



# Ørsted

## Green finance framework

May 2022

The Ørsted vision is:

# A world that runs entirely on green energy

Immediate and ambitious climate action is needed to limit global warming to 1.5 °C and avoid irreversible damage and loss of ecosystems, with dire effect on human lives and nature. In Ørsted, we are committed to reducing carbon emissions in line with climate science and to lead a build-out of green energy that brings benefits to the planet and its people.

If ambitious climate action is not taken immediately, we are likely to exceed 1.5 °C of global warming within the next two decades. The IPCC report published in 2021 stressed that this will lead to irreversible damage, loss of ecosystems, and significant impact to some of the world's most vulnerable populations. With more than 73 % of the world's carbon emissions coming from the production and use of energy, the transition to a sustainable energy system is at the core of combatting climate change.

By 2050, the installed base of renewable energy capacity will have to grow more than tenfold to drive the decarbonisation of global energy systems and fight global warming. This build-out is a colossal undertaking, which can profoundly impact people and nature, but if done right, it also holds unprecedented opportunities to create economic growth, revitalise local communities, and make a net-positive contribution to biodiversity.

At Ørsted, our vision is a world that runs entirely on green energy. In the past decades, we have transformed our company from being one of the most carbon-intensive utilities in Europe to becoming one of the most sustainable companies in the world. Our aspiration is to become the world's leading green energy major, and in 2021, our installed renewable energy production capacity was 13 GW and by 2030 we target to reach ~50 GW. We want to lead this build-out in a way that delivers benefits to the planet and its people – far beyond delivering zero-emissions energy.

Investments remain critical to accelerate the transition to net-zero, and investors play a crucial role in unleashing the investments needed to mitigate climate change. In Ørsted, we are committed to providing opportunities for our investors to invest in projects and activities that clearly contribute towards a more sustainable world. We continue to use sustainable financing products to deploy renewable energy, including sustainability-linked credit facilities, green bonds, and green loans, with the objective of contributing to climate change mitigation and other environmental and social objectives of the EU taxonomy.

## Our sustainability commitment and priorities

Our approach to sustainability is based in our sustainability commitment where we commit to operate our business in a way that creates progress towards the UN Sustainable Development Goals (SDGs). We continuously work to understand the sustainability challenges and opportunities linked to a global build-out of green energy and to us as a company. Through our sustainability priorities and underlying sustainability programmes, we address the sustainability challenges that are most pressing and material to our stakeholders and our business. Our sustainability priorities are:

1. science-aligned climate action
2. green energy in balance with nature
3. a green transformation that works for people
4. governance that enables the right decisions.

# Green energy for the planet and its people



## Science-aligned climate action

**Challenge:** The world is still not on track to deliver the carbon reductions needed to keep global warming below 1.5 °C. Science tells us that this is the limit to avoid the catastrophic and uncontrollable consequences of climate change.

**Aspiration:** By scaling our green energy business while delivering science-aligned carbon reductions, we enable and inspire others to take science-aligned climate action.

We continue to have high ambitions for our climate action, and we are proud to have worked with the Science Based Targets initiative (SBTi) to become the first energy company in the world to have our net-zero target for 2040 SBTi approved. Our 2040 net-zero target is substantiated through specific long-term reduction targets:

- **99.8 % reduction per kWh in scopes 1-2 GHG emissions from energy generation and operations** - down to 10 grams CO<sub>2</sub> per kWh in 2025 and 1 gram CO<sub>2</sub> per kWh in 2040.
- **99% reduction per kWh in scopes 1-3 GHG emissions** (excluding use of sold products) - down to 2.9 grams CO<sub>2</sub> per kWh in 2040 from 322 grams CO<sub>2</sub> per kWh 2018.
- **90 % reduction in the absolute scope 3 GHG emissions** from use or sold products by 2040 compared to 2018 – including our natural gas portfolio.

From a life cycle perspective, wind energy emits 99 % less greenhouse gas emissions than coal-based power. Yet, there are still emissions tied to the manufacturing and transportation of components for renewable energy assets. Our underlying carbon reduction targets allow us to continue scaling our renewable energy business while working to decarbonise our supply chain, phase out trading in and sale of natural gas, and, in doing so, help businesses and governments realise their net-zero ambitions. Any remaining, or residual, emissions that we cannot abate by 2040 will be offset through certified carbon removal projects.

## Green energy in balance with nature

**Challenge:** Nature, and its variety of species and habitats, regulates the well-being of our planet, and it is in crisis. Building green energy is a lifesaver for nature – but it also involves environmental impacts that we need to manage.

**Aspiration:** We want to lead a build-out of green energy where each energy project contributes positively to a thriving nature.

We have set the ambition to deliver a net-positive biodiversity impact in all new renewable energy projects from 2030 at the latest. This entails that the project should have an overall net-positive biodiversity impact through active measures taken to avoid, mitigate, or offset potential biodiversity losses.

Through our QHSE operations, we work to minimise our environmental impact throughout the full asset lifecycle. In the coming decade, wind turbines will be deployed at an unprecedented pace, delivering renewable energy to industries and to millions of people, making it even more important to the circularity of resources used. In 2021, we made a commitment to either reuse, recycle, or recover all the wind turbine blades in our global portfolio upon decommissioning. Thus, establishing an immediate ban on the landfilling of any blades from our wind farms.

## About us

Ørsted develops, constructs, and operates offshore and onshore wind farms, solar farms, energy storage facilities, renewable hydrogen and green fuels facilities, and bioenergy plants. Moreover, Ørsted provides energy products to its customers. To date, Ørsted is the only energy company in the world with a science-based net-zero emissions target as validated by the Science Based Targets initiative (SBTi). Ørsted ranks as the world's most sustainable energy company in Corporate Knights' 2022 index of the Global 100 most sustainable corporations in the world and is recognised on the CDP Climate Change A List as a global leader on climate action. Headquartered in Denmark, Ørsted employs 7,016 people. Ørsted's shares are listed on Nasdaq Copenhagen (Orsted). In 2021, the group's revenue was DKK 77.7 billion (EUR 10.4 billion). In our offshore and onshore renewable business, we are active in all parts of the value chain and develop, construct, own, and operate offshore and onshore renewable assets in Denmark, the UK, Ireland, Germany, the Netherlands, Poland, the US, and Taiwan.

## A green transformation that works for people

**Challenge:** The green transformation will involve and impact the lives of millions of people across supply chains and local communities as well as the employees working to make it happen.

**Aspiration:** We want to lead a build-out of green energy that is inclusive, enabling, and creates local benefits.

Done right, the build-out of renewable energy can be a force for good, with the power to fundamentally reshape how our societies look and operate. We work to drive a green energy transition that is just in the way that we create fair and equitable green jobs, local in the way that we listen to our local communities and are motivated to partner with them, and enabling in the way that we empower people around us to take climate action. We proactively and systematically engage with local communities in the areas where we build to understand their challenges and expectations and to define the opportunities for each specific community linked to our projects. We aim to be a long-term trusted partner for communities, and through our existing portfolio of projects, we have built our experience on how to make our projects benefit local communities, including facilitating local suppliers, jobs, and training.

It is a top priority for us to continue to strengthen our efforts to be a responsible company, respecting human and labour rights in line with international standards. We do this through our Responsible Business Partner Programme (RPP). Through this programme, we conduct systematic due diligence of our partners' and suppliers' adherence to our code of conduct to mitigate labour and human rights risks in our supply chains and amongst business partners.

Inclusion of diversity is another important area for us. We have globally connected regional networks addressing gender, LGBTQ+, disability, and race and ethnicity with over 1,000 active participants. We aim to create a workplace where employees can feel comfortable bringing their whole selves to work, wherever they are in our global community. We have set new targets for gender equality and are aiming for at least 40 % of our total workforce to be women by 2030, including at our leadership levels.

## International regulation, standards, and initiatives

### EU Taxonomy

In 2022, the EU is expected to adopt a new EU Green Bond Standard (GBS), requiring that green bond proceeds are allocated to taxonomy-aligned projects with an approved verifier confirming the projects eligible for sustainable financing are also eligible for alignment with the EU Taxonomy. In our ESG performance report 2021, we report our taxonomy-eligible activities and will look to add taxonomy-aligned activities in future reporting.

### TCFD

All our ESG indicators can be found in the ESG performance report, including greenhouse gas emissions. To improve our practices and reporting on climate-related risks and opportunities, we also endorse and disclose our alignment with the recommendations of the Task Force on Climate-related

Financial Disclosures (TCFD). Our TCFD disclosure is integrated throughout the strategy, risk, and governance sections of our annual report and in our ESG performance report.

### SDGs

Across our various reports, we report on how we are advancing the 17 UN Sustainable Development Goals (SDGs). As a renewable energy company, we aspire to have a transformative impact on SDGs 7 – Affordable & Clean Energy and 13 – Climate Action, while creating positive impact to several others. We report on our SDG contributions and impacts and on all our sustainability programmes in our sustainability report.

### Industry collaborations

We actively participate in market discussions to promote developments within sustainable finance, for example the Corporate Forum on Sustainable Finance, working groups in the European Federation of Energy Traders (EFET) and Eurelectric.

The well-being of our global workforce is key to how we define success. We take a holistic and preventive approach to employee well-being where mental, physical, and social health are prioritised equally. We do our utmost to prevent accidents and injuries and have set a target for reducing the total recordable injury rate (TRIR) to 2.5 in 2025.

## Governance that enables the right decisions

**Challenge:** To make business a force for good, all decisions and processes across the organisation need to pull in the same direction. This requires carefully considered business governance.

**Aspiration:** We want sustainability and integrity to be integrated into processes and decision-making across the organisation.

The key programmes for us to progress on our aspiration are our programmes for responsible business partners, good business conduct, responsible tax practice, sustainable finance, and information and cyber security.

As a business, we want to incorporate sustainability leadership into our entire way of working and thus also into our internal governance. We are strengthening the remuneration structure for our Executive Committee to ensure a stronger and more systematic integration of ESG. Our new short-term incentive scheme, effective from 2022, is designed to support that we deliver on our core sustainability commitments, improve our sustainability leadership performance, and continue to push new frontiers.

# Green finance at Ørsted

This green finance framework (the 'framework') is developed in alignment with the 2021 Green Bond Principles<sup>1</sup> and 2021 Green Loan Principles<sup>2</sup>. It is further intended to be aligned with the anticipated EU Green Bond Standard and consequently the EU taxonomy. The framework replaces Ørsted's previous green finance framework dated April 2019.

With this update, we are broadening the eligible use of proceeds to include onshore wind projects and solar PV projects in addition to offshore wind projects. Furthermore, we seek to align our green finance framework with market expectations, voluntary standards, and regulatory developments, such as the EU taxonomy and the anticipated EU Green Bond Standard.

Financing raised in accordance with this green finance framework requires that we allocate and document the use of proceeds to specific green projects. Ørsted may, at any given time, take on other types of 'sustainable' debt financing not governed by this framework (e.g., sustainability-linked debt). It is our intention to follow best practices in the market as these standards develop.

Green loans and bonds ('green financing') issued under our initial 2017 green bond framework and our 2019 green finance framework will continue to be a part of Ørsted's overall green financing strategy and reporting. In case of discrepancies, Ørsted will, to the extent possible, seek to align these with the guidelines set out in this green finance framework.

## Use of proceeds

The net proceeds raised from green financing in accordance with this framework can be allocated for the financing of a pool of eligible projects. When allocating new green financing, proceeds may be allocated to projects under construction or projects taken into operation up to 12 months prior to approval of allocation for green financing by the Ørsted Sustainability Committee (see page 9).

Eligible projects may be subject to financing from several and various types of green financing. Allocated proceeds

from green financing cannot exceed 100 % of Ørsted's share of total project investments relating to an eligible project. The legal documentation for each individual green financing issued or obtained by Ørsted shall provide a reference to this framework or be raised specifically for the purpose of financing an eligible project.

'Eligible projects' means any offshore wind power project, onshore wind power project, or solar PV project; in each case including any integrated power storage component, owned in whole or in part by Ørsted (including any member of the Ørsted group) as specified in the below section, thereby promoting the transition to a low carbon and climate resilient energy system and a sustainable economy.



## Eligible projects:



**Offshore wind projects**



**Onshore wind projects**



**Solar PV projects**

Our green finance framework will support the financing of our green build-out in the coming years, and the eligible projects listed above make up a substantial part of our green energy portfolio and ambitious CAPEX programme. In 2021, solar and wind represented 97 % of CAPEX.

For a project to be eligible under this green finance framework, investment activities must be related to development, construction, or installation of offshore wind, onshore wind, or solar PV facilities, including any integrated power storage units. Specifically, investments can be related to wind turbines, blades, solar panels, foundations, cables, transformers, transmission assets, engineering, and any other element being part of the completion of an offshore wind, onshore wind, or solar PV project.

### Alignment with the EU taxonomy

Our offshore wind, onshore wind, and solar activities are all eligible for taxonomy alignment. In 2021, we started reporting on our taxonomy-eligible KPIs, and we began assessing whether we fulfil the alignment criteria for activities with substantial contribution to climate change mitigation by documenting our policies and processes for managing social and environmental risks. Based on this and further guidance from the EU, we expect all our currently eligible activities to be reported as aligned from 2023 and onwards. We will continue to assess our alignment and reporting with additional EU taxonomy objectives as they materialise.

ICMA Green Bond Principles category	Sub-category	EU taxonomy environmental objective	EU taxonomy activities	NACE codes
Renewable energy	Offshore and onshore wind	Substantial contribution to climate change mitigation	4.3. Electricity generation from wind power	D35.11 F42.2.2
	Solar PV	Substantial contribution to climate change mitigation	4.1. Electricity generation using solar photovoltaic technology	D35.11 F42.2.2

### Applying Do No Significant Harm Criteria

To assess alignment with EU Taxonomy, we evaluate that all our eligible projects meet the do no significant harm criteria on the remaining EU Taxonomy environmental objectives in accordance with the technical screening criteria:

- **Climate change adaptation:** Chronic and extreme climate hazards and their future development are integrated parts of project development to ensure our assets are resilient during their lifetime.
- **Sustainable use and protection of water and marine resources:** As part of any project, we always conduct an environmental impact assessment (EIA) to ensure that potential impacts on water and marine resources are avoided, mitigated, and addressed appropriately.
- **Transition to a circular economy:** Our 'Resource management policy' sets out our commitment to sustainable consumption and production, and we work strategically with circular initiatives to recycle materials at the end of life and optimise our resource

use. One example is our ban on the landfilling of wind turbine blades.

- **Pollution prevention and control:** Not applicable to solar and wind activities.
- **Protection and restoration of biodiversity and ecosystems:** We always perform an environmental impact assessment (EIA) and take the necessary steps to avoid, mitigate, or address potential impacts on biodiversity and ecosystems for all projects. From 2030 at the latest, all new renewable energy projects commissioned must deliver a net-positive biodiversity impact.

### Ensuring minimum safeguards in place

We assess that all our activities adhere to the UN 'Guiding Principles on Business and Human Rights' and OECD's guidelines for multinational enterprises in our efforts to respect human rights, both in our own operations and in our supply chain. Together with our good governance practices and policies, our systematic due diligence approach ensures we have robust minimum safeguards in place.



## Annual green bonds governance process



### Process for project evaluation and selection

Eligible projects to be financed with proceeds from Ørsted's green financing will be evaluated, selected, and prioritised by the Sustainability department in cooperation with the Treasury department at Ørsted. Prioritised projects will, on an annual basis, be presented to Ørsted's Sustainability Committee for final approval of allocation of green financing proceeds. Proceeds from financing arrangements put in place for the purpose of financing specific projects eligible in accordance with this green financing framework will be allocated to such projects.

Ørsted's Sustainability Committee is chaired by Ørsted's Group CFO. It consists of representatives from Ørsted's Sustainability, QHSE (quality, health, safety & environment) People & Development, Accounting, and Investor Relations departments. The Internal Audit department has an observer seat.

Proceeds from green financing will be used exclusively to projects that meet the criteria specified on pages 6 and 7, and that are evaluated to deliver long-term net-positive environmental effects.

### Management of proceeds

The net proceeds from any green financing will be managed by the Treasury department in Ørsted. Such net proceeds will be credited to a separate account in Ørsted's books (the 'green account') for the purpose of supporting and documenting Ørsted's green financing of eligible projects.

In full or in part and on an annual basis, green financing proceeds accredited to the green account will be allocated from the green account to Ørsted's green project portfolio in respect of financing eligible projects as approved by Ørsted's Sustainability Committee.

Any net proceeds from Ørsted's green financing not allocated to eligible projects and therefore comprising 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.

Ørsted will endeavour to maintain a stable pool of eligible projects, but may, at any time and subject to its own discretion, reallocate green financing to other eligible projects due to e.g., specific financing obtained for projects that have previously been allocated green financing, or other. If, for any reason, a financed eligible project no longer meets the eligibility criteria, it will be removed from the green project portfolio with reallocation of previously allocated proceeds to other projects that meet the eligibility criteria.

## Reporting and transparency

Pursuant to this framework, Ørsted will publish an annual report to investors, specifying the allocation of proceeds and the targeted impact of the eligible projects financed with green financing, our green bond impact report. The report will be made publicly available on Ørsted's website. The reporting comprises:

### Allocation reporting

- List of green financing and allocated amounts.
- A list of the eligible projects financed, including project descriptions and allocated amounts.
- Information about the allocation of proceeds between new projects.
- Unallocated balance of the green account at year end, if any.

### Impact reporting

- Total capacity of renewable energy production (MW).
- Annual renewable energy generation (MWh).
- Annual greenhouse gas emissions avoided (tonnes CO<sub>2</sub>e).

We seek to align our reporting with the EU Green Bond Standard as it materialises and further report on EU taxonomy activities.

In case Ørsted has green purpose clauses in credit facilities or other short-term financing arrangements, such as bank loans or note programmes, that are not directly included in our green bond impact report, it will, for the avoidance of doubt, be specifically outlined if proceeds from such short-term financing have been allocated to eligible projects.

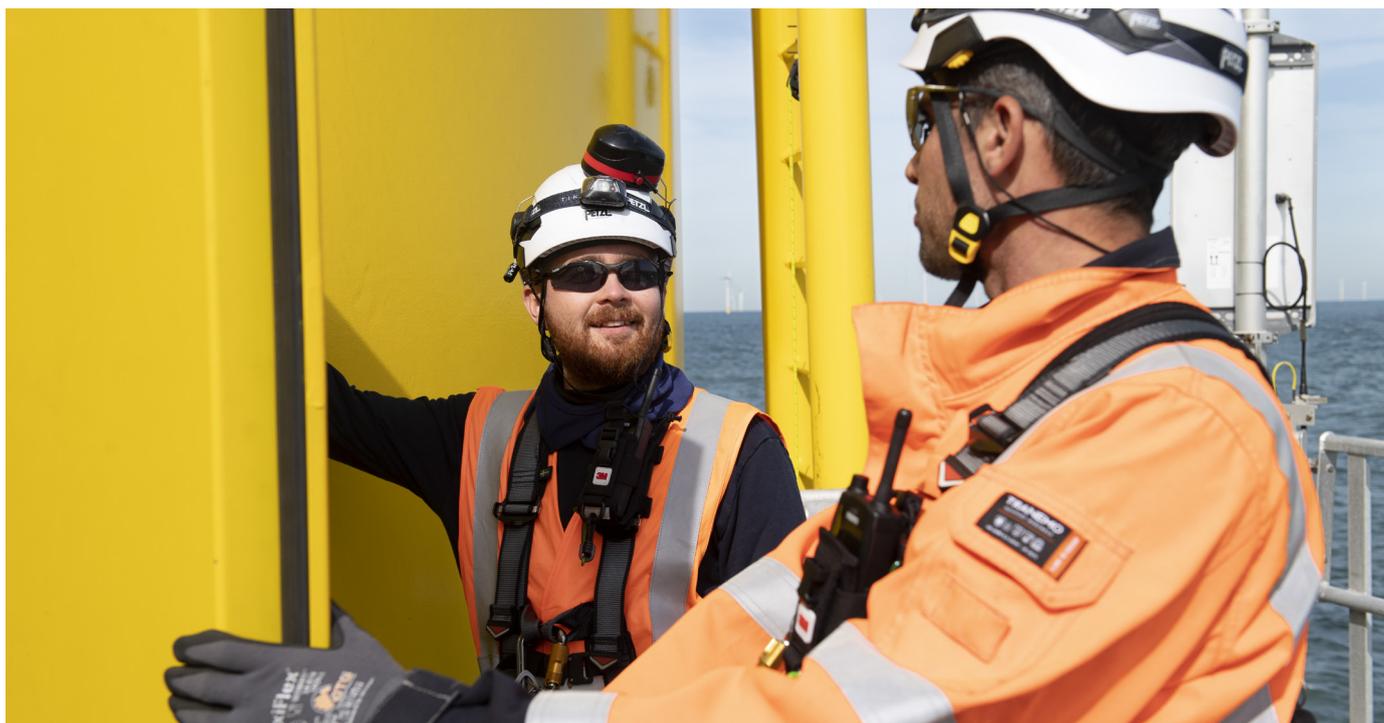
## External reviews

### 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. We will continue to monitor the market development of the requirements of second-party opinions in relation to the EU Green Bond Standard.

### Annual assurance report

On an annual basis, Ørsted's external auditor will provide a limited assurance on the allocation and internal tracking method of the proceeds from our green financing. The annual assurance report for our green financing will be provided in connection with our green bond impact report and will be made available on our website.





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