

Second-Party Opinion

Arbejdernes Landsbank Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Arbejdernes Landsbank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



PROJECT EVALUATION AND SELECTION Arbejdernes Landsbank has established a Green Bond Committee which is responsible for evaluating and selecting projects that are in line with the Framework’s eligibility criteria. Arbejdernes Landsbank has an internal corporate sustainability policy, which is applicable to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Arbejdernes Landsbank has risk management systems in place to identify and manage environmental and social risks associated with relevant projects. This is in line with market expectation.



MANAGEMENT OF PROCEEDS Arbejdernes Landsbank’s Green Bond Committee will be responsible for the management of proceeds and will track the proceeds using internal tracking systems. Arbejdernes Landsbank has communicated to Sustainalytics that it intends to fully allocate proceeds within 12-24 months of issuance. Pending allocation, unallocated proceeds will be held in accordance with Arbejdernes Landsbank’s liquidity management policy. Sustainalytics considers this process to be in line with market practice.



REPORTING Arbejdernes Landsbank commits to report on allocation of proceeds and, on a best-efforts basis, on the corresponding impacts in its Green Bond Investor Report and make it available on its website on an annual basis. Allocation reporting will include the total outstanding green bonds and the amount of proceeds allocated at the end of the reporting period, a per category breakdown of the eligible green asset portfolio, and the ratio of new financing to refinancing. Arbejdernes Landsbank is also committed to reporting on relevant impact metrics. Sustainalytics views Arbejdernes Landsbank’s allocation and impact reporting as aligned with market practice.

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Issuer Location Copenhagen, Denmark

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Introduction

Arbejdernes Landsbank (“Arbejdernes Landsbank” or the “Bank”) is a commercial bank headquartered in Copenhagen, Denmark. The Bank was founded in 1919 and offers a range of financial services to more than 350,000 commercial and private customers. Arbejdernes Landsbank had over 1,100 employees and 70 branches across Denmark as of 2023.

Arbejdernes Landsbank has developed the Arbejdernes Landsbank Green Bond Framework dated June 2023 (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing¹ or new² loans provided by the Bank itself or through its subsidiaries to finance projects expected to create positive environmental impact in Denmark. The Framework defines eligibility criteria in four areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings

Arbejdernes Landsbank engaged Sustainalytics to review the Arbejdernes Landsbank Green Bond Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).³ The Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Arbejdernes Landsbank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Arbejdernes Landsbank representatives have confirmed (1) they understand it is the sole responsibility of Arbejdernes Landsbank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Arbejdernes Landsbank.

¹ Arbejdernes Landsbank defines existing loans as eligible green projects and assets which were finalized and taken into operation more than one year before the approval by the Bank’s Green Bond Committee. Such projects and assets are defined, monitored and reported as refinancing.

² Arbejdernes Landsbank defines new loans as eligible green projects and assets that are planned, ongoing or have been finalized up to one year before the approval by the Bank’s Green Finance Committee.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Arbejdernes Landsbank Green Bond Framework is available on Arbejdernes Landsbank’s website at: <https://www.al-bank.dk/om-banken/investor-relations>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Arbejdernes Landsbank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Arbejdernes Landsbank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Arbejdernes Landsbank Green Bond Framework

Sustainalytics is of the opinion that the Arbejdernes Landsbank Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Arbejdernes Landsbank's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings – are aligned with those recognized by the GBP.
 - Sustainalytics notes that the Framework does not specify a look-back period for refinancing loans for capex. For opex, Arbejdernes Landsbank has confirmed to Sustainalytics that a look-back period of up to three years is applicable for refinancing.
 - Under the Renewable Energy category⁶, Arbejdernes Landsbank may finance or refinance loans for renewable energy projects and supporting infrastructure⁷ in accordance with the following criteria:
 - Onshore and offshore wind energy generation facilities.
 - Solar energy generation facilities such as solar PV systems, concentrated solar power (CSP) and solar thermal facilities. Regarding CSP and solar thermal facilities, Arbejdernes Landsbank has confirmed to Sustainalytics that it will exclude the financing of fossil fuel systems that may be used as back-up for intermittency.
 - Geothermal energy generation with a life cycle GHG emissions intensity less than 100 gCO₂e/kWh. The Bank has communicated to Sustainalytics that ground-source heat pumps may be financed. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. The Bank has confirmed to Sustainalytics that it will exclude the financing of heat pumps with high global warming potential refrigerants. Further, Sustainalytics encourages Arbejdernes Landsbank to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life for its borrowers.
 - Bioenergy facilities for electricity or heat generation, or production of biofuels or biogas using waste biomass as a feedstock. The waste feedstock that may be used include

⁶ Sustainalytics' Second-Party Opinion only applies to the types of technologies cited in the Framework. Expenditures related to other forms of renewable energy installations or technologies are therefore not covered by this Second-Party Opinion.

⁷ The Bank has communicated to Sustainalytics that supporting infrastructure for renewable energy projects may include foundations or connections between energy source and distribution nets.

non-food-based biomass, forestry and agricultural residues.⁸ The Framework excludes the use of feedstock from virgin food or feed crops, palm oil or palm oil waste, and biofuels based on plants and marine sources.

- Production of green hydrogen by electrolysis powered exclusively by renewable energy.
- District heating and cooling distribution networks primarily (>50%) powered by renewable energy, waste heat or both. The bank may also invest in transmission infrastructure directly connected to a power generation plant where 100% of heating or cooling is generated from renewables or industrial waste heat. Sustainalytics notes that the financing of projects supporting waste heat recovery from fossil fuel operations is excluded.
- Energy storage facilities including batteries, hydrogen storage tanks, power-to-gas hydrogen storage, thermal energy storage facilities and pumped hydropower storage projects. Arbejdernes Landsbank has confirmed to Sustainalytics that project financed will meet the following criteria:
 - The financed energy storage systems will either be connected directly to renewables or will be connected to a grid in which more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.
 - Power-to-gas hydrogen storage facilities will store hydrogen manufactured by electrolysis powered by renewables. Power-to-gas projects where CO₂ is sourced from fossil fuel operations will be excluded from financing under the Framework.
 - The Bank has confirmed to Sustainalytics that for new pumped hydropower storage projects financed an environmental and social impact assessment by a credible body will be conducted. The Bank has also confirmed to Sustainalytics that pumped hydropower projects with significant controversies related to environmental or social risks or negative impact, such as loss of habitat, biodiversity and displacement of people identified will be excluded from financing under the Framework.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category⁹, Arbejdernes Landsbank may finance or refinance loans for the: i) addition of insulation to existing building envelope components such as walls, roofs, lofts, basements, and ground floor for improved air tightness and to reduce the effects of thermal bridges and scaffolding, and products for the application of the insulation to the building envelope such as mechanical fixings and adhesive; ii) replacement of existing windows and doors with new energy efficient windows and doors; iii) installation and replacement of energy efficient light sources such as LED lighting; and iv) installation, replacement, maintenance and repair of heating, ventilation and air-conditioning systems with energy efficient technologies. The Bank has confirmed to Sustainalytics the exclusion of financing energy-efficient technologies intended for processes that are inherently carbon intensive or primarily powered by fossil fuels and production processes in heavy industries. Sustainalytics considers these investments to be aligned with market practice.
- Under the Clean Transportation category, the Bank may finance or refinance loans for: i) public, passenger or freight transport vehicles with zero direct tailpipe emissions; ii) infrastructure dedicated to non-motorized mobility such as bike lanes, bicycles garages and walking paths; and iii) supporting zero emissions transportation infrastructure such as electric charging stations and hydrogen fuelling stations. The Bank has confirmed to Sustainalytics that the financing of parking facilities will be excluded. Arbejdernes Landsbank will also exclude financing of freight transport vehicles used to transport or store fossil fuels. Sustainalytics considers these investments to be aligned with market practice.

⁸ The Bank has confirmed to Sustainalytics that "certified wood-based biomass" specified in the Framework are forestry residues or waste.

⁹ Sustainalytics' Second-Party Opinion only applies to the types of technologies and installations cited in the Framework. Expenditures related to other forms of energy efficiency installations or technologies are therefore not covered by this Second-Party Opinion.

- Under the Green Buildings category, Arbejdernes Landsbank may finance or refinance loans for the construction of new buildings and acquisition or retrofitting of existing residential and commercial buildings in accordance with the following criteria:
 - Buildings built after 31 December 2020, that have a net primary energy demand (PED) at least 10% lower than the requirement for nearly zero-energy buildings (NZEB).¹⁰
 - Residential and commercial buildings built before 31 December 2020, that have a PED that is among the top 15% of energy efficient buildings in the respective area.
 - Renovation of existing properties resulting in at least a 30% reduction in PED compared to pre-renovation levels. The Bank has confirmed to Sustainalytics that investments under this sub-category are limited to retrofits.
 - Sustainalytics considers expenditures under this category to be in line with market practice.
- Project Evaluation and Selection:
 - Arbejdernes Landsbank has established a Green Bond Committee (the “Committee”) which is responsible for evaluating and selecting projects in line with the Framework’s eligibility criteria. The Committee consists of representatives from the Bank’s Investor Relations and Funding, ESG and Sustainability and Business departments.
 - The Bank has in place a corporate sustainability policy which includes its policies and measures to mitigate environmental and social risks, which are applicable to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Arbejdernes Landsbank has risk management systems in place to identify and manage environmental and social risks associated with relevant projects. This is in line with market expectation. For additional details, see Section 2.
 - Based on an established process for project evaluation and selection and the presence of an environmental and social risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Arbejdernes Landsbank’s Green Bond Committee will be responsible for the management of proceeds. The Committee ensures monitoring and tracking of net proceeds raised under the Framework through internal tracking systems.
 - The Bank has communicated to Sustainalytics that it intends to fully allocate proceeds raised under the Framework within 12-24 months of issuance. Pending allocation, unallocated proceeds will be held in accordance with the Bank’s liquidity management policy.
 - Based on the use of tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Arbejdernes Landsbank commits to report on the allocation of proceeds and, on a best-efforts basis, on corresponding impacts in its Green Bond Investor Report, which will be published on the Bank’s website on an annual basis.
 - Allocation reporting will include the total outstanding green bonds and the amount of proceeds allocated at end of the reporting period, category-wise breakdown of the eligible green asset portfolio, and the ratio of new financing to refinancing.
 - Impact reporting, where feasible and subject to data availability, may include impact indicators such as annual GHG emissions reduced or avoided (measured in tCO₂e), annual renewable energy generation and energy savings (measured in MWh/GWh for electricity and GJ/TJ for other energy savings) and distribution of EPC labels.
 - Based on the Bank’s commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Arbejdernes Landsbank Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

¹⁰ Netherlands Enterprise Agency, “Energieprestatie indicatoren – BENG”, at: <https://www.rvo.nl/onderwerpen/wetten-en-regels-gebouwen/beng/indicatoren>

Section 2: Sustainability Strategy of Arbejdernes Landsbank

Contribution to Arbejdernes Landsbank's sustainability strategy

Sustainalytics is of the opinion that Arbejdernes Landsbank demonstrates a commitment to sustainability through its focus on: i) Sustainable finance and ii) Climate and environment.¹¹ The Bank's approach to sustainability is to increase financing and investment in activities and businesses that contribute to sustainable development, focus on reducing externalities, including financed CO₂ emissions, and contribute to the transition towards a green economy.¹²

Arbejdernes Landsbank's short-term focus is on improving transparency about its climate impacts and aims to set specific CO₂e reduction targets for its lending and investment portfolios in 2023,¹³ using baseline CO₂e calculations of its financed emissions per year.¹⁴ Of the Bank's total financed indirect emissions in 2022, private loans (including housing and car loans) were responsible for 23% of emissions, business loans were responsible for 28% of emissions and investments (including portfolio management mandates, pooled fund products and own portfolio) were responsible for 49% of emissions.¹⁵

The Bank has identified the following actions and initiatives to be implemented across its financial portfolio with the aim of reducing GHG emissions from its portfolio and contribute to the goals of the Paris Agreement.¹⁶ In its housing loan portfolio, Arbejdernes Landsbank offered DKK 34 million (USD 4.9 million) in affordable climate loans and approximately DKK 9.4 million (USD 1.3 million) in energy loans for home energy efficiency improvements in 2022.¹⁷ The Bank also offers a cash subsidy to its customers to replace gas-fired and oil-fired boilers with heat pumps in residential areas where district heating is not possible.¹⁸ In its car loan portfolio, the Bank intends to make loans for electric cars and plug-in hybrid cars affordable to encourage its car owner customers to opt for low emission cars.¹⁹ The Bank disbursed approximately DKK 2.5 billion (USD 0.3 billion) in loans for the purchase of electric cars and plug-in hybrid cars in 2022.²⁰

For its business customers, the Bank aims to help them transition to sustainable development by supporting them with relevant advice and financing with the help of digital platforms and tools to calculate their CO₂e calculations and develop their ESG reports.²¹ Further, the Bank has designated a specific department that deals exclusively with financing of wind turbines, solar farms and biogas plants, aiming at increasing financing for the production of renewable energy.²²

Arbejdernes Landsbank has also formed alliances with business partners and investment associations that have set specific CO₂e emission reduction goals for their investment portfolios and is a member of the Net Zero Asset Managers Initiative, which requires members to lower the overall CO₂e footprint of their investment portfolios and funds to reach carbon neutrality by 2050.²³

Based on above, Sustainalytics is of the opinion that the Arbejdernes Landsbank Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity, emissions, effluents and waste, and occupational health and safety issues associated with large-scale infrastructure projects, and responsible lending practices.

¹¹ Arbejdernes Landsbank, "Responsibility & Sustainability Report", (2022), at: https://al-bank-prod.imgix.net/niyh5kwt/al_responsibility_sustainability_report_2022.pdf

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ Ibid.

Sustainalytics is of the opinion that Arbejdernes Landsbank is able to manage or mitigate potential risks through implementation of the following policies:

- Arbejdernes Landsbank is a signatory to the UN Principles for Responsible Banking and the UN Principles for Responsible Investment through which it has committed to integrate ESG in its investment policies and incorporate ESG factors in its investment processes and decisions to strengthen its responsible investment approach.²⁴
- Regarding land use and biodiversity issues, emissions, effluents and waste and occupational health and safety issues associated with large-scale infrastructure development, Arbejdernes Landsbank has developed a policy on integrating sustainability risk which requires the Bank and its partners to assess ESG risks in its investment solutions and integrate them in its direct and indirect investment decisions.²⁵ The policy describes the process of identifying and prioritizing negative impacts on sustainability factors regarding its investment portfolio and lending activities.²⁶ The Bank also integrates ESG risks in its lending solutions in accordance with its Credit Policy wherein it evaluates its customers' ESG risks and compliance with relevant local and national legislations.²⁷
- For risks related to responsible lending, Arbejdernes Landsbank is a signatory to UN Global Compact and has developed a code of conduct to address corruption, bribery and money laundering issues. The Bank's policy on the prevention of money laundering, terrorist financing and violation of sanctions requires the Bank's management to adhere to the requirements stipulated in the Anti-Money Laundering Act of Denmark on measures to prevent money laundering, terrorist financing and sanctions in force at any time, as well as sanctions adopted by the EU, the UN or the Office of Foreign Assets Control of the US Treasury department. The Bank has also set up a whistle-blower scheme to report on alleged frauds or violations of financial legislation or the Bank's code of conduct.^{28,29}

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Arbejdernes Landsbank has measures in place to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of financing green buildings in Denmark

The operation and construction of buildings worldwide accounted for approximately 33% of global CO₂ emissions from energy combustion and industrial processes and approximately 30% of global final energy consumption in 2021.³⁰ A similar trend can be observed in the EU, where buildings were responsible for approximately 40% of energy consumption and 36% of energy-related GHG emissions.³¹ Under the Climate Target Plan 2030, the EU aims to reduce its GHG emissions by 55% by 2030 relative to 1990 levels and achieve climate neutrality by 2050.³² To achieve the 2030 target, the EU must reduce buildings' GHG emissions by 60%, final energy consumption by 14% and energy consumption for heating and cooling by 18% relative to 2015 levels.³³ Given that more than 85% of the EU's building stock was built before 2001, the renovation of buildings to improve their energy efficiency is expected to play a major role in decarbonizing the sector.³⁴ The

²⁴ Arbejdernes Landsbank, "Policy for social responsibility", at: <https://www.al-bank.dk/dokumenter/politikker/politik-for-samfundsansvar-og-baeredygtighed>

²⁵ Arbejdernes Landsbank, "Policy for integration of sustainability risks", at: <https://www.al-bank.dk/dokumenter/politikker/politik-for-integration-af-baeredygtighedsrisici>

²⁶ Arbejdernes Landsbank, "Statement on due diligence policy", at: <https://www.al-bank.dk/dokumenter/politikker/erklaering-om-vaesentligste-negative-baeredygtighedspaaavirkninger>

²⁷ Arbejdernes Landsbank has shared its Credit Policy with Sustainalytics confidentially.

²⁸ Arbejdernes Landsbank, "Code of Conduct", at: <https://www.al-bank.dk/dokumenter/politikker/adfaerdsregler-code-of-conduct>

²⁹ Arbejdernes Landsbank, "Policy for prevention against money laundering and terrorist financing as well as breach of sanctions", at: <https://www.al-bank.dk/dokumenter/politikker/politik-for-forebyggelse-mod-hvidvask-og-terrorfinansiering-samt-brud-paa-sanktioner>

³⁰ International Energy Agency, "Buildings: Tracking report – September 2022", (2022), at: <https://www.iea.org/reports/buildings>

³¹ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

³² European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en

³³ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

³⁴ Ibid.

renovation of existing buildings has the potential to reduce total energy consumption in the EU by an estimated 5-6% and lower total GHG emissions by 5%.³⁵

As an EU member, Denmark must comply with the EU 2030 climate target and has committed to reducing its total GHG emissions by 70% by 2030 compared to 1990 levels.³⁶ In the buildings sector more specifically, the Danish building code update of 2023 introduced a requirement for all new buildings to provide a life cycle assessment with a limit of 12 kgCO₂e per m² per year for buildings larger than 1,000 m².^{37,38} Supplementary Danish regulation encourages homeowners and businesses to install electric heat pumps and implement other energy saving measures.³⁹

Based on the above, Sustainalytics is of the opinion that Arbejdernes Landsbank financing of green buildings in Denmark has the potential to reduce the environmental footprint of the Danish buildings sector and will support Denmark's efforts towards its GHG emissions reduction targets

Importance of financing clean transport in Denmark

The transportation sector accounted for 37% of global CO₂ emissions from end-use sectors in 2021.⁴⁰ In the EU, the transport sector accounted for more than 23% of the bloc's GHG emissions in 2020, with road transport accounting for approximately 75% of that share in the same year.⁴¹ To achieve a climate-neutral economy by 2050 under the EU Green Deal, emissions from the transportation sector would need to be reduced by 90% compared to 1990 levels.⁴²

The Danish transport sector currently accounts for 29% of the country's total GHG emissions, making it the country's highest emitting sector.⁴³ To reduce GHG emissions from the sector, Denmark has targets to have 1 million zero emission passenger cars and vans in stock and end the sale of new petrol and diesel cars by 2030.⁴⁴ Denmark also targets a 100% share of zero emissions vehicles (ZEV) in urban bus procurement by 2025 and a 100% ZEV urban bus fleet by 2030.⁴⁵ Regarding heavy-duty vehicles, the country targets achieving a 30% share of ZEVs in new truck and bus sales by 2030, reaching 100% by 2040.⁴⁶

Based on the above, Sustainalytics is of the opinion that Arbejdernes Landsbank's financing of clean transportation will contribute to reduce the environmental footprint of the Danish transport sector.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Arbejdernes Landsbank Green Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 Increase substantially the share of renewable energy in the global energy mix.

³⁵ European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/1_final_report.pdf

³⁶ OECD, "Towards net zero emissions in Denmark", (2022), at: <https://www.oecd-ilibrary.org/docserver/5b40df8f-en.pdf?expires=1675786405&id=id&acname=guest&checksum=603D07FBCE099E793ED3F92F4288131A>

³⁷ Nordic Sustainable Construction, "Denmark introduces CO2 limit for new constructions", at: <https://nordicsustainableconstruction.com/news/2023/january/denmark-introduces-co2-limit-for-new-constructions>

³⁸ Buro Happold, "How Denmark leads the way in decarbonising the construction industry", at: <https://www.burohappold.com/news/how-denmark-leads-the-way-in-decarbonising-the-construction-industry/>

³⁹ OECD, "Towards net zero emissions in Denmark", (2022), at: <https://www.oecd-ilibrary.org/docserver/5b40df8f-en.pdf?expires=1675786405&id=id&acname=guest&checksum=603D07FBCE099E793ED3F92F4288131A>

⁴⁰ IEA, "Transport", at: <https://www.iea.org/topics/transport>

⁴¹ World Economic Forum, "The European Union has cut greenhouse gas emissions in every sector - except this one", at: <https://www.weforum.org/agenda/2022/09/eu-greenhouse-gas-emissions-transport/>

⁴² European Commission, "Factsheet – The Transport and Mobility Sector", (2020), at: <https://ec.europa.eu/commission/presscorner/api/files/attachment/867229/Factsheet%20-%20The%20Transport%20and%20Mobility%20Sector.pdf.pdf>

⁴³ OECD, "Towards net zero emissions in Denmark", (2022), at: https://www.oecd-ilibrary.org/economics/towards-net-zero-emissions-in-denmark_5b40df8f-en

⁴⁴ International Energy Agency, "Electric vehicle deployment policies and measures", at: <https://iea.blob.core.windows.net/assets/578ec559-d605-4568-a20d-ab02a11fa1d1/GlobalEVpolicyexplorer.pdf>

⁴⁵ Ibid.

⁴⁶ Ibid.

Energy Efficiency	9. Industry, Innovation and Infrastructure	9.4 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.
Clean Transportation	11. Sustainable Cities and Communities	11.2 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.
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 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.

Conclusion

Arbejdernes Landsbank has developed the Arbejdernes Landsbank Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing or new loans provided by the Bank itself or through its subsidiaries to finance projects related to Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings. Sustainalytics considers that the projects funded by the green bond proceeds are expected to create positive environmental impact in Denmark.

The Arbejdernes Landsbank Green Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for reporting on their allocation and impact. Sustainalytics believes that the Arbejdernes Landsbank Green Bond Framework is aligned with the overall sustainability strategy of the Bank and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Arbejdernes Landsbank has measures in place to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Arbejdernes Landsbank is well positioned to issue green bonds and that the Arbejdernes Landsbank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Arbejdernes Landsbank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Arbejdernes Landsbank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 03, 2023
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Arbejdernes Landsbank has established a Green Bond Committee which is responsible for evaluating and selecting projects that are in line with the Framework's eligibility criteria. Arbejdernes Landsbank has an internal corporate sustainability policy, which is applicable to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Arbejdernes Landsbank has risk management systems in place to identify and manage environmental and social risks associated with relevant projects. This is in line with market expectation.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Arbejdernes Landsbank's Green Bond Committee will be responsible for the management of proceeds and will track the proceeds using internal tracking systems. Arbejdernes Landsbank has communicated to Sustainalytics that it intends to fully allocate proceeds within 12-24 months of issuance. Pending allocation, unallocated proceeds will be held in accordance with Arbejdernes Landsbank's liquidity management policy. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Arbejdernes Landsbank commits to report on allocation of proceeds and, on a best-efforts basis, on the corresponding impacts in its Green Bond Investor Report and make it available on its website on an annual basis. Allocation reporting will include the total outstanding green bonds and the amount of proceeds allocated at the end of the reporting period, a per category breakdown of the eligible green asset portfolio, and the ratio of new financing to refinancing. Arbejdernes Landsbank is also committed to reporting on relevant impact metrics. Sustainalytics views Arbejdernes Landsbank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):
breakdown of the eligible green asset portfolio by category and share of financing vs refinancing.

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify): Annual renewable energy generation and distribution of EPC labels

Frequency

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

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): Green Bond Investor Report
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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For more information, visit www.sustainalytics.com

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