

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

DLR Kredit
14 June 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (June 2021), as administered by the International Capital Market Association; EU Taxonomy Technical Screening Criteria regarding the Climate Change Mitigation Criteria in the associated Technical Annex of the EU Taxonomy - Climate Delegated Act 2021 on a best effort basis
Scope of verification	<ul style="list-style-type: none">• DLR Green Bond Framework (as of 13.06.2022)• DLR selection criteria (as of 13.06.2022)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as there is no material change to the Framework as of 13.06.2022

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SCOPE OF WORK

DLR Kredit (“the Issuer” or “DLR”) commissioned ISS ESG to assist with its Green Bond (including covered bonds) by assessing three core elements to determine the sustainability quality of the instrument:

1. DLR’s Green Bond Framework (13.06.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and whether the issuer’s eligibility criteria are eligible for alignment with the EU Taxonomy Technical Screening Criteria (regarding Climate Change Mitigation) in the associated Technical Annex of the EU Taxonomy - Climate Delegated Act 2021 on a best effort basis.
2. The selection criteria – whether the projects contribute positively to the UN Sustainable Development Goals (SDGs) and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (see annex 1).
3. Green Bond link to DLR’s sustainability strategy – drawing on DLR’s overall sustainability profile and issuance-specific Use of Proceeds’ categories.

DLR BUSINESS OVERVIEW

DLR is a mortgage credit institution owned primarily by local and national banks that it collaborates with. It has no local representation, as loans are distributed through the branch networks of DLR’s shareholder banks. The firm provides mortgage loans to the following property types: Agriculture, incl. horticultural properties; owner-occupied housing, incl. residential farms; office and retail housing; private residential rental housing; private cooperative housing; industry and craft properties; and properties for social, cultural and educational purposes. The company was founded in 1960 and is headquartered in Copenhagen, Denmark. DLR is also active in Greenland and the Faroe Islands, primarily for owner-occupied housing and residential rental properties and, on a smaller scale, office and retail properties.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Alignment with GBP</p>	<p>The issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Sustainability quality of the selection criteria</p>	<p>The Green Bond will (re-)finance eligible asset categories which include: renewable energy, green buildings, energy efficiency, sustainable agriculture and sustainable forestry.</p> <p>The product and service use of proceeds' categories have a significant contribution to SDGs 7 'Affordable and Clean Energy', 11 'Sustainable Cities and Communities', 15 'Life on Land' and 13 'Climate Action'.</p> <p>All remaining use of proceeds' categories improve the company operations' impacts and mitigate potential negative externalities of the issuer's sector on SDGs 7 'Affordable and Clean Energy', 15 'Life on Land' and SDG 13 'Climate Action'.</p> <p>The environmental and social risks associated with those use of proceeds' categories have been well managed.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Assessment of Eligibility Criteria of eligible Green Asset categories with the EU Taxonomy Technical Screening Criteria</p>	<p>ISS ESG assessed the alignment of DLR's selection criteria for the eligible green asset categories against the Technical Screening Criteria requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis². Several relevant EU Taxonomy activities which substantially contribute to Climate Change Mitigation are highlighted in this report.</p> <p>DLR will apply rigorous procedures and processes to align as much of its portfolio with the EU Taxonomy Technical Screening Criteria. It will report on its EU Taxonomy alignment during its allocation reporting after the bond issuances.</p>	<p>Eligible for assessing alignment at a later date</p>
<p>Part 4:</p> <p>Green Bond link to issuer's sustainability strategy</p>	<p>The Use of Proceeds' financed through this Green Bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>

¹ ISS ESG's evaluation is based on DLR's Green Bond Framework (May 2022 version) and on publicly available information.

² Whilst the Final Delegated Act for Mitigation and Adaptation was published by the EU in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section describes ISS ESG's assessment of the alignment of DLR's Green Bond Framework (dated 13.06.2022) with the Green Bond Principles.

GREEN BOND PRINCIPLES	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	<p>ISS ESG considers the Use of Proceeds' description provided by DLR's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the Green Bond Principles. Criteria are defined in a clear and transparent manner. Environmental benefits are described and quantified.</p> <p>The issuer defines exclusion criteria for harmful project categories, in line with best market practices.</p>
2. Process for Project Evaluation and Selection	✓	<p>ISS ESG considers the process for project evaluation and selection description provided by DLR's Green Bond Framework as aligned with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>The issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, which is in line with best market practices.</p>
3. Management of Proceeds	✓	<p>ISS ESG finds that the management of proceeds proposed by DLR's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer discloses that 100% of the proceeds will be immediately allocated and there won't be unallocated proceeds.</p>

<p>4. Reporting</p>	<p>✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by DLR's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. DLR explains the level of expected reporting and the type of information that will be reported. Moreover, the issuer commits to report annually, until the bond matures.</p> <p>The issuer is transparent on the level of impact reporting, the reporting frequency and on the information reported in the impact report, in line with best market practices.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimise negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the use of proceeds (UoP) categories financed by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


1. Products and services

The assessment of the UoP categories that (re)finance products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of the UoP categories that (re)finance specific products and services is displayed on a 5-point scale (see annex 1 for methodology):











Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bond Use of Proceeds' category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green buildings Non-residential buildings <ul style="list-style-type: none"> - New buildings constructed after 1 January 2021 with energy label³ A2020⁴ - Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B⁵ 	Limited Contribution	

³ According to the issuer, energy labels will be based on data from the Danish Energy Agency – according to the Danish Order on the publication of energy labelling of buildings and inspection reports on boiler and central heating installations etc. ("Bekendtgørelse om offentliggørelse af energimærkninger af bygninger og eftersynsrap- porter om kedel- og varmeanlæg m.v."). Once a building has obtained an energy label that qualifies it as an eligible green asset it will remain so, unless it will later receive an energy label which does not fit the selection criteria and thus becomes ineligible.

⁴ According to the issuer, the threshold set for nearly zero-energy buildings (NZEB) in Denmark corresponds to an A2015 label in the Danish regulation for new non-residential buildings, implying a guaranteed energy consumption of kWh/m²/year < 41 + 1.000/A. As the A2020 label guarantees energy consumption of kWh/m²/year < 33, an A2020 label ensures that an energy performance of a non-residential building is at least 20% (-20% = 33/41-1)) lower than the NZEB-implied legal requirements for new buildings.

<ul style="list-style-type: none"> - BREEAM minimum certification “very good”⁶, LEED (minimum certification “gold”)⁷, DGNB (minimum certification “gold”)⁸ 	Significant Contribution	
<p>Residential buildings</p> <ul style="list-style-type: none"> - New buildings constructed after 1 January 2021 with energy label A2020⁹ 	Limited Contribution	
<ul style="list-style-type: none"> - Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B¹⁰ 	Significant Contribution ¹¹	
<p>Renewable energy</p>	Significant Contribution	
<ul style="list-style-type: none"> - Wind turbines 	Significant Contribution	 
<ul style="list-style-type: none"> - Solar power plants 	Significant Contribution	 
<ul style="list-style-type: none"> - Installation and operation of on-site electric heat pumps 	Limited Contribution	
<ul style="list-style-type: none"> - Farms with sustainability certifications 	Significant Contribution ¹²	
<ul style="list-style-type: none"> - Farms certified with EU logo for organic production with or without organic livestock production 	Significant Contribution	

⁶ www.breeam.com/discover/how-breeam-certification-works/

⁷ www.usgbc.org/leed

⁸ www.dk-gbc.dk/dgnb

⁹ According to the issuer, the threshold set for the nearly zero-energy building (NZEB) in Denmark corresponds to a A2015 label in the Danish regulation for new residential building implying a guaranteed energy consumption of kWh/m²/year < 30 + 1,000/A. As the A2020 label guarantees energy consumption of kWh/m²/year ≤ 27, an A2020 label ensures that the energy performance of a residential building is at least 10% (-10% = 27/30-1)) lower than the NZEB-implied legal requirements for new buildings.

¹⁰ According to the issuer, for residential buildings the B label covers labels B or B1 in Danish regulation which guarantee energy consumption of kWh/m²/year ≤ 70.0 + 2,200/A. For other buildings the B label covers labels B or B1 in Danish regulation which guarantee energy consumption of kWh/m²/year ≤ 95.0 + 2,200/A.

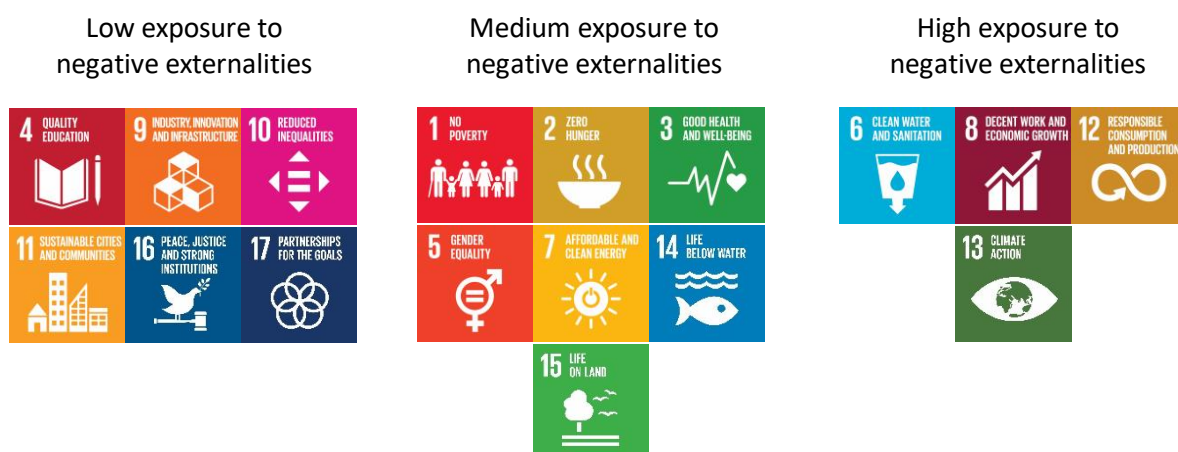
¹¹ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Compliance of assets with the EU taxonomy is not evaluated under the SPO.

¹² This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under Use of Proceeds categories that are based on the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested. Compliance of assets with the EU taxonomy is not evaluated under the SPO.

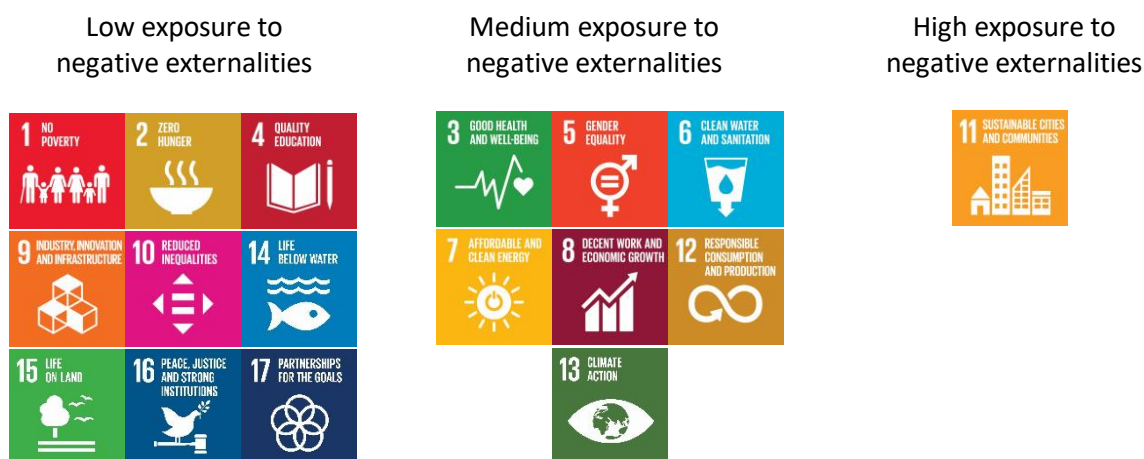
2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance of projects (re)financed by the UoP categories, as well as impacted UN SDGs. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the issuer.

According to ISS ESG’s SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹³ in the Food Products industry are the following:



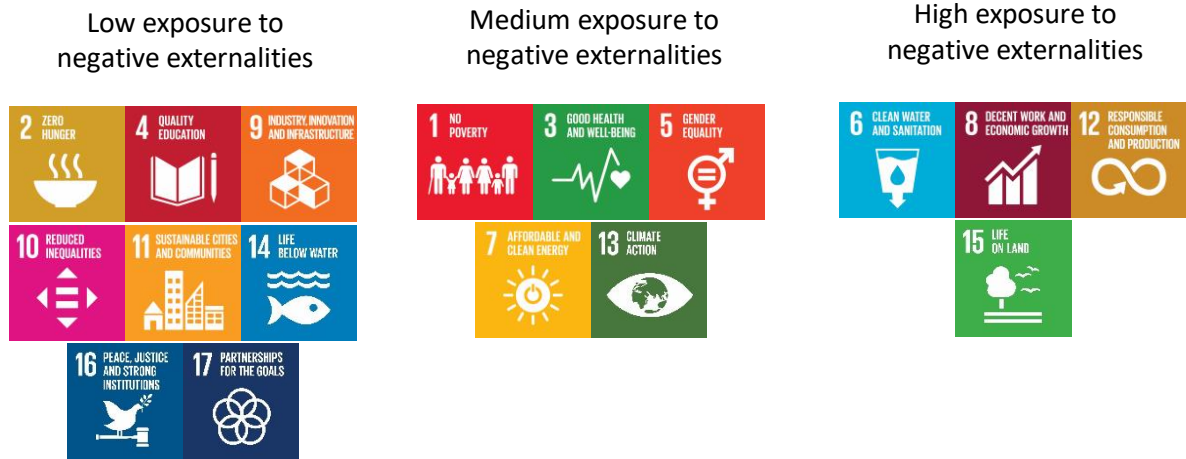
According to ISS ESG’s SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹⁴ in the Real Estate industry are the following:



¹³ Please note that the impact of the issuer’s products and services resulting from operations and processes is displayed in section 1.











¹⁴ Please note that the impact of the issuer’s products and services resulting from operations and processes is displayed in section 1.

According to ISS ESG’s SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹⁵ in the Paper and Forest Product Industry are the following:



The table below aims at displaying the direction of change resulting from the improvement of the operational performance of the projects. The outcome displayed does not correspond to an absolute performance or net assessment of the operational performance.

¹⁵ Please note that the impact of the issuer’s products and services resulting from operations and processes is displayed in section 1 of the SPO.

USE OF PROCEEDS (Processes)	OPERATIONAL IMPACT IMPROVEMENT ¹	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency</p> <ul style="list-style-type: none"> - Renovation of existing buildings that reduce primary energy demand by at least 30% 		
<p>Environmentally sustainable management of living natural resources and land use</p>		
<p>Green agricultural investments</p> <ul style="list-style-type: none"> - Construction of pig barns with slurry acidification, which reduces CO₂-emissions by at least 30%¹ 		
<ul style="list-style-type: none"> - Construction of pig farms with frequent slurry discharge and delivery to biogas facilities, which reduces CO₂-emission by at least 30% 		
<p>Forestry</p>		
<ul style="list-style-type: none"> - Forests certified by the Forest Stewardship Council (the FSC)¹ or the programme for the Endorsement of Forest Certification (the PEFC)¹ 		
<ul style="list-style-type: none"> - Forest management and conservation forestry 		

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

OVERALL

Biodiversity

- ✓ The issuer confirms that all assets will be located in Denmark (including the Faroe Islands and Greenland), an EU country where nature and biodiversity is protected by several laws.¹⁶¹⁷ For example, the Habitats Directive shall ensure the conservation of a wide range of rare, threatened or endemic animal and plant species. The Birds Directive aims to protect all of the 500 wild bird species naturally occurring in the European Union.¹⁸

Environmental Aspects of Construction and Operation

- ✓ Noise mitigation measures are regulated via the Danish Building Regulation.¹⁹ Denmark's 2021 National Strategy for Sustainable Construction is promoting measures to reduce the environmental impact of building construction processes. The strategy phases in a threshold value into the building code for the environmental impact of new buildings of more than 1,000 m² from 2023.²⁰

Community Dialogue

- ✓ The issuer confirms that the assets follow Danish local planning law. The Planning Act involves the public in the planning process at the municipal, regional and national levels and stipulates minimum rules on public participation.²¹

Labour, Health & Safety

- ✓ The assets are all located in Denmark (including the Faroe Islands and Greenland) where high labour and health and safety standards are in place (e.g. ILO core conventions).

GREEN BUILDING

Site Selection

- Buildings (re)financed under this framework are in some instances not located within a maximum of 1 km from one or more modalities of public transport.

¹⁷ www.ec.europa.eu/environment/nature/index_en.htm

¹⁸ The issuer confirms that no current assets in the portfolio are located in key biodiversity areas (Ramsar sites, UNESCO World Heritage, IUCN protected areas I-IV).

¹⁹ www.bygningsreglementet.dk/Tekniske-bestemmelser/07/Krav

²⁰ www.im.dk/Media/637602217765946554/National_Strategy_for_Sustainable_Construktion.pdf

²¹ www.planinfo.erhvervsstyrelsen.dk/lokalplanret-og-pligt

Construction Standards

- Climate-friendly building materials is being promoted as part of Denmark's National Strategy for sustainable construction. But it is planned that requirements to use climate-friendly building materials will first begin in 2023.²²

User Safety

- ✓ The issuer confirms that operational safety measures (e.g. emergency exits, fire sprinklers, fire alarm systems) are required in line with national law.

Water Use Minimisation

- No measures or policies are in place to ensure that underlying assets provide for water use reduction measures of buildings.

Responsible Treatment of Customers with Debt Repayment Problems and Responsible Marketing

- ✓ The issuer has a policy on fixed interest rates for loans in place. DLR also confirms that it can offer a three-month-pay-back period to customers for an overdue payment in certain cases. DLR is not offering high-risk lending products. Mortgage loans and securities serving as collateral must meet restrictive eligibility criteria, including strict loan-to-value limits and valuation of property requirements laid down in the legislation. Also, DLR has a dedicated department (special exposure and debt collection) which handles customers' financial difficulties.

DLR provides advisory services and only advertises loan products to a limited extent, targeting solely business and agricultural clients – not retail customers.

Responsible Sales Practices

- The issuer does not directly sell to its customers, as sales is carried out through its local, distributing shareholder banks. DLR does not have measures in place to avoid irresponsible sales practices, the provision of false advice and misselling. But the issuer confirms that the mortgage products DLR offers are standard-mortgage offerings.

RENEWABLE ENERGY (Wind, Solar, Heat Pump)

Environmental Aspects of Construction and Operation

- ✓ The issuer confirms that manufacturers of solar modules will provide for high environmental standards regarding takeback and recycling of their products at their end-of-life stage (e.g. in line with WEEE requirements).

Heat pumps

- ✓ DLR confirms that eligible heat pumps will fulfil energy efficiency requirements of the EU Ecodesign Directive and EU Energy Labelling Directive.²³

²² www.im.dk/Media/C/4/Endelig%20aftaletekst%20-%20B%C3%A6redygtigt%20byggeri%20-%2005.%20marts%202021.pdf

²³ www.ens.dk/ansvarsomraader/energikrav-til-produkter/produkter-med-energikrav/varmepumper-til-varmeanlaeg

- The issuer does not require life-cycle analysis of heat pumps when purchasing these.
- ✓ DLR confirms that producers of heat pumps must follow regulation regarding responsibly managing resulting waste according to the EU WEEE Directive.

SUSTAINABLE AGRICULTURE

Slurry Acidification

- ✓ The Danish Working Environment Authority provides for regulation on high health and safety standards in regard to slurry acidification. It seeks to ensure that the handling of high amounts of highly concentrated acid from slurry, which can be a hazard to human and animal health, is dealt with safely.²⁴

Environmental Aspects of Operation

- ✓ The Danish Environmental Protection Act (EPA) requires the individual installation to apply the best available techniques (BAT) to reduce total pollution as much as possible.²⁵ The emission limit values apply to the installation - in this case the farm - and it is left to the farmer to decide which techniques or technologies. It includes quantitative limit values for ammonia, which is relevant for slurry management.²⁶

Soil and Biodiversity Management in Agricultural Production

- ✓ Danish regulation requires that companies with plant breeding or livestock breeding, and a cover crop plot area of 10 ha or more, produce cover crops to reduce nitrogen leaching from the main crop harvested and until a new crop is established in the following spring to manage soil.²⁷
- ✓ Pesticide usage needs approval by EU legislation and the Danish Environmental Protection Agency.²⁸ In the European Union, organic agriculture is GMO free by definition, as the use of GMOs is prohibited in the organic production process.

The issuer confirms that 100% of financed assets are organic farms certified by the Danish Agricultural Agency, providing for sustainable soil and biodiversity management along the whole value chain.

Water Conservation in Agricultural Production

- No measures on water conservation in agricultural production are in place.

Water Pollution

²⁴ www.at.dk/en/regulations/executive-orders/design-technical-equipment-612/, www.at.dk/en/regulations/executive-orders/use-technical-work-equipment-1109/

²⁵ www2.mst.dk/udgiv/publications/2002/87-7972-035-8/html/helepubl_eng.htm#1,1

²⁶ www.eng.mst.dk/media/mst/69150/BAT-Systemanalysis%20and%20Economic%20Considerations%20in%20Practice.pdf

²⁷ www.lbst.dk/landbrug/efterafgroeder-og-jordbearbejdning/efterafgroeder/pligtige-efterafgroeder/#c48964

²⁸ www.slagelse.dk/media/17265200/04-godkendelsesordningen-for-pesticider-landbrug-og-foedevarer-util.pdf, www.mst.dk/kemi/pesticider/anvendelse-af-pesticider/private-ikke-professionel-brug/tips-til-at-bruge-pesticider-korrekt/godkendte-pesticider/

- ✓ The Nitrates Directive from 1991 aims to protect water quality across Europe by preventing nitrates from agricultural sources polluting ground and surface waters and by promoting the use of good farming practices.²⁹

Climate Impact of Agricultural Production

- ✓ Denmark has implemented the EU Common Agricultural Policy with a binding reduction target for the agricultural and forestry sectors' greenhouse gas emissions of 55-65 percent in 2030 compared to 1990.³⁰ The issuer confirms that it observes the political agreement on the sustainable transition of the Danish agricultural sector, which was concluded on 4 October 2021.

Environmental aspects of waste to energy plants (i.e. biogas)

- The issuer has currently no measures in place which go beyond Danish regulations and provide for high standards regarding environmentally safe operation of plants (e.g. air emissions, disposal of residues) or that apply cogeneration technology.

Animal Welfare in Livestock and Poultry Farming

- ✓ The Act on the Protection of Animals provides high standards regarding animal welfare in Denmark.³¹

Water

- No measures regarding the consideration of water stress of underlying forestry- or agriculture-related loans are existing.

SUSTAINABLE FORESTRY

Fire Management

- ✓ Legal fire prevention and emergency measures are in place throughout the country.

²⁹ www.eng.mst.dk/trade/agriculture/nitrates-directive/

³⁰ www.en.fm.dk/media/25835/denmarks-national-reform-programme-2022_web.pdf

³¹ www.foedevarestyrelsen.dk/Selvbetjening/lovstof/Sider/Dyrevelf%C3%A6rd-lovstof.aspx

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA OF ELIGIBLE ENVIRONMENTAL CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of DLR’s project selection criteria and processes as well as company policies for the nominated Use of Proceeds, project categories, with the relevant Climate Change Mitigation requirements of the EU Taxonomy Climate Delegated Act³² (June 2021), on a best-efforts basis, based on information provided by DLR.

ISS ESG notes that, as of now, DLR has not identified specific projects or assets for allocation of proceeds, and therefore this alignment assessment is only on the selection criteria and DLR’s processes and policies for project selection. DLR will be confirming the actual alignment of its portfolio with the EU Taxonomy criteria requirements as part of its allocation reporting.

The table below shows the alignment of the selection criteria with the relevant EU Taxonomy activity, based on the Technical Screening Criteria of the EU Taxonomy Substantial Contribution to Climate Change Mitigation.

- Where the project selection criteria fully meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.
- Where the project selection criteria have overlapped with the EU Taxonomy activity, but not fully align with the criteria, DLR has clarified that they will incorporate the relevant Taxonomy Criteria requirements in their project selection criteria on a best-efforts basis. Therefore, “eligible for assessing alignment at later date” is used.
- Where the project selection criteria have no overlap with the relevant Technical Screening Criteria, or there is no relevant EU Taxonomy activity, a “circle” is shown in the table below.

The results for the activities with Substantial Contribution to Climate Change Mitigation are as follows:

Framework project category	Framework selection and eligibility criteria	EU Taxonomy activity, based on substantial contribution to climate change mitigation	Eligible for TSC (climate change mitigation)
Green buildings			
New buildings	New buildings constructed after 1 January 2021 with energy label A2020 ^{33 34}	7.1. Construction of new buildings	✓
Existing buildings	Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B ³⁵	7.7. Acquisition and ownership of buildings	✓

³² www.eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN

³³ The issuer confirms that for buildings larger than 5000 m2, upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity. This is a requirement under BR18 section 1.10.

www.bygningsreglementet.dk/Tekniske-bestemmelser/11/BRV/Energiforbrug?Layout=ShowAll

³⁴ The issuer confirms that for buildings larger than 5000 m2, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand. This is mandatory for buildings larger than 1000 m2 from the end of 2022, please also see: www.im.dk/publikationer/2021/apr/national-strategi-for-baeredygtigt-byggeri

³⁵ The issuer confirms that buildings built before 31 December 2020 with an EPC score of A2010, A2015 and B constitute the top 15% energy performing buildings and that they fulfil the criteria in section 7.1 of the Delegated Act. The issuer further confirms that it is mandatory that buildings with a heating or cooling system of over 290 kW have technology installed which increases the energy efficiency of the building (referring to: www.bygningsreglementet.dk/Tekniske-bestemmelser/11/Krav/293_298).

Existing buildings	BREEAM (minimum certification “very good”) LEED (minimum certification “gold”) DGNB (minimum certification “gold”)	7.7. Acquisition and ownership of buildings	○
Renewable Energy			
Wind energy	Wind turbines	4.3 Electricity generation from wind power	✓
Solar energy	Solar power plants	4.1 Electricity generation using solar photovoltaic technology	✓
Heat pump systems	The installation and operation of on-site electric heat pumps ³⁶	4.16. Installation and operation of electric heat pumps	✓
Energy Efficiency			
Energy efficiency renovations	Renovation of existing buildings that reduce primary energy demand by at least 30%	7.2 Renovation of existing buildings	✓
Environmentally sustainable management of living natural resources and land use			
Sustainable agricultural investments	Construction of pig barns with slurry acidification, which reduces CO2-emissions by at least 30%	Not possible to align with an EU Taxonomy activity	○
Sustainable agricultural investments	Pig farms with frequent slurry discharge and delivery to biogas facilities, which reduce CO2-emissions by at least 30%	Not possible to align with an EU Taxonomy activity	○
Forestry	Forestry aligned with the EU taxonomy	1.3 Forest management 1.4 Conservation forestry	<i>eligible for assessing alignment at a later date</i>

³⁶ While the EU TSC refer to heat pumps that are not installed on-site, the issuer ensures that the heat pumps fulfil the eco-design directive (Directive 2009/125/EF) and are eco-labelled (according to the Danish Forordning 2017/1369).

PART IV: GREEN BOND LINK TO DLR'S SUSTAINABILITY STRATEGY

A. DLR'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.



ESG risks associated with the Issuer's industry

Key challenges faced by companies in terms of sustainability management in the industry Mortgage and Public Sector Finance industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.




ESG KEY ISSUES IN THE INDUSTRY
Customer and product responsibility
Employee relations and work environment
Statutory ESG-standards linked to the geographical allocation of the lending portfolio
Sustainability impacts of lending and other financial services/products
Sustainable investment criteria

Sustainability impact of products and services portfolio

The issuer provided ISS ESG with the revenue breakdown of its product/services portfolio, based on non-audited information. Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services' portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ³⁷	DIRECTION OF IMPACT	UN SDGS
Financing of dairy-based products (with limited processing)	15.31%	CONTRIBUTION	
Financing of renewable energy	0.57%	CONTRIBUTION	

³⁷ Percentages presented in this table are not cumulative.

Financing of buildings certified to a relevant sustainable building standard	6.42%	CONTRIBUTION	
Financing of food/ agricultural products (certified organic)	5.99%	CONTRIBUTION	
Financing of Social Housing	0.18%	CONTRIBUTION	

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer is involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage and Public Sector Finance industry are as follows: failure to mitigate climate change impacts, failure to pay fair share of taxes and failure to conduct human rights due diligence.

Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

B. CONSISTENCY OF GREEN BOND WITH DLR'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

DLR is committed to supporting the sustainable transition within its borrower segment. With a market share of more than one-third, according to DLR, the firm says that it is Denmark's largest mortgage lender to the Danish agriculture sector.

At the end of 2021, the total loan portfolio consisted of 52.7% agricultural properties, 41.6% commercial properties and 5.7% owner-occupied properties and residential farms.

DLR's sustainable finance is thus focused on the commercial real estate and agricultural properties throughout Denmark.

In 2021, DLR has financed CO₂e emissions of 2.224.936 tonnes of CO₂e in the agricultural sector, corresponding to 95.4% of DLR's total financed CO₂e emissions. The remaining 102.551 tonnes of financed CO₂e emissions, which do not derive from agricultural loans, primarily originate from urban commercial properties.

On 4th of October 2021, the Danish government and a wide majority in the parliament concluded a political agreement on the green transition of the Danish agriculture sector.

The agreement, which implements the EU Common Agricultural Policy in Denmark, contains a binding reduction target for the agriculture and forestry sectors' greenhouse gas emissions of 55-65 percent in 2030 compared to 1990.³⁸

The Danish agricultural sector has through its industry organisation "Danish Agriculture and Food Council" adopted a vision of a climate-neutral Danish food industry by 2050.³⁹

DLR's financing of the sustainable transition is made up of standard mortgage loans and special green short-term interest rate loans, which are provided for green buildings, energy improvements and energy-efficient buildings, renewable energy, green agricultural investments and farm properties with sustainability certifications as well as organic farms.

DLR says its green loan offers have a focus on the following UN Sustainable Development Goals: Goal 7: Affordable and Clean energy; Goal 11: Sustainable Cities and Communities; Goal 13: Climate Action; and Goal 15: Life on Land.

Rationale for issuance

Together with its shareholder banks, DLR seeks to be an important source of funding for the sustainable transition of its customers. In January 2021, DLR started offering green loans.

Once DLR has accumulated a certain loan volume, the credit institution intends to fund the green loans with green bond series, issued within this green bond framework in the same 1:1 relationship between bonds and mortgage loans, as it characterises its remaining loan portfolio.

With this green bond framework, DLR aims to channel even more investments towards sustainable assets, thereby increasing its positive environmental impact.

Contribution of Use of Proceeds' categories to sustainability objectives and key ESG industry challenges

ISS ESG mapped the Use of Proceeds' categories financed with this Green Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Mortgage and Public Sector Finance industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings' industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds' category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective

³⁸ www.en.fm.dk/media/25835/denmarks-national-reform-programme-2022_web.pdf

³⁹ www.lf.dk/-/media/lf/viden-om/miljo-klima/klima-paa-web/klimaneutral-foedevareerhverv-2050-lres.pdf

Energy Efficiency	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Sustainable farming / Organic farms	✓	✓	Contribution to a material objective
Sustainable Forests	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed with this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Bonds is clearly described by the issuer.*

DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework as of 13.06.2022.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
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ANNEX 1: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of DLR 's Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by DLR (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which DLR 's Green Bond contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

DLR commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

ISSUER'S RESPONSIBILITY

DLR's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bond to be issued by DLR based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with DLR took place from May to June 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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