

**ASSURANCE REPORT  
FOR PRE-ISSUANCE CERTIFICATION  
OF THE GREEN BOND**  
to be issued by Danske Mortgage Bank Plc  
in February 2021

ISSUING ENTITY:	Danske Mortgage Bank Plc
VERIFIER:	Multiconsult Norge AS
DOCUMENT CODE:	10224081-01-TVF-RAP-001
DATE:	28.01.2021

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This report is prepared based on information disclosed by Danske Mortgage Bank Plc and/or its advisors and representatives. Multiconsult has no influence and/or control over the accuracy and/or completeness of the information received, and accordingly Multiconsult cannot be held liable for use of such information. In preparing this report Multiconsult has used the skill, care and diligence that might reasonably be expected from us. The input, the analyses and the conclusions used in the preparation of this report and/or contained in this report, are of a character which is not certain. The report is subject to the qualifications, assumptions, restrictions and limitations set out herein, and Multiconsult makes no representation or warranty for the accuracy and completeness of this report, and disclaims all responsibility or liability, whether in tort or in contract, regarding the contents of this report and any decisions, acts or omissions being made in connection therewith.

For enquiries regarding this report please contact [energi@multiconsult.no](mailto:energi@multiconsult.no)

# Background

**Issuing Entity:**

Danske Mortgage Bank Plc

**Green Bond:**

Danske Mortgage Bank Plc Green Bond (€ 0.5 bn)

ISIN: TBC

**Period of bond issuance:**

February 2021 (for 5 years, until February 2026)

**Underwriters:**

TBC

**CBI approved verifier:**

Multiconsult

**Period of verification:**

January 2021

**Verifier contact:**

Multiconsult Norge AS

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Oslo, Norway

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Danske Mortgage Bank Plc (Danske) is a Finnish covered bond issuer owned by Danske Bank.

In February 2021 Danske Mortgage Bank Plc is to issue their inaugural green bond backed by mortgages of energy-efficient buildings. The covered pool consists of high quality Finnish residential mortgages.

Danske Mortgage Bank Plc has engaged Multiconsult, a CBI approved verifier, to review and verify that Danske Mortgage Bank's € 0.5 bn Green Bond February 2021 issuance meets the pre-issuance requirements (part A and C) under the Low Carbon Buildings criteria of the Climate Bonds Standard Version 3.0.

# Subject Matter & Applicable Criteria

The aim of the issuance is to finance and refinance a mortgage asset pool with added environmental value, focusing on energy performance. The bond will refinance an existing mortgage loans portfolio with residential buildings in Finland that comply with the Climate Bonds Initiative Finnish residential building criterion qualifying building finished in 2015 and later.

Finnish residential buildings that comply with this criterion are eligible for green bonds as they have significantly better energy standards and account for less than the top 15% most energy efficient building in the residential building stock (ref. Appendix B).

The bond issuance (and consequently, our verification) is to follow Climate Bond Standard Version 3.0 sector criteria Low Carbon Buildings: Residential buildings.

# Responsibilities

## Issuing Entity (Danske Mortgage Bank Plc)

Danske Mortgage Bank has the responsibility for providing information and documents on its mortgage portfolio, incl. nomination of buildings, management and disbursement of proceeds etc. as per the Climate Bonds Information Form and included in the Issuer's Green Bond Framework.

## Verifying Entity (Multiconsult)

The work undertaken as part of this engagement includes confirming the transaction's conformance with the Climate Bonds certification requirements, which include:

- Conformance of issuance with the Climate Bonds Standard Version 3.0;
- Conformance with the Technical Criteria on Low Carbon Buildings for Residential Property;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Pre-Issuance requirements.

# Independence of the Verifier

Multiconsult is a Norwegian globally active independent consulting firm, listed on the Oslo Stock Exchange.

Multiconsult uses an ISO-9001 compliant Quality Management System to ensure high delivery standards towards its clients. The company has set up numerous internal policies – amongst which are the “Quality Policy”, “Policy for Corporate Social Responsibility”, “Ethical Code of Conduct” as well as “HSE and Environment Policy”. Copies of these policies as well as the Multiconsult Management System can be made available upon request.

Our impartiality is of vital importance to our clients and is their guarantee of receiving independent and neutral professional advice. Multiconsult has no vested interests in manufacturing or construction and is a qualified member of the International Federation of Consulting Engineers (FIDIC) through its membership in the Norwegian Association for Consulting Engineers (RIF). We confirm that:

- No members of this verification team are currently engaged in any other work for Danske Mortgage Bank;
- No members of this verification team have developed any current proposals for work with Danske Mortgage Bank;
- Multiconsult does not have any current jobs or proposals with Danske Mortgage Bank Plc on record keeping or compliance management systems that are at all relevant to the Climate Bond Initiative;
- Multiconsult has never advised Danske Mortgage Bank Plc on record keeping or compliance management systems that are at all relevant to the Climate Bond Initiative.
- Multiconsult has no financial interest in Danske Mortgage Bank or climate bonds, other than fees for current independent evaluation.

Ref. Appendix D for more information about Multiconsult.

# Work Performed

We planned and performed the verification by obtaining evidence and other information and explanations that are considered necessary to obtain a reasonable level of assurance that Danske Mortgage Bank Plc's issuance meets the requirements of the Climate Bond Initiative's Pre-Issuance Requirements as described in Parts A and C of Climate Bond Standard Version 3.0 (ref. Appendix C). We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our conclusion. For this assignment we:

- Reviewed the Issuer's Green Bond Framework that includes processes, systems and controls in place for management of bond proceeds;
- Reviewed the Issuer's Climate Bond Information Form and supporting documentation;
- Reviewed a sample of the mortgage portfolio which is associated with the Green Bond and their conformance with eligibility requirements.

This assignment has been executed as a desk-study. Clarifying Q&A sessions have been held with Danske Mortgage Bank Plc by phone and e-mails on an as-needed basis.

Because of the inherent limitations in any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period but has been performed as a one-time activity. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

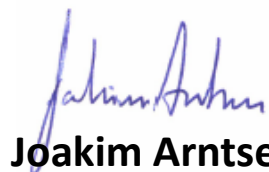
# Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the Issuer's 2020 Climate Bond is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.

Multiconsult conducted the pre-verification in accordance with the Climate Bond Standard Version 3.0 and with International Standard on Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Information). The verification included Climate Bond Standard Version 3.0 sector criteria Low Carbon Buildings (Residential buildings).

Multiconsult's verification approach draws on an understanding of the risks associated with conforming to the Climate Bond Standard Version 3.0 and the controls in place to mitigate these. Multiconsult planned and performed the verification by obtaining evidence and other information and explanations that Multiconsult considers necessary to give limited assurance that the Danske Mortgage Bank Green Bond continues to meet the requirements of the Climate Bond Standard Version 3.0.

We refer to the following appendices for the list of documents reviewed (Appendix A), proxy methodology (Appendix B) and detailed process summary (Appendix C).



**Joakim Arntsen**

Head of Renewable Energy Advisory Services

Multiconsult Norge AS

28.01.2021



# APPENDICES

Appendix A: List of Documents Reviewed

Appendix B: Proxy Methodology

(Eligible Residential Buildings in the Danske Mortgage Bank Portfolio)

Appendix C: Audit Procedures and Findings

Appendix D: About Multiconsult

# Appendix A: List of Documents Reviewed

Document Title	Publishing Responsible	Publishing Date
Portfolio of eligible assets provided by Issuer as database extract in XLS	Danske Mortgage Bank Plc	August 2020
“Danske Bank Group’s Green Bond Framework” including: <ul style="list-style-type: none"> <li>a) Danske Bank Sustainability Strategy</li> <li>b) Use of Proceeds</li> <li>c) Process for Project Evaluation and Selection</li> <li>d) Management of Proceeds</li> <li>e) Reporting</li> <li>f) External review</li> </ul>	Danske Mortgage Bank Plc	March 2019
Report on proxy methodology development for “Danske Mortgage Bank Green Bond” and qualification of eligible assets	VTT/Multiconsult	30.09.2020
Location Specific Criteria for Finnish Residential Buildings	Climate Bonds Initiative	January 2021
“Climate Bond Information Form”	Danske Mortgage Bank Plc	22.01.2021

# Appendix B: Proxy Methodology

The Climate Bonds Initiative (CBI) proxy methodology for Finnish energy efficient residential buildings was published [January 2021](#).

The E-value criterion (figure 1) is supplemented with a criterion qualifying all residential buildings finished in 2015 or later. The evidence for this latter criterion is statistics from the Energy Performance Certificates database showing younger buildings performing better than the thresholds in figure 1 ensuring the qualifying buildings being in at least in the top 15% most energy efficient buildings.

Danske Mortgage Bank has applied the building year criterion to select energy efficient buildings from its mortgage pool.

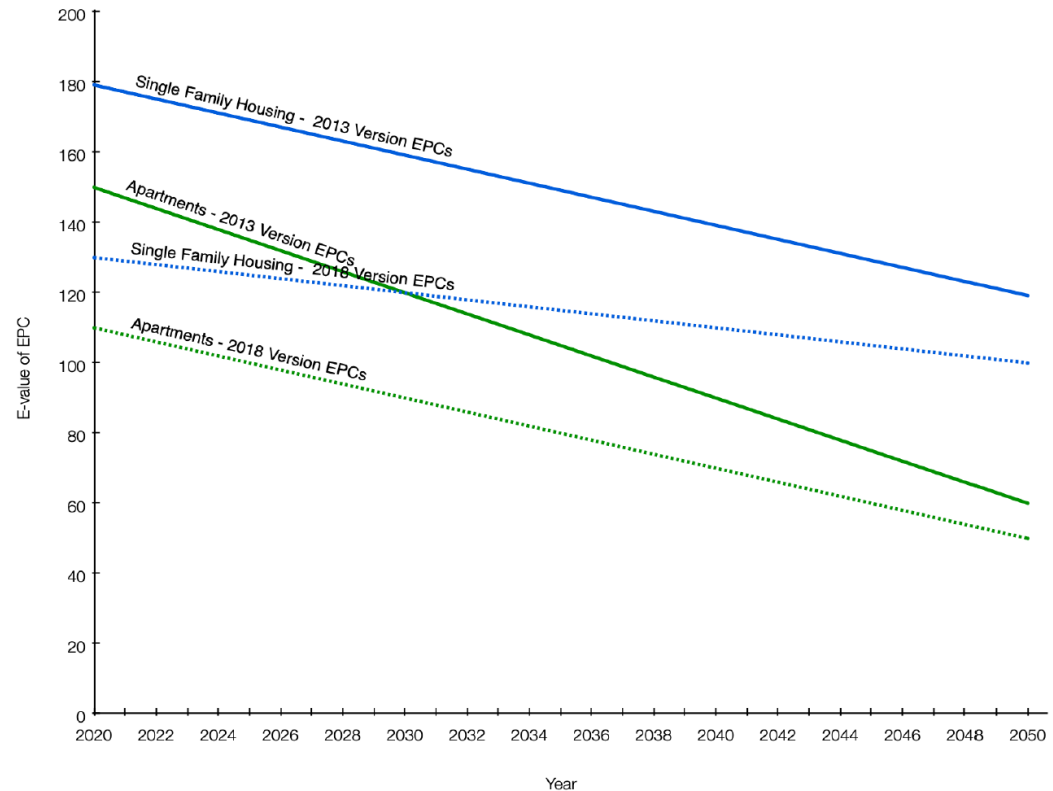


Figure 1. E-value criterion Residential buildings are eligible for certification if their E Value lies below the hurdle rate established for the midpoint of the term of the bond. (CBI)

The E-value calculated for each building illustrates both net energy demand and carbon intensity in the energy supply. The E-value is used in both energy Performance Certificate and in requirements in the Finnish building code. Figure 2 illustrates how the calculated specific energy demand, described by the E-value, declines due to historic strengthening of energy efficiency requirements in building code. Calculations performed by the Finnish research institute VTT. From Code of 2007 to Code of 2017 the reduction is between 15 and 34% dependent on building category.

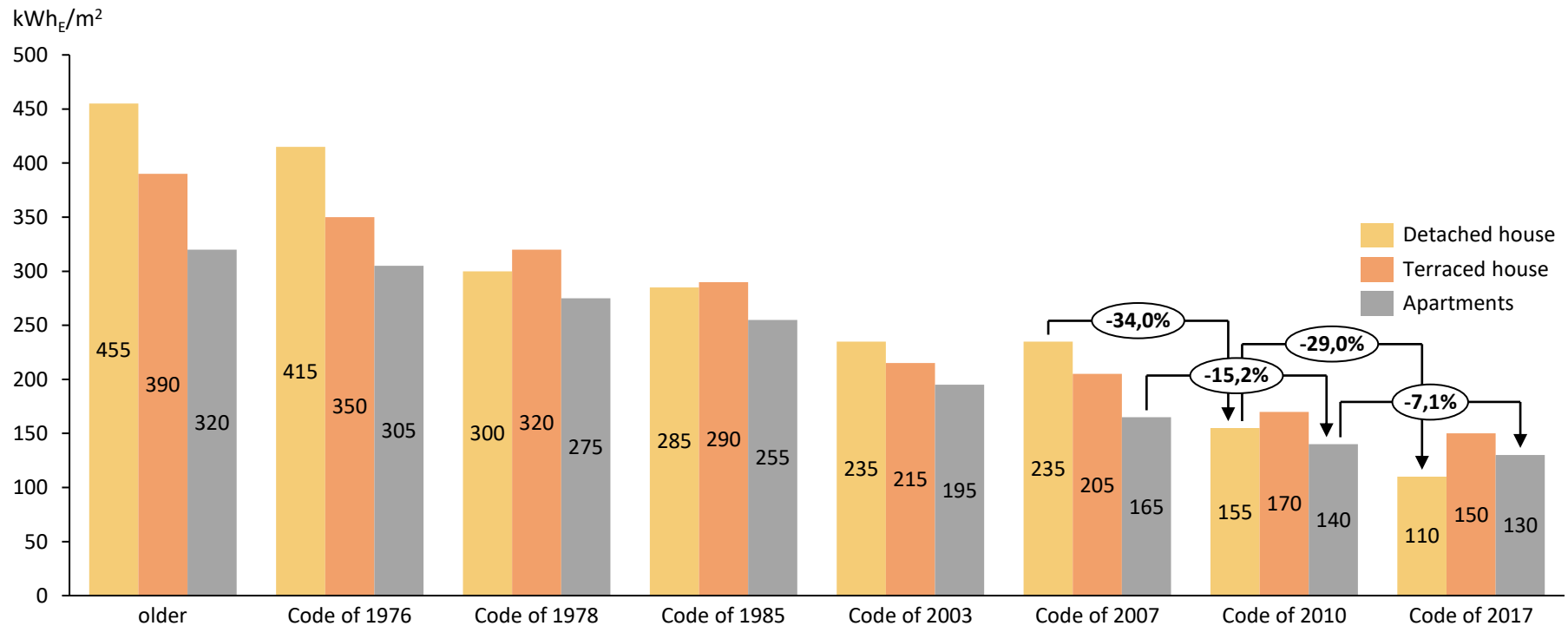


Figure 2. Development in calculated specific net energy demand based on building code and building tradition (VTT/Multiconsult)

Figure 3 below shows the statistics on Finnish residential building stock and how it is distributed by age. Buildings finished in 2010 and later amount to 11% of the total stock. Only including buildings finished in 2012 or later hence built according to the building codes of 2010 or 2017 amount to 9% of the residential building stock (respectively 12% of apartments and 6% of small residential buildings).

Note that the selection process is in its simplicity only to sort the portfolio by building year and building category. The cut-off is established at buildings finished in 2015 or later amounting to significantly less than 9% of the building stock and adhering to the energy efficiency requirements in the building code of either 2010 or 2017.

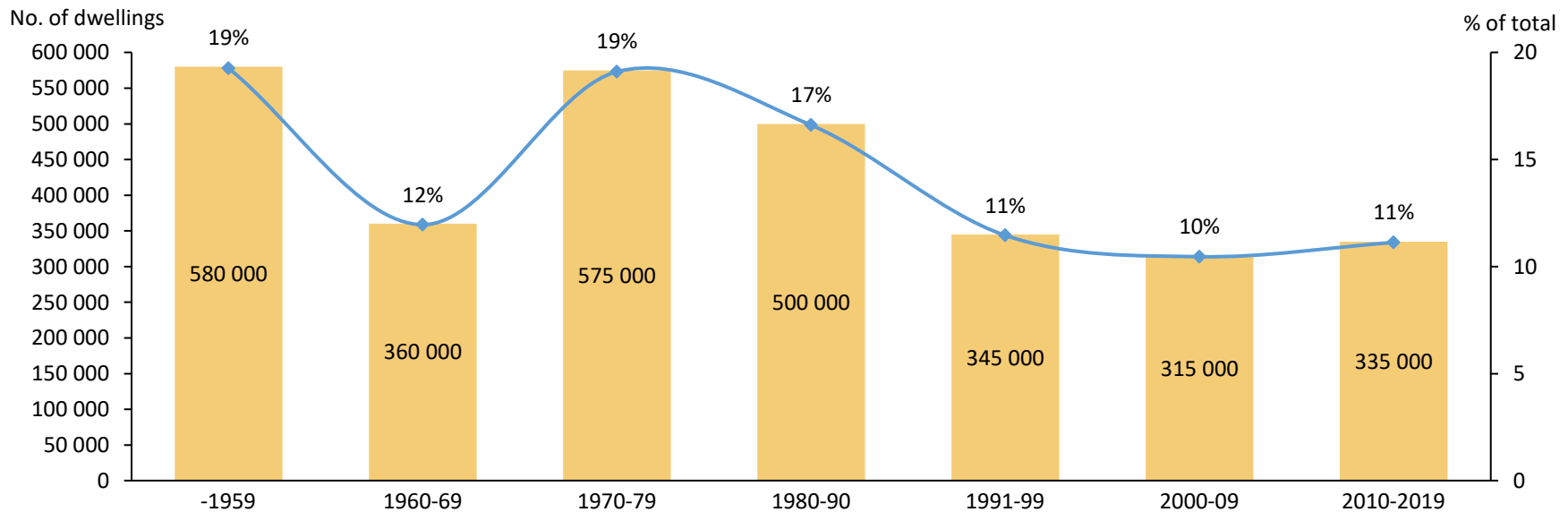


Figure 3. Amount and share of residential buildings built in various years (Statistics Finland, VTT and Multiconsult)

The sample of Danske Mortgage Bank portfolio examined consisted only of residential buildings from 2015-2020. The figure below shows the size of the eligible part of the portfolio in number of objects and area (m<sup>2</sup>), August 2020.

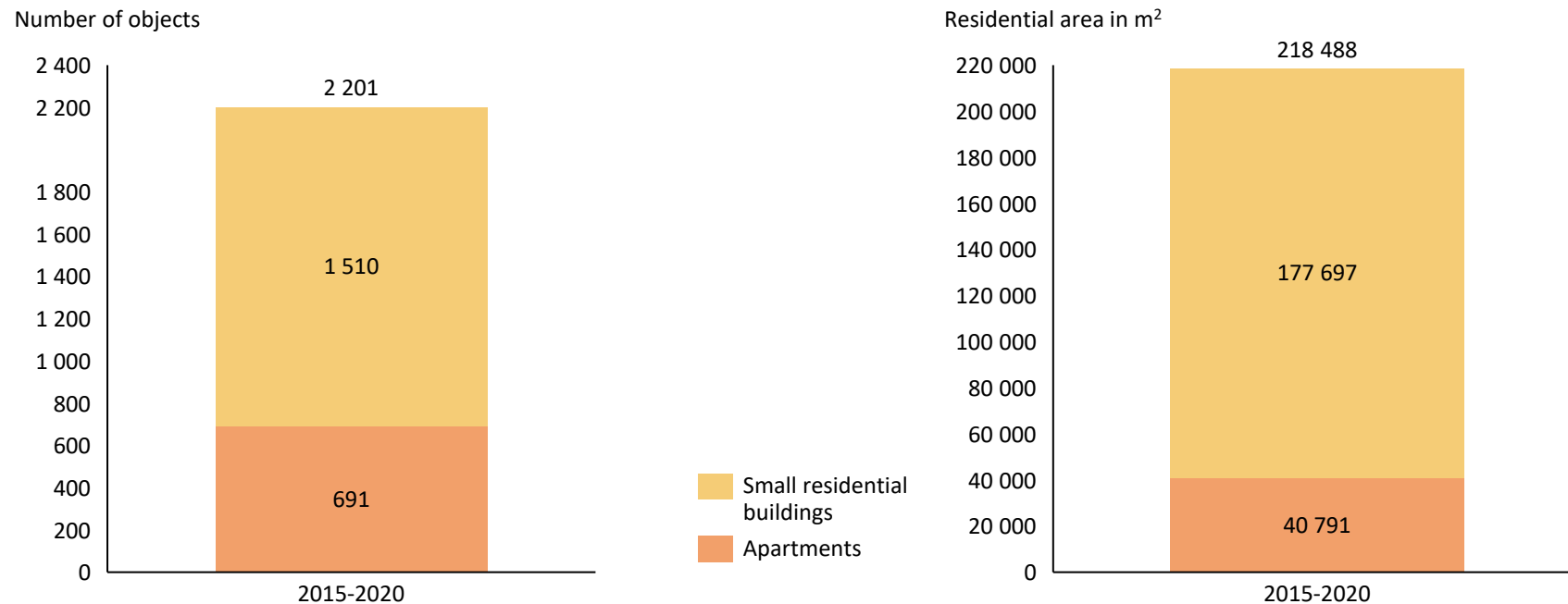


Figure 3A and 3B. Eligible residential buildings in the Danske Mortgage Bank Plc portfolio (Danske Mortgage Bank/ Multiconsult)

# Appendix C: Audit Procedures and Findings

Eligibility Criteria	Procedure	Findings
Compliance to Part A: Pre-Issuance Requirements	Examination of the information presented in Climate Bond Information Form and E-mail correspondence to determine if Part A (Pre-Issuance Requirements) is met.	<ul style="list-style-type: none"> <li>• Issuer’s information indicates adequate measures to meet the General Requirements.</li> <li>• The Green Loans will be monitored by the Danske Bank’s Green Bond Committee (the “GBC”). The GBC is solely responsible for the decision to acknowledge a loan as green, in line with the Green Loan Categories definition. Some of the issuing entities within the Danske Bank Group may form their own sub-committee, reporting to the GBC, and/or keep their separate Green Registries. GBC has the mandate to: Approve Green Loans, Exclude already funded Green Loans, Monitor the allocation of Green Bond net proceeds</li> <li>• Maintain and update the Green Bond Framework</li> <li>• GBC will convene every other month or when otherwise considered necessary.</li> <li>• GBC is chaired by the Head of Group Treasury and consists of representatives from, for instance, Sustainable Finance, Societal Impact and Sustainability, Risk Management. GBC is governed by Asset &amp; Liability Committee of the Danske Bank Group.</li> </ul>
Compliance to Part C: Eligibility of Projects & Assets	Examination of the information presented in Climate Bond Information Form to determine if Part C (Eligibility of Projects & Assets) is met.	<ul style="list-style-type: none"> <li>• The Nominated Projects &amp; Assets will fall under the investment area: Buildings</li> <li>• The eligibility criteria are based on the Sector Eligibility Criteria documents on residential building criteria for Finland.</li> <li>• Eligible residential buildings are buildings built in 2015 or later, which have been assessed by a specialist methodology based on the E-value, inherent in both the energy performance certificate and building code requirements, to belong to the top 15% most energy efficient building stock in Finland. The evidence behind the CBI criterion is found in the national EPC statistic. Using this criterion, the tenor can be no longer than 10 years. The tenor of the issuance is 5 years.</li> </ul>

# Compliance with Climate Bonds Standard

## Part A: Pre Issuance Requirements

Requirement	Finding
<b>1. Use of Proceeds</b>	
1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.	The Issuer will nominate building built in 2015 or later which are within the 15 % of most energy efficient residential buildings. This will be based on a framework approach. The list will be presented to the Danske Bank Green Bond Committee. There will be annual updates and reports about number of qualified objects in the portfolio.
1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.	The issuer has confirmed this in the information form. At issuance, there are approximately 400 MEUR of green assets in DMB. Post issuance, enough green assets from Danske Bank A/S Finland branch will be purchased to exceed the outstanding notional of the issued green covered bond.
1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds)	The issuer has confirmed in the information form that Nominated Projects & Assets will not be nominated to other Certified Climate Bonds Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).



# Compliance with Climate Bonds Standard

## Pre Issuance Requirements Part A

Requirement	Finding
<b>2. Process for Evaluation and Selection of Projects &amp; Assets</b>	
<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects &amp; Assets.</p>	<p>Refinancing of energy efficient housing. The framework approach identifies buildings which are within the 15% of most energy efficient residential buildings.</p> <p>The climate-related objectives of the Bond is: A transition to a low carbon, resilient and environmentally sustainable economy requires vast amounts of capital. Danske Bank aims to support the mobilisation of debt capital to sustainable and environmentally beneficial purposes.</p> <p>When potential Green Loans have been nominated, a list including their environmental details, will be presented to Danske Bank’s Green Bond Committee (the “GBC”). The GBC is solely responsible for the decision to acknowledge a loan as green, in line with the Green Loan Categories definition. Green Loans and related environmental details, together with the GBC decision, will be recorded into a dedicated registry (“Green Registry”). Some of the issuing entities within the Danske Bank Group may form their own sub-committee, reporting to the GBC, and/or keep their separate Green Registries. GBC has the mandate to: Approve Green Loans; Exclude already funded Green Loans; Monitor the allocation of Green Bond net proceeds and; Maintain and update the Green Bond Framework.</p> <p>GBC will convene every other month or when otherwise considered necessary. GBC is chaired by the Head of Group Treasury and consists of representatives from, for instance, Sustainable Finance, Societal Impact and Sustainability, Risk Management. GBC is governed by Asset &amp; Liability Committee of the Danske Bank Group.</p>
<p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process</p>	<p>Eligible housing is buildings built in 2015 or later, which have been assessed to belong to the top 15% most energy efficient building stock in Finland.</p>
<p>2.3 The Issuer shall assess that all proposed Nominated Projects &amp; Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>	<p>The eligibility criteria are based on the eligible residential building criteria for Finland which can be found here: <a href="https://www.climatebonds.net/standard/buildings/residential/calculator">https://www.climatebonds.net/standard/buildings/residential/calculator</a></p> <p>Eligibility criteria include E-value methodology, buildings built in 2015 or later, and with a tenor no longer than 10 years. The tenor of the bond is expected to be 5 years.</p>

# Compliance with Climate Bonds Standard

## Pre Issuance Requirements Part A

Requirement	Finding
<b>3. Management of Proceeds</b>	
<p>3.1. The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include tracking of proceeds, managing unallocated proceeds and earmarking funds to Nominated Projects and Assets.</p>	<p>Proceeds are to be earmarked. Danske Bank uses the Green Registries, on a portfolio basis, to keep track of the Green Loans per issuing entity. Green Registries are also used to keep track of the net proceeds from respective entities' Green Bond issuance. Danske Bank will strive, over time and for each issuing entity, 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.</p> <p>The proceeds will be deployed within 1 year.</p> <p>While any Green Bond net proceeds remain unallocated to Green Loans, Danske Bank will, per issuing entity, temporarily hold or invest any unallocated net proceeds at its own discretion in its treasury liquidity portfolio that consists of cash or other short term and liquid instruments. Temporary holdings will not be made in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.</p>
<b>4. Reporting Prior to Issuance</b>	
<p>4.1. The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance.</p>	<p>The Danske Bank Green Bond Framework was prepared in 2019 and is available on Danske Bank's webpage. The Framework is in line with the Climate Bonds Standard and verified by a second opinion provider.</p>

# Compliance with Climate Bonds Standard

## Pre Issuance Requirements Part A

Requirement	Finding
<b>4. Reporting Prior to Issuance (continuation)</b>	
<p>4.2. The Issuer shall include in the Disclosure Documentation:</p> <ul style="list-style-type: none"> <li>• The investment areas, as provided in Clause 9.1, into which the Nominated Projects &amp; Assets fall;</li> <li>• The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;</li> <li>• The Verifier engaged by the Issuer for the mandatory verification engagements;</li> <li>• The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;</li> <li>• The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• The Nominated Projects &amp; Assets fall into investment area low carbon buildings (residential). The ambition level is to meet standard.</li> <li>• While any Green Bond net proceeds remain unallocated to Green Loans, Danske Bank will, per issuing entity, temporarily hold or invest any unallocated net proceeds at its own discretion in its treasury liquidity portfolio that consists of cash or other short term and liquid instruments.</li> <li>• The KPI's will be verified by Multiconsult</li> <li>• Reports on allocation of proceeds and green credentials/outcomes will be made publicly available on an annual basis. The report on green credentials/outcomes will be in the form of a website disclosure. As only one category (buildings in Finland) is currently being financed, the report is automatically dividing between categories and location of projects. The performance KPIs will be 1) Reduced energy compared to baseline 2) Reduced CO<sub>2</sub>-emissions compared to baseline. Baseline defined by average residential Finnish building stock. The target is to be on the energy savings trajectory. The Finnish government has set target of carbon neutrality by 2035, which is reflected in the energy efficiency requirements set in the Finnish building code. Multiconsult will verify the reporting on green credentials/outcomes.</li> <li>• Danske Mortgage Bank have confirmed that the Disclaimer will be made available to investors as part of the pre issuance information.</li> </ul>

# Compliance with Climate Bonds Standard

## Part C: Eligibility of Projects & Assets

Requirement	Finding
<b>9. Climate Bonds Taxonomy</b>	
9.1. Nominated Projects & Assets, as identified by the Issuer under Clauses 1.1 and 5.1, shall fall into one or more of the investment areas listed as included in the Climate Bonds Taxonomy.	The Nominated Projects & Assets will fall under the investment area: Buildings
<b>10. Sector Eligibility Criteria</b>	
<p><b>10.1.</b> Nominated Projects &amp; Assets shall meet the specific eligibility requirements provided in the relevant Sector Eligibility Criteria documents. If there are different versions of the relevant Sector Eligibility Criteria documents, then the version which was current at issuance of the bond may be used for demonstration of the eligibility of Nominated Projects &amp; Assets for the duration of the bond.</p>	<p>The eligibility criteria are based on the Sector Eligibility Criteria documents document on residential building criteria for Finland which can be found here: <a href="https://www.climatebonds.net/standard/buildings/residential/calculator">https://www.climatebonds.net/standard/buildings/residential/calculator</a></p> <p>In its nomination of assets, Danske Bank is ensuring that the selected eligible housing is buildings built in 2015 or later. Eligibility has been assessed by a specialist methodology based on the E-value, inherent in both the energy performance certificate and building code requirements. This Climate Bonds Initiative criterion ensures the buildings to belong to the top 15% most energy efficient building stock in Finland. Evidence behind the criterion is found in the national EPC statistic. The tenor will be 5 years, and well below the 10 years limit.</p>

# Appendix D: About Multiconsult

Multiconsult is **one of the leading firms of consulting engineers** in Norway and Scandinavia, with 2,850 permanent staff and expertise spanning a wide range of disciplines within our **7 core activity areas**:



With the company's **roots dating back to 1908**, we have over the past 110 years carried out several thousand international assignments **in more than 100 countries worldwide**.

With its highly skilled engineers and economists, Multiconsult is able to provide a range of services including **multidisciplinary consulting and design, project engineering and management, verification, inspection, supervision and architecture**.

Sustainability is important to us, and thanks to our **specialist expertise in health, safety and the working environment, environmental management, risk assessment and BREEAM**, we are able to help our customers to identify and implement environmental goals, in order to facilitate sustainable development. Our strategy states that HSE shall always have priority over financial considerations.

Multiconsult utilises an integrated, multidisciplinary approach and emphasises an open and continuous dialogue with our clients in order to jointly reach the best solutions possible. We strongly emphasise **responsibility, openness, integrity, knowledge sharing and environmental sustainability** in our projects.

In addition to business in Norway, Multiconsult Group includes subsidiaries in Denmark, Poland, Singapore, Sweden, Tanzania and the UK. Multiconsult has project offices in Ethiopia, Nepal and Uganda, sales offices in Kenya, the Philippines and Thailand. Our network of partners ranges from Africa, Asia, Central and South America, Europe and Middle East to North America. This enables Multiconsult to provide its expertise and resources to **customers throughout the world**.

For more information about the company, visit <http://www.multiconsultgroup.com>