

# *Danske Bank Group Green Bond Framework Investor Presentation*

*March 2019*



# *Agenda*

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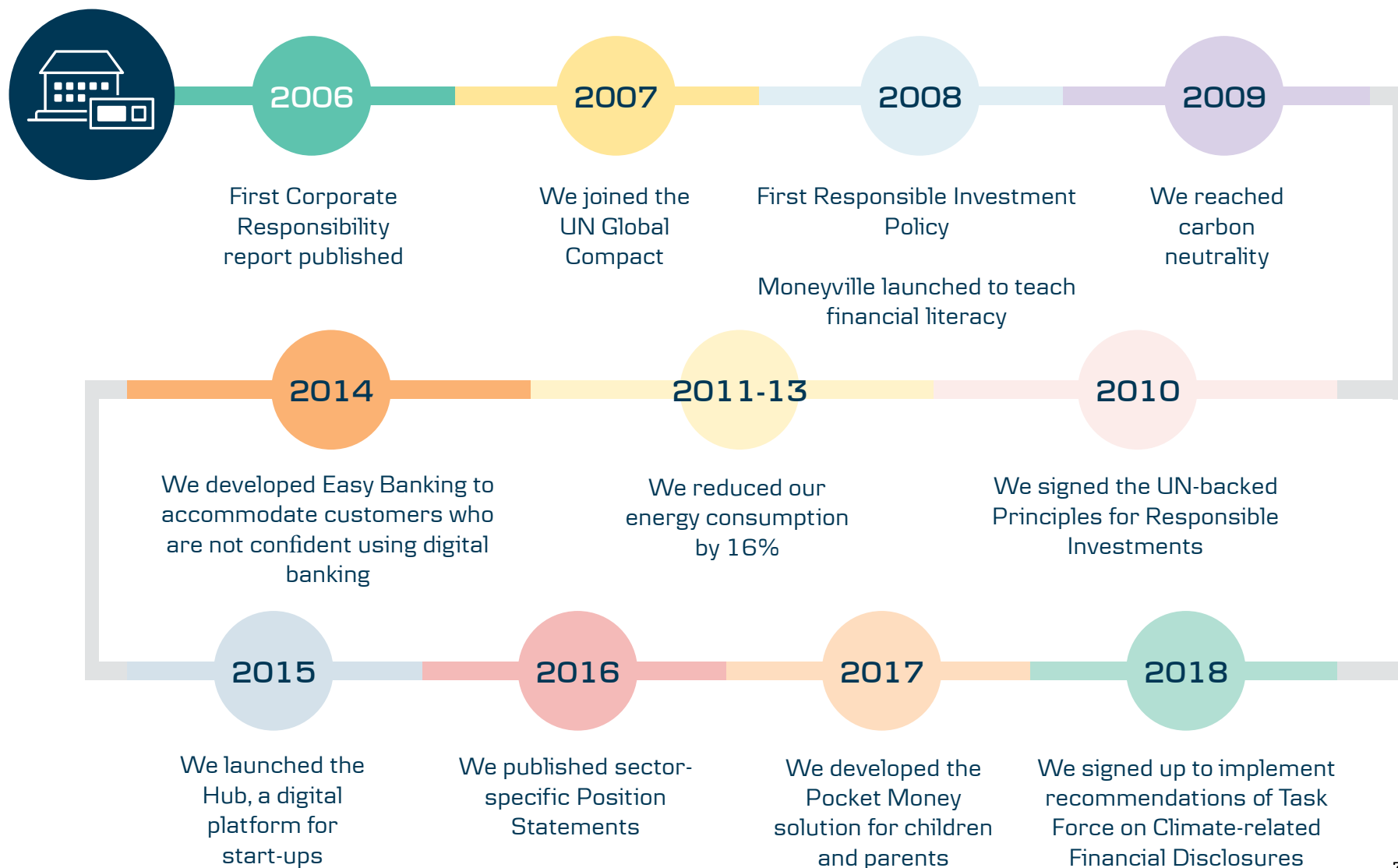
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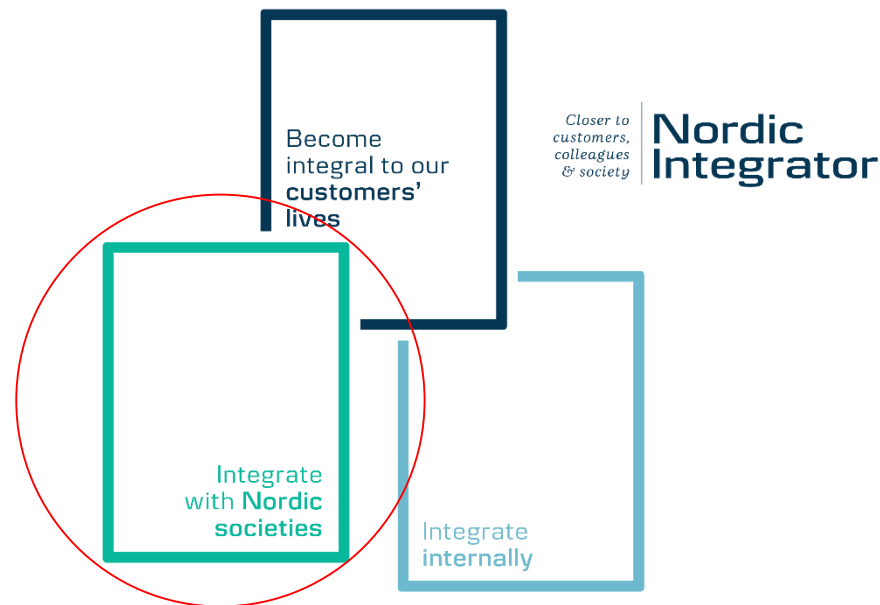
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# *Societal Impact & Sustainability at Danske Bank*

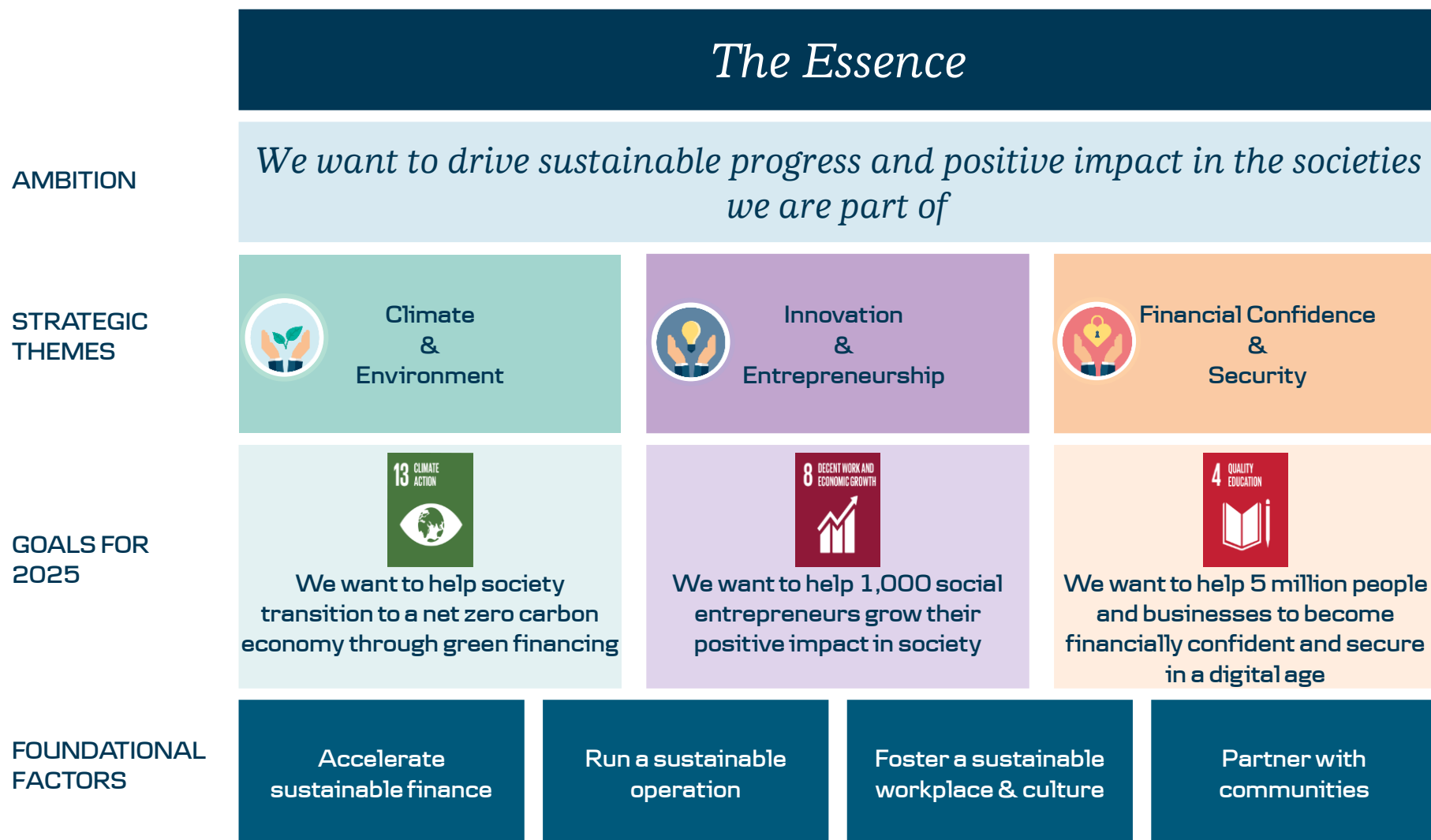
## *Sustainability has been part of Danske Bank for many years*



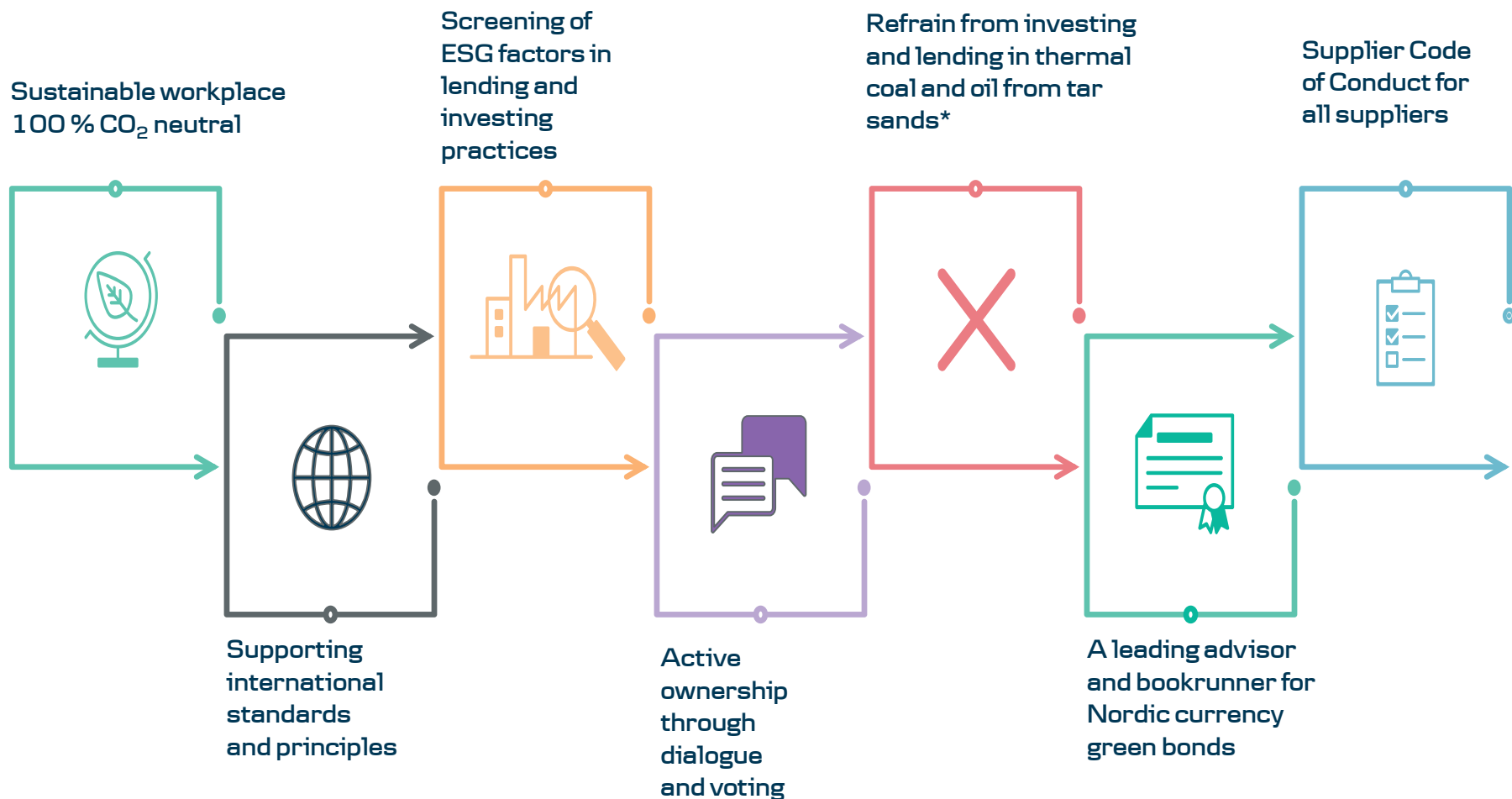
# *With Nordic Integrator, societal impact has become an integral part of our business*



# Danske Bank's Societal Impact and Sustainability Strategy 2025



## *Snapshot - Sustainability is part of the way we do business*



\* We do not invest in or lend to companies with a revenue of 30% or more coming from thermal coal mining, thermal coal utilities, the combination of thermal coal mining and thermal coal utilities, or the extraction of oil from tar sands.



# Danske Bank takes an active stance on selected topics and sectors with elevated ESG risks

## Climate change



Climate change is fundamentally altering the risks that people, businesses and the financial sector face throughout the world. We believe that minimizing emissions can reduce the risks of climate change and create new growth and development.

## Arms & defence



Danske Bank acknowledges nations' right to use legitimate weapons for national self-defence and security purposes.

However, we do not do business with companies involved in the production of sanctioned weapons or certain elements of nuclear weapons due to indiscriminate effects.

## Agriculture



Sustainable practices can help retain resources and reduce hunger around the world.

## Human rights



In a globalized world, companies can have an impact on human rights, both positive and negative. At Danske Bank, we work to protect and respect human rights – both directly and indirectly.

## Fossil fuels



Danske Bank acknowledges the need for fossil fuels in the coming years to support economic development.

However, we do not do business with companies involved in coal or oil from tar sands due to their severe environmental impacts.

## Mining & metals



Sustainable mining helps maintain natural resources and reduce poverty around the world.

## Forestry



Well-kept forests are a necessity for sustainable development and provide a habitat for flora, fauna and humans.



# Danske Bank's International Commitments



## UN Global Compact

A multi-stakeholder initiative focusing on aligning business operations with ten principles in the areas of human rights, labor, environment and anti-corruption



## OECD Guidelines for Multinational Enterprises

Non-binding principles and standards for responsible business conduct consistent with applicable laws and internationally recognized standards



## UN Guiding Principles on Business and Human Rights

Guidelines for states and companies to prevent, address and remedy human rights abuses committed in business operations



## UN supported Principles for Responsible Investment

An international investor network that supports the implementation of ESG factors into investment and ownership decisions



## UN Environment Programme - Finance Initiative

A partnership between UN and the global financial sector with the aim of understanding societal challenges, why they matter to finance, and how to address them



## Universal Declaration of Labour Rights

An international document adopted in 1948 that states basic rights and fundamental freedoms to which all human beings are entitled



## ILO Declaration of Fundamental Principles of Rights to Work






Principles and rights which need to be respected and promoted i.e. elimination of forced labor, child labor and discrimination as well as freedom of association



## The Paris Pledge

A pledge to support and act accordingly in regards to the objectives of the Paris Agreement to limit global temperature rise to less than 2 degrees Celsius

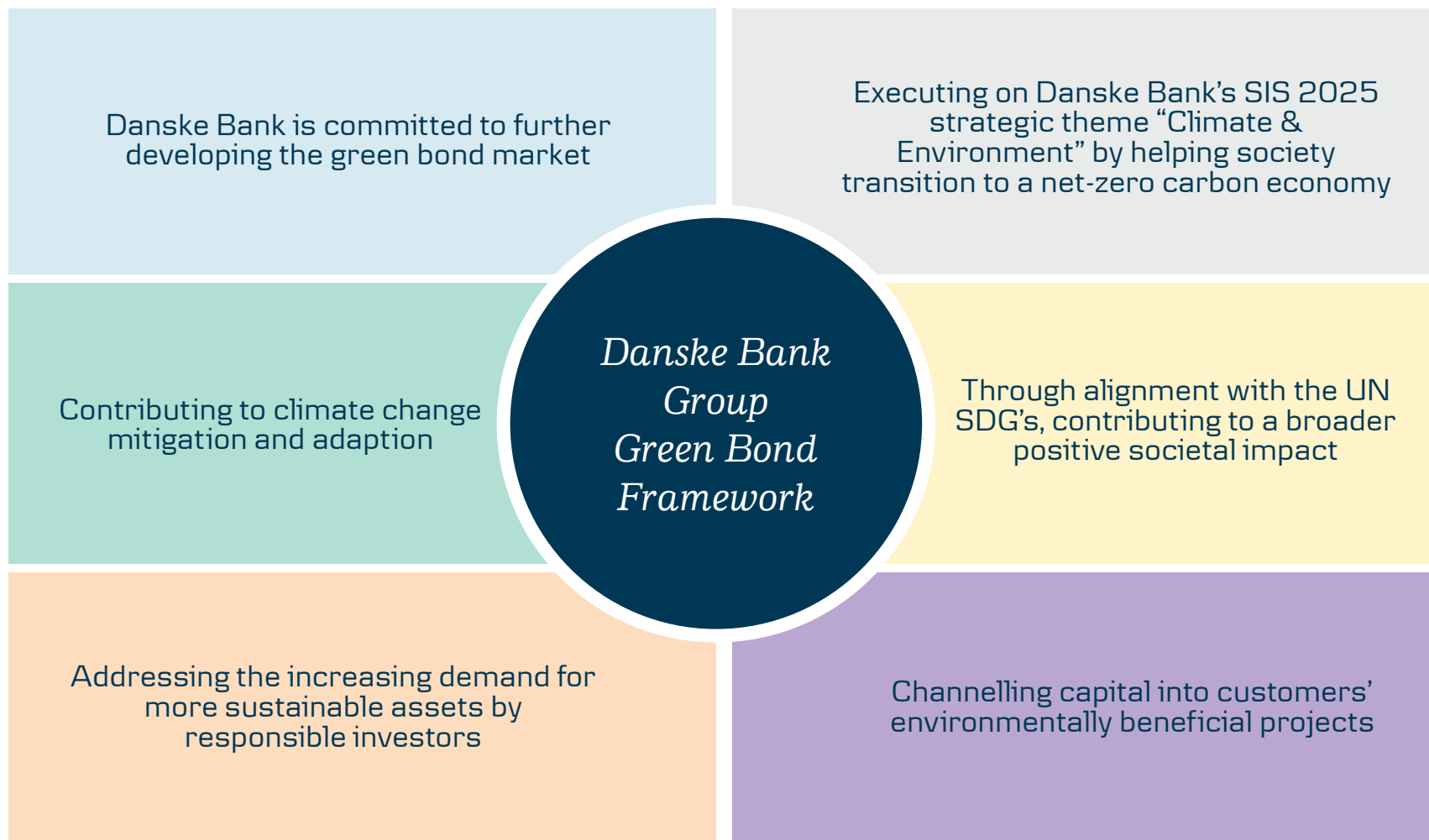
## *Danske Bank's external ESG ratings*

	Score	Range
MSCI 	B	CCC to AAA
 SUSTAINALYTICS	74	0 to 100
ISS-  ekom 	C	D- to A+
 <sup>1)</sup>	C	D- to A+

<sup>1)</sup> CDP: Carbon Disclosure Project – primary focus is on climate change / management, also linked to TCFD.

*Danske Bank Group  
Green Bond Framework*

## *Rationale*



# Overview of four GBP core components

## USE OF PROCEEDS

- *Net Proceeds will be used to finance an array of green activities that promote the transition to low-carbon, climate resilient and sustainable economies*

## GREEN LOAN EVALUATION & SELECTION

- *Danske Bank's Green Bond Committee is responsible for the selection of Green Loans and all Green Loans are evaluated by sustainability experts*

## MANAGEMENT OF PROCEEDS

- *A portfolio approach will be used to manage proceeds through Green Registries*
- *Intention that Green Loan portfolio  $\geq$  outstanding Green Bonds*

## REPORTING

- *An annual allocation and performance report will be published on a per issuing entity basis*
- *Positive second party opinion by Sustainalytics*

## ISSUING ENTITIES

Danske Bank

Danske Bank A/S

REALKREDIT  
**Danmark**

Realkredit Danmark A/S



















Danske Bank

Danske Hypotek AB (publ)

Danske Bank

Danske Mortgage Bank Plc

# Use of Proceeds

UoP category	Eligible Green Loans <sup>1</sup>	SDG
 <b>Clean transportation</b>	<ul style="list-style-type: none"> <li>Electric / biogas / hydrogen public transport</li> <li>Electric / plug-in hybrid / hydrogen vehicles</li> <li>Infrastructure related to electric transport</li> </ul>	
 <b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Onshore / offshore wind energy</li> <li>Solar energy</li> <li>Wave / tidal energy</li> <li>Nordic hydro power</li> <li>Bioenergy</li> <li>Geothermal energy</li> </ul>	
 <b>Transmission and Energy Storage</b>	<ul style="list-style-type: none"> <li>Transmission of electricity produced out of renewable sources</li> <li>Smart grids, storage facilities, metering systems</li> <li>Facilitation of renewable electricity production and use</li> </ul>	
 <b>Green and energy efficient buildings</b>	<ul style="list-style-type: none"> <li>Certified public/commercial/residential buildings</li> <li>Top 15 % most energy efficient buildings within respective region</li> <li>≥ 30% improvement in energy efficiency through renovations</li> <li>Direct cost installations increasing energy efficiency by ≥ 20%</li> </ul>	
 <b>Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>Sustainable forestry including FSC/PEFC certification standards</li> <li>Organic farming, certified in compliance with the EU &amp; national regulation</li> <li>Sustainable fishery certified by the MSC / ASC</li> </ul>	 
 <b>Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>Sustainable water facilities designed to treat, distribute and conserve water</li> </ul>	
 <b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>Recycling facilities, collection/treatment of waste</li> <li>Sustainable waste to energy facilities</li> </ul>	 
 <b>Climate change adaptation</b>	<ul style="list-style-type: none"> <li>Financing of adaptation projects in order to address climate vulnerability</li> </ul>	

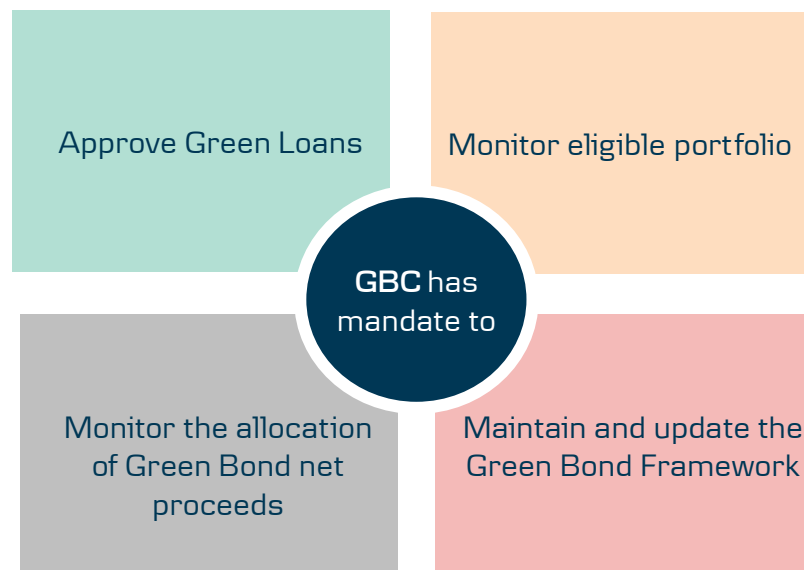
<sup>1</sup>See framework for further detail

## Process for evaluation and selection

### Evaluation and selection process description

- Potential Green Loans in Danske Bank go through the standard credit process, which assesses, among many other issues, potential (ESG) risks
- Sustainability experts within lending units further evaluate potential green loans, their compliance with the green loan categories and their environmental benefits
- Lending units present potential Green Loans for approval to Danske Bank's Green Bond Committee (the "GBC")
- The GBC is solely responsible for the decision to acknowledge a loan as green
- Green Loans and related environmental details, together with the GBC decision, will be recorded into a dedicated registry ("Green Registry").

### Danske Bank 's Green Bond Committee



### Financing and refinancing

- Net proceeds can finance both existing and new Green Loans
- New Green Loans are defined as loans that have been disbursed either after or up to 12 months before a Green Bond issuance

### Pure Play Loans

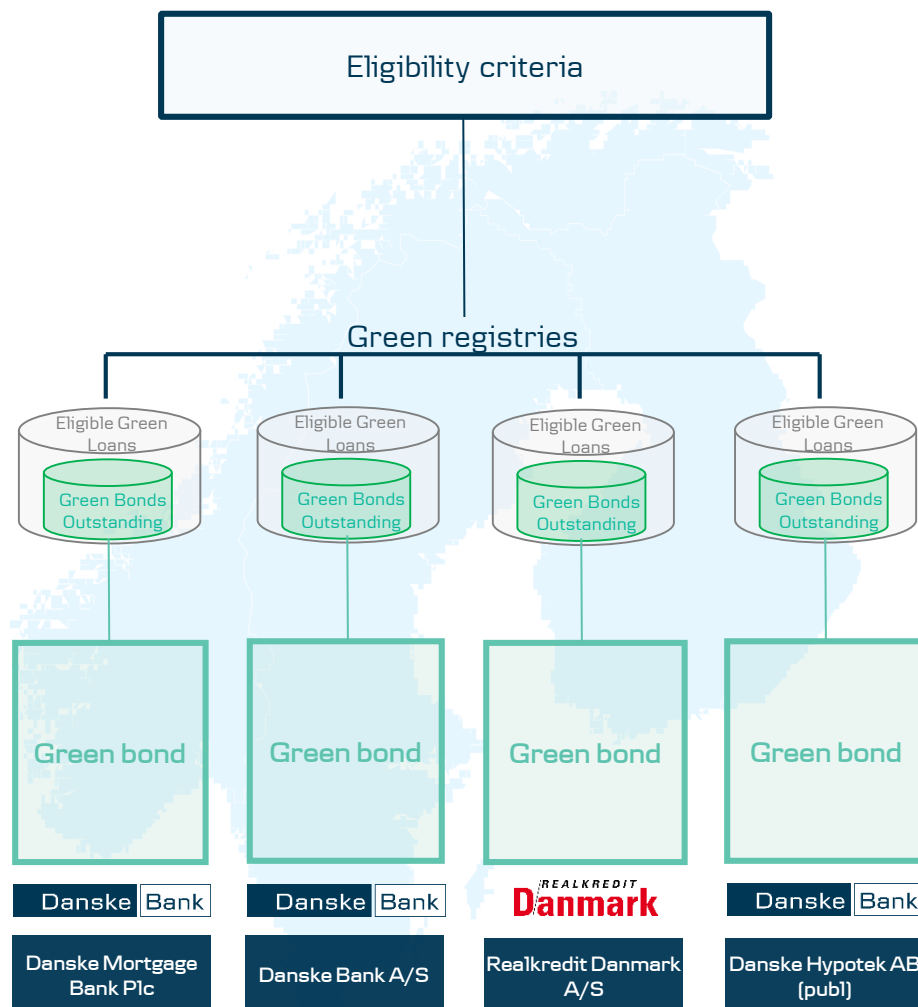
- General corporate purposes loans to "pure play" green companies can be funded with net proceeds from Green Bond issuances
- A pure play company is defined as a company deriving over 90 % of its revenue from the Green Loan categories as defined in Danske Bank's Green Bond Framework



# Management of Proceeds

## Management & tracking of Green Bond net proceeds:

- Use of Green Registries on a portfolio basis to keep track of the Green Loans per issuing entity
- Danske Bank will strive to achieve a level of allocation for Green Loans that matches or exceeds the balance of net proceeds from its outstanding Green Bonds
- The Green Registries ensure that Green Bond net proceeds only support the financing of Green Loans or to repay Green Bonds.
- Unallocated proceeds to Green Loans will be temporary invested in a treasury liquid portfolio, excluding sectors such as:
  - Fossil and nuclear energy generation
  - Weapons and defence
  - Extraction of environmentally negative resources
  - Gambling or tobacco



# Allocation Reporting

Danske Bank will, per each issuing entity, provide Green Bond reporting, on annual basis



A summary of general Green Bond developments



The outstanding amount of Green Bonds



Total allocation of Green Bond net proceeds to each Green Loan category



The balance of Green Loans in the Green Registries



Performance reporting

# Impact Reporting<sup>1</sup>



## Clean transportation

### Low carbon public transportation and vehicles

- Number of vehicles
- GHG savings

### Low carbon Vehicle manufacturing

- Number of vehicles

### Low carbon transportation infrastructure

- GHG savings due to the installed technology
- Number of units installed



## Transmission and energy storage

### Transmission and energy storage

- Distance of transmission
- Energy transmitted
- Energy savings
- GHG savings



## Renewable energy

### Renewable energy generation

- Renewable energy generation
- Installed renewable energy capacity
- GHG savings

### Renewable energy product manufacturing

- Number of units produced



## Environmentally sustainable management of living natural resources and land use

### Forests and forestry

- Forest area
- Forestry certification scheme
- Net carbon sequestration

### Agriculture

- Agriculture land area
- Organic farming certification scheme
- Type of crop

### Fishery

- Certification scheme
- Type of fish



## Green and energy efficient buildings

- Environmental certification or EPC
- Reduction in energy use
- GHG savings



## Pollution prevention and control

### Pollution prevention and control

- Waste management
- Quantity of recycled material
- GHG savings

### Waste and water to energy

- Energy generation
- GHG savings



## Sustainable water and wastewater management

### Sustainable water and wastewater management

- Quantity of treated wastewater and/or supplied freshwater
- Qualitative improvements in freshwater supply and/or wastewater treatment



## Climate change adaptation projects

- Type and purpose of investment

<sup>1</sup>Indicative Key Performance Indicators (KPI)

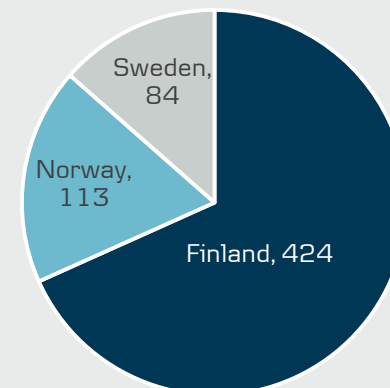
## Initial portfolio of Green Loans (Danske Bank A/S)<sup>1</sup>

Category	Sub-category	Description	Green Loan amount, EURm
Clean Transportation	Low carbon public transportation	Electric trains	48
Green Buildings	Public or commercial buildings	Buildings certified with at least LEED "Gold", BREEAM "Very Good", DGNB "Gold" or Miljöbyggnad "Silver"	204
Renewable energy	Hydro power	Nordic hydro power plants	212
	Wind energy	Offshore and onshore wind farms	130
Pollution prevention and control	Waste to energy	Waste to energy plant	26
Total			621

### Descriptive loan portfolio details

Number of clients	15
Number of loans	23
Weighted average maturity	2.8 years
Share of New Green Loans <sup>2</sup>	26%
Average look-back period	2.1 years

### Geographic split, EURm



1) As of 28.02.2019; 2) Defined as financed within the last 12 months

## Example projects

### Tripla Mall



- Disbursed loan amount by Danske Bank: EUR 18m
- Financing the construction of Tripla mall, a business and residential center in Helsinki, adjacent to Pasila railway station.
- Applying for LEED Platinum certification and will also meet the near-zero energy performance of the European Commission's directive for buildings (NZEB).

### Tahkoluoto Offshore Wind Farm



- Disbursed loan amount by Danske Bank: EUR 85m
- Financing for Finland's first offshore wind farm and the world's first offshore wind farm built for icy conditions. The farm is located outside Tahkoluoto in Pori, Finland.
- Wind farm consists of 10 Siemens 4.2MW wind turbines and has an expected annual production of 155 GWh.



# Second Party Opinion - Sustainalytics

*“Sustainalytics considers Danske Bank to be well-positioned to issue Green Bonds and believes that the Danske Bank Group Green Bond Framework is transparent, credible and in alignment with the four core components of the Green Bond Principles 2018.”<sup>1</sup>*

## Pillar 1: Use of Proceeds

- Sustainalytics considers representation on Danske Bank's GBC from key departments to be an advantage
- Sustainalytics assesses this process as being in line with market practices.

## Pillar 3: Management of proceeds

- Regarding impact reporting, Danske Bank will release its performance reporting annually, which will include indicative key performance indicators
- Sustainalytics considers this reporting to be in accordance with market practice

- The use of proceeds categories are recognized by the Green Bond Principles 2018 as impactful
- Sustainalytics believes that projects in these categories will contribute to reducing GHG emissions, limiting pollution and enhancing resilience to climate change in Nordic countries.

## Pillar 2: Process for Project Selection and Evaluation

- Aligned with market practice
- Danske Bank uses dedicated Green Registries, on a portfolio basis, to keep track of the Green Loans per issuing entity and net proceeds from the respective entities' Green Bond issuance

## Pillar 4: Reporting

# Disclaimer

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