a situation where they are unable to repay a debt. In these cases, our debt recovery department contacts the customer and proposes a solution to settle the debt. No two customers’ situations are alike, and financial difficulties often emerge in the wake of personal events, such as losing a job or getting divorced. First, we establish a dialogue with the customer based on his or her individual situation, and in order to find a solution, we look at all aspects of the customer’s finances. Often, small adjustments, such as deferring pension contributions temporarily, can make a big difference in managing debt.

In some instances, it may be necessary to deduct money from the customer’s account in order to settle some of the debt. We make sure that the customer is left with an amount sufficient to maintain a decent standard of living, and we always comply with applicable statutory guidelines.

Partnership with Sørø Local Authority
In 2012, the Danske Bank branch in the town of Sørø, south of Copenhagen, hosted a debt advisory session at the local authority job centre. The Bank’s advisers learned that many job seekers who had been unemployed for a long time were also struggling with debt problems. The advisory sessions therefore focused on how to manage debt while living on public benefits, and the advisers gave the participants guidance on how to break the vicious circle.

The advisory sessions were held twice in 2012 and took the form of group workshops in order to reach as many people as possible. We are very pleased to be able to share our knowledge in this area, and we want to establish similar partnerships in the future.

Debt advisory service
Taking out a loan, to finance a new home for example, is a normal part of life for many people, and having debt is not a bad thing in itself. For some people, however, managing their debt has become an overwhelming task. We want to offer our knowledge and assistance to people with debt problems, even those who are not our own customers. We therefore participate in a Danish government-supported debt advisory service in which bank advisers, lawyers and social workers offer help free of charge and with no business interest. Danske Bank has taken part in this programme since 2011, and in 2012, some 14 branch advisers participated in the programme. Half of the time spent advising people is paid for by the Bank. The programme has seen great interest from employees who want to volunteer, and Danske Bank will continue to support it in the years ahead.

In 2012, the success of the programme prompted the Danish Ministry of Social Affairs and Integration to increase the funding from DKK 16 million to DKK 39 million over the next four years.

RESPONSIBLE SOURCING
For responsible sourcing practices to be effective, they require both transparency and dialogue. We believe that responsible sourcing can create value for the Bank and our suppliers as well as support sustainable development. We screen all our suppliers on an ongoing basis to ensure that they comply with our supplier policy and requirements for social and environmental conduct. In 2012, we intensified our work to meet this objective and focused our efforts on improving the screening process.

Upon registration in our supplier base, suppliers must answer a few simple questions, and an external consulting firm assesses the risk that they pose on the basis of criteria such as regional and sector risks. The suppliers are then categorised as low-, medium- or high-risk suppliers, and those in the high-risk category are investigated further.

The risk assessment is based on internationally recognised standards in the areas of human and labour rights, the environment and anti-corruption. Our commitment to the UN Global Compact serves as the foundation for our responsible sourcing process, and we participate in various multi-stakeholder initiatives, including the United Nations Environment Programme Finance Initiative (UNEP FI) and the Danish Initiative for Ethical Trading (DIEH).
When we have identified high-risk suppliers, we initiate a dialogue with them to determine the next steps. We wish to emphasise that companies initially categorised as high-risk do not necessarily violate our supplier policy. We have decided, however, to adopt a precautionary approach and further investigate companies with operations in countries or sectors where high environmental or social risks have been documented.

The dialogue is based on a self-assessment questionnaire (SAQ) that is intended to ease the screening process and make it as efficient as possible. As a bank, we procure many products indirectly through intermediary suppliers, which are not taken into account in existing SAQs. We therefore decided to develop an SAQ specifically for our supplier base and to design our own process for processing the questionnaires. We expect the new SAQ to be ready by mid-2013.

In 2012, we disbanded the Responsible Sourcing Board, which we had established to support decision-making in the initial phase of our responsible sourcing work. In future, decisions about responsible sourcing will be part of the day-to-day management in Group Procurement. Decisions on fundamental issues will be brought to the Group Responsibility Board.

In 2012, we joined the newly established “Ecolabelling Denmark” network, in which companies exchange knowledge they have gained from purchasing environmentally friendly products.

In 2013, we will design a long-term responsible sourcing strategy. Although we had expected to complete the strategy by the end of 2012, we found it necessary to test and evaluate the best methods as thoroughly as possible. In 2013, we will also work to integrate responsible sourcing in Group Procurement’s sourcing model and work with external consultants to implement the most effective management of high-risk suppliers.

“Many people with debt feel that they run into a brick wall when trying to solve their debt problems. For us, it’s about helping them to help themselves. By showing the consequences various decisions may have on their financial situations, people are quite often surprised to learn that they can affect their situation both positively and negatively.”

MIA RYE ANDERSEN / DEPUTY MANAGER AND VOLUNTEER DEBT ADVISER
INNOVATION AND DIGITALISATION

Being available to customers when and where they need us is an important aspect of our business. Banking should be easy in all its facets, and it is our ambition to set new standards by providing easy, convenient and efficient ways of banking.

In 2008, we launched an extensive process of digitalisation to increase accessibility. In 2012, we added a variety of new features to the online banking system, including an online customer service channel, and customers can now set up accounts, sign agreements and credit applications, and transfer mortgages. More than 80% of all residential property agreements are now signed online, and we offer digital solutions on the three largest mobile platforms.

Danske Bank’s digital solutions received several awards in 2012. Our iPad app won a Gold Award in the “Service driven apps and utilities” category at the Creative Circle Awards and the “People’s choice” and “Best financial app” awards at the Danish App Awards 2012. Danske Bank also won the prestigious Danish eHandelsprisen (eCommerce award) in the “Best Cross-Channel Integration” category.

Future developments

Beginning in 2013, customers will be able to hold online meetings with an adviser in which they can view presentations and calculations together directly on the screen. This marks an important new banking standard, making advisory services available to customers at their convenience, including at the weekend, in the evening and early in the morning. Business customers will also gain greater access to advisory meetings in 2013 by means of TelePresence and videoconferencing facilities. In 2013, we will also launch a new online expense overview, making it possible for customers to keep track of their spending in graphic reports via computer, tablet or mobile phone.

ONLINE DIALOGUE

Our communications with customers now often take place online. As more and more customers switch from teller transactions to mobile or tablet solutions, it is only natural that they expect us to be available for information and advice on these platforms as well. We want to respond with services and communications that address this need. As a bank and provider of financial infrastructure, it is vital that we keep track of our customers’ opinions and develop our business at the same pace as their habits change.

Many people check their Facebook and Twitter accounts more often than they check their e-mail, so these channels offer an efficient way of communicating with customers. While customers know they can reach us whenever they need to, Facebook gives us an opportunity to inform them about important issues, such as phishing. So far, customers are responding well to this new form of dialogue. In 2012, we increased the number of fans on our Facebook site to more than 29,000. The Group’s Mind Your Money page on Facebook also saw a large influx of fans in 2012, growing from around 5,000 in September to more than 11,000 at the end of the year.

Also in 2012, we launched a new section of our Danish website called Danske Insights. On the site, we ask questions about real-life issues faced by the majority of our customers and initiate a dialogue about personal finance, new technology and the world around us. The purpose is to engage with customers and find out exactly how the changing world is affecting everyday life. We want to develop mutual understanding and cooperation with our customers.

Moving customer communications online means that many complaints, which used to be handled directly with the customer, are now publicly available for all customers to see and comment on. Even though this sometimes poses a challenge, we welcome this open dialogue because it helps us to improve our processes, products and services and to better understand customers’ needs and expectations.

HANDLING COMPLAINTS

The opinions and experience of our customers matter greatly to us, and we give all complaints the serious attention they deserve. Any dissatisfied customer is one too many, so we strive to learn from the complaints and prevent the same complaints from recurring.
**Social media dialogue**

The launch of our new strategy in November 2012 sparked an intense dialogue, especially on Danske Bank’s Danish Facebook page. We received a huge number of questions and expressions of opinions from both customers and the general public. Many questioned our will and ability to strengthen our business and show consideration for society at the same time. Nonetheless, we value the open and continuing dialogue because this is also part of our ambitions: to be available, respond to criticism and put our promises into action. Here are examples of contributions on some of the most frequent topics and our responses to them.

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**XXUser**

2012

Have you forgotten about your loyal old customers when you close down branches? What about those who have never operated a computer or do not know how to use eBanking?

**Danske Bank**

Dear XX,

You can be assured that we have not forgotten about those customers who are used to doing their day-to-day banking in the branch. Fortunately, many senior citizens have already adapted to digital solutions, but for some, the switch to self-service is a hurdle. In order to ease the transition, we are holding “Step-by-step” meetings in collaboration with service centres in more than 50 local authorities. The idea is to give senior citizens basic knowledge about the digital solutions available to them and explain how they can use ATMs, for example, to transfer money. The participants can also sign up for our free eBanking schools.

Best regards

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**XXUser**

2012

What do you wish to say when you depict a melting iceberg in your commercial? Does it affect your credit policy or is it just to show something we already know?

**Danske Bank**

Dear XX,

The iceberg depicts climate change, which is something that affects us all, both individuals and businesses. We want to show that we are aware of this. Though climate concerns are not directly addressed in our credit policies, we do expect all customers to comply with environmental laws, and we take these concerns into consideration in our investment practices. For example, we have joined a coalition of 49 investors that calls on Canadian oil sands developers to reduce the environmental and social impact of their operations by lowering greenhouse gas emissions, managing water use, promoting land reclamation and consulting with indigenous peoples. We have also invested in renewable energy projects, for example in India and Lithuania.

Best regards

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**XXUser**

2012

The New Normal is a waste of the money that Danish taxpayers have given to Danske Bank in the form of bank packages.

**Danske Bank**

Dear XX,

Like other banks, Danske Bank has been part of the Danish bank packages. But it has not been cost-free for the Bank. So far, we have paid more than DKK 15.5 billion for the Danish bank packages: Under Bank Package 2 (Credit Package), Danske Bank took up a loan in state hybrid capital of DKK 24 billion that we repay with interest of about 10%. So far the interest has amounted to DKK 6.5 billion. We have also paid DKK 9.1 billion under Bank Package 3 (winding up distressed banks) to clean up after banks that have gone down. The Danish state has so far made DKK 9.36 in profit from the bank packages. The reason we took part in the first place was to restore trust in the market and help ensure financial stability.

Best regards

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**XXUser**

2012

Danske Bank has gone into cost-reduction mode and will move hundreds of jobs abroad. And that’s after the bank has been rescued by the Danish state and its bank packages! What a strange way to say thank you...

**Danske Bank**

Dear XX,

When we move jobs abroad, it is often because we are an international company, with people and branches all over northern Europe and the Baltics. But also because it is necessary to increase our earnings and reduce our costs and become more efficient. Our customers increasingly prefer online banking over branches, which is why we will move some jobs to Lithuania, for example, where we can better support this trend.

With regard to the bank packages, it is true that Danske Bank took part in them and we think it was right for the state to launch the packages. But the state did not give us any money. So far, we have paid more than DKK 15.5 billion for the Danish bank packages.

Best regards

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Danske Bank has gone into cost-reduction mode and will move hundreds of jobs abroad. And that’s after the bank has been rescued by the Danish state and its bank packages! What a strange way to say thank you...
A substantial part of the complaints received are handled directly over the phone by Danske Direct, our customer line. If a complaint cannot be dealt with at once, or if it requires further follow-up, it is passed on to a central department. Since 2009, this department has handled all complaints and documented them in order to identify areas that can be improved.

In 2012, we implemented a new set of guidelines and policies for handling complaints. They are based on the principle of proximity, ensuring that the complaint is handled as closely to the customer as possible and that the customer is involved in the solution. It is our aim that the customer will experience a fast and accurate reply to the complaint, and we want to respond to all enquiries within 24 hours.

All complaints are screened centrally and then passed on to the relevant branch manager, who assumes responsibility for resolving the issue. The central screening process identifies patterns and areas that require attention and improvement. One finding was that a number of customers thought that information they received from the Bank was difficult to understand. It is important to us that our communications with customers are lucid and straightforward, so we are always looking for ways to make them clearer. In 2012, we therefore revised many of our standard letters to customers.

CUSTOMER SATISFACTION 2012
We strive to provide customers with the best banking solutions and the best services and advice. We listen carefully to customer feedback and measure customer satisfaction levels in our business units on an ongoing basis. In 2012, we established a new Customer Satisfaction Board with members from Personal Banking, Business Banking and our communications and marketing departments. The purpose of the board is to pool our expertise and ensure that we deploy all our knowledge when working to improve the customer experience. The board meets four times a year and reports directly to the CEO.

In 2012, we implemented a new set of guidelines and policies for handling complaints based on the principle of proximity.

In the business customer segment, we saw several improvements in 2012. The EPSI survey of the Danish financial sector rated Danske Bank business customers as the most satisfied in the country. Our score went up five points, the largest increase in the survey, and we are very pleased with this trend. We were rated above the industry average in Denmark, Norway and Sweden on products, service quality and value for money.

After two years of stable satisfaction ratings among personal customers, there was an overall decline in the Danish EPSI survey for this segment in 2012 because of a negative perception of large banks in general.

CUSTOMER SATISFACTION (SCALE OF 0-10, PERSONAL/BUSINESS) 2012 2011 2010

| Danske Bank Denmark          | 7.0/7.2 | 7.4/7.7 | 7.1/7.4 |
| Danske Bank Norway           | 8.1/7.6 | 7.8/7.4 | 7.5/7.4 |
| Danske Bank Sweden           | 8.1/7.7 | 7.9/7.9 | 8.1/7.8 |
| Danske Bank Ireland*         | 5.6/5.7 | 6.6/6.5 | 6.4/-   |
| Danske Bank Northern Ireland | 8.0/7.6 | 7.7/7.8 | 7.6/7.4 |
| Danske Bank Finland          | 7.4/7.7 | 7.4/7.8 | 7.3/7.9 |

* There are no business figures for Danske Bank Ireland in 2010 because the survey was suspended.
Our customers’ experience matters greatly to us, and we work steadily to improve our services and procedures to ensure high satisfaction levels. For example, in 2010 we initiated a process intended to optimise our business by focusing on the customer’s individual situation and needs in order to minimise bureaucracy, reduce administration and shorten waiting time. We want to improve processes that hinder our business agility and prevent errors that can adversely affect the customer experience. So far, the results of the project are very positive, and we expect to complete the process in 2013.

TAILORING SERVICES TO STUDENTS’ NEEDS

The financial needs and challenges of young customers are very different from those of customers with well-established finances. Young people’s personal finances are often fragile and easily influenced by unforeseen expenses and individual events. Students, for example, often have very limited disposable income and a range of regular expenses such as rent, household goods, books, and transportation. It can therefore be a challenge for them to get a clear overview of their financial position.

Although their financial resources may be limited right now, many students have the potential to become profitable customers in the future. They represent the future of society as well as our future customer base, and we have a responsibility to help them develop the skills necessary to handle their personal finances.

In 2012, we therefore created a virtual branch in Denmark called UngDirekte that is dedicated to assisting young people in managing their personal finances. Advisers who specialise in matters particularly relevant to young people, such as financing study abroad and the taxation of study grants, service young customers by phone. These advisers handle day-to-day tasks such as credit applications and overdrafts, and they also take a holistic approach to the young customers’ finances and help them spot ways to optimise their financial situation. This virtual branch is currently a pilot project with around 5,000 young customers. In 2013, we will evaluate the possibilities for offering the service on a permanent basis.

SELECTED 2012 OBJECTIVES

1. Develop a responsible sourcing strategy.

SELECTED 2012 PERFORMANCE

1. We intensified our efforts to further improve our screening processes. To ensure thorough testing and evaluation of the best methods, we postponed the development of a new strategy for responsible sourcing until 2013.

SELECTED 2013 OBJECTIVES

Develop a self-assessment questionnaire for screening suppliers.

Begin implementation of a process for handling high-risk suppliers.

Roll out “Step-by-step” meetings for senior citizens in NL, IRL, and FIN.

Develop eBanking version with simplified user interface for increased accessibility.

Develop economic advisory service for tenants in DK.

Launch Environmental, Social and Ethical Risk Policy with separate guidelines for sensitive sectors and industries.

Implement investment procedure that excludes sovereign bonds from countries with a high risk of systematic human rights violations.
Sharing our knowledge of personal finance with children and young people has been a priority since the launch of our FINANCIAL LITERACY Programme in 2008. We believe that taking a responsible approach to business and forming partnerships with organisations are the keys to optimising the benefits for future adults.
The recent years of financial unrest have put a strain on many families’ finances, and young people’s finances are often particularly fragile. With an uncertain job market and many important events ahead – such as starting a family and buying a home for the first time – young people’s finances can be challenged by economic downturn. Knowing your way around personal finance as early as possible can be crucial in ensuring that people have sound finances without excessive debt.

At Danske Bank, an important part of our corporate responsibility work is educating children and young people about personal finance. As a bank, we share a responsibility with society to inform the next generation of customers. We see this as a good long-term investment for the individual, society and the Bank because consumers with healthy personal finances contribute to stable economic growth and innovation in the financial sector.

**Early understanding**
Financial understanding begins in childhood. From the age of four or five, children start asking questions about money and its value. Under the umbrella of our Financial Literacy Programme, we have developed several initiatives for children and young people aged five to 27. All our initiatives have been developed on the basis of thorough research, and the initiatives are divided into four age groups because the way we learn and the need for knowledge about financial issues varies greatly according to age. As part of our financial literacy strategy, we want to give as many children as possible the opportunity to learn about money and personal finance through targeted initiatives and partnerships with organisations and local authorities.

Both our Moneyville and Control Your Money websites are unbranded and have no marketing or logos that can be associated with Danske Bank. We believe these initiatives should be promoted only to parents and teachers and that it is up to them to decide whether to encourage their children to visit the sites or tell them that these initiatives were developed by Danske Bank.

**Partnerships add value**
In the past year, we have seen a strong increase in interest in educational initiatives on personal
finance for children and young people. At Danske Bank, we want to form partnerships and share knowledge in order to broaden the scope of our financial literacy programmes. One example is our collaboration with the three young Danish authors of the book *Boost your Finances*. Together with branch employees, the authors held nine presentations on managing personal finances in 2012. The presentations were held at upper secondary schools across Denmark. We will continue giving these presentations to help broaden young people’s understanding of the importance of managing personal finances.

The students who took part in the presentations had a chance to enter a contest. In the contest, which was based on the *Dream On* online game, students competed against other schools and challenged one another on their financial knowledge. *Dream On* is intended to stimulate young people’s interest in personal finance. It was developed in 2011 on the basis of quantitative and qualitative surveys and in collaboration with a number of experts on children and young people. The game is based on the premise that making long-term plans and fulfilling your dreams require sound finances. In 2012, we launched the game in Sweden, Lithuania and Finland expanding its reach to five countries.

**Partnerships with local authorities**

Our branches are often contacted by local schools that are interested in hosting presentations on banking and financial literacy. We have therefore developed a range of materials that our employees can use to give presentations in schools. In 2012, we expanded this further and entered into a multi-stakeholder partnership in Denmark with Fredensborg Local Authority, Nordea and the Danish tax authorities to improve financial understanding among school children in the local community. We are pleased to see the growing interest in financial literacy and expect to establish similar partnerships in 2013.

**Another perspective on maths**

In 2011, Danske Bank was the first financial institution to make a donation to the *Maths Centre*, a non-profit initiative located in Sweden and Denmark. This volunteer organisation offers free homework assistance to young people in upper secondary schools in the areas of maths and personal finance. In 2012, we signed a three-year sponsorship agreement with the organisation.

“In the Maths Centre we see a lot of different young people each week. Some come here on a regular basis and others only once or twice to solve a specific mathematical problem. But no matter the reason, it’s great to see them benefit from the advice they get.”

CHRISTIAN KÅRE JEPPESEN / VOLUNTEER EMPLOYEE
The initiative originated in Sweden in 2008. It now has centres in 17 Swedish cities and helps some 60,000 young people with their homework. In 2012, Danske Bank employees volunteered in the “Maths on the square” event in Stockholm. The event attracted 300 students from upper secondary schools who got advice from more than 70 volunteers and practiced their maths skills for the national examinations. In Denmark, the Maths Centre currently operates in nine locations in the cities of Aarhus, Copenhagen and Odense, and several other cities have expressed an interest in the project.

Financial guidance for parents
Parents’ attitudes towards money and finances have a great influence on their children’s ability to make good financial decisions as adults. In 2012, with the launch of the "0-18" online initiative, we expanded the Financial Literacy Programme to include parents. On websites in Denmark, Sweden, Finland and Norway, parents can find information and tools on topics that can facilitate dialogue about money and finances with their children up to the age of 18. The information is age-specific and deals with a wide range of issues that parents face as their children grow older – from children’s first pocket money and spare-time jobs to managing their own finances.

FINANCIAL LITERACY IN OUR MARKETS
In the online game Moneyville, children aged five to nine can learn about the value of money and about earning money, saving and prioritising their spending. In 2012, Moneyville reached 4.7 million users, and in Lithuania the programme was expanded to include an exercise book that was sent to every school in the country. For the third consecutive year in Lithuania, Moneyville was complemented by the “Explore the Bank” project in which children visit the Bank, meet the staff and are introduced to banking activities and the history of money. In 2012, Moneyville had more than 2.7 million logons, and an average of 4.4 logons per visitor.

Control Your Money
Control Your Money challenges young children aged 10 to 15 to solve financial and mathematical problems that are part of school curricula. The initiative was developed in 2009 on the basis of the national mathematics and personal finance curricula for schools in six countries. Control Your Money has two websites: one for teachers, providing resources and materials to teach financial literacy in the classroom; and one for students, with eight missions with tasks such as completing a budget and prioritising purchases. Pupils can also use the website to plan a class trip or a party, for example, applying their financial knowledge to real-life situations. In 2012, Control Your Money was rolled out in Lithuania and Estonia. Because of branch closures in Ireland, the planned 2012 rollout of Control Your Money in that country has been suspended.

Navigating the financial jungle
Even after years of schooling in maths and financial subjects, the real world economy can still feel like a jungle to many. Through the explorative and advisory website Mind Your Money, young adults...
aged 18 to 27 can gain an understanding of the financial aspects of various real-life situations that are relevant to them. The site provides tips, tools, calculators, polls and tests to develop young adults’ financial skills so they can manage their personal finances when studying at university, planning a trip, starting a family and other important activities. Mind Your Money also has a page on the Danish Facebook site where three branch advisers take part in discussions and post advice on various financial issues.

In 2012, the Facebook page featured a contest that challenged participants to test their financial knowledge by answering a series of questions. More than 9,000 people took part in the contest. The Facebook page has been a great success, with the number of fans increasing by 120% to more than 11,000. We also launched Mind Your Money on the Swedish Facebook site. We are pleased to see that young people are using a platform that is intended mainly for social purposes to expand their financial horizons.

The Financial Olympics
In 2011, Danske Bank in Lithuania launched “The Financial Olympics”, the first contest of its kind in the country. Intended to promote financial literacy, the contest was a collaboration with the School of Financial Independence, the Ministry of Finance, and the Ministry of Education and Science. The project was a great success. The Financial Olympics was held for the second time in October 2012, where some 4,000 children from almost 150 schools participated and challenged one another on financial understanding of topics from savings to public finances.

Lithuanian award
For its great achievements in Lithuania, Danske Bank received the “Socially Responsible Business Award 2011” from the Lithuanian Business Confederation in 2012. The main purpose of the award is to promote social responsibility in the business environment. Danske Bank was acknowledged particularly for financial literacy projects that addressed social needs. The Financial Olympics, Explore the Bank and Moneyville initiatives are now well known in Lithuania.

Selected 2012 Objectives

1. Launch Control Your Money in Estonia and Lithuania.
2. Increase the number of Moneyville users in Finland to 150,000.
3. Create a separate section for Mind Your Money on the Swedish Facebook page.
4. Hold nine presentations on personal finance at Danish upper secondary schools.

Selected 2012 Performance

1. Control Your Money was launched in Estonia and Lithuania.
2. The number of Moneyville users in Finland increased to 153,400.
3. Mind Your Money was launched on the Swedish Facebook page in December 2012.
4. We held nine presentations across the country.

Selected 2013 Objectives

Increase the number of Moneyville users in Finland to 200,000.
Hold an additional nine presentations at Danish upper secondary schools.
Develop Moneyville for tablets.
Expand awareness of Control Your Money among 1,000 Lithuanian teachers.
Organisational restructuring, the launch of a new business strategy and adjustments of the branch network are all elements in the Bank’s journey towards a stronger and more customer-focused business. The successful implementation of all these initiatives relies on the commitment of our qualified staff.

For Danske Bank’s employees, 2012 was thus marked by a number of fundamental changes that inevitably affected their daily working life.
Danske Bank is competing in a market characterised by economic turmoil, low consumer trust and restructuring. The economic hardship of recent years has made it necessary for Danske Bank to adjust to slow growth and reduce costs in order to remain a robust and trustworthy business.

Customers’ use of branches has also changed significantly. The number of teller transactions has fallen steadily, while the number of customers who use our eBanking, mobile and tablet solutions continues to increase. This digital trend is not unique to Danske Bank, and as a business we must adjust our branch network accordingly.

In Ireland we closed 28 branches in 2012. The decision to reduce the branch network reflected the radically changed financial environment in Ireland as well as changes in customer behaviour. In the future, customers will be serviced from a new Personal Banking Centre in Dublin. At the call centre, financial advisers are available seven days a week.

In Denmark, 131 branches were converted to advisory branches without teller services, and this led to a reduction of 300 positions. These redundancies were part of the planned reduction of 2,000 positions by the end of 2013.

In 2012, we announced that we needed to reduce the staff by another 1,000 employees from 2014 to 2015. We expect that many of these reductions can be made through resignations, retirements and natural attrition.

For employees generally, we focus on maintaining a sound work-life balance and a healthy working environment with opportunities for both personal and professional development. The well-being of all employees is important to the Group. Those who are not made redundant can also be affected by staff reductions. Managers have therefore received training in supporting employees through this difficult time and in dealing with the emotional reactions employees may experience. We are very committed to attending to those that will no longer be employed with the Group. Danske Bank offers immediate and free counselling by psychologists from the time they are given notice. In Denmark, Norway, Poland and Ireland, the Group offers outplacement...
services in which employees receive individual guidance and coaching at full salary. They are also given paid time off to go to job interviews during working hours.

**Working smarter**
The reality is that there will be fewer people around to handle the daily tasks in the coming years. This calls for a new working culture with a focus on simpler and more flexible routines. Danske Bank will undergo a cultural change in which we replace rigid, inflexible work routines with simpler, more accessible solutions. This will increase the pace and make it more challenging, stimulating and interesting to work at the Bank. For customers, it will mean shorter waiting time, higher quality, fewer errors and better advice. This will allow us to keep costs down, save time and curtail unnecessary processes. More specifically, it means that all processes will be examined and optimised. We have already done this for a number of products. For example, a car loan that previously took a few weeks to process will soon be handled in 15 minutes.

We will also set new standards for credit management by automating most of the Bank’s credit decisions by the end of 2015. In order to reach our goals, we must continue investing in employees’ competency development. As the number of customers who handle their own day-to-day banking transactions increases, so do the demands on our advisers. We place great importance on training advisers and developing the tools we use in dialogue with customers. We offer employees a broad range of eLearning courses, and in 2012, we held about 22,400 full-day courses, excluding external courses and degree programmes.

**Employee support remains high**
Every year, we conduct an internal survey of employee satisfaction, motivation and loyalty. The purpose of the survey is to evaluate current initiatives that are intended to promote a healthy working environment and to identify areas that can be improved. If the results do not meet expectations, the relevant managers must immediately take action to improve the situation.

As a result of the major organisational changes in 2012, many employees now have new roles and responsibilities. Some are working in new teams
and report to new managers, and many have moved to new offices. Such changes need time to settle before they can be evaluated properly. We therefore consider the 2012 Employee Opinion Survey (EOS) a baseline study that gives us valuable information about how we can improve overall satisfaction and well-being in the Group in the future.

In the 2012 EOS, the scores in 11 out of the 13 areas declined from the levels in the 2011 survey. This is a clear signal from employees that reflects the challenges they have faced in the organisational changes. We are still satisfied with the results, however, since this outcome was expected to a certain extent, and it is only natural that employees are affected by such extensive changes in their workplace.

Despite a drop from 76 to 74, the overall motivation and satisfaction score remains high, when compared with the scores of the Group’s peers as well. Employees’ perception of Danske Bank’s image fell six points, back to the 2009 level. The decline shows that staff are well aware of the negative perception of the Group in the media and among their acquaintances. The survey also showed that employees’ perception of their immediate superiors remained high, suggesting that the Group’s managers create a secure and pleasant working environment despite the organisational changes.

Working environment

In 2012, we introduced a new working environment organisation in Denmark, putting managers directly in charge of ensuring a good working environment in their departments. This decision reflects our intention to create greater coherence between day-to-day management and the general working environment. As part of the new plan, we launched an eLearning course on how to manage a good working environment and made it mandatory for all managers. The course was fully implemented in Denmark in 2012, and it will be available to the rest of the Group in 2013.

The Group’s annual workplace assessment (WPA) is carried out throughout the Group as part of the EOS. In 2012, we saw a slightly lower rating of the general working environment, indicating that it was also affected by the organisational changes.

**SELECTED 2012 OBJECTIVES**

1. Insert objectives on increasing the number of female managers in executive managers’ performance agreements.
2. Increase the percentage of women in senior management to 20%.
3. Achieve 10% staff participation in the Charity Partner programme in Ireland.

**SELECTED 2012 PERFORMANCE**

1. Increasing the number of female managers is included in several executive managers’ performance agreements.
2. We reached the target for the percentage of women in senior management.
3. We achieved 10% staff participation in the Charity Partner programme in Ireland.

**SELECTED 2013 OBJECTIVES**

- Increase the percentage of female managers to 22% by 2015.
- Improve the score for indicators of noise below 50 in the Workplace Assessment.
- Roll out management training on working environment at units outside Denmark.
For some people, dividing their workload between time at the office and time at home can help them balance work and personal life when they have a busy schedule. Many workplaces offer their employees flexible working conditions, a company-paid mobile phone, free Internet at home and laptops or tablets. It seems the perfect solution for the company and the employee when increased flexibility benefits both. Research indicates, however, that flexibility can make it more difficult for the individual to manage a healthy work-life balance and that constant attention to work may actually have the opposite effect and lead to stress.

In some countries, our employees have the option to work flex-time. At Danske Bank, we believe that flexible working conditions attract and retain highly skilled, creative employees. But we also believe that an organisation must assume responsibility for setting boundaries for flex-time and not leave this entirely up to the individual employee. While laptops and mobile phones give our employees the option of working at home, we do not expect them to work around the clock or be available late at night. Mobile phones are therefore not given to all employees, and extensive guidelines and procedures are available to help employees find the right balance.

Striking the balance can be challenging, and we are particularly aware of this as we continue to bring down costs, because this involves staff reductions. In this process, we emphasise the importance of preventing stress and developing a culture in which we address stress and dissatisfaction proactively. Both the manager and the employee are responsible for ensuring that a healthy work-life balance is maintained and that the home does not become either another workstation or simply a place for recharging.
The WPA also measures social capital, a collective term for our overall “stock” of fairness, trust and cooperation. Social capital represents the aggregation of social resources that support our relations with customers and cooperation with colleagues. We are very pleased that the 2012 score for social capital remained high, at 79, despite the organisational changes.

NEW STANDARDS JAM
After the launch of our new strategy in October 2012, all employees were invited to take part in a major online jam event from 3 to 5 December 2012. For the first time in the Bank’s history, all our employees got the opportunity to have their say on the implementation of our strategy and share their views and opinions across departments, units and countries.

The Jam was intended to kick-start the implementation of the new strategy, ensure that employees understood the strategy, and gather employees’ ideas. As a way of setting new standards in internal communications and staff involvement, it also facilitated a dialogue between the Group’s top ten managers and the staff that was considered very valuable by both groups. Every day during the event, eight discussion forums with specific themes and nine live chats were open for all employees to take part in. Of 11,000 registered participants, 7,700 employees contributed more than 5,000 entries in the Jam, sharing their interests and concerns and their ideas on how to execute the strategy and make it a success. All the input from the event was gathered in a report that was presented to executive management and that will serve as the basis for further dialogue on the strategy and its implementation.

EMPLOYEE HEALTH AND WELL-BEING
Treating our colleagues with respect and care is a fundamental principle of our HR policies, and we work constantly to further improve the psychological working environment and general well-being of our staff.

We have developed a number of dialogue tools that enable us to discuss issues related to the working environment, including a tool for talking about and dealing with stress. At Danske Bank, we view occupational well-being from a broad perspective and approach the issue from various angles ranging from first-aid courses to corporate responsibility initiatives. In Denmark, these efforts also include supporting employees who are recovering from alcohol abuse. In 2012, Danske Bank paid for eight employees to be treated at an alcohol treatment centre.

In 2012, we began collaborating with Danica Pension in Denmark on counselling for employees who have been absent from work for a long period because of illness. The objective is to support the employees’ full recovery and encourage them to return to work.

Danske Bank Finland implemented a well-being and occupational health strategy and action plan that is intended to support overall business goals.
by focusing on nutrition, exercise, alertness and stress control as well as self-management and general well-being. Fifteen regional ambassadors were trained to support the implementation of the programme, and each workplace will make its own working health promotion action plan as a part of the annual strategic plans.

Measures against robberies
Every year, a number of our branches are subject to robberies and attempts to break into ATMs. In spite of regular improvements to discourage thieves and prevent forced entries, we still saw a large number of attacks last year. In total, there were 20 robberies and five attempted robberies at Group facilities in 2012, all taking place in Denmark. This marks a significant decrease in comparison with the level the year before.

One such measure is so-called “cash in – cash out” machines, which process all cash exchanges with customers at the branches. After positive results from test installations at two Danish branches in 2011, we expanded the rollout to a total of four branches in 2012. We have acquired another 50 machines, and in 2013, we will start implementing the system gradually, giving priority to the branches with the highest risks.

Unfortunately, the branch staff’s well-being suffers from all these incidents. In Denmark, we report all employees who are present during a robbery to the National Board of Industrial Injuries to ensure that they are given proper attention because many are at risk of developing post-traumatic stress disorder or other robbery-related illnesses later.

There was also a number of attempts to break into our ATMs, either by means of battering rams or gas explosions to remove the ATM from the building. The reason for this trend is unknown, but we continue our efforts to develop preventive measures.

EQUAL OPPORTUNITIES
At Danske Bank, we see diversity as a prerequisite for maintaining a healthy and innovative working environment. We believe it is important to avoid attaching any significance in work-related contexts to differences in nationality, religion, sexual orientation and gender. We strive to cultivate a staff as diverse as possible, and we encourage initiatives to support diversity in the organisation. An example of this is our participation in Copenhagen Pride 2012, a parade that promotes the rights and visibility of the LGBT community.

Even though we never consider gender specifically in appointments at Danske Bank, we recognise a need for a more balanced gender composition in our management. We therefore signed the Danish minister for Gender Equality’s “Charter for more women in management” in 2010 and delivered the first report on our results and initiatives in 2012. We also report on our efforts to ensure a more balanced gender composition at Danske Bank Sweden, where a newly established network promotes career development opportunities for female employees.

We believe that, to ensure a steady increase in the number of female leaders in our organisation, we should focus on making management positions equally attractive to all aspiring leaders in the Group regardless of gender. In 2012, we set a target of appointing women to 50% of new openings for banking management positions in Denmark, and we surpassed the target by four percentage points. For 2015, we have set the same target for Personal Banking and Business Banking in all countries. In 2012, some 49% of new managerial appointments at Personal Banking went to women, and for Business Banking, the figure was 48% across the Group.
This approach is showing very positive results. In 2012, we achieved our target of increasing the percentage of women in senior management positions from 19% to 20% and also our goal of ensuring that 50% of all new hires for leadership positions were women. To ensure that we continue in this direction, we have added a new goal to executive managers’ performance agreements: to increase the percentage of female managers to 22% by 2015. In addition, diversity and gender were implemented as regular criteria in the Group’s work on succession.

**WE ACHIEVED OUR TARGET OF INCREASING THE PERCENTAGE OF WOMEN IN SENIOR MANAGEMENT POSITIONS TO 20%**

**SHARING KNOWLEDGE**
A considerable part of our business is based on an extensive knowledge of both financial and non-financial subjects. We believe that, by sharing our expertise, we can make a significant contribution to society. We therefore often encourage employees to share their individual expertise for the benefit of their local communities and society at large, for example by giving guest lectures at universities and schools.

One example of our corporate volunteering is our support for the Roskilde Festival in Denmark. Danske Bank assumed responsibility for the financial infrastructure at the festival in 2010, and in 2012, some 140 of our employees contributed their financial skills. All the volunteer employees who participated received an entry pass to the festival in exchange for working there a minimum of 32 hours. In Northern Ireland, staff volunteer in various fundraising activities under the Charity of the Year initiative, now in its eleventh year. Each year, the regional banking unit enters into a partnership with a non-profit organisation, and employees volunteer to help with everything from fundraising events in branches to storytelling at local schools. Since January 2011, we have been working with Cancer Focus Northern Ireland to raise funds for the charity’s Family Support Service, and so far, the staff have worked more than 500 hours. In 2012, employees registered a total of 9,843 hours of volunteer work across the Group.

**REMUNERATION AND BONUSES**
In recent years, there has been growing public interest in Danish companies’ remuneration of executives and directors. At Danske Bank, we are transparent about our remuneration of the Executive Board and the Board of Directors. Every year, we release a remuneration report containing comprehensive information about the remuneration of members of these bodies and other material risk takers.

The Group has a remuneration policy that was approved by the general meeting. The policy, which applies to all Group employees, is the responsibility of the Remuneration Committee, which monitors developments in the compensation framework, including incentive programmes. Members of the Board of Directors receive a fixed fee only, and they are not covered by any type of performance-based remuneration. The Executive Board members’ remuneration is determined by the Board of Directors, and the details are available on our website. Their performance-based remuneration is limited to 20% of their fixed remuneration.

We believe that the principles of Danske Bank’s remuneration policy – including the remuneration of these executives – reflects our objectives of proper governance and sustainable long-term value creation for the Group’s shareholders. We also believe that our executive remuneration is in line with the remuneration for similar positions at comparable companies.

**EMPLOYEES SUPPORTING COMMUNITIES**
Some 136 Danske Bank employees and customers participated in the 2012 Stockholm Half Marathon to raise money for Save the Children. For each participant who completed the race, Danske Bank...
donated SEK 500 to the international children’s charity. Total donations amounted to SEK 68,000. We are pleased that so many employees are willing to make such a big effort for a good cause, and their participation also promotes the general health of our staff. It was the fourth consecutive year that Danske Bank has participated in the event to support Save the Children.

In Norway, 300 employees participated in Fokus Bank Oslo Marathon, and for each participant, the Bank donated an amount to the fight against cancer. In 2012, the total amount came to NOK 200,000. Next year, the goal is to have 300 employees and 600 customers participate in the event.

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### EMPLOYEE DATA

<table>
<thead>
<tr>
<th>Staff details</th>
<th>GROUP 2012</th>
<th>GROUP 2011</th>
<th>GROUP 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of full-time employees, end of year</td>
<td>20,308</td>
<td>21,320</td>
<td>21,522</td>
</tr>
<tr>
<td>Percentage of women in workforce (%)</td>
<td>56</td>
<td>56</td>
<td>57</td>
</tr>
<tr>
<td>Percentage of women in management (%)</td>
<td>36</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>Average age</td>
<td>41</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Average years of service</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Employee turnover (%)</td>
<td>10</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

| Work-life balance | | | |
|-------------------|------------|------------|
| Women working part-time | 2,644 | 2,904 | 2,944 |
| Men working part-time | 233 | 253 | 281 |
| Avg. No. of maternity leave days (days per employee on leave)* | 132 | 113 | 117 |
| Avg. No. of paternity leave days (days per employee on leave)** | 30 | 29 | 35 |
| Leaves of absence granted for other reasons (No. of employees granted leave of absence during year)* | 696 | 519 | 436 |

| Health and safety | | | |
|-------------------|------------|------------|
| Absence due to illness (avg. No. of days lost through illness per employee)* | 8.0 | 8.0 | 5.7 |
| No. of injuries or post-traumatic stress related to robberies | 179 | 241 | 339 |
| No. of other physical or psychological injuries | 103 | 310 | 358 |

| Competency development | | | |
|-------------------------|------------|------------|
| Opportunities for professional and personal development as perceived by the employees (scale of 0-100) | 75 | 76 | 76 |

| Employee satisfaction | | | |
|-----------------------|------------|------------|
| Employee satisfaction and motivation (scale of 0-100) | 74 | 76 | 75 |
| Employee loyalty (scale of 0-100) | 79 | 81 | 80 |
| The physical working environment | 72 | 72 | 72 |
| The general atmosphere | 78 | 80 | 79 |
| Social capital (cooperation, fairness and trust) | 79 | 81 | 80 |

* Data exclude BAL.
** Data exclude BAL, IRL.
The range of technological solutions available to limit energy consumption is increasing steadily. While there is no single best way to **REDUCE CO$_2$ EMISSIONS**, companies must balance a desire to make immediate changes and a preference for more efficient and cost-effective solutions that will be available in the future.
In recent years, the importance of balancing environmental considerations and economic performance has taken root in society. Yet according to the Arlington Institute for Future Studies, we face an explosion of changes in basic assumptions. Over the next ten years, these paradigm shifts are expected to occur one hundred times more frequently than what we have seen in the past hundred years, causing enormous changes in cultural values, human behaviour, systemic connections and technological development.

This is the new normal – for society, the economy and the environment – a situation in which the most constant factor is change itself. In the past two years, the payback time for solar panels has fallen 50%, from 12 years to six. While this is clearly a positive trend, it poses a challenge for companies. If it continues, waiting another two years to buy solar panels could actually generate a return on investment sooner than if the equipment were installed today.

This makes it difficult to plan when to invest in green technology. While most companies acknowledge their responsibility to limit CO₂ emissions, the sluggish economy means that some companies already face earnings challenges, and this puts investments in green technology lower down on the agenda.

This is a reality we must acknowledge, and we must accept that we are not operating in a vacuum. Companies, governments and society must act against global warming today if we are going to make a difference over time.

Danske Bank has been carbon-neutral since 2009. We reduce our own emissions as much as possible when it is financially viable. The emissions we cannot eliminate, we offset by investing in verified carbon credit projects that reduce CO₂ emissions. Besides compensating for our environmental impact, offsetting our CO₂ emissions increases the cost of energy and thereby the incentive for making improvements.

We believe that, in order to limit our impact on the environment, we must make a comprehensive examination of the effects of our business activi-
ties. We are working hard to limit our own CO₂ emissions by optimising energy consumption in buildings and by purchasing energy-efficient IT and office equipment. We also seek to improve our energy efficiency by changing our behaviour to reduce energy consumption. Danske Bank is a signatory to the Carbon Disclosure Project (CDP) and has reported to it for a number of years.

**CO₂ emission reductions**

In 2012, total CO₂ emissions declined 19% from the 2011 level. The main factors in the reduction were a 12% drop in electricity consumption and a lower emission factor for electricity in Denmark (16%). Emissions from heating declined 16% as a result of a reduction in total heat consumption (down 10%) and an 11% reduction in the heat grid emission factor in Denmark. Since 2008, an increasing number of customers have received documents and account statements electronically, and this caused emissions from paper to decline 10% in 2012. Partially offsetting these reductions, increased business activity and Danske Bank’s organisational restructuring necessitated more international travel, causing emissions from air travel to rise 6% in 2012.

**Electricity consumption**

Electricity accounts for 46% of the Group’s total CO₂ emissions and therefore constitutes an important area for improvement. In 2010, the Group set an ambitious target of a 20% reduction in electricity consumption by 2014. We are very pleased to have reached this goal two years ahead of schedule by achieving a total reduction in electricity consumption of 22%. Moving forward, we aim to reduce the Group’s electricity consumption by 30% from the 2009 level by the end of 2014.

In 2012, we completed the installation of solar panels at our offices in Høje Taastrup, Denmark. The expected payback period is seven to nine years, depending on future electricity prices and the estimated annual production from the solar power system is about 57,000 kWh. We also continued replacing standard light bulbs with highly efficient LED bulbs and installed remote cooling technology in our main offices. In addition to these energy-saving initiatives, our new branch network with more advisory centres and fewer conventional teller branches has brought substantial reductions. These initiatives combined delivered savings of 7 GW of electricity in 2012. As a result of our efforts, we have reduced our electricity consumption every year for the past three years, and we remain dedicated to continuing our efforts to limit energy consumption.

**Monitoring consumption leads to reductions**

In our efforts to reduce the Group’s environmental impact, we constantly seek new solutions in various areas. One such area is IT equipment, which accounts for nearly one third of our total electricity consumption. In 2012, we began implementing a new online system for monitoring electricity consumption from IT equipment called Joulex. The

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**CHANGE FROM 2011 TO 2012**

<table>
<thead>
<tr>
<th>CO₂ from air travel</th>
<th>Electricity consumption (since 2009)</th>
<th>CO₂ emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 6%</td>
<td>↓ 22%</td>
<td>↓ 19%</td>
</tr>
</tbody>
</table>
system allows us to reduce energy consumption by monitoring, analysing and controlling how much energy we use in our IT equipment – from laptops and printers to servers and wireless access routers – when they are connected to a network.

Preliminary tests of the system in 2011 showed tremendous savings potential, and once fully implemented, the system will allow us to become better at monitoring and identifying areas where we can reduce emissions.

**Digital solutions increase resource efficiency**
A large part of our efforts to become a more sustainable business involves looking at our own processes and identifying areas that can be improved. In recent years, we have focused on limiting paper consumption by digitalising as many processes as possible.

The digitalisation of customer communications began in 2008, and since then, we have gradually increased the number of digital documents and reduced the number of paper documents we send to customers. Customers now have a wide range of options available online, including the possibility of signing mortgage contracts and mortgage transfers digitally, a process that had previously generated an average of 75 to 150 pages of paper every time. From 2008 to 2012, the Group reduced paper consumption by 41%, and in 2012, the number of mobile and tablet banking transactions rose to 600,000.

This has reduced costs related to sending letters and also delivered savings of about 358 tonnes of CO₂. While this accounts for only a small portion of the Group’s total CO₂ emissions (42,795 tonnes in 2012), the digitalisation also brings CO₂ savings in our value chain, for example in the delivery of letters. We will therefore continue developing digital solutions in 2013.

**BUSINESS TRAVEL**
Because of the financial crisis and our efforts to reduce unnecessary air travel, the Group’s CO₂ emissions from air travel fell 35% from 2008 to 2009. Despite our goal of maintaining year-on-year reductions, emissions from air travel have gone up in recent years. In 2012, total emissions from air

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**SELECTED 2012 OBJECTIVES**
1. Reduce the Group’s electricity consumption by 20% from 2009 to 2014.
2. Denmark: Increase the number of eco-labelled products.

**SELECTED 2012 PERFORMANCE**
1. We met the target two years ahead of schedule with a total reduction of 22% in 2012.
2. We increased the number of eco-labelled products in Denmark by 2%.
3. 15 of 33 business premises were certified, including all large business premises except in Bergen.

**SELECTED 2013 OBJECTIVES**
Reduce the Group’s electricity consumption by 30% from 2009 to 2014.
Continue to increase the number of eco-labelled products.
Sweden: Reduce electricity consumption by 10% from the 2012 level.
Ireland: 10% reduction in GHG emissions from the 2012 level.
Norway: All business premises to be Eco-Lighthouse certified.
In terms of time spent, air travel is a much more efficient means of transportation than travel by train, ship or car. Since our operations are spread across northern Europe, time can be a crucial factor in obtaining business, and a certain amount of air travel is unavoidable. But air travel is widely recognised as a major contributor to greenhouse gas emissions and thus climate change. A typical roundtrip flight between Copenhagen and Stockholm generates about 145 kg of CO₂ per passenger.

In recent years, economic turmoil and uncertainty have put a damper on business growth. While the crisis has posed a challenge for many companies, it has been beneficial for the environment because it has limited business-related air travel. But when the economy picks up, the need for business travel and the number of flights will increase, raising the amount of CO₂ emissions. We therefore face a dilemma in which we must choose between expanding our business or protecting the environment. The question is whether we can keep emissions levels down while still generating income and a good return for our shareholders.

We are committed to limiting CO₂ emissions, and we are continually exploring alternative solutions. Since 2006, we have sought to replace air travel with eMeetings and TelePresence calls as often as possible. These solutions allow people to share documents and presentations in real time, making them almost as effective as face-to-face meetings. Since our first eMeeting was held in 2006, the number of internal users has doubled annually, and in 2012, a total of 450,000 meetings were held. Furthermore, we believe that eMeetings have a positive effect on our working environment as they reduce the need for employees to travel between meetings. We have also integrated environmental concerns in our Group Travel Policy. For example, when employees begin to book a flight, they are asked to consider more environmentally friendly alternatives.
travel were up 6%. Increased business activity and the Group’s organisational restructuring in 2012 necessitated more travel between countries. We have therefore postponed plans to set a new target because we need to evaluate current market trends and our new business units before a realistic target can be set.

CARBON CREDIT PROJECTS
Regardless of how much energy we save by implementing energy-efficient solutions and by reducing business travel, we still have CO₂ emissions from heating, electricity and transportation. As part of our climate strategy, we neutralise the emissions we are not able to eliminate by investing in carbon credit projects that create real CO₂ emission reductions. The investments are managed by the

WE ACHIEVED OUR GOAL OF REDUCING ELECTRICITY CONSUMPTION BY 20% TWO YEARS AHEAD OF SCHEDULE

German-based carbon asset management company First Climate and comply with international carbon credit standards. Danske Bank has achieved carbon neutrality for four consecutive years since 2009, and we have invested in four carbon credit projects in India, Lithuania and Turkey. The projects both reduce CO₂ emissions and promote sustainable development in the countries where they take place.

Wind power in Turkey
One such project is our investment in a wind farm in Yuntdag, Turkey, where 23 wind turbines generate 60 MW of clean electricity and convert it to the national grid, replacing conventional fossil fuel stations in the area. As with all our carbon credit investments, the project is expected to have a positive impact on the local community. Besides limiting CO₂ emissions and other pollutants such as SO₂ and NOₓ, the wind farm creates local employment opportunities, stimulates the wind power industry in Turkey, and helps to reduce the country’s energy deficit. The project is verified by the Gold Standard certification in accordance with the Voluntary Emission Reduction standard.

Drip irrigation in India
In 2012, we signed agreements on two new projects in India, both commencing in 2013. One is a drip irrigation project. The drip irrigation system will replace conventional irrigation with a simple network of pipes that allow water to drip slowly over the crops. In India, water is available to farmers only during the monsoon season. Drip irrigation thus saves emissions from electricity and diesel-powered pumps and prevents flooding in the fields, a common problem that results in the loss of both soil and nutrients. For farmers, changing to drip irrigation may reduce water consumption by 70% and increase crop yields by 40%. In 2012, the Group neutralised 42,795 tonnes of CO₂ by investing in carbon credit projects.

ECOLABEL AND IN-HOUSE PRINTING
Since 2006, we have placed specific environmental requirements on our suppliers to ensure that we purchase environmentally friendly products whenever possible. In 2012, we joined “Ecolabelling Denmark”, a new network for sharing best practices for responsible procurement. Purchasing environmentally friendly products had previously been a challenge because they are often expensive and scarce. We hope that sharing knowledge with other companies will help increase demand and contribute to a more extensive supply of environmentally friendly products and services.

In 2011, after a series of technical investigations, Danske Bank’s in-house printing office was awarded the Nordic Ecolabel (Svanemærket). Ecolabelling the Group’s printed material is part of our environmental strategy to reduce immediate environmental impact and limit our resource consumption. The ecolabel helps promote awareness of sustainable paper consumption. The Group is also making an effort to shift from printed publications to online media. A good example is this CR report, which is published online and printed only on request. ■
**CHANGE FROM 2008 TO 2012**

![41%](Image)

*Paper consumption*

<table>
<thead>
<tr>
<th>ENVIRONMENTAL IMPACT</th>
<th>GROUP 2012</th>
<th>GROUP 2011</th>
<th>GROUP 2010</th>
</tr>
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<tbody>
<tr>
<td>Resource consumption *</td>
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<tr>
<td>Electricity consumption (MWh)</td>
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<td>85,815</td>
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<td>Electricity consumption per employee (MWh/FTE)</td>
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<td>Heat consumption (MWh)</td>
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<td>Heat consumption per employee (MWh/FTE)</td>
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<td>Water consumption (m³)**</td>
<td>79,704</td>
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<td>Water consumption per employee (litre/FTE)**</td>
<td>8,882</td>
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<td>Total road transport (1,000 km)</td>
<td>17,948</td>
<td>19,495</td>
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<td>Transport by company vehicles (1,000 km) †</td>
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<td>Transport by employees’ cars (1,000 km)</td>
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<td>Air transport (1,000 km)</td>
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<td>Air transport per employee (km/FTE)</td>
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<td>Air transport, domestic (1,000 km)</td>
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<td>Air transport, international (1,000 km)</td>
<td>33,225</td>
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<td>Total paper consumption (tonnes)</td>
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<td>Paper consumption per employee (kg/FTE)</td>
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<td>153</td>
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<tr>
<td>Emissions † †</td>
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<tr>
<td>CO₂ emissions (tonnes)</td>
<td>42,795</td>
<td>52,511</td>
<td>55,689</td>
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<td>CO₂ emissions per employee (tonnes/FTE)</td>
<td>2.1</td>
<td>2.4</td>
<td>2.5</td>
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</table>

* Data cover DK, SE, NO, IRL, NI and FIN.
** Only head offices in DK, SE, NO and FIN in 2010, only head offices in DK and FIN in 2011 and only head offices in DK, FIN and all locations and branches in LIT in 2012.
† Excludes NO and NI.
‡ ‡ Data cover DK, SE, NO, IRL, NI, FIN and LIT and include estimated figured for the remainder of the Group.
Governance of corporate responsibility

At Danske Bank Group, we strive to conduct our business in accordance with internationally recognised principles in the areas of human rights, employee rights, the environment and anti-corruption as formulated in the **UN Global Compact’s ten principles** and the **Guiding Principles on Business and Human Rights**. These principles lay the foundation for several of our policies and procedures, including our **Group Code of Conduct**.

The success of our business depends on transparency and integrity. Clear rules and procedures are vitally important. The key guidelines for our behaviour are formulated in our Code of Conduct, which was updated in 2011 to reflect the changes in the UK Bribery Act. The Code of Conduct applies to all Group employees and is intended to make sure that our stakeholders always know what to expect from Danske Bank – and what we expect from them.

Our policies and the Code of Conduct are put into action in our CR strategy and implemented across all Group units. Group Internal Audit monitors compliance with the **Responsibility Policy**, business procedures and reporting standards across the Group.

**CR MANAGEMENT**

Corporate responsibility is an integrated part of all our decisions and routines. After the comprehensive organisational changes that took place in the Group in 2012, we adjusted the CR governance structure to ensure that CR is integrated consistently in Group activities.

The overall responsibility for Danske Bank’s Responsibility Policy and programmes lies with the new Group Responsibility Board. The Board, which consists of executives and decision makers from across the Group, meets twice each year to discuss corporate responsibility at a strategic level.

We strengthened and simplified CR governance by integrating SRI in the Group Responsibility Board.

We also merged our policies on the environment, responsible investing and general corporate responsibility into a single policy to make it easier for our stakeholders to find information on where we stand on responsibility matters. Our **CR department** is responsible for developing the Group CR strategy, coordinating activities across the Group and reporting on the achievements. It is the CR department’s role to promote awareness of relevant CR issues and to support local units with expertise on best practices. At the operational level, CR matters are managed by local CR coordinators in Danske Bank’s seven major country markets in close collaboration with the CR department.

**WHISTLEBLOWER SYSTEM**

Employees are usually the first to notice if procedures are not followed. All our employees have an obligation to report any suspicion or knowledge of breaches of the Group’s policies to the head of Compliance or the head of Internal Audit. The reports are then passed on to the Group Chief Auditor, the Group General Counsel and the Board of Directors’ Audit Committee. Danske Bank values a free flow of information. To ensure that critical information is not withheld, all reports and questions received through the whistleblower system are treated confidentially, whenever legally possible. Danske Bank will protect employees and ensure that they are treated with respect, and we do not accept reprisals against such employees.

In 2012, two incidents were reported through the whistleblower system: one case is still being investigated, while the other resulted in termination of employment because of the action reported.
THE GROUP RESPONSIBILITY BOARD

EVA VEILEBORG HALD
HEAD OF GROUP COMMUNICATIONS AND CHAIR OF THE GR BOARD

ROBERT ENDERSBY
HEAD OF GROUP RISK MANAGEMENT

HELLE HAVGAARD
HEAD OF GROUP HR

ANNE SØGAARD MELCHIORSEN
HEAD OF CORPORATE AFFAIRS

TONNY THIERRY ANDERSEN
HEAD OF PERSONAL BANKING

HENRIK BAK
HEAD OF INSTITUTIONAL BUSINESS, DANSKE CAPITAL

LARS MØRCH
HEAD OF BUSINESS BANKING

THOMAS F. BORGEN
HEAD OF CORPORATES & INSTITUTIONS

PETER WONDER
HEAD OF GROUP SERVICES

ROBERT ENDERSBY
HEAD OF GROUP RISK MANAGEMENT

PER KJÆR GÅRD
HEAD OF DANICA PENSION

ANNE SØGAARD MELCHIORSEN
HEAD OF CORPORATE AFFAIRS

THOMAS MITCHELL
HEAD OF DANSKE INVEST

NIELS-ULRIK MOUSTEN
HEAD OF DANSKE CAPITAL

ABBREVIATIONS

CR  Corporate Responsibility
DK  Denmark
EBA  European Banking Association
EST  Estonia
FI  Finland
GRI  Global Reporting Initiative
IRL  Ireland
LIT  Lithuania
NI  Northern Ireland
NO  Norway
PRI  Principles for Responsible Investment
SE  Sweden
SRI  Socially Responsible Investment
UNEPFI  United Nations Environment Programme Finance Initiative
UK  United Kingdom