

Green Framework Alignment Opinion

## Dana Inc. Green Financing Framework

April 29, 2021

### Green Financing Framework Overview

In our view, Dana Inc.'s green financing framework, published in April 2021, is aligned with the four components of the Green Bond Principles (GBP) and Green Loan Principles (GLP). Dana is a global provider of power-conveyance and energy-management solutions for vehicles and machinery. The company's offerings include a broad array of products that enable the propulsion of conventional, hybrid, and electric-powered vehicles. The main objectives of Dana's green financing framework correspond with its key environmental commitments: improve the environmental performance and efficiency of its product portfolio (largely through investments in vehicle electrification products and technologies) and minimize the environmental impacts of its own operations, including its carbon footprint, waste generation, and water use. A wide range of financial instruments including green bonds, green loans, green hybrids, and other green financial transactions may be issued under the framework.

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### Framework Alignment Overview



#### 1. Use of proceeds

Dana's green financing framework is aligned with this component of the GBP and GLP because it commits to using net proceeds of financing issued under the framework to finance eligible green projects that fit into the categories defined in the principles, specifically clean transportation, renewable energy, sustainable water and wastewater management, and green buildings.



#### 2. Process for project evaluation and selection

Dana's green financing framework is aligned with this component of the GBP and GLP because the issuer outlines how its Green Financing Committee (the committee) approves and oversees the eligible project portfolio. The committee ensures compliance of selected projects with the framework and excludes projects that do not fit into the defined eligibility criteria.



#### 3. Management of proceeds

Dana's green financing framework is aligned with this component of the GBP and GLP because the issuer commits to track the net proceeds issued under its framework until they have been fully allocated. Dana will monitor the allocation of net proceeds via its internal information systems.



#### 4. Reporting

Dana's green financing framework is aligned with this component of the GBP and GLP because the issuer intends to report on the allocation of proceeds and environmental impact of the financed projects. Dana will publish an annual allocation and impact report until the proceeds are fully disbursed and, in the event of any material changes, as needed until maturity of the instrument.

## Issuer Sustainability Objectives

Dana has a comprehensive sustainability agenda that focuses on improving the greenhouse gas (GHG) emissions performance of the products it manufactures as well as minimizing the environmental impact of its own operations. To achieve its first aim, Dana is actively enhancing its vehicle electrification product portfolio—largely through acquisitions, joint ventures, and new customer collaborations—while also developing new electrification and hybridization products. The company is also working to reduce its own environmental footprint by implementing energy efficiency improvements across its manufacturing operations, investing in renewable energy projects, and exploring ways to reduce water use. For example, the company recently announced a goal to reduce its annual GHG emissions 50% by 2035 from a 2019 baseline. In addition to its stated environmental objectives, Dana is also highly focused on engaging with its customer base and developing products and services which meet evolving customer needs.

## Framework Description

### 1. Use of proceeds



The GBP and GLP stipulate(s) that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green projects. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, and 5) pollution prevention and control.

Dana has committed to allocating net proceeds of financing issued under its framework exclusively to eligible green projects. In our view, the four categories stated in Dana's green financing framework—clean transportation, renewable energy, sustainable water and wastewater management, and green buildings—meet the GBP's and GLP's environmental objectives. Dana plans to allocate more than half of the proceeds to clean transportation projects, with a large focus on improving the environmental impact of the company's products and reducing downstream emissions and air pollution. Clean transportation projects include investments in products and systems which promote the electrification of vehicles (e.g. electric motors and inverters, electric vehicle systems, e-powertrain systems, e-axles, thermal management capabilities, and metallic bipolar plates for fuel cells). In our view, these projects contribute to the GBP objectives of climate change mitigation and pollution prevention and control. The company's efforts to reduce its own carbon footprint through renewable energy projects (development and installation of solar power for its operations and a virtual power purchase agreement to offset its carbon emissions) and green building projects (construction or refurbishment of buildings that have or will get a green building certification) also contribute to the GBP climate change mitigation objective. Finally, eligible green projects related to reducing water use in Dana's operations such as the introduction of water-recycling and water treatment technologies, contribute to the GBP objectives of pollution prevention and control as well as resource conservation.

## 2. Process for project evaluation and selection



To align with the second component of the GBP and GLP, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the overall sustainability objectives that underpin the selection process.

Dana's green financing framework includes a description of its process to approve and oversee eligible projects. Dana has established a Green Financing Committee, which is responsible for evaluating the alignment of projects with the framework's eligibility criteria and Dana's policies and procedures. The chair of the committee is its Chief Sustainability Officer and the committee consists of senior members of Dana's Sustainability and Social Responsibility Leadership Council including members from finance, legal, and operations. The committee is responsible for annually reviewing the list of financed green projects, removing projects that no longer comply with the framework, and substituting removed projects with new options. Dana has committed in the framework not to finance any activities related to fossil fuel energy, nuclear energy, or investments related to pure Internal Combustion Engines.

## 3. Management of proceeds



The GBP and GLP require a seeker of finance to monitor the net proceeds of all outstanding green transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green projects. The GBP and GLP also require a seeker of finance to disclose to investors the intended types of temporary placement they intend to use for unallocated proceeds.

Dana's green financing framework outlines its plan to allocate an amount equivalent to all proceeds from green financing instruments issued under the framework to finance or refinance eligible projects, assets, and expenditures.

Dana will monitor the allocation of proceeds via its internal information systems. Dana's treasury department will ensure that the value of eligible green projects meets or exceeds the total amount of green financing issued. The issuer aims to allocate all funds to eligible projects within 48 months of the green financing's issuance date. Unallocated proceeds will be held in line with Dana's standard liquidity management practices until fully disbursed.

## 4. Reporting



The GBP and GLP stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a

Dana has committed to report on the allocation of proceeds and, where feasible, on the environmental impact of the financed projects. Dana will annually report this information in a dedicated allocation and impact report until the net proceeds are fully allocated and, in the event of any material changes, on an as-needed basis until the instrument matures. Allocation reporting will include the total value of

list of the projects that receive financing, a description of each project, including the amount allocated to each project, and their expected environmental impact.

net proceeds of outstanding green financing instruments, the distribution of net proceeds by eligible project category, a description of the projects, allocation of proceeds between existing projects (refinancing) and new projects, and the remaining balance of unallocated proceeds, if any. Dana has also selected a set of environmental impact metrics that it will use to quantify its performance against each eligible project category, where feasible. For example, energy efficiency metrics include GHG emissions avoided due to clean transportation projects and the percentage reduction in GHG emissions as a result of renewable energy projects. Additionally, the percentage improvement in water use efficiency will be used as a measure of impact for projects included in the sustainable water and wastewater management category.

## Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the GBP and GLP and goes beyond minimum requirements. This section does not impact on our alignment opinion with the stated principles.

Dana's green financing framework follows the voluntary guidelines provided by the GBP and GLP. In some cases, the framework goes beyond the requirements of the GBP and GLP. The key strengths of the framework include:

- The use of proceeds clearly outlines the rationale for the selected eligible categories, which helps demonstrate the potential environmental benefits associated with selected projects. In addition, the framework maps eligible project categories to relevant SDGs.
- Dana will disclose the allocation of proceeds between existing projects (refinancing) and new projects.
- Dana follows the GBP's and GLP's recommendation to provide an impact report of the environmental projects funded with the proceeds of green transactions. It outlines impact indicators for each eligible project category and commits to report those indicators annually until the net proceeds are fully disbursed.
- Dana will annually obtain assurance from its external auditor that the allocation of net proceeds remains in compliance with its framework. The external review helps ensure proceeds are properly tracked and allocated and thereby supports the integrity of financing issued under the framework.
- The framework outlines that eligible green building projects should meet a minimum green building certification, such as BREEAM, LEED, or similar recognized national or international standards.

In contrast to the above strengths are the following limitations:

- Although Dana will disclose impact indicators in its annual report, it has not committed to disclose the underlying methodology to calculate the actual or expected impact of the projects financed.















## Conclusion

Based on our assessment of the contents of Dana's green financing framework, we regard this framework as being aligned with the four components of the GBP and GLP given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds of financing instruments to eligible green projects, as defined by the seeker of finance;
- Use clear "green" criteria (as defined by the seeker of finance) to select projects for funding;
- Manage and track proceeds; and
- Commit to regular reporting of the environmental impact and use of proceeds.

## Mapping To The UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by the year 2030. Dana's Green Financing Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs					
<i>Clean Transportation</i>						
	<b>9. Industry, innovation and infrastructure</b>	<b>11. Sustainable cities and communities</b>	<b>13. Climate action</b>			
<i>Renewable Energy</i>						
	<b>7. Affordable and clean energy</b>	<b>8. Decent Work and Economic Growth</b>	<b>9. Industry, innovation and infrastructure</b>	<b>11. Sustainable cities and communities</b>	<b>12. Responsible consumption and production</b>	<b>13. Climate action</b>
<i>Sustainable Water and Wastewater Management</i>						
	<b>6. Clean water and sanitation</b>	<b>11. Sustainable cities and communities</b>	<b>12. Responsible consumption and production</b>			
<i>Green Buildings</i>						
	<b>11. Sustainable cities and communities</b>	<b>13. Climate action</b>				

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