

Green Bond Impact Report 2019



A sincere thank you to our Green Bond investors



Samu Slotte, Head of Sustainable Finance in Danske Bank

In March 2019, Danske Bank Group ('Danske Bank') launched its Green Bond Framework and issued two inaugural Green Bonds. The first was issued on 15 March 2019 by Danske Bank A/S and the second was issued on 15 April 2019 by Realkredit Danmark A/S.

This report provides an overview of our green lending developments and the allocation of funds, as well as the estimated positive environmental impact achieved by the use of proceeds from these issuances.

Providing green lending to our clients is an important part of our commitment to make a positive contribution to the societies we are part of and would not be possible without our investors.

We sincerely thank you for your co-operation in channelling capital into investments that enable the transition to a low-carbon, climate-resilient and sustainable economy.

*Samu Slotte
Head of Sustainable Finance
13 March 2020*

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Societal impact and sustainability in Danske Bank

As one of the largest financial institutions in the Nordic region, Danske Bank has a responsibility and obligation to make a positive contribution to the societies we are part of.

More than ten years ago, we joined the United Nations Global Compact, and we support the Sustainable Development Goals (SDG) as part of our commitment. In support of SDG 13, one of our three strategic themes is Climate & Environment.

“We want to help the societal transition towards a net-zero carbon economy by integrating closely with the Nordic societies, and by using our assets and competencies to drive sustainable progress and to create a positive impact.”

In February 2020, Danske Bank announced seven societal impact and sustainability targets to support our ambition of becoming a better bank, including the target of channelling well above DKK 100 billion into sustainable

financing by 2023. In addition, Danica Pension committed to investing an additional DKK 30 billion in assets that support the green transition during the same period.

Integrating sustainability into the core of our business

To fully support the transition to a low-carbon, climate-resilient and sustainable economy, we need to integrate sustainability considerations into the everyday processes in all lines of our business. We are therefore proud to be among the first group of banks to sign up to the UN Principles for Responsible Banking, an initiative that serves as a benchmark for embedding sustainability into the core of our business.

In order to strategically prepare our bank for the consequences of climate change, we are implementing the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) and have released our first progress in our 2019 Sustainability Report.

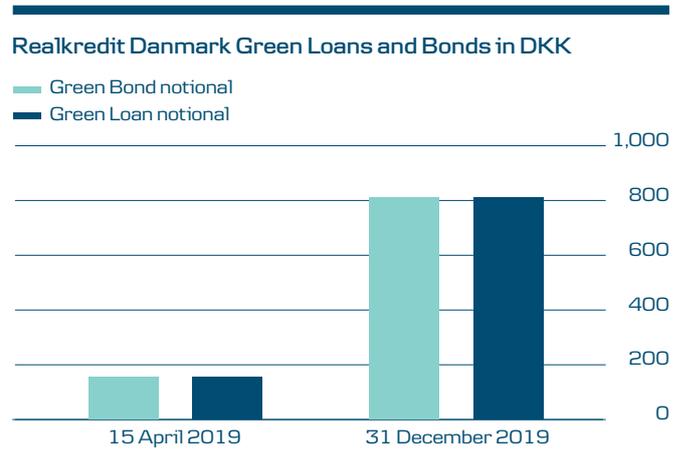
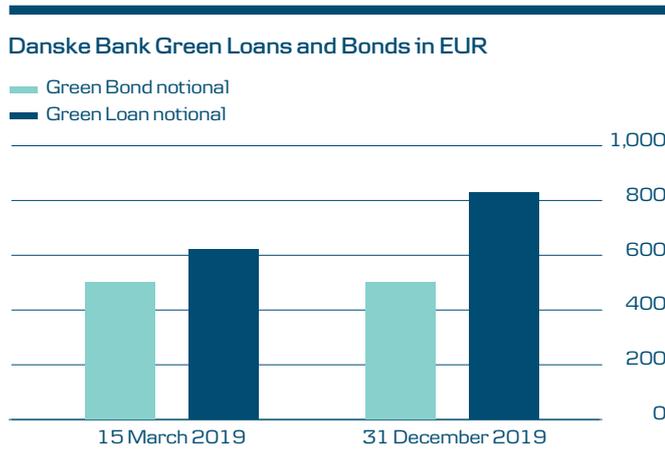
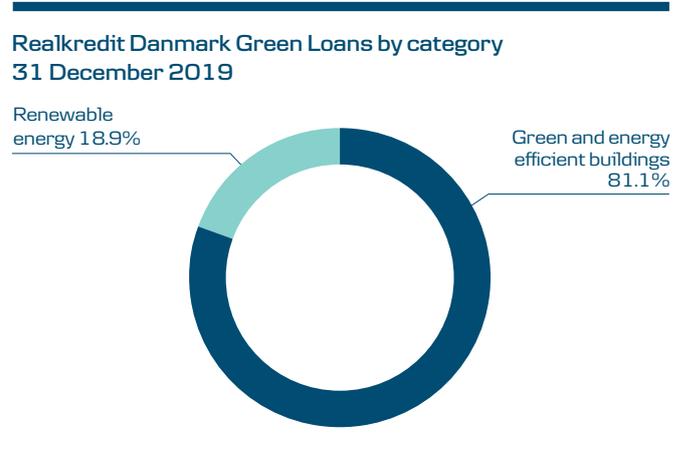
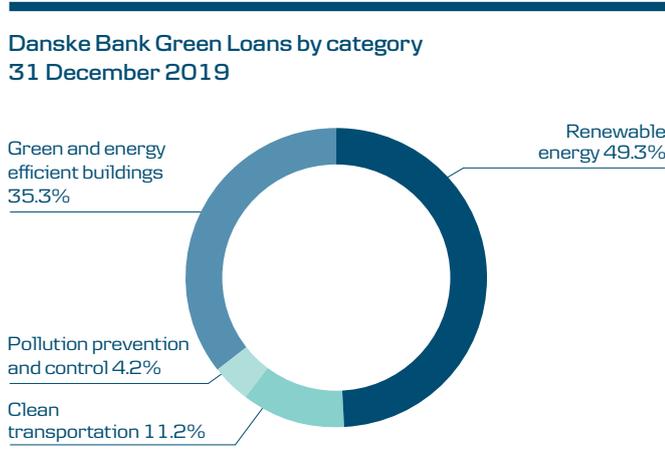
Supporting our clients in their green transition

We recognise the potential influence of our lending activities in facilitating the low-carbon transition. We are therefore committed to establishing a target that ensures the alignment of our corporate lending portfolio with the ambitions of the Paris Agreement on Climate Change. An industry-wide methodology for a lending portfolio's full Paris alignment is still in development, but we are proud to already support our clients in their transition through our Green Loan offerings.



Danske Bank target: to channel well above **DKK 100bn** into sustainable financing by 2023

Key quantitative impact data



Green Loan categories	Danske Bank					Realkredit Danmark			
	Use of Proceeds in mEUR	Annual Renewable Energy Produced (MWh)	Annual Energy Use Avoided (MWh)	Waste Treated Annually (t)	Annual GHG Emissions Avoided (tCO2e)	Use of Proceeds in mDKK	Annual Renewable Energy Produced (MWh)	Annual Energy Use Avoided (MWh)	Annual GHG Emissions Avoided (tCO2e)
Clean transportation	93.1				1,849				
Renewable energy	408.7	1,669,200			525,798	153.4	10,700		2,718
Green and energy efficient buildings	292.5		6,149		1,655	656.8		145	19
Pollution prevention and control	34.7			66,400					
Total	829.0	1,669,200	6,149	66,400	529,302	810.2	10,700	145	2,737

Source: Danske Bank

Impact attributable to Green Bond investors¹:

Danske Bank:
60.31% (EUR 500m/EUR 829m)

Realkredit Danmark:
100% (DKK 810.2m/DKK 810.2m)

¹ See section Methodology



Methodology

Impact data

Danske Bank reports either the ex-ante or ex-post impact data of the Green Loans financed by the Green Bonds on an aggregate basis per Green Loan category. In the absence of client specific data, Danske Bank has applied estimates that are relevant considering both the type and the location of the asset. The exact impact numbers are subject to some uncertainties that cannot be entirely eliminated.

In this Green Bond Impact Report, a portfolio approach is applied rather than a project-by-project method. The portfolio is analysed based on data as of 31 December 2019.

Danske Bank's share of finance

When calculating the impact resulting from the use of proceeds, it is relevant only to recognise the part generated from Danske Bank's share of finance.

Impacts attributable to Green Bond investors

The Green Bond portfolio has only financed part of the Green Loan portfolio. This part is calculated by dividing the net proceeds (outstanding notional) of the Green Bond portfolio with the outstanding notional of the Green Loan portfolio.

Baselines		
	Clean transportation	Fossil fuel-based transportation alternatives
	Renewable energy	Electricity: 315g CO ₂ e/kWh ² Cooling: Baseline for electricity is applied
	Green and energy efficient buildings	National building requirements as of in the year of construction Electricity: 315g CO ₂ e/kWh Heating: Local emissions factors
	Pollution prevention and control	Zero tonnes of waste treated

² Nordic Position Paper on Green Bonds Impact Reporting (2020 version)



Green Loans support Nordic low-carbon and sustainable investments

When Danske Bank set up its Green Bond Framework in March 2019, the aim was to enable an inclusion of multiple sectors to ensure that Danske Bank can support a broad variety of clients in their work towards a low-carbon transition.

Energy production

Decarbonising energy production is a vital requirement for any low-carbon society. Even though the carbon intensity of energy production in the Nordic countries is amongst the lowest in the world, the sector still accounts for a sizeable share of total Nordic greenhouse gas (GHG) emissions. While Nordic power producers will continue to invest to eliminate remaining fossil fuel dependence, overall demand for electricity is simultaneously expected to increase. This is due to electrification of transportation and industrial processes and increased interconnection of the Nordic electricity market to central Europe. In 2019, Danske Bank and Realkredit Danmark's Green Bonds financed renewable energy generation in the Nordic countries in the form of hydropower and wind power.

Transportation sector

As Nordic electricity and heat production has increasingly moved towards renewable sources, the transportation sector is close to becoming the biggest single sector for GHG emissions. As transportation emissions are largely left outside the EU emission trading system, Nordic countries have set their own

ambitious national targets and policies for emission reductions in this sector. These targets rely mainly on the rapid implementation of electric vehicles and further increase the share of biofuels in road transportation. On the back of these policies, the International Energy Agency (IEA) has forecast that in 2030 four million electric vehicles will be driving on Nordic roads.³ While the largest share of clean transportation investments will focus on road transportation, investments in low-carbon technologies will naturally also be needed in other transportation sectors where emissions are harder to reduce. Torghattan ASA's plug-in hybrid ferries are great examples of much needed innovative, trailblazing, low-carbon investments in the water transport sector.

Energy efficiency

To achieve efficient emission reductions, increased use of renewable energy should be complemented by simultaneously improving energy efficiency. In the EU, buildings account for 40% of energy end use,⁴ and consequently investments to build more energy efficient new builds and renovations of existing building stock play a major role in improving energy efficiency. Sustainable building solutions will also have a positive impact on local ecosystems, support low-carbon activities and improve welfare. In 2019, Danske Bank and Realkredit Danmark granted Green Loans to many properties that have been certified as energy efficient and sustainable.

Industry

When it comes to a full decarbonisation, industry is perhaps the most challenging sector. In many industrial processes, there is no alternative to fossil fuel use, so near-term emission reductions will have to be achieved through a combination of actions such as improving energy- and material-use efficiency, fuel switching, carbon capture and storage and circular economy-minded product design. An example of a Green Loan that improves material use efficiency, is the investment of Kuusakoski Oy in a new recycling plant that increases the aluminium material yield, which in turn reduces the need for virgin materials.

Finally, a clean, thriving and low-carbon Nordic society is achieved not only through emission reductions, but also by maintaining the Nordic natural habitats that function as significant carbon sinks. Danske Bank wants to support the increased use of best practice in forest management, agriculture and aquaculture by offering Green Loans to companies that are certifying their operations.

For the purpose of this report, five cases have been selected, each representing the Green Loan categories that are currently represented in Danske Bank's Green Loan Portfolio as of 31 December 2019. Danske Bank expects to add more Green Loan categories to its Green Loan Portfolio in 2020.

³ IEA, *Nordic EV Outlook 2018*

⁴ European Commission, *Energy Efficiency and its contribution to energy security and the 2030 Framework for climate and energy policy, 2014*



Renewable energy: Kemijoki Oy

About

Kemijoki Oy⁵ is the leading producer of hydropower and regulating power in Finland. Kemijoki Oy owns 20 hydropower plants, 16 of which are located at the Kemijoki watercourse area: two at River Lieksanjoki and two at River Kymijoki. In addition, Kemijoki Oy regulates the reservoirs in Lokka and Porttipahta as well as Lake Kemijärvi and Lake Olkkajärvi.

Purpose of Green Loan

The Green Loan will refinance existing hydro power plants (capacity of 0.1-182 MW) in Finland. The annual renewable energy generation of the facilities is around 4,485 GWh per year in total. Due to the relatively

old age of the plants (built between 1922-2001), the reservoirs are assessed to have a low remaining GHG footprint. The operation of Kemijoki's plants follows local legislation and has ISO 14001 environmental management system in place. This provides evidence that the local environmental impact is identified and evaluated regularly.

Hydropower in Finland

Hydropower is the conversion of energy from flowing water into electricity. It is the most important form of renewable electricity production and generates more than half of renewable electricity production in Finland. Hydropower replaces fossil fuels,

so it contributes to reducing carbon dioxide emissions and to mitigating climate change.

Hydropower is a key contributor to the Finnish electrical system, both under normal conditions and in the event of disturbances, as hydropower plants can be started up and shut down quickly, and their power can be adjusted according to electricity consumption. Collecting water in storage pools provides the possibility of producing more energy when electricity consumption is at its peak. Hydropower production can be quickly changed as needed: on cloudy days it supplements solar power, and in calm weather it supplements wind power.



“Hydropower is both predictable and flexible, which makes it essential in fighting climate change and supporting a green transition of society. The Green Loan finances the maintenance of our existing hydropower capacity, such as power upgrades and plant modernisations, and ensures that the facilities can continue generating renewable energy.”

- Jani Ollila, CFO of Kemijoki Oy.

⁵ <https://www.kemijoki.fi/en/>



Clean transportation: Torghatten ASA

About

Torghatten ASA⁶ is one of Norway's largest transportation companies, employing around 7000 people and with an annual turnover of approximately NOK 10 billion. Torghatten's core business is transportation by sea, land and air, with routes for ferries, boats, buses and aeroplanes in Norway.

Purpose of Green Loan

The Green Loans finance two electric ferries in operation and two electric ferries currently under construction. MF Munken and MF Lagatun are currently operating the route Flakk-Rørvik, while Bastø Electric and MF Heilhorn will operate the routes Moss-Horten and Vennesund-Holm respectively, upon completion of construction. All four vessels have/will have battery powered electric propulsion. When all onshore charging points have been installed, Torghatten expects all four ferries to run on battery power at least 85% of the time and expects to run on diesel



generators less than 15% of the time. In a transition period, MF Bastø Electric is expected to run on battery power 64.5% of the time as there will only be a charging point in Horten to begin with.

All four ferries are at the forefront of innovation for decarbonising

transportation by water, where emission reduction is generally considered to be challenging. The electrification projects have received ENOVA support due to the significant CO₂ emission reductions in relation to conventional combustion powered ferries.

⁶ <https://torghatten.no/forside/>



Green and energy-efficient buildings: Heimstaden Ø-huset ApS

About

Heimstaden Bostad⁷ is one of the leading residential property

companies in the Nordic countries. Their mission is to acquire, improve and manage properties

in Sweden, Denmark and Norway. Heimstaden Ø-huset ApS is owned by Heimstaden Bostad AB.

Purpose of Green Loan

This Realkredit Danmark mortgage loan finances Heimstaden Ø-huset, which consists of 300 residential apartments and one shopping centre located in Ørestad City with a total area of 26,087m². This building has received an EPC with energy class A and represents the best in class with respect to the energy performance certificate. Ø-huset has an expected energy use of 125,489 kWh.



⁷ <https://heimstaden.com/>



Renewable energy: Suomen Hyötytuuli Oy

About

Suomen Hyötytuuli Oy⁸ is a limited liability company owned by eight Finnish regional power companies. SHT was established in 1998 to develop, construct, own and operate wind power.

Purpose of Green Loan

The Green Loan will finance the offshore wind farm Tahkoluoto, which complies with Finnish regulation/laws. The Tahkoluoto wind farm is situated in the municipality of Pori, Finland, at the City of Pori sea area in front of the Tahkoluoto harbour, farm distance from the harbour being 0.6 to 2.0 km. The farm consists of ten wind turbines with a 4.2 MW capacity each. The area has an excellent infrastructure and wind conditions for wind power production.

Wind power production is expected to keep expanding to the sea due to better wind conditions and the possibility of building large-scale offshore wind farms.



The photo is taken by Paapuuri Oy

⁸ <https://hyotytuuli.fi/en/>



Pollution prevention and control: Kuusakoski Oy

About

The Finnish family-owned company Kuusakoski Oy⁹ was founded in 1914. In Finland, Kuusakoski recycles metals, precious metals, vehicles, electrical waste and electronic equipment, tyres, batteries and plastics, as well as construction and wood waste.

Purpose of Green Loan

Kuusakoski has minimised the amount of waste going to landfill: the company is currently able to recycle or reuse up to 90% of the materials collected – and in some cases even more. The Green Loan will enable an improvement of the existing Heinola plant that recycles 200,000 tonnes of material each year.

The funded projects target to prolong the refinement chain for recycled materials by turning invaluable materials into valuable by improving

the material yield and reducing the amount of waste to landfill. As the largest of the investment projects, the Reject Plant is targeting to separate valuable metal and energy fuel fractions from material that

was previously considered non-recoverable. Other funded projects include replacement of current processes with more energy efficient solutions.



⁹ <https://www.kuusakoski.com/en/global/company/company/>



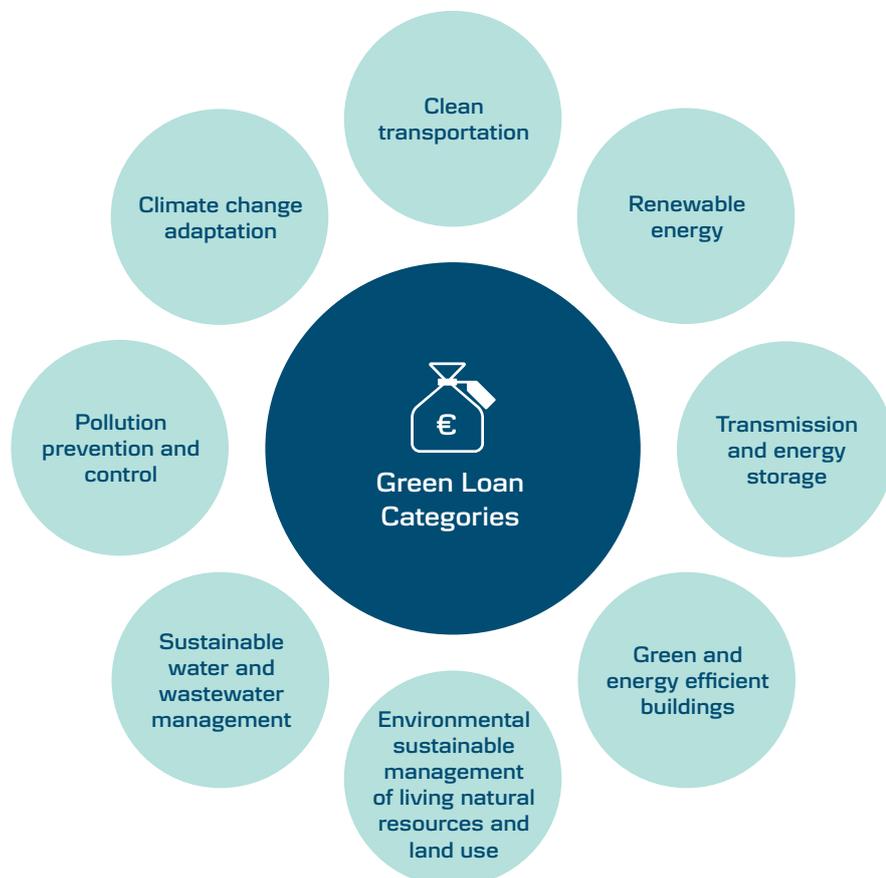
Danske Bank Group Green Bond Framework

An amount equal to the net proceeds of the Green Bonds will be used to finance or re-finance, in whole or in part, loans or investments located predominantly in the Nordic region and originated by Danske Bank. These loans or investments will promote the transition to low-carbon, climate-resilient and sustainable economies ('Green Loans'), in each case as

determined by Danske Bank in accordance with the Green Loan categories as defined below.

Green Loans form portfolios of assets per issuing entity and are eligible for financing and refinancing by Green Bonds.

Green Loan Categories



Pure play loans

While Danske Bank aims to document the financing of an exact project or asset, net proceeds from Green Bond issuances can also fund loans for general corporate purposes for so-called pure play companies. A pure play company is defined as a company deriving over 90% of its revenue from the Green Loan categories.

Selection and evaluation processes

Sustainability experts within lending units evaluate potential Green Loans, their compliance with the Green Loan categories presented in the Green Bond Framework and their environmental benefits. If the analysis so requires, Danske Bank might ask for additional information, such as an environmental impact assessment or life cycle analysis. Danske Bank might also ask the client to sign a side letter specifying the purpose of the financing in case this is unclear. Based on the analysis, lending units can nominate loans as potential Green Loans.

When potential Green Loans have been nominated, a list of their environmental details will be presented to Danske Bank's Green Bond Committee (GBC). The GBC is solely responsible for the decision to acknowledge a loan as green, in line with the Green Loan categories' definitions. Danske Bank then records the Green Loans and related environmental details, together with the GBC decision, 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.

The GBC will convene every second month or when otherwise considered necessary. The GBC is chaired by the Head of Group Treasury and consists of representatives from e.g. Sustainable Finance, Societal Impact & Sustainability and Risk Management. The Asset & Liability Committee of the Danske Bank Group governs the GBC.

Selection and evaluation processes



Green Bond development

In 2019, Danske Bank Group issued Green Bonds from two issuing entities under the Danske Bank Green Bond Framework, Danske Bank A/S and Realkredit Danmark A/S.

The Green Bond Development is for this reason divided into two sections.

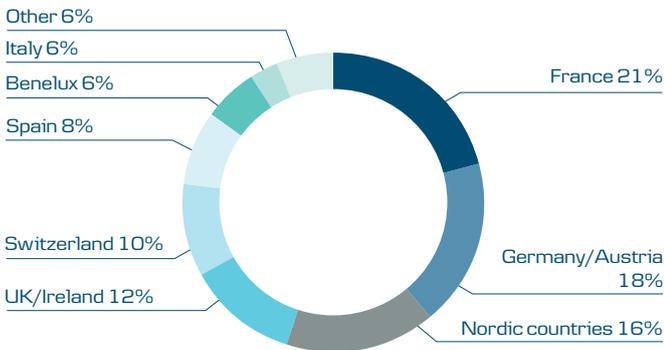
Danske Bank Green Bond

Issuer	Danske Bank A/S
ISIN	XS1963849440
Status	Non-Preferred Senior Fixed Rate Green Bond
Rating	BBB+/A/Baa2 by S&P/Fitch/Moody's
Issue Date	15 March 2019
Maturity Date	15 March 2024
Issue size	EUR 500m
Coupon	1.625% p.a.
Re-offer spread	MS+165bps
Listing	Irish Stock Exchange
Joint Bookrunner	Danske Bank

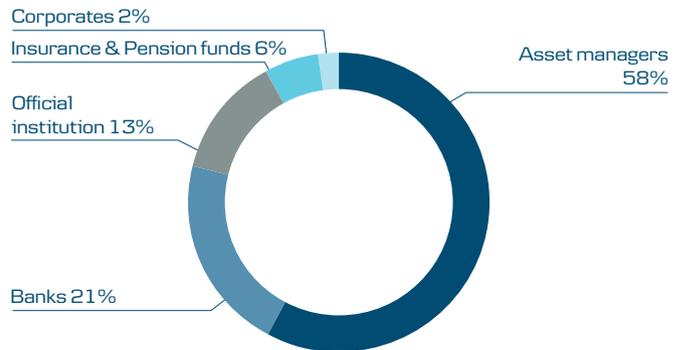
The number of investors involved was more than 250. This high number of investors showed significant support not just for Danske Bank's credit but more importantly for our green and sustainability strategy in promoting the transition to low-carbon, climate resilient and sustainable economy.

The distribution of investors was very balanced, high quality and very well diversified among jurisdictions with France (21%), Germany/Austria (18%) and the Nordic countries (16%) taking the largest shares. Asset managers were the dominating investor type.

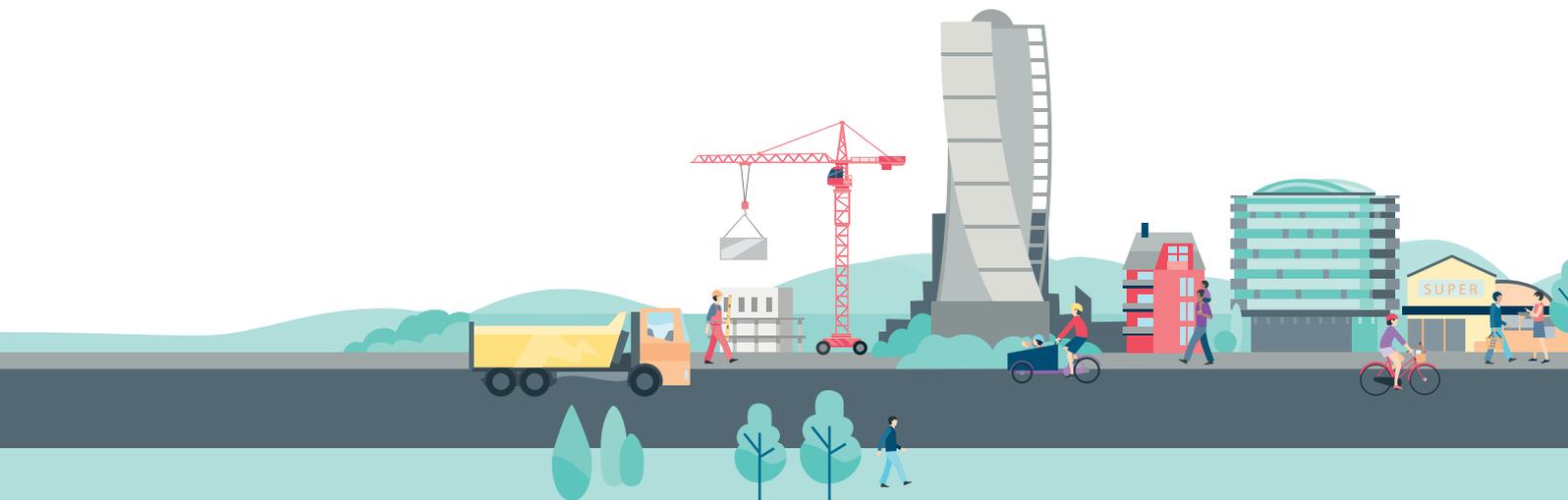
Geographical allocation



Investor types allocation



Source: Danske Bank





Realkredit Danmark Green Bond

Issuer	Realkredit Danmark A/S
ISIN	DK0004611993
Status	SDRO
Outstanding Notional	DKK
Capital Centre	Capital Centre T
Rating	AAA/AA+/AAA by S&P/Fitch/Scope Ratings
1st Issue Date	15 April 2019
Maturity Date	1 July 2022
Issue size	DKK 810.2m
Initial Coupon	-0.28% p.a.
Interest rate spread	-0.15% p.a.
Listing	NASDAQ Copenhagen A/S

Realkredit Danmark's green covered bonds are launched and sold via auctions, and investors are therefore unknown to the issuer.



Independent Auditor's Assurance Report

To the Management and stakeholders of Danske Bank
We have assessed Danske Bank's Green Bond Impact Report 2019 ('the Report') to provide limited assurance on whether an amount equal to the net proceeds from Danske Bank's Green Bonds has been allocated to Danske Bank's Green Loans, as shown on page 4 of the Report. The data covers Danske Bank's activities regarding Green Bonds from 1 January to 31 December 2019. We express a conclusion providing limited assurance.

Management's responsibility

The Management of Danske Bank is responsible for collecting, analysing, aggregating and presenting the data regarding use of proceeds in the Report, ensuring that data are free from material misstatement, whether due to fraud or error. Danske Bank's reporting principles regarding Green Bonds and Green Loans contain Management's defined reporting scope for each and are set out in the Danske Bank Group Green Bond Framework and referred to on page 5 of the Green Bond Impact Report 2019.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on whether an amount equal to the net proceeds from Danske Bank's Green Bonds has been allocated to Danske Bank's Green Loans. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

Our work has included interviews with key functions in Danske Bank in December 2019 and January 2020 regarding procedures and methods to ensure that the proceeds data and information concerning Green Bonds and Green Loans have been stated in accordance with the reporting principles. We have assessed processes, systems and controls for gathering, consolidating and aggregating the data at Group level and performed analytical review procedures on the data prepared at Group level against underlying documentation.

Conclusion

Based on our work, nothing has come to our attention causing us not to believe that an amount equal to the net proceeds from Danske Bank's Green Bonds has been allocated to Danske Bank's Green Loans.

Copenhagen, 12 March 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
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About Danske Bank

Danske Bank is a Nordic bank with strong local roots and bridges to the rest of the world. For more than 145 years, Danske Bank has helped people and businesses across the Nordic countries realise their ambitions. Danske Bank is present in 13 countries with 22,000 employees.



Learn more about how we work with sustainable finance in Danske Bank at danskeci.com.



For more news and insights, follow us on LinkedIn.

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