GREEN BOND FRAMEWORK

January 2024

About DSB

DSB is an independent public railway corporation, governed by Danish Act no. 574 of 7 May 2019 as amended, and 100% owned by the Danish State, acting through the Ministry of Transport. DSB is Denmark's largest provider of passenger transport and has a long history within rail transport, having operated railway services in Denmark since its foundation in 1885. DSB offers passenger transportation services by rail on a commercial basis as well as other services related to passenger railway operations. This includes long-distance and regional train services, as well as S-train services (public transport in the Greater Copenhagen area).

DSB's train traffic is run on infrastructure owned and managed by Banedanmark (Rail Net Denmark) and Sund & Bælt A/S (the Great Belt bridge). Banedanmark provides the infrastructure such as tracks, power supply and signalling systems. The responsibility for rail infrastructure and related activities is vested in Banedanmark, a Danish state agency under the Ministry of Transport, which was separated from DSB in 1997.

As a vital part of Danish society, DSB contributes to connecting Denmark and ensuring mobility for the hundreds of thousands of people who every day depend on the trains to go about their daily business.

DSB's activities are conducted in 3 business areas: Train Operations, Service & Retail and Property Development

- **Train operations:** Long-distance and regional trains, S-train services and repair and maintenance services
- **Service & Retail:** Service and catering in trains and at stations
- **Property development:** development and management of land and buildings no longer used for train operations on a commercial basis.

Transports 450,000 travellers daily

One of Denmark's largest land and property owners including 196 active stations

6,000+ employees from more than 70 nationalities

A Sustainable way forward

DSB's purpose is 'A sustainable way forward with room for all of us'. The purpose is based on DSB's social task of creating and ensuring high mobility and thus alleviating congestion in and out of the large Danish cities.

Today, the train is a more environmentally friendly alternative to the car, with substantially lower CO_2 emissions per passenger. DSB has set the goal that all journeys by train with DSB is to be CO_2-neutral by 2030 (scope 1 and 2). To achieve this goal, DSB will up until 2030 invest in new, modern electrically powered trainsets, coaches, and new workshops, which at a minimum, are awarded a DGNB Gold certificate for sustainable construction.

DSB also has ambitious targets for the other areas with environmental impact. This includes halving energy consumption by 2030, eliminating emissions of particles from the trains' engines as well as reusing 90 percent of the waste.

Sustainability also includes economic viability. Therefore, a key part of DSB's strategy is ongoing efficiency improvements. This will ensure the ability to offer competitive and attractive products for the benefit of customers with the primary goal of getting more Danes to take the train.

With the purpose 'A sustainable way forward with room for all of us', DSB makes a promise to make a significant contribution to the green transition together with customers and suppliers.

DSB is part of making Denmark more sustainable through efficient and environmentally sound public transport that reduces congestion on the roads in and between the major cities.

DSB actively supports Denmark's contribution towards realising the Sustainable Development Goals ('SDGs'). In order to define DSB's contribution to the fulfilment of the 17 SDGs - including the 169 targets, DSB has selected the SDGs that are part of the strategic work and are thus expected to make the biggest impact. The SDGs 9 'Industry, Innovation and Infrastructure', 11 'Sustainable Cities and Communities', and 12 'Climate Action' are those where DSB has the greatest possibility of influencing society in a more sustainable direction. The train plays a critical role in achieving the SDGs. The train is the backbone of public transport and ensures equal access to passenger transport with reduced environmental impact for everyone.

A market oriented DSB

A targeted effort is aimed at offering all customers an efficient, comfortable and environmentally friendly journey, door to door. This is to be realised through the strategy 'Market oriented DSB', which addresses how DSB will live up to the promise of contributing to the green transition of the Danish society through increased market share.

DSB has identified three strategic focus areas and their associated initiatives in 'A market oriented DSB':

The customer in focus

- DSB must understand and deliver the entire journey for the customer
- DSB must create cohesion between different modes of transport

DSB must be competitive and sustainable

- DSB must provide sustainable operations
- DSB must simplify and improve the efficiency of the business

DSB must develop the employees and culture

- DSB must strengthen employees
- DSB must establish a common culture and direction

Deliver a competitive and sustainable DSB

The train is an environmentally friendly form of transport and plays a key role in addressing the challenges of society's green transition. Environment is therefore a key part of DSB's purpose, is integrated into the strategic focus areas and is a strategic priority for DSB.

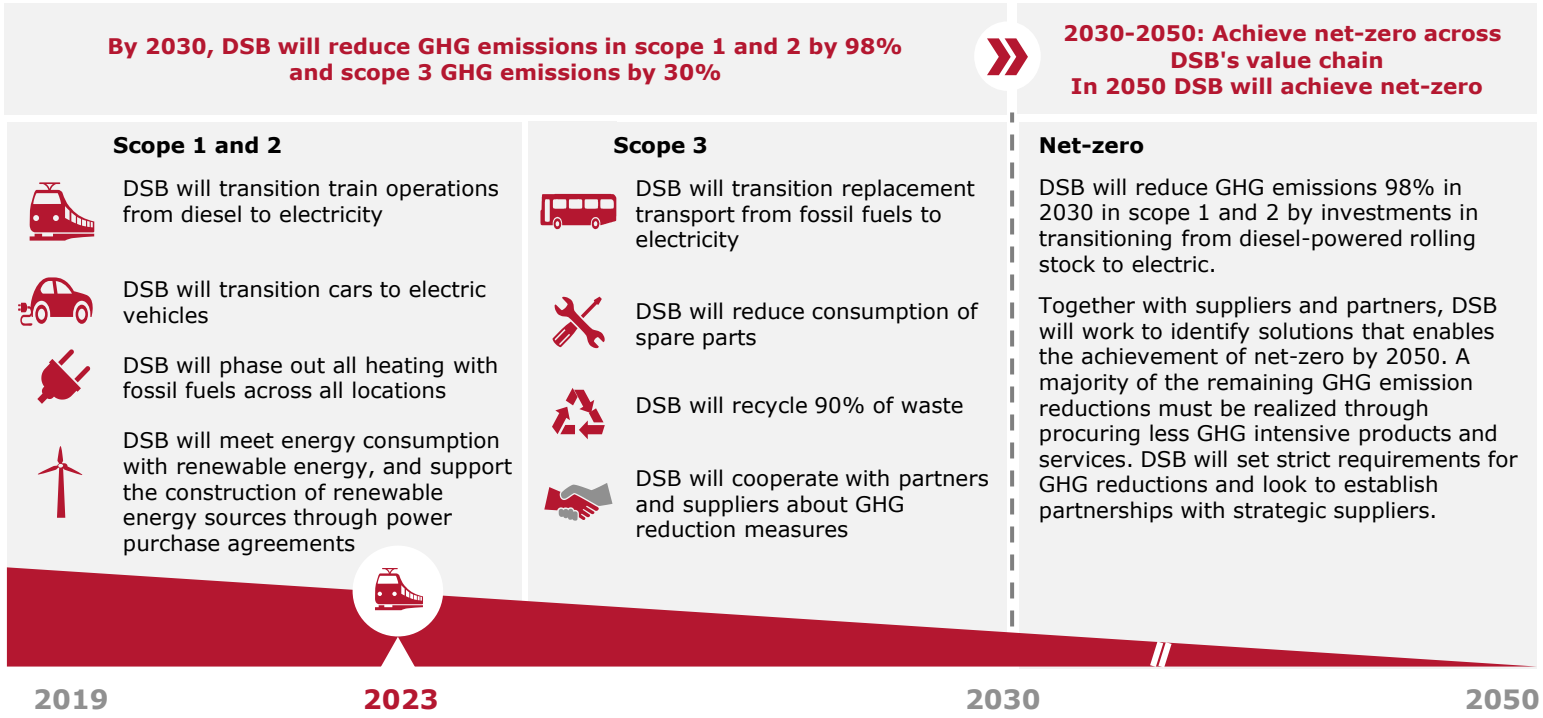
Despite the train's characteristics and role in the green transition, the train and the related activities still impact climate significantly. DSB has set ambitious objectives for 2030 to reduce the company's environmental impact.

- Reduce absolute scope 1 and 2 GHG emissions 98% by 2030
- Reduce absolute scope 3 GHG emissions 30% by 2030
- Reducing energy consumption by 50% by 2030
- No particle emissions from the locomotives' engines by 2030
- At least 90% of waste is to be recycled by 2030

Apart from the objective of reducing absolute scope 1 and 2 GHG emissions 98% by 2030 (scope 1 and 2), DSB has set goals on reducing climate impact across the entirety of DSB's value chain (scope 3) by 30 percent in 2030 and to achieve net-zero by 2050. DSB has made a thorough analysis of the emissions of greenhouse gases from the entire value chain, and requirements for GHG reductions will be imposed on new suppliers.

In addition, dialogues will be initiated with existing suppliers to reduce emissions. DSB is working on an ongoing basis on minimising the environmental impact as well as identifying and implementing initiatives for realising the goals.

DSB emission-reduction targets have been validated and approved by the Science Based Targets initiative (SBTi), in line with a 1.5° C trajectory.



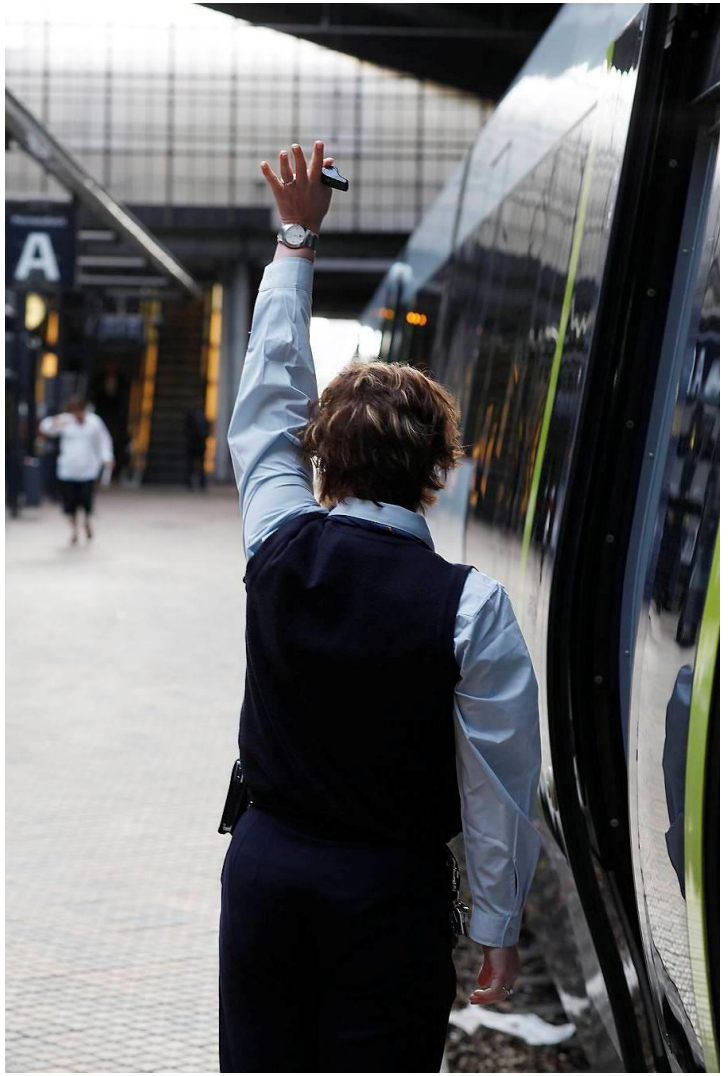
DSB’s work with social responsibility and ESG risks

DSB has conducted a double materiality assessment as part of the preparation for the implementation of CSRD. The analysis is intended to uncover DSB’s value chain from a sustainability perspective as well as assess the associated risks and opportunities from a financial and non-financial perspective. The materiality analysis includes insights and opportunities from the previously conducted CSRD gap analysis in relation to the upcoming European Sustainability Reporting Standards (ESRS). Implementation of regulatory requirements such as the CSRD (Corporate Sustainability Reporting Directive) and the CSDDD (Corporate Sustainability Due Diligence Directive) will be a factor in DSB’s ESG reporting. Thus, ESG goals and follow-ups will be integrated at the core of DSB’s management systems.

A fundamental factor in the work with ESG is minimisation of the critical negative impacts and risks. DSB fundamentally believes in the importance of identifying the most critical risks in order to be able to work systematically and in a structured way with preventing them. For selected risks, the prevention of critical ESG risks is integrated into the strategic focus areas and long-term goals. Risk management of critical ESG risks is therefore an integrated part of the strategy and decision-making process at DSB. Knowing the most critical ESG risks and working to minimise them is a key part of the management system behind several of DSB’s certifications.

The general framework for DSB’s work with social responsibility and ESG is described in DSB’s policy for social responsibility. The policy describes and establishes the framework for how DSB can conduct itself responsibly within a number of key areas – including safety, environment, sustainability, human rights, anti-discrimination, diversity, the working environment and the ILO convention.

To support the critical areas, DSB is certified within working environment, safety, information security and environment. The certificates document that DSB works in a structured and focused way to reduce the critical impact areas and risks within the mentioned areas. DSB ensure compliance through a KPI comprising 6 certifications: ISO14001, ISO9001, ISO27001, DS/ISO 45001:2018, Safety certificate and ECM. DSB has decided to extend the scope of the ISO14001:2015 environmental certification from only covering activities concerning maintenance and preparation of trains to covering all of DSB’s activities.



Green Bond Framework

Rationale for issuing green bonds

The transport sector as a whole represents a significant proportion of Denmark's emissions of greenhouse gases. Between now and 2030, DSB will make a significant contribution to ensuring that the transport sector's CO_2e emissions are reduced, and that Denmark can realise its climate targets.

The investments in the new train coaches, electric trainsets and workshops are key parts of DSB's sustainability strategy and will form the basis for taking out financing over the coming years. DSB views green bonds as a key instrument for directing capital to projects with positive environmental impact and thereby contribute to both national and international climate targets.

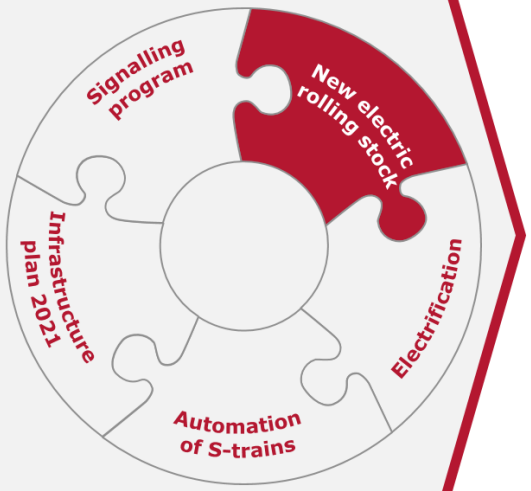
By establishing a Green Bond Framework, aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), DSB will support the financing or refinancing of projects that enable climate change mitigation in the transport sector, facilitating investor interest for greener assets in a transparent way. Thereby, DSB is making the link between its sustainability, business and financing strategies explicit, and displays the ambition to include sustainability in the core processes.

The Danish railway sector face a major transformation towards 2040, which will require significant investments. DSB's investments in new electric rolling stock forms a central role in the future railway infrastructure, as further specified below.

In the coming years, DSB will invest a significant amount in purchasing new electrically powered trainsets. DSB has already invested in 42 electric locomotives and, by 2030, DSB will invest in a minimum of 100 new electric trainsets and major overhauls - including the purchase of rotables and spare parts. The investments make it possible to phase out the diesel-powered train operations and make a significant contribution to reducing CO_2e emissions from train operations.

As the transition is made from diesel trains to electric rolling stock, new and more energy-efficient workshops will be established that will also have a positive impact on CO_2e emissions associated with DSB's other operations. All new green workshops will be built in accordance with the requirements for sustainable construction and certified accordingly.

Massive investments in the railway sector towards 2040...



...and DSBs acquisitions for new rolling stock forms a central role in the future railway infrastructure

New litra types


Coradia Stream electric trains


Vectron electric locomotives

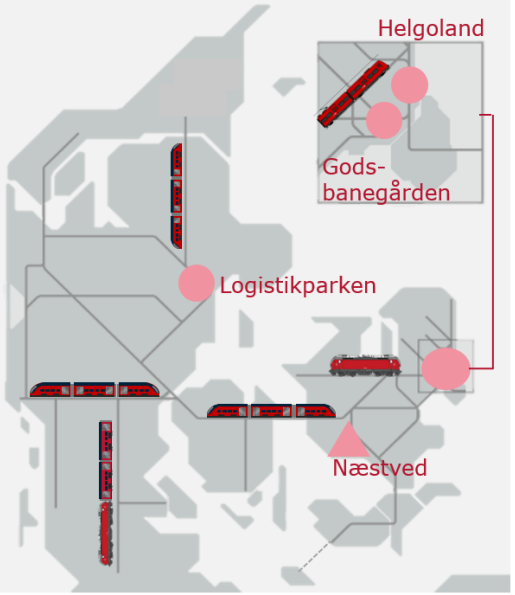

Automated S-trains


Talgo coaches

New Green Workshops


New workshops for maintenance of new electric trains

New workshops for maintenance of new coaches and electric locomotives



DSB in the context of the EU Taxonomy Regulation

The EU Taxonomy Regulation[1)] is a common European classification system for economic activities. It is intended to contribute towards achieving the EU's environmental goals. For DSB, greater standardisation of the ESG reporting and a classification of sustainability in relation to the EU Taxonomy is a positive and necessary development which should contribute towards transparency across industries and sectors.

In 2022, DSB for the first time calculated the proportion of activities being EU taxonomy-aligned. DSB has taken a 'precautionary approach' to the work concerning the implementation of the EU Taxonomy Regulation. Details can be found in the latest Annual Report.

As a railway corporation, DSB is covered by the requirements to report under the category of 'Transporting & Storage' (NACE H49.10 and H52.21), this entails DSB's main economic activities included in the EU taxonomy definitions under 6.1 Passenger interurban rail transport and 6.14 Infrastructure for rail transport, and associated screening criteria.

DSB's economic activities are assessed in relation to whether they contribute to climate change mitigation and in relation to the principle of doing no significant harm to the other environmental objectives and carried out in accordance with the minimum safeguards.

When assessing potential projects to be financed with green bond proceeds under this framework, DSB will utilise its existing process for reporting in accordance with the EU Taxonomy Regulation and subsequently prioritise financing and refinancing of projects that are considered to be aligned with the EU Taxonomy.

To provide investors with transparency, DSB further intends to report on the EU Taxonomy alignment of the projects financed in the annual Green Bond Report.

[1)] Commission Delegated Regulation (EU) 2021/2139 of June 4 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Use of proceeds

An amount equal to the net proceeds of the green bonds will finance or refinance, in whole or in part, investments undertaken by DSB or its subsidiaries, in each case as determined by DSB in accordance with the green project categories defined below (Eligible Green Projects). Refinancing is defined as existing Eligible Green Projects financed prior to the reporting year of a new green bond issuance.

Capital expenditures shall qualify without a specific look-back period, while operating expenditures will qualify with a maximum three-year look-back period prior to the issuance of the green bond.

Where feasible, DSB will prioritise Eligible Green Projects that are considered to be aligned with the EU Taxonomy. Green bond net proceeds will not be allocated to activities that are dedicated to the transport or storage of fossil fuels.

Green Projects	Eligibility criteria	Contribution
Clean transportation 	**Passenger transport by rail** → Investments in new train coaches and electric trainsets, and major overhauls, improvements and maintenance of existing rolling stock, with zero direct (tailpipe) CO_2 emission **Infrastructure for rail transport** → Investments in infrastructure for rail transport and associated subsystems, where the activity is connected to electric train operations, including among other things, stations, terminals and rail service facilities. **Workshops** → Investments in new green workshops that are dedicated to maintenance of electric locomotives and trainsets and which will at minimum have, or are designed to achieve, a DGNB Gold certificate for sustainable construction or equivalent certification	**EU substantial contribution** Climate change mitigation **EU Taxonomy Activities** 6.1 Passenger interurban rail transport 6.14 Infrastructure for rail transport **NACE Code** H49.10 and H52.21 **SDG contribution** 
Renewable energy 	**Solar power** → Investments in solar photovoltaic (PV) technology, such as on-site solar rooftop panels	**EU Taxonomy Activities** 7.6. Installation, maintenance and repair of renewable energy technologies **NACE Code** D35.11 **SDG contribution** 

Applying the EU Taxonomy

The table below outlines DSB's approach for applying the Do No Significant Harm criteria and Minimum Safeguards in regard to DSB's main activity 6.1 Passenger interurban rail transport.

Environmental Objective	DSB's approach
Climate change adaptation Robust climate risk and vulnerability assessment based on the following steps: i. Screening of the activity to identify relevant physical climate risks ii. Risk and vulnerability assessment for identified relevant climate risks iii. Assessment of adaptation solutions to reduce the risks and a plan for implementing them Adaptation solutions implemented should: (i) be consistent with local/regional/national adaptation strategies and plans, (ii) not adversely affect the adaptation efforts of other people, of nature, of cultural heritage, of assets and of other economic activities, and (iii) consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.	DSB's train traffic is run on infrastructure managed by Banedanmark and owned by Banedanmark and Sund & Bælt. Banedanmark, in collaboration with the railway companies in Denmark, has drawn up contingency plans to ensure that the consequences on traffic are known and that these contingency measures are reasonably quick to implement, thus reducing consequences as much as possible. The UN climate forecasts have been translated into Danish conditions by the Danish Meteorological Institute and made available through a climate atlas displaying the various climate changes. This shows the consequences for RCP4.5 - an intermediate scenario from the UN - and RCP8.0 - a pessimistic scenario from the UN - as well as for different time horizons.
Sustainable use and protection of water and marine resources N/A	Sustainable use and protection of water and marine resources is not relevant in relation to passenger transport by rail, see annex 1, section 6.1 Passenger interurban rain transport of Council Regulation (EU) 2020/852.
Transition to circular economy Measures are in place to manage waste in accordance with the waste hierarchy, in particular during maintenance.	DSB is working towards the goal of reducing the amount of waste and ensuring that the largest possible proportion is recycled. DSB has set a strategic goal for 2030 of at least 90 percent of waste is recycled. Currently, DSB has waste collection at all workshops and at construction and development projects, as well as collection of wastepaper at the administrative workplaces. Continuously, new steps will be taken in line with the development of the waste sector and with regard to handling new divisions of waste.
Pollution prevention and control Engines for the propulsion of railway locomotives (RLL) and engines for the propulsion of railcars (RLR) comply with emission limits set out in Annex II to Regulation (EU) 2016/1628 of the European Parliament and of the Council.	DSB is working actively to reduce pollution from the company's activities. The transition from diesel to electric train operations will cause a reduction in air pollution and reduce the risk of soil contamination in connection with refuelling of diesel. The electric locomotives and trainsets emit neither diesel particles nor NOx and are crucial to achieving DSB's environmental goal of 'No particle emissions from the locomotives' engines - avoiding environmental impact'.
Protection and restoration of biodiversity and ecosystems N/A	The protection and restoration of biodiversity and ecosystems is not relevant in relation to passenger transport by rail, see annex 1, and page 135 of Council Regulation (EU) 2020/852.
Minimum safeguards The activity must be carried out in accordance with a number of minimum guarantees including the OECD guidelines for multinational companies and the UN's guiding principles on business and human rights - including basic principles and rights established under the auspices of the International Labour Organization and in international instruments on fundamental human rights.	DSB adheres to fundamental human rights law and norms cf. the UN Declaration of Human Rights and the European Convention on Human Rights and supports ILO Convention 94. In addition, DSB follows the OECD guidelines for multinational corporations.

Process for Project Evaluation and Selection

DSB has designed and implemented a process to ensure that only projects aligned with the eligibility criteria set out in this Framework will be selected as Eligible Green Projects for its green bonds. Eligible Green Projects to be financed with proceeds from DSB's green bonds will be evaluated, selected, and prioritised by DSB's Capex Board, in line with its decision process.

The Capex Board's task is to ensure that DSB makes investments that provide the most value for the company. The Capex Board consists of DSB's group management and decides whether potential projects are to be approved for investment. A decision to allocate green bond net proceeds will require a consensus decision in the Capex Board.

As part of the decision process, new and existing investments will be prepared and presented as a business case and be nominated to the Capex Board as a potential green project. Proceeds from green bonds will be used exclusively to projects that meet the eligibility criteria outlined in this Framework and evaluated to support DSB's environmental goals and applicable policies and guidelines. Further, the Capex Board ensures that environmental and social risks has been addressed through adherence to existing group-wide policies and procedures. To this end, the Capex Board will evaluate the project's overall environmental impact, eligibility and risk.

Management of proceeds

An amount equal to the net proceeds of the green bonds will finance or refinance Eligible Green Projects, as defined in this Framework. To manage the proceeds, DSB has established a Green Register. The net proceeds will be earmarked against the portfolio of Eligible Green Projects identified in the Green Register. At the end of each year, the proceeds will be reduced by the amount invested in Eligible Green Projects and the Green Register will be reviewed to account for any reallocation.

In the event that the total outstanding net proceeds cannot be immediately and fully allocated, or if an Eligible Green Project is sold, or for other reasons loses its eligibility, proceeds will temporarily be placed in DSB's general liquidity reserve and managed according to DSB's financial policy, until reallocated to other Eligible Green Projects.

Reporting

To enable the monitoring of performance and provide insight into prioritised areas, DSB will annually publish an allocation and impact report ("Green Bond Report") until full allocation of the net proceeds, and in the event of any material changes, until the relevant maturity date of the green bond issued. The Green Bond Report will be available on DSB's website www.dsb.dk.

The Green Bond Report may include methodology, baselines and assumptions used in the impact calculations. The impact reporting can to some extent be aggregated, and based on DSB's share of each project, where feasible and subject to data availability.

Allocation reporting
The allocation reporting will include:
- A list of projects financed, including project descriptions and allocated amount
- Distribution between new financing and refinancing
- The amount of unallocated proceeds, if any

In addition, DSB intends to report on the EU Taxonomy alignment of the projects financed.

Impact reporting
Impact indicators that may be reported:
- Number of new trains financed and deployed
- Annual GHG emissions avoided (tonnes of CO_2e emissions)
- Particle emissions avoided
- Type and achieved level of certification for workshops

External review

S&P Global Ratings has provided a second party opinion to this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles.

An independent verifier, appointed by DSB will on an annual basis until full allocation, verify the internal tracking method and the allocation of funds from the green bond proceeds. Gradually, DSB's EU taxonomy reporting will be externally audited, as part of the Annual Report. In the event that the green bond proceeds is assessed to be fully allocated to EU taxonomy aligned investments, the post-issuance review may, in lieu, be subject to this audit process.

The Green Bond Framework and the second party opinion will be publicly available on DSB's website, together with the post-issuance review and the Green Bond Report once published.