



Nykredit

**Nykredit
Group**

**Together
we are more**

**Corporate Responsibility
Report 2019**

Nykredit

Contents

Foreword by Group Chief Executive Michael Rasmussen	5
Nykredit – a lender to people and businesses all over Denmark	6
Nykredit's corporate responsibility	12
Stronger governance	14
The Sustainable Development Goals as our guide	15
New principles for responsible banking	16

1. We will support development and growth in all of Denmark

Development and growth throughout Denmark	19
---	----

2. We will actively support sustainable development

Sustainable housing	29
Sustainable businesses and properties	31
Sustainable agriculture	36
Responsible investment	38

3. Responsible business practices

A greener Nykredit	45
Responsible business conduct	51
Initiatives to combat financial crime	54
Data security	56
Staff	63
Diversity and inclusion	66
Principles and policies governing our work	70
Key figures for corporate responsibility	72
GRI-reporting	86



This report forms the Nykredit Group's:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Report on corporate responsibility, see section 135 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
3. Report on the gender composition of management, see section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) standards, and Nykredit's GRI Index is included at the end of the report.

Foreword by Group Chief Executive Michael Rasmussen

Dear reader

2019 was indeed the year of the climate. This was true globally, locally and in the financial sector, and in much of 2019, Nykredit sought to define how we as a customer-owned financial provider best contribute to a sustainable future to the benefit of the climate.

This report gives a detailed account of our corporate responsibility performance and the three most important steps we have taken towards sustainability in 2019.

Corporate responsibility – a key objective in our updated strategy

Being owned by our customers, we aim to benefit our customers and the society we are a part of. That is at the core of our DNA. In 2018 we adopted three main themes that set the course for our future corporate responsibility commitment. The three main themes are described in detail in this report.

In September 2019 we went one step further and incorporated corporate responsibility into Nykredit's updated strategy, Winning the Double 2.0. The strategy consists of three overarching objectives, and the third objective reads: "We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark".

This objective sets out to ensure that we give priority to corporate responsibility on an equal basis with the strategy's other objectives regarding Nykredit's and Totalkredit's positions in the market. Also, the objective is to ensure that Nykredit will continue operating its business in alignment with societal goals and international principles. The UN Sustainable Development Goals and the Paris Agreement remain central benchmarks for our

business practices, and we will continue to support and comply with the Ten Principles of the UN Global Compact.

Reducing our carbon footprint

We are working across the Nykredit Group to identify ways of contributing to the green transition. Climate change affords new opportunities as well as new risks. We strive to integrate both in our risk management, credit assessment practices and investment processes.

In 2019 Nykredit reached its 2020 target of reducing the Group's carbon emissions by 65% relative to the level of 2012. This provides a good starting point for our ambition to contribute to reducing the carbon footprint of the activities we finance and invest in. We will concentrate our efforts on the areas in which we have the strongest impact: buildings, businesses and agriculture.

We can promote sustainable solutions through customer dialogue and a sustainable product range. In 2019 we took the first steps when we launched a special discount on car loans for electric and hybrid cars, issued green bonds and offered responsible investments through Nykredit's Nordic Swan Ecolabelled fund "Bæredygtige Aktier".

We openly discuss our dilemmas

The world should have confidence in Nykredit at all times, and we are strongly committed to building an organisation where everyone at all levels is able to act responsibly and ready to openly discuss and act on dilemmas when and as the need arises.

In 2019, for the first time, we performed a Conduct Risk Self-Assessment as a way to identify ethical dilemmas in our business in a structured process. We have discussed the dilemmas identified across business areas and have, in a few instances, been impelled to give up specific

activities or change our business practices. That exercise has played a key role in our endeavours to ensure strong risk practices and a healthy, open corporate culture.

At Nykredit we look forward to further unfolding our potential for contributing positively to society's key challenges in 2020 and the years ahead. Being a large, customer-owned financial provider, we are confident that we can make a unique difference together with our customers, owners and stakeholders.

Together we are more.



Michael Rasmussen
Group Chief Executive

Nykredit – a lender to people and businesses all over Denmark

Nykredit is the largest lender in Denmark, the largest lender to homeowners and one of the largest lenders to small and medium-sized businesses, the agricultural sector and the housing sector.

Nykredit is unique in the Danish financial landscape being predominantly owned by an association, Forenet Kredit, which represents our customers.

As such, we have a special responsibility for operating our business in ways that create value to our customers and to society.

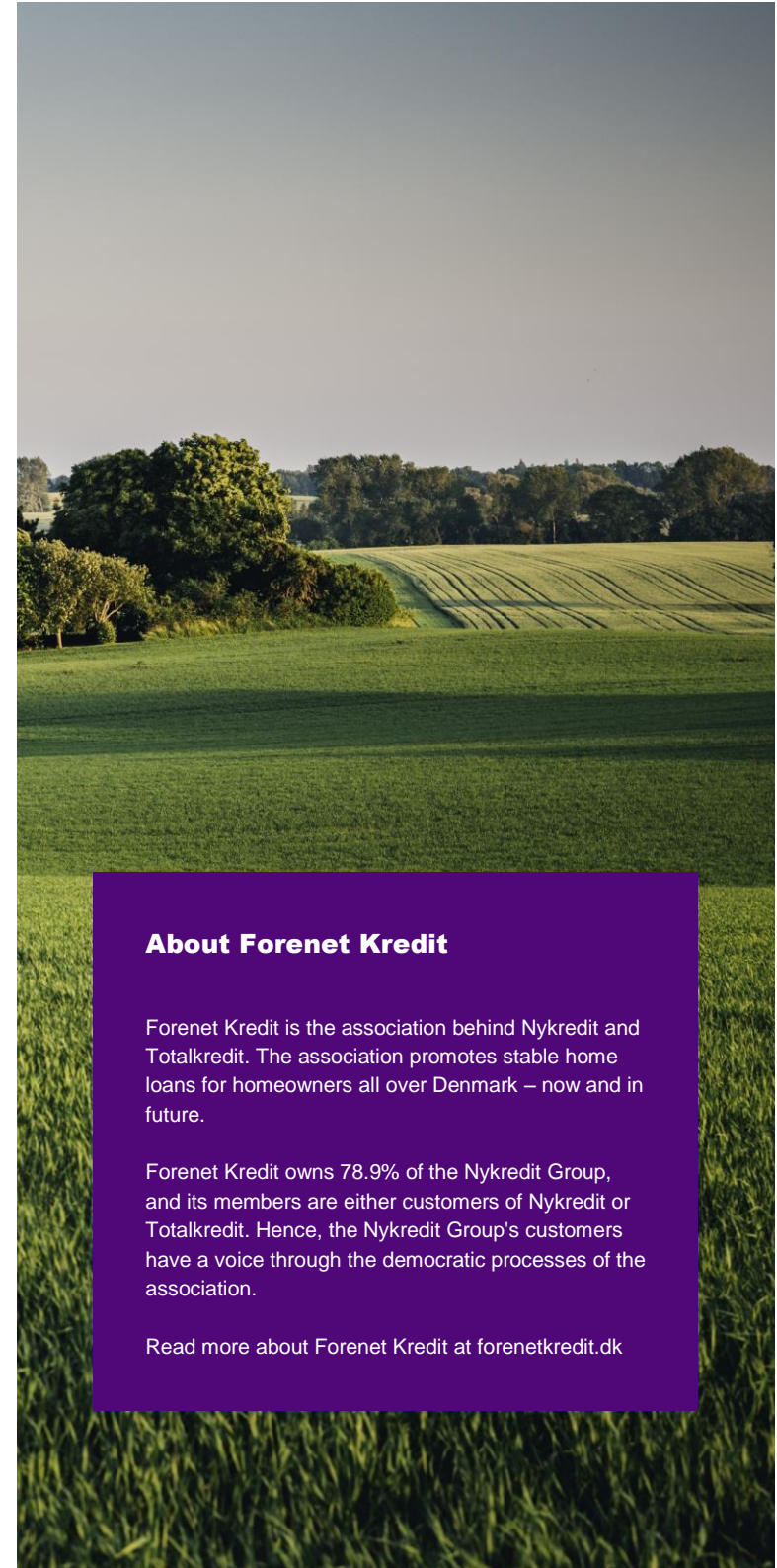
In the following pages, you can read more about the core elements of our business and the foundation of our corporate responsibility: our business model, our core values, our strategy, and what it means to us to be owned by an association.

Nykredit was founded by its customers and is predominantly owned by its customers. This has a significant bearing on our approach to conducting financial business. The fact that we are owned by our customers manifests itself in several ways.

Who are Nykredit's owners?



The investor consortium consists of PFA Pension (10.03%), PensionDanmark (2.40%), PKA (2.40%), AP Pension (1.63%) and MP Pension (0.44%). See the Management Commentary in the latest Annual Report of Nykredit Realkredit A/S for a full Group chart.



About Forenet Kredit

Forenet Kredit is the association behind Nykredit and Totalkredit. The association promotes stable home loans for homeowners all over Denmark – now and in future.

Forenet Kredit owns 78.9% of the Nykredit Group, and its members are either customers of Nykredit or Totalkredit. Hence, the Nykredit Group's customers have a voice through the democratic processes of the association.

Read more about Forenet Kredit at forenetkredit.dk

We have a nation-wide presence

We have made a pledge to be active and support development and growth in all of Denmark. At all times. The Nykredit Group’s capacity to provide loans to homeowners and businesses all over Denmark across economic cycles lies at the core of our corporate responsibility.

Totalkredit, which is a part of the Nykredit Group, provided 68% of all new home loans in areas outside the large cities together with our 52 Totalkredit partners in 2019, and we recorded lending growth in 97 of the 98 municipalities in Denmark.

We share our progress

Forenet Kredit wants the dividend it receives from the Nykredit Group to benefit our customers. The association has therefore decided to make a contribution to the

Group, which Nykredit and Totalkredit may pass on to their customers. As a result, all customers with a Totalkredit mortgage loan are awarded a unique discount (KundeKroner). Thanks to these discounts, customers with a Totalkredit loan at the end of 2019 enjoy the lowest administration margin payments in the market on the loan types most popular among Danish homeowners.

Business customers with a Nykredit mortgage loan receive a similar discount (ErhvervsKroner). The discount is awarded for every million Danish kroner borrowed up to DKK 20 million. Last but not least, we offer homeowners who are Nykredit Bank customers a benefits programme called MineMål.

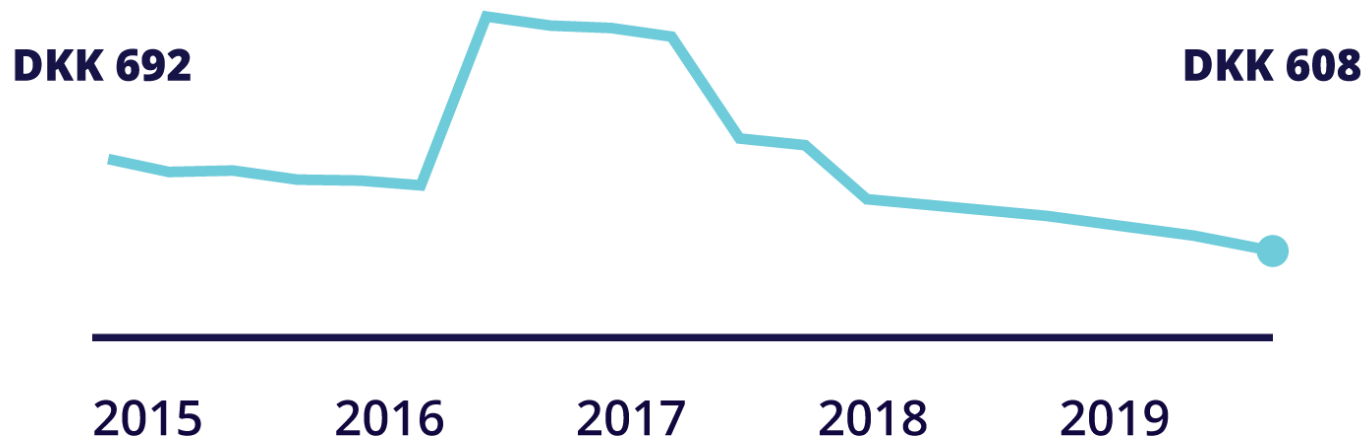
We actively support sustainable development

Owned by its customers, Nykredit has always been

highly dedicated to actively supporting economically and socially sustainable development. In light of rising global warming and accelerating climate changes, the third dimension of sustainability, the climate and the environment, has become an equally important priority for the Group, and we are therefore striving to help meet society's goal of reducing greenhouse gas emissions.

We have reached our goal of reducing the Group's own carbon footprint by 65% since 2012, and together with our customers we are finding ways to finance and invest in sustainable development together. To this end, in 2019 we launched lending and investment products for personal and business customers.

Our customers’ administration margin payments are decreasing



Totalkredit customers receive discounts under the KundeKroner benefits programme. This reduces their administration margin payments, which today average DKK 608 monthly for each DKK 1 million borrowed. This is the lowest level for more than five years.

Sharing our progress in 2019

KundeKroner

KundeKroner discounts* awarded by Totalkredit in 2019:

DKK 1,047 million

ErhvervsKroner

ErhvervsKroner discounts** awarded by Nykredit in 2019:

DKK 283 million

MineMål

MineMål bonuses*** awarded by Nykredit in 2019:

DKK 291 million

* All our personal customers with a Totalkredit mortgage loan receive a KundeKroner discount equal to DKK 1,500 a year for every million Danish kroner borrowed. KundeKroner discounts are guaranteed up to and including 2020.

** All our business customers with a Nykredit mortgage loan receive an ErhvervsKroner discount equal to DKK 1,500 a year for every million Danish kroner borrowed. Business customers with loans exceeding DKK 20 million will receive discounts on the first DKK 20 million. ErhvervsKroner discounts are guaranteed up to and including 2020.

*** Every three months, all Nykredit Bank customers covered by the MineMål programme receive a cash contribution of DKK 250, which is paid into their MineMål account. Contributions are guaranteed up to and including 2020. In Q4 of 2019 Nykredit also paid an extra contribution of DKK 350 to all our MineMål customers.



Nykredit's business model

Main resources

CAPITAL

Our capital position is essential to our capacity to provide loans at all times.
CET1 capital ratio: 19.5%

STAFF

Our 3,515 members of staff are essential to our ability to operate our business and advise our customers.

TOTALKREDIT PARTNERS

Thanks to the 52 local and regional Totalkredit partner banks we can provide mortgage lending all over Denmark.

Core activities

Our Totalkredit partners provide property financing to personal and business customers.

Mortgage lending: **DKK 621 billion**

We finance homes and provide other banking services to personal customers.

Mortgage lending: **DKK 14 billion**
Bank lending: **DKK 11 billion**

We administer investment portfolios for institutional clients, such as pension and investment funds.

Assets under management: **DKK 889 billion**

We provide property, operating and development finance to the agricultural sector.

Mortgage lending: **DKK 89 billion**
Bank lending: **DKK 3 billion**

Estate agency chains in Nybolig and Estate arrange the sale and purchase of residential and commercial property.

We provide wealth management services to both personal and business clients.

Assets under management: **DKK 336 billion**

We provide property, operating and development finance to small and large businesses.

Mortgage lending: **DKK 257 billion**
Bank lending: **DKK 52 billion**

We finance public and cooperative housing.

Mortgage lending for public housing: **DKK 75 billion**
Mortgage lending for cooperative housing: **DKK 37 billion**

Value creation

DEVELOPMENT THROUGHOUT DENMARK

We give homeowners and businesses access to attractive and secure loans throughout Denmark.

Total mortgage lending: DKK 1,263 billion
Total bank lending: DKK 65 billion

CUSTOMERS

Our advisory services help our customers stay on top of their finances and provide them with opportunities and security.

PAYING DIVIDEND TO OUR OWNERS

We pay dividend to Forenet Kredit, our owner consortium of pension funds and the other owners of Nykredit.

WE SHARE OUR PROGRESS

Forenet Kredit may decide to make a contribution to the Nykredit Group, which Nykredit and Totalkredit may pass on to their customers.

KundeKroner discounts awarded by Totalkredit in 2019: DKK 1,047 million
ErhvervsKroner discounts awarded by Nykredit in 2019: DKK 283 million
MineMål cash bonuses in 2019: DKK 291 million

TAX

Tax paid by Forenet Kredit in 2018: DKK 1.3 billion

FINANCIAL STABILITY

Nykredit is a systemically important financial institution and as such plays a significant role in the Danish economy and the housing market.

Corporate responsibility is ingrained in our core values

Nykredit's core value statement, *The Story of Nykredit: Nykredit in Denmark*, describes the Group's historical foundation, which was laid nearly 170 years ago, and defines our ambition, which reaches many decades ahead: We want to be homeowners' first choice and a pillar of strength in the Danish economy. Throughout Denmark, at all times.

We have therefore made six pledges to the communities, our customers, our Totalkredit partners, our staff, our owners and our bond investors.

Corporate responsibility – a key objective in the Group's new strategy

In 2019 the Group's strategy Winning the Double from 2014 was updated under the name of Winning the Double 2.0. Initially, the aim behind Winning the Double was to consolidate the Group's strategic foundation by gaining more full-service customers and by strengthening the Totalkredit alliance. Both ambitions are maintained in the updated strategy.

We are also introducing a new and more explicit ambition to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

Our three overarching strategic objectives are:

1. to secure our future position as market leader in home financing
2. to expand our banking position by gaining more full-service customers
3. to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

The third objective forms the basis of the Group's corporate responsibility efforts in the years ahead.

We have made six specific and long-term pledges to our customers, business partners, society, staff, owners and bond investors:



Pledge to our customers

We will help our customers stay on top of their finances and will provide them with opportunities and security. We want to share their dreams and worries and help them find the right solutions.



Pledge to our business partners

In collaboration with our partners in the Totalkredit alliance, we want to make a difference to our customers by offering attractive products and effective solutions. We will actively develop the partnership to strengthen Totalkredit's combined competitiveness.



Pledge to society

We will be active in all of Denmark and support growth – in urban and rural districts alike. At all times.



Pledge to our staff

We will prioritise development and opportunities for engaged and skilled people. We want to be known for our trusting culture guided by customer focus, team spirit and empowerment.



Pledge to our shareholders

As one of Denmark's largest financial institutions, we will strive to maintain a strong and stable share, delivering attractive risk-adjusted returns and dividends.



Pledge to our bond investors

As one of Europe's largest bond issuers, we will provide a stable and secure investment opportunity for domestic and foreign bond investors.



Nykredit's corporate responsibility



Corporate responsibility is ingrained in our business strategy

As one of Denmark's largest financial providers, Nykredit is committed to actively supporting long-term, stable and sustainable development of society.

The third objective in the Group's updated strategy Winning the Double 2.0 reads:

“We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark.”

The objective aims to ensure that Nykredit's business strategy is at all times in alignment with societal goals. It also aims to ensure that we give priority to corporate responsibility on an equal basis with the strategy's other objectives regarding Nykredit's and Totalcredit's positions in the market.

Efforts to reach this objective build on the three main themes defined by Nykredit's Corporate Responsibility Committee in January 2019:

- Nykredit will actively support development and growth throughout Denmark – at all times.
- Nykredit will actively support sustainable development.
- Responsible business practices.

The focus of the first two main themes is on solving the main societal challenges while creating value for our customers and opportunities for our business.

The third main theme, responsible business practices, focuses on addressing the risk of any negative impacts on society resulting from our business activities.

All three main themes have been translated into a number of prioritised initiatives which will be implemented by the business areas or staff functions charged with driving these initiatives.

In 2019 the initiatives were slightly adjusted, and a separate initiative has been established for the agricultural sector. Agriculture as a sector plays a decisive role in the green transition, and as one of the largest lenders to the sector, Nykredit can greatly influence and contribute to its sustainable development.

The figure on page 13 provides an overview of all three main themes and of prioritised initiatives.

Materiality analysis as a basis of priorities

Nykredit's prioritised corporate responsibility initiatives have been picked on the basis of the materiality analysis of sustainability-related risks and opportunities that we conducted in 2018.

The analysis included the UN Sustainable Development Goals, the Paris Agreement and national objectives in a range of areas as well as our customers' and stakeholders' expectations for areas that Nykredit should address.

This way, we are sure to contribute to solving significant societal challenges through our core business.

Risks

Nykredit's business activities entail certain risks that have an impact on society as well as on our business.

Societal risks include the risk that our activities have a negative impact on society, people, the environment and the climate. One example could be investments in companies that fail to fully meet human rights standards. These societal risks and responses are described in more detail in the individual sections of this report.

Business risks include credit, market, liquidity and operational risks. If we fail to properly manage our business risks, it may have consequences for society. Credit risk, for example, includes the risk of losses on the loans we provide to personal and business customers. If we suffer very significant losses, they may have a negative bearing on our performance and resilience and inhibit our ability to offer loans to people and businesses all over Denmark. Climate-related risks affecting the risk types mentioned are also part of our business risks.

This is why our risk management focuses on financial solutions that are viable for Nykredit and for society in the short and long term. Business risks and our handling of these risks are described in more detail in our [Risk and Capital Management Report](#)

Main themes and prioritised initiatives

NYKREDIT WILL ACTIVELY SUPPORT DEVELOPMENT AND GROWTH THROUGHOUT DENMARK – AT ALL TIMES



Development throughout Denmark

Through our lending practices and new initiatives, we will deliver on our pledge to society to be active and support development and growth in all of Denmark – at all times.

NYKREDIT WILL ACTIVELY SUPPORT SUSTAINABLE DEVELOPMENT



Sustainable housing

We will contribute to reducing energy consumption and greenhouse gas emissions from private homes by developing advisory services and products that incentivise homeowners to invest in healthy and energy-efficient homes.



Sustainable businesses and properties

We will support sustainable development among businesses, housing organisations and property investors through our advisory services and financing of climate-friendly construction and the development of green solutions and initiatives to reduce energy consumption and greenhouse gas emissions.



Sustainable agriculture

We will contribute to the sustainability of individual farmers and develop advisory services and products that support farmers in making sustainable and climate-friendly choices.



Responsible investment

We will develop solutions that encourage more customers to invest responsibly.

RESPONSIBLE BUSINESS PRACTICES



Responsible business conduct

- A healthy and open corporate culture (conduct management)
- Responsible customer advice
- Responsible products and services
- Anti-corruption



Initiatives to combat financial crime

- Contribute to the effort of preventing and putting a stop to money laundering, terrorist financing and tax evasion



Data security

- Secure processing of customer data
- IT security



A greener Nykredit

- Reduction of energy consumption and CO₂ emissions
- Recycling and reduction of waste



Responsible procurement

- Prevent human rights violations and corruption in the supplier chain



Staff

- Staff satisfaction
- Skills development
- Working environment



Diversity and inclusion

- Women in management and on boards
- Equal pay

Stronger governance

Due to the integration of corporate responsibility in our Group strategy Nykredit is strengthening certain aspects of its governance in the area.

It has been decided to integrate corporate responsibility into the Group's governance model and balanced scorecard. Thus, in the course of 2020, clear KPIs and goals must be set for all initiatives.

Responsibility for the prioritised initiatives has been more clearly defined in the business areas charged with driving goals and initiatives.

We have started integrating sustainability more explicitly into Nykredit's risk and credit policies to ensure that the Group systematically addresses new risks and opportunities arising, for example, as a result of climate change.

The framework for our corporate responsibility efforts is described in Nykredit's corporate responsibility policy (in Danish only). The policy covers the entire Group. It is updated annually and approved by the Board of Directors.

The Group Executive Board continues to make up our Corporate Responsibility Committee. The Group Executive Board defines the priorities and goals that form the basis of translating corporate responsibility into initiatives, business procedures, products and processes.

In addition to the overall governance structure, a number of committees play a central role in the decision structure governing Nykredit's corporate responsibility efforts, including:

- **Products Committee** – approves the sustainability assessment of all products introduced in 2019
- **Credits Committee** – decisions relating to integration of ESG, climate and sustainability in the credit policy
- **Green Bond Committee** – decisions relating to green bonds, funding of green activities etc
- **Sustainable Investment Forum** – decisions relating to the investment policy.

Managing Nykredit's corporate responsibility efforts



Responsibility for Nykredit's corporate responsibility commitment is vested with the Board of Directors and the Group Executive Board as well as relevant management support functions and business areas. The Group Executive Board makes up Nykredit's Corporate Responsibility Committee.

The Sustainable Development Goals as our guide



Being a customer-owned financial institution, Nykredit is naturally inclined to contribute to achieving the UN's 17 Sustainable Development Goals (SDGs) adopted by the world's leaders in 2015. The SDGs offer a common language for addressing the main global challenges and how we overcome these challenges together.

In 2018 we integrated the SDGs into our strategic corporate responsibility efforts. The SDGs remain central benchmarks for how Nykredit may contribute to solving main societal challenges. In the summary at the end of each section of the report, we list the SDGs and targets that Nykredit is particularly contributing to through its work.

SDGs in a Danish context

Nykredit's activities in Denmark mainly lie in the area of lending, and in 2018, we selected the five SDGs that play the most central role in Nykredit's work. In Denmark,

Nykredit can be a significant contributor to economic growth and stability, in line with SDG No 8. We contribute to achieving SDG No 11 through financing for the development of sustainable cities and local communities. We can contribute to resolving the climate and energy challenges addressed in SDGs Nos 7 and 13 – through our operations and our business. Nykredit is a systemically important financial institution (SIFI), and our efforts in countering financial crime therefore play a vital role in achieving SDG No 16.

In 2020 we will have special focus on Statistics Denmark's current efforts to establish a Danish SDG baseline. We expect this work to lead to the development of better indicators for our performance in Denmark and harmonisation of efforts across the organisation in alignment with the SDGs.

Investing in the SDGs

Through investments – on behalf of ourselves and our customers – we can influence the development globally and in a wide range of areas. This is why we have focus on all SDGs when making investments. Through our investments, we want to make a positive contribution to achieving the SDGs.

Our main initiative aims to integrate sustainability analyses in our investment processes, whether we invest in equities, bonds or infrastructure projects. The analyses help us make investments that increase our positive impacts while reducing our negative impacts. In 2019 Nykredit was invited to participate in the UNDP's development of processes for investments and SDGs, and we expect these efforts to strengthen our commitment to invest in alignment with the SDGs.

New principles for responsible banking

In 2019 Nykredit signed the UN Principles for Responsible Banking (PRB). The six principles for responsible banking align well with Nykredit's current efforts, and we view the principles as a strong framework for advancing our future corporate responsibility, sustainability and development efforts in all of Denmark.

Implementation of the principles

Signatory banks must implement three key steps within the next four years:

- **Impact Analysis.** The bank must analyse where it has significant positive and negative impacts and where it can realise the greatest positive impacts and reduce significant negative impacts.

- **Target Setting & Implementation.** The bank must set targets that address the significant impacts it has identified.
- **Accountability.** In its reporting, the bank must describe how the implementation of the principles is progressing.

Nykredit is well underway in implementing these steps. Nykredit's corporate responsibility priorities are based on a materiality analysis of the Group's positive and negative impacts on society, and we have launched a series of initiatives to reduce our negative impacts while increasing our positive impacts. These initiatives are described in this report.

We have set clear and time-specific targets for several of these initiatives, including for the Group's own carbon footprint and the representation of women in management. Efforts of setting still clearer targets will continue in 2020 further to the decision to integrate corporate responsibility into the Group's overall governance model.

We will report on how the implementation of these new principles is progressing for the first time in our Corporate Responsibility Report 2020.

The UN's six Principles for Responsible Banking (PRB)



Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the UN Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



Impact & Target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

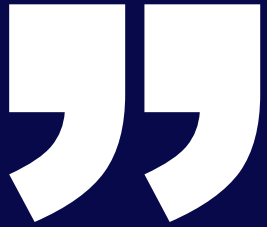


Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

1

**We will support
development and
growth in all of
Denmark**



As market leader in its field, Nykredit has a special responsibility to be present coast to coast. Forenet Kredit's key priority is for Nykredit and Totalkredit to offer fair loans to people and businesses all over Denmark – giving people in Denmark an opportunity to own their own homes and Danish businesses financing for development.”

Nina Smith, Chairman of Forenet Kredit

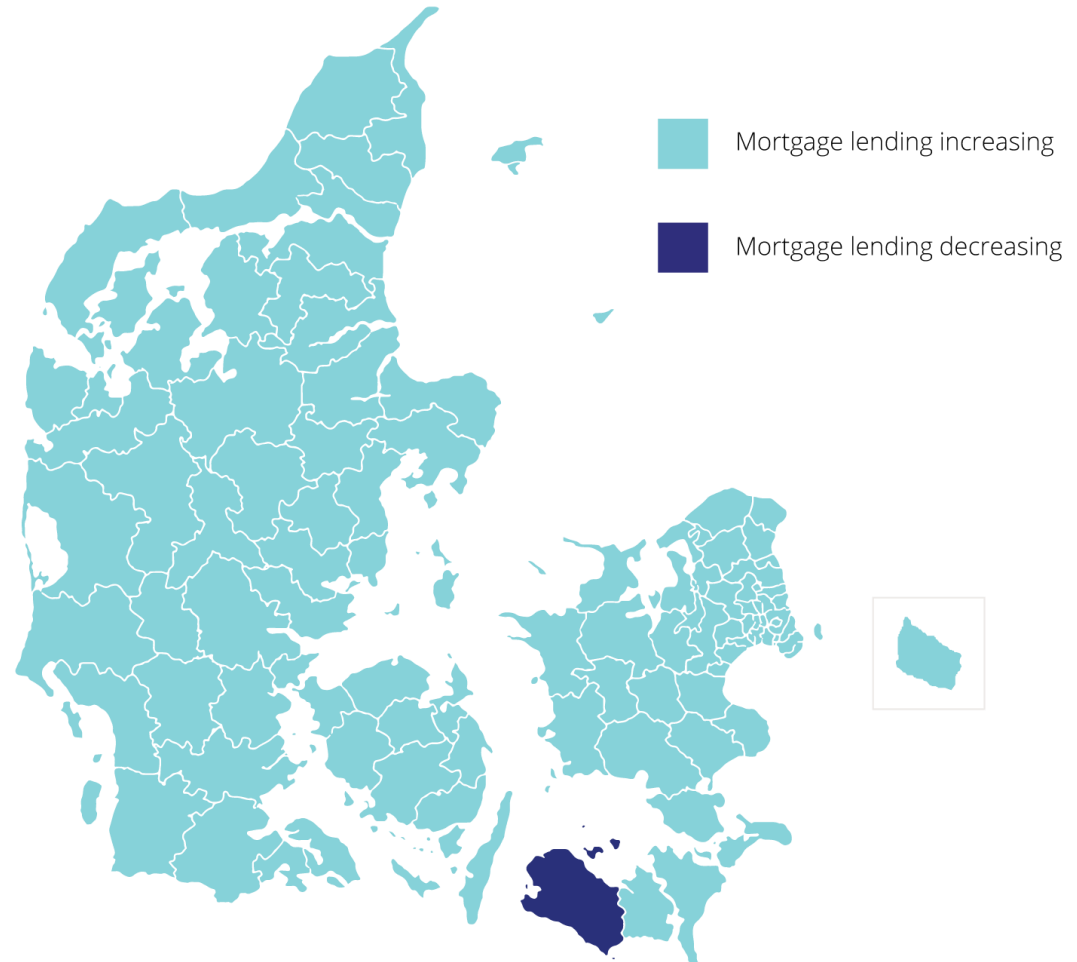
Development and growth throughout Denmark

Nykredit has a special task. We want to be active in all of Denmark and support development and growth – in urban and rural districts alike. At all times. This is a pledge that places demands on the Group’s profitability, capital resources and lending practices in the area of banking as well as mortgage lending.

The Totalkredit partnership with 52 Danish banks allows banks, small and large, to offer their customers affordable and secure mortgage loans all across the country. Nykredit, together with its 52 Totalkredit partners, recorded lending growth in 97 out of 98 municipalities in 2019.

We are continually working across the Group with initiatives aimed to support home ownership and growth throughout Denmark. We are monitoring the development through a number of key figures for lending in a range of different geographic areas and customer groups.

We are growing lending throughout Denmark



We provide loans all across the country. Together with its partner banks, Totalkredit increased lending to Danish homeowners in 97 out of 98 municipalities in 2019.

Main risks

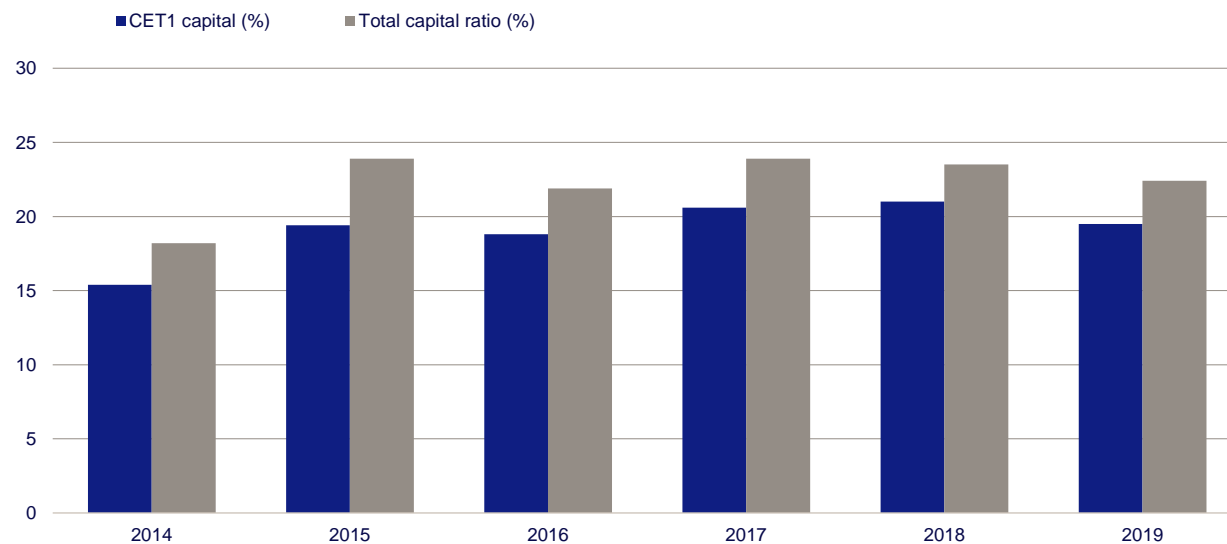
The risk of suffering losses on the loans we provide to personal and business customers, for example, is also one of Nykredit’s main societal risks. Excessive losses can have a negative bearing on our financial position and resilience and inhibit the Group’s capacity to offer loans to people and businesses all over Denmark – also in times of economic volatility. We also risk becoming overly prudent in the sense that we might restrict lending unnecessarily. Therefore, striking the right balance between active lending and maintaining sound capital and credit policies is a key aspect of our corporate responsibility commitment.

Lending at all times

A professional credit assessment of all customers is essential to our efforts to provide loans to people and businesses all over Denmark. And for several reasons. We share a responsibility for ensuring that our customers do not borrow more money than their budgets allow. Moreover, we are under an obligation to make sure that we do not grant loans that carry too much risk, seeing as it is all of our customers that pay for our losses. And as a systemically important financial institution (SIFI), Nykredit has a great responsibility to our customers and to Denmark for operating a resilient business.

Sound credit assessment practices and a solid capital position also constitute the foundation for our capacity to provide loans at all times. During the last financial crisis, which began in 2008, Nykredit issued new loans in all parts of Denmark. We maintained the capacity necessary to support the Danish economy. And we want to retain that capacity should another crisis strike. To this end, we are committed to securing a solid capital position and strong risk and credit management practices at all times.

Development in CET1 capital and own funds



The Group has CET1 capital of DKK 72.1 billion, equal to a CET1 capital ratio of 19,5% of the total risk exposure amount (REA), and total own funds of DKK 84.8 billion, equal to a capital ratio of 22,4%. The high level bears witness to favourable economic trends and satisfactory results in recent years. The level is deemed to adequately cover the Group's capital need – also after the implementation of the forthcoming Basel requirements.

Lending at all times

Nykredit's overall risk appetite

We aim to maintain active lending to the Group's full-service customers and Totalcredit customers, also in a challenging economic climate.

This is best done through:

Risk and capital management

Nykredit focuses on risk management that ensures agreement between risk profile, risk appetite and a robust capital structure. The risk appetite reflects our overall tolerance for assuming risks in the context of our business model and strategy.

Credit management

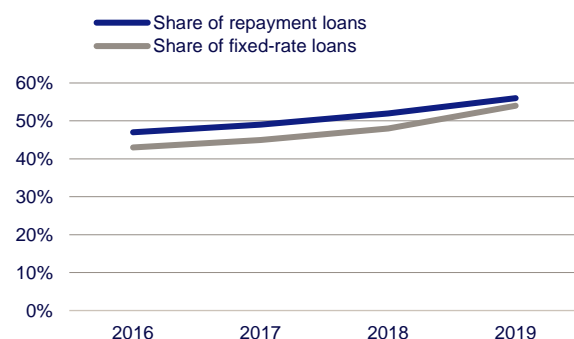
Nykredit's credit policy regulates the level of large exposures, the composition of the loan portfolio, lending to personal customers and special lending segments. Nykredit manages credit risk according to a portfolio management approach whereby significant concentrations are avoided, supplemented with reviews of single exposures, credit work-outs and continuous controls.

Read more in our [Risk and Capital Management Report](#)

More affordable loans and more robust homeowners

Danish homeowners can obtain lower loan rates compared with abroad. The total cost of most loans inclusive of interest and administration margin payments is lower in Denmark compared with the same loan type in other countries. This is due to our effective mortgage system, which offers consumers relatively low costs.

Growing share of fixed-rate and repayment loans



The development in fixed-rate and repayment loans in Totalkredit's loan portfolio.

At the end of 2019, Nykredit's customers enjoyed the lowest administration margin payments in the market on the loan types most popular among Danish homeowners. In 2019 a large number of our customers chose to refinance their mortgage loans into new loans carrying a lower loan rate. Also, Nykredit's customers increasingly opt for fixed-rate mortgage loans and repayment loans, which make them more resilient to changes in interest rates paid on their debt.

An extra mile for the rural districts

While several villages and rural districts are undergoing a positive development, many others are facing challenges. The rural population is shrinking, villages are losing some of their vital institutions, such as schools and local grocers, and citizens and businesses alike are migrating to the cities. As a result, the housing market in rural districts is often marked by insecurity as to marketability and pricing and an oversupply of properties for sale. Consequently, it may be difficult to sell a property and difficult to obtain a loan for your dream home in the rural districts.

However, these challenges do not deter Nykredit from providing loans in rural districts. Through the Totalkredit partnership, Nykredit accounted for 68% of all new lending in areas outside the large cities in 2018.

Continued focus on senior customers' finances

Danish mortgage loans are characterised by a high level of security combined with minimal losses. Mortgage loans allow a large number of Danes in different life phases and circumstances to own their own home.

Nykredit's total mortgage lending to customers aged 65 and over amounts to DKK 109 billion, and the share of senior customers is increasing. In 2019 the percentage increase in the number of Totalkredit customers aged 65 and over slightly exceeded the total increase across all customer groups combined.

However, we see how some senior customers have difficulties obtaining a loan when their retirement is not sufficiently included in their financial planning. Therefore, as to the loan options of senior customers, it is essential that their income and wealth are taken into consideration in connection with lending and financial planning in general.

In 2019 Nykredit Bank stepped up the training of our advisers in a range of advisory tools aimed at helping customers assess and plan their finances as they get older.

Table 1: Selected key figures for development throughout Denmark

Area	Indicator	2016	2017	2018	2019
Lending throughout Denmark	Lending growth in municipalities, Totalkredit	88 out of 98	94 out of 98	96 out of 98	97 out of 98
Lending to homeowners in different life phases	Mortgage loans to customers aged 65 and over (DKK billion)	101.3	106.2	110.0	108.6
	New loans to customers aged 65 and over (DKK billion)	13.2	12.8	11.9	24.5
Robust homeowners	Share of repayment loans	47%	49%	52%	56%
	Share of fixed-rate loans in the portfolio	43%	45%	48%	54%

Based on a number of key figures, we can track how we are contributing to development in all of Denmark. See the overview on page 73 for more key figures for the development in all of Denmark.

Action	Development and growth throughout Denmark
<p>Societal challenges</p>	<p>It is essential to Danish society and to growth in all parts of the country that companies and homeowners have access to loans.</p> <p>During financial crises, banks and credit institutions generally tend to limit their lending to minimise the risk of losses. This affects private individuals and businesses in need of a loan and the lack of funding for new development and activities may aggravate a financial crisis.</p> <p>Also, borrowing money may, for various reasons, prove increasingly difficult for certain groups of society and certain regions in Denmark.</p>
<p>UN Sustainable Development Goals</p>	<p>We contribute to promoting economic growth and stability in Denmark in line with SDG No 8. We finance the development of more sustainable cities and local communities in line with SDG No 11, and we help achieve SDG No 11.1 by promoting safe and affordable housing.</p>
<p>Nykredit's response</p>	<p>We want to be active in all of Denmark and support development and growth – in urban and rural districts alike. At all times.</p> <p>Maintaining active lending in all of Denmark is a matter of priority for Nykredit, and together with our Totalkredit partners, we provide 45% of all home loans. We are continually working across the Group with initiatives aimed to support home ownership and growth throughout Denmark.</p> <p>Sound credit assessment practices and a solid capital position constitute the foundation for our capacity to provide loans at all times. To this end, we are committed to securing a solid capital position and strong risk and credit management practices at all times.</p> <p>We are also ready and willing to reassess our own practices and enter into dialogue when there are customer segments which have difficulties obtaining loans.</p>
<p>Governance</p>	<p>The Group Executive Board is in charge of setting goals and overseeing initiatives aimed at ensuring that Nykredit can support development and growth throughout Denmark – at all times.</p>
<p>Policies governing our efforts</p>	<ul style="list-style-type: none"> ■ Credit policy ■ Risk policy
<p>Activities and achievements</p>	<ul style="list-style-type: none"> ■ Recorded lending growth in 97 out of 98 municipalities ■ Provided 68% of all new mortgage loans to homeowners in areas outside the large cities

Action	Development and growth throughout Denmark																		
	<ul style="list-style-type: none"> ■ Strengthened Nykredit's capital position ■ Stepped up training of advisers in tools for long-term financial planning 																		
<p>Selected key figures and targets</p>	<table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>CET1 capital (%)</td> <td>18.8</td> <td>20.6</td> <td>21.0</td> <td>19.5</td> </tr> <tr> <td>Lending growth in municipalities, Totalkredit</td> <td>88 out of 98</td> <td>94 out of 98</td> <td>96 out of 98</td> <td>97 out of 98</td> </tr> </tbody> </table>					2016	2017	2018	2019	CET1 capital (%)	18.8	20.6	21.0	19.5	Lending growth in municipalities, Totalkredit	88 out of 98	94 out of 98	96 out of 98	97 out of 98
	2016	2017	2018	2019															
CET1 capital (%)	18.8	20.6	21.0	19.5															
Lending growth in municipalities, Totalkredit	88 out of 98	94 out of 98	96 out of 98	97 out of 98															
<p>Plans for 2020</p>	<ul style="list-style-type: none"> ■ Continued focus on ensuring that Nykredit can be active in all of Denmark and support development and growth – in urban and rural districts alike 																		



2

**We will actively
support
sustainable
development**



We want to contribute to reducing the carbon footprint of our lending and investment activities. And we can make the greatest difference by using our business as a lever to make it easier and more attractive for homeowners and businesses to make green choices.”

Michael Rasmussen, Group Chief Executive

We will actively support sustainable development

Global warming and climate changes represent some of the main challenges for society, and the financial sector plays an essential role in the transition towards a more sustainable economy.

As Denmark's largest lender with extensive investment activities, we can support society's sustainability transition goals.

We therefore aim to contribute to:

- fulfilling Denmark's and the EU's target of reducing greenhouse gas emissions.
- meeting global temperature increase targets set by the Paris Agreement.
- fulfilling the UN Sustainable Development Goals.

We also aim to underpin the opportunities and take account of the risks posed by climate changes and the green transition.

Our focus is where we can make the biggest impact

Nykredit's greatest impact on the climate and the environment is indirectly caused via the properties and businesses we provide loans to and invest in. For example, together with our Totalkredit partners we provide more than 45% of all home loans. And we invest DKK 336 billion on behalf of our customers.

We are making a targeted effort to reduce our impact in this area through four prioritised initiatives:

- Sustainable housing
- Sustainable businesses and properties
- Sustainable agriculture
- Responsible investment

All four initiatives hold two things in common: There is a climate challenge to address, and Nykredit stands a considerable chance of making a difference.

In addition to these four areas, we aim to reduce Nykredit's own climate and environmental footprint as much as possible. To this end, we have set ambitious targets to reduce our own energy consumption, carbon footprint and amount of waste.

Our role: Dialogue on sustainability with all our customers

We can make the biggest difference if we focus on how we can contribute positively to the green transition together with our customers.

We will place greater demands for sustainability on our customers going forward. We are integrating climate and sustainability considerations into our credit assessment practices and risk policy.

Overview of Nykredit's portfolio by prioritised initiatives

	Lending to personal customers	Lending to business customers	Lending to agricultural customers	Investments
Mortgage lending (DKK billion)	790.4	383.4	88.9	-
Share arranged via Totalkredit	734.0	6.3	-	-
Bank lending (DKK billion)	10.5	52.3	2.7	-
Assets under management (DKK billion)	-	-	-	335.8
Covered by initiatives	Sustainable housing	Sustainable businesses and properties	Sustainable agriculture	Responsible investment



We will be screening new large loan requests to ascertain whether they would also be financially sustainable in a world where carbon emissions are increasingly taxed and regulated.

However, our overarching task is to engage in dialogue with customers and industries about sustainability initiatives for which we can provide funding.

Hence, within all four prioritised initiatives, we will train our staff so that they are well prepared for the dialogue with customers, and we are developing products and services that may help our customers become more sustainable.



Climate impact transparency

Transparency, too, is key. We want to disclose the size of the carbon footprint of Nykredit and of our lending and investment activities. Today, we are able to determine the Group's own carbon footprint, but we still need – and continuously seek to improve – methods to accurately determine the carbon footprint of our loan portfolio. Determining our carbon footprint will, for example, allow us to set clearer targets for our ambition to contribute to reducing the carbon footprint of activities for which we provide loans and invest in. Meanwhile, we are measuring our efforts through a number of indicators that show whether we are on the right path.

Last but not least, it must be clear to customers and investors which loan and investment products are relevant if they wish to make a green choice, and we need to give our customers access to a wider range of green opportunities and sustainable products.

We do not have all the solutions yet, and our approach is therefore to adjust our efforts as knowledge and solutions develop in concert with our customers. At the same time, we are closely monitoring developments in global standards, European and national regulation and knowledge about the climate challenge.

Management of climate-related risks

Climate change brings new risks, and Nykredit strives to integrate these risks in our risk management, credit assessment practices and investment processes.

Risks arising from climate changes include physical risks and transition risks. Physical risks pertain to costs and losses arising from extreme weather conditions or long-term changes brought about by the climate changes. For Nykredit, one example could be the risk of flooding of low-lying homes and buildings, and, with that, the risk that the value of the mortgaged property is reduced.

Transition risks pertain to businesses' risk of incurring costs and losses as a result of new regulation, technological advances and changes in consumer behaviour arising in the wake of the transition to a more sustainable economy. For Nykredit it is a matter of whether the businesses and agricultural customers we provide loans to and invest in have prepared for a situation where their business model may be challenged by the transition to a more sustainable economy.

There is also the risk that our financing and investment activities have an indirect adverse impact on the climate and the environment.

In 2019 we started integrating climate risks in our credit and risk policies. In 2020 we expect to structure our efforts in this area further through process descriptions for customer assessment and business procedures for specific customer types.

Sustainable housing

Energy consumption in buildings makes up around 40% of Denmark's total energy consumption and as such plays a decisive role in achieving the Danish climate targets.

Two challenges lie ahead: New buildings should be as climate-friendly as possible, and existing buildings must undergo energy renovation. In 2018 the Danish Council on Climate Change emphasised energy renovation of buildings as the one initiative that could contribute the most to the green transition towards 2050 at the lowest cost for society.

Together with our Totalkredit partners, the Nykredit Group has provided more than 45% of all home loans in Denmark. Contributing to reducing carbon emissions from private residential housing is therefore a key priority for us.

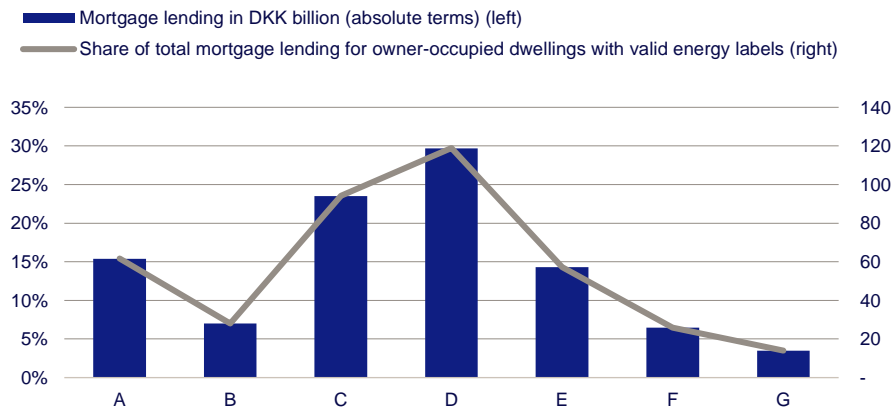
Aside from the climate effect, energy renovation may potentially heighten the value of homes, and, with that, the value of Nykredit's mortgage security. For the individual homeowner, energy renovation may mean lower energy bills and improved quality of the home.

More energy-friendly homes – but large untapped potential

The best existing measuring point for determining whether owner-occupied dwellings in Nykredit's portfolio are energy-efficient and climate-friendly is the Danish energy label assigned to a building when sold, rented or built.

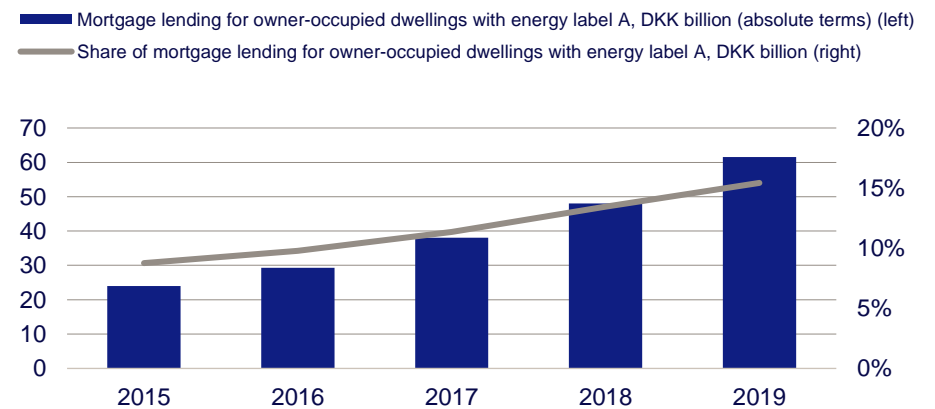
Today, around 54% of Nykredit's mortgage loans have been provided for owner-occupied dwellings with a valid energy label.

Mortgage loans for owner-occupied dwellings – distribution of energy labels



The figure shows mortgage loans for owner-occupied dwellings broken down by energy label. On the left-hand side, the debt outstanding is stated in DKK billion. On the right-hand side, the relative share of the total debt outstanding for owner-occupied dwellings with valid energy labels is shown. Mortgage loans for properties, including holiday homes, without a valid energy label are not included. Basic assumptions underlying these figures are described on page 75. Data: the Danish Energy Agency

Share of A-labelled owner-occupied dwellings is increasing



The figure shows lending for owner-occupied dwellings with a valid A label measured by debt outstanding and stated in absolute terms and as the share of total debt outstanding for owner-occupied homes with a valid energy label. Mortgage loans for properties without a valid energy label are not included. Data: the Danish Energy Agency

Mortgage loans provided by Nykredit for owner-occupied dwellings with a valid A or B energy label accounted for around 24% at the end of 2019. This corresponds to around DKK 97 billion.

In recent year, lending targeted at the share of the portfolio with valid energy labels has become greener. For instance, the share of owner-occupied dwellings energy-labelled A has gone up from 9% to 16% since 2015, whereas the share of buildings energy-labelled F or G has dropped from 13% to 10% in the same period. This is a natural consequence of Nykredit's current financing of new energy-efficient buildings.

We can also see that the share of mortgage loans provided by Nykredit for owner-occupied dwellings built before 1900 with a valid A, B or C energy label is 30% today. This is true for around 22% of owner-occupied dwellings built before 1950. This goes to show that homeowners have thoroughly improved the energy efficiency of their homes.

However, renovation of the overall housing stock needs to be accelerated if Denmark is to reach its climate targets. This applies to owner-occupied dwellings with less efficient energy labels and to a considerable part of the buildings that do not have a valid energy label today.

Connecting energy renovation and financing

The Nykredit Group is already now providing extensive financing for energy improvements, and our clear ambition is to become even better at helping our customers energy renovate their homes.

Higher transparency of the portfolio's carbon footprint

Today, publicly accessible energy labels provide the main source of information about the energy consumed for heating of buildings. Energy labels thus serve as an indicator of the energy consumption in buildings mortgage financed by the Nykredit Group.

Buildings must be energy-labelled when sold, rented or built, and the energy label is valid for ten years. Today, the share of mortgage loans provided by Nykredit for owner-occupied dwellings with a valid energy label and for rental, office and retail properties and subsidised housing with a valid energy label is around 54% and 53%, respectively.

As from 2019 Nykredit will publish the distribution of valid energy labels across the loan portfolio of owner-occupied homes. It is essential and natural for us that relevant information accessible to Nykredit is also accessible to investors and other stakeholders.

The energy label is a good indicator of energy consumption for heating of buildings, but it does not reveal the full extent of the climate footprint they are leaving. In 2020 we will be developing a method for determining the energy consumption and carbon footprint of Nykredit's entire loan portfolio – including the share of the portfolio that consists of homes without an energy label. We will do this together with Finance Denmark, among others.

A wide range of barriers may deter homeowners from energy renovation. However, a key factor is often money. Being a bank, we are in contact with homeowners at times when energy renovation of the home would be an obvious consideration. For example, this is the case when homeowners buy or sell a property or refinance a loan.

In 2019 we have, via Totalkredit, collaborated with the Danish Energy Agency on the development of an energy renovation campaign.

In 2020 we aim to develop our financing solutions to directly support energy renovation in private residential housing. We will review our processes and advisory services to identify key points of customer contact for dialogue about energy renovation, and we will train our advisers so that they are well prepared for the dialogue with customers.



The volume of green car loans grew in 2019

In February 2019 Nykredit launched a special discount on car loans for electric, hydrogen and hybrid cars.

The loan was well received by the customers. After ten months with the new loan, Nykredit's total lending for electric and hybrid cars has more than doubled. At the end of 2019, Nykredit had provided loans for 266 green cars for a total DKK 57 million, compared with 106 green cars for a total of DKK 22 million at the end of 2018.

This confirms our belief that we can help fuel the green transition by offering specific advantages to customers who make climate-friendly choices.

Sustainable businesses and properties

The green transition requires massive investments in climate-friendly construction, in the development of green solutions and in corporate initiatives that may reduce greenhouse gas emissions. And Nykredit will contribute by providing financing.

Mortgage loans to finance the green transition

Mortgage lending is the cornerstone of property financing in the private rental sector, the public housing sector and

the business sector, and of much of the infrastructure that is to ensure a successful green transition.

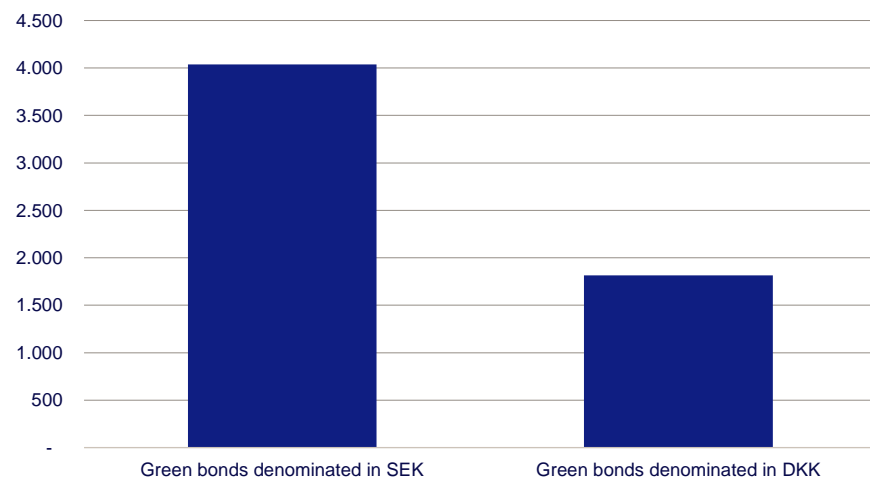
Nykredit is already now financing a multitude of energy-efficient buildings, and as with owner-occupied dwellings, energy-labelling is also required for commercial properties when sold, rented or built. Nykredit has granted mortgage loans for rental, office and retail properties and for subsidised housing with a valid A or B energy label of around DKK 65 billion. This corresponds

Nykredit's green bonds

- Nykredit has established a Green Bond Framework that builds on ICMA's Green Bond Principles. The framework defines the types of green assets that can back green bonds.
- At this point, finance is provided for energy-friendly buildings energy-labelled A or B or with equivalent certification (see Nykredit Green Bond Framework for more information).
- With a total volume of nearly DKK 6 billion, Nykredit is the largest Danish issuer of green covered bonds earmarked for financing of energy-friendly buildings in Denmark and Sweden.
- Nykredit's Green Bond Committee is charged with maintaining and considering updates of Nykredit's Green Bond Framework.

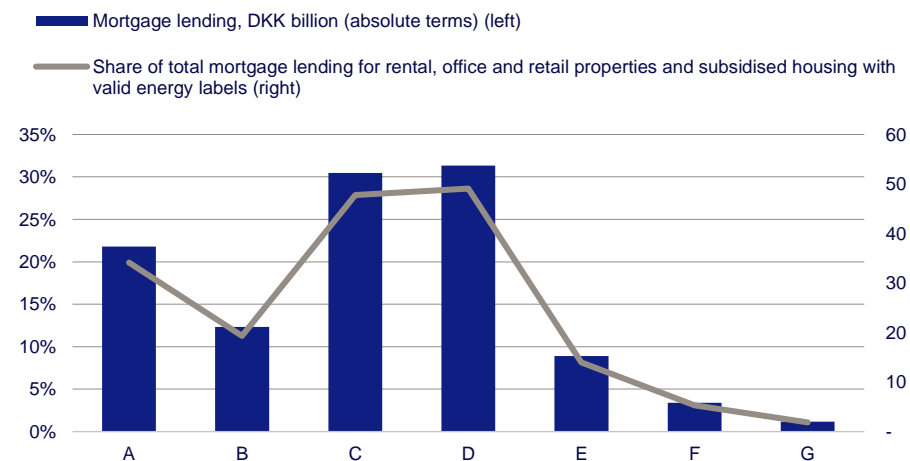
Read more in [Nykredit Green Bond Framework](#) and [Nykredit Green Bond Investor Report](#)

Danish and Swedish green bond issues – outstanding amounts (in DKK)



Note: As at 31 December. Danish green bond issues comprise green Cibur-linked covered bonds. Swedish bond issues comprise Stibor-linked bonds.

Mortgage loans for rental, office and retail properties and for subsidised housing – distribution of energy labels



The figure shows the distribution of energy labels across mortgage loans for rental, office and retail properties and for subsidised housing. On the left-hand side, debt outstanding is stated in DKK billion. On the right-hand side, the share of the total debt outstanding pertaining to the aforementioned properties with valid energy labels. Mortgage loans for properties without a valid energy label are not included. Basic assumptions underlying these figures are described on page 76. Data: the Danish Energy Agency

Financing of green property in Malmö, Sweden

Nykredit has provided a green loan for financing the property "Malmö Gimle 1". Malmö Gimle 1 is a newly built (spring 2019) office property located in Hyllie in the southern part of Malmö, right next to the train station.

With an expected energy consumption of 47 kWh/m²/year the building has achieved the highest obtainable certification "Miljö Byggnad Guld" on the basis of Sweden Green Building Councils (SGBC) framework.

In September 2019 the property owner was awarded the Urban Design Prize based on the property. In the motivation for the award it was highlighted that "the property offers an exceptional work environment, and that the project easily meets its SGBC Gold certification through its broad focus on sustainability, from energy optimization and environmentally aware material selection."

Photographer: Alexander Olivera

Financing of energy-friendly properties

Nykredit's ambition is for energy-friendly properties to make up a larger share of the total property lending portfolio every year. This target guides our work and ensures that Nykredit contributes increasing funding of sustainable activities at all times.

Today Nykredit has provided mortgage loans for rental, office and retail properties and for subsidised housing energy-labelled A or B of around DKK 65 billion. To this should be added mortgage financing of, for example, solar cells, wind turbines and infrastructure necessary to reach the climate targets.

to around 34% of total mortgage lending for the above-mentioned types of properties. To this should be added the share of mortgage lending for energy-efficient buildings outside Denmark and the share of mortgage and bank loans where the sustainability of the portfolio has not yet been determined.

In recent years, the share of the loan portfolio with valid energy labels has become greener. For instance, the share of rental, office and retail properties and subsidised housing energy-labelled A has gone up from 10% to 21% since 2015, whereas the share of buildings with an F or G energy label has dropped from 5% to 4% in the same period.

We see it as Nykredit's primary task to ensure that our products, solutions and advisory services are optimised

for the purpose of financing the transition for property investors and businesses going forward.

In 2019 Nykredit launched mortgage loans backed by green covered bonds. Proceeds from these loans are specifically earmarked for financing of energy-friendly properties. Green covered bonds serve as investors' guarantee that they are investing in green assets. For properties financed by green covered bonds, we can record, for example, the amount of energy and greenhouse gas emissions saved relative to financing of regular properties. The statements are available in the Nykredit Green Bond Investor Report.

Green covered bonds have got off to a good start. Nykredit has issued benchmark-size (EUR +500 million) green covered bonds denominated in SEK with an interest discount to the benefit of the customers. The Swedish market is a step ahead compared with the

Danish market in the area of green financing, but Danish businesses and property investors are showing increasing interest. This is reflected in higher volumes of green covered bond issues in DKK.

We are also witnessing increasing demand for mortgage financing of solar cell panels, wind turbines and other assets, such as the electricity grid, biogas and heating supply, necessary to reach the climate targets.

Advising businesses on their green transition

Together with our customers we wish to make a positive contribution to the green transition and provide advisory services and financing that may help individual businesses or property investors in the transition process.

Nykredit's deep insight into our customers' business models, challenges and potentials is a key factor to the holistic advisory services we provide. We can help customers identify areas well suited for transition and plan the financing of relevant initiatives. Customers must experience a natural alignment between their green transition and the financial solutions we offer.

In 2020 we will train our staff to equip them with the skills required for offering business customers competent advice within green financing and transition. We will develop attractive, green value propositions for businesses and property investors aimed at meeting their financing needs, to the benefit of society. We will explore the possibilities of engaging in partnerships with relevant players, and together with them find solutions that can contribute to sustainable development.

Sustainability is a part of the credit assessment

Climate changes and the necessary transition to more sustainable solutions will challenge the business model, production and the markets of a large number of businesses customers and property investors. These risks – and other ESG-related risks – may affect customers' creditworthiness. Therefore, it is our aim that the credit policy should allow for customers' financial strengths also being assessed in light of the ESG aspects relevant to the individual business. In 2020 we will further structure our efforts in this area through process descriptions for customer assessment, business procedures for specific customer types and by upskilling staff all across the group.



Action	Sustainable housing	Sustainable businesses and properties
<p>Societal challenges</p>	<p>Energy consumption in buildings makes up around 40% of Denmark's total energy consumption and therefore plays a key role in achieving Denmark's part of the targets in the Paris Agreement as well as the Danish climate targets. Two challenges lie ahead: New buildings should be as climate-friendly as possible, and existing buildings should undergo energy renovation for the purpose of reducing the energy consumption and maybe replacing the heat source with a renewable energy source.</p>	<p>Energy consumption in buildings makes up around 40% of Denmark's total energy consumption and therefore plays a key role in achieving Denmark's obligations under the Paris Agreement as well as the Danish climate targets. Two challenges lie ahead: New buildings should be as climate-friendly as possible, and existing buildings should undergo energy renovation for the purpose of reducing the energy consumption and maybe replacing the heat source with a renewable energy source.</p> <p>The Danish government has set an ambitious target of reducing Denmark's greenhouse gas emissions by 70% in 2030 compared with the level in 1990. This will require massive investments in the green transition. In Denmark, businesses need to develop and export solutions in this particular area as well as create growth and jobs. Also, carbon-intensive industries need to reduce their carbon emissions.</p>
<p>UN Sustainable Development Goals</p>	<p>We contribute to the climate efforts under SDG No 13, and we contribute to reducing the negative per capita environmental impact (SDG No 11.6) and to improving energy efficiency (SDG No 7.3).</p>	<p>We contribute to the climate efforts under SDG No 13, and we contribute to reducing the negative per capita environmental impact (SDG No 11.6) and to improving energy efficiency (SDG No 7.3).</p>
<p>Nykredit's response</p>	<p>Together with Totalkredit, Nykredit is behind more than 45% of all home loans in Denmark. Therefore, we assign high priority to supporting a reduction in energy consumption and greenhouse gas emissions from private residential housing. Aside from climate effects, energy renovation may increase the value of homes mortgaged through Nykredit and may lead to lower energy bills and improved housing quality for individual homeowners. We are continuously developing our products and advisory services to incentivise customers to make energy improvements to their homes.</p>	<p>Nykredit aims to ensure financing solutions for energy renovation of commercial properties and the construction of new, climate-friendly commercial properties through, for example, the issue of green bonds and business loans.</p> <p>Together with our business customers we are finding ways to contribute positively to the green transition. We will encourage change through advice and financing of initiatives that develop and support the transition of society and the individual businesses.</p>
<p>Governance</p>	<p>The Executive Vice President of Banking and the Managing Director of Totalkredit are in charge of targets and initiatives.</p>	<p>Responsibility for initiatives relating to the largest commercial properties and business customers rests with the Executive Vice President of Nykredit's Corporates & Institutions division, and responsibility for Nykredit's green covered bonds rests with the Executive Vice President of Nykredit's Treasury division. Nykredit's Green Bond Committee is responsible for maintaining and updating Nykredit's Green Bond Framework.</p>
<p>Policies that govern the area</p>		<ul style="list-style-type: none"> ■ Credit policy ■ Green Bond Framework

Action	Sustainable housing	Sustainable businesses and properties																																																
Activities and achievements	<ul style="list-style-type: none"> Published distribution of energy labels across Nykredit's lending for owner-occupied dwellings Partnered with the Danish Energy Agency on the development of an energy renovation campaign Launched a special discount on car loans for electric, hydrogen and hybrid cars 	<ul style="list-style-type: none"> Launched green covered bonds for large Danish and Swedish business customers Issued green benchmark-size SEK covered bonds Issued green SEK covered bonds with an interest discount to the benefit of the customers Initiated talks with our customers about their green transition 																																																
Selected key figures and targets	<table border="1"> <thead> <tr> <th>Mortgage loans for owner-occupied dwellings. Distribution of energy labels</th> <th>Mortgage loans in DKK billion (absolute terms)</th> <th>Share of valid energy labels, %</th> </tr> </thead> <tbody> <tr><td>A</td><td>62</td><td>15%</td></tr> <tr><td>B</td><td>28</td><td>7%</td></tr> <tr><td>C</td><td>94</td><td>24%</td></tr> <tr><td>D</td><td>119</td><td>30%</td></tr> <tr><td>E</td><td>57</td><td>14%</td></tr> <tr><td>F</td><td>26</td><td>6%</td></tr> <tr><td>G</td><td>14</td><td>3%</td></tr> </tbody> </table>	Mortgage loans for owner-occupied dwellings. Distribution of energy labels	Mortgage loans in DKK billion (absolute terms)	Share of valid energy labels, %	A	62	15%	B	28	7%	C	94	24%	D	119	30%	E	57	14%	F	26	6%	G	14	3%	<table border="1"> <thead> <tr> <th>Mortgage loans for rental, office and retail properties and for subsidised housing. Distribution of energy labels</th> <th>Mortgage loans in DKK billion (absolute terms)</th> <th>Share of valid energy labels, %</th> </tr> </thead> <tbody> <tr><td>A</td><td>37</td><td>20%</td></tr> <tr><td>B</td><td>21</td><td>11%</td></tr> <tr><td>C</td><td>52</td><td>28%</td></tr> <tr><td>D</td><td>54</td><td>29%</td></tr> <tr><td>E</td><td>15</td><td>8%</td></tr> <tr><td>F</td><td>6</td><td>3%</td></tr> <tr><td>G</td><td>2</td><td>1%</td></tr> </tbody> </table>	Mortgage loans for rental, office and retail properties and for subsidised housing. Distribution of energy labels	Mortgage loans in DKK billion (absolute terms)	Share of valid energy labels, %	A	37	20%	B	21	11%	C	52	28%	D	54	29%	E	15	8%	F	6	3%	G	2	1%
Mortgage loans for owner-occupied dwellings. Distribution of energy labels	Mortgage loans in DKK billion (absolute terms)	Share of valid energy labels, %																																																
A	62	15%																																																
B	28	7%																																																
C	94	24%																																																
D	119	30%																																																
E	57	14%																																																
F	26	6%																																																
G	14	3%																																																
Mortgage loans for rental, office and retail properties and for subsidised housing. Distribution of energy labels	Mortgage loans in DKK billion (absolute terms)	Share of valid energy labels, %																																																
A	37	20%																																																
B	21	11%																																																
C	52	28%																																																
D	54	29%																																																
E	15	8%																																																
F	6	3%																																																
G	2	1%																																																
Plans for 2020	<ul style="list-style-type: none"> Develop financing opportunities directly supporting energy renovation of private residential housing Review advisory services to identify key customer points of contact for dialogue with the customer about energy renovation Train advisers 	<ul style="list-style-type: none"> Train members of staff to equip them with the skills required for offering customers advice in the areas of green financing and transition Develop attractive, green value propositions for our property and business customers Engage in partnerships with relevant players 																																																
Relevant national and/or international frameworks	<ul style="list-style-type: none"> The Paris Agreement 	<ul style="list-style-type: none"> The Paris Agreement Green Bond Principles 																																																

Sustainable agriculture

By international standards, the agricultural sector in Denmark leaves a small climate footprint per unit produced. Even so, the agricultural sector accounts for about 20% of Denmark's greenhouse gas emissions, and this calls for continued sustainability improvements – a need acknowledged and addressed by the sector's own organisations.

Since farms and a large share of the remaining production in the food cluster are located outside the large cities, the agricultural sector also plays a vital role in supporting growth in rural districts and to the economy because of the extensive exports. Last but not least, agriculture and forestry play an important role for biodiversity.

As the largest lender to the agricultural sector, Nykredit is strongly positioned to support its sustainable development.

Sustainability is a management discipline to be included in credit assessments

It is Nykredit's belief that farmers should seek sustainable development in alignment with the principles of the UN Sustainable Development Goals. Going forward, individual farmers must undertake the important managerial task of showing awareness of climate and other sustainability aspects of their activities, just as they must have clear plans and benchmarks for the future development.

Already today Nykredit's assessment of individual farms takes account of management's response to key issues

relating to the financial position and development of a farm. Nykredit is aiming to also integrate farmers' sustainability efforts in the overall credit assessment.

Nykredit will adapt its products and advisory services

At the same time, Nykredit wants to support the many good initiatives in the agricultural sector and provide financing to realise them. Nykredit wants to take an active role in including sustainability issues in the value-creating dialogue and advice already exchanged between agricultural customers and their specialist and financial advisers. Last but not least, we want to develop our products so that they support sustainable choices and the use of new sustainable technology among our agricultural customers.

Training of agricultural advisers

Training of selected members of staff, serving our agricultural customers, ensures that Nykredit has sufficient knowledge relative to the wide complexity that characterises sustainability in the agricultural sector. This will provide a basis for engaging in dialogue and solutions in a more proactive, professional and agile manner regarding land reparcelling and withdrawal of land from agricultural use – one of the areas in which Nykredit can support sustainable development.

Withdrawing low-lying land areas from agricultural use

According to a catalogue of measures compiled by Aarhus University, withdrawing low-lying land areas from agricultural use is the one mitigation measure that may be applied by the agricultural sector with the greatest positive effect.

- Conversion of low-lying land areas from being intensively cultivated production areas to being extensively cultivated areas or actual wetlands immediately results in a loss of value. Therefore, there is a need for examining how various measures may facilitate the conversion process.
- Improved land reparcelling generally contributes to more efficient use of resources and may also be a way to withdraw low-lying land areas from agricultural use or take other sustainable measures.
- Nykredit generally aims to make holistic assessments and seek to find solutions to measures benefitting both customers and society.
- More specifically, Nykredit will consider how we can actively support improved land reparcelling and the withdrawal of low-lying areas from agricultural use through our credit policy and advisory services.

Four sustainable agriculture initiatives

1. Train our advisers and value chain in sustainability in the agricultural sector
2. Take a proactive approach to the issue of farm land
3. Comply with agricultural certification in our pricing and credit granting
4. Green leasing



Responsible investment

The world is facing major social and environmental challenges, and investments are a very important part of their solution. In collaboration with our customers, Nykredit can support sustainability by investing in the right businesses and by exerting our influence as co-owners. This is the guiding principle of Nykredit's work in the area of responsible investment.

Sustainability assessments strengthened

We use sustainability assessments to understand the risks and opportunities related to climate, environmental, social and governance issues (ESG issues) every time we select a company. Companies that do not address ESG issues with due diligence are often a poorer investment. The most important output from the sustainability analysis is an indication of whether a company is developing in a more sustainable direction. Therefore, a company with a very high sustainability performance and a company with a lower sustainability but also a positive development track may both be good investments.

Nykredit manages sustainability-related risks both through conventional management methods and through separate analyses and screening specifically focused on breaches of international standards and agreements. Once a risk has been identified, the relevant data are provided to the individual investment teams, which are responsible for coordinating the data with other financial risks.

In 2019 we enhanced the processes in our actively managed funds so that ESG issues are included in all

phases of the investment process; from idea generation and assessment of market structures to assessment of a company's potential and our active ownership. At end-2019 the sustainability performance of 47% of our funds was above their benchmarks. Thanks to the process changes we are currently implementing, we expect more funds to be above benchmark at the end of 2020.

In 2019 Nykredit also joined GRESB, a network of infrastructure investors. Together, these investors request investment fund managers to provide sustainability data collected in a systematic manner so that we may better understand the risks and opportunities.

Main risks

Nykredit and Nykredit's customers have invested in around 5,000 companies across the world. As a consequence, we are exposed to many different risks. These include financial risks, a risk of breach of international standards defined by the UN and the OECD and a risk that the companies do not act in line with sustainable development principles.



Integration of ESG processes in Sparinvest and Nykredit

Nykredit has expanded its asset management activities considerably over the past year. This has been brought about by business growth as well as the acquisition of Sparinvest, which contributed a portfolio of DKK 100 billion of assets under management, a range of new products and new colleagues. Altogether, Nykredit invests DKK 336 billion on behalf of our customers and DKK 100 billion from our own portfolio.

As a result, Nykredit had exposure to 5,000 companies at the end of 2019 against 2,000 at the beginning of 2019. At the same time, the environmental, social and governance (ESG) processes in the two companies are to be streamlined to establish a uniform approach to all our investments. Nykredit has therefore expanded its ESG team and developed its own processes so that, at the end of the year, the Group had a harmonised organisation and a uniform process for responsible investment activities across all funds. Building on this foundation, Nykredit will continue its efforts in this area in 2020 so that our customers can benefit from our combined insights and improved processes in the form of better information and new solutions.

We will guide customers towards sustainable investment through dialogue, transparency and new products

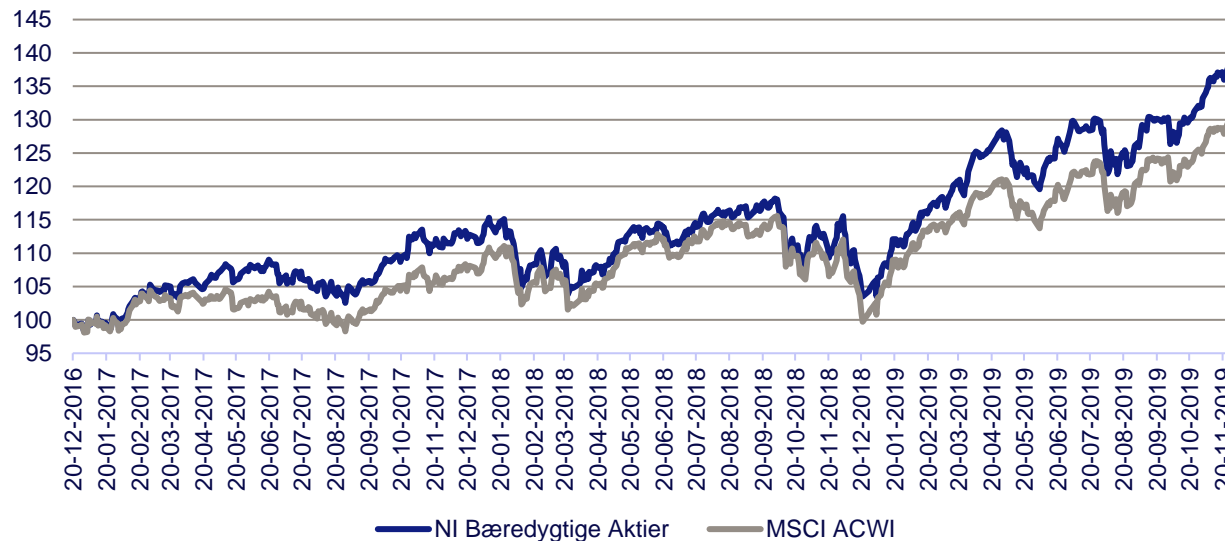
The dialogue with our customer is to uncover how we may help them invest in accordance with their preferences in terms of both risk tolerance and sustainability. Our staff undergo regular training so that they are well prepared for the dialogue with customers.

It is important to us that customers can see what difference their investments make. In 2019 we started preparing quarterly reports for Danish institutional investors that show the performance of their investments

measured by relevant ESG parameters. In 2020 we will make the carbon footprints and ESG ratings of all funds available to all customers. Furthermore, we are working on a method to demonstrate how concrete investments affect the UN Sustainable Development Goals.

In December 2018 Nykredit Invest Bæredygtige Aktier was the first Danish managed fund to obtain the Nordic Swan Ecolabel. This fund has outperformed the world index after costs for three consecutive years. Its performance so far matches Nykredit's thesis that a sustainable approach to investment reduces risk and has a positive impact on returns.

Nykredit Invest Bæredygtige Aktier has generated higher returns after costs than the world index for three years running



Note: Through investments in companies at a high level or developing favourably in terms of sustainability performance, the fund Nykredit Invest Bæredygtige Aktier has delivered a return which is significantly above the world market defined as the MSCI All Countries World Index (MSCI ACWI). More specifically, the fund delivered a return of 31.32% in the period from the beginning of the year to 27 November 2019, which was 4% higher than the world market (MSCI ACWI). Source: Nykredit and Bloomberg

What are the implications of the Nordic Swan Ecolabel for an investment fund?

Investment funds that carry the Nordic Swan Ecolabel must satisfy 25 mandatory requirements governing the different ways in which a fund may influence companies. This includes a fund's decisions to exclude or include companies and openness about the fund's investments. Under these requirements, at least half of a fund's portfolio must consist of investments in companies that have achieved good scores in a sustainability analysis. Also, the fund is not allowed to invest in certain industries and companies. Examples are companies involved in fossil fuels, weapons and tobacco as well as companies in breach of international standards. Read more at ecolabel.dk

The Nordic Swan Ecolabel helps convey to our customers that they can choose to invest more sustainably. Our customers have given a warm welcome to the fund Bæredygtige Aktier, which gained many new investors throughout 2019.

Against this backdrop, Nykredit will launch a range of new, balanced savings products in 2020, all offering an enhanced sustainability profile.

Transparency about climate impact as a means to reduce it

Transparency is the foundation of a credible dialogue about responsible investment, and Nykredit is committed to increasing it. Today customers can at any time see which companies the individual funds invest in. And they

can see how Nykredit voted at the general meetings of the public limited companies. As a new feature in 2020, we will publish the carbon footprints of all our funds.

This will help raise our customers' awareness of the carbon footprint of their investments. But above all, it serves as the basis of our own efforts to reduce the carbon footprint of our investment portfolio. The target is for Nykredit's investments to be aligned with the transition required to meet the goals of the Paris Agreement.

In line with the recommendations of the Task Force on Climate Related Financial Disclosures, Nykredit also encourages companies to disclose information about

their challenges in terms of climate change and green transition and how they are dealing with them.

We use the data obtained from the companies, from the funds' carbon footprints and from our sustainability analyses in several different ways.

Firstly, we exclude from all funds coal producers, companies that produce oil from tar sand and other companies whose production is contrary to the Paris Agreement, and which do not have any plans for how to change their business model.

Secondly, we use the data in our various investment processes. In some funds, all companies involved in fossil fuels are excluded. In other funds, we pick the

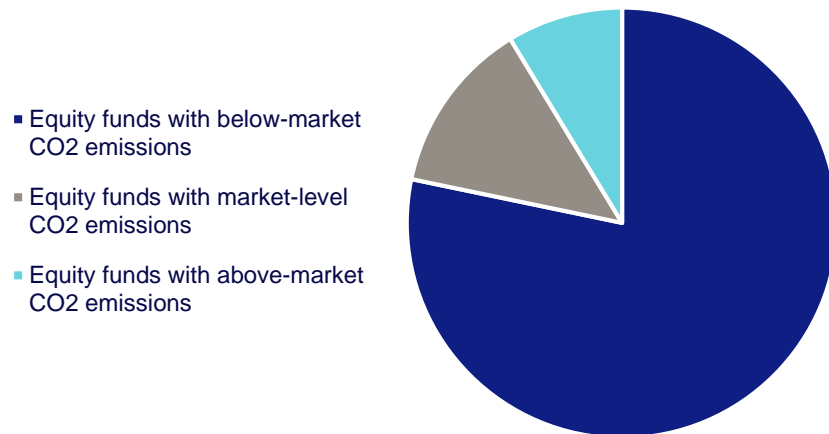
companies that are furthest along with the transition, for instance through a transition from oil to natural gas and investments in renewable energy. A third approach may be to value oil companies based on how efficient and eco-friendly their production is, while disregarding all their oil assets. The logic of this approach is that we know that we need oil here and now, but also that it will be phased out over time. Consequently, large oil reserves that may last for decades to come are not as valuable as they once were.

Thirdly, we use the data as part of our active ownership. We do this directly and through the network called Climate Action 100+, where Nykredit, together with pension funds and other institutional investors, is working to make the world's largest carbon emitters realign their business models to comply with the Paris Agreement.

Using these different approaches, Nykredit can make our investments more robust and redirect investments towards companies that are on the right path.

Read more about the carbon footprints of the individual funds at nykreditinvest.dk

Three fourths of Nykredit's equity funds have below-market carbon emissions



Active ownership

Nykredit regularly engages with the companies in which we make active investments to safeguard our customers' investments. This is also an opportunity to influence a company towards greater sustainability by using the vote achieved through investment to support decisions that bring the company in the right direction.

As part of our ongoing engagement, we vote at general meetings in the companies we invest in. Nykredit participated in 839 general meetings in 2019. We voted on 10,597 agenda items. At the same time, Sparinvest participated in 935 general meetings and voted on 12,498 agenda items. We take an active stand. The

Source: Carbon Disclosure Project, Bloomberg, MSCI Fund Research, TCFD Carbon Intensity (revenue/CO₂ emission)

boards of directors often act in the best interest of investors, but in 7.8% of the votes we opted to vote against the recommendations of the boards of directors. In almost half of the cases, this was related to the composition of a board of directors, with a candidate not meeting the standards. Every fifth negative vote was cast because management's salary or bonus package did not match the market or was insufficiently defined.

Due diligence on human rights and international law

Nykredit requires that the companies we invest in comply with international law and respect human rights at all times. On a quarterly basis, we screen more than 10,000 different securities for breach by the issuer of international law. If a company is in breach of international law, we will attempt, through engagement

and together with other investors, to make them remedy the breach. At the end of the year, we have engagements with 21 companies of this kind.

We have continued engaging with Facebook, which has violated the right to privacy for millions of people. Facebook has launched many positive initiatives, but still has a long way to go. Conversely, Nykredit has completed its engagement with a large pharmaceutical company, which has been involved in corrupt business practices in all its major markets. The company has been quick to admit to its wrongdoing and to implement processes to prevent any recurrence of this conduct.

Together with other investors, we are often successful in influencing the relevant companies to rectifying their behaviour. However, this is not always the case. If a

company does not improve its conduct, we will exclude it from our investments. Currently, 58 companies are on our exclusion list. They fall in three categories: Producers of controversial weapons; companies in breach of international standards and unwilling to change their conduct; and coal and tar sand companies with no green transition plans.

Responsible investment in figures

DKK billion	2016	2017	2018	2019
Nykredit's total investments, subject to the responsible investment policy	303	279	301	440
Number of issuers/companies screened quarterly	2,281	2,320	2,283	4,901
Companies with which Nykredit engages because of breach of standards	17	21	22	21
Companies screened out	23	32	51	58
<i>Participation in general meetings</i>				
– Number of general meetings	N/A	589	772	839
– % of equity AuM where Nykredit participated in general meetings	N/A	58%	85%	88%
– Votes cast against board of directors, %	N/A	8.40%	8.10%	7.8%

The increase from 2018 to 2019 in companies screened quarterly can be attributed to the acquisition of Sparinvest in 2019. Data for participation in general meetings are not available for 2016.

Controversies in pharmaceutical company have consequences for the investment

The pharmaceutical company Johnson & Johnson has been involved in a host of controversies because of their products. This includes their role in America's opioid drugs scandal, defective hip implants and allegations of asbestos in baby powder. Nykredit has commenced a dialogue with the company to make them change their conduct, and some of the funds, including Bæredygtige Aktier, Ethical Value and Globale Aktier SRI, have sold off the share.

Action	Sustainable agriculture	Responsible investment
Societal challenges	Danish agriculture is a high-tech, energy-efficient sector compared to other countries, but accounts for over 20% of total greenhouse gas emissions in Denmark. For this reason, there is still a large need for the development of sustainable solutions and investment in sustainable production methods.	The world is facing major challenges, and investments can make a difference. By investing in the right companies and sectors and by being an active owner, investments can support sustainable development globally.
UN Sustainable Development Goals	We contribute to ensuring sustainable food production systems (SDG No 2.4), to sustainable use of terrestrial ecosystems (SDG No 15), to improving energy efficiency (SDG No 7.3), and to climate action (SDG No 13).	We invest in just under 5,000 companies across countries and sectors. That way, Nykredit indirectly has both a positive and a negative impact on nearly all SDGs. Nykredit's ambition is to reduce its negative impact and achieve a positive impact on the SDGs. Particularly, we are focused on contributing to climate action under SDG No 13.
Nykredit's response	<p>Nykredit holds the opinion that farmers should consider how to develop in a more sustainable direction, while maintaining a sound and robust farm economy, and perhaps even improving it.</p> <p>We believe that we can contribute to change through value-adding advice and funding of initiatives that boost sustainable development of the individual farm. We are working on making the farmer's handling of sustainability considerations an integral part of the overall credit assessment. Lastly, we will develop our products so that they can support farmers in making sustainable choices.</p>	<p>We develop solutions that can help more customers to make responsible investments. We enter into a dialogue with our customers about their preferences for responsible investments, and we offer green and sustainable investment opportunities, for instance in the form of fossil-free funds carrying the Nordic Swan Ecolabel.</p> <p>Nykredit integrates sustainability into the investment process by means of ESG criteria in all portfolios, which contribute to risk assessment and analysis of companies in terms of environmental, social and governance issues. Nykredit regularly communicates with the companies invested in, one reason being to actively influence the companies to contribute to the green transition.</p>
Governance	The responsibility for Nykredit's efforts relating to sustainable farms rests with Retail Business Banking.	The responsibility for the efforts relating to responsible investment rests with the Executive Vice President of Wealth Management.
Policies that govern the area	<ul style="list-style-type: none"> ■ Credit policy 	<ul style="list-style-type: none"> ■ Responsible investment policy
Activities and achievements	New initiative – only introductory activities in 2019	<ul style="list-style-type: none"> ■ Launched Nykredit Invest Bæredygtige Aktier ■ Strengthened our investment processes through ESG 2.0

Action	Sustainable agriculture	Responsible investment																				
		<ul style="list-style-type: none"> ■ Launched ESG quarterly reports for institutional investors ■ Launched ESG services in Nykredit Portefølje Administration ■ Strengthened ESG processes for infrastructure investment 																				
Selected key figures and targets	New initiative - key figures have not been defined.	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Equity funds with above-benchmark ESG ratings</td> <td>N/A</td> <td>N/A</td> <td>78%</td> <td>78%</td> </tr> <tr> <td>Equity funds with below-market CO₂ emissions</td> <td>N/A</td> <td>N/A</td> <td>44%</td> <td>47%</td> </tr> <tr> <td>– % of equity AuM where Nykredit participated in general meetings</td> <td>N/A</td> <td>58%</td> <td>85%</td> <td>88%</td> </tr> </tbody> </table>		2016	2017	2018	2019	Equity funds with above-benchmark ESG ratings	N/A	N/A	78%	78%	Equity funds with below-market CO ₂ emissions	N/A	N/A	44%	47%	– % of equity AuM where Nykredit participated in general meetings	N/A	58%	85%	88%
	2016	2017	2018	2019																		
Equity funds with above-benchmark ESG ratings	N/A	N/A	78%	78%																		
Equity funds with below-market CO ₂ emissions	N/A	N/A	44%	47%																		
– % of equity AuM where Nykredit participated in general meetings	N/A	58%	85%	88%																		
Plans for 2020	<ul style="list-style-type: none"> ■ Develop training for agricultural advisers ■ Develop green leasing of agricultural machinery ■ Integrate sustainability considerations into credit assessment ■ Make a proactive effort to withdraw low-lying land areas from agricultural use 	<ul style="list-style-type: none"> ■ Publish the carbon footprints of all Nykredit funds ■ Launch sustainable savings product for personal customers (Balance Bæredygtig) ■ Integrate ESG processes across Sparinvest and Nykredit ■ ESG reporting to retail investors ■ Be frontrunner in terms of implementing EU regulation of ESG standards 																				
Relevant national and/or international frameworks	<ul style="list-style-type: none"> ■ Certification programmes for large farmer-owned food and feed businesses ■ Eco-schemes in EU agricultural policy from the next budget period 	<ul style="list-style-type: none"> ■ Principles for Responsible Investment ■ Task Force on Climate-Related Financial Disclosures ■ Committee on Corporate Governance ■ The Paris Agreement 																				

3

Responsible business practices

A greener Nykredit

With some 3,400 staff members and nearly 50 locations, operating the Nykredit Group makes a substantial mark on the climate and the environment. We have therefore set clear targets for the reduction of our carbon footprint, energy consumption and waste volumes. Our efforts towards a greener Nykredit are also an important element of our dialogue with customers about sustainability.

Nykredit to become carbon neutral

In 2019 we attained our 2020 target of reducing the Nykredit Group's carbon emissions by 65% relative to the level in 2012. To accomplish this, we have since 2012 redirected Nykredit's consumption of electricity and natural gas towards climate-friendly energy sources,

enhanced the energy efficiency of technical plants, installed LED lighting and solar cell panels in our buildings along with many other initiatives.

However, Nykredit can never become carbon neutral through the Group's own initiatives alone. Nykredit has no control of how the district heating that we use is generated, and we cannot completely eliminate emissions from transport. In light of this, we decided in 2019 to compensate for Nykredit's remaining unavoidable carbon emissions from heating and transport through third-party verified Gold Standard carbon credits from a wind farm in India. We have purchased the carbon credits, and as of 1 January 2020 Nykredit is officially 100% carbon neutral.

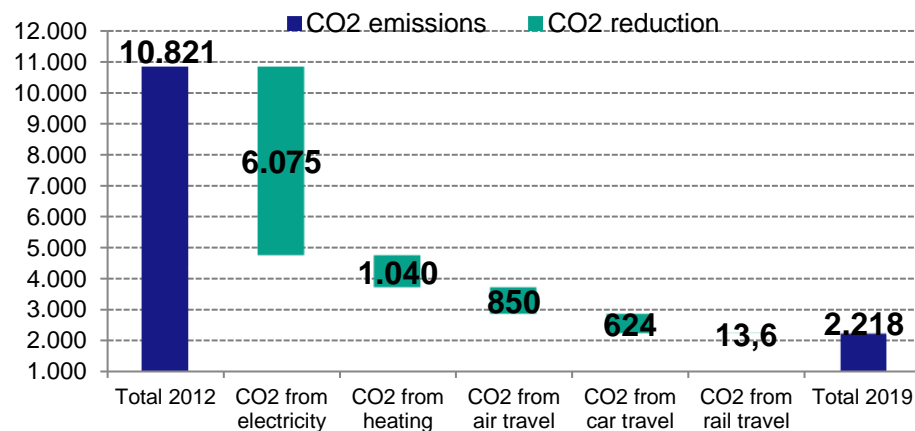
Main risks

Nykredit may have a negative impact on the climate and the environment through the operation of our locations and sourcing of goods or services. Moreover, Nykredit's suppliers may be involved in human rights violations and corruption.

New targets drive our carbon, energy and waste reduction activities

Carbon neutrality does not mean that we have reached the finish line. Accordingly, we set a number of new goals in 2018, aimed at driving the work of reducing the Group's carbon emissions, energy consumption and waste volumes.

Nykredit has reduced the Group's total carbon emissions by 80% since 2012 (ton)



Targets for a greener Nykredit	2017	2018	2019	Target
CO ₂ emissions per staff member (tonnes/FTE)	1.61	1.24 (29% reduction)	0.66 (47% reduction)	5% Annual reduction up to 2025
Total MWh consumption	20,492	18,328	17,713	15,369 (25% by end-2025)
Percentage of recycled waste	45%	50%	51%	80% in 2023
Waste per staff member (kg/FTE)	125	141	137	100 in 2023

One of the targets is to cut Nykredit's total energy consumption by another 25% by the end of 2025 compared with the level in 2017. This will ensure

How we reached the 2020 target for CO₂ reduction

2014

Installation of solar cell panels started. Up to and including 2019, we have generated 1,794 MWh in our nine solar cell panel systems, corresponding to some 423 tonnes of CO₂.

2015

Optimised space management by moving to new locations. Since 2015 we have reduced our office space area by 4,320 sqm, corresponding to a decrease of about 2,020 MWh.

2016

Replacement of lighting with LED lighting started. We have replaced over 40% of the lighting in all properties with energy-friendly LED light sources.

2017

Decision to purchase 100% origin-certified biogas. Up to and including 2019, we have saved 182 tonnes of CO₂.

2018

Decision to purchase 100% origin-certified electricity from wind turbines. Up to and including 2019, we have saved 2,124 tonnes of CO₂.

continued focus on energy-reducing measures every time Nykredit launches a project. And we are already well underway. At the end of 2019, we had reduced our total energy consumption by 14% compared with 2017. This target is closely linked to the target of reducing the Group's carbon emissions per staff member by 5% annually.

We are also focused on lowering waste, and we have set a target of reducing the waste volume per staff member to 100 kg in 2023. However, the disposal of large volumes of paper to comply with data protection legislation, and projects involving the refurbishing of old locations and moving into new locations have resulted in increased waste volumes in recent years. At the end of 2019, the waste volume per staff member was 137 kg, and we will therefore intensify our efforts to minimise waste volumes in the years towards 2023.

Circular economy in procurement and properties

The proportion of recycled waste, on the other hand, is increasing steadily towards our target of 80% recycling in 2025.

This is, among other things, supported by our commitment to more climate-friendly and sustainable procurement. Our sourcing volumes are attractive to most suppliers, and it therefore matters when we ask for alternatives, for example to disposable plastic tableware and conventional carpets. In 2019 we decided that some of the ballpoint pens we purchase should be made of eco-friendly material, and we have replaced all disposable plastic cups with cups that carry the Nordic Swan Ecolabel. Overall, the proportion of Nordic Swan Ecolabelled products relative to our total purchases is 28%. We have also chosen to reuse furniture and equipment from a number of former locations in our

Responsible supply chain management

Nykredit's Supplier Code of Conduct requires our suppliers to live up to the standards laid down in ISO 26000 and the UN Global Compact in respect of human rights, the environment, labour rights and ethics. However, the fact that our suppliers consider our Code of Conduct when concluding a contract is no guarantee that they will satisfy the requirements in the future. We therefore reserve the right to check that our suppliers comply with our Code of Conduct – and if not, we are entitled to terminate the contract.

coming new locations, for example in Kolding and Odense, and we have donated used furniture and equipment to GENBYG A/S, a Danish recycling vendor, in connection with the refurbishment of a new location. This work will continue into 2020.

Eco-challenges to influence suppliers for the benefit of the climate and the environment

Nykredit can also influence our suppliers towards more responsible and sustainable production. In 2019 we challenged selected suppliers to change their workflow when supplying goods and services to Nykredit. For example, our security service provider now uses electric cars, our cleaning service provider has purchased more energy-efficient vacuum cleaners and our canteen provider has implemented the Too Good To Go food rescue concept in selected canteens.

In 2020 we will systematise these pilot partnerships through a range of eco-challenges, challenging the

individual supplier on elements where we see a potential for new joint climate- and eco-friendly solutions. The concept of challenging suppliers in a specific area is used with good results in other areas of Nykredit's supply chain management. Our target is to reach at least eight eco-challenges in 2020.

Reviewing due diligence processes in the supply chain

Nykredit uses mainly Danish, local suppliers, and the risk of corruption, human rights violations, poor labour practices etc is therefore low compared with a production company with a global value chain. But the risk is there nonetheless.

As regards our use of services, there is a risk that the working conditions do not come up to international standards or comply with Danish legislation. We explicitly address this issue when entering into new supplier agreements based on our Supplier Code of Conduct. In spite of this, some of the suppliers' conditions or practices may go unseen in this process. For this reason, we will in 2020 review Nykredit's due diligence processes with respect to human rights and labour rights to assess whether they should be strengthened.

As regards environmental and climate risks in operating our locations, we implemented and certified an environmental management system according to the ISO 14001 standard in 2019. This means that we have a set-up where risks are identified and managed and where preventive measures are implemented to eliminate risks.



Action	A greener Nykredit	Responsible procurement
Societal challenges	All businesses impact the climate and the environment through their production. At Nykredit, the operation of our locations and our transport are the main reasons for our carbon emissions, consumption of resources and the amount of waste we generate.	Businesses may have a negative impact on the climate and the environment indirectly when sourcing goods or services. Using suppliers and subsuppliers also involves a risk of human rights violations and corruption.
UN Sustainable Development Goals	We contribute to substantially increasing the share of renewable energy in the global energy mix by 2030 (SDG No 7.2) and to reducing the negative per capita environmental impact by 2030 (SDG No 11.6). Also, we contribute to climate action under SDG No 13.	We contribute to increasing substantially the share of renewable energy in the global energy mix by 2030 (SDG No 7.2). We also contribute to responsible consumption and production under SDG No 12.
Nykredit's response	<p>We will reduce the Group's energy consumption, carbon footprint and waste volumes to bring our climate and environmental impact to a minimum.</p> <p>With the launch in 2012 of our Climate and Environmental Strategy, we set an ambitious target of reducing the Group's CO₂ emissions by 65% by the end of 2020. We attained this target in 2019 and have therefore set new targets to drive our efforts in the coming years.</p>	<p>We are working continuously towards more climate-friendly and sustainable procurement. One example is our membership of the Ecolabelling Denmark network for green procurement, whereby we commit to increasing the share of sustainable products in our sourcing.</p> <p>Nykredit's Supplier Code of Conduct requires our suppliers to live up to the standards laid down in ISO 26000 and the UN Global Compact in respect of human rights, the environment, labour rights and ethics.</p>
Governance	The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.	The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.
Policies that govern the area	<ul style="list-style-type: none"> ■ Climate, Energy and Environmental Policy 	<ul style="list-style-type: none"> ■ Group Procurement Policy ■ Supplier Code of Conduct
Activities and achievements	<ul style="list-style-type: none"> ■ Attained our target to reduce total carbon emissions by 65% by the end of 2020 ■ Converted 100% of our electricity and 100% of our natural gas consumption to renewable energy sources (Renewable Energy Certificates – RECs) ■ Decided to compensate for our remaining unavoidable carbon emissions from district heating and transport by purchasing carbon credits in 2020 ■ Certified our ISO 14011 environmental management system 	<ul style="list-style-type: none"> ■ Replaced disposable plastic cups with cardboard cups that carry the Nordic Swan Ecolabel ■ Purchased carpets made from recycled ocean waste plastic ■ Entered into agreements for the purchase of 100% renewable electricity and biogas

Action	A greener Nykredit	Responsible procurement																																													
		<ul style="list-style-type: none"> Through dialogue with selected suppliers, we have made joint decisions to make changes to processes and the provision of services to Nykredit (for example, security services by electric car, cleaning with more energy-friendly vacuum cleaners, and implementation of the To Good To Go concept to fight food waste in our canteens) Invited tenders for furniture and equipment focused on sustainable solutions Member of the Year of Ecolabelling Denmark 																																													
<p>Selected key figures and targets</p>	<table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Total CO₂ emissions</td> <td>5,331</td> <td>3,980</td> <td>2,218</td> <td>3,787</td> </tr> <tr> <td>CO₂ emissions per staff member</td> <td>1.61</td> <td>1.24 (29% reduction)</td> <td>0.66 (47% reduction)</td> <td>5% annual reduction up to 2025</td> </tr> <tr> <td>Total MWh consumption</td> <td>20,492</td> <td>18,328</td> <td>17,713</td> <td>25% reduction by 2025 = 15,369</td> </tr> <tr> <td>Proportion of recycled waste</td> <td>45%</td> <td>50%</td> <td>51%</td> <td>Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled (= 80%)</td> </tr> <tr> <td>Waste per staff member (kg/FTE)</td> <td>125</td> <td>141</td> <td>137</td> <td>Waste volume per staff member to be reduced to 100 kg in 2023</td> </tr> </tbody> </table>		2017	2018	2019	Target	Total CO ₂ emissions	5,331	3,980	2,218	3,787	CO ₂ emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	5% annual reduction up to 2025	Total MWh consumption	20,492	18,328	17,713	25% reduction by 2025 = 15,369	Proportion of recycled waste	45%	50%	51%	Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled (= 80%)	Waste per staff member (kg/FTE)	125	141	137	Waste volume per staff member to be reduced to 100 kg in 2023	<table border="1"> <thead> <tr> <th>Responsible procurement</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Nordic Swan Ecolabelled products</td> <td>54%</td> <td>28%</td> <td>-*</td> <td>-</td> </tr> <tr> <td>Number of completed eco-challenges</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>8 in 2020</td> </tr> </tbody> </table> <p>* Data for 2019 are compiled by Ecolabelling Denmark mid-2020.</p>	Responsible procurement	2017	2018	2019	Target	Nordic Swan Ecolabelled products	54%	28%	-*	-	Number of completed eco-challenges	N/A	N/A	N/A	8 in 2020
	2017	2018	2019	Target																																											
Total CO ₂ emissions	5,331	3,980	2,218	3,787																																											
CO ₂ emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	5% annual reduction up to 2025																																											
Total MWh consumption	20,492	18,328	17,713	25% reduction by 2025 = 15,369																																											
Proportion of recycled waste	45%	50%	51%	Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled (= 80%)																																											
Waste per staff member (kg/FTE)	125	141	137	Waste volume per staff member to be reduced to 100 kg in 2023																																											
Responsible procurement	2017	2018	2019	Target																																											
Nordic Swan Ecolabelled products	54%	28%	-*	-																																											
Number of completed eco-challenges	N/A	N/A	N/A	8 in 2020																																											
<p>Plans for 2020</p>	<ul style="list-style-type: none"> Continued conversion to sustainable solutions at both existing and future locations Challenge our use of plastic in day-to-day operations and instead choosing sustainable alternatives 	<ul style="list-style-type: none"> Continued effort to purchase solutions for our locations that are as sustainable as possible Explore opportunities for enhancing the dialogue with our suppliers through so-called eco-challenges where we challenge individual suppliers on issues where we can seek out more climate-friendly solutions together 																																													
<p>Relevant national and/or international frameworks</p>	<ul style="list-style-type: none"> Carbon Disclosure Project 	<ul style="list-style-type: none"> Carbon Disclosure Project 																																													



We must show the world every day that we make responsible decisions that take into account the long-term consequences for our customers and for society. I am strongly committed to ensuring that we have an organisation that is well prepared in all areas to offer our customers responsible advice, navigate fast and compliantly in existing legislation and contribute to the task of combating financial crime.”

Anders Jensen, Group Managing Director

Responsible business conduct



Confidence in financial institutions is challenged. In recent years, our external environment has increasingly questioned the actions and ethics of the financial sector amid cases of money laundering, refund of dividend tax etc.

As a financial provider, Nykredit has a great responsibility for helping to restore this trust. We must ensure that our advice, products and services are responsible in a societal context and relative to the personal finances of the individual customer. This requires strong risk management practices, responsible lending and a healthy and open corporate culture.

Conduct management is part of our risk management and management training efforts

Our risk management activities include ongoing assessment of the culture, propositions, products, advisory services and the like in our organisation to ensure that we can explain and defend our conduct. At Nykredit, this extended approach to risk management is called conduct management. Nykredit wants to have a corporate culture where we can openly discuss and act on the risks and dilemmas that may arise when operating a financial business. This also involves establishing a trusting environment where staff members can feel comfortable discussing the concrete dilemmas they are facing in their everyday work. Conduct management provides a structured framework for identifying dilemmas, combined with a management focus that supports an open and trusting culture. Conduct management is also integrated into Nykredit's management training programmes, ensuring that all managers are equipped to discuss conduct and dilemmas with their staff.

Conduct management is

... the course set by management in relation to good culture and conduct

- Good values and rules governing ethical conduct
- A trusting environment where staff are willing and able to share information about events
- Focus on how Nykredit's business practices are perceived by our customers and others
- Compliance with legislation as well as the intention of rules and regulations.

First experiences with Conduct Risk Self-Assessment

In 2019 Nykredit integrated conduct management into Nykredit's Operational risk policy. Nykredit has also completed a Conduct Risk Self-Assessment exercise, which has provided the framework for our work with ethical dilemmas in the business. The purpose has been to identify activities and aspects of business operations that affect, or may in future affect, our reputation or customers' experience of Nykredit. All in all, the different business entities have submitted reports that have been summarised into 111 dilemmas. These dilemmas have subsequently been divided into seven overarching themes.

Main risks:

Nykredit's advisory services, lending and products have significance on our customers' financial position and on the national economy. This may, for instance, entail the risk that the individual customer receives inadequate advice or that a specific product has a negative impact on financial stability.

As a financial provider, Nykredit is governed by, and must at all times abide by, current legislation and regulation. This may, for instance, entail the risk that processes and products do not comply with the most recent regulation in the area.

Last but not least, there is a risk that Nykredit does not meet society's and our customers' expectations of us. This may lead to breach of trust in Nykredit's business.

The seven overarching themes:

1. Dependence in customer relationships
2. Customers' circumstances
3. Staff remuneration/incentives and sidelines
4. Commissions to and remuneration of business partners
5. Foreign activities
6. Financial products
(products and advisory services, prices and return)
7. Customers' tax affairs

Five of the themes have formed the subject of a wider discussion in 2019 across business areas, while the remaining two themes are still being processed. A few specific dilemmas have been addressed at Executive Board level. In some cases, this has caused us to decline business transactions and in other cases we have changed our practices.

Whistleblower scheme

Besides ensuring a healthy and open culture in our day-to-day work, it is essential that our staff can file anonymous reports if they experience irregularities. Nykredit has established an online whistleblower scheme where staff members can anonymously report any concern about potential irregularities, including violations or potential violations of the law. The whistleblower scheme is an alternative only and should never cause staff members to refrain from mentioning irregularities to their colleagues, immediate superior or Nykredit's Management.

Responsible lending

Loans provided by Nykredit are based on a customer's creditworthiness. We examine a customer's personal finances and assess the customer's ability and will to honour agreements entered into with Nykredit. We do this to ensure that individual customers do not borrow

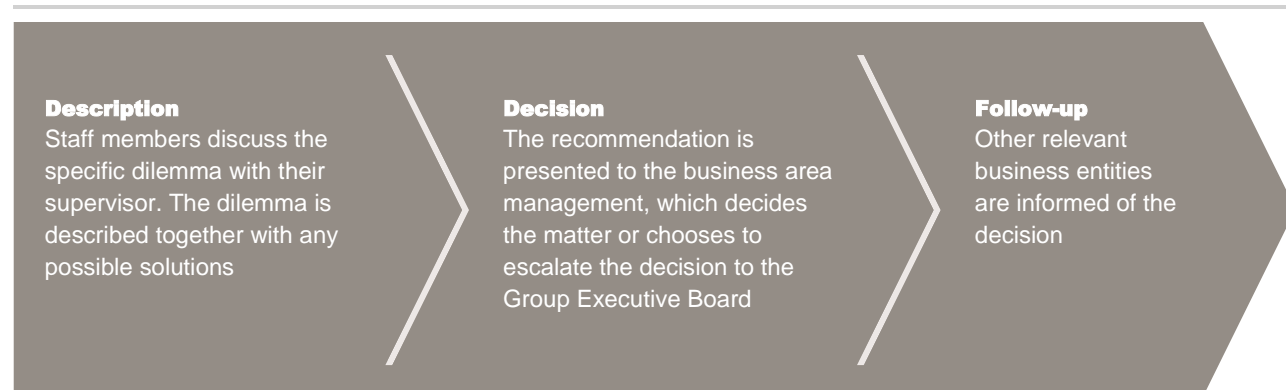
more money than their budgets allow. And we do this so as not to grant loans that carry too much risk, as any losses we may suffer will be passed on to the business at large which means our customers. To best ensure that we do not enter into transactions with customers who engage in activities in violation of existing legislation, human rights, labour standards, principles of environmental responsibility and rules of anti-corruption, including bribery and financial exploitation, the Ten Principles of the UN Global Compact form an integral part of our credit policy.

Product assessment based on sustainability

Nykredit's products and services – in the areas of investment, banking and mortgage lending – must comply with Nykredit's product policy. The product policy sets the framework for a responsible and sustainable approach to development and maintenance of products and services. Accordingly, all products must comply with current legislation as well as with Nykredit's policies, including its credit and tax policies. All product

evaluations and product approvals involve an assessment of both Nykredit's and customers' risk. Accordingly, all products must be developed with a long-term perspective and are therefore assessed in terms of financial, social and environmental/climate sustainability by Nykredit's Products Committee. Sustainability assessment of the Group's entire product portfolio was implemented in 2019 and will be made as part of an overall review by Nykredit's Products Committee when the committee approves new products and evaluates existing products on an annual basis.

How Nykredit handles conduct risk



Fair complaints handling

Nykredit is committed to ensuring that customers are heard and that a customer's complaint is dealt with fairly. This work is governed by Nykredit's complaints handling policy "FAIR treatment of dissatisfied customers", the purpose of which is to come to a solution that the customer may find reasonable. The policy is implemented through business procedures, specifying response times, escalation levels etc for complaints. In 2019, 187 customers filed a complaint.

Anti-corruption

Nykredit has a zero tolerance policy with respect to corruption. Having adopted the Ten Principles of the UN Global Compact, we are committed to countering any form of corruption, including financial exploitation and bribery. We have adopted an anti-corruption policy in the Group, which sets the framework for Nykredit's anti-corruption commitment. The policy determines management responsibilities in the context of procedures for identifying, preventing and handling the risk of

corruption in the Group and defines the primary types of corruption that the organisation should look out for. The policy is supplemented with business procedures for fraud, nepotism, independence and receipt of gifts.

Initiatives to combat financial crime



Money laundering, terrorist financing, tax evasion and other types of financial crime are extremely harmful at both the national and international level.

We will not accept any misuse of the Nykredit Group for financial crime purposes, and we consider it a central element of our responsibility to prevent and counter any such misuse.

Emphasis on cross-sector collaboration

We are continuously improving our set-up for preventing financial crime so that the measures we take reflect the risk involved in our business activities.

Legislation and regulatory practices in the area are changing rapidly, and their interpretation may at times give rise to uncertainty. However, we always seek to implement new legislation and practices in the most efficient and correct manner. We incorporate new legislation and monitor trends in areas such as money laundering. We also prevent financial crime through cross-sectoral collaboration and partnerships with the authorities. In that connection, a member of Nykredit's Group Executive Board represented the Group on Finance Denmark's Anti-Money Laundering Task Force in 2019. We will follow up on the recommendations of the Task Force in 2020.

Recognising the importance of transparency in this area, we have made our Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions publicly available.

Sustained effort

Internally at Nykredit, we spend substantial resources orchestrating a targeted effort against financial crime through awareness, training, improved procedures and business processes. The number of staff involved in anti-money laundering efforts and compliance is growing rapidly. And indeed, Nykredit's staff play a vital role in fighting financial crime. In 2019, 96% of Nykredit's staff completed and passed anti-money laundering, anti-terror and anti-corruption e-learning programmes and tests. Relevant groups of staff complete role-based training and tests.

The increased digitisation in the financial area adds to the complexity, and we are well aware that developments are fast paced and that we need to step up our efforts accordingly. In 2019 we made substantial investments in transaction monitoring systems and replaced our IT platform with a common sector solution provided by BEC.

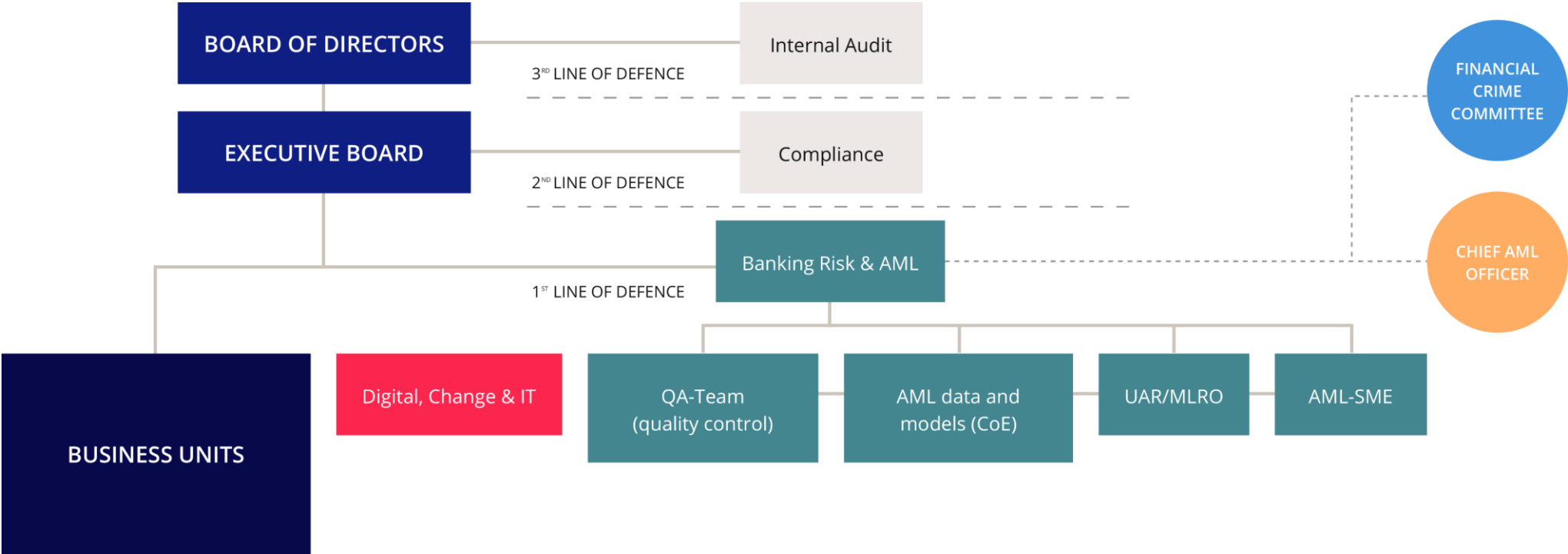
We part ways with customers who will not cooperate

Our intense focus on this area has resulted in an increasing number of reports to the Money Laundering Secretariat. We ensure that our customers keep within our defined risk appetite and customer acceptance policy, and in the course of 2019, we have revised/reviewed our customer base with a view to risk mitigation, so that it reflects our business model and risk appetite. Consequently, we have terminated our relationship with a number of high-risk customers declining to observe our customer due diligence procedures and with correspondents abroad.

Main risks:

Nykredit may be misused for money laundering, terrorist financing, tax evasion and other financial crimes that would have major negative consequences for society, Nykredit and Nykredit's customers.

Organisation of anti-money laundering efforts



Nykredit's anti-money laundering (AML) efforts are structured around the three lines of defence.

Data security



Customers' confidence in companies' ability to protect their data is essential to an efficient market as well as to growth and progress. This is especially true in the financial sector where large data breaches may harm society and where a loss of customers' personal data may have serious consequences.

At Nykredit, we collect and process the personal data of millions of Danes every year. We are therefore constantly seeking to create a strong and coherent data protection framework throughout the Group. In 2019 we strengthened our IT security and continued the ongoing training of staff in this field.

We want to become even better at protecting personal data, for instance through even greater focus on controlling how our staff process personal data. And we will maintain a high IT security level through ongoing monitoring, testing and evaluation.

Strong focus on IT security

Nykredit regularly conducts IT risk assessments to identify risks while ensuring that IT security activities are prioritised according to risk and materiality. Furthermore, Nykredit performs technical tests of Nykredit's cyber defence at least once a year, including Nykredit's ability to handle security incidents. Any potential risks identified are subsequently reduced through mitigating measures. Thanks to this approach, resources are allocated to the areas where they are most needed and provide the most value to Nykredit.

Over the past few years, Nykredit has launched a range of measures which have markedly strengthened Nykredit's overall defence against hackers, malware etc. We have increased security, for instance by implementing advanced security software and optimising the processes for handling security incidents.

At the same time, Nykredit has been focused on strengthening security internally. Focus areas include protection of customer data and implementation of a new IT security policy and handbook. The policy is to help ensure that entities across the Group work according to the same guidelines in the IT area.

Control and right of self-determination over data

It is important to us that Nykredit's customers and staff have control over and the right of self-determination regarding their personal data – they are only on loan to us as a business, and we will return them or delete them as required. This is also the fundamental idea of the General Data Protection Regulation (GDPR), which took effect on 25 May 2018. We have therefore made a targeted effort in recent years to offer customers a simple and easy way to exercise their rights, including the right of access to or erasure of their personal data.

In 2019 Nykredit remained focused on optimising security internally and in relation to business partners. Through a number of internal projects, we are working to ensure that personal data are processed and erased as prescribed by current legislation.

Main risks:

Data security breaches may result in serious harm to society and violations of individuals' privacy.

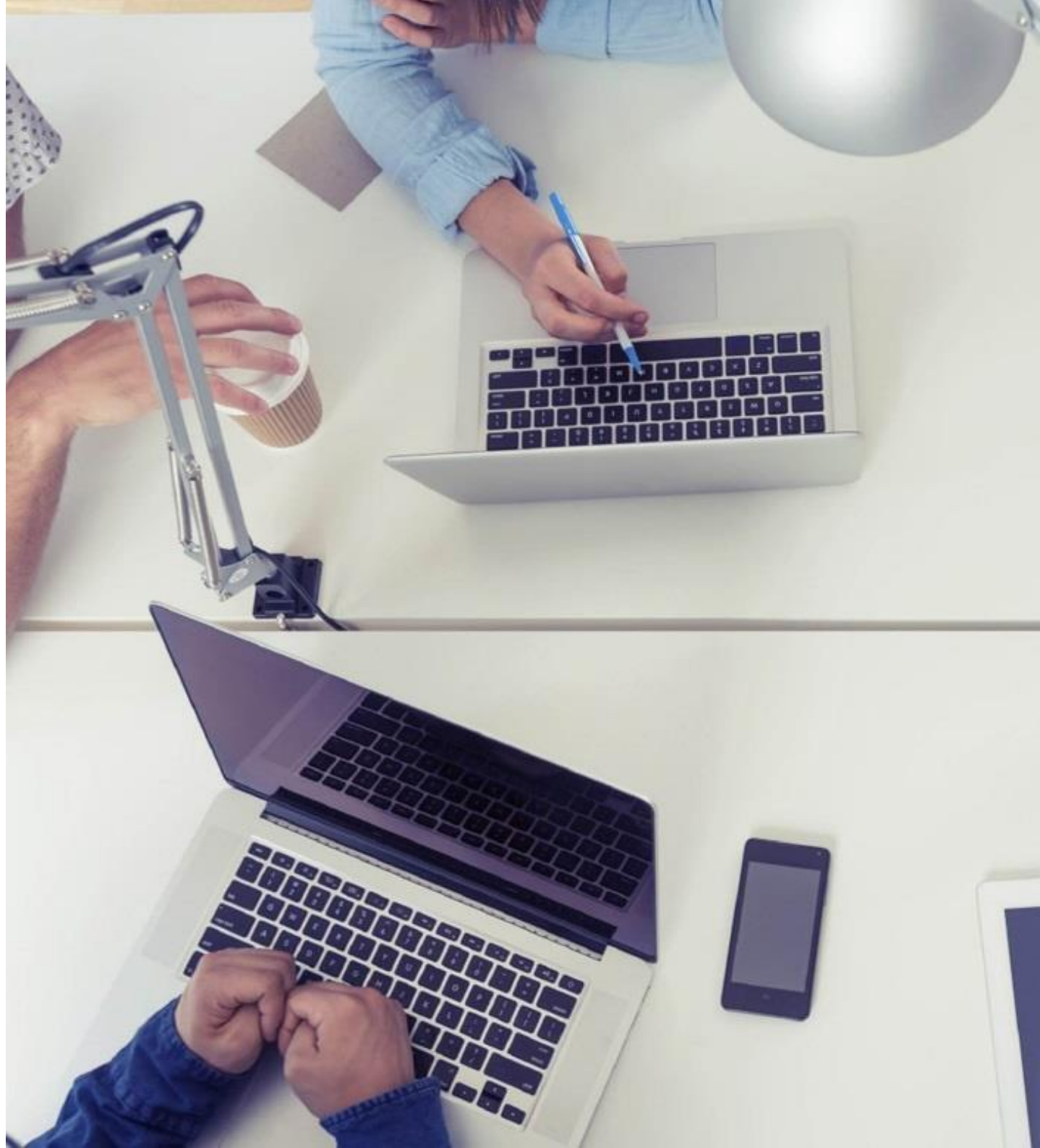
At the same time, we are transparent about why we collect data and what we use the data for. This also applies if data security is breached. Like many other companies, Nykredit reported breaches of personal data security to the Danish Data Protection Agency in 2019. Naturally, we would have preferred avoiding these breaches, but we nonetheless see our collaboration with the Data Protection Agency as a positive step as it heightens the sense of security and safety regarding the protection of personal data.

Our staff are the key

We know that data protection and IT security rely extensively on the staff who handle personal data on a day-to-day basis. In 2019 95% and 98% of Nykredit's staff completed and passed certification and e-learning programmes in data protection and IT security, respectively. Through their training and certification, they have gained basic knowledge of the provisions of data protection legislation and know how to comply with them in their day-to-day work.

Responsible Digital Leadership Initiative

Nykredit has been invited to join an international forum which, in the course of 2020, is to develop principles for how to use technology and data in a responsible and confidence-building way. The project called Responsible Digital Leadership Initiative is headed by Stanford University with partners such as the Danish Business Authority, the Danish Financial Services Union and several Danish universities and organisations. The participating financial institutions are Nykredit and Spar Nord. The initiative is intended to result in a number of common policies and tools in the course of 2020.



Action	Initiatives to combat financial crime	Responsible business conduct	Data security
<p>Societal challenges</p>	<p>Money laundering, terrorist financing, tax evasion and other types of financial crime are extremely harmful at both the national and international level.</p>	<p>Trust in financial institutions is challenged due to cases of money laundering, dividend tax refund fraud etc. Financial service providers therefore have a great responsibility for ensuring that their advice, products and services are responsible in a societal context and relative to the personal finances of the individual customer.</p>	<p>Customers' confidence in how companies treat and protect their data is essential to an efficient market. This is especially true in the financial sector where large data breaches may harm society and where a loss of customers' personal data may have serious consequences.</p>
<p>UN Sustainable Development Goals</p>	<p>We contribute to the efforts under SDG No 16.4 to significantly reduce illicit financial and arms flows by 2030 and to strengthen recovery and return of stolen assets, and combat all forms of organised crime.</p>	<p>We contribute to the efforts to strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all (SDG No 8.10) and to substantially reduce corruption and bribery in all its forms (SDG No 16.5).</p>	
<p>Nykredit's response</p>	<p>We consider it a central element of our responsibility to prevent and counter any misuse of the Nykredit Group for financial crime purposes.</p> <p>We are continuously improving our set-up for preventing financial crime so that the measures we take reflect the risk involved in our business activities.</p>	<p>All parts of Nykredit's business must be responsible, correct and sustainable. We are committed to strong risk management practices and a healthy and open corporate culture where we can openly discuss and act on the risks and dilemmas that may arise when operating a financial business.</p> <p>Risk management activities include the task of regularly addressing whether any conduct, propositions, products, advisory services and the like exist in the organisation that we are unable to explain or defend.</p>	<p>It is important to us that Nykredit's customers and staff have control over and the right of self-determination regarding their personal data – they are only on loan to us as a business, and we will return them or delete them as required.</p> <p>We are transparent about why we collect data and what we use the data for. This also applies if data security is breached.</p>

Action	Initiatives to combat financial crime	Responsible business conduct	Data security
Governance	The Group Managing Director of the CRO division is in charge of implementing and ensuring management focus on measures to prevent financial crime throughout the Group and has been appointed Chief AML Officer at the executive level in Nykredit Realkredit A/S.	The Executive Vice President of Risk & Conduct is in charge of Nykredit's conduct management activities.	The Executive Vice President of Digital, Change and IT is in charge of the work with personal data and IT security.
Policies that govern the area	<ul style="list-style-type: none"> ■ Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions ■ The Group Executive Board's risk appetite policy and policy for customer acceptance for prevention of financial crime ■ Whistleblower policy 	<ul style="list-style-type: none"> ■ Operational risk policy ■ Credit policy ■ Policy covering products in the Nykredit Group ■ Code of conduct ■ Tax policy ■ Complaints handling policy ■ Anti-corruption policy 	<ul style="list-style-type: none"> ■ Privacy policy ■ Personal data policy ■ IT security policy
Activities and achievements	<ul style="list-style-type: none"> ■ Increased the number of Nykredit staff involved in anti-money laundering efforts and compliance ■ 95.6% of Nykredit's staff have completed and passed anti-money laundering, anti-terror and anti-corruption e-learning programmes and tests. Relevant groups of staff complete role-based training and tests ■ Invested in transaction monitoring systems and changed our IT platform to a common sector solution provided by BEC ■ Revised/reviewed our customer portfolio with a view to risk mitigation ■ Participated in Finance Denmark's Anti-Money Laundering Task Force 	<ul style="list-style-type: none"> ■ Completed Conduct Risk Self-Assessment exercise ■ Formally incorporated conduct risk in Nykredit's operational risk policy ■ Created a structure and template for handling concrete dilemmas ■ Clarified roles and responsibilities in the handling of concrete dilemmas 	<ul style="list-style-type: none"> ■ Increased focus on control of how our staff process personal data ■ In 2019 95.0% and 97.9% of Nykredit's staff completed and passed certification and e-learning programmes in data protection and IT security, respectively

Action	Initiatives to combat financial crime	Responsible business conduct	Data security																																			
<p>Selected key figures and targets</p>	<table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests</td> <td>N/A</td> <td>N/A</td> <td>96.7%</td> <td>95.6%</td> </tr> </tbody> </table>		2016	2017	2018	2019	Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	N/A	96.7%	95.6%	<table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Number of customer complaints</td> <td>195</td> <td>184</td> <td>180</td> <td>187</td> </tr> </tbody> </table>		2016	2017	2018	2019	Number of customer complaints	195	184	180	187	<table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests</td> <td>N/A</td> <td>N/A</td> <td>98.3%</td> <td>97.9%</td> </tr> <tr> <td>Percentage of staff having completed and passed data protection e-learning programmes and tests</td> <td>N/A</td> <td>N/A</td> <td>97.1%</td> <td>95.0%</td> </tr> </tbody> </table>		2016	2017	2018	2019	Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	N/A	98.3%	97.9%	Percentage of staff having completed and passed data protection e-learning programmes and tests	N/A	N/A	97.1%	95.0%
	2016	2017	2018	2019																																		
Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	N/A	96.7%	95.6%																																		
	2016	2017	2018	2019																																		
Number of customer complaints	195	184	180	187																																		
	2016	2017	2018	2019																																		
Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	N/A	98.3%	97.9%																																		
Percentage of staff having completed and passed data protection e-learning programmes and tests	N/A	N/A	97.1%	95.0%																																		
<p>Plans for 2020</p>	<ul style="list-style-type: none"> Follow up on the recommendations of Finance Denmark's Anti-Money Laundering Task Force 	<ul style="list-style-type: none"> Roll out the work with dilemmas across the business and management levels Allocate more staff to the area Update the Code of Conduct 	<ul style="list-style-type: none"> Participate in the international collaboration on the development of new principles and tools for responsible digital leadership 																																			
<p>Relevant national and/or international frameworks</p>	<ul style="list-style-type: none"> Finance Denmark's Anti-Money Laundering Task Force and its 25 recommendations 	<ul style="list-style-type: none"> Principles for Responsible Banking 	<ul style="list-style-type: none"> ISO 27001 																																			





We are committed to attracting and retaining talented people and creating an environment where all staff members are able to unfold their potential.”

Trine Ahrenkiel, Executive Vice President, People & Identity

Staff

Nykredit will support development and growth in all of Denmark. Sustainable development and responsible business operations to the benefit of customers require a qualified, dedicated and satisfied staff.

Wellbeing at work is essential to the working life of the individual as well as to the company's ability to make a positive contribution to society. Nykredit prevents and is working to resolve any challenges to wellbeing, job satisfaction and perception of the working environment.

The purpose of staff development is to ensure that our staff have the skills and capabilities required by our customers – that they can provide the best advice, utilise digital opportunities and comply with regulatory requirements and Nykredit's Code of Conduct.

Generally high staff satisfaction

Our staff are proud to work for Nykredit. A core element at Nykredit with respect to staff's working conditions is the annual staff satisfaction survey. We are particularly proud of the high scores on parameters such as job satisfaction, management, learning and development – and that our staff increasingly recommend others to work for Nykredit.

However, the survey shows that staff members would like to spend even more time advising our customers and also that they have various challenges in respect of systems and processes. This is important input, which will be taken into account when preparing new initiatives for the continued development of Nykredit.

In 2019 we also conducted a survey of the working environment. The survey results confirm Nykredit's generally high staff satisfaction.

Investing in staff

Nykredit aims to build a desirable workplace, attracting skilled staff and strong talents. We have therefore made a pledge to our staff:

“We will prioritise development and opportunities for engaged and skilled people. We want to be known for our trusting culture guided by customer focus, team spirit and empowerment.”

We are determined to deliver on this pledge. The individual development needs are uncovered as part of the dialogue between staff members and their supervisors about development to ensure a close coupling between targeted development of the individual staff member and relevant future skills.

In parallel with the day-to-day development of all staff, we provide a number of individual development programmes for selected staff members, enabling them to develop professionally and personally – and to contribute to developing Nykredit. Our development programmes include our graduate programme for development of future business talents, Nykredit Academy, for enhancement of our advisers' professional and personal skills, and apprenticeship and trainee programmes for up-and-coming financial profiles on the way to becoming future advisers.



Main risks:

Nykredit's most important resource is its staff. For this reason, it is important that Nykredit takes an active approach to preventing and resolving any challenges in terms of wellbeing, satisfaction and perception of the working environment. At the same time, Nykredit has to ensure that our staff possess the right skills – today and for the future.

In 2019 all staff members received training relating to the prevention of financial crime, IT security and data protection. We have developed a new, mobile-friendly onboarding concept for new staff members. We have continued the development of our apprenticeship and trainee programmes for new business talents and launched development programmes for selected staff members.

Also in 2019 we focused on staff education and training in connection with major system implementation projects, and we trained our HR Business Partners in supporting managers in their work with the organisational review and skills for the future. And to follow up on the pledge to our staff, we have added a question about learning and development in the staff satisfaction survey.

We have also established a strong and effective set-up for mandatory training and continuously invest in training in compliance with new regulatory requirements and

business procedures aimed at enhancing data security and our efforts to combat financial crime.

Focus areas in 2020

In 2020 we will continue to develop Nykredit towards becoming a stronger, learning organisation supported by modern digital learning methods and technologies. The focus in 2020 will be on how staff development can contribute to building strong and meaningful staff relationships. We will intensify the focus on the pledge to our staff in external and internal communication. At the same time, we will enhance the training of management and staff in connection with business initiatives and continue to concentrate on developing the professional and personal skills of our staff in interaction with the business.



Staff satisfaction, key results

Job satisfaction: 77

External benchmark: 77

E-NPS: +41

External benchmark: +43

Loyalty: 84

External benchmark: 84

Reputation: 84

External benchmark: 83

Immediate supervisor: 82

External benchmark: 81

Results of staff satisfaction survey 2019

Benchmark: Comparable financial institutions in Denmark



Meet Nykredit's staff and read more about their development:

www.nykredit.com/karriere/mod-os/

Read more about Nykredit's graduate programme:

www.nykredit.com/karriere/karriereveje/#graduate

Part of the Danish labour market model

Nykredit has established forums and procedures that safeguard staff participation in the workplace and protect our staff's rights, including through the Group Works Council and the representative system.

Nykredit is a member of the Danish Employers' Association for the Financial Sector (FA), which has concluded a collective agreement with the Danish Financial Services Union. In continuation of this collective agreement, Nykredit has concluded a local collective agreement with NYKREDS, which is the local branch of the union, as well as multiple local agreements governing the day-to-day collaboration, reporting of staff matters and respect and influence of staff-elected representatives in different forums, such as the Group Works Council, local works councils and the Group Health and Safety Committee.



Diversity and inclusion



At Nykredit, we regard diversity and inclusion as crucial prerequisites for operating a sound business to the benefit of our customers, staff and society – now and in the future. Nykredit needs a diverse workforce which together reflect the diversity of our customers and society. A lack of diversity and an uneven gender composition may indicate a failure to exploit the full potential of current and future staff members.

In 2019 we launched new initiatives to strengthen diversity and the representation of women in management across the organisation. A general and central element of these initiatives is that we want to be a workplace that spots and values the diversity of individuals and is able to bring their different characteristics into play for the benefit of the development and career of the individual and the company's performance.

Flow targets for new staff

We are making a targeted effort to improve the gender balance at Nykredit. In 2019 we added questions about “equal opportunities” in the staff satisfaction survey, we trained our HR Partners and top management, we

Gender composition of new staff (flow target)

Gender composition of new staff	2019	Target 2020	Long-term target
Top (H, I, J)	31%	≥25%	45%
Middle (F)	23%	≥32%	45%
First (D, E)	41%	≥45%	45%

Flow targets defined in diversity policy, January 2019. The flow target statistics are based on 123 recruitments and promotions in the period 1 January-31 December 2019.

redesigned job advertisements for the talent programme to attract more women and we developed a sponsor programme and prepared it for launch.

In addition, we have introduced flow targets for new staff to monitor developments more closely. The flow targets are defined as the gender composition when filling management positions. We have attained our 2019 target of at least 25% of our open top management positions to be filled by women. However, this has not changed the gender balance of our Group Executive Board, which is still composed of men only. Three of twelve members of the Executive Committee, which consists of the Group Executive Board and selected managers, are women. At the middle and first management levels, however, the 2019 target has not been met. Looking at all management levels, the gender balance has not improved markedly since 2015.

Multi-pronged implementation plan to strengthen initiatives

Against this backdrop, we launched an internal analysis in 2019 based on both data collection and qualitative interviews with a view to strengthening and targeting our

Female managers by management level

	2016	2017	2018	2019
Top	18%	22%	20%	20%
Middle	28%	29%	29%	26%
First	45%	48%	43%	39%

Main risks:

A lack of diversity and an uneven gender composition may indicate a failure to exploit the full potential of current and potential staff members. There is a risk that we fail to notice potential due to unintended preferential treatment of those who resemble ourselves the most in promotion and recruitment situations. There is also a risk that our customers have a sense of not being understood and matched in terms of their needs and wishes if Nykredit's staff composition is lacking in diversity.

initiatives. The analysis has provided a greater insight into barriers and opportunities and has resulted in a multi-pronged implementation plan covering several years, which has been approved by Nykredit's Executive Board – and was initiated at the end of 2019.

Based on this plan, we will focus on several levels in 2020:

- At the structural level, we will work to increase the degree of objectivity and data-informed decision-making in connection with recruitment, promotion and performance evaluations; also, we will introduce a requirement of female candidates on shortlists for management positions.



- At the management level, we will focus on engaging and informing our managers as well as holding them accountable and training them in inclusive management.
- At the individual level, we have developed a sponsor programme, which will boost the potential and career development of management talent.

Female board representation

In line with current legislation, Nykredit has set diversity targets for the Board of Directors. Our diversity policy emphasises that, in addition to professional and personal skills, regard must be had to diversity in relation to, for

example, gender, age and nationality when composing and recruiting for the Board of Directors. The aim is to ensure that the Board of Directors is composed of the best qualified persons and reflects the diversity seen across the organisation. In 2019 the target was met by Nykredit A/S and Nykredit Realkredit A/S, but not by Totalkredit A/S and Nykredit Bank A/S.

Equal pay for equal work

Nykredit applies a fixed structure to determine the general pay level for a specific position. The pay level is determined based on a recognised job evaluation system that factors in

elements such as complexity, skills, influence and communication requirements.

Objectivity in the determination of pay levels supports a positive development of equal pay. The weighted pay gap between women and men is now 0.9% in favour of men. The comparison is made on the basis of our title structure, as this is the determination method best suited for comparison of staff members with the same job content.

Weighted salary difference in favour of men

	2016	2017	2018	2019
Salary difference	0.8%	0.7%	0.8%	0.9%

Female board representation

Company	2016	2017	2018	2019	2019 target	2020 target
Nykredit A/S	22%	28%	33%	33% (5 out of 15)	35%	35%
Nykredit Realkredit A/S	20%	33%	38%	38% (5 out of 13)	35%	35%
Nykredit Bank A/S	0%	0%	0%	17% (1 out of 6)	25%	25%
Totalkredit A/S	11%	11%	11%	11% (1 out of 9)	25%	25%

Action	Staff Staff satisfaction, health, wellbeing and development	Diversity and inclusion
Societal challenges	<p>Sustainable development and responsible business operations require qualified, dedicated and satisfied staff.</p> <p>Wellbeing at work is essential to the working life of the individual as well as to the company's ability to make a positive contribution to society.</p>	<p>A lack of diversity and an uneven gender composition in a company may indicate a failure to exploit the full potential of current and future staff members.</p> <p>Inexplicable salary differences may indicate unequal pay between men and women.</p>
UN Sustainable Development Goals	<p>We contribute to protecting labour rights and promoting safe and secure working environments for all workers (SDG No 8.8). Furthermore, we contribute to ensuring healthy lives and promoting wellbeing under SDG No 3 and to quality education under SDG No 4.</p>	<p>We contribute to ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life (SDG No 5.5) and, by 2030, to achieving full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (SDG No 8.5).</p>
Nykredit's response	<p>Nykredit's most importance resource is its staff. Nykredit's staff are the ones creating value to customers and the business. Nykredit aims to build a desirable workplace, attracting skilled staff and strong talents. To do this, we have to focus on creating working conditions that make for satisfied staff.</p> <p>We are committed to continuing staff development to ensure that our staff possess the requisite skills to match customer needs, provide the best advisory services and comply with legislation.</p> <p>Nykredit has established forums and procedures that safeguard staff participation at the workplace and protect our staff's rights, including through the Group Works Council and the representative system.</p>	<p>At Nykredit, we regard diversity and inclusion as crucial prerequisites for operating a sound business to the benefit of our customers, staff and society – now and in the future.</p> <p>Nykredit needs a diverse workforce which together reflect the diversity of our customers and society. We therefore strive to strengthen diversity and the representation of women in management across the organisation.</p>
Governance	<p>The Executive Vice President of People & Identity is in charge of our work with staff satisfaction, health, wellbeing and development.</p>	<p>The Board of Directors approves targets, recommended by the Executive Board, for the under-represented gender in management and on the boards of directors. The Executive Vice President of People & Identity is in charge of implementing the initiatives launched to realise the targets.</p>
Policies that govern the area	<ul style="list-style-type: none"> ■ Working environment policy 	<ul style="list-style-type: none"> ■ Diversity policy ■ Remuneration policy

Action	Staff Staff satisfaction, health, wellbeing and development	Diversity and inclusion																															
Activities and achievements	<ul style="list-style-type: none"> ■ Completed mandatory training and special training of all staff relating to the prevention of financial crime, IT security and data protection ■ Launched pre-boarding concept accessible by mobile ■ Completed apprenticeship and trainee programmes for new business talents ■ Developed programmes for selected staff members ■ Targeted professional and personal development to specific needs and staff members ■ Educated and trained staff in connection with major system implementation projects ■ Combined workplace assessment and staff satisfaction survey 	<ul style="list-style-type: none"> ■ Conducted internal analysis of opportunities for and barriers to women in management through qualitative interviews ■ Contributed to a survey of women's path to top management conducted by the Danish Employers' Association for the Financial Sector and the Danish Financial Services Union ■ Approved implementation plan covering several years ahead. The first initiatives focus on the internal structures and processes and strengthening of female management talent 																															
Selected key figures and targets	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Staff</th> <th style="text-align: center;">2017</th> <th style="text-align: center;">2018</th> <th style="text-align: center;">2019</th> <th style="text-align: center;">Target</th> </tr> </thead> <tbody> <tr> <td>Staff satisfaction</td> <td style="text-align: center;">73</td> <td style="text-align: center;">76</td> <td style="text-align: center;">77</td> <td style="text-align: center;">76</td> </tr> <tr> <td>Average days of absence due to illness</td> <td style="text-align: center;">5.5</td> <td style="text-align: center;">5.6</td> <td style="text-align: center;">5.1</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	Staff	2017	2018	2019	Target	Staff satisfaction	73	76	77	76	Average days of absence due to illness	5.5	5.6	5.1	-	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Gender composition of new staff</th> <th style="text-align: center;">2019</th> <th style="text-align: center;">Target 2020</th> <th style="text-align: center;">Long-term target</th> </tr> </thead> <tbody> <tr> <td>Top (H, I, J)</td> <td style="text-align: center;">31%</td> <td style="text-align: center;">≥25%</td> <td style="text-align: center;">45%</td> </tr> <tr> <td>Middle (F)</td> <td style="text-align: center;">23%</td> <td style="text-align: center;">≥32%</td> <td style="text-align: center;">45%</td> </tr> <tr> <td>First (D, E)</td> <td style="text-align: center;">41%</td> <td style="text-align: center;">≥45%</td> <td style="text-align: center;">45%</td> </tr> </tbody> </table>	Gender composition of new staff	2019	Target 2020	Long-term target	Top (H, I, J)	31%	≥25%	45%	Middle (F)	23%	≥32%	45%	First (D, E)	41%	≥45%	45%
Staff	2017	2018	2019	Target																													
Staff satisfaction	73	76	77	76																													
Average days of absence due to illness	5.5	5.6	5.1	-																													
Gender composition of new staff	2019	Target 2020	Long-term target																														
Top (H, I, J)	31%	≥25%	45%																														
Middle (F)	23%	≥32%	45%																														
First (D, E)	41%	≥45%	45%																														
Plans for 2020	<ul style="list-style-type: none"> ■ Retain a strong foundation, developing and reinforce professional and personal skills ■ Intensify the focus on the pledge to our staff in external and internal communication ■ Strengthen the contribution by staff development to building strong and meaningful staff relationships ■ Continue digitisation of management and staff development ■ Develop the business skills and profiles of the future in interaction with the business 	<ul style="list-style-type: none"> ■ At the structural level, increase the degree of objectivity and data-informed decision-making in connection with recruitment, promotion and performance evaluations ■ Introduce a requirement of female candidates on shortlists for management positions ■ At the management level, engage and inform our managers as well as holding them accountable and train them in inclusive management ■ At the individual level, boost the potential and career development of management talent through a special sponsor programme 																															
Relevant national and/or international frameworks	<p>Nykredit forms part of the Danish agreement-based labour market, where constructive dialogue between employees and employers results in broad-based collective agreements to the benefit of both parties.</p>																																

Principles and policies governing our work

International principles and standards

Nykredit's corporate responsibility efforts are governed by a variety of international standards and principles. These include:

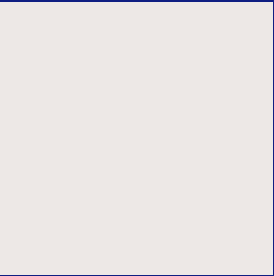


CDP score (climate change) 2019: B

Nykredit's policies

A number of Nykredit's policies play a central role in securing a responsible and sustainable business in all areas. Central policies are listed below:

- Corporate responsibility policy
- Working environment policy
- Diversity policy
- Remuneration policy
- Responsible investment policy
- Credit policy
- Green Bond Framework
- Climate, energy and environmental policy
- Group procurement policy
- Supplier code of conduct
- Credit policy
- Risk policy
- Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions
- The Group Executive Board's risk appetite policy and policy for customer acceptance for prevention of financial crime
- Whistleblower policy
- Operational risk policy
- Credit policy
- Policy for products in the Nykredit Group
- Staff code of conduct
- Tax policy
- Complaints handling policy
- Anti-corruption policy
- Personal data policy
- IT security policy
- Privacy policy



Key figures for corporate responsibility

Nykredit will actively support development and growth throughout Denmark – at all times

Lending throughout Denmark	2016	2017	2018	2019
Number of municipalities with lending growth	88/98	94/98	96/98	97/98
Lending to homeowners in different life phases	2016	2017	2018	2019
<u>Lending to senior customers</u>				
Number of loans to senior customers aged 65 and over	127.993	132.034	134.497	127.932
<i>Bond debt outstanding (DKK billion)</i>	101,3	106,2	110,0	108,6
New loans to senior customers aged 65 and over	12.979	12.150	10.366	20.184
<i>Bond debt outstanding (DKK billion)</i>	13,2	12,8	11,9	24,5
<u>Lending to young customers</u>				
Number of loans to young customers aged 30 years and younger	36.178	36.559	38.288	41.441
<i>Bond debt outstanding (DKK billion)</i>	36,9	41,0	46,4	54,8
New loans to young customers aged 30 years and younger	12.103	12.428	12.626	19.594
<i>Bond debt outstanding (DKK billion)</i>	15,4	16,7	18,0	30,2
<u>Public housing lending</u>				
Number of loans for youth housing	724	710	708	716
<i>Bond debt outstanding (DKK billion)</i>	4,9	5,1	5,1	5,4
Number of loans for senior housing	1136	1124	1128	1123
<i>Bond debt outstanding (DKK billion)</i>	7,4	7,3	7,2	6,9
Robust homeowners	2016	2017	2018	2019
Share of repayment loans	47%	49%	53%	56%
Share of fixed-rate repayment loans	43%	45%	48%	54%

Mortgage lending to business customers throughout Denmark

DKK billion	Total, Denmark	Capital Region of Denmark	Sealand Region	North Denmark Region	Central Denmark Region	South Denmark Region
Mortgage lending to business customers, DKK billion	396	121	43	56	99	78
- of which private rental	86	34	5	10	23	14
- of which industry	17	3	2	3	6	4
- of which office and retail	92	35	11	9	22	16
- of which agriculture	89	2	13	22	28	24
- of which public housing	63	23	7	7	12	13
- of which cooperative housing	35	19	3	3	5	5
- of which other	14	5	1	1	4	2

Development in Tier 1 capital and own funds

	2016	2017	2018	2019
CET1 capital (%)	18.8	20.6	21.0	19.5
Own funds (%)	21.9	23.9	23.5	22.4

Nykredit will actively support sustainable development

SUSTAINABLE HOUSING

Owner-occupied mortgage lending, by energy label

Energy label	Mortgage lending (DKK billion)	No of valid energy labels
None	348	-
Energy labels, total	408	100%
A	63	16%
B	33	8%
C	95	23%
D	119	29%
E	57	14%
F	26	6%
G	14	3%

* Despite having been built after 2008, a good deal of the properties for which mortgage loans have been provided do not have an energy label registered in the Danish Energy Agency's database. For the property types listed, the Danish building regulations (see BR08, BR10, BR15, BR18) have for many years prescribed maximum energy limits. For properties built in accordance with building regulations BR08, the maximum energy consumption limits correspond to a B energy label. For properties built in accordance with building regulations BR10 (or later), the maximum energy consumption limits prescribe energy label A.

** Energy labels valid for ten years from the year of construction have been "assigned" to properties that comply with the above description.

*** Since the entire land is mortgaged to the mortgage provider, the mortgage loan is linked to the number (BBR number) assigned by the Bygnings- og Boligregisteret (BBR – Danish register of buildings and dwellings), where the energy label often refers to only one building. If several buildings with different energy labels share the same land, these buildings are excluded from the list.

**** Mortgage loans for holiday homes are not included as holiday homes are not covered by the Danish energy label.

Mortgage loans for owner-occupied dwellings with energy label A

	2016	2017	2018	2019
Lending (DKK billion)	31	41	51	63
Share	10%	12%	14%	16%

SUSTAINABLE BUSINESSES AND PROPERTIES

Danish and Swedish green bond issues – outstanding amounts

2019	Amount in local currency	Amount in DKK
Danish green bond issues	1,813	1,813
Swedish green bond issues	5,687	4,038

Lending for rental, office and retail properties and subsidised housing, by energy label

Energy label	Lending (DKK billion)	Share
None	172	-
Energy labels, total	193	100%
A	41	21%
B	24	13%
C	51	27%
D	53	28%
E	15	8%
F	6	3%
G	2	1%

* Despite having been built after 2008, a good deal of the properties for which mortgage loans have been provided do not have an energy label registered in the Danish Energy Agency's database. For the property types listed, the Danish building regulations (see BR08, BR10, BR15, BR18) have for many years prescribed maximum energy limits. For properties built in accordance with building regulations BR08, the maximum energy consumption limits correspond to a B energy label. For properties built in accordance with building regulations BR10 (or later), the maximum energy consumption limits prescribe an A energy label.

** Energy labels valid for ten years from the year of construction have been "assigned" to properties that comply with the above description.

*** Since the entire land is mortgaged to the mortgage provider, the mortgage loan is linked to the number (BBR number) assigned by the Bygnings- og Boligregisteret (BBR – Danish register of buildings and dwellings), where the energy label often refers to only one building. If several buildings with different energy labels share the same land, these buildings are excluded from the list.

**** Mortgage loans for industrial and manufacturing properties, social housing, cultural buildings and agriculture are not included.

Mortgage lending for rental, office and retail properties as well as for subsidised housing energy-labelled A

	2016	2017	2018	2019
Lending (DKK billion)	18	23	31	41
Share	11%	13%	16%	21%

RESPONSIBLE INVESTMENT

DKK billion	2016	2017	2018	2019
Nykredit's total investments, covered by the Responsible Investment Policy	303	279	301	440
Number of companies screened quarterly	2,281	2,320	2,283	4,901
Companies with which Nykredit engages because of breach of standards	17	21	22	21
Companies screened out	23	32	51	58
Participation in general meetings				
– Number of general meetings	N/A	589	772	839
– % of equity AuM where Nykredit participated in general meetings	N/A	58%	85%	88%
– Votes cast against board of directors, %	N/A	8%	8%	8%
Funds with below-benchmark CO ₂ emissions	N/A	N/A	78%	78%
Funds with above-benchmark ESG ratings	N/A	N/A	44%	47%

Responsible business practices

A GREENER NYKREDIT

Data on heat and electricity consumption and the deduced amounts of CO₂ have been subjected to external audit by Force Technology.

A greener Nykredit

	2016	2017	2018	2019	Target
CO ₂ emission per staff member (ton/FTE)	1.54	1.61	1.24	0.66	5% Annual reduction up to 2025
Total MWh consumption	24,474	20,492	18,328	17,713	15,369 (25% by end-2025)
Share of recycled waste	42%	45%	50%	51%	80% In 2023
Amount of waste per staff member (kg/FTE)	120	125	141	137*	100 In 2023

* Nykredit's waste volumes declined only marginally in 2019, the main reason being that Nykredit, as part of GDPR, is completing a comprehensive review of its archives between 2019 and 2021, scanning in huge volumes of paper. Paper will be recycled.

Resource consumption

	HQ buildings	Customer centres	Subsidiaries	JN DATA **	Nykredit Group 2019	Nykredit Group 2018	Nykredit Group 2017	Nykredit Group 2012	Index 2018-2019	Index 2012-2019
Facts about Nykredit										
Number of locations	6	40	1	1	48	47	53	74	102	65
- of which leased premises	0	5	0	0	5	40	41	56	13	9
Heated area (sqm)	63,515	40,707	1,473	2,483	108,179	106,980	110,995	146,784	101	74
Number of staff (total)	2,867	914	48	89	3,918	3,721	3,816	4,807	105	82
Number of full-time staff (FTE)	2,352	881	43	89	3,365	3,210	3,304	4,100	105	82
Consumption data										
Electricity (MWh)	4,657	2,104	49	2,364	9,174	9,720	10,780	16,054	94	57
Heating (MWh)	3,807	3,734	99	71	7,712	8,275	9,412	12,010	93	64
Heating, degree-day adjusted (MWh)*	4,655	4,466	127	76	9,323	10,015	10,697	14,094	93	66
Direct energy consumption (MWh)	356	470	0	0	827	915	772	806	90	103
- of which energy via renewable energy systems (MWh)	243	69	0	0	312	333	301	-	94	-
Indirect energy consumption (MWh)	8,464	5,838	148	2,436	16,886	17,413	19,720	29,343	97	58
Energy intensity (excl renewable energy systems)	1%	7%	0%	0%	3%	3%	2%	3%	91	111

Total energy consumption (MWh)	8,820	6,308	148	2,436	17,713	18,328	20,492	30,149	97	59
KPIs										
Heated area per staff member (sqm)	27	46	34	28	32	33	34	35	96	92
Electricity consumption per staff member (kWh)	2,083	2,467	1,136	26,438	2,819	3,132	3,354	3,773	90	75
Electricity consumption per square metre (kWh)	73	52	33	952	88	94	100	107	93	82
Heat consumption per staff member (kWh)	1,979	5,069	2,956	847	2,770	3,120	3,238	3,312	89	84
Heat consumption per square metre (kWh)	73	110	86	31	86	94	96	94	92	92
Total energy consumption per staff member (kWh)	73	52	33	952	88	94	100	107	93	82
Total energy consumption per square metre (kWh)	27	46	34	28	32	33	34	35	96	92
Transport										
Company car travel (km)	523,100	-	4,764	18,378	546,243	642,290	803,839	927,097	85	59
Own car travel (km)	3,656,072	-	257,852	0	3,913,924	3,646,534	4,528,042	6,426,549	107	61
Taxi travel (km)	208,010	-	735	2,349	211,094	214,855	298,296	524,697	98	40
DriveNow electric cars (km)	8,498	-	0	0	8,498	5,549	-	-	153	-
Rail travel (km)	1,091,132	-	1,653	11,633	1,104,418	1,395,157	1,526,397	2,170,475	79	51
Air travel (km)	2,900,741	-	3,927	248,759	3,153,427	3,584,998	3,153,262	9,119,566	88	35
CO₂ emissions										
Total heat consumption (tonnes)	332	300	9	6	648	800	1,017	1,688	81	43
Electricity consumption (tonnes)	281	115	3	134	534	2,109	3,089	6,609	25	8
Air travel (km)	319	-	0.4	22	341	389	379	1,191	88	29
Rail travel (km)	38	-	0.1	0	38	50	56	52	78	74
Own car travel (tonnes)	512	-	36	0	548	511	634	1,060	107	52
Company car travel (tonnes)	74	-	0.7	3	78	90	113	143	86	54
Taxi travel (km)	31	-	0.1	0.4	31	32	44	78	98	40
Other										
Total CO ₂ emissions (tonnes)	1,587	415	50	166	2,218	3,980	5,332	10,821	56	20
CO ₂ emissions per staff member (tonnes)	0.67	0.47	1.15	1.85	0.66	1.24	1.61	2.64	53	25
Carbon intensity trend of generators	-	-	-	-	54.4%	85.7%	95.1%	47.9%	63	114
CO ₂ emissions per DKK 1 earned (DKK per kg CO ₂)	-	-	-	-	6,779	3,016	2,628	1,089	225	622

* The calculation is based on degree-day adjusted heat consumption, corresponding to a standard year.

** Approximately 12.75% of the energy consumption of JN Data has been included in 2019 as Nykredit took up about one-eighth of its operations. The number of kilometres and emissions from transport for JN Data are based on the distribution also applied to expenses.

*** Nykredit's reporting on climate and environment has been calculated for the period Q4/2018 to Q3/2019. Consequently, the number of full-time staff is different from the number found in any other annual reporting.

CO₂ EMISSIONS BY SOURCE

Direct and indirect emissions

Our greenhouse gas emissions are divided into three categories:

- **Scope 1** – Direct greenhouse gas emissions are emissions from sources that are owned or controlled by Nykredit. They include emissions from direct combustion of fuels and our vehicle fleet.
- **Scope 2** – Indirect greenhouse gas emissions are emissions that result from the consumption of the electricity we purchase. They include emissions that result from our consumption of electricity and district heating.
- **Scope 3** – Other indirect greenhouse gas emissions are emissions from sources that are not owned or controlled by Nykredit. They include third-party deliveries, business travel and use of products and services sold. This category is an optional reporting category. Nykredit includes the following elements: CO₂ emissions from air and rail travel, work-related own car travel and taxi travel.

CO₂ emissions

	2019		2018		2017		2012		Index 2012-2019	
	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based
Total CO₂ emissions (tonnes)	2,218	6,299	3,980	6,780	5,331	8,419	10,821	12,399		
Direct CO₂ emissions (Scope 1)	78	78	90	90	186	186	308	308	25%	25%
- Company car travel (tonnes)	78	78	90	90	112	112	143	143	54%	54%
- Heat consumption (tonnes) – oil and gas	0	0	0	0	73	73	165	165	0%	0%
Indirect CO₂ emissions (Scope 2)	1,182	5,262	2,909	5,708	4,033	7,121	8,131	9,710	15%	54%
- Electricity consumption (tonnes)	534	4,614	2,109	4,908	3,089	6,177	6,609	8,188	8%	56%
- Heat consumption (tonnes) – from CHP plants	648	648	800	800	944	944	1,522	1,522	43%	43%
Other indirect CO₂ emissions (Scope 3)	959	959	981	981	1,113	1,113	2,382	2,381	40%	40%
- Air travel (tonnes)	341	341	389	389	379	379	1,191	1,191	29%	29%
- Rail travel (tonnes)	38	38	50	50	56	56	52	52	74%	74%
- Own car travel (tonnes)	548	548	511	511	634	634	1,060	1,060	52%	52%
- Taxi travel (tonnes)	31	31	32	32	44	44	78	78	40%	40%

Note: The source of market-based emissions from electricity is the RE-DISS publication "European Residual Mixes".

Waste

	HQ buildings	Customer centres	Subsidiaries	JN DATA **	2019	2018	2017	Index 2018-2019
Total waste (tonnes)	378	84	-	-	462	454	413	102
Waste per staff member (kg/FTE)	161	95	-	-	137	141	125	102
Waste sent to incineration (tonnes)	185	43	-	-	228	227	225	101
Waste sent to landfill (tonnes)	0.1	0	-	-	0.1	0.5	4	27
Waste recycled (tonnes)	193	40	-	-	233	227	186	103
- of which food waste (tonnes)	90	0.4	-	-	91	81	46	112
- of which paper (tonnes)	62	32	-	-	95	114	131	83
- of which cardboard (tonnes)	12	4.7	-	-	17	13.8	-	123
- of which plastic (tonnes)	10	0	-	-	10	6.6	-	151
- of which electronic waste (tonnes)	2.1	0	-	-	2.1	1.9	1.7	109
- of which glass (tonnes)	7.6	0.6	-	-	8.2	4.7	5.6	174
- of which iron and metal (tonnes)	7.1	0.6	-	-	7.6	4.8	1.9	158
- of which batteries (tonnes)	0.03	0	-	-	0.03	0.06	0.03	51
- of which other waste (tonnes)	1.8	1.7	-	-	3	0.3	0.07	1072
Recycling (%)	51%	48%	-	-	51%	50%	45%	101
Other fragments (%)	49%	52%	-	-	49%	50%	55%	99

Water consumption

	HQ buildings	Customer centres	Subsidiaries	JN DATA **	2019	2018	2017	Index 2018-2019
Total water consumption (m³)	22,849	9,156	451	749	33,205	36,488	36,717	91
- of which recycling of water (m ³)	141	-	-	-	141	647	-	22
Number of staff (FTE)	2,352	881	43	89	3,365	3,210	3,304	105
Heated area (sqm)	63,515	40,707	1,473	2,483	108,179	106,980	110,995	101
Water consumption per staff member (litres)	9,715	10,392	10,486	8,380	9,866	11,369	11,113	87
Water consumption per square metre (litres)	360	225	302	307	307	341	331	90
Water intensity trend	-	-	-	-	(21)%	0%	(28)%	(5184)%
Fresh water intensity for generators	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

RESPONSIBLE PROCUREMENT

	2016	2017	2018	2019*
Nordic Swan Ecolabelled products	25%	54%	28%	-

* Data for 2019 are compiled by Ecolabelling Denmark in 2020.

RESPONSIBLE BUSINESS CONDUCT

Customer satisfaction

	2016	2017	2018	2019
Personal customers (EPSI 1-100)	71	71	72	72
Business customers (EPSI 1-100)	66	63	67	63
Number of complaints	195	184	180	187

Sustainability assessment of products

	2016	2017	2018	2019
Sustainability assessment of products (number)	N/A	N/A	N/A	15

INITIATIVES TO COMBAT FINANCIAL CRIME

	2016	2017	2018	2019
Share of staff having completed and passed anti-money laundering, anti-terrorism and anti-corruption e-learning programmes and tests*	N/A	N/A	96.7%	95.6%

*The anti-money laundering test was changed significantly in spring 2018. Data for 2016 and 2017 are not comparable.

Note: Numbers are lower than 100% because of maternity and other leave, illness, change of jobs etc.

DATA SECURITY

	2016	2017	2018	2019
Share of staff having completed the IT security e-learning programmes and tests*	N/A	N/A	98.3%	97.9%
Number of staff having completed and passed data protection e-learning programmes and tests**	N/A	N/A	97.1%	95.0%

* Tests were sent to all members of Nykredit's staff for the first time in 2018.

** New tests were launched before the General Data Protection Regulation (GDPR) entered into force on 25 May 2018.

Note: Numbers are lower than 100% because of maternity and other leave, illness, change of jobs etc.

STAFF

Staff

	2016	2017	2018	2019
Permanent staff, year-end	3,227	3,105	3,035	3,243
- of which women	N/A	N/A	1,343	1,407
- of which men	N/A	N/A	1,692	1,836
Staff paid by the hour	586	544	513	530
New staff	321	322	318	480
Disposals	459	647	433	481
New staff as percentage of permanent staff	9.9%	10.4%	10.4%	14.8%
Average number of full-time staff*	3,648	3,505	3,382	3,515
Staff turnover	13.1%	19.3%	13.7%	14.6%
- of which voluntary	9.4%	10.8%	9.0%	9.5%
- of which involuntary	3.7%	8.5%	4.6%	5.1%
Members of staff per region				
- employed in Denmark	99.8%	99.8%	99.8%	99.9%
- employed in France and Spain	0.2%	0.2%	0.2%	0.1%

Staff satisfaction survey

Staff satisfaction survey (levels 1-100)	2016	2017	2018	2019
Staff satisfaction measured based on job satisfaction	73	73	76	77
Assessment of indoor climate (good indoor climate)	N/A	70	N/A	64
Assessment of noise level (low noise level)	N/A	83	N/A	78
Impact on absence due to illness (low impact)	N/A	99	N/A	91

Work-life balance

	2016	2017	2018	2019
Part-time staff	313	278	410	419
- of which women	286	249	305	316
- of which men	27	29	105	103
Average number of days per paid maternity leave	128	131	129	118
Number of staff on leave	340	340	340	298
Number of staff having returned to Nykredit after maternity/paternity leave			184	217
- of which men	N/A	N/A	104	135
- of which women	N/A	N/A	80	82
Number of staff having been employed for a year after finishing maternity/paternity leave the year before			143	172
- of which men	N/A	N/A	85	116
- of which women	N/A	N/A	58	56

Trade unions

	2016	2017	2018	2019
Share covered by collective agreements	91.4%	91.0%	91.5%	94.8%

Health

	2016	2017	2018	2019
Average days of absence due to illness	5.8	5.5	5.6	5.1

Staff subject to regular performance and career development reviews

2019, % of staff	Men	Women	Total
Management	75%	74%	75%
Total	79%	76%	78%

Numbers are lower than 100% because of maternity and other leave, illness, change of jobs etc.

Staff development

	2016	2017	2018	2019
Management programmes				
- Den nyudnævnte leder (the newly appointed manager)	9	12	0	23
- Assessment of level 2 managers	N/A	N/A	N/A	13
- Executive leadership programme	N/A	N/A	N/A	21
Talent development				
- Finance trainees	N/A	N/A	N/A	20
- Nykredit Academy, PRS	N/A	N/A	N/A	16
- Nykredit Assessment	N/A	N/A	N/A	70
- Group talent programme	N/A	N/A	N/A	15
Programmes aimed at attracting talents (graduates)	21	16	19	25
Courses and enhancement of skills	N/A	14	22	13

DIVERSITY AND INCLUSION

GENDER COMPOSITION OF NEW STAFF (FLOW TARGET)

	2017	2018	2019	Target 2020	Long-term target
Top (H, I, J)	N/A	N/A	31%	≥25%	45%
Middle (F)	N/A	N/A	23%	≥32%	45%
First (D, E)	N/A	N/A	41%	≥45%	45%

Share of female managers

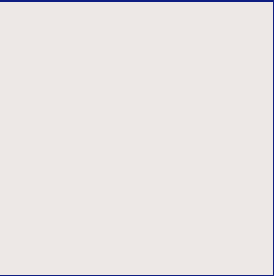
	2016	2017	2018	2019
Top (H, I, J)	18%	22%	20%	20%
Middle (F)	28%	29%	29%	26%
First (D, E)	45%	48%	43%	39%
Total female managers	32%	32%	32%	29%

Female board representation

%	2016	2017	2018	2019	Target
Nykredit A/S	22%	28%	33%	33% (5 out of 15)	35%
Nykredit Realkredit A/S	20%	33%	38%	38% (5 out of 13)	35%
Nykredit Bank A/S	0%	0%	0%	17% (1 out of 6)	25%
Totalkredit A/S	11%	11%	11%	11% (1 out of 9)	25%

Weighted salary difference in favour of men

%	2016	2017	2018	2019
Salary difference	0.80%	0.70%	0.80%	0.9%



GRI reporting

This report has been prepared in accordance with GRI Standards: Core option.

Annual Report = Nykredit Group Annual Report 2019

CR Report = Corporate Responsibility Report 2019, Nykredit Group

Risk and Capital Management Report = Risk and Capital Management Report 2019

Fact Book = Fact Book 2019, Nykredit Group

GENERAL DISCLOSURES: 102

GENERAL DISCLOSURES

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
GRI 102	General Disclosures	102-1	Name of the organization	Annual Report: Page 38
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	CR Report: Page 9
GRI 102	General Disclosures	102-3	Location of headquarters	Annual Report: Page 38
GRI 102	General Disclosures	102-4	Location of operations	Nykredit's primary location of operation is Denmark.
GRI 102	General Disclosures	102-5	Ownership and legal form	CR Report: Page 6 Annual Report: Page 38
GRI 102	General Disclosures	102-6	Markets served	See our Fact Book 2019 for information regarding our activities broken down by geographic location and sectors served.
GRI 102	General Disclosures	102-7	Scale of the organization	Annual Report 2018: Page 5 Fact Book: Pages 8-9
GRI 102	General Disclosures	102-8	Information on employees and other workers	CR Report: Page 72
GRI 102	General Disclosures	102-9	Supply chain	The supply chain of Nykredit is in line with the guidance of UN Global Compact. Being a provider of financial services, our employees represent the main element of our value proposition related to the organization's activities. Cleaning services, the canteen and outdoor facility

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
				<p>maintenance are operated by external suppliers subject to our Code of Conduct, which can be found online at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf</p> <p>CR Report: Page 46</p>
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	Annual Report: Page 12
GRI 102	General Disclosures	102-11	Precautionary Principle or approach	<p>Nykredit is a signatory to the Ten Principles of the UN Global Compact, which include the precautionary principles. To comply with the precautionary principles, Nykredit always strives to mitigate and avoid negative externalities caused by our operations, and our products and services are continuously assessed. In addition, our suppliers and sub-suppliers are subject to our Code of Conduct, which outlines the minimum standards required in terms of social, ethical and environmental matters.</p> <p>CR Report: Page 46 Annual report: Pages 7-8</p> <p>For further information, see: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf</p>
GRI 102	General Disclosures	102-12	External initiatives	<p>UNPRI The Ten Principles of the United Nations Global Compact Principles for Responsible Banking Principles for Responsible Investments ISO 14001 ISO 26000 GRI OECD Guidelines UN's Sustainable Development Goals CDP</p>

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
				World Economic Forum Dansif Committee on Corporate Governance ICMA's Green Bond Principles Climate Action 100+ Ship Recycling Transparency Initiative Eurosif ICGN Luxflag Sustainable Stock Exchange Initiative
GRI 102	General Disclosures	102-13	Membership of associations	Netværk for miljømærket indkøb Finans Danmark Landsdækkende banker Landdistrikternes fællesråd Dansk Energi United Nations Global Compact UNEP Finance Initiative European Covered Bond Council European Association of Cooperative Banks Eurofi
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	CR Report: Page 5
GRI 102	General Disclosures	102-15	Key impacts, risks, and opportunities	CR Report, Stronger governance: Page 13 CR Report, We will support development and growth in all of Denmark: Page 16 CR Report, Development and growth throughout Denmark: Page 18 CR Report, We can actively support sustainable development: Page 23 CR Report, Sustainable housing, businesses and properties: Pages 27-28 CR Report, Responsible investment: Page 35 CR Report, A greener Nykredit: Page 42 CR Report, Responsible business conduct: Page 48

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
				CR Report, Initiatives to combat financial crime: Page 51 CR Report, Data security: Page 53 CR Report, Staff: Page 60 For further information see our Risk and Capital Management Report 2019, available at Nykredit.com
GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	CR Report: Pages 10-15 For further information, please visit: https://www.nykredit.com/en-gb/samfundsansvar , where you can also find Nykredit's policy on corporate social responsibility
GRI 102	General Disclosures	102-17	Mechanisms for advice and concerns about ethics	All relevant units and employees contribute to the design of Nykredit's Corporate Responsibility Policy, from which initiatives, products, procedures and policies are derived. Nykredit has laid down policies on whistleblowing, anti-corruption, nepotism etc. An overview of Nykredit's policies can be found at: https://www.nykredit.com/om-os/organisation/politikker/ or at CR Report: Page 70
GRI 102	General Disclosures	102-18	Governance structure	Annual Report: Page 37 CR Report: Page 14
GRI 102	General Disclosures	102-19	Delegating authority	Annual Report: Page 37 CR Report: Pages 14 and 70
GRI 102	General Disclosures	102-20	Executive-level responsibility for economic, environmental, and social topics	The Group Executive Board makes up our Corporate Responsibility Committee and is responsible for drawing up our Corporate Responsibility Policy, which is approved by the Board. Annual Report: Page 35
GRI 102	General Disclosures	102-21	Consulting stakeholders on economic, environmental, and social topics	Nykredit complies with the Managerial Code of Conduct of the Danish Bankers Association, which recommends that

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
				<p>the Board of Directors ensures ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the Board of Directors to be aware of the shareholders' views, interests and opinions on the company.</p> <p>Nykredit prioritizes ongoing dialogue with our customers to ensure they are consulted regarding our company policy and that our products and services match their needs and demands.</p> <p>Find our Corporate Governance Report online at https://www.nykredit.com</p> <p>See our communication policy for further information online at: https://www.nykredit.com/siteassets/om-os/kommunikationspolitik---november-2019.pdf</p>
GRI 102	General Disclosures	102-22	Composition of the highest governance body and its committees	<p>The Board of Directors has 15 members. Five of these members are staff-elected.</p> <p>The composition of the Board of Direction is available online at https://www.nykredit.com/en-gb/om-os/organisation/bestyrelsen/</p> <p>Nykredit has established the following committees: Credit Committee Asset/Liability Committee (ALCO) Group Risk Committee Contingency Committee Products Committee Corporate Responsibility Committee</p> <p>For description of committees, see: Annual Report: Page 35</p>

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
GRI 102	General Disclosures	102-23	Chair of the highest governance body	Chairman of the Board of Directors is Steffen Kragh, who is not an executive at Nykredit A/S. Annual Report: Page 150
GRI 102	General Disclosures	102-24	Nominating and selecting the highest governance body	Corporate Governance Report, section 1.1.1.: Page 4 Annual Report: Page 34
GRI 102	General Disclosures	102-25	Conflicts of interest	Corporate Governance Report, section 3.2.1.: Page 4
GRI 102	General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	The Corporate Responsibility Committee handles environmental and social issues and regularly reviews the organization on issues related to economic, environmental and social topics. CR Report: Page 14
GRI 102	General Disclosures	102-27	Collective knowledge of highest governance body	Corporate Governance Report: Page 19
GRI 102	General Disclosures	102-28	Evaluating the highest governance body's performance	Annual Report: Page 34
GRI 102	General Disclosures	102-29	Identifying and managing economic, environmental, and social impacts	Risk and Capital Management Report: Page 8 CR Report: Page 12
GRI 102	General Disclosures	102-30	Effectiveness of risk management processes	Risk and Capital Management Report: Page 13
GRI 102	General Disclosures	102-31	Review of economic, environmental, and social topics	CR Report 2018: Page 70 Risk and Capital Management Report: Page 14
GRI 102	General Disclosures	102-32	Highest governance body's role in sustainability reporting	The Corporate Responsibility Committee has reviewed and approved the contents of this report. The Board of Directors is responsible for the final approval of the CR Report.
GRI 102	General Disclosures	102-33	Communicating critical concerns	Critical concerns can be communicated anonymously through our whistleblower scheme. Reportings will be screened by an external lawyer before being handed over to our head of Group Legal Affairs or to Internal Audit.
GRI 102	General Disclosures	102-34	Nature and total number of critical concerns	No critical concerns are to be reported for 2019.
GRI 102	General Disclosures	102-35	Remuneration policies	Annual Report: Page 77 For further information, see our Remuneration Policy, available at Nykredit.com

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
GRI 102	General Disclosures	102-36	Process for determining remuneration	Annual Report: Page 77 For further information, see our Remuneration Policy, available at Nykredit.com
GRI 102	General Disclosures	102-37	Stakeholders' involvement in remuneration	See our Remuneration Policy, available at Nykredit.com
GRI 102	General Disclosures	102-38	Annual total compensation ratio	Annual total compensation ratio: 15.0
GRI 102	General Disclosures	102-39	Percentage increase in annual total compensation ratio	Ratio of the percentage increase in annual total compensation for the highest-paid individual to the median percentage increase in annual total compensation for all staff: 0.76
GRI 102	General Disclosures	102-40	List of stakeholder groups	CR Report: Page 10
GRI 102	General Disclosures	102-41	Collective bargaining agreements	CR Report: Page 65
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	CR Report: Pages 10-12 For further information, please visit: https://www.nykredit.com/en-gb/samfundsansvar , where you can also find Nykredit's Corporate Responsibility Report.
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	CR Report: Pages 10-12 Nykredit's communication policy includes guidelines on Nykredit's conduct in relation to its stakeholders both in and outside the Group. Find our communication policy online at Nykredit.com
GRI 102	General Disclosures	102-44	Key topics and concerns raised	CR Report: Pages 10-12
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	Annual Report: Page 35
GRI 102	General Disclosures	102-46	Defining report content and topic Boundaries	CR Report: Pages 10-12
GRI 102	General Disclosures	102-47	List of material topics	CR Report: Pages 10-12
GRI 102	General Disclosures	102-48	Restatements of information	No information given in the previous report has been restated.
GRI 102	General Disclosures	102-49	Changes in reporting	No significant changes.
GRI 102	General Disclosures	102-50	Reporting period	CR Report: Page 5

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Reference/Report
GRI 102	General Disclosures	102-51	Date of most recent report	The most recent report was released in February 2019, covering 2018.
GRI 102	General Disclosures	102-52	Reporting cycle	Annual
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	For questions regarding the report or its contents, please contact: Uffe Lembo, Senior Consultant at Public Affairs Email: ul@Nykredit.dk Call: +45 44 55 14 71
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
GRI 102	General Disclosures	102-55	GRI content index	The full GRI Index is included in the CR Report, which can be found at: www.nykredit.com
GRI 102	General Disclosures	102-56	External assurance	The GRI Index has not been subject to external assurance.

Management approach: 103

MANAGEMENT APPROACH

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 103	Management approach	103-1	Explanation of the material topic and its boundary	CR Report: pages 10-12
GRI 103	Management approach	103-2	The management approach and its components	CR Report: pages 12, 22, 34, 42, 48, 58, 68
GRI 103	Management approach	103-3	Evaluation of the management approach	CR Report: pages 10-16

Economic: 201-206

ECONOMIC PERFORMANCE

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 201	Economic performance	201-1	Direct economic value generated and distributed	Annual report: page 5

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 201	Economic performance	201-2	Financial implications and other risks and opportunities due to climate change	CR Report: pages 10-12
GRI 201	Economic performance	201-3	Defined benefit plan obligations and other retirement plans	See our collective agreement online at: https://www.finansforbundet.dk/da/kredse/nykreds/overenskomst/sider/default.aspx
GRI 201	Economic performance	201-4	Financial assistance received from government	Nykredit did not receive financial support from the government in 2019.

MARKET PRESENCE

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 202	Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Standard entry level wage paid in Nykredit is significantly above the local minimum wages, and we do not differentiate between gender, ethnicity or other. For information regarding general wage levels by gender, see CR Report: page 65 for further information, find our remuneration policy online at: https://www.nykredit.com/en-gb/om-os/organisation/politikker/
GRI 202	Market presence	202-2	Proportion of senior management hired from the local community	100%: Nykredit's most senior management (the five executive directors) are all Danish citizens, and are all located at the Nykredit headquarters in Copenhagen. For an overview of our senior management, see: https://www.nykredit.com/om-os/organisation/

INDIRECT ECONOMIC IMPACTS

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 203	Indirect economic impacts	203-1	Infrastructure investments and services supported	<p>Nykredit conducts business with the corporate sector in Denmark and facilitates both infrastructure and supply services.</p> <p>See CR Report 2019, pages 25-40, for further information regarding impact of our engagements.</p> <p>In 2018, Nykredit launched "infrastructure fund 1", which facilitates infrastructural investments on behalf of customers.</p>
GRI 203	Indirect economic impacts	203-2	Significant indirect economic impacts	<p>The Danish financial supervisory authority (FSA) has appointed Nykredit to be a SIFI (systemically important financial institution) for the Danish national economy. Nykredit is a SIFI due to its large lending portfolio. This means that Nykredit has to comply with stricter financial regulations than non-SIFI companies in order to ensure financial stability in the Danish economy.</p> <p>See the risk and capital management report, page 40, for information regarding our market policy in relation to risk associated with our loan portfolio.</p> <p>As a SIFI institute, Nykredit has a significant economic impact on society through its portfolio and services provided. The impact is not measurable, but Nykredit is very conscious of how it can contribute positively through its activities. See CR Report, pages 25-40, for further information.</p>

PROCUREMENT PRACTICES

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 204	Procurement practices	204-1	Proportion of spending on local suppliers	Information unavailable. Nykredit is looking into whether and how this can be reported in the future.

ANTI-CORRUPTION

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 205	Anti-corruption	205-1	Operations assessed for risks related to corruption	CR Report: pages 51-55
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	Nykredit's anti-corruption policies and procedures have been communicated and executed to the entire organization. In addition, all employees have received mandatory education and special training to prevent financial crime. CR Report: pages 51-55
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption have been reported.

ANTI-COMPETITIVE BEHAVIOUR

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 206	Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No violations or legal actions for anti-competitive behavior, anti-trust and monopoly practices are to be reported for 2018.

Enviromental: 301-308 MATERIALS

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 301	Materials	301-1	Materials used by weight or volume	Not applicable - Nykredit provides financial services as its main product.

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 301	Materials	301-2	Recycled input materials used	Not applicable - Nykredit provide financial services as its main product.
GRI 301	Materials	301-3	Reclaimed products and their packaging materials	Not applicable - Nykredit provide financial services as its main product

ENERGY

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 302	Energy	302-1	Energy consumption within the organization	CR Report, key figures: page 72
GRI 302	Energy	302-2	Energy consumption outside of the organization	CR Report, key figures: page 72
GRI 302	Energy	302-3	Energy intensity	CR Report, key figures: page 72
GRI 302	Energy	302-4	Reduction of energy consumption	CR Report, key figures: page 72
GRI 302	Energy	302-5	Reductions in energy requirements of products and services	CR Report, key figures: page 72

WATER

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 303	Water	303-1	Water withdrawal by source	CR Report, key figures: page 72
GRI 303	Water	303-2	Water sources significantly affected by withdrawal of water	Not applicable
GRI 303	Water	303-3	Water recycled and reused	CR Report, key figures: page 72

EMISSIONS

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 305	Emissions	305-1	Direct (scope 1) ghg emissions	CR Report, key figures: page 72

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 305	Emissions	305-2	Energy indirect (scope 2) ghg emissions	CR Report, key figures: page 72
GRI 305	Emissions	305-3	Other indirect (scope 3) ghg emissions	CR Report, key figures: page 72
GRI 305	Emissions	305-4	Ghg emissions intensity	CR Report, key figures: page 72
GRI 305	Emissions	305-5	Reduction of ghg emissions	CR Report, key figures: page 72
GRI 305	Emissions	305-6	Emissions of ozone-depleting substances (ods)	Not applicable
GRI 305	Emissions	305-7	Nitrogen oxides (nox), sulfur oxides (sox), and other significant air emissions	Information unavailable. Nykredit is looking into whether and how this can be reported in the future.

EFFLUENTS AND WASTE

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 306	Effluents and waste	306-1	Water discharge by quality and destination	Not applicable
GRI 306	Effluents and waste	306-2	Waste by type and disposal method	CR Report, key figures: page 72
GRI 306	Effluents and waste	306-3	Significant spills	Not applicable
GRI 306	Effluents and waste	306-4	Transport of hazardous waste	Not applicable
GRI 306	Effluents and waste	306-5	Water bodies affected by water discharges and/or runoff	Not applicable

ENVIRONMENTAL COMPLIANCE

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 307	Environmental compliance	307-1	Non-compliance with environmental laws and regulations	No incidents reported in 2019.

SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 308	Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	All of Nykredit's suppliers are subject to our code of conduct for suppliers and subsuppliers. CR Report: page 46 code of conduct for suppliers and subsuppliers, available online at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf
GRI 308	Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	No negative environmental impacts in the supply chain have been recorded for 2019.

Social: 401-419**EMPLOYMENT**

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 401	Employment	401-1	New employee hires and employee turnover	CR Report, key figures: page 72
GRI 401	Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Nykredit's collective agreement can be found online at: https://www.finansforbundet.dk/da/kredse/nykreds/overenskomst/documents/nykredit_koncernoverenskomst_17.pdf
GRI 401	Employment	401-3	Parental leave	CR Report, key figures: page 72

LABOR/MANAGEMENT RELATIONS

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 402	Labor/management relations	402-1	Minimum notice periods regarding operational changes	Nykredit is subject to collective agreements with a minimum notice period of 3-6 months depending on seniority. Nykredit offers up to 13 months' additional notice depending on seniority. However, according to collective agreements, the

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
				minimum notice period is down to one month if seniority is below five months.

TRAINING AND EDUCATION

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 404	Training and education	404-1	Average hours of training per year per employee	CR Report: page 59
GRI 404	Training and education	404-2	Programs for upgrading employee skills and transition assistance programs	CR Report: page 59
GRI 404	Training and education	404-3	Percentage of employees receiving regular performance and career development reviews	CR Report, key figures: page 72

DIVERSITY AND EQUAL OPPORTUNITY

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 405	Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Composition of the board of directors available online at https://www.nykredit.com/en-gb/om-os/organisation/bestyrelsen/
GRI 405	Diversity and equal opportunity	405-2	Ratio of basic salary and remuneration of women to men	CR Report: page 67

INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents reported in 2019.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 407	Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	CR Report: page 46

SUPPLIER SOCIAL ASSESSMENT

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 414	Supplier social assessment	414-1	New suppliers that were screened using social criteria	All of Nykredit's suppliers are subject to our code of conduct for suppliers and sub-suppliers. CR Report: page 46 code of conduct for suppliers and sub-suppliers, available online at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf
GRI 414	Supplier social assessment	414-2	Negative social impacts in the supply chain and actions taken	No negative social impacts in the supply chain have been recorded for 2019.

MARKETING AND LABELLING

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 417	Marketing and labeling	417-1	Requirements for product and service information and labeling	All of our investment products need to be labelled with information regarding risk.
		417-2	Incidents of non-compliance concerning product and service information and labeling	Not applicable
		417-3	Incidents of non-compliance concerning marketing communications	No incidents reported in 2019.

CUSTOMER PRIVACY

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 418	Customer privacy	418-1	Substantiated complaint concerning breaches of customer privacy and losses of customer data	Nykredit has not received any substantiated complaints concerning breaches of customer privacy.

SOCIOECONOMIC COMPLIANCE

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
GRI 419	Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents of non-compliance with laws and regulations in the social and economic area have been reported.

Financial sector specific supplements (fsss)

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
		G4-dma (fs1)	Policies with specific environmental and social components applied to business lines	CR Report: page 27
		G4-dma (fs2)	Procedures for assessing and screening environmental and social risks in business lines	CR Report: page 27
		G4-dma (fs3)	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Information unavailable.
		G4-dma (fs4)	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	CR Report: page 27
		Fs6	Percentage of the portfolio for business lines by specific region, size, and by sector	CR Report: page 72
		Fs7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Information unavailable. We are currently not able to report the monetary value of products and services. See CR Report, pages 19-23, for a description of initiatives designed to provide social benefits.

GRI standard number	GRI standard title	Disclosure number	Disclosure title	Reference/report
		Fs8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Information unavailable. We are currently not able to report the monetary value of products and services. See CR Report pages 19-23 for a description of initiatives designed to provide social benefits.
		G4-dma (fs9)	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	CR Report: page 27
		Fs10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	CR Report: page 38
		Fs11	Percentage of assets subject to positive and negative environmental or social screening	CR Report: page 38
		G4-dma (fs12)	Active ownership	CR Report: page 38
		Fs13	Access points in low-populated or economically disadvantaged areas by type.	Nykredit has 42 centers distributed all across Denmark. While the distance varies between the cities and low-populated areas, most of Nykredit's services are available online, providing a digital access point for the whole country.
		Fs14	Initiatives to improve access to financial services for disadvantaged people	Not applicable

Nykredit

Kalvebod Brygge 1-3
DK-1780 Copenhagen V

+45 70 10 90 00
Nykredit.com

This report was printed at Nykredit's
Nordic Swan Ecolabelled printing facility.

