

**Corporate Governance Report
2019**

The Nykredit Group

Nykredit's Corporate Governance

The Nykredit Group ("Nykredit") carries on financial business through its wholly-owned subsidiaries Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S, the latter's wholly-owned subsidiary Nykredit Portefølje Administration A/S as well as the subsidiary Sparinvest Holding SE and its subsidiary Sparinvest S.A.

Nykredit is owned by Forenet Kredit f.m.b.a. (78.9%), PFA Pension (10.03%), PensionDanmark (2.40%), PKA (2.40%), AP Pension (1.63%), MP Pension (0.44%), Østifterne f.m.b.a. (1.63%), Industriens Fond (0.34%) and PRAS A/S (2.25%). The ultimate authority of Forenet Kredit is the Committee of Representatives, which is composed of up to 100 representatives elected among the members of the association and among the bondholders of Nykredit Realkredit A/S.

Nykredit's shares are not listed on Nasdaq Copenhagen. Therefore, the Recommendations on Corporate Governance (the "Recommendations"), last updated by the Committee on Corporate Governance in November 2017, are not directly applicable to Nykredit.

However, Nykredit decided already in 2002 that, subject to the adjustments following from the Group's special ownership and corporate structure, it should act as a listed company, operating on sound business terms and continuously taking into consideration the Recommendations.

The managerial code of conduct of the Danish Bankers Association (now Finance Denmark) dated November 2013 (the "Managerial Code of Conduct") integrates and supplements the Recommendations and applies to Nykredit Bank A/S as a bank. Nykredit has furthermore decided that all the financial companies of the Group must address and adhere to the Managerial Code of Conduct where relevant.

This implies that Nykredit's financial companies take into consideration both the Recommendations and the Managerial Code of Conduct. The Recommendations as well as the Managerial Code of Conduct imply that Nykredit must explain how we address the Recommendations and the Managerial Code of Conduct in accordance with the "comply-or-explain" principle, ie Nykredit may either comply with the Recommendations/Managerial Code of Conduct or opt not to comply and instead explain the reason why.

To ensure suitable risk management across the Group and optimum resource utilisation, various overall objectives, policies, etc are determined at group level.

Owing to Nykredit's corporate structure, a number of decision-making and reporting processes etc in Nykredit Bank A/S, Totalkredit A/S, Nykredit Portefølje Administration A/S and Sparinvest S.A. are carried out at group level.

The report below is divided into a section about the Recommendations and a section about the Managerial Code of Conduct. Unless otherwise stated, the report concerns all Nykredit's financial companies.

A. Report concerning Recommendations on Corporate Governance for the financial year 2019

Recommendation

1. Communication and interaction by the company with its investors and other stakeholders

1.1.1. The Committee recommends that the board of directors ensure on-going dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.

Nykredit complies with the recommendation.

The small number of shareholders creates a good setting for an active dialogue between the shareholders and Nykredit's Management.

Members of the Board of Directors (excluding staff-elected members) of Nykredit A/S are nominated for election by the Board of Directors following dialogue with the shareholders. The majority shareholder, Forenet Kredit, holds the majority of votes at general meetings, while PRAS is entitled to appoint two members of the Board of Directors, and PFA is entitled to appoint one member in accordance with shareholders' agreements between the parties.

1.1.2. The Committee **recommends** that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.

Nykredit complies with the recommendation.

Nykredit's communication policy includes guidelines on Nykredit's conduct in relation to its stakeholders both in and outside the Group.

In addition, Nykredit is dedicated to strengthening the Group's relations with its stakeholders, which includes efforts to gain more insight into stakeholder demands, expectations and interaction vis-à-vis Nykredit. Reference is made to Nykredit's non-financial Corporate Responsibility Report, published at nykredit.com at the same time as the Annual Report.

Recommendation

<p>1.1.3. The Committee recommends that the company publish quarterly reports.</p>	<p>Nykredit complies with the recommendation.</p> <p>Nykredit Realkredit A/S publishes quarterly interim reports, whereas the other financial companies of the Group publish half-year interim and annual reports.</p>
<p>1.2.1. The Committee recommends that, when organising the company's general meeting, the board of directors plan the meeting to support active ownership.</p>	<p>Nykredit complies with the recommendation.</p> <p>General meetings are planned taking into consideration the generally close dialogue with the narrow group of owners.</p> <p>As for the other financial companies of the Group, which are wholly-owned subsidiaries, the Group Executive Board is represented on the Boards of Directors of such subsidiaries, and the general meetings of such companies are therefore of a more formal nature.</p>
<p>1.2.2. The Committee recommends that proxies granted or absentee ballots cast for the general meeting allow shareholders to consider each individual item on the agenda.</p>	<p>Nykredit complies with the recommendation.</p>
<p>1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.</p>	<p>Nykredit does not comply with the recommendation.</p> <p>The recommendation is not relevant due to Nykredit's current ownership structure.</p>
<p>2. Tasks and responsibilities of the board of directors</p>	
<p>2.1.1. The Committee recommends that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.</p>	<p>Nykredit complies with the recommendation.</p> <p>At least once a year, all Nykredit's companies review, evaluate and revise (where relevant) the business procedures of the relevant</p>

Recommendation

	<p>company, and as part of this exercise, the respective Boards of Directors take a position on the matters related to the Board's performance of its responsibilities.</p>
<p>2.1.2. The Committee recommends that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.</p>	<p>Nykredit complies with the recommendation.</p> <p>At least once a year, each of Nykredit's financial companies reviews, evaluates and revises (where relevant) the business model of the relevant company, and as part of this exercise, the respective Boards of Directors take a position on the company's strategy.</p>
<p>2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary and/or on the company's website.</p>	<p>Nykredit complies with the recommendation.</p> <p>Nykredit has arranged its capital structure so as to comply with regulatory requirements at any time and with a view to maintaining lending activities regardless of economic trends, while retaining a competitive rating.</p> <p>For a description, see the Annual Report and nykredit.com.</p>
<p>2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p>	<p>Nykredit complies with the recommendation.</p> <p>The Boards of Directors' guidelines for the respective Executive Boards are determined primarily through the rules of procedure of the Executive Board, as well as a number of policies with accompanying guidelines.</p>
<p>2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.</p>	<p>Nykredit complies with the recommendation.</p>

Recommendation

2.2.1. The Committee **recommends** that the board of directors adopt policies on corporate responsibility.

Nykredit complies with the recommendation.

Nykredit has adopted a corporate responsibility policy, available at nykredit.com. The policy states, *inter alia*, that Nykredit has adopted the UN Global Compact, a programme for sustainable conduct.

Nykredit has also prepared a climate and environment strategy 2020.

This is described in Nykredit's Corporate Responsibility Report, also available at nykredit.com.

2.3.1. The Committee **recommends** appointing a deputy chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.

Nykredit complies with the recommendation.

2.3.2. The Committee **recommends** ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other members of the board of directors to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's or other members of the board of directors' participation in day-to-day management and the expected duration hereof should be published.

Nykredit complies with the recommendation.

Generally, the Boards of Directors of the financial subsidiary companies are composed of Executive Board members and executive staff of Nykredit who perform tasks for several Group companies as part of their jobs.

3. Composition and organisation of the board of directors

Recommendation

3.1.1. The Committee **recommends** that the board of directors in the management commentary annually assesses and accounts for

- the skills it must have to best perform its tasks,
- the composition of the board of directors, and
- the special skills of each member.

Nykredit complies with the recommendation.

The Boards of Directors are the supreme management bodies of the financial companies, which make decisions of a strategic and fundamental nature. The Boards of Directors should be composed of a group of persons who together will best serve the interests of the respective Group companies with due regard for all stakeholders of the companies.

At least once a year, all Nykredit's financial companies review, evaluate and revise (where relevant) the business model of the company, and as part of this exercise, the respective Boards of Directors decide on the skills the Board must have, the composition of the Board of Directors and the skills of each member.

The composition of the Boards of Directors and the special skills of each Board member are outlined at nykredit.com and in the Management Commentary of the Annual Report.

3.1.2. The Committee **recommends** that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, and that the board of directors prepares and adopts a diversity policy. This policy should be published on the company's website.

Nykredit complies with the recommendation.

Nykredit has adopted a diversity policy and set defined targets for the number of women on the Board of Directors and at other top management levels.

The objectives and progress made are described in the Annual Report and Nykredit's Corporate Responsibility Report, available at nykredit.com.

3.1.3. The Committee **recommends** that the selection and nomination of candidates for the board of directors be carried out through a thorough and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the Board of Di-

Nykredit complies with the recommendation.

In addition to the professional skills mentioned in para 3.1.1, the composition and recruitment of board members take into account personal skills and diversity.

Recommendation	
<p>rectors should, in addition to the need for the right skills and qualifications, take into consideration the need for integration of new talent and diversity.</p>	<p>The selection and nomination of candidates for the Boards of Directors of Nykredit Bank A/S, Totalkredit A/S and Nykredit Portefølje Administration A/S have been adapted to the fact that the companies are wholly-owned subsidiaries. The selection and nomination of candidates for the Boards of Directors of Sparinvest Holding SE and Sparinvest S.A. have been adapted to the fact that Nykredit owns 75% of the shares in Sparinvest Holding SE.</p>
<p>3.1.4. The Committee recommends that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including the information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, eg memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises, and • demanding organisational tasks. <p>Furthermore, it should be stated whether candidates to the board of directors are considered independent.</p>	<p>Nykredit complies with the recommendation.</p>
<p>3.1.5. The Committee recommends that members of a company's executive board not be members of the board of directors and that a resigning chief executive officer not directly joins as chairman or deputy chairman of the board of directors of the same company.</p>	<p>Nykredit complies with the recommendation.</p>
<p>3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	<p>Nykredit complies with the recommendation.</p>

Recommendation

3.2.1. The Committee **recommends** that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.

To be considered independent, this person may not:

- be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,
- within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year, have had significant business relations (eg personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate,
- be or within the past three years have been employed or partner at the same company as the auditor elected by the general meeting,
- have been chief executive in a company holding cross-memberships with the company,
- have been member of the board of directors for more than 12 years, or
- have been close relatives with persons who are not considered independent.

Even if a member of the board of directors is not covered by the above criteria, other factors may exist that will lead the board of directors to determine that one or more members cannot be considered independent.

Due to Nykredit's special ownership structure, this recommendation is not relevant.

For information about the independence of members of the Boards of Directors, see nykredit.com and the Management Commentary of the Annual Report.

The recommendation is not relevant to the other wholly-owned financial subsidiaries whose Boards of Directors are generally, as a natural consequence of the Group structure, composed of members of the Executive Board and executive staff members of Nykredit.

Recommendation

3.3.1. The Committee **recommends** that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.

Nykredit complies with the recommendation.

As a SIFI institution, the Board members of the Group are generally subject to special limitations with regard to the number of executive posts. A Board member may thus hold not more than (i) one Executive Board membership combined with two directorships or (ii) four directorships, unless an exemption is granted by the Danish Financial Supervisory Authority.

3.3.2. The Committee **recommends** that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:

- the position of the relevant person,
- the age and gender of the relevant person,
- the person's skills and qualifications of relevance to the company,• whether the member is considered independent,
- the date of appointment to the board of directors of the member,
- expiry of the current election period,
- the member's participation in the meetings of the board of directors and board meetings,
- other executive functions, eg memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises, as well as demanding organisational tasks, and
- the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.

Nykredit complies with the recommendation.

Recommendation	
3.3.3. The Committee recommends that the annual evaluation procedure, cf section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other executive functions, where the number, level and complexity of the other individual executive functions are taken into account.	Nykredit complies with the recommendation.
3.4.1. The Committee recommends that the company publish the following on the company's website: <ul style="list-style-type: none"> • the terms of reference of the board committees, • the most important activities of the committees during the year, and the number of meetings held by each committee, and • the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications. 	<p>Nykredit complies with the recommendation.</p> <p>Nykredit has set up a Board Audit Committee, a Board Remuneration Committee, a Board Nomination Committee and a Board Risk Committee.</p> <p>For detailed information on the boards, see nykredit.com.</p>
3.4.2. The Committee recommends that a majority of the members of a board committee be independent.	<p>Nykredit does not comply with the recommendation. See 3.2.1 on independence.</p> <p>One out of three members of the Board Remuneration Committee and the Board Nomination Committee are considered independent (also, one staff-elected board member is represented on the Board Remuneration Committee).</p> <p>Two out of four members of the Board Audit Committee and the Board Risk Committee are considered independent, as two members are also members of the Board of Directors of Forenet Kredit.</p>
3.4.3. The Committee recommends that the members of the board of directors set up among its members an audit committee and that a chairman is appointed who is not the chairman of the board of directors.	<p>Nykredit complies with the recommendation.</p> <p>For information about the members and the terms of reference of the Board Audit Committee, see nykredit.com.</p>

Recommendation	
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	<p>Nykredit complies with the recommendation.</p>
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit, and in such case, presents a mandate and recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, • ensure that if an internal audit has been established, a description of its functions is approved by the board of directors, • ensure that if an internal audit has been established, adequate resources and skills are allocated to carry out the work, and • monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	<p>Nykredit complies with the recommendation.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to 	<p>Nykredit complies with the recommendation.</p> <p>For information about the members and mandate of the Nomination Board, see nykredit.com.</p>

Recommendation

be spent on having to carry out the membership, as well as assess the skills, knowledge and experience of the two governing bodies combined,

- annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,
- annually assess the skills, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,
- recommend candidates for the board of directors and executive board, and
- propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

3.4.7. The Committee **recommends** that the board of directors establish a remuneration committee with at least the following preparatory tasks:

- to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,
- submit proposals to the board of directors for remuneration of the members of the board of directors and the executive board, as well as ensure that such remuneration is in accordance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group,
- recommend a remuneration policy applicable for the company in general, and
- assist with the preparation of the annual remuneration report.

Nykredit complies with the recommendation.

For information about the members and terms of reference of the Board Remuneration Committee, see nykredit.com.

Recommendation	
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	<p>Nykredit complies with the recommendation.</p>
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where the overall board of directors and the individual members are annually evaluated. External assistance should be engaged at least every third year, and the evaluation should assess:</p> <ul style="list-style-type: none"> • contribution and performance • collaboration with the executive board • chairman's leadership of the board of directors • composition of the board of directors (including skills, diversity and the number of members) • committee constitution and committee structures, and • organisation of the work and quality of the material provided to the board of directors. <p>The evaluation procedure and general conclusions should be described in the management commentary and on the company's website. The chairman should account for the board evaluation, including the process and general conclusions at the general meeting prior to the election of the board of directors.</p>	<p>Nykredit complies with the recommendation.</p>
<p>3.5.2. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board taking into account the company's strategy.</p>	<p>Nykredit complies with the recommendation.</p>

Recommendation

3.5.3. The Committee **recommends** that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.

Nykredit complies with the recommendation.

4. Remuneration of management

4.1.1. The Committee **recommends** that the board of directors prepare a remuneration policy for the board of directors and the executive board, including

- a detailed description of the components of the remuneration for members of the board of directors and the executive board,
- the reasons for choosing the individual components of the remuneration,
- a description of the criteria on which the balance between the individual components of the remuneration is based, and
- a report describing the correlation between the remuneration policy and the company's long-term value creation and relevant goals in this respect.

The remuneration policy should, at least every four years as well as in connection with every significant change, be approved by the general meeting and published on the company's website.

Nykredit complies with the recommendation.
 Nykredit's remuneration policy complies with the detailed requirements of financial legislation.
 Reference is made to www.nykredit.com.

4.1.2. The Committee **recommends** that, if the remuneration policy includes variable components,

Nykredit complies with the recommendation.

Recommendation

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced linkage be ensured between remuneration for governing body members, and the value creation for shareholders in the short and long terms,
- there be clarity about performance criteria and measurability for award of variable components,
- it be ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and
- it be ensured that the company is able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.

4.1.3. The Committee **recommends** that remuneration of members of the board of directors does not include share options.

Nykredit complies with the recommendation.

4.1.4. The Committee **recommends** that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, ie the options should be granted periodically.

Nykredit complies with the recommendation.

4.1.5. The Committee **recommends** that the total value of the remuneration relating to the notice period, including severance pay, does not exceed two years' remuneration, including all components of the remuneration.

Nykredit complies with the recommendation.

4.2.1. The Committee **recommends** that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.

Nykredit complies with the recommendation.

Recommendation

4.2.2. The Committee **recommends** that the shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.

Nykredit complies with the recommendation.

4.2.3. The Committee **recommends** that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associates for the last three years, including information on the most important contents of retention and retirement/resignation schemes, and that the correlation between the remuneration and company strategy and relevant related goals be explained.

The remuneration report should be published on the company's website.

Nykredit complies with the recommendation.

5. Financial reporting, risk management and audits

5.1.1. The Committee **recommends** that the board of directors in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.

Nykredit complies with the recommendation.

5.2.1. The Committee **recommends** that the board of directors establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.

Nykredit complies with the recommendation.
Nykredit has set up a whistleblower scheme to counter violations of legislation and/or internal guidelines.

5.3.1. The Committee **recommends** that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor elected by the general meeting without the executive board present. This also applies to the internal auditor, if any.

Nykredit complies with the recommendation.

Recommendation

5.3.2. The Committee **recommends** that the audit agreement and auditors' fee be agreed between the board of directors and the auditor elected by the general meeting on the basis of a recommendation from the audit committee.

Nykredit complies with the recommendation.

B. Report concerning the Managerial Code of Conduct of the Danish Bankers Association for the financial year 2019

Recommendation	
General recommendations	
<p>1. The Danish Bankers Association recommends that member companies address all recommendations of the Committee on Corporate Governance.</p>	<p>Nykredit complies with the recommendation.</p> <p>Reference is made to section A with Nykredit's statement with regard to the Recommendations by the Committee on Corporate Governance.</p>
<p>2. The Danish Bankers Association recommends that member companies prepare and publish a code of conduct describing corporate values and the desired conduct in respect of operation and management.</p>	<p>Nykredit complies with the recommendation.</p> <p>All Nykredit's companies operate according to Nykredit's corporate values and Code of Conduct, available at nykredit.com.</p>
Recommendations concerning the composition of the board of directors	
<p>3. The Danish Bankers Association recommends that member companies apply a specified and structured process when recruiting candidates for the board of directors and possibly include external skills and qualifications.</p>	<p>Nykredit A/S and Nykredit Realkredit A/S comply with the recommendation.</p>
<p>4. The Danish Bankers Association recommends that member companies whose articles of association stipulate that members of the board of directors may only be elected among a restricted group of persons account for the basis of such restrictions.</p>	<p>Nykredit complies with the recommendation.</p> <p>The Articles of Association of Nykredit's financial companies contain no such restrictions.</p>

Recommendation

Recommendations concerning training of members of the board of directors

- | | |
|--|--|
| <p>5. The Danish Bankers Association recommends that members of the board of directors commence a training programme in banking as soon as possible and not later than six months after joining the board unless they already possess updated and specific banking skills. The programme should reflect the size, business model and complexity of the company.</p> | <p>The recommendation complies with the adjustments in the executive order on basic training for members of the board of directors of banks, mortgage banks and insurance companies.</p> |
| <p>6. The Danish Bankers Association recommends that members of the board of directors regularly participate in skills enhancement of relevance to their directorship. The subjects and scope should be adapted to the size, business model and complexity of the company.</p> | <p>Nykredit complies with the recommendation.</p> |

Recommendations concerning evaluation of the board of directors and board members

- | | |
|---|---|
| <p>7. The Danish Bankers Association recommends that each individual board member annually evaluates his or her work on the board of directors. As part of the evaluation, the board members should fill in an evaluation form that contains both managerial and banking-related topics.</p> | <p>Nykredit complies with the recommendation.</p> |
|---|---|

Recommendation

Recommendations concerning cooperation with the day-to-day management of the company

<p>8. The Danish Bankers Association recommends that relevant specialists be involved in the cooperation with the board of directors and that they attend board meetings when particularly complex issues are discussed.</p>	<p>Nykredit complies with the recommendation.</p>
<p>9. The Danish Bankers Association recommends that the cooperation between the executive board and the board of directors be discussed at a meeting of the board of directors at least once a year. The executive board should not be present during such discussions.</p>	<p>Nykredit complies with the recommendation.</p>
Other recommendations	
<p>10. The Danish Bankers Association recommends that member companies publish on their website or in a similar way a list of the attendance of board members at board and committee meetings.</p>	<p>Nykredit A/S and Nykredit Realkredit A/S comply with the recommendation.</p> <p>For information about the attendance of Board members at board and committee meetings of Nykredit A/S and Nykredit Realkredit A/S, see nykredit.com.</p>
<p>11. The Danish Bankers Association recommends that member companies consider the rules on limits to directorships laid down in the Danish Financial Business Act.</p>	<p>Nykredit complies with the recommendation.</p>
	<p>Nykredit complies with the recommendation.</p>

Recommendation

12.The Danish Bankers Association recommends that member companies focus on the role of the external auditors and the quality of their services. Member companies should set forth demands as to the composition of the teams of external auditors to ensure that a team includes at least two experienced auditors with complementary skills. To be an experienced auditor, an auditor must have completed supplementary training in the field of banking and have participated in the auditing of a bank, savings bank or cooperative bank for at least three years.