

Second-Party Opinion

Danske Bank Group Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Danske Bank Group Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The use of proceeds categories (Clean Transportation, Renewable Energy, Transmission and Energy Storage, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green and Energy Efficient Buildings, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Climate Change Adaptation) 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.



PROJECT EVALUATION / SELECTION Danske Bank has established a Green Bond Committee (GBC), which approves Green Loans. Moreover, The GBC, chaired by the Danske Bank Group Head of Treasury, consists of representatives from the bank’s Sustainable Finance, Societal Impact and Sustainability and Risk Management functions and meets bi-monthly. Sustainalytics assesses this process as being in line with market practices.



MANAGEMENT OF PROCEEDS Danske Bank uses Green Registries, on a portfolio basis, to keep track of the Green Loans per issuing entity and net proceeds from Green Bond issuances. The use of proceeds from the Green Registries will only support the financing of Green Loans or to repay Green Bonds. Moreover, the unallocated net proceeds (temporary investments) will be invested in Danske Bank’s treasury liquidity portfolio in cash or other short-term and liquid instruments until full allocation. Sustainalytics assesses this approach as being in line with market practices.



REPORTING Danske Bank and its subsidiaries commit to annual reporting per issuing entity on its website and in an aggregated annual Green Bond report which will contain information such as 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, and the balance of Green Loans in the Green Registries, including temporary investments. Regarding impact reporting, Danske Bank and its subsidiaries will annually release its performance reporting, which will include indicative key performance indicators such as: number of low-carbon vehicles, GHG savings (tonnes per year), renewable energy generation (MWh per year), installed renewable energy capacity (MW), forest areas (hectares), and obtained certification schemes. In Sustainalytics’ view, reporting on these metrics is in line with market practices.

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Issuer Location	Copenhagen, Denmark

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	12

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Introduction

Danske Bank Group provides various banking services and products to SMEs and personal, corporate and institutional clients. Headquartered in Copenhagen, Denmark, the Bank operates 245 branches in Nordic countries, the UK and internationally.

Danske Bank Group (Danske Bank) has developed the Danske Bank Group Green Bond Framework (the "Framework") under which it and its subsidiaries, Danske Bank A/S, Realkredit Denmark, Danske Hypotek and Danske Mortgage Bank Plc, intend to issue multiple green bonds and use the proceeds to finance/refinance, in whole or in part, existing/future projects that support the transition to a low-carbon, climate resilient and sustainable economy. The Framework defines eligibility criteria in eight areas:

1. Clean transportation;
2. Renewable energy;
3. Transmission and energy storage;
4. Environmentally sustainable management of living natural resources and land use;
5. Green and energy efficient buildings;
6. Pollution prevention and control;
7. Sustainable water and wastewater management;
8. Climate change adaptation.

Danske Bank engaged Sustainalytics to review the Danske Bank Group Green Bond Framework, dated March 2019, and provide a second-party opinion on the alignment of the Framework with the Green Bond Principles 2018 (the "GBP"), as administered by the International Capital Market Association (the "ICMA"),¹ as well as on the Framework's environmental credentials. This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Danske Bank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Danske Bank's green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Danske Bank Group Green Bond Framework and should be read in conjunction with that Framework.

¹ ICMA's Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² Danske Bank Group Green Bond Framework available on the issuer's corporate website at: <https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-bond-framework-2019.pdf>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Danske Bank Group Green Bond Framework

Summary

Sustainalytics is of the opinion that the Danske Bank Group Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Danske Bank's Green Bond Framework:

Use of proceeds:

- The use of proceeds categories (Clean Transportation, Renewable Energy, Transmission and Energy Storage, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green and Energy Efficient Buildings, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Climate Change Adaptation) are recognized by the Green Bond Principles as impactful. Sustainalytics also notes that Danske Bank may use proceeds from green bond issuances to finance pureplay companies deriving over 90% of revenues from business activities in eligible categories defined in the framework. Sustainalytics believes that Danske Bank's financing and refinancing of eligible new and existing green loans will contribute to reducing GHG emissions limiting pollution and enhancing resilience to climate change in Nordic countries. For more information on the positive impact of the projects please refer to Section 3.
- Where relevant, some of the eligibility criteria refer to credible third-party standards, such as LEED, BREEAM, Miljöbyggnad, DGNB, Nordic Swan Ecolabel for green buildings; Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) for forest management; and Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) for sustainable fisheries (see Appendix 1 for additional details on green building, forestry and fishery certification schemes). Sustainalytics views positively the certification schemes contained in the Framework's eligibility criteria. However, we note that the ASC reserves the right to award certification with variances from the standard in some cases, which could result in financing for aquaculture activities that do not fully comply with the standard.³
- For its intended investments in green and energy efficiency buildings, Danske Bank will select eligible buildings based on a determination of whether they are included in the top 15% energy efficient buildings in their respective regions. Selecting buildings with EPC labels A or B in Denmark, Finland, Norway and Sweden will fulfill this requirement for residential buildings. The Framework also allows Danske Bank the flexibility to incorporate new approaches to determining the top 15% energy efficient buildings, and in April 2019 Danske Bank developed an approach for commercial buildings in Denmark, that would result in buildings with an EPC label of A becoming eligible.⁴ Sustainalytics views this additional approach positively, as Danish commercial buildings with an EPC label A represent approximately 7.5% of commercial buildings with an EPC.⁵ In addition to this new approach for commercial buildings in Denmark, the bank's framework continues to retain the option to develop future alternative approaches to identifying buildings that are within the top 15% most energy efficient in the local context. In this regard, Sustainalytics views positively Danske Bank's commitment to solicit a Second Party Opinion on the criteria established through such an exercise, should it choose to exercise this option.
- The Danske Bank Group Green Bond Framework includes financing/refinancing for non-certified forestry activities. These activities apply to lands that meet the FSC's definition for Small and Low Intensity Managed Forests⁶ and are managed by individuals and small corporations. In this regard, Danske Bank

³ While Sustainalytics notes the bank's intention to conduct additional environmental due diligence on financing activities certified with a variance from the standard, it is encouraged to prioritize the allocation of bond proceeds to financing activities that have received full and complete ASC certifications to ensure that recipients are achieving a higher level of positive impact. A list of variance requests and variances previously granted is available on ASC's website: ASC's list of variance requests and variances previously granted is available here: <http://variance-requests.asc-aqua.org/>

⁴ Danske Bank Group approach for identifying the top 15% most energy efficient commercial buildings in Denmark available on the issuer's corporate website at: <https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-bond-framework-2019.pdf>

⁵ Danish Energy Agency, Energy Labelling of Buildings, available at: <https://sparenergi.dk/offentlig/bygninger/energimaerkning-af-bygninger>

⁶ These include forest management units of 100 hectares less (but up to 1000 hectares in some countries, including Sweden) and/or forest management units where the rate of harvesting is less than 20% of the mean annual increment within the total production forest area unit and either

Danske Bank Group Green Bond Framework

has confirmed that financing and refinancing of these activities will take place primarily in Sweden, and loan recipients must be in compliance with national legislation, have an up-to-date forest management plan, a nature conservation action plan for at least 5% of the productive area managed and have a minimum target of five percent deciduous tree covered within the forest management plan. Danske Bank believes that together, these criteria can be considered equivalent to having achieved PEFC certification. Sustainalytics considers Danske Bank's criteria for uncertified forests to be sufficient to address relevant risk and generate positive impact.

- The Framework includes hydrogen powered vehicles. Sustainalytics acknowledges that, currently, hydrogen is primarily derived from natural gas, and as such there are carbon emissions at the point of production.⁷ Sustainalytics views the inclusion of hydrogen powered vehicles as credible given significant potential for lifecycle emissions to decrease through the adoption of lower carbon production paths on the supply-side.
- With regards to renewable energy projects, the refurbishment or refinancing of existing medium or large hydro power plants, defined as those with a generation capacity of 10MW or more, are eligible. In this regard, Danske Bank's Framework excludes all projects that include an expansion of an impoundment facility, and it requires an emissions intensity 100 gCO₂e/kWh or less.⁸ Danske Bank also restricts all financing/refinancing of hydropower to assets in Nordic countries. Finally, Danske Bank will subject all financing of hydro power projects to an additional layer of internal due diligence in line with its internal credit policies with the aim of screening out financing for facilities that present local environmental risks.
- Danske Bank's Framework defines New Green Loans and Existing Green Loans as eligible for refinancing. New Green Loans are categorized as eligible loans originated following the issuance of a green bond, or those loans originated 12-months prior to the issuance of a green bond. The bank does not specify a lookback period for Existing Green Loans, but the Framework highlights that the Bank will make efforts to prioritize New Green Loans. Where practical, Sustainalytics encourages the Bank to report on the proportion of net proceeds used to finance New versus Existing Green Loans.

Project Evaluation and Selection:

- Danske Bank's sustainability experts within lending units evaluate potential Green Loans, their compliance with the Green Loan categories and their environmental benefits. Consistent with market practice, the final decision on the selection of Green Loans is made by Danske Bank's Green Bond Committee (GBC), which approves Green Loans, excludes Green Loans already funded with net proceeds from green bond issuances, monitors the allocation of green bond net proceeds and maintains and updates the Green Bond Framework. The GBC, chaired by the Danske Bank Group Head of Treasury, consists of representatives from the bank's Sustainable Finance, Societal Impact and Sustainability and Risk Management functions and meets on a bi-monthly basis. Furthermore, the GBC is governed by the bank's Asset Liability Committee. Sustainalytics considers representation on Danske Bank's GBC from key departments to be an advantage.

Management of Proceeds:

- 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. The use of proceeds from the Green Registries will only support the financing of Green Loans or to repay Green Bonds. Moreover, the unallocated net proceeds (temporary investments) will be invested in Danske Bank's treasury liquidity portfolio in cash or other short-term and liquid instruments until allocation. Unallocated proceeds will not be invested in excluded activities, such as fossil energy generation, nuclear energy generation, gambling or tobacco.

annual harvesting from the total production forest area being less than 5000 cubic meters or the average annual harvest from the total production forest being less than 5000 cubic meters per year. FSC SLIMF Eligibility Criteria, available at; <https://ic.fsc.org/en/for-business/fsc-tools/certifying-small-forests>

⁷Sustainalytics further notes that the Climate Bonds Initiative (CBI) considers hydrogen vehicles to qualify under their standard. CBI provides the context that "the short-term mitigation potential is highly dependent on the supply choices", with lifecycle emissions from renewable-powered electrolysis being very low, while methane-sourced hydrogen has well-to-wheels emissions comparable to internal combustion engines. CBI goes on to state that "policy decisions need to be made to opt for the lower carbon production path, and we anticipate this being the case over the medium-to-long term." <https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Feb%202017.pdf>

⁸ Pending the release of the Climate Bond Initiative's hydropower criteria, Danske Bank will adopt the CBI threshold for emissions intensity should it prove to be stricter.

Danske Bank Group Green Bond Framework

Reporting:

- In alignment with market practice, Danske Bank commits to annual reporting, per issuing entity, on its website and in an annual Green Bond report which will contain information such as 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, and the balance of Green Loans in the Green Registries, including temporary investments.
- Regarding impact reporting, Danske Bank will release its performance reporting annually, which will include indicative key performance indicators such as: number of low carbon vehicles, GHG savings (tonnes per year), renewable energy generation (MWh per year), installed renewable energy capacity (MW), forest areas (hectares), and obtained certification schemes. Sustainalytics considers this reporting to be in accordance with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Danske Bank's Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Danske Bank

Contribution of framework to issuer's sustainability strategy

Danske Bank has developed a Societal Impact Strategy that guides its approach to doing business in a sustainable manner, with the aim of fostering sustainable progress and positive impact in the markets where it operates.⁹ Governance of Danske Bank's sustainability strategy is led by its Business Integrity Board, chaired by the CEO, which develops and manages the bank's Corporate Responsibility Strategy.¹⁰ The strategy identifies three strategic themes: climate & environment, innovation & entrepreneurship and financial confidence & security.¹¹

Accelerating sustainable finance has been identified by Danske Bank as a key factor in the implementation of its strategy.¹² In this regard, the bank integrates sustainability factors into its own investment and credit decision making processes as required by its Sustainable Investment Policy and Credit Policy. Furthermore, Danske Bank has clearly outlined its position on how to support sustainability on a range of thematic issues including, but not limited to, agriculture, climate change and forestry.¹³ With regards to its own operational footprint, the bank reports on having achieved carbon neutrality in 2009 and reports a 3% decrease in emissions between 2016 and 2017.¹⁴

Given Danske Bank's approach to sustainability, Sustainalytics is of the view that Danske Bank's green bonds will support the bank's overall sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that Danske Bank faces allegations that it violated anti-money laundering rules in its Estonian operations through the local unit's non-resident banking portfolio during the period 2007 to 2015. In this regard, Sustainalytics acknowledges that Danske Bank closed its Estonian non-resident portfolio, and has made significant investments in resources and governance structures to enhance its compliance mechanisms, a comprehensive overview of which is available on the bank's website.¹⁵ Sustainalytics notes that risks related to money laundering activities are common for large diversified financial institutions such

⁹ Danske Bank Our Approach; accessed January 2019; <https://danskebank.com/societal-impact/our-approach>

¹⁰ Danske Bank Corporate Responsibility 2017; accessed January 2019; <https://danskebank.com/-/media/danske-bank-com/file-cloud/2018/2/cr-report-2017.pdf>

¹¹ Danske Bank Strategic Themes; accessed January 2019; <https://danskebank.com/societal-impact/strategic-themes>

¹² Danske Bank's Societal Impact Strategy; accessed January 2019; <https://danskebank.com/-/media/danske-bank-com/file-cloud/2018/10/societal-impact-strategy-model-la=en.pdf>

¹³ Danske Bank Our Approach; accessed January 2019; <https://danskebank.com/societal-impact/our-approach>

¹⁴ Danske Bank Statement of Carbon Neutrality 2017; accessed January 2019; <https://danskebank.com/-/media/danske-bank-com/file-cloud/2018/2/statement-of-carbon-neutrality-2017.pdf>

¹⁵ Danske Bank Investigations on Money Laundering; accessed January 2019; <https://danskebank.com/about-us/corporate-governance/investigations-on-money-laundering#t1>

Danske Bank Group Green Bond Framework

as the bank, and acknowledges the enhanced focus of the bank on compliance issues. Sustainalytics also notes that Danske Bank intends to use proceeds from green bonds to finance and refinance green loans originated primarily in Nordic countries, which have not been linked to the irregularities in Estonia.

While Sustainalytics recognizes that the proceeds from Danske Bank's Green Bond Framework will be directed toward eligible green projects or activities that are considered impactful, Sustainalytics also notes that such projects entail environmental and social risks. The principal risks associated with the use of proceeds are the environmental and social impact of infrastructure projects such as low-carbon transportation infrastructure, renewable energy facilities and infrastructure, climate change adaptation infrastructure, waste and water treatment plants and green buildings, as well as risks from land use changes related to forestry and agriculture, and fishing activities. The primary risks include workers' health and safety, biodiversity and the disruption of ecosystems, community relations and emissions of waste and pollutants to land, air and water.

Danske Bank engages in the following activities to mitigate relevant risks:

- Danske Bank states that its lending practices incorporate international principles to encourage environmental risk management, the safeguarding of human and labour rights and promote anti-corruption. The key principles in this regard are the:
 - 2030 Agenda and the UN Sustainable Development Goals
 - The UN Global Compact
 - The OECD Guidelines for Multinational Enterprises
 - The UN Guiding Principles on Business and Human Rights
 - The UN-supported Principles for Responsible Investments (UNPRI)
 - UN Environmental Program Finance Initiative (UNEPFI)
 - The Universal Declaration of Human Rights
 - The ILO Declaration of Fundamental Principles of Rights at Work
- Danske Bank also assesses Environmental, Social and Governance (ESG) risks pertinent to its business customers, and in cases where the assessment shows non-compliance with corporate policies an engagement process is launched and is aimed at achieving compliance with group standards.¹⁶ Should the recipient of a loan not remediate the deficiencies the bank reserves the right to terminate the credit agreement. The bank's position statements related to climate change, agriculture, forestry and human rights outline additional measures specific to each thematic issue. Additionally, these position statements outline key expectations of customers, including the expectation that clients conduct environmental impact assessments when securing financing for large-scale projects. Specifically relevant to uncertified forestry activities, Danske Bank's forestry statement includes the expectation that loan recipients and companies the bank invests in comply with a number of industry specific guidelines, including, but not limited to, the prevention of deforestation of high conservation value forests, prevention of damage to wetlands covered by the Ramsar Convention and respecting indigenous people's right to Free, Prior and Informed Consent with respect to customary lands.¹⁷
- Legislation in Nordic countries requires environmental impact assessments to be conducted when developing infrastructure and exploiting natural resources. These requirements reduce the associated environmental risks of the projects for Danske Bank, as its projects need to uphold national standards in Nordic states. In this regard, Denmark, Finland, Norway and Sweden are classified "Designated Countries" by the Equator Principles, implying the presence of robust environment and social governance systems, legislation and institutional capacity for protecting the environment and communities.¹⁸ The bank also excludes proceeds from green bonds being used for financing in sectors considered to have a negative impact on the environment and society, such as fossil energy generation, nuclear energy generation, research and development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.
- Danske Bank's intention to finance facilities that generate electricity, heating or both using biofuel and biomass, as well as facilities that are necessary for the preparation, pre-treatment and refining of such materials is also considered to advance renewable energy production in the Nordics, but entails social and environmental risks related to the sourcing of raw materials. In this regard, biomass that is derived from sources of high biodiversity, that are in competition with food production or that deplete carbon

¹⁶ Danske Bank Climate Change; published September 2018; <https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/danske-bank-position-statement-climate-change.pdf>

¹⁷ Danske Bank Forestry; published September 2018; <https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/danske-bank-position-statement-forestry.pdf>

¹⁸ The Equator Principles, designated countries, available at; <https://equator-principles.com/designated-countries/>

pools are excluded. While these exclusionary criteria align with market practice, the Danske Bank Group Green Bond Framework indicates a preference for loan recipients to demonstrate supply chain certifications, including FSC, PEFC, Sustainable Biomass Partnership (SBP), Roundtable on Sustainable Biomass.

- Danske Bank also uses recognized third-party certification systems for forestry (FSC and PEFC) and fisheries (MSC and ASC), and limits financing to organic agriculture. In addition, Danske Bank intends to finance FSC and PEFC certified forests and MSC and ASC certified fisheries.

Based on the above, Sustainalytics believes that Danske Bank is well positioned to mitigate the environmental and social risks associated with its use of proceeds categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are recognized as impactful by GBP. Sustainalytics has focused below on where the impact is specifically relevant in local context.

Contribution of Renewable Energy, Clean Transportation, Transmission and Energy Storage and Green Buildings to climate change mitigation Nordic states

Nordic countries have committed to becoming “fossil free” by 2050, through ambitious energy and climate policies and programmes.¹⁹ While Sweden, Denmark and Norway are committed to 100% renewable use, Finland has a target of 80-95% against 1990 levels. Most “fossil free” policies rely on promoting renewable energy and energy efficient technologies.²⁰

With regards to renewable energy, the importance of hydropower is significant in some countries, particularly Norway, where approximately 95% of power production is generated from hydro.²¹ Furthermore, it is notable that the average Norwegian dam and associated hydropower infrastructure is over four decades old,²² increasing the importance of financing for refurbishments that ensure the facilities can continue generating renewable energy. Danske Bank has confirmed to Sustainalytics that the typical hydroelectric facilities generating more than 20 MW in its portfolio of existing green loans were constructed over three decades ago. In this regard, Sustainalytics has reviewed the emissions intensity assessments of a selection of Norwegian hydropower plants, and notes CO₂e/kWh levels well below 100 CO₂e/kWh. In general, GHG emissions from boreal reservoirs are significantly lower than in tropical regions, with reservoirs older than 10 years demonstrating emissions profiles similar to those of natural lakes.²³ Given the above context, Sustainalytics considers Danske Bank’s approach to the refurbishment or refinancing of existing medium or large hydro power plants, defined as those with a generation capacity of 10MW or more as credible and important to sustain high levels of renewable energy production in Nordic countries.

Building codes have also been progressively strengthened in Nordic states in order to boost energy efficiency and reduce emissions from the residential sector.²⁴ Danske Bank relies on the use of EPC labels of A or B for residential properties which corresponds with the top 15% most energy efficient residential buildings in

¹⁹ Science for Environment Policy; published 10 August 2017;

http://ec.europa.eu/environment/integration/research/newsalert/pdf/nordic_countries_demonstrate_potential_of_low_carbon_energy_policies_494na4_en.pdf

²⁰ Science for Environment Policy; published 10 August 2017;

http://ec.europa.eu/environment/integration/research/newsalert/pdf/nordic_countries_demonstrate_potential_of_low_carbon_energy_policies_494na4_en.pdf

²¹ International Hydropower Association; accessed January 2019; <https://www.hydropower.org/country-profiles/norway>

²² International Hydropower Association; accessed January 2019; <https://www.hydropower.org/country-profiles/norway>

²³ International Rivers, Reservoir Emissions: <https://www.internationalrivers.org/campaigns/reservoir-emissions>

The Issue of Greenhouse Gases From Hydroelectric Reservoirs: From Boreal Regions to Tropical Regions:

http://www.un.org/esa/sustdev/sdissues/energy/op/hydro_tremblaypaper.pdf

²⁴ Nordic Climate Policy. A Case Study on Efficient Policy Measures; accessed January 2019; <http://norden.diva-portal.org/smash/get/diva2:711038/FULLTEXT01.pdf>

Finland,²⁵ residential buildings in Norway²⁶ and single, two family and multifamily dwellings in Sweden.²⁷ For Danish residential buildings, the Bank also uses EPC labels A and B which correspond with the top 15.6% most energy efficient residential buildings in Denmark for which EPCs have been granted.²⁸ In this regard, Sustainalytics notes that only 32% of Danish residential buildings have been granted EPCs and recognizes that new buildings are overrepresented by EPCs when compared with older buildings in the stock.²⁹ Given that the share of A and B EPCs granted are also higher in new buildings, Sustainalytics considers Danske' Bank's approach of basing eligibility criteria on EPC levels A and B in Denmark to be aligned with its criteria of the top 15% most energy efficient residential buildings.³⁰

Currently, electrified railways represent a significant proportion of rail infrastructure Nordic countries (31% in Denmark, 53% in Finland, 61% in Norway and 67% in Sweden) rail networks.³¹ However, transportation remains a large contributor to Nordic GHG emissions, accounting for 40% of the total, implying the need for ongoing financing to maintain the transition towards clean transportation.

Given the focus on being fossil free by 2020 through a focus on renewable energy and energy efficiency, Sustainalytics believes Danske Bank's financing of renewable energy, clean transportation, green buildings and transmission and energy storage will support Nordic countries to achieve their GHG emission reduction targets by improving energy efficiency and clean energy generation, and further the transition towards a sustainable economy.

The importance of sustainably managing living and natural resources in Northern Europe

In the EU, agriculture (land use, land use change and forestry) accounts for 10% of total GHG emissions, with agricultural land covering approximately 45% of EU territory.³² The UN Food and Agriculture Organization (FAO) acknowledges the positive environmental contribution of organic farming in relation to the carbon sequestration potential of soil, resulting in part from the replacement of synthetic fertilizers with biomass management techniques.³³ Furthermore, several climate mitigation policies for the agricultural sector devised by the 5th IPCC (Intergovernmental Panel on Climate Change) Report on climate are embedded in the EU legislation on organic farming.³⁴ As such, Sustainalytics views that Danske Bank's plans on financing organic farming that is following the EU regulation will be impactful and contribute towards lowering the sector's carbon dioxide emissions.

The contribution of sustainable forest management, restoration of forests, reducing forest degradation and mitigating GHG emissions from Agriculture, Forestry and Other Land Use sector is highlighted as an important strategy for mitigating climate change by the IPCC.³⁵ Promoting Sustainable forest management is especially important for Nordic countries like Finland, Norway and Sweden, which are among the most important producers of forestry products globally, and Denmark, which is in the process of reforestation activities. In this regard, Danske Bank's focus on international sustainable forest management certifications (FSC and PEFC), which align with IPCC recommendations is considered impactful by Sustainalytics. Sustainalytics' also notes that Danske Bank has taken steps to ensure that financing for non-certified forestry activities are conducted in an impactful manner (please refer to section 1).

Moreover, according to the World Wild Life Fund, EU member states are falling behind in terms of sustainable fisheries policy implementation and are likely to miss important 2020 targets on biodiversity conservation and

²⁵ Energiatodistus; accessed January 2019; https://www.energiatodistusrekisteri.fi/public_html?command=browse&s=etusivu_section&lang=fi

²⁶ Energimerking; accessed January 2019; <https://www.energimerking.no/no/energimerking-bygg/energimerkestatistikk/>

²⁷ Statistik om energideklaration; accessed January 2019; <https://www.boverket.se/sv/energideklaration/energideklaration/bakgrund/statistik-om-energideklaration/>

²⁸ Sparenergi; accessed January 2019; <https://sparenergi.dk/forbruger/vaerktoejer/find-dit-energimaerke>

²⁹ Sparenergi; accessed January 2019; <https://sparenergi.dk/forbruger/vaerktoejer/find-dit-energimaerke>

³⁰ Sparenergi; accessed January 2019; <https://sparenergi.dk/forbruger/vaerktoejer/find-dit-energimaerke>

³¹ The Rail Market in the Nordic Countries – 2013; published 2013; <http://www.brooksreports.com/DXRSTMVR/078.pdf>

³² EEA (2017): 'National emissions reported to the UNFCCC and to the EU Greenhouse Gas Monitoring Mechanism'; accessed January 2019; <http://www.eea.europa.eu/dataand-maps/data/national-emissions-reported-to-the-unfccc-and-to-the-eu-greenhouse-gas-monitoring-mechanism-13>

³³ FAO 2011, Organic Agriculture and Climate Change Mitigation, A Report of The Round Table on Organic Agriculture and Climate Change; accessed January 2019; http://www.fao.org/fileadmin/templates/organicag/pdf/11_12_2_RTOACC_23_webfiles.pdf

³⁴ EU Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91; <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0834&from=EN>; EU Commission Regulation (EC) No 889/2008: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008R0889&from=EN>

³⁵ IPCC assessment report; accessed January 2019; https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_chapter11.pdf

sustainable fisheries management.³⁶ While Sweden and Denmark perform better in the WWF's analysis than the average EU member state, it is acknowledged that there is still scope for significant improvements in the sustainable management of marine resources.³⁷ Furthermore, Norway, the world's largest producer of salmon,³⁸ is experiencing problems related to the negative environmental impacts of aquaculture on local biotopes, such as sea lice infections, interbreeding, and unintended release of chemicals.³⁹ Danske Bank's financing of certified sustainable seafood production, both wild caught and aquaculture, are therefore viewed as an important complements to national policies that can help advance more sustainable exploitation of marine biological resources.

Supporting water quality and management in Nordic countries

Urban areas from Nordic countries have invested, over the years, in decentralized water infrastructure systems and water treatment facilities,⁴⁰ and, as a result, Northern Europe's exposure to poor water quality is relatively limited. Sweden, as an example, is a country with high water quality, as reported in an OECD survey, which mainly sources its water from lakes and running water.⁴¹ However, the Swedish government also works towards reducing acidification of lake water, while also reporting that all households in urban areas are connected to wastewater treatment plants and more than 95% of this sewage goes through biological and chemical wastewater treatment.⁴² The other Nordic states are also heavily involved in treating water, as 95% of all wastewater is treated in Denmark⁴³ and only 2% of water remains untreated in Norway.⁴⁴ Taking into account the context, Sustainalytics views that Danske Bank's financing of wastewater facilities and technologies will help maintain high water quality in Nordic countries.

Building resilience to the physical impacts of climate change

Norway, Sweden and Finland, are amongst the countries recognized as the least vulnerable to climate change.⁴⁵ Nordic countries' exposure to climate-related disasters is manifest in wildfires, for example, as temperatures throughout Northern Europe rise at double the speed of the global average.⁴⁶ Furthermore, sea levels in the region are expected to rise by 0.2 meters due to the melting of Arctic ice, which would endanger communities living in coastal areas, which is where the largest Nordic cities are located. Despite these risks, Nordic countries have worked towards reducing vulnerability through strategies aimed at increasing resilience through relevant climate policy, investments in innovative technologies and regional cooperation between Nordic states.⁴⁷ In this regard, Nordic countries have embraced a dual approach focusing on both adaptation and mitigation.⁴⁸ Having said this, continuous investments are necessary to maintain the resilience of Nordic countries to the physical impacts of climate change. Sustainalytics views Danske Bank's intention to finance climate change adaptation projects in the region to be a positive outcome for combating the adverse effects of climate change in the Nordic countries. Particularly relevant is the Bank's requirement that all adaptation projects to be financed include a statement of purpose or intent so as to contextualize the investments with regards to whether they are addressing current or future risks and contextualizing the specific vulnerability that is being addressed. Sustainalytics believes that such a statement will help to ensure transparency with

³⁶ Evaluating Europe's Course to Sustainable Fisheries By 2020; published December 11, 2018;

https://d2ouvy59p0dg6k.cloudfront.net/downloads/wwfepo_cfpscocardreport_dec2018.pdf

³⁷ Evaluating Europe's Course to Sustainable Fisheries By 2020; published December 11, 2018;

https://d2ouvy59p0dg6k.cloudfront.net/downloads/wwfepo_cfpscocardreport_dec2018.pdf

³⁸ Fishery and Aquaculture Country Profiles, the Kingdom of Norway; accessed January 2019; <http://www.fao.org/fishery/facp/NOR/en>

³⁹ Access to aquaculture sites: A wicked problem in Norwegian aquaculture development; accessed January 2019;

<https://link.springer.com/article/10.1186/s40152-015-0027-8>

⁴⁰ Food consumption and related water resources in Nordic cities; D. Vanham, B.M. Gawlik, G. Bidoglio; published 2016;

<https://www.sciencedirect.com/science/article/pii/S1470160X16306562>

⁴¹ Water Quality in Sweden: An Effective Model; <https://borgenproject.org/water-quality-in-sweden-effective-model/>

⁴² Wastewater treatment in Sweden; accessed January 2019; <https://www.naturvardsverket.se/Documents/publikationer6400/978-91-620-8704-3.pdf?pid=13165>

⁴³ Wastewater; accessed January 2019; <https://stateofgreen.com/en/sectors/water/wastewater/>

⁴⁴ Municipal wastewater 2016; published December 19 2017; <https://www.ssb.no/en/natur-og-miljo/artikler-og-publikasjoner/municipal-wastewater-2016>

⁴⁵ Climate Institute. Learning from the "Least Vulnerable"? Climate Adaptation in the Nordic Countries; published July 24 2018;

<http://climate.org/learning-from-the-least-vulnerable-climate-adaptation-in-the-nordic-countries/>

⁴⁶ Climate Institute. Learning from the "Least Vulnerable"? Climate Adaptation in the Nordic Countries; published July 24 2018;

<http://climate.org/learning-from-the-least-vulnerable-climate-adaptation-in-the-nordic-countries/>

⁴⁷ Climate Institute. Learning from the "Least Vulnerable"? Climate Adaptation in the Nordic Countries; published July 24 2018;

<http://climate.org/learning-from-the-least-vulnerable-climate-adaptation-in-the-nordic-countries/>

⁴⁸ White Paper. Climate Change Adaptation in the Nordic Countries; published 2013; <https://mediamanager.sei.org/documents/Publications/Climate/N-CMAEP-2013-White-Paper-Nordic-Countries-Adaptation.pdf>

Danske Bank Group Green Bond Framework

regards to the projects being financed and their alignment with the Danske Bank Group Green Bond Framework.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Transmission and Energy Storage	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Environmentally sustainable management of living natural resources and land use	14. Life Below Water 15. Life on Land	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution 15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Green and energy efficient buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution prevention and control	11. Sustainable Cities and Communities 12. Responsible Consumption and Production	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable water and wastewater management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Climate change adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Conclusion

Danske Bank Group has developed the Danske Bank Group Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance or refinance eligible New and Existing Green Loans for projects and activities related to Clean transportation; Renewable energy; Transmission and energy storage; Environmentally sustainable management of living and natural resources and land use; Green and energy efficiency buildings; Pollution prevention and control; Sustainable water and wastewater management and Climate change adaptation predominantly in Denmark, Finland, Norway and Sweden. Sustainalytics believes that New and Existing Green Loans to finance the above eligible categories in Nordic countries will result in positive environmental impacts across the region. In particular, Sustainalytics notes that the breadth of the framework will facilitate broad impacts across a range of sectors. Danske Bank's approach for project

Danske Bank Group Green Bond Framework

evaluation and selection, management of proceeds, allocation reporting and impact reporting are aligned with market practices.

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.

Appendices

Appendix 1: Sustainalytics' assessment of external certifications

Overview of Green Building Standards included in Danske Bank's Framework

	BREEAM	LEED	DGNB	Nordic Swan	Miljöbyggnad
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	Svanen is owned by "Ecolabelling Sweden", a Swedish state company responsible for both the Swan ecolabel and the EU Ecolabel. Svanen was first released in 1989 by the Nordic Council of Ministers.	Administered by the Swedish Green Building Council (SGBC), Miljöbyggnad certifies new and existing residential and commercial buildings. First implemented in 2010, Version 3 launched in 2018.
Certification levels	Pass Good Very Good Excellent • Outstanding	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Bronze • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Certified 	<ul style="list-style-type: none"> • Bronze • Silver • Gold
Areas of Assessment	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Environment • Economic • Sociocultural and functional aspects • Technology • Processes & Site 	<ul style="list-style-type: none"> • General requirements • Resource efficiency • Indoor environment • Chemicals and materials • Construction Management • Regulatory requirements • Point-score requirements (including energy) 	<ul style="list-style-type: none"> • Energy • Indoor Environment • Chemical Substances • Specific Environmental Demands
Requirements	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ⁴⁹	Prerequisites independent of level of certification, and credits with associated points. These points are then added together	Percentage-based performance index. The total performance index (expressed as a percentage) is calculated by	Points-based assessment. For apartment buildings at least 17 out of 44 possible points must be achieved.	Checklist of 15 indicators, all of which must be met in order to obtain certification. Level of certification is determined by the

⁴⁹ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Danske Bank Group Green Bond Framework

	<p>and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>adding the six key areas of assessment.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.</p>	<p>For small houses at least 16 out of 42 possible points must be achieved.</p> <p>For pre-school and school buildings at least 15 out of 39 possible points must be achieved.</p>	<p>lowest-scoring indicator.</p>
Performance display					
Qualitative Considerations	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>DGNB certification is based on current European Union standards.</p>	<p>Widely recognized within the region, strong assurance of quality.</p>	<p>Developed specifically for Sweden. High emphasis on indoor environments.</p>

Overview and Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) **Indigenous People's Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Overview and Assessment of Fishery, Aquaculture, and Agriculture Certifications in Danske Bank's Framework




	Marine Stewardship Council ⁵⁰	Aquaculture Stewardship Council ⁵¹	EU Organic ⁵²
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.

⁵⁰ <https://www.msc.org/standards-and-certification/fisheries-standard>

⁵¹ <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

⁵² <https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming>

Danske Bank Group Green Bond Framework

<p>Scope of certification or programme</p>	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified sourcing, product identification, separation, traceability and records, and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>	<p>The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).</p>
<p>Verification of standards and risk mitigation</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.</p>
<p>Third party expertise and multi-stakeholder process</p>	<p>Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation's Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.</p>
<p>Performance display</p>			
<p>Qualitative considerations</p>	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.</p>	<p>Widely recognized, and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of</p>	<p>Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic</p>

	<p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>products in the EU Member States.</p>
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Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Danske Bank Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Danske Bank Group Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	15 April 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	This is an update of an SPO originally completed on 28 February 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Danske Bank Group Green Bond Framework

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The use of proceeds categories (Clean Transportation, Renewable Energy, Transmission and Energy Storage, Environmentally Sustainable Management of Living Natural Resources and Land Use, Green and Energy Efficient Buildings, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Climate Change Adaptation) are recognized by the Green Bond Principles as impactful. Sustainalytics also notes that Danske Bank may use proceeds from green bond issuances to finance pureplay companies deriving over 90% of revenues from business activities in eligible categories defined in the framework. Sustainalytics believes that Danske Bank's financing and refinancing of eligible new and existing green loans will contribute to reducing GHG emissions limiting pollution and enhancing resilience to climate change in Nordic countries. For more information on the positive impact of the projects please refer to Section 3.

Where relevant, some of the eligibility criteria refer to credible third-party standards, such as LEED, BREEAM, Miljöbyggnad, DGNB, Nordic Swan Ecolabel for green buildings; Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) for forest management; and Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) for sustainable fisheries (see Appendix 1 for additional details on green building, forestry and fishery certification schemes). Sustainalytics views positively the certification schemes contained in the Framework's eligibility criteria. However, we note that the ASC reserves the right to award certification with variances from the standard in some cases, which could result in financing for aquaculture activities that do not fully comply with the standard.

For its intended investments in green and energy efficiency buildings, Danske Bank will select eligible buildings based on a determination of whether they are included in the top 15% energy efficient buildings in their respective regions. Selecting buildings with EPC labels A or B in Denmark, Finland, Norway and Sweden will fulfill this requirement for residential buildings. The Framework also allows Danske Bank the flexibility to incorporate new approaches to determining the top 15% energy efficient buildings, and in April 2019 Danske Bank developed an approach for commercial buildings in Denmark, that would result in buildings with an EPC label of A becoming eligible.⁵³ Sustainalytics views this additional approach positively, as Danish commercial buildings with an EPC label A represent approximately 7.5% of commercial buildings with an EPC.⁵⁴ In addition to this new approach for commercial buildings in Denmark, the bank's framework continues to retain the option to develop future alternative approaches to identifying buildings that are within the top 15% most energy efficient in the local context. In this regard, Sustainalytics views positively Danske Bank's commitment to solicit a Second Party Opinion on the criteria established through such an exercise, should it choose to exercise this option.

The Danske Bank Group Green Bond Framework includes financing/refinancing for non-certified forestry activities. These activities apply to lands that meet the FSC's definition for Small and Low Intensity Managed Forests and are managed by individuals and small corporations. In this regard, Danske Bank has confirmed that financing and refinancing of these activities will take place primarily in Sweden, and loan recipients must be in compliance with national legislation, have an up-to-date forest management plan, a nature conservation action plan for at least 5% of the productive area managed and have a minimum target of five percent deciduous tree covered within the forest management plan. Danske Bank believes that together, these criteria can be considered equivalent to having achieved PEFC certification. Sustainalytics considers Danske Bank's criteria for uncertified forests to be sufficient to address relevant risk and generate positive impact.

The Framework includes hydrogen powered vehicles. Sustainalytics acknowledges that, currently, hydrogen is primarily derived from natural gas, and as such there are carbon emissions at the point of production. Sustainalytics views the inclusion of hydrogen powered vehicles as credible given significant potential for lifecycle emissions to decrease through the adoption of lower carbon production paths on the supply-side.

⁵³ Danske Bank Group approach for identifying the top 15% most energy efficient commercial buildings in Denmark available on the issuer's corporate website at: <https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-bond-framework-2019.pdf>

⁵⁴ Danish Energy Agency, Energy Labelling of Buildings, available at: <https://sparenergi.dk/offentlig/bygninger/energimaerkning-af-bygninger>

Danske Bank Group Green Bond Framework

With regards to renewable energy projects, the refurbishment or refinancing of existing medium or large hydro power plants, defined as those with a generation capacity of 10MW or more, are eligible. In this regard, Danske Bank's Framework excludes all projects that include an expansion of an impoundment facility, and it requires an emissions intensity 100 gCO₂e/kWh or less. Danske Bank also restricts all financing/refinancing of hydropower to assets in Nordic countries. Finally, Danske Bank will subject all financing of hydro power projects to an additional layer of internal due diligence in line with its internal credit policies with the aim of screening out financing for facilities that present local environmental risks.

Danske Bank's Framework defines New Green Loans and Existing Green Loans as eligible for refinancing. New Green Loans are categorized as eligible loans originated following the issuance of a green bond, or those loans originated 12-months prior to the issuance of a green bond. The bank does not specify a lookback period for Existing Green Loans, but the Framework highlights that the Bank will make efforts to prioritize New Green Loans.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Danske Bank's sustainability experts within lending units evaluate potential Green Loans, their compliance with the Green Loan categories and their environmental benefits. Consistent with market practice, the final decision on the selection of Green Loans is made by Danske Bank's Green Bond Committee (GBC), which approves Green Loans, excludes Green Loans already funded with net proceeds from green bond issuances, monitors the allocation of green bond net proceeds and maintains and updates the Green Bond Framework. The GBC, chaired by the Danske Bank Group Head of Treasury, consists of representatives from the bank's Sustainable Finance, Societal Impact and Sustainability and Risk Management functions and meets on a bi-monthly basis. Furthermore, the GBC is governed by the bank's Asset Liability Committee. Sustainalytics considers representation on Danske Bank's GBC from key departments to be an advantage.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

Danske Bank Group Green Bond Framework

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

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. The use of proceeds from the Green Registries will only support the financing of Green Loans or to repay Green Bonds. Moreover, the unallocated net proceeds (temporary investments) will be invested in Danske Bank's treasury liquidity portfolio in cash or other short-term and liquid instruments until allocation. Unallocated proceeds will not be invested in excluded activities, such as fossil energy generation, nuclear energy generation, gambling or tobacco.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*:

Danske Bank Group Green Bond Framework

In alignment with market practice, Danske Bank commits to annual reporting, per issuing entity, on its website and in an annual Green Bond report which will contain information such as 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, and the balance of Green Loans in the Green Registries, including temporary investments.

Regarding impact reporting, Danske Bank will release its performance reporting annually, which will include indicative key performance indicators such as: number of low carbon vehicles, GHG savings (tonnes per year), renewable energy generation (MWh per year), installed renewable energy capacity (MW), forest areas (hectares), and obtained certification schemes. Sustainalytics considers this reporting to be in accordance with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (*please specify*):

Information reported:

- Allocated amounts
 Green Bond financed share of total investment
- Other (*please specify*):
 - The balance of Green Loans in the Green Registries
 - The outstanding amount of Green Bonds

Frequency:

- Annual
 Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (*please specify*):

Frequency:

- Annual
 Semi-annual
- Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
- Decrease in water use
 Other ESG indicators (*please specify*):

Clean Transportation

- Low carbon transportation and vehicles
 - Number of vehicles
 - GHG savings [tonnes per year]
- Vehicle Manufacturing
 - Number of vehicles[units per year]
- Low carbon transportation infrastructure
 - GHG savings (tonnes per year) due to the installed technology (direct), by transferring freight or passenger transport from road to e.g. railway (indirect) or both (as applicable)
 - Number of units installed (if applicable)

Renewable Energy

- Renewable energy generation (MWh per year)
- Installed renewable energy capacity (MW)
- GHG savings (tonnes per year)
- Number of units produced

Transmission and Energy Storage

- Distance of transmission (Km)
- Energy transmitted (MWh per year)
- Energy savings (MWh per year) (if applicable)
- GHG savings (tonnes per year)

Environmentally Sustainable Management of Living and Natural Resources

- Forests and forestry
 - Forest area (hectares)
 - Forestry certification scheme (if applicable)
 - Net carbon sequestration (tonnes per year) (if available)

Danske Bank Group Green Bond Framework

- Agriculture
 - Agriculture land area (hectares)
 - Organic farming certification scheme
 - Type of crop and its proportion (if available)
- Fishery
 - Certification scheme
 - Type of fish (if available)

Green and Energy Efficient

Buildings

- Environmental certification or EPC (as applicable)
- Reduction in energy use (MWh per year)
- GHG savings (tonnes per year)

Pollution Prevention and Control

- Waste management
 - Quantity of recycled material (tonnes per year)
 - GHG savings (tonnes per year)
- Waste and water to energy
 - Energy generation (MWh per year)
 - GHG savings (tonnes per year)

Sustainable Water and Wastewater Management

- Quantity of treated wastewater and/or supplied freshwater (cubic meters per year)
- Qualitative improvements in freshwater supply and/or wastewater treatment

Climate Change Adaptation

Projects

- Type of investment and the purpose

Means of Disclosure

- Information published in financial report
 Information published in sustainability report

Danske Bank Group Green Bond Framework

- Information published in ad hoc documents
 Other (please specify): on the company's website.
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): assurance will be sought on whether an amount equal to Green Bond net proceeds has been allocated to Green Loans.

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-bond-framework-2019.pdf>

<https://danskebank.com/-/media/danske-bank-com/pdf/investor-relations/debt/green-bonds/danske-bank-green-bond-framework-2019.pdf>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
- Verification / Audit
 Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research

providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit www.sustainalytics.com

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