

The background of the entire page is a photograph of a wind farm. In the foreground, there is a vast field of bright yellow rapeseed flowers. In the middle ground, several white wind turbines are visible, with the largest one on the right side of the frame. The sky is a deep blue with scattered white cumulus clouds. The overall scene is bright and sunny, suggesting a clear day.

dlr·kredit

March 2024

Green Bond Impact Report

About this report

In DLR's Green Bond Framework published in June 2022 and updated in February 2023 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 DLR's green mortgage loans. This is DLR's second impact report.

DLR's Outstanding Green Bonds

Bond	CB6 GREEN
ISIN	DK0006357744
Issuer	DLR Kredit A/S
Rating	AAA
Notional amount	DKK 4,694m
Issue date	2022-08-31
Maturity date	2026-01-01
Listing	Nasdaq Nordic

DLR Key Impact Data 2023



Organic land

14,821
ha.



Green buildings

11,820

tCO₂e

Annual GHG emissions
avoided



Outstanding green covered bonds

4,694
DKKm

Certified forest

1,396
ha.

Growth in Green loans

143%

Since year-end 2022

Sustainability at DLR

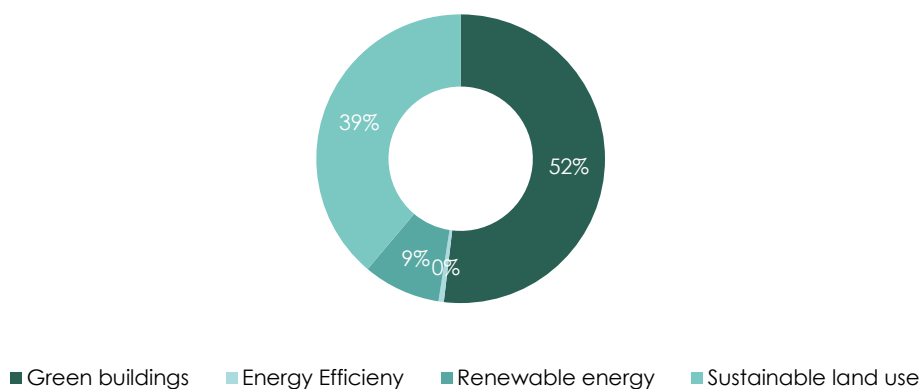
DLR is a major credit provider to borrowers in Denmark's agricultural and commercial real estate sectors, in collaboration with its owner banks. DLR holds a substantial market share of 38% in the agricultural mortgage market and a 11% share of mortgages in commercial properties. Consequently, DLR is financing a significant part of the sustainable transition of the agricultural sector and commercial real estate sector. A detailed description of DLR's sustainability strategy is available in DLR's [Sustainability report](#).

Sustainable financing

DLR's green covered bond is a variable rate bond (floater) maturing in 2026. At the end of December 2023, the notional outstanding was DKK 4.7bn. 52% of the green covered bond proceeds are financing energy efficient buildings with either an A (48%) or B (4%) EPC-label. 39% of the green bond proceeds are financing certified organic farms, PEFC- or FSC-certified forests and specific approved green agricultural investments which are contributing to environmentally sustainable management of living natural resources and land use¹. The remaining proceeds are financing renewable energy sources (9%) and energy efficiency investments (0%), which contributes to ensuring access to sustainable and modern energy.

DLR green loans by category 31 December 2023

Based on outstanding amount



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's conventional covered bonds. Hence, DLR

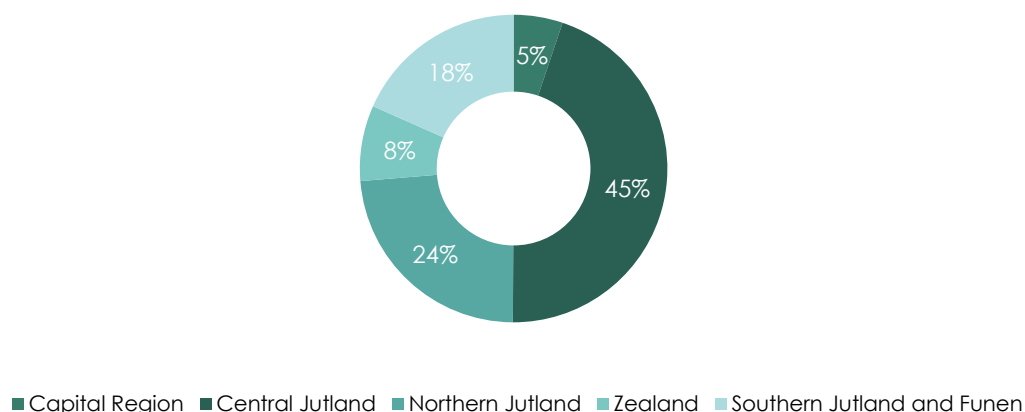
¹ <https://www.sciencedirect.com/science/article/abs/pii/S0006320704003246>

finances a significant number of properties fulfilling the eligibility criteria, e.g. A and B energy-rated properties, not included in this report.

At the end of December 2023, 45% of the outstanding green loans were in Central Jutland, 24% in Northern Jutland, 18% in Southern Jutland and Funen, 8% on Zealand and the remaining 5% in the Capital Region.

DLR green loans by geography 31 December 2023

Based on outstanding amount



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 eligibility criteria for its green mortgages 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 with energy label A2015 or A2020
 - ✓ Energy-rated buildings constructed before 1 January 2021 with energy label A2020, A2015, A2010 or B
-

Renewable energy

- ✓ Wind turbines
 - ✓ Solar panels
 - ✓ 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 compared with production in other countries².



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 38% of DLR's loans to commercial properties with a valid energy label 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.



Life on Land

DLR offers green financing for organic farming, which 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.

² <https://www.wri.org/research/pathway-carbon-neutral-agriculture-denmark>

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 Sustainability Committee. The Sustainability 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 members 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 is structured as follows:



As with all DLR's lending activities, all potential green loans in DLR follow 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 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 2023.

Category	Green Bond amount, DKKm	Annual emissions avoided, tCO ₂ e	Installed capacity, GWh	Organic land & certified forests, ha
Green buildings	2,446	11,820		
Renewable energy ³	414		11,0	
Energy efficiency	2			
Sustainable land use	1,832			16,217
Total	4,694	11,820		16,217
Impact, tonnes CO₂e per DKKm		2,5		


Note: Installed capacity only includes wind turbines as data for solar panels is not yet available.

³ Includes outstanding amounts to Wind turbines of DKKm 326 (6.9%), DKKm 84 (1.8%) to Solar Panels and DKKm 4 (0.1%) to Installation of heat pumps.

Methodology

This report includes all green activities that live up to the criteria stated in DLR's Green Bond Framework as of February 2023. 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.

Baseline	
 Green buildings	Avoided emissions for green buildings are calculated relative to a reference building which corresponds to a national EPC C label using Finance Denmark's CO ₂ -model Baseline emission factor of electricity: 315 CO ₂ e/kWh ⁴

⁴ [Nordic Public Sector Issuers: Green Bond Reporting Guidance 2020](#)



Case: Organic Farming

22,000 egg laying hens and 80 hectares of land

"Apart from being organic farmers we also consider sustainability in many of the choices we make. When we make a new investment, we look at what is best in the long term in terms of consumption or CO₂ emissions instead of just choosing the cheapest solution.

On a daily basis, we also think a lot about buying feed for our animals locally or close to Denmark because it is more sustainable," says André Hingstman, who together with his wife Aaltje runs an organic farm with 22,000 egg laying hens and 80 hectares of land.

The organic farm is financed with a green loan and is a good example of how an organic farmer with a green profile meets the criteria for green financing with DLR.



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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