SEPTEMBER 2020

POLICY FOR FINANCING/INVESTMENTS COVERED BY DENMARK'S GREEN FUTURE FUND

1. BACKGROUND AND PURPOSE

The Danish Government, the Danish Social-Liberal Party *(Radikale Venstre)*, the Socialist People's Party *(Socialistisk Folkeparti)*, the Danish Red-Green Alliance *(Enhedslisten)* and the Alternative *(Alternativet)* have decided to establish Denmark's Green Future Fund (the "Future Fund") with a total capacity of DKK 25 billion. Of this amount, DKK 14 billion have been allocated to the Danish Export Credit Agency (*EKF - Danmarks Eksportkredit*), DKK 4 billion to the Danish Growth Fund (*Vækstfonden*), DKK 6 billion to the Danish Green Investment Fund (*Danmarks Grønne Investeringsfond (DGIF)*) and DKK 1 billion to Denmark's Investment Fund for Developing Countries (*Investeringsfonden for Udviklingslande (IFU)) (hereafter referred to as* the "Institutions" or the "Institution" when concerning matters related to the individual institution].

The purpose of this Policy is to establish the framework for the Institutions' decisions regarding the use of funds allocated to the Institutions for financing and/or investments under the Future Fund.

2. THE PURPOSE OF THE FUTURE FUND

The purpose of the Future Fund is, through investments/financing from the "Institutions" to promote national and global green transition, including the development and diffusion of new technologies, the transformation of energy systems to renewable energy, storage and efficient use of energy, etc., and to promote global export of green technologies, such as in the fields of wind and energy efficiency solutions. The investments/financing of the Future Fund will contribute to achieving the Paris Agreement's temperature goals along with realisation of national climate objectives. The investments/financing will thus, actively finance and invest in measures to reduce the impact on climate, nature and environment, including measures targeted at water scarcity, food shortages and sustainable food production. Investments and financing through funds from the Future Fund will furthermore contribute to achieving the UN Sustainable Development Goals, and no financing of or investments in enterprises based in tax havens will take place, in accordance with EU decisions and guidelines as applicable at any time in this regard.[1]

3. INVESTMENT AND FINANCING CATEGORIES

The Institutions may finance or make investments in activities which, at the time of investment or financing, promote or have a clear potential for supporting the green transition while at the same time complying with the law as applicable at any time covering the activity in question. The expected $CO2_e$ reduction of the activities intended to be financed or invested in will in all relevant cases, to the extent possible, be included in the assessment of whether the activity falls within the purpose of the Fund. However, the Fund will also finance or invest in projects that, for example, promote the green transition, contribute to the protection of nature, climate and environment and/or are targeted at water scarcity and food shortages. The financing/investments of the Institutions comprise two investment and financing categories:

Category 1 - environmentally sustainable activities.

This category comprises financing of or investments in economic activities that are qualified as environmentally sustainable pursuant to the EU taxonomy.[2]

Category 2 - other green activities.

This category comprises financing of or investments in economic activities that are not covered by Category 1 but which pursuant to certain assessment criteria are assessed to promote national or global green transition.

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[1] This means that no investments in/financing of funds or enterprises can be made if the funds or enterprises at the time of investment are resident in a country included in the EU list of non-cooperative jurisdictions for tax purposes or expect to use such countries in connection with the structuring of their investments, see https://eur-lex.europa.eu/legal-content/DA/TXT/PDF/?uri=CELEX:52020XG0227(01)&from=en.

[2] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

Category 1 *- Financing of or investments in economic activities that qualify as environmentally sustainable pursuant to the EU taxonomy*

The EU taxonomy for sustainable investments lays down a number of specific requirements for the financing of or investments in economic activities which must be complied with in order for the solutions to qualify as environmentally sustainable.

The financing of or investment in an economic activity qualifies as sustainable pursuant to the EU taxonomy if it satisfies the following four conditions:

a) contributes substantially to one or more of the environmental objectives below which are set out in Article 9 of the Regulation in accordance with Articles 10 to 16;
b) does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17;
c) is carried out in compliance with the minimum safeguards laid down in Article 18; and
d) complies with technical screening criteria that have been established by the Commission in delegated acts.

The environmental objectives of the Regulation are the following:

e) climate change mitigation;
f) climate change adaptation;
g) the sustainable use and protection of water and marine resources;
h) the transition to a circular economy;
i) pollution prevention and control;
j) the protection and restoration of biodiversity and ecosystems.

If an economic activity qualifies as environmentally sustainable pursuant to the EU taxonomy and falls within the purpose of the Future Fund, the Institution may rely on such qualification for the assessment of whether the activity is covered by Category 1.

Category 2 *- Financing of or investments in economic activities that are not covered by Category 1 but which pursuant to certain assessment criteria are assessed to promote national or global green transition.*

Any investment/financing must be assessed according to the following assessment criteria:

Assessment criterion 1 - categories

The main purpose of the economic activity that is the subject of the Institution's financing/investment must support the overall objectives of the Future Fund and fall within at least one of the six
categories:

1. Solutions with the potential to reduce greenhouse gas emissions nationally and/or internationally. The point in time when the effect will be realised will be included in the assessment.
2. Solutions able to increase energy and resource efficiency in respect of the value chain, either in whole or a part thereof, for example through circular economy.
3. Solutions that decouple the use of fossil raw materials and fossil-based materials in respect the value chain, either in whole or a part thereof.
4. Solutions that promote, protect and/or support climatic, environmental and natural conditions, including the use of water resources, biodiversity and other ecosystem services.
5. Solutions that address food shortages and/or water scarcity and/or other climatic, environmental and natural challenges in the food and water sectors.
6. Enabling solutions, including symbioses and sector cooperations, that facilitate and accelerate other green solutions.

Assessment criterion 2 – contribute to at least one environmental objective

The economic activity that is the subject of the Institution’s financing/investment must present a substantive contribution to achieving at least one of the following environmental objectives:

1. climate change mitigation;
2. climate change adaptation;
3. the sustainable use and protection of water and marine resources;
4. the transition to a circular economy;
5. pollution prevention and control;
6. protection and restoration of biodiversity and ecosystems.

Assessment criterion 3 - the better environmental option than the displaced alternative

The economic activity that is the subject of the Institution’s financing/investment must be an enabling or supporting activity that allows the scaling of other green solutions, or it must have unique green aspects that result in a significantly reduced environmental footprint in at least one tier in the value chain as compared to the displaced alternative solutions.

Assessment criterion 4 - no significant harm to other environmental objectives

The economic activity that is the subject of the financing/investment must not cause any significant adverse impact on any of the environmental objectives set out under assessment criterion 2.

Assessment criterion 5 - compliance with minimum safeguards

The enterprise carrying out the economic activity that is the subject of the Institution's financing/investment must have procedures in place that ensure compliance with relevant minimum safeguards as set out in the OECD Guidance for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO declarations on Fundamental Principles and Rights at Work.

The Institution will complete a documented assessment of whether an economic activity complies with assessment criteria 1-5 above.

4. DOCUMENTATION AND CONTROL

When establishing requirements and conditions in relation to financing of or investments in economic activities covered by categories 1 or 2, the Institution will take into account the principle of proportionality[3] as well as experience and practice from other institutions covered by the Future Fund.

The Institution will prepare documentation as a basis for financing of or investments in economic activities covered by categories 1 or 2 which enables the Institution to verify whether the terms and conditions for financing or investments are complied with at all times.

The Institution will carry out random checks of the financing and investments made in order to verify that the agreed terms and conditions are complied with.

In the case of investments in funds, accelerators, etc., the institution responsible must be reassured in the due diligence process that such fund can play a key role in promoting businesses and projects that fall within the scope of the EU taxonomy for sustainable investments or the supplementary assessment criteria set out above.

5. GUIDELINES, COORDINATION AND REPORTING

For all four institutions under the Future Fund, it is a requirement that all transactions are compliant with the UN Guiding Principles on Business and Human Rights which define what governments and businesses should do to avoid and to address adverse impacts on human rights.

The institutions must also comply with the UN Global Compact, which is the largest

[3] According to the principle of proportionality, where less intrusive measures are adequate to achieve the objective, recourse must be had to such measures rather than more onerous measures, and a given measure must not go beyond what is necessary in order to achieve the objective.

initiative in the world regarding corporate social responsibility. Finally, all four institutions must comply with the OECD Guidelines for Multinational Enterprises which specify principles and standards for responsible business conduct, including how businesses should minimise the potential adverse impact of their activities.

The Institution will coordinate with the other institutions under the Future Fund and contribute to an overall exchange of experience and reporting to the Advisory Board of the Future Fund. As part of the annual reporting to the Advisory Board, institutions must report on the total $CO2_e$ effect of their activities under the Fund. The national and global $CO2_e$ effects of the activities financed by the funds are subject to separate reporting.

The Institutions report individually to their respective boards on the financing/investments covered by this Policy.

The boards of the Institutions will inform the relevant minister in accordance to the governance of the Institution about financing/investments covered by this Policy in accordance with the general rules of the statutes of the Institution.

The boards of the Institutions will review this Policy once a year in the light of the Institution's financing/investments covered by this Policy and present suggestions to amendments of the Policy.

6. ENTRY INTO FORCE AND AMENDMENTS

This Policy will become effective on September 14, 2020 and will apply to decisions on investment/financing made by the Institutions after the effective date.

Amendments to the policy are subject to the approval of the Minister for Industry, Business and Financial Affairs as well as the boards of the Institutions.

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