

## Introduction

This memo has been prepared for the purpose of establishing the eligibility of mortgages on UK properties determined to belong in the top 15% most energy efficient buildings as green assets under the Danske Group Green Bond Framework, June 2021.

The memo provides a short introduction to the Energy Performance Certificates (EPC) in the UK, describes the distribution of EPC labels across both residential and non-residential / commercial segments in Northern Ireland (NI) specifically and demonstrates that properties with EPC A and B meet the qualifying criteria of '*belonging in the top 15% most energy efficient buildings in their respective region*'.

This memo serves as a separate analysis to verify the top 15% eligibility as required by the Danske Bank Green Bond Framework, June 2021 and concludes that Danske Bank UK can include buildings with an EPC label of minimum B within its Green Loan offering.

## EPC labelling of buildings

EPCs show potential homebuyers or tenants how energy efficient the building is. The EPC contains information on potential energy costs and carbon dioxide emissions.

From 30 December 2008 EPC certificates are required by law for all properties - homes and commercial - whenever a property is

- built
- marketed for sale
- marketed for rent

Not having an EPC could lead to enforcement action and the issuing of a penalty charge notice. District councils are the enforcing authority in NI.

Exemptions to the regulations include:

- buildings used as places of worship and for religious activities
- stand-alone buildings of less than 50 m<sup>2</sup> that are not dwellings
- industrial sites, workshops and non-residential agricultural buildings with low energy demand
- temporary buildings with a planned time of use of two years or less, and
- non-residential agricultural buildings which are in use by a sector covered by a national sectoral agreement on energy performance

Each EPC is valid for 10 years and can be used multiple times during that period with a copy of the certificate lodged on a national register, which is maintained by the UK, 'Department for Communities'.

## Buildings are labelled according to their energy consumption

The EPC records the energy efficiency of a property, providing a rating of the energy efficiency and carbon emissions of a building on a scale from A to G, where A is very efficient and G is very inefficient.

EPCs are produced using standard methods about energy usage so that the energy efficiency of one building can easily be compared with another building of the same type. Ratings will vary according to the age, location, size and condition of the building. This allows prospective buyers, tenants, owners, and occupiers to see and compare information on the energy

efficiency and carbon emissions from a building, so they can consider energy efficiency and fuel costs as part of their investment decision.

An EPC will include a recommendation report listing measures (such as low and zero carbon generating systems) to improve the energy rating of the building. The EPC also contains information about the rating that could be achieved if all the recommendations were implemented.

EPCs can only be produced by an accredited energy assessor. Energy assessors collect information about the property, how and when it was constructed, the type of property (house, bungalow, mid-terraced, detached, and so on), number of habitable rooms, dimensions of the building, the number of floors, amount and type of glazing (single, double or triple glazing), heating systems and fuel used, and so on.

This information is fed into an approved software programme using a government approved standard energy assessment method to calculate the rating of the building. The software produces the EPC and the recommendation report for the property.

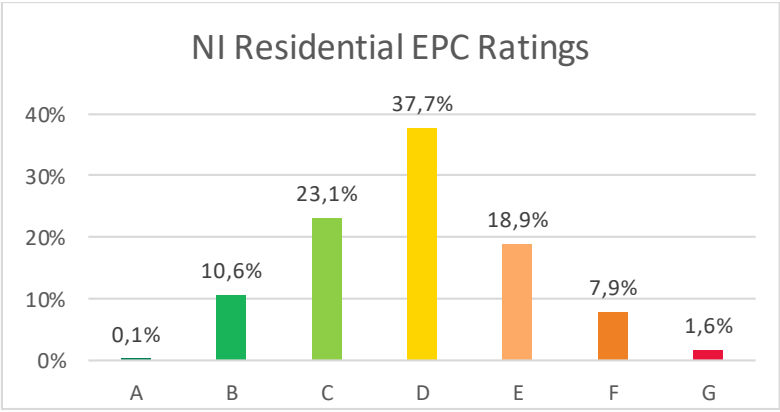
A coloured chart, similar to those used on household electrical appliances, shows how energy efficient the building is or could be. Each EPC certificate has both a score and a rating.

### Residential EPC

Residential EPCs range from a score of 1-20, equivalent to EPC G through to 92+, equivalent to EPC A.

Score	Energy rating
92+	A
81-91	B
69-80	C
55-68	D
39-54	E
21-38	F
1-20	G

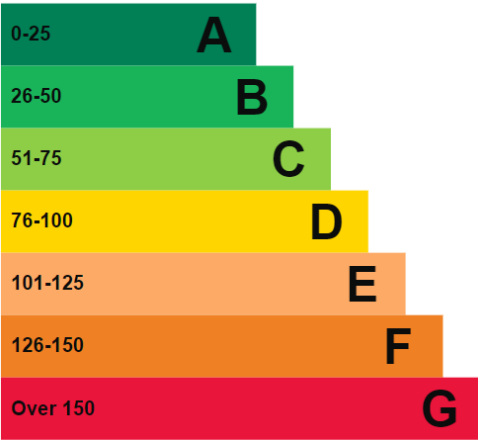
Approximately 520,000 residential buildings in NI have an EPC label, with 10.7% having an EPC of either A or B.



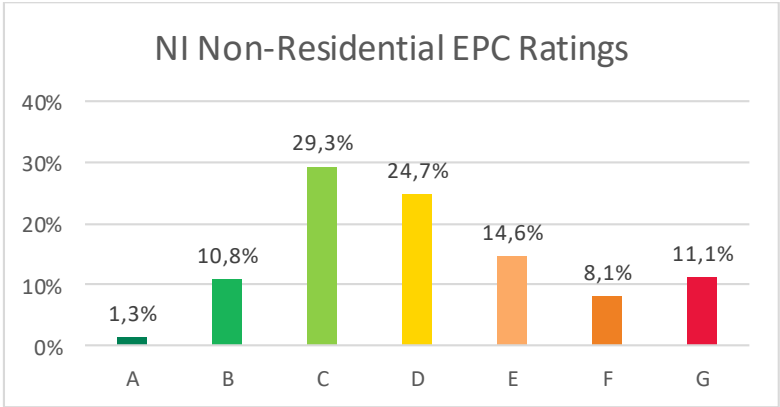
[Source: NI, Department for Communities]

**Non-residential / Commercial EPC**

Non-Residential / Commercial EPCs range from a score of 150+, equivalent to EPC G through to 0, equivalent to EPC A



Approximately 18,000 non-residential / commercial buildings in NI have an EPC label, with 12.1% having an EPC of either A or B



[Source: NI, Department for Communities]

## Combined NI Domestic & Non-Domestic/Commercial EPC

### Analysis of NI Domestic & Non-Domestic EPC register

	Domestic	Non-Domestic	Combined
A	0.1%	1.3%	0.2%
B	10.6%	10.8%	10.6%
C	23.1%	29.3%	23.3%
D	37.7%	24.7%	37.3%
E	18.9%	14.6%	18.8%
F	7.9%	8.1%	7.9%
G	1.6%	11.1%	1.9%

(Source: NI, Department for Communities)

From the analysis above it can be concluded that both residential and non-residential / commercial buildings on an individual and combined basis represent less than the top 15% of all EPC rated buildings in NI.

### Danske Bank Group Green Bond Framework

The Danske Bank Green Bond Framework today defines public or commercial buildings as green if they have the below mentioned threshold levels or better:

- LEED “Gold”,
- BREEAM “Very Good”
- Miljöbyggnad “Silver”
- DGNB “Gold”
- The Nordic Swan Ecolabel certification, or
- EPC label of minimum B in Denmark
- any other equivalent recognised regional certification with similar standards and approved by the Green Bond Committee, or
- Otherwise determined to belong in the top 15 % most energy efficient buildings in their respective region.

### Conclusion

In NI, it is clear that both residential and non-residential / commercial properties with an EPC of A or B are fully aligned to the Danske Bank Group Green Bond Framework, June 2021 criteria of ‘otherwise determined to belong in the top 15 % most energy efficient buildings in their respective region’.

Based on this analysis we can conclude that residential and non-residential / commercial buildings with an EPC A or B are eligible as green loans under the Danske Bank Group Green Bond Framework, June 2021.