

A photograph of several white wind turbines in a grassy field under a blue sky with light clouds. The turbines are arranged in a line, receding into the distance. The foreground is filled with tall green grass.

dlr·kredit

February 2023

Green Bond Impact Report

About this report

In DLR's Green Bond Framework published in June 2022 DLR has committed to report on an annual basis the environmental impacts of the eligible green assets financed by the proceeds from green bonds issued under the Framework. DLR's Green Bond Framework has been prepared in accordance with the ICMA's Green Bond Principles, and ISS ESG has provided a Second-Party Opinion (SPO) of the framework. ISS ESG assesses that the framework fully complies with the principles in GBP, and DLR's green asset eligibility criteria largely is aligned with the screening criteria in EU's taxonomy for sustainable activities.

This report provides an overview of the allocation of proceeds from the green bonds together with the environmental impact achieved through the properties financed with our green mortgage loans. This is DLR's first impact report.

DLR's Outstanding Green Bonds

Bond	CB6 GREEN
ISIN	DK0006357744
Issuer	DLR Kredit A/S
Rating	AAA
Notional amount	DKK 353m
Issue date	2022-08-31
Maturity date	2026-01-01
Listing	Nasdaq Nordic

DLR Key Impact Data 2022



Green mortgage loans

1.9

DKKbn

5,259

tCO₂e

Annual GHG emissions avoided

Outstanding green covered bonds



353

DKKm



Organic land

4,040
ha.

Impact

14.9

tCO₂e per DKKm

Sustainability at DLR

Together with its shareholder banks and customers, DLR aims to play an important role in financing the green transition by providing mortgage loans for sustainable properties and investments, and by issuing green bonds. In this way, DLR is providing green capital for the transition customers, investors, and the society are increasingly calling for. Besides financing the green transition, DLR has a strategic aim to generate growth in all lending areas through sustainable and long-term lending. A more detailed description of DLR's sustainability strategy is available in DLR's [Sustainability report](#).

Sustainable financing

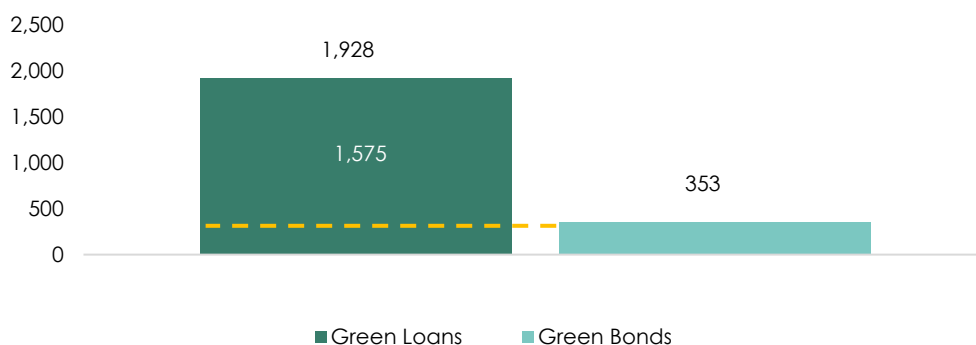
DLR took a key step towards funding the sustainable transition, when DLR began offering green mortgage loans in January 2021. The green loans were initially offered as variable rate loans funded by DLR's conventional bonds. As of September 2022, DLR started financing all new green loans with green covered bonds.

DLR's green covered bond is a variable rate bond (floater) maturing in 2026. At the end of 2022 the notional outstanding was DKK 353m. 76% of the green covered bond proceeds are financing certified organic farms, which are contributing to environmentally sustainable management of living natural resources and land use. The remaining proceeds are financing energy efficient buildings with either an A or B EPC-label, which constitutes green buildings.

By mid-year 2023, DLR expects that the notional of DLR's green covered bond will increase through a refinancing of the green mortgage loans granted before DLR began issuing green covered bonds. At the end of 2022, outstanding green loans of DKK 1.575bn was funded by conventional variable rate bonds maturing in June 2023. The DKK 1.575bn covers funding of 60% mortgage loans granted to certified organic farms and 35% mortgage loans to buildings with either an A or B EPC label. The remaining part funds mortgage loans to renewable energy sources.

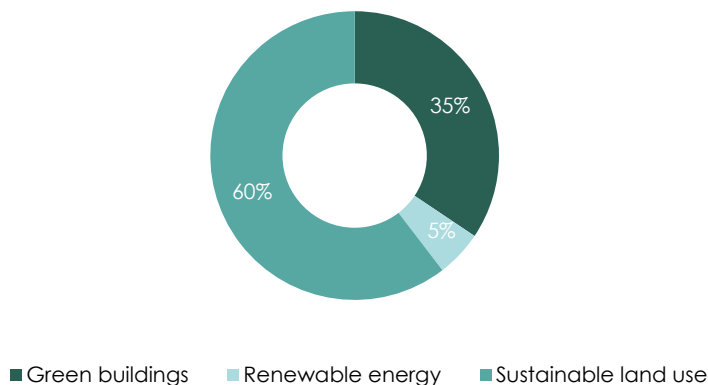
DLR green loans and bonds by 31 December 2022

Outstanding amount in DKKm



DLR green loans by category 31 December 2022

Based on outstanding amounts



The type of green mortgage loan offered by DLR is a variable rate loan (ARM-Short-loan). Mortgage loans held by customers who meet the eligibility criteria for DLR's green loans, but demands longer interest rate fixation, are funded by DLR conventional covered bonds. Hence, DLR finances a significant number of properties fulfilling the eligibility criteria, e.g. A and B energy-rated properties, not included in this report.

DLR will continuously expand the criteria for the green loans as reliable data becomes available, and the EU Taxonomy is expanded to include more sustainable criteria, including agricultural criteria. In December 2022, DLR updated the green eligibility criteria to include certified forests and solar power plants installed on land – both included in DLR's current Green Bond Framework. Future changes outside the scope of the current framework will require a new updated Green Bond Framework and a renewed SPO.

The complete list of criteria for DLR's green loans is listed below.

DLR Green Loan Categories and Criteria

Green Buildings

- ✓ New buildings constructed after 1 January 2021 with energy label A2020
 - ✓ Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B
-

Renewable energy

- ✓ Wind turbines
 - ✓ Solar power plants
 - ✓ The installation and operation of on-site electric heat pumps
-

Energy efficiency

- ✓ Renovation of existing buildings that reduce primary energy demand by at least 30%
-

Farms with sustainability certification

- ✓ Farms certified for organic production with or without organic livestock production
-

Sustainable agricultural investments

- ✓ Construction of pig barns with slurry acidification, which reduces CO₂-emission with at least 30%
 - ✓ Construction of pig barns with frequent slurry discharge and delivery to biogas facilities, which reduces CO₂- emission with at least 30%
-

Forests with sustainability certification

- ✓ Forests certified by the Forest Stewardship Council (the FSC) or the program for the Endorsement of Forest Certification (the PEFC)
-

Sustainable Development Goals

DLR's work with sustainability is based on the UN's sustainable development goals. DLR has chosen to focus on the below five SDG's, which DLR's green financing are contributing to.

DLR's contribution



Zero Hunger

DLR's lending (including green loans) to agriculture contributes to the production of healthy food with a low climate impact, seen in a global perspective. Part of the milk produced is used to produce breast milk substitute, which ensures healthy nutrition for infants and can reduce hunger and malnutrition in developing countries.



Affordable and Clean Energy

DLR offers green financing for renewable energy sources. DLR contributes to ensuring access to sustainable and modern energy and to increasing the proportion of total energy consumption from renewable energy. In addition, DLR provides loans to properties with high energy efficiency (A and B energy-labelled properties).



Sustainable Cities and Communities

DLR offers green loans to energy improvements and energy-efficient buildings. Around 20% of DLR's loans to commercial properties have either an A or B energy label.



Climate Action

DLR contributes to climate action by offering green loans to energy improvements, renewable energy sources and selected climate investments in pig farms and forests. DLR thus indirectly finances the reduction of greenhouse gases and contributes to achieving Denmark's ambitions for the green transition.



Life on Land

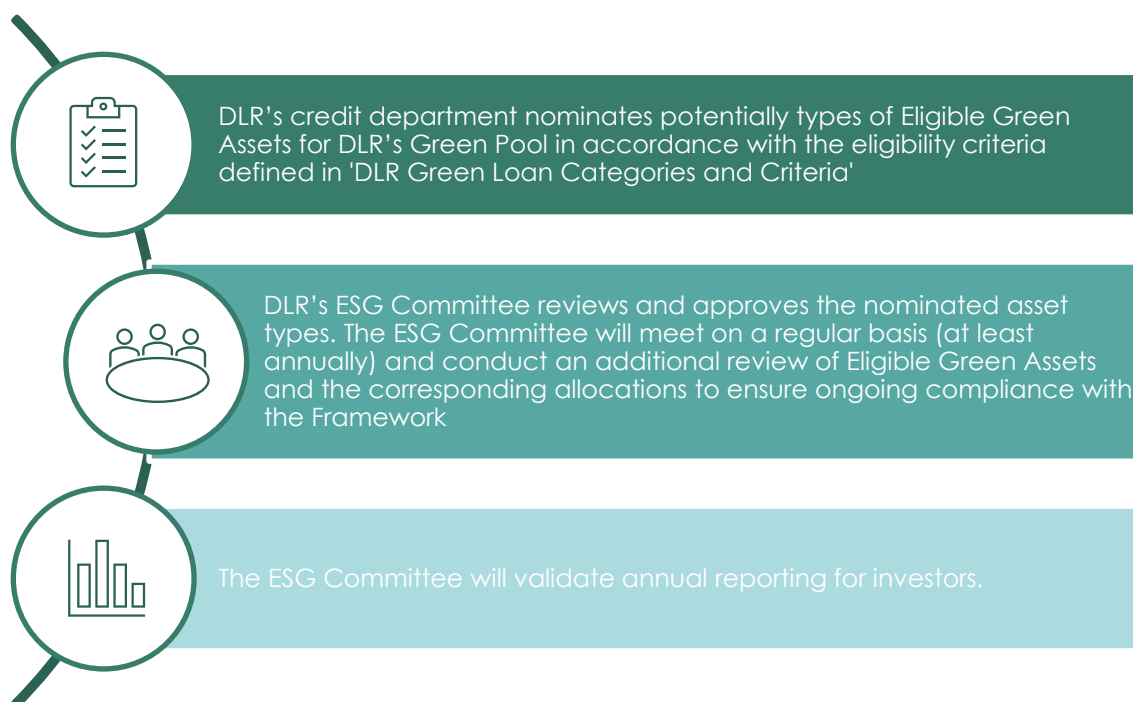
DLR offers green financing for organic farming and contributes to supporting the sustainable use of ecosystems. DLR also offers green loans for certified forests and thereby contributes to the management of sustainable forests and to stopping the loss of biodiversity.

Evaluation and selection process

Projects financed and/or refinanced by green bond proceeds are evaluated and selected based on compliance with the eligibility criteria outlined in the Framework.

The Framework is approved by DLR's ESG Committee. The ESG Committee consists of members from central business units with relevant stakes in DLR's Green Bonds, namely Credit, Treasury and Funding, Rating, IR & Sustainability, Accounting and Finance, Legal and Regulation, Compliance and DPO and relevant member of the executive board. Treasury and Funding handles the day-to-day operational management of the Framework.

The process for evaluation and selection of Eligible Green Assets will be structured as follows:



As with all DLR lending activities, all potential green loans in DLR go through the standard credit process which intends to ensure compliance with applicable national rules and regulations, Know-Your-Customer processes and DLR's own policies and guidelines, such as Credit, Counter-Terrorist Financing and Sanctions policies.

Furthermore, all loans for corporate clients at DLR undergo an ESG assessment as an integrated part of DLR's credit approval process. Climate-related risks, amongst others, are assessed. The ESG assessment criteria are continuously developed and reviewed.

Impact of DLR's Green Bonds

Key reporting principles

The Green Loan portfolio exclusively consists of green loans in granted in Denmark. Each loan is selected according to DLR's Green Bond Framework. The complete framework is available online.

DLR reports on a portfolio basis in Danish Kroner (DKK).

The reported impact covers the part of the avoided emissions financed by DLR's green bonds.

The reported impact is based on outstanding amounts as of 31 December 2022.




Category	Green Bond amount, DKKm	Annual emissions avoided, tCO ₂ e	Annual energy production, GWh	Organic land, ha
Green buildings	86.039	73		
Renewable energy				
Sustainable land use	267.235	5,186		4,040
Total	353.274	5,259		4,040
Impact, tonnes CO ₂ e per DKKm		14,9		

As the impact is only based on the fraction of loans financed with green bonds, this report does not include any impact from renewable energy. DLR has provided green financing to renewable energy for DKK 100m as of end 2022. These loans are financed with DLR's conventional bonds but are expected to be refinanced in green bonds in June 2023 and included in next year's report.

Methodology

This report includes all green activities that live up to the criteria stated in DLR's Green Bond Framework as of end 2022. We report the estimated impact of the assets financed by our green covered bonds at an aggregate level per category. The impact measures are LTV-adjusted.

Calculation methods and relevant baselines are specified below. Calculations of the environmental impact is performed on a best-effort-basis. The numbers are hence subject to some uncertainties that cannot be eliminated entirely.

Baseline	
 Green buildings	<p>Avoided emissions for green buildings are calculated relative to a reference building which corresponds to a national EPC C label using Finance Denmark's CO₂-model</p> <p>Baseline emission factor of electricity: 315 CO₂e/kWh¹</p>
 Renewable energy	<p>Emission factor of electricity: 315 CO₂e/kWh</p> <p>Emission factor for renewable energy: 0gCO₂e/kWh</p>
 Sustainable land use	<p>Difference in emissions (kg.CO₂e per ha.) for conventional production and organic production, based on estimates from Aarhus University²</p>

¹ [Nordic Public Sector Issuers: Green Bond Reporting Guidance 2020](#)

² [Klimaeffekt ved oml. gning til ko. jordbrug_04092020.pdf \(au.dk\)](#)



Case: Environmentally sustainable management of living natural resources and land use

The organic farm Mangholm

Mangholm is an organic farm located 40km North of Copenhagen which for a number of years has been on a journey towards the goal of being able to create a "from farm to table" concept. Always with sustainability and ecology in mind.

DLR has financed the rebuilding and renovation of Mangholm's old pig barn, which today has been transformed into a farm shop, office and event facilities. As a certified organic farm, Mangholm meets DLR's criteria for green loans.



Case: Green Buildings

EuroWind Energy

EuroWind Energy has financed the wind turbine project Vindpark Handest Hede. The latest wind turbine is financed with a green loan from DLR Kredit.

At Eurowind's head office, they are also in the process of expanding with 38 charging stations, so that they will have a total of 46, and there is a special reason for this. Eurowind Energy wants to make it easy and safe for employees to choose the electric car.

At DLR Kredit, we are happy to be able to provide financing for projects like these, which contribute to the green transition.

Contact

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