Green Finance Framework

Danske Bank Group
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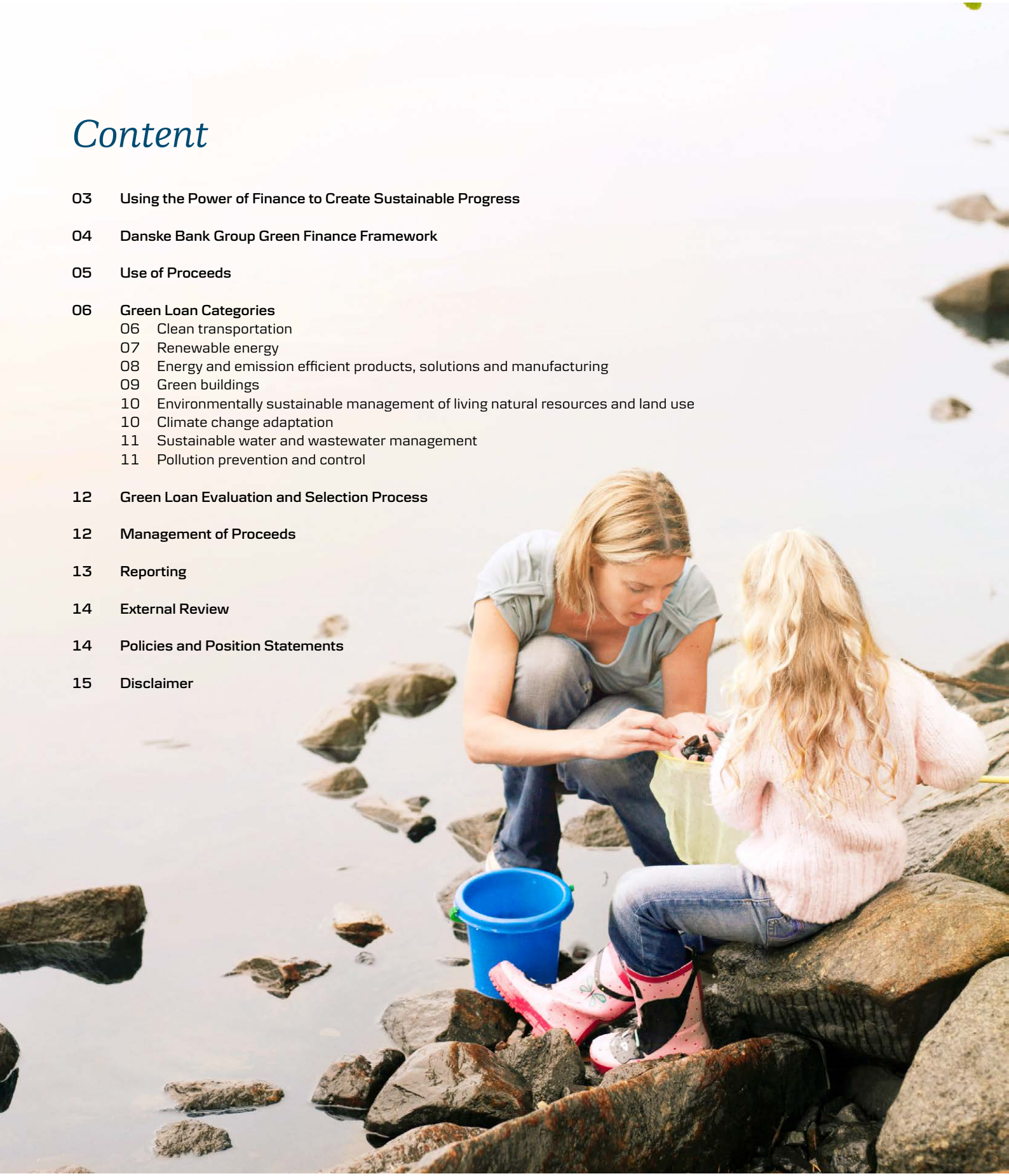
Content



Using the Power of Finance to Create Sustainable Progress

As one of the largest financial institutions in the Nordic countries, Danske Bank has both the ability and the determination to contribute to finding solutions to the challenges facing our planet and societies. We are committed to creating sustainable progress, and we believe that including sustainability in all aspects of our business is fundamental to creating long-term value for all our stakeholders. We have thus made sustainability an inherent part of our bank's purpose, which we have defined as: 'to release the potential in people and businesses by using the power of finance to create sustainable progress today and for generations to come.'

Achieving the transition to more sustainable economies and societies will require substantial financing – and as a bank, we have a key role to play. This is why sustainable finance is placed at the core of our sustainability strategy. Surrounding this core are five additional focus areas that cover themes that are important for our stakeholders and that also play a key role in creating both societal and business value: entrepreneurship, financial confidence, employee well-being & diversity, environmental footprint and governance & integrity. We have established tangible targets in all of these areas in order to measure and expand our impact.

Group Sustainability Strategy

This is the decade for delivering on climate targets and on the UN Sustainable Development Goals (SDGs). At Danske Bank, we fully recognise the need for the financial sector to take climate action, and we believe that the power of finance, if applied with focus and responsibility, will be vital for enabling our customers to transition to a low-carbon future. We are leveraging the power of finance for sustainable progress within all our business areas. We're a leading originator of green bonds in the Nordics and are continuously working to further facilitate the growth of this market. The amount of assets held in our funds with a sustainable investment objective is fast growing. We're tracking, reporting on and striving to increase the amount of lending to environmentally beneficial projects; this framework plays a central role in this work.

Sustainable progress requires societal transformation. It is therefore paramount that our lending and investment portfolios are aligned with societal goals, not least when it comes to net-zero and carbon neutrality targets. In 2020, we joined the Net-Zero Asset Owner Alliance and in 2021, we joined both the Net Zero Asset Managers Initiative and the Net-Zero Banking Alliance. In addition to these overarching net-zero ambitions, we are measuring, setting interim targets and engaging with customers to reduce financed emission profiles across our units. We are committed to reducing the weighted-average carbon intensity of our investment products by at least 50% by 2030 against a 2020 baseline. Moreover, we've introduced 2030 emission reduction targets for the key sectors of our lending book and Danica Pension's portfolio

We are also participating in and committed to a number of leading international sustainability initiatives that set collective standards and ensure joint action for sustainable progress. For instance, we are committed to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO Declaration of Fundamental Principles of Rights at Work and the UN Global Compact. We are signatories of both the Principles of Responsible Banking and the Principles for Responsible Investments and have been reporting according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2019.

This Green Finance Framework is a fundamental part of our green financing platform. We first established the Danske Bank Group Green Bond Framework in 2019 and, today, it plays a central role in facilitating finance to our clients' environmentally beneficial projects. The volume of green loans has increased continuously over the years, and at the end of 2021, the balance stood at EUR 2.8 billion for Danske Bank A/S and DKK 17 billion for Realkredit Danmark A/S. Further details on developments in our green lending can be found in our 2019, 2020 and 2021 Green Bond Impact Reports. Looking ahead, it is clear that the market for green financing is constantly developing, and at Danske Bank, we want to stay at the forefront of the key developments to be able to provide our customers with the best possible support. With this update of our Green Finance Framework we are therefore expanding green finance to new sectors and taking into account the EU's criteria for sustainable economic activities, the EU Taxonomy. Our ability at Danske Bank to use the power of finance to create sustainable progress is now stronger than ever.

Danske Bank Group Green Finance Framework

The transition to a low-carbon, resilient and environmentally sustainable economy requires vast amounts of capital. This document ('Green Finance Framework' or 'Framework'), establishes the process and criteria ('Green Loan Criteria') we in Danske Bank Group use to support the mobilisation of debt capital to sustainable and environmentally beneficial purposes.

The Green Finance Framework is based on the:

- ICMA Green Bond Principles June 2022[1]
- LMA Green Loan Principles 2021[2]

The Framework is presented through the following key pillars:
- Use of Proceeds
- Green Loan Evaluation and Selection Process
- Management of Proceeds
- Reporting

The Framework also follows the recommendations of the Green Bond Principles on External Review [3].

Under this Framework, Danske Bank A/S, Realkredit Danmark A/S, Danske Hypotek AB (publ) and Danske Mortgage Bank Plc may issue green finance instruments ('Green Finance Instruments') in whatever form, including, but not limited to, capital instruments, senior unsecured debt and covered bonds. The documentation for any Green Finance Instrument issued by an entity within Danske Bank Group shall include a reference to this Framework. We refer to the terms and conditions contained in the underlying documentation for each issued Green Finance Instrument which specify the actual terms of the instrument. This Framework updates and replaces previous versions of Danske Bank Group's Green Bond Framework. Thus, any references in issue documentation to Danske Bank's 'Green Bond Framework' shall be construed to be references to Danske Bank's 'Green Finance Framework'.

The Framework defines the loans ('Green Loans') eligible to be allocated to the Green Finance Instruments issued by Danske Bank Group. The Green Loan eligibility criteria ensure that the financed activities contribute significantly to the sustainable transition of our societies. An external evaluator, Sustainalytics, has verified that all of the eight Green Loan categories are recognised by ICMA Green Bond Principles and that the eligibility criteria will ensure the financed activities' significantly positive environmental impact. The Green Loan categories have been aligned with the EU Environmental Objectives as defined in the EU Taxonomy Regulation[4]. An evaluation conducted by Sustainalytics finds a high degree of alignment between this Framework's eligibility criteria and the EU Taxonomy Climate Delegated Act's[5] Technical Screening Criteria. However, this Framework also includes green loan categories that are either not yet covered by or diverge from the EU Taxonomy. It is important for us that the Framework facilitates financing of a wide range of investments needed for the Nordic societies to meet their ambitious environmental objectives. Thus, we find that limited deviations from and additions to the still developing EU Taxonomy criteria are necessary.

In alignment with Danske Bank's sustainability strategy and in support of the UN SDG 2030 agenda, the Green Loan Criteria in this Framework directly contribute to the achievement of specific UN SDGs and related sub-targets.

As both the Green Bond Principles and the green financing market overall are evolving rapidly, this Green Finance Framework may be further updated or expanded. For the avoidance of doubt, any future changes to the eligibility criteria will not apply to Green Loans that have been allocated using the net proceeds of any Green Finance Instrument issued under this or previous frameworks.

[1] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
[2] Green_Loan_Principles_Feb2021_V04.pdf (lma.eu.com)
[3] Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf (icmagroup.org)
[4] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852
[5] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX-%3A32021R2139

Use of Proceeds

Allocation of net proceeds
An amount equal to the net proceeds of the Green Finance Instruments will be allocated to loans or investments, located predominantly in the Nordic region and originated by Danske Bank across its subsidiaries, that promote the transition to low-carbon, climate-resilient and sustainable economies, in each case as determined by Danske Bank in accordance with the Green Loan categories as defined below.

Pure play loans
While Danske Bank aims to document an exact project or asset financed, also general corporate purposes loans to 'pure play' green companies can be funded with net proceeds from Green Finance Instrument issuances. A pure play company is defined as a company deriving over 90% of its revenue from the Green Loan categories as defined below.

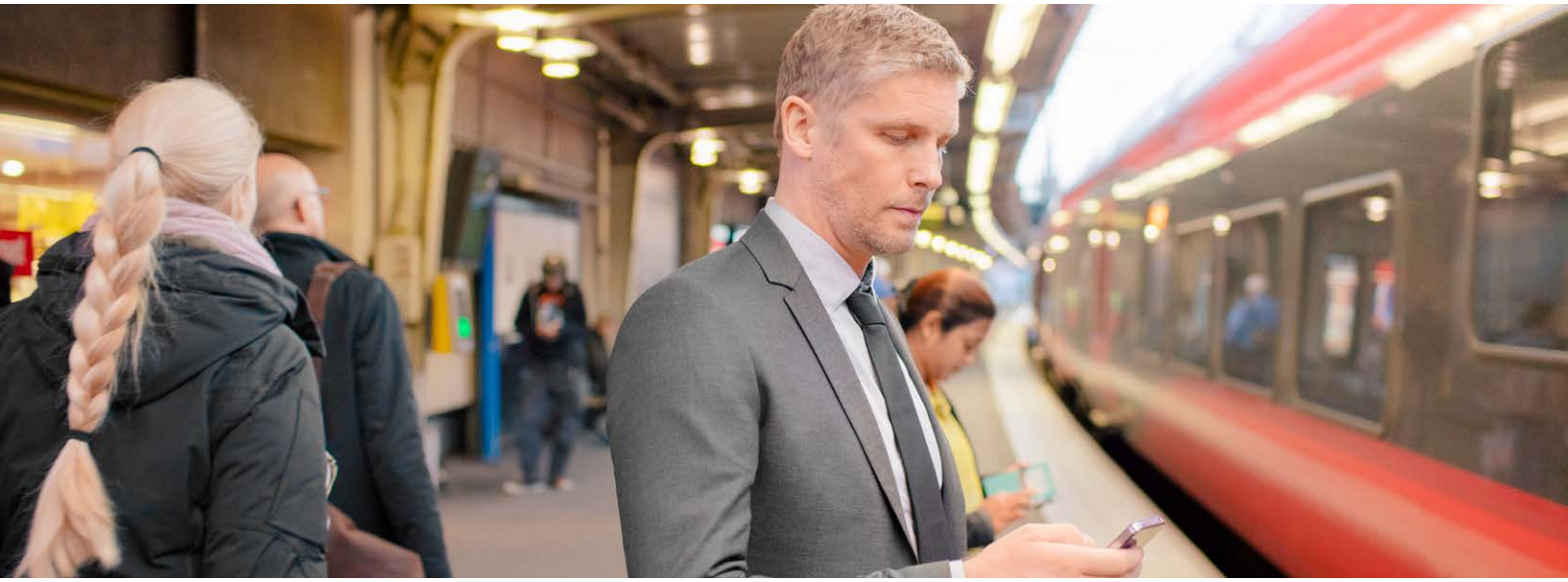
Issuing entities under the Danske Bank Group Green Finance Framework

Danske Bank A/S
For 150 years, Danske Bank has strived to be a driver of societal growth and development. With focus on the Nordic markets and with strong bridges to the rest of the world, we are helping customers in eight countries realise their ambitions. Danske Bank A/S's shares are quoted on Nasdaq Copenhagen.

Danske Hypotek AB (publ)
Danske Hypotek is part of Danske Bank Group and a wholly-owned subsidiary of Danske Bank A/S. Danske Hypotek is engaged in mortgage banking business and issues covered bonds under the Swedish Covered Bond Act.

Danske Mortgage Bank Plc
Danske Mortgage Bank Plc is part of Danske Bank Group and a wholly-owned subsidiary of Danske Bank A/S. Danske Mortgage Bank is engaged in mortgage banking business where it issues covered bonds under the Finnish Covered Bond Act.

Realkredit Danmark A/S
Realkredit Danmark A/S is a subsidiary of Danske Bank A/S and provides property financing to personal and business customers in Denmark and to specific business customers in Sweden and Norway. The company operates a pass-through funding model whereby all mortgages are funded by covered bonds with mirroring terms. Reference is made to the terms and conditions, see rd.dk. Mortgages are provided through the Danske Bank branch network and the home real-estate agency chain.



Green Loan Categories

Clean transportation

Low carbon transportation
Fully electrified transport vehicles such as electric buses, trucks, trains, personal mobility devices and cars.

Until December 2025, personal transport vehicles with specific emissions lower than 50g CO_2/km.

Inland passenger water transport where
- the vessels have zero direct (tailpipe) carbon emissions, or
- until 31 December 2025, hybrid and dual-fuel vessels derive at least 50% of their energy from zero direct (tailpipe) carbon emission fuels or plug-in power for their normal operations.

No transport activities that are dedicated for the transport of fossil fuels.

Low-carbon transport infrastructure
Infrastructure enabling the use of electric or hydrogen-powered transport of passengers and freight such as electrified railways, electric vehicle charging stations and hydrogen fuelling infrastructure.

Manufacture of low carbon vehicles
Manufacture of fully electrified means of transport such as electric busses, trucks, vessels, trains, personal mobility devices and passenger cars.

Investments in the manufacture of sea and costal vessels with a dual-fuel engine designed also for operation with hydrogen or hydrogen-derived synthetic fuels such as methanol or ammonia.[8]

Transport accounted for 23% of global energy-related GHG emissions and 28% of global energy demand in 2019[6]. As fossil fuels account for over 90% of the final energy demand, continued growth in electric transport is key for achieving decarbonisation, particularly within road transport. For aviation and shipping, representing over 20% of the transport sector's global emissions, carbon-neutral synthetic fuels such as green methanol will also be required to reduce emissions. The Nordics currently represent the fourth-largest electric car market in the world[7], and Nordic companies are also at the forefront of decarbonisation within heavy road transport and shipping.

EU Environmental Objective	Climate change mitigation
UN SDG 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.

[6] IEA Net Zero by 2050 – A Roadmap for the Global Energy Sector (Net Zero by 2050 - A Roadmap for the Global Energy Sector (windows.net))
[7] IEA Global EV Outlook 2022 (Global EV Outlook 2022 - Data product - IEA)
[8] In accordance with the relevant technical screening criteria of the EU Climate Delegated Act.

Renewable energy

Wind energy
Onshore and offshore wind energy generation facilities and related infrastructure

Solar energy
Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities and related infrastructure.

Hydropower
Electricity generation using hydropower, where the generation facility complies with one of the following:

- run-of-river facilities without an artificial reservoir
- facilities with a power density for electricity generation above 5W/m^2
- facilities with life-cycle GHG emissions from electricity generation lower than 100g CO_2e/kWh

Hydropower financing is restricted to the Nordic region where facilities are deemed to comply with the IFC Performance Standards.

Bio energy
Facilities producing biofuel and biogas for transport, such as biofuel preparation, pre-treatment and bio-refinery facilities. Facilities for electricity generation, heating or both (CHP) that use biofuel or biomass as fuel if life-cycle GHG emission intensity is below relevant threshold values given by the EU Taxonomy Climate Delegated Act.[8]

In the evaluation of all bioenergy projects, environmental and social impacts of supply chain elements are taken into account. Biomass/fuel derived from sources of high biodiversity that competes with food sources or depletes carbon pools is excluded. Supply chain sustainability is preferably verified through certification systems such as the International Sustainability & Carbon Certification (ISCC), Sustainable Biomass Partnership (SBP), Roundtable on Sustainable Biomass (RSB), Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC).

Geothermal energy
Geothermal power plants and geothermal heating/cooling systems with life-cycle emissions lower than 100g CO_2e/kWh.

Ocean energy
Wave or tidal energy facilities.

Ambient and waste energy
Installation and operation of electric heat pumps.
Production of heating and cooling using waste heat.

Hydrogen
Manufacture of green hydrogen and green hydrogen-based synthetic fuels.

Energy transmission
Electricity transmission infrastructure, including:

According to the IPCC, approximately 34% of total net global anthropogenic GHG emissions arise from the energy supply sector, making it the largest contributing sector to global GHG emissions[9].

In order to achieve a net-zero emissions future, renewable energy sources will have to replace the 70% of electricity and heat supply currently coming from fossil fuel sources as well as meet the 60% projected increase in energy demand from 2020 to 2050. Investments into a robust transmission, distribution and storage network form a key building block for the continued rollout of renewable energy.

The Nordics have come far in decarbonising the energy supply sector with 78% and 57% of electricity and heating, respectively, coming from renewable sources[10]. However, continued investments are needed in order to achieve the ambitious policy goals of the region.

EU Environmental Objective	Climate change mitigation
UN SDG 7 - Affordable and clean energy 	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

- transmission of renewable electricity from production facility to electric grid
- electric grids that
  - are part of the interconnected European power grid and its subordinate systems, or
  - are otherwise shown to have an average emissions factor below 100g CO_2e/ kWh or that, over a rolling five-year period, have two thirds of new connected generation capacity below this emissions threshold
- smart grids, storage facilities, metering systems and other intelligent electricity systems managing the intermittency of renewable energy production
- the interconnection of countries' power systems to increase facilitation of renewable electricity production and use
- power system efficiency with the aim to increase system security, tools to measure and to reduce energy losses

District heating and cooling infrastructure, where the system uses at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat.

Dedicated hydrogen transmission infrastructure, including conversion/repurposing of existing natural gas networks to 100% hydrogen transmission, where the system includes leak detection capabilities to reduce methane leakages.

[9] IPCC AR6 Climate Change 2022: Mitigation of Climate Change
[10] Nordic Energy Research – Renewable Energy in the Nordics 2021 (nordicenergyresearch2021-03.pdf (norden.org))

Energy storage
Storage solutions for electricity, thermal energy and hydrogen, including battery systems, pumped hydropower storage, underground thermal energy storage and conversion of existing underground gas storage facilities to dedicated hydrogen-storage solutions.

Manufacturing of renewable energy technologies
Manufacturing of equipment for energy generation from renewable non-fossil sources, including wind, solar, geothermal, ocean energy, ambient energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogas.

Manufacturing of equipment for production and use of hydrogen and hydrogen-based fuels.

Manufacturing of rechargeable batteries, battery packs and accumulators for transport, stationary and off-grid energy storage and other industrial applications.

Energy and emission efficient products, solutions and manufacturing

Manufacturing of building energy efficiency equipment and solutions
Energy efficiency equipment for buildings, including;
- Energy efficient envelope components such as windows and doors[11]
- Household appliances, including cooling/lighting/ventilation/heating and hot water systems populated in the two highest EU energy efficiency classes
- Electric heat pumps and district heating exchangers
- Energy-efficient building automation, metering, thermostat and control solutions.

Data management and solutions
Energy efficient operation of data centres and related infrastructure according to the most recent version of the European Code of Conduct on Data Center Energy Efficiency.

ICT solutions that are predominantly used for the provision of data and analytics enabling GHG emissions reduction

Carbon neutral manufacturing of basic materials[11]

Manufacturing of cement using carbon capture and storage technology.

Manufacturing of steel using green hydrogen.

Manufacturing of ammonia using green hydrogen.

Manufacturing of recycled/secondary aluminium.

Manufacturing of plastics from fully mechanically recycled plastic waste or from renewable feedstock such as certified biomass, industrial or municipal bio-waste.

GHG emissions from industry are among the hardest emissions to abate. Also, the sector currently accounts for nearly a quarter of global emissions[9]. Reducing industrial emissions at scale will require completely new production methods. Encouragingly, a number of Nordic companies are developing trailblazing net-zero technologies within steel, concrete and ammonia.

Investing in digital energy and emission-reducing solutions contributes to improved environmental performance across a number of sectors, as does the production of more energy efficient components and monitoring systems for the building sector.

EU Environmental Objective	Climate change mitigation
UN SDG 9 – Industry, Innovation and Infrastructure 	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

[11] *In accordance with the relevant technical screening criteria of the EU Climate Delegated Act.*

Green buildings

Construction of new buildings that either;

- have an energy demand at least 10% lower than the national requirements set for the nearly zero-energy building (NZEB) or national building code, or
- have or are intended to receive a design or post-construction certification in any of the following building certification schemes at the defined threshold level or better:

- LEED "Gold",
- BREEAM "Excellent",
- Miljöbyggnad "Silver",
- DGNB "Gold",
- The Nordic Swan Ecolabel certification, or
- RTS "3 stars"

Acquisition and ownership of buildings

Acquisition and ownership of buildings that;

- have an energy demand at least 10% lower than the national requirements set for the nearly zero-energy building (NZEB) or national building code when built after 31 December 2020, or
- have EPC class A or are otherwise determined to belong to the top 15% most energy efficient buildings for the regional building stock for the type of residential or non-residential buildings, respectively, when built before 31 December 2020, or
- have or are intended to receive a design, post-construction or in-use stage certification in any of the following building certification schemes at the defined threshold level or better:
  - LEED "Gold",
  - BREEAM "Excellent",
  - Miljöbyggnad "Silver",
  - DGNB "Gold",
  - The Nordic Swan Ecolabel certification, or
  - RTS "3 stars"

Major renovations

Energy efficient retrofit or renovation of existing buildings, reducing energy use (kWh/m^2/year) per heated square meter per year by at least 30 %.

Individual installations

Direct costs related to installation, maintenance and repair of energy efficiency equipment, building envelope components, on-site renewable energy generation, electric vehicle charging stations and energy performance measuring and controlling equipment.

Globally, the building sector accounted for 31% of final energy demand and 21% of GHG emissions[9], with 57% of the emissions being indirect emissions from electricity and heat generation. Reducing the demand for electricity and heating through new construction and renovation projects can significantly reduce emissions from the building sector. Varying climate conditions and a high energy demand together with a large share of residential buildings built over half a century ago emphasise the importance of this sector in the sustainability efforts of the Nordic countries.

EU Environmental Objective	Climate change mitigation
UN SDG 11 – Sustainable Cities and Communities 	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilising local materials

Environmentally sustainable management of living natural resources and land use

Forests, forestry and wetlands
Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certification (PEFC).

Agriculture
Organic farming, certified in compliance with the EU and national regulations.

Fishery and aquaculture
Sustainable fishery certified by the Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC) or GlobalG.A.P. Aquaculture Certification.

Alternative proteins
Production of plant-based, fermented or cultivated proteins.

[12] *Nature Food, volume 3, pages29–37 (2022); Dietary change in high-income nations alone can lead to substantial double climate dividend*

The agriculture, forestry and other land use sector is responsible for more than a fifth of global GHG emissions[9], despite forests in particular having a significantly positive effect by acting as carbon sinks. Efforts to reduce land use change and deforestation are vital to reduce the emissions from the sector globally. The Nordics have long traditions in sustainable forest management, agriculture and aquaculture. Alternative proteins support a dietary shift from animal-based to plant-based food, which provides environmental benefits through both direct emissions reductions and freed-up land for other purposes[12].

EU Environmental Objective	Climate change mitigation Climate change adaptation Protection and restoration of biodiversity and ecosystems
UN SDG 14 – Life below water 	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
UN SDG 15 – Life on land 	15.a Mobilise and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

Climate change adaptation

Investments that target the preservation or advancement of adaptive capacity and resilience in order to reduce the vulnerability of human, wildlife and natural systems to the impacts of climate change (for example, sea level rise, drought, storms and extreme precipitation such as rain, hail and snow). Example projects might include, for instance, monitoring technologies (climate observation or information support systems) or infrastructure designed to provide protection against flooding (storm-water management, retention berms, reservoirs or sluice gates). The adaptation criteria of the EU Taxonomy Climate Delegated Regulation are used as the reference.

Climate change adaptation and mitigation are complementary strategies for the management of future climate-related risks. While mitigation efforts reduce risks mainly over the coming decades, investments into climate adaptation can benefit societies by addressing already experienced and near-term environmental changes. Adaptation is place and context-specific and both incremental and transformational adaptation measures are required.

EU Environmental Objective	Climate change adaptation
UN SDG 13 – Climate action 	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Sustainable water and wastewater management

Facilities and technologies designed to treat, distribute and conserve water, such as processing of wastewater, urban drainage systems, water purification processes, improved drinking water quality, improved reliable fresh water supply and increased water use efficiency.

Access to clean drinking water is one of the most prominent global health issues, with continued population growth and global warming exacerbating the situation, particularly in regions exposed to high levels of water stress. The Nordics rank among the best countries in terms of sanitation and drinking water[13], and the expertise of Nordic companies can be exported to help improve conditions in developing countries.

EU Environmental Objective	Sustainable use and protection of water and marine resources
UN SDG 6 - Clean water and sanitation 	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising 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

[13] *Environmental Performance Index | Environmental Performance Index (yale.edu)*

Pollution prevention and control

Waste management
Recycling activities, including collection, treatment and processing of non-hazardous waste. Material recovery activities converting at least 50%, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.

Remediation and decommissioning activities, such as decontamination of industrial plants or sites.

Facilities for anaerobic digestion of bio-waste, sewage sludge and composting of bio-waste for production and utilisation of biogas or chemicals.

Facilities for pyrolysis of waste to produce biochar.

Emissions management
Transport and storage of carbon captured, from installation to underground permanent carbon storage injection point.

Replacing the linear "make and dispose" model with a closed loop material systems brings forward a circular economy, which improves resource use, reduces environmental pressures and enables sustainable growth. A number of Nordic companies have recognised the opportunity and are utilizing waste streams and providing recycled raw materials to the market.

EU Environmental Objective	Pollution prevention and control Transition to a circular economy
UN SDG 11 - Sustainable cities and communities 	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
UN SDG 12 - Responsible consumption and production 	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Green Loan Evaluation and Selection Process

As with all Danske Bank lending activities, all potential Green Loans in Danske Bank go through the standard credit process, which intends to ensure compliance with applicable national rules and regulations, Know-Your-Customer processes and Danske Bank's own policies and guidelines, such as Credit and Financial Crime policies. As for all applicable loans, potential Environmental, Social and Governance (ESG) risks are assessed as part of lending activities both at an individual level, through an ESG risk assessment performed by relationship managers, as well as at portfolio level based on sector risk reviews and risk appetite. A digital system is assisting relationship managers in identifying each customer's ESG risk level. The customer-level ESG risk assessments serve as an input factor in the overall credit decision process. Industries that are more exposed to ESG risks are subject to stricter requirements as outlined in Danske Bank's policies and position statements. Furthermore, we are committed to a number of sustainability guidelines such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the ILO Declaration of Fundamental Principles of Rights at Work. Also, the EU Taxonomy's 'Do No Significant Harm' criterion is taken into account in the evaluation process as much as feasible.

From the existing and new lending in Danske Bank, sustainability experts within lending units evaluate potential Green Loans, their compliance with the Green Loan categories presented in this Framework and their environmental benefits. Based on the analysis, lending units can nominate loans as potential Green Loans.

When potential Green Loans have been nominated, a list including their environmental details will be presented to Danske Bank's Green Bond Committee (the 'GBC'). The GBC is solely responsible for the decision to acknowledge the loan as a Green Finance Instrument. Green Loans and related environmental details, together with the GBC decision, will be recorded in a dedicated registry ('Green Registry').

Some of the issuing entities within Danske Bank Group may form their own sub-committee, reporting to the GBC, and/or keep their separate Green Registries.

The GBC has the mandate to

- approve Green Loans
- exclude already funded Green Loans if they no longer meet the applicable eligibility criteria
- monitor the allocation of Green Finance Instrument net proceeds
- maintain and update the Green Finance Framework

The GBC will convene a minimum of six times a year and when otherwise considered necessary. The GBC is chaired by the Head of Group Treasury and consists of representatives from, for instance, Sustainable Finance, Group Sustainability and Group Treasury. The GBC is governed by Danske Bank Group's Asset & Liability Committee.

Management of Proceeds

Tracking of Green Finance Instrument net proceeds
Danske Bank uses the Green Registries, on a portfolio basis, to keep track of the Green Loans per issuing entity. Green Registries are also used to keep track of the net proceeds from issuance of Green Finance Instruments. Green Loans may be allocated to Green Finance Instrument issuance across Danske Bank entities. Danske Bank will strive, over time, to achieve a level of allocation for Green Loans that matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments.

The Green Registries ensure that Green Finance Instrument net proceeds are only used to support the financing of Green Loans or to repay Green Bonds.

Temporary holdings
If any Green Finance Instrument net proceeds remain unallocated to Green Loans, Danske Bank will temporarily hold or invest any unallocated net proceeds at its own discretion in its treasury liquidity portfolio that consists of cash or other short-term and liquid instruments or use them for any other treasury activity.

Temporary holdings will not be made in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Reporting

Danske Bank will, per each issuing entity, provide the following Green Finance Instrument reporting on an annual basis on its website danskebank.com until the issuing entity's Green Finance Instruments have matured:

- a summary of general Green Finance Instrument developments
- the outstanding amount of Green Finance Instruments
- total allocation of Green Finance Instrument net proceeds to each Green Loan category
- the balance of Green Loans in the Green Registries
- estimated Taxonomy eligibility and alignment of Green Loans (subject to data availability, on best efforts basis)
- performance reporting (as described below)

Performance reporting intends to disclose the positive environmental impact based on Danske Bank's share of the total investment. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis, for example, if a Green Building is under construction but not yet operational, Danske Bank will use best estimates of future energy performance levels. As Green Loan categories include a number of different project types, the final key performance indicators could differ from the ones listed below. Energy production/savings and green-house gas savings are considered the most relevant and will be prioritised. Danske Bank intends to show, where and when available, an aggregation per issuing entity of the indicative key performance indicators listed in the table below.

GREEN LOAN CATEGORY	INDICATIVE KEY PERFORMANCE INDICATORS (KPI)
Clean transport	Low-carbon public transport and vehicles • Distance transported (pkm or tkm) • GHG savings (tonnes per year) Low-carbon transport infrastructure • GHG savings (tonnes per year) due to the installed technology (direct), by transferring freight or passenger transport from road to, for example, railway (indirect) or both (as applicable) • Number of units installed (if applicable) Manufacturing of low-carbon vehicles • Number of vehicles manufactured
Renewable energy	Renewable energy generation • Renewable energy generation (MWh per year) • Installed renewable energy capacity (MW) • GHG savings (tonnes per year) Manufacturing of renewable energy technologies • Generation capacity of manufactured components (MW) • Storage capacity of manufactured components (MW) Energy transmission and storage • Distance of transmission (km) • Energy transmitted (MWh per year) • Energy storage capacity (MW) • Energy savings (MWh per year) (if applicable)
Energy and emission-efficient products, solutions and manufacturing	• Amount of manufactured energy efficiency components • Amount of manufactured low-emission intensity basic materials • GHG savings (tonnes per year)
Environmentally sustainable management of living natural	Forests and forestry • Forest area (hectares) • Forestry certification scheme (if applicable) • Net carbon sequestration (tonnes per year) (if available) Fishery • Certification scheme • Type of fish (if available) Alternative proteins • Type of alternative protein technology (plant-based, fermentation-derived, cultivated) • Production volume
Green buildings	• Environmental certification or EPC (as applicable) • Reduction in energy use (MWh per year) • GHG savings (tonnes per year) • Amount of installed charging units, capacity of renewable energy installations
Pollution prevention and control	Waste management • Quantity of recycled material (tonnes per year) • Area of remediated sites (if applicable) • Amount of produced bio-gas, biochar (tonnes) • GHG savings (tonnes per year) Emissions management • Amount of captured and sequestrated carbon (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 purpose

External Review

Second party opinion
Sustainalytics has provided a second opinion to this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles and the LMA Green Loan Principles.

Assurance
An independent external auditor appointed by Danske Bank will provide on an annual basis limited assurance that an amount equal to the Green Finance Instrument net proceeds has been allocated to Green Loans.

Publicly available documents
The Green Finance Framework, the second party opinion, the limited assurance and the annual Green Bond report will all be publicly available on Danske Bank's website: https://danskebank.com/investor-relations/debt/green-bonds.

Policies and Position Statements

SELECTED DANSKE BANK POLICIES	PUBLICLY AVAILABLE?
Code of Conduct Policy	Yes
Conduct Risk Policy	No
Compliance Policy	Yes
Escalation Policy	No
Financial Crime Policy	Yes
Market Abuse Policy	No
Security Policy	No
Diversity and Inclusion Policy	Yes
Investor Relations Policy	Yes
Supplier Code of Conduct	Yes
Responsible Investment Policy	Yes
Sustainable Finance Policy	Yes
Remuneration Policy	Yes
Tax Policy	Yes
Stakeholder Policy	Yes
Whistleblowing Policy	Yes
Conflicts of Interest Policy	Yes
Credit Policy	No

POSITION STATEMENTS	PUBLICLY AVAILABLE?
Human Rights Position Statement	Yes
Climate Change Position Statement	Yes
Arms and Defence Position Statement	Yes
Mining and Metals Position Statement	Yes
Forestry Position Statement	Yes
Agriculture Position Statement	Yes
Fossil Fuels Position Statement	Yes
Danske Bank Investment Restrictions	Yes

Public policies and position statements are available at: https://danskebank.com/sustainability/publications-and-policies

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