



Ørsted Green finance framework

April 2019

The Ørsted vision is:

A world that runs entirely on green energy

Climate change is the defining challenge of our time. Already today, changes to the planet's climate is affecting everything around us from ecosystems and human living conditions to financial markets. Now is the time to take bold action to avoid even more consequential effects of climate crisis. At Ørsted, we commit to reducing our carbon emissions in line with IPCC's scientific recommendation to limit global temperature increases to no more than 1.5°C above pre-industrial levels.

Global dependence on fossil fuels is the biggest cause of climate change. The modern world was built on fossil fuels, which still today make up more than 80% of global energy consumption. To limit global warming to 1.5°C, it is necessary to achieve net-zero carbon emissions by 2050, according to the IPCC. For this to happen, the transformation of the world's energy systems from black to green needs to be substantially accelerated.

Not only is a global green transformation necessary, it is also possible. Today, green energy is a economic viable choice, as life-time costs of new renewable energy generation is lower in many markets than those of new-built coal, gas and nuclear plants. For offshore wind alone, the cost per MWh in Europe has dropped by 60% between 2014 and 2018. And with the global build-out rate of offshore wind expected to further accelerate in the years to come, the decline in cost is expected to continue so that offshore wind can outcompete fossil fuels across the globe.

At Ørsted, our vision is a world that runs entirely on green energy – and we are on a radical decarbonisation journey ourselves. From being one of the most coal-intensive utilities in Europe a decade ago, we are today a global leader in renewable energy.

No other company has constructed more offshore wind capacity than us, with our installed offshore wind capacity totaling 5.6GW in 2018.

Our commitments and targets

Through our Sustainability Commitment, we commit to operate our business in a way that creates progress toward the UN Sustainable Development Goals (SDGs). We want sustainable energy to be the source of power to people, businesses and societies, helping them to unleash their potential without harming the planet or reducing the opportunities for future generations. By doing so, we help preserve the environmental, social and economic assets that are fundamental for society and important to Ørsted's long-term value creation.

Our main positive SDG contributions are connected to our core business activities that increase the share of green energy in the global energy mix (SDG 7) and help tackle climate change (SDG 13). Because of our investments in green energy, we also contribute substantially to economic growth (SDG 8).



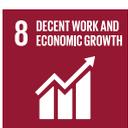
SDG 7 aims to ensure access to clean and affordable energy for all. Today, 81% of global energy consumption is based on fossil fuels. To achieve the goal, societies need to accelerate the transformation of our energy systems from black to green.

- In 2018, 75% of Ørsted's energy generation was green. By 2025, we target 99%.
- Our offshore wind farms can generate enough green energy to power more than 12 million people.
- By 2025, we aim to install enough capacity to power more than 30 million people.



SDG 13 calls for urgent action to fight climate change and its impacts. Since fossil fuel-based energy use accounts for approx. 75% of global carbon emissions, creating a world on green energy will be necessary to limit climate change.

- We have reduced the carbon intensity of our energy generation by 72% compared to 2006, aiming for a 98% reduction by 2025.
- Since 2006, power from our offshore wind farms has helped avoid emissions of more than 31 million tonnes of CO₂, equal to taking all approx. 16 million cars in Los Angeles, New York, and San Francisco off the streets for a year.



SDG 8 aims to promote sustainable economic growth and decent work for all. Converting the world's energy systems from black to green requires significant investments that create economic growth and employment.

- During the decade of our transformation, we and our partners have invested around DKK 165 billion (EUR 22.1 billion) in green energy. Towards 2025, we expect to invest up to an additional DKK 200 billion (EUR 26.8 billion) in green energy. As global leader in offshore wind, we will continue to allocate 75-85% of our investments to new offshore wind farms.
- By the end of 2018, the offshore wind farms we had installed together with the offshore wind farms under construction will have created 180,000 job years in their lifetimes.

Ørsted's response to the global climate challenge and our full range of sustainability programmes, SDG contributions and ESG ratings are documented in our sustainability report. All our ESG indicators can be found in the ESG Performance report. To improve our practices and reporting on climate-related risks and opportunities, we also endorse and seek to align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in our annual report.

We actively participate in market discussions to promote developments within sustainable finance. One example is our co-founding of the Corporate Forum for Sustainable Finance in 2019.

About us

Ørsted develops, constructs and operates offshore and onshore wind farms, solar PV and innovative waste-to-energy solutions and provides smart energy products to its customers. Headquartered in Denmark, Ørsted employs 6,000+ people.

Ørsted's shares are listed on Nasdaq Copenhagen (Orsted). At the end of 2018, Ørsted's total assets constituted DKK 174.6 billion (EUR 23.4 billion) while revenue for the financial year 2018 was DKK 76.9 billion (EUR 10.3 billion).

In our offshore wind business, we are active in all parts of the value chain and develop, construct, own and operate offshore wind farms in Denmark, the UK, Germany, the Netherlands, the US and Taiwan.

Green finance at Ørsted

This green finance framework ('the framework') is developed in alignment with ICMA's Green Bond Principles 2018 and LMA/APLMA/LSTA's Green Loan Principles 2018. The framework replaces Ørsted's previous Green Bonds Framework dated October 2017.

With this update, we are broadening possible green financing instruments to include Green Bonds, Green Loans, and other types of debt instruments to finance green eligible projects. Moreover, we are limiting the use of proceeds to offshore wind projects only.

Financing instruments raised in accordance with this framework all require that we document the use of proceeds. Ørsted may, at any given time, take on other types of 'green' or 'sustainable' debt financing not governed by this framework (e.g. such as target- or ESG-linked debt). It is our intention to follow best practices in the market as these standards develop.

Green Bonds issued under our previous framework will continue to be a part of Ørsted's overall green financing strategy. In case of discrepancies, Ørsted will, to the extent feasible, seek to align these with the guidelines set out in this green finance framework.

Use of proceeds

The net proceeds from green financing instruments raised in accordance with this framework can be allocated to the financing, or re-financing, of a pool of eligible projects, including the acquisition, development and construction of eligible projects.

New financing includes projects finalized or taken into operation up to 12 months prior to approval for green financing by the Ørsted Sustainability Committee (see page 6). Existing eligible projects may be subject to re-financing with a targeted look-back period of around 2 years. Ørsted will endeavor to prioritize new projects in relation to the allocation of proceeds from new green financing instruments.

Eligible projects may be subject to financing from several and various types of green financing instruments provided that the financed amounts are not 'double-counted'. The legal documentation for each individual green financing instrument issued by Ørsted shall provide a reference to this framework.

'Eligible projects' means a selected pool of offshore wind projects, funded in whole or in part, by Ørsted (including any subsidiary belonging to the Ørsted group) with the objective to promote the transition to low carbon and climate resilient growth and a sustainable economy. Allocation to an offshore wind project will not exceed Ørsted's ownership share.



Eligible projects: Offshore wind farms

Offshore wind is our core focus and has been since we decided to transform Ørsted to a green energy company. It is a rapidly growing market in the global energy system with attractive value-creating opportunities. It represents a scalable, cost-competitive and energy-efficient green technology, and besides being a source of green energy, it also translates into jobs and economic growth.

Rapid cost reductions in the industry have made offshore wind power competitive relative to conventional power generation based on fossil fuels. This is a game-changer that can inspire a global transition to renewable energy. The competitiveness of offshore wind has been driven by visionary energy policy that offers supportive and stable framework conditions in societies with high consumer demand. This has fostered innovation and industrialization of offshore wind technology and the maturation of supply chains.

We have been successful in leveraging our capabilities to become the leading global player in the offshore wind market, representing a 30% share of the total capacity in operation or under construction. By 2030, a total 129GW offshore wind is expected to be installed globally, centred in Asia Pacific, Europe and North America.

When we build offshore wind farms, we work closely with regulators, NGOs and other stakeholders to ensure the protection and enhancement of biodiversity and the environment. In our different markets, local teams of environmental experts study and monitor the potential impacts on the unique ecosystems of flora and fauna that we must protect. Environmental impact assessments allow for early identification of areas of concern as well as fine-tuning of projects to avoid potential negative impact on the natural environment. By engaging with our stakeholders, we determine the best measures and actions required to protect the seabed, fish, marine mammals, seabirds, and plants.

Ørsted offshore wind farms offer:



- Utility-scale power generation at competitive cost
- Stable production – producing 98% of the time
- Low visual impact as they are built far from shore

Moreover, we strive to meet the needs and expectations of the local population.

We want to be appreciated as a positive influence on society, and in each project, we liaise with community representatives to understand their expectations, provide transparency on our activities and find common solutions. Our investments in offshore wind bring thousands of new job opportunities in our value and supply chain to the benefit of countries and local communities.

For a project to be eligible, investment activities must be related to development, construction or installation of the offshore wind farms. Specifically, investments can be related to wind turbines, blades, foundations, cables, transmission assets and any other element being part of the completion of an offshore wind project.

The policies guiding our work, including our offshore wind biodiversity policy and stakeholder engagement policy, are available at orsted.com.

Process for project evaluation and selection

Eligible projects to be financed with proceeds from Ørsted's Green Bonds will be evaluated, selected and prioritized by the Sustainability department in co-operation with the Treasury department at Ørsted. Prioritized projects will, on an annual basis, be presented to Ørsted Sustainability Committee for final approval of allocation of Green Bond proceeds.

Ørsted's Sustainability Committee consists of representatives from Ørsted's Sustainability department, QHSE, People & Development, Internal Audit, Accounting and is chaired by the CFO of Ørsted.

Proceeds from the green financing instruments will be used exclusively to projects that meet the criteria specified on page 4, and that are evaluated to deliver long-term positive net environmental effects. Ørsted's Sustainability Commitment is the basis of all we do.

Eligible projects to be financed by other types of green financing instruments will follow a similarly rigorous evaluation and selection process but may, subject to the type and format of the green financing instrument and agreement with the lenders or counterparts, differ from the process described above.

Management of proceeds

The net proceeds from any green finance instruments will be managed by the Treasury department in Ørsted.

For Green Bonds, an amount equal to the net proceeds will be credited to a separate account ('Green Account') that will support and document Ørsted's green financing of eligible projects.

As long as Ørsted has any Green Bonds outstanding and the Green Account has a positive balance, funds will, on an annual basis, be allocated from the Green Account to Ørsted's green project portfolio in respect of financing and/or refinancing of eligible projects as approved by Ørsted's Sustainability Committee.

Until all net proceeds from Green Bonds have been allocated to eligible projects, the balance of the Green Account will be included in Ørsted's liquidity reserve and managed in accordance with our cash management policies and investment mandates.

Net proceeds from other green financing instruments will follow a similarly rigorous management of proceeds but may, subject to the type and format of the green financing instruments and agreement with the lenders or counterparts, differ from the Green Bond process.

Ørsted will endeavour to maintain a stable pool of eligible projects but may, at any time, and subject to its own discretion, substitute one or more projects in the pool with other eligible projects. If, for any reason, a financed eligible project no longer meets the eligibility criteria, it will be removed from the green project portfolio and substituted by another eligible project.

Annual Green Bonds governance process



Green Bond proceeds are allocated to eligible projects



Sustainability Committee approves allocations and reporting



Reporting on allocated proceeds and project impacts is published

Reporting and transparency

Pursuant to this framework, Ørsted will publish an annual letter to investors on the allocation of proceeds and the targeted impact of the eligible projects financed with Ørsted's Green Bonds.

Allocation reporting

- A list of the eligible projects financed, including allocated amounts and their main environmental effects
- Descriptions of the projects including location and case studies
- Information about the allocation of proceeds between new projects and refinancing and any unallocated balance standing to the credit of the Green Account
- Balance of the Green Account

Impact reporting

- Total capacity of renewable energy production (MW)
- Annual renewable energy generation (MWh)
- Annual greenhouse gas emissions avoided (tonnes CO₂e)

Ørsted may choose to report the impact and allocation of other green financing instruments directly, and non-publicly, to the lenders or counterparts. For the avoidance of doubt Ørsted will clarify, and specifically outline, if an eligible project has been financed by several green financing instruments.

We recognize the broader market developments around standardization of impact reporting such as the 'harmonized frameworks' as well as the Nordic Public Sector Issuers Position Paper on Green Bond Impact Reporting and will seek to align with these where relevant. Further, we will seek to align with the developments around the European Commission's work on sustainable finance as these materialize.

External reviews

Second Party Opinion

This framework has been reviewed by CICERO Shades of Green who have issued a Second Party Opinion. The Second Party Opinion is publicly available on our [website](#).

Annual assurance report

Ørsted's external auditor will on an annual basis provide a limited assurance on the allocation and internal tracking method of the proceeds from green financing instruments. The annual assurance report for Green Bonds will be provided in connection with the annual investor letter and will be made available on our [website](#).

For other green financing instruments, Ørsted may choose to provide assurance reports directly, and non-publicly, to the lenders or counterparts.





Ørsted A/S

Nesa Allé 1

2820 Gentofte

Denmark

orsted.com

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