

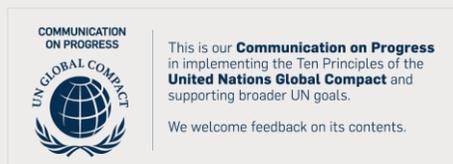
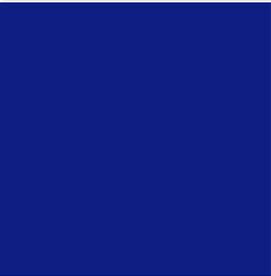
An aerial photograph of a residential neighborhood. The houses have red-tiled roofs and are surrounded by dense green trees. In the background, a taller apartment building is visible. The overall scene is bright and sunny.

Nykredit

Corporate Responsibility Report

2022

Together we are more
Nykredit Group



PRINCIPLES FOR
RESPONSIBLE
BANKING

This report forms the Nykredit Group's:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Reporting on the UN Principles for Responsible Banking signed by us when introduced in 2019.
3. Report on corporate responsibility, see section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
4. 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.
5. Report on Nykredit's Data Ethics Policy, see section 135d 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. Nykredit's GRI Index is included in our Sustainability Fact Book.

Contents

Foreword	4
Nykredit – a lender to people and businesses all over Denmark	7
How we shared our progress in 2022	9
Nykredit's corporate responsibility	12
Governance and risk management	15
1. Development and growth throughout Denmark	
Development and growth throughout Denmark	21
2. A greener Denmark	
A greener Denmark	26
Greener owner-occupied dwellings	31
Greener real estate	35
Greener agriculture	38
Greener businesses	42
Sustainable investments	46
3. Responsible business practices	
A greener Nykredit	56
Responsible business practices	61
Initiatives to combat financial crime	67
Anti-money laundering efforts	68
Personal data, IT security and data ethics	70
People	74
Diversity and inclusion	79
ESG overview: Prioritised initiatives and selected key figures	84
Accounting policies	86
The UN's Principles for Responsible Banking	90
Commitments and policies governing our efforts	91

Foreword

Dear reader

Being owned by an association of customers, Forenet Kredit, Nykredit's ownership structure is unique in the financial sector. This makes demands on us, on our actions and on our adaptability to change. In unpredictable times, we cannot promise that everything will remain the same. But we promise to honour our pledge to society to help all of Denmark prosper and to support development and growth in urban and rural districts alike. Through the good times and the bad. We will also do our best to create a greener Denmark for our children and for future generations.

The world took a dramatic turn in 2022. Inflation soared and remained high, driven by the global recovery from the covid-19 pandemic, which pushed up demand and put supply chains under additional pressure. Russia's invasion of Ukraine further inflamed commodity, food and energy prices. The year was also marked by equity market turmoil, rising interest rate levels and a housing market that came to a halt following high activity and surging prices. In other words, these times call for Nykredit to have a presence and support our customers and society.

We strive every day to honour our pledge to society, which forms an integral part of Nykredit's strategy, Winning the Double 2.0, to ensure that Nykredit operates its business in alignment with society's goals as defined by political ambitions in Denmark, which cover the majority of our activities, and by international goals and principles such as the UN Sustainable Development Goals, the UN Principles for Responsible Banking and the 10 Principles of the UN Global Compact. That is the backbone of Nykredit's corporate responsibility commitment. And in this report, you can read how we translated our pledges and strategy into specific corporate responsibility initiatives and actions in 2022.

We provide financial security and predictability to customers in turbulent times

Danish mortgage lending is one of the most cost-effective home financing regimes in the world. Also, the Danish mortgage system is based on a solidarity principle; all homeowners, irrespective of their income, accounts volume or geographical location, are offered the same rates and margins on the same loan types.

Nykredit has a strong earnings base and a robust capital position backed by a group of resourceful owners, which enables us to serve as an anchor of stability and reliability to our customers and society. Consequently, we are well placed to continue to offer attractive and secure loans to personal and business customers, including agricultural customers, all over Denmark at all times.

I am proud of our continued capacity to have a presence and provide loans all over Denmark – thanks to our unique alliance with Totalkredit and 44 Danish partner banks. The alliance enables small and medium-sized banks to offer attractive and secure mortgage loans that fully or more than fully match the propositions of the larger banks. This promotes competition and diversity in the Danish banking sector and enables banks all over Denmark to translate their strong local presence and advisory capacity into growth and development in their local communities.

Developing the Totalkredit alliance lies at the core of the Nykredit Group's corporate responsibility commitment, and in this report, you can read more about our ongoing efforts.



At the beginning of the year, we distributed dividend of DKK 4,350 million for 2021 to our shareholders, of which Forenet Kredit received 78.9%. Once again, the Committee of Representatives of Forenet Kredit decided to return a large amount to Nykredit, enabling us to return more than DKK 1,890 million to our customers through our customer benefits programmes.

A net zero Nykredit

As a society we share a common task: to make Denmark greener. As the largest lender in Denmark we acknowledge our responsibility for driving this change.

We have therefore set new targets to forge our path towards making Denmark greener. As the first Danish financial provider, we have set emissions targets for the real estate and owner-occupied dwellings backing our lending as part of the goal of delivering a net zero Nykredit by 2050. Also, as the first Danish systemically important financial institution (SIFI), we have joined the Science Based Targets initiative (SBTi), which provides methodologies for and validates corporate climate targets. We have also joined the *Net-Zero Banking Alliance* (NZBA), and we have previously set climate targets for our investment portfolio and joined the *Net Zero Asset Managers initiative* (NZAM).

The basis of our sustainability data has been considerably strengthened in recent years. We are, however, well aware that we are navigating in a very complex and constantly evolving field, and so, naturally, we are not yet where we want to be. In a number of areas, data accessibility and data quality continue to pose a huge challenge, to us and to our customers. Therefore, we have launched a series of initiatives to obtain and improve the data necessary for our sustainability efforts.

These targets do not in themselves drive change and today we have green value propositions catering for all types of customers, making green choices easier and more affordable for customers. We offer attractive green car loans for example, and Totalkredit customers prepared to replace their oil- or gas-fired boiler with a heat pump receive a cash contribution of DKK 10,000. Also, we offer a series of green products targeted at our business and agricultural customers.

In 2022, we launched basic sustainability training for all our colleagues. This training is aimed at giving all Nykredit colleagues a shared language and understanding of sustainability as well as a common basic knowledge, but we will also offer training within selected fields such as agriculture and investment to further strengthen our advisory competencies.

The future workplace fosters inclusion

Nykredit is making strides towards addressing not only climate change and the green transition but also our work life. Personally and professionally we are all looking into a more demanding future. At a time when we are having more difficult conversations with our customers and where the widespread uncertainty might also affect us personally, our relationship and interaction with colleagues and managers become important to our wellbeing as people and colleagues.

In order to realise Nykredit's ambitions, we must embrace the new demands of the current and particularly the future generations on us as employer to ensure our employer attractiveness and to be recognised as a workplace that values team spirit, drive and equality. This means that we must rethink flexibility and community, at work and in our everyday lives. Furthermore, attractive employers offer inclusive workplaces with room for diversity and a good ability to match skill sets with job roles. This calls for qualified leaders who appreciate the

importance of a diverse workforce who perform based on different qualifications and backgrounds.

In 2022, we promoted particularly a wider understanding of diversity by integrating specific training elements into the Group's development and talent programmes. This year, as the first financial provider in Denmark, Nykredit also offered mothers, fathers and co-parents the right to 26 weeks' paid maternity/paternity leave. This benefits Nykredit as a company, but naturally also the families, when parents get to spend more time with their children. We have most recently set new targets for the share of women at all management levels, aimed at ensuring that every other management position in Nykredit is held by a woman over time.

These examples are important steps towards creating an inclusive workplace with equal opportunities for all. Looking ahead, we will keep taking steps to reinforce our strong and positive culture through specific initiatives and actions.

Together we are more.



A handwritten signature in blue ink, which appears to read 'Michael Rasmussen'. The signature is fluid and cursive.

Michael Rasmussen, Group Chief Executive

Key themes and prioritised initiatives

DEVELOPMENT AND GROWTH THROUGHOUT DENMARK – AT ALL TIMES



Development and growth throughout Denmark

Through our lending practices and new initiatives, we will fulfil our pledge to society of being active and supporting development and growth in all of Denmark at all times.



Greener owner-occupied dwellings



Greener properties



Greener agriculture



Greener businesses



Sustainable investments



Responsible business practices

- Safe and open corporate culture
- Responsible customer advisory services
- Responsible products and services
- Anti-corruption



Initiatives to combat financial crime

- Contribute to the efforts of preventing and combatting money laundering, terror financing and tax evasion



Personal data, IT security and data ethics

- Secure customer data management
- IT security



A greener Nykredit

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



Responsible procurement

- Prevent breach of human rights and corruption in the supply chain



People

- Colleague engagement
- Upskilling
- Working environment



Diversity and inclusion

- Female management and board representation
- Equal pay
- Diversity

Nykredit – a lender to people and businesses all over Denmark

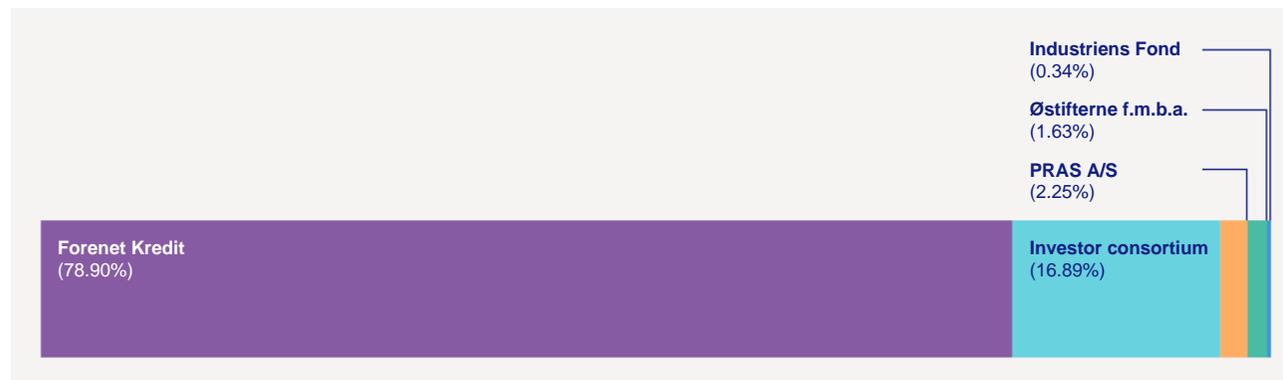
Nykredit is the largest lender in Denmark, the largest lender to homeowners and one of the largest lenders to small and medium-sized businesses, the agricultural sector and the housing sector. We serve people and businesses all over Denmark.

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

As such, we have a special responsibility for creating value for our customers and for 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.

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 AkademikerPension (0.44%). See the Management Commentary of the latest Annual Report of Nykredit A/S for a full Group chart.



About Forenet Kredit

Forenet Kredit is the association behind Nykredit and Totalkredit. The association champions fair and equal access to the mortgage system for homeowners all over Denmark – now and in future.

Forenet Kredit holds 78.9% of the Nykredit Group, and its members are customers of either Nykredit or Totalkredit. The customers of the Nykredit Group therefore have democratic influence on the association.

Read more about Forenet Kredit at forenetkredit.dk

Nykredit was founded by its customers and is owned mainly 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.

We have a nationwide presence

We have made a pledge to society to be active in urban and rural districts alike and support development and growth throughout Denmark. Through the good times and the bad. 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. Nykredit kept its loan books open during the financial crisis that began in 2008.

2022 was also marked by rising interest rate levels and a housing market which has come to a halt following high activity and surging prices. During this time Nykredit will be relied on to play an even more important role to our customers and to society.

In 2022, Totalkredit, which is a part of the Nykredit Group, provided 71% of all new home loans outside the major cities together with our 44 Totalkredit partners.

We share our success

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 choose to use as for instance discounts etc to customers.

As a result, all customers with a Totalkredit mortgage loan are awarded a unique discount (KundeKroner). Thanks to these discounts, at the end of 2022, customers with a Totalkredit loan enjoyed the lowest administration margin payments in the market on the loan types that are most popular among Danish homeowners. Business customers with a Nykredit mortgage loan receive a similar discount (ErhvervsKroner).

Last but not least, we offer homeowners who are full-service customers of Nykredit Bank a benefits programme called ForeningsFordele.

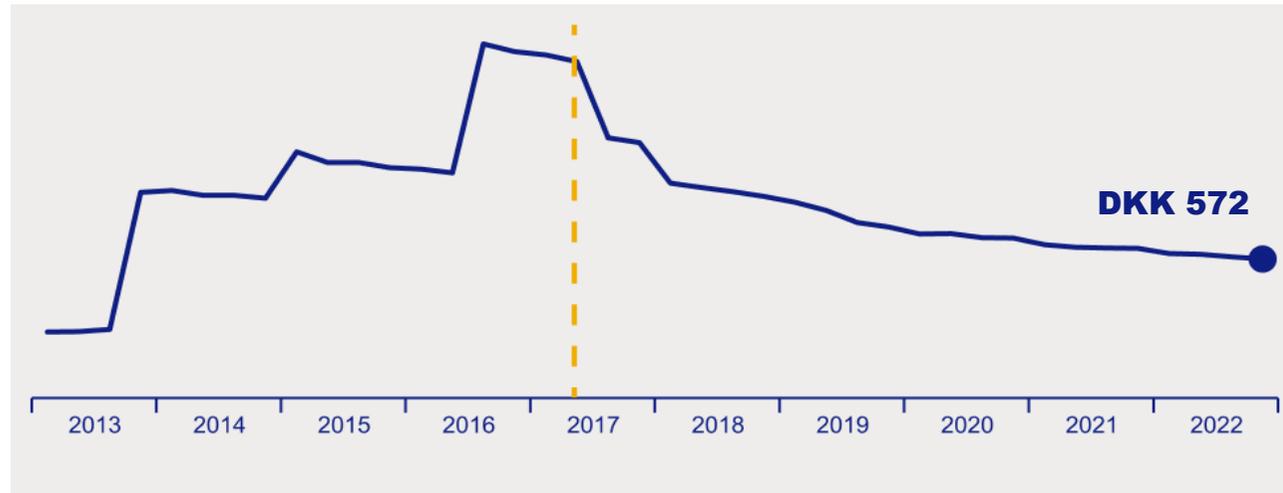
We contribute to a greener Denmark

The climate continues to be a fundamental and global societal challenge. Being a financial mutual and Denmark’s largest lender, we can and must contribute to solving this challenge.

We believe that our main contribution to the green transition is to move ourselves and our customers in a more sustainable direction. We want to provide professional advice that creates value for the individual customers and to collaborate with our customers on increasing the positive impacts on society and reducing the negative.

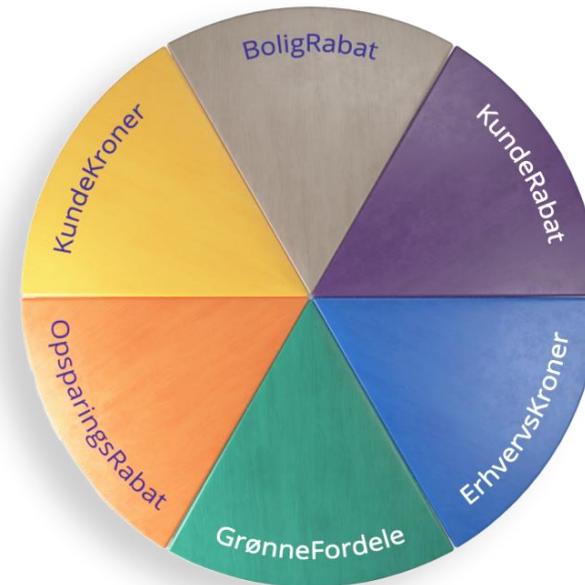
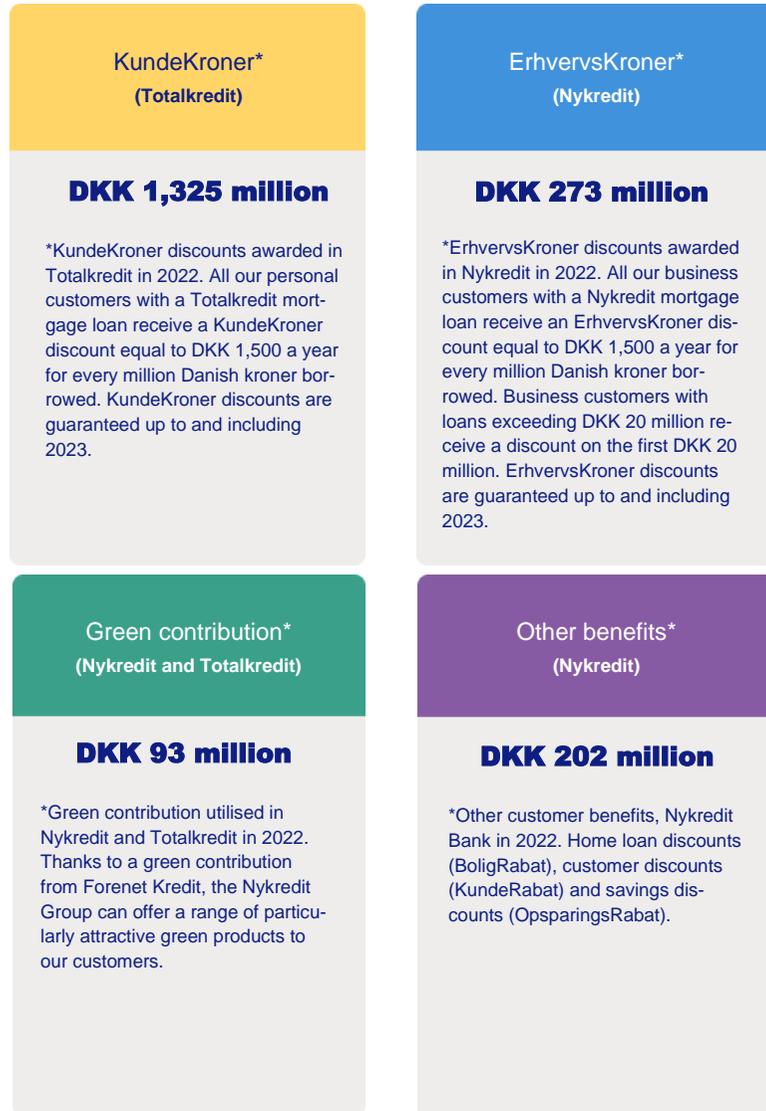
At the same time, we are continuously striving to bring our mortgage lending and banking operations into play to support investments in the infrastructure, energy supply and technological development necessary to accomplish the green transition.

Our customers’ administration margin payments are going down



Totalkredit customers receive discounts under the KundeKroner benefits programme. This reduces their administration margin payments, which today average DKK 572 per month for each DKK 1 million borrowed. This is the lowest level in more than seven years.

How we shared our progress in 2022



Mutual benefits (ForeningsFordele)

Customers who consolidate their finances with Nykredit Bank are entitled to several of the cash benefits mentioned above. As a whole, we call them mutual benefits, and they include discounts on selected fees payable on loans and investments, cashback and the possibility of greener living and driving.

Nykredit's business model

In concert with our Totalkredit partners, we finance properties for homeowners and businesses. Our 44 local and regional Totalkredit partner banks form the foundation of our joint effort of providing mortgage loans throughout Denmark.

- About 600 branches throughout Denmark
- Private residential mortgage lending of DKK 902 billion, equal to a market share of nearly 50%
- Commercial Totalkredit mortgage lending of DKK 12 billion

We provide home financing and other personal banking services.

- Bank lending: DKK 12 billion

We provide wealth management services to personal and business customers.

- Assets under management: DKK 406 billion

We provide investment portfolio administration for institutional clients, such as pension and investment funds.

- Assets under administration: DKK 985 billion

We finance real estate, operations and growth in small and large businesses.

- Mortgage lending: DKK 315 billion
- Bank lending: DKK 72 billion

We finance properties, operations and growth in the agricultural sector.

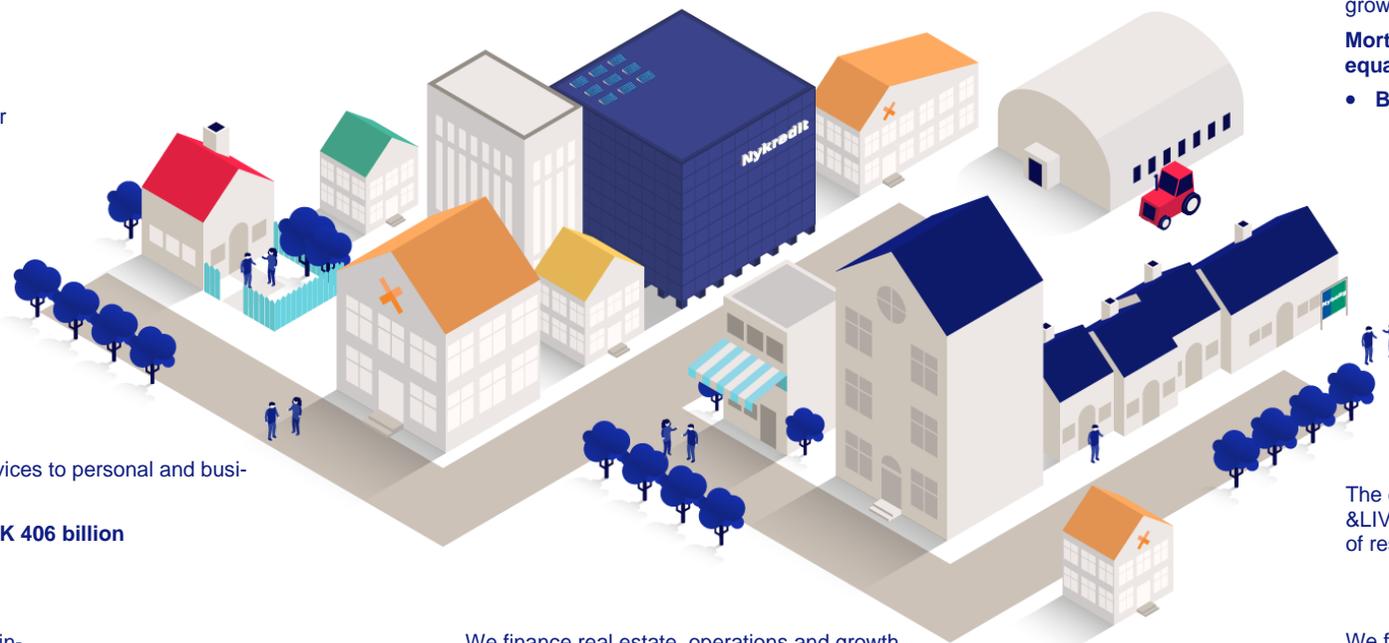
Mortgage lending: DKK 84 billion, equal to a market share of 33%

- Bank lending: DKK 3 billion

The estate agencies Nybolig, Estate and &LIVING arrange the sale and purchase of residential and commercial properties.

We finance public and cooperative housing.

- Mortgage lending to public housing: DKK 81 billion
- Mortgage lending to housing cooperatives: DKK 36 billion



Value creation

We share our success

Forenet Kredit can make contributions to the Nykredit Group, which Nykredit and Totalkredit can give back to their customers.

Development and growth throughout Denmark

We provide affordable and secure loans to homeowners and businesses all over Denmark – at all times.

A greener Denmark

We finance the green transition together with our customers.

Financial security

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

Corporate responsibility is ingrained in our core values

The Nykredit Group’s corporate responsibility commitment rests on Nykredit’s core values.

Nykredit’s core values highlight the overarching element of Nykredit’s self-image as Danes’ reliable financial service provider – also in times of crisis. Having the distinctive character of a financial mutual, we are committed to running an effective and well-capitalised business in firm control of earnings and costs. Operating from a position of strength enables us to be there for Denmark.

Nykredit is both committed and uniquely positioned to help solve the challenges faced by society and to make a difference. In a predictable and reliable manner.

This applies to challenges that are self-evident, given our core product and business system. When the economy falters, Danes should rest assured that Nykredit does not. There should be no doubt that Nykredit has the strength to support its customers, the economy and society by keeping its loan books open all across the country – at all times.

New societal challenges may arise over time. It is paramount that businesses and households contribute to a greener Denmark now and in the years to come. We can therefore make the biggest difference by making

green and sustainable choices easier and more affordable – for homeowners and savers and for businesses and investors. As a financial mutual, and together with Forenet Kredit, we are committed to offering our customers the best solutions for a greener Denmark.

We have made six pledges to our stakeholders. They are the guideposts we steer by every single day in everything we do. They describe what our customers and other stakeholders can expect from us.

Our six pledges



Pledge to our customers

We will provide our customers with financial security through sound advice and products tailored to their needs, and we will share our success with our customers.



Pledge to our business partners

In collaboration with our partners, we want to make a difference to our customers by offering them attractive products and effective solutions. We will prioritise joint solutions and actively contribute to developing and expanding our alliance so that we and our partners become more together.



Pledge to society

We will be active in all of Denmark and support growth – in urban and rural districts alike. Through the good times and the bad. We will also do our best to create a greener Denmark for our children and for future generations.



Pledge to our colleagues

We will prioritise development and opportunities for people who will and can make a difference. We want to be known for our trusting culture guided by customer centricity, team spirit and empowerment.



Pledge to our shareholders

We will strive to be a successful and well-capitalised business that thinks and acts for the long term. We will generate market-consistent dividend to the benefit of our Danish owners.



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 embedded in our Group 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 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 is to ensure that Nykredit’s business strategy is at all times in alignment with society’s goals, and that we give corporate responsibility just as high priority as the strategy’s other objectives regarding Nykredit’s and Totalkredit’s positions in the market.

GROUP STRATEGY

Corporate responsibility is one of three core objectives of the Nykredit Group's strategy



BUSINESS STRATEGIES

The corporate responsibility objective is ingrained in the business strategies of the Group’s three key business areas



CORPORATE RESPONSIBILITY STRATEGY

The corporate responsibility strategy has been translated into prioritised initiatives across business areas and specialist functions. Initiatives are organised under three main themes:



We concentrate on areas where we can make a substantial difference

Nykredit's corporate responsibility and sustainability efforts rely on analyses of areas where we can make the most impact, what our stakeholders expect from us, and how our business model is linked to key societal challenges.

This way, we are sure to concentrate on the areas where we can make the greatest difference.

Strategic alignment with society's goals

It is a natural part of Nykredit's responsibility as a financial mutual to contribute to achieving the goals of society, including the UN's 17 Sustainable Development Goals (SDGs), the Paris Climate Agreement and Denmark's ambitions in the area of the green transition.

The SDGs remain central benchmarks for how Nykredit can contribute to solving main societal challenges.

The figure on page 14 provides an overview of our approach to key societal challenges through prioritised initiatives.

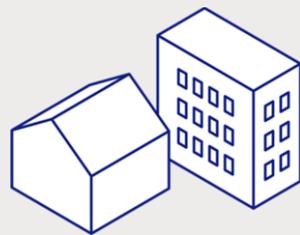
In the summary at the end of each section of this report, we list the SDGs that Nykredit's activities particularly contribute to.

Impact and materiality analyses conducted by Nykredit



What are the challenges facing society?

We monitor and address the challenges facing society to ensure that our strategy and initiatives are in alignment with society's needs. The UN Sustainable Development Goals, the Paris Climate Agreement and national, political objectives are among our central benchmarks.



Where can we make a significant impact?

We analyse the scope and nature of current and potential positive and negative impacts of Nykredit's lending, investments and business activities on the given societal challenges. And we address the risks and opportunities presented by the different challenges to our business and strategy.



What is important to our stakeholders?

We engage with our stakeholders, who help us understand the nature of individual challenges and expectations as to where and how Nykredit may contribute.



Where and how can we create value through our business?

We address key challenges and sustainability-related risks and opportunities for impact through prioritised initiatives that are vested in the relevant business areas and support functions.

Prioritised initiatives in 2022

In 2022, the development in society and our own impact and materiality analyses confirmed the focus of Nykredit's corporate responsibility strategy.

The Nykredit Group is Denmark's largest lender and mortgage provider, and therefore, one of our most significant impact areas continues to be how we strengthen access to affordable and secure financing in all regions of Denmark. This is the backdrop of our *Development and growth throughout Denmark* initiative, which played a central role during the covid-19 crisis for Nykredit and is important for development in the rural districts, and which will play a key role in the period of high economic uncertainty set to follow from the war in Ukraine, high inflation etc.

The climate challenge is another important area where we have a profound impact in the form of the climate footprint of the activities we finance and invest in, and where we stand to make a positive difference together with our customers. The initiatives listed under the heading of *A greener Denmark* address the areas of our business with the largest climate footprint. At the same time, we are increasingly addressing other aspects of sustainability together with our customers, while keeping a strong focus on the Group's own climate footprint through our efforts dubbed *A greener Nykredit*.

Our *Responsible business practices* commitment forms the foundation of our corporate responsibility efforts and aims to ensure that colleagues throughout the organisation act responsibly and address the risk of our activities having a negative impact on society.

An overview of these efforts is provided in the strategy illustration on page 12. The right-hand figure shows the challenges and SDGs addressed by our initiatives. Actions, results, goals and risks relating to the individual initiatives are described in more detail in the following sections.

Societal challenges

Initiative

UN Sustainable Development Goals

Development and growth throughout Denmark

Access to finance for homeowners and businesses is essential to Danish society and to growth and prosperity all across the country.

Development and growth throughout Denmark



A greener Denmark

Buildings play a key role in achieving the climate targets. Replacement of heat sources, energy renovation of existing homes as well as new sustainable buildings are needed.

Greener owner-occupied dwellings

Energy consumption in buildings makes up around 40% of Denmark's total energy consumption. Existing buildings need to undergo renovation, and new buildings should be as climate-friendly as possible.

Greener real estate

Danish agriculture accounts for about 20% of total greenhouse gas emissions in Denmark.

Greener agriculture

Denmark has set an ambitious target of reducing its greenhouse gas emissions by 70% by 2030 compared with 1990. This will require massive investments in the green transition.

Greener businesses

Need for massive investment in companies that contribute to sustainable global development and for investors that engage with companies to promote responsible business practices and green transition.

Sustainable investments



Responsible business practices

Businesses impact the climate and the environment through their production.

A greener Nykredit

Procurement of products and services can indirectly impact the climate. Using suppliers and subsuppliers also involves a risk of human rights violations and corruption.

Responsible procurement

Financial crime is extremely harmful at both the national and international levels.

Initiatives to combat financial crime

Financial institutions have a major responsibility for ensuring responsible advisory services in relation to their products and services.

Responsible business practices

In the financial sector, data breaches and loss of personal data may harm society and have serious consequences.

Personal data, IT security and data ethics

A qualified, dedicated and satisfied workforce is a prerequisite for sustainable and responsible business operations.

People

A lack of diversity and representation may result in failure to realise the full potential of current and potential colleagues.

Diversity and inclusion

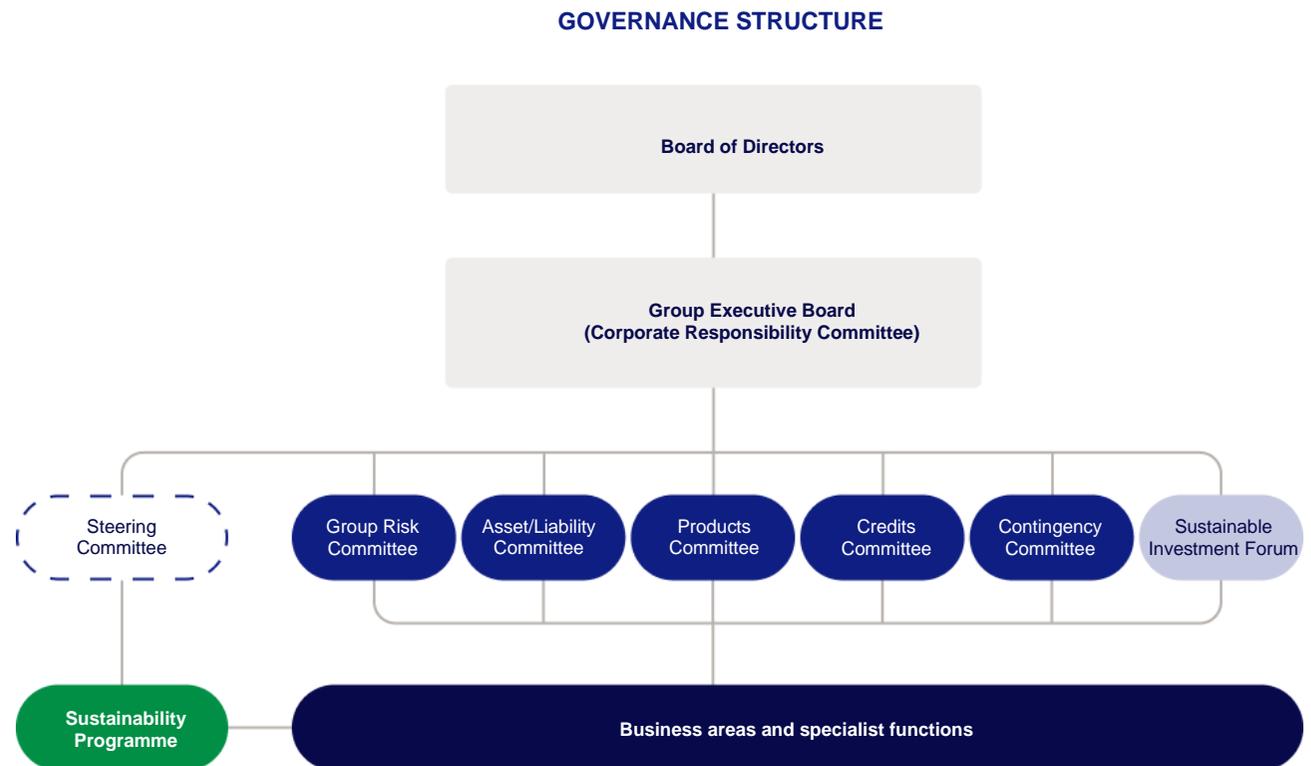


Governance and risk management

Nykredit's corporate responsibility commitment has been integrated into the Group's governance structure.

The Board of Directors sets the strategic direction of Nykredit's business and approves the Corporate Responsibility Policy, which defines the scope of our work. The policy applies to the entire Group and is subject to annual updates. The Group Executive Board makes up our Corporate Responsibility Committee. The Group Executive Board defines our strategy for corporate responsibility and the prioritised initiatives that form the basis of our specific measures, business procedures, products and processes. Also, the Group Executive Board is responsible for the overall implementation of the UN Principles for Responsible Banking and Nykredit's annual reporting. Business areas and specialist functions make up our first line of defence. The managements of the individual business areas etc are responsible for identifying, assessing and managing the risks arising in connection with their activities. In addition, they implement policies and business procedures and prepare the annual Corporate Responsibility Report, just as they have an obligation to report to the Group Executive Board and the committees to which the Group Executive Board has delegated responsibilities.

In 2022, Nykredit's sustainability efforts were brought together under one Sustainability Programme to ensure consistent direction, prioritisation and coordination of, in particular, the Group's green sustainability initiatives and their execution across the organisation. Key business divisions and specialist functions are represented in the Programme and its steering committee, and relevant business divisions and specialist functions supply resources for the Programme.



Sustainability-related risks are integrated into governance, strategy and risk management

Climate change exposes Nykredit's business activities and our customers to a range of new risks and opportunities, relating to environmental, social as well as governance (ESG) factors. It is pivotal that Nykredit is able to identify, contain and handle these ESG risks, while at the same time detecting and exploiting the new opportunities to the fullest.

The integration of ESG risks into Nykredit's risk management practices is an ongoing process. ESG factors are considered to be drivers of existing risks and are of particular relevance in the areas of credit and operational risks, but they also affect market, liquidity and funding risks. ESG risk management is improved continuously, and the Group's specialists receive ESG training; also, we have a structured approach to the collection and capturing of data.

Risk management

Sustainability risks are increasingly being integrated into Nykredit's risk management so as to get a clear picture of the sensitivity of the loan portfolio to climate risks or risks deriving from other sustainability factors. Credit assessments of business customers include assessment of physical and transition risk relating to climate change as well as other ESG factors where relevant to the individual customer. Risks relating to climate change are integrated into the work undertaken in connection with the traditional risk types, and risk management therefore adheres to principles and working procedures already established.

In 2022, our colleagues were trained to handle this task in the best possible way, and we have a focus on ongoing upskilling. Further, Nykredit worked to map its

exposures in various stress scenarios of weather events and/or rising water levels. These efforts will continue on a larger scale in 2023, with a greater focus on the consequences for Nykredit's customers of changed regulatory requirements and consumption patterns.

Our sustainability data basis has strengthened considerably, and we have launched a series of initiatives to obtain the data necessary for our sustainability efforts. These initiatives concern regulatory requirements, including new Pillar III requirements for external reporting of relevant key figures, but also the needs and requirements of the business in relation to customers. Other targets of the initiatives are Nykredit's internal risk management, monitoring and reporting, which will be adapted in 2023 to support our green transition commitment. Read more in our Risk and Capital Management report.

Credit

The sustainability profile of business customers is increasingly affecting their competitiveness. Therefore, ESG risks are included as a natural part of the credit analysis of all business customers. The analysis determines the risk of losing competitiveness as a consequence of the green transition.

The analysis is based on recognised concepts and available data. The assessment of ESG factors is a still-evolving discipline, with dynamic methods, market standards, data sources and data quality. We therefore expect – and work proactively – to revise our approach as this discipline evolves.

The ambition is to create insights for our customers and to increase their chances of acting on red flags or new business opportunities.

Property valuations

ESG factors have been integrated into Nykredit's Valuation Policy with a special focus on the impact of climate change on the valuation of a property. Consequently, ESG factors are part of property valuations, as they allow for climate-related risks. In some geographical areas, the Danish climate involves risks of storm surges, flooding and erosion. Valuations of properties in exposed geographical areas therefore focus on whether the property has been protected from future climate change impacts and on the property's marketability in view of its exposed location. Energy improvements and green transition will be taken into consideration, provided that the added property value can be documented.

In the longer term, this will be done through a more structured approach to capturing and collecting data. In the coming years Nykredit will be improving property valuations and training the Group's valuers in including any physical risks relating to individual properties.

The double materiality principle

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. Examples of such risks could be investments in companies that fail to fully meet human rights standards, or lending to companies that emit greenhouse gases. These societal risks and the way we address them are described in more detail in the individual sections of this report.

Financial risks primarily include credit risk, but also market, liquidity and operational risks. Nykredit's risk management in these areas helps secure our financial stability and capacity to provide lending all over Denmark and follows naturally from our status as a systemically important financial institution (SIFI) and the responsibility that comes with it.

For example, *climate-related risks* affect our business through financial risks and are addressed as part of our financial risk management. This is why our risk management focuses on financial solutions that are sustainable for Nykredit and for society in the short, medium and long term. Our financial risks and risk management efforts are described in more detail in our Risk and Capital Management report.

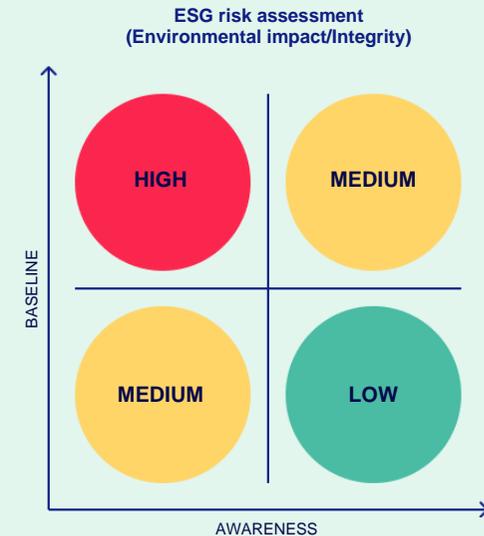
ESG factors are included in the credit analysis of our business customers

The analysis is divided into Environmental Impact ("E") and Integrity ("S" and "G"). In the Environmental Impact analysis, the assessment method is based on a customer's baseline and awareness levels. The baseline is currently set on the basis of the customer's industry categorisation and resulting climate footprint.

The awareness level is an assessment of a customer's level of ambition in the relevant area and their efforts to mitigate relevant risks.

Integrity is assessed based on a business client's current focus on social factors in its entire value chain and on general employment conditions as well as indicators of management's and the board of directors' conduct and actions, such as bankruptcy track record, lawsuits etc.

Diversity and independence of the board of directors are also assessed for the largest customers. Overall, this offers an indication of the risk of the customer's competitiveness being reduced over time, which will cause Nykredit's credit risk to increase. These methods will be further expanded as data at client level become available.



ESG- and climate-related risks

ESG-related risks comprise risks relating to existing or future impacts of ESG factors on customers and counterparties as well as on invested assets. Risks relating to ESG factors affect traditional risk types, including credit risk, market risk, liquidity risk, funding and operational risk. Risks arising from climate change are a key part of ESG-related risks and include physical and transition risks. Physical risks pertain to costs and losses arising from extreme weather conditions or long-term changes brought about by climate change. 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 asset serving as security behind our mortgage loans in particular is reduced. Transition risks pertain to business customers' 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 customers we provide loans to and invest in are able and willing to prepare for a situation where their business models may be challenged by the transition to a more sustainable economy.

We strive to improve the quality of sustainability data

Nykredit's efforts in the areas of sustainability and the green transition build on a solid and reliable foundation of knowledge and data. Nykredit, too, needs reliable sustainability data. At the same time, we can help our customers get access to improved quality of data. Improved quality of data is necessary to:

- ensure that Nykredit and our customers move in the right direction.
- provide customers and business partners seeking an overview of sustainability in the entire value chain with the required knowledge.
- analyse and manage new ESG- and climate-related risks.
- fulfil the new reporting obligations, which include extensive data requirements.
- strengthen our position in a market where sustainability is an important competitive parameter.
- assist and impose requirements on customers.
- increase the quality of our carbon emissions statement.

In a number of areas, data accessibility and data quality continue to pose a huge challenge, to us and to our customers. This has led Nykredit to simultaneously strengthen our own data and help customers strengthen and access data. Data at customer level are important, as they allow us and our customers to take the right measures and monitor progress. The SEGES tool for farmers and Nykredit's partnership with Validated are two examples of specific tools designed to improve data quality for agricultural customers and SME customers, respectively.

At the same time, we are improving the data needed for Nykredit's reporting under, for instance, the EU's Taxonomy and the Disclosure Regulations and the upcoming rules on corporate sustainability reporting. This includes collection and registration of relevant data at Nykredit and relevant data from our customers.

Green Asset Ratio (“taxonomy eligibility”)

In the years to come, financial providers will be required to report on the proportion of their assets that are in alignment with the EU’s Taxonomy Regulation (the “EU taxonomy”) – the so-called Green Asset Ratio. Financial companies must disclose the Green Asset Ratio (GAR) from 2024. Efforts are ongoing to improve the data needed to calculate the GAR; these efforts include collecting data from our customers.

The disclosure requirements and KPIs of financial and non-financial companies are laid down in Article 8 of the Delegated Act of the EU Taxonomy. Of course, Nykredit is also subject to this disclosure requirement.

	DKK billion	Proportion of total assets
Exposures to taxonomy-eligible economic activities	821	51%
Exposures to taxonomy non-eligible economic activities	238	15%
Exposures to undertakings that are not obliged to publish non-financial information under the Non-Financial Reporting Directive	52	3%
Derivatives	7	0%
Exposures to central governments, central banks and supranational issuers	370	23%
Trading portfolio	108	7%
On demand interbank loans	3	0%
Total assets, cf balance sheet in the Annual Report	1,600	

These data are available in our Sustainability Fact Book 2022 and in Accounting policies on page 86.

1

Development and growth throughout Denmark

“Fair and equal access to the mortgage system throughout Denmark is a key priority of Forenet Kredit. We are the association behind Nykredit and Totalkredit and as such, the delivery of Nykredit’s corporate responsibility commitment by providing lending in all regions of Denmark, its core business, is essential to us.”

Michael Demsitz, Chair of Forenet Kredit

Development and growth throughout Denmark

Being Denmark’s largest lender, Nykredit has a special role to play. We will be active in all of Denmark and support growth – in urban and rural districts alike. Through the good times and the bad. This is a pledge that places demands on the Group’s business model, profitability, capital resources and lending practices in the area of banking as well as mortgage lending.

When the economy falters, Danes should rest assured that Nykredit does not. There should be no doubt that Nykredit has the strength and stability to support its customers, the Danish economy and society by keeping its loan books open at all times.

Financial strength provides stability and security for our customers during uncertain times

Sound credit assessments of the personal finances of each individual customer, a strong earnings base and a robust capital position constitute the foundation for our capacity to provide loans in the good times and the bad. For several reasons. We share a responsibility for ensuring that our customers do not borrow more money than their personal budgets or business budgets allow. Accordingly, we may still have to refuse customers’ loan requests if their personal finances are not sufficiently robust. Nykredit’s effective credit practices enabled us to issue new loans to borrowers all over Denmark during the financial crisis that began in 2008 and during the covid-19 crisis. The same will apply in the current situation with the uncertain economic outlook.

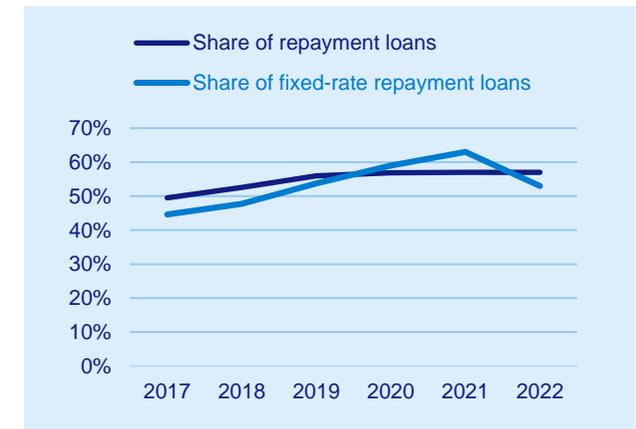
The world economy has been hit by the perfect storm of high inflation, rising interest rates, energy crisis and war

in Europe. Of course, many of our customers are facing immense financial uncertainty. Nykredit wants to provide financial visibility for our customers. We have therefore made additional tools available to our advisers, enabling them to tend to challenged customers, and we have offered bespoke credit facilities to customers particularly affected by the rising energy prices. We have offered Totalkredit customers replacing their old oil- or gas-fired boiler with a heat pump a cash contribution of DKK 10,000. We have the capacity necessary to support the Danish economy. And we want to continue to do so every time the Danish economy goes through difficult times. To this end, we seek to ensure a solid capital position and strong risk and credit management practices at all times.

Robust homeowners

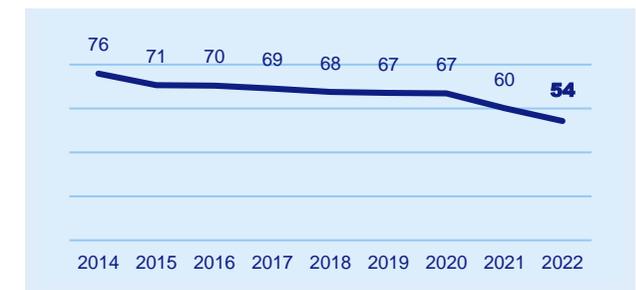
At the end of 2022, Totalkredit’s customers enjoyed the lowest administration margin payments in the market on the loan types that are the most popular among Danish homeowners. Even though more customers have opted for variable-rate loans or interest-only loans than in the preceding years, our customers are fairly well bolstered to withstand an economic crisis or decreasing housing prices because of low loan-to-value (LTV) ratios. In other words, Danes are generally financially robust. Moreover, Danish mortgage lending is one of the most cost-effective home financing regimes in the world. Also, the mortgage system is one of transparency and solidarity; all borrowers, irrespective of their income, personal finances, accounts volume or geographical location, pay the same loan rates and administration margins. Only the borrower’s loan-to-value ratio and the loan type determine a loan’s interest rate and administration margin.

Still more homeowners amortise their loans, but fewer homeowners choose fixed-rate loans



Development in Totalkredit fixed-rate and repayment loans to personal customers

Robust homeowners and falling LTVs



Development in LTVs – Totalkredit and Nykredit loan portfolios

The war in Ukraine

When the war broke out in Ukraine in February 2022, Denmark expected massive refugee flows. Denmark did not hesitate to create the best conditions possible for the refugees from Ukraine. Nykredit offered a fast-track arrangement, providing Ukrainian refugees with a free banking package of online banking service, direct debit (Betalingsservice) and payment card, as access to a bank account is crucial to being able to participate in Danish society. Nykredit also had relevant material translated into the Ukrainian language, saving the refugees from having to consult an interpreter to understand their rights and obligations as customers with Nykredit. Nykredit also disposed of all investments in Russian companies and bonds at the outbreak of the war.

Moreover, the Nykredit Group has donated DKK 2 million to the Red Cross in Ukraine. Our colleagues raised DKK 114,000 for the organisation on their own initiative.

We have a nationwide presence

Our business model, which builds partly on a unique partnership between Totalkredit and 44 Danish independent banks, is our foundation for offering attractive and secure loans all over Denmark, thereby keeping our pledge to society of supporting growth and development in all of Denmark. Totalkredit accounted for 71% of all new home loans in areas outside the large cities in 2022.

In 2022, the Totalkredit partner banks combined had around 600 branches, or more than 65% of all bank branches in Denmark. The widespread presence all over Denmark coupled with the attractive and secure loans offered to our customers were the main catalysts of the Totalkredit partnership commanding a solid market share across Denmark and explain why we are the leading lender in districts with long distances between large cities.

Going the extra mile for the rural districts

We are proud to offer loans in all of Denmark. While several villages and rural districts are undergoing a positive development, others are challenged. The rural population is shrinking, villages are losing some of their vital institutions, such as schools and local grocers, and people and businesses are migrating to the cities. This means that the housing market in rural districts may be characterised by uncertainty as to marketability and pricing and an oversupply of properties for sale.

We want to support a better rural-urban balance by making rural living as attractive as possible by providing home financing in rural areas, thereby ensuring an efficient housing market all across Denmark. This is a task we take seriously and address every single day,

Lending through the good times and the bad

Nykredit's overall risk appetite

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

This is done from a platform of:

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 taking risk 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 and lending to personal customers and specialised lending segments. Nykredit manages credit risk according to a portfolio management approach whereby significant concentrations are avoided, supplemented with reviews of single-name exposures, credit work-outs and continuous controls.

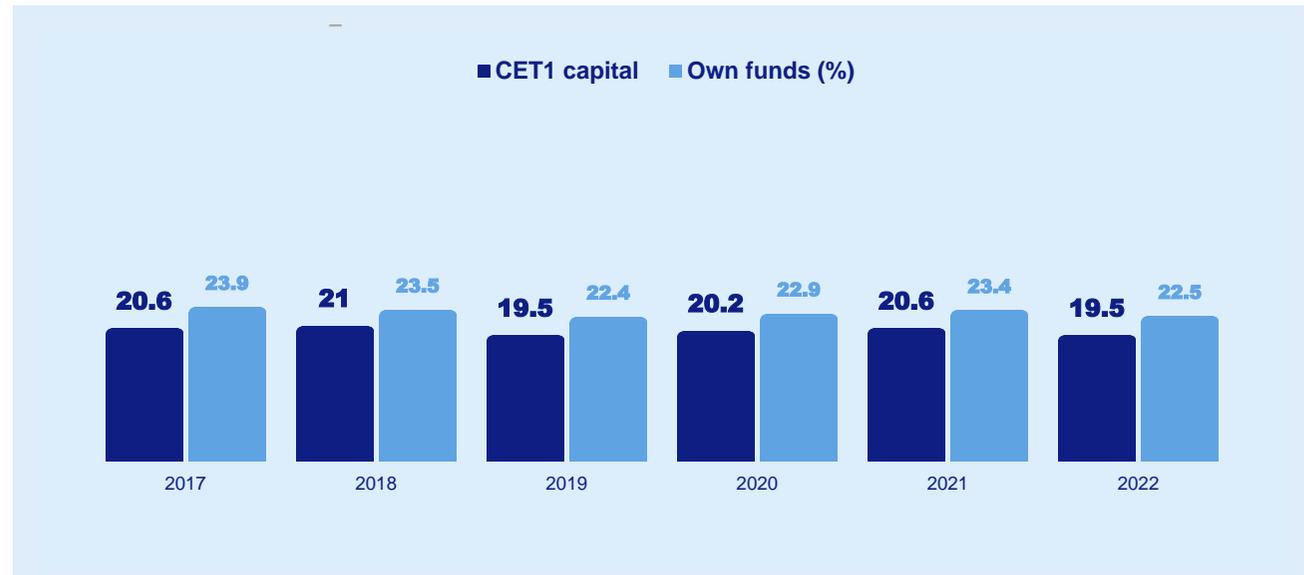
Read more in our Risk and Capital Management Report.

Totalkredit supports the local presence of partner banks

Mortgage finance is key to attracting homeowners, but it is also a question of scale and capital. Basically, this is to the benefit of the largest banks, but the Totalkredit alliance provides small and medium-sized banks with reliable access to a range of mortgage loans that fully or more than fully match those offered by the largest banks. As members of the Totalkredit alliance, even the smallest of Danish banks are able to offer attractive and secure mortgage loans, including the market’s lowest administration margins on the most popular loans thanks to the KundeKroner benefits programme.

That is essential in a sector where increased regulation and digitisation have raised the challenges for small banks. This way, the Totalkredit alliance promotes competition and supports the strong presence of small and medium-sized banks all across Denmark. By virtue of their strong local presence and insight into local conditions, our partner banks can support growth and progress in the Danish local communities through their lending activities and local engagement.

Development in CET1 capital and own funds



The Group holds CET1 capital of DKK 85.5 billion, equal to a CET1 capital ratio of 19.5% of the total risk exposure amount (REA), and total own funds of DKK 98.7 billion, equal to a capital ratio of 22.5%. The high level reflects a strong capital structure and illustrates Nykredit’s capacity to maintain its business activities throughout Denmark regardless of fluctuations in economic trends. Also after the implementation of new Basel requirements in the EU. Thanks to our capital structure and access to capital from our owners, Nykredit will be able to meet new regulatory requirements and, in addition, be able to withstand a severe economic downturn and consequent losses.

Development and growth throughout Denmark



Societal challenges

It is essential to the Danish economy and to growth in all parts of the country that businesses and homeowners have access to loans. During financial crises, banks and credit institutions generally tend to curb lending to minimise the risk of losses. This affects individuals and businesses in need of a loan, and the lack of funding for growth and new activities may aggravate a financial crisis.

Also, borrowing may, for various reasons, prove more difficult for certain groups in society or certain regions.



Nykredit's response

We will be active in all of Denmark and support growth – in urban and rural districts alike. Through the good times and the bad. Equal access to the mortgage system and pricing solidarity for personal customers with no distinction being made on the basis of income, geographical location or accounts volume are the guiding principles of the Danish mortgage system and of our majority shareholder, Forenet Kredit, and as such a fundamental element of our business model.

We prioritise the capacity to provide lending in all of Denmark, and together with our Totalkredit partners, we provide about half of all home loans. We are working with Group-wide initiatives aimed at supporting home ownership, green transition and growth throughout Denmark. 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 always seek to ensure a solid capital position and strong risk and credit management practices at all times.

We are also ready and willing to reassess our own practices and enter into dialogue when certain customer segments experience difficulties obtaining loans.



Governance

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.

Policies

- Credit Policy
- Risk Policy



Activities and achievements

- The positive development in market shares bears witness to our strong presence in all of Denmark.
- Nykredit capital position strengthened.
- Totalkredit again won the Danish Consumer Council's award for the cheapest mortgage products in the market.



Risks of negative impact on society

The loss risk on the loans we provide to personal and business customers, for example, is also one of the main societal risks that Nykredit incurs. 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 our lending activities unnecessarily. Therefore, striking the right balance between active lending and solid capital and credit policies is a central aspect of our corporate responsibility commitment.

Nykredit's risk

Nykredit's business activities and lending throughout Denmark expose the Group to certain credit, market, liquidity and operational risks. These business risks are described in more detail in our Risk and Capital Management Report.

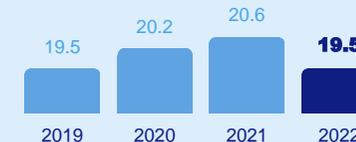


Ambitions for 2023

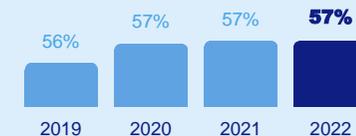
- Continue to consolidate our business to maintain the capacity to offer loans to people and businesses and to support development and growth throughout Denmark.
- Provide our customers with sound advisory services in an uncertain economic environment caused by inflation, interest rate increases, energy crisis and the war in Ukraine.
- Continue to provide mortgage lending at uniform prices for personal customers, with no distinction being made on the basis of income, geographical location or account volume.

Key figures and targets

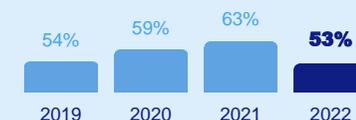
CET1 capital (%)



Portfolio proportion of repayment loans, Totalkredit



Portfolio proportion of fixed-rate loans, Totalkredit



2

A greener Denmark

“As a society we share a common task: to make Denmark greener. At Nykredit, we have made it our business to make it easier and more attractive for our customers to live, drive, renovate, save up, invest and operate their businesses more sustainably.”

Michael Rasmussen, Group Chief Executive

A greener Denmark

Climate change is among the greatest challenges of our time. This is the clear and unambiguous message in the latest reports from the UN's Intergovernmental Panel on Climate Change (IPCC). And being a mutual financial provider, the largest lender and one of the large investors in Denmark, we acknowledge our special responsibility and not least our ability to make a difference. With that in mind, we will do our utmost to contribute to achieving the ambitious targets that we as a society have set out to reach.

In 2021 and 2022, we defined and published specific climate targets that set the course for our green transition efforts. These targets include the significant areas of the Group's operations in the short, medium and long term. The methodologies used to set the targets were published in [Nykredit Group's Climate Targets](#).

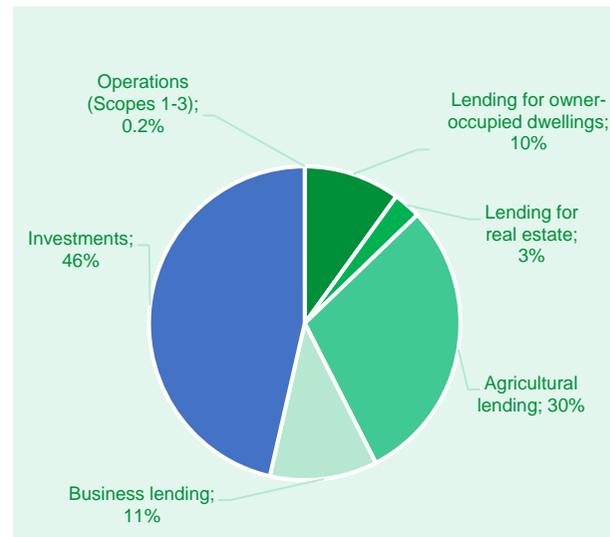
Accounting for less than 1% of our total climate footprint, emissions from Nykredit's own operations are limited. The rest, more than 99%, derives from lending and investment activities. For 10 years now, we have been committed to reducing emissions from our own operations. And we will hold on to that commitment. However, data clearly show that we can take the greatest leap forward if we team up with our customers. We not only believe that this will help promote the transition necessary towards a low-emission society; we also fundamentally believe that it is good for Nykredit as a financial business. Strong focus on the green transition increases customer satisfaction and contributes to driving business growth. And it will help preserve the value of customers' assets and businesses, improving the quality of our loan book.

In the next pages we report on the progress towards our targets and provide an overview of Nykredit's green transition response. This is followed by five sections, one for each of the prioritised initiatives that also form the basis for Nykredit's customer-facing green transition efforts:

- Greener owner-occupied dwellings
- Greener real estate
- Greener businesses
- Greener agriculture
- Sustainable investments

These are followed by a section on our work with the transition of Nykredit' own operations, see A greener Nykredit.

The Nykredit Group's climate footprint from lending, investments and operations



Nykredit's targets should be validated against international standards

Nykredit has committed to achieving net zero greenhouse gas emissions from our lending, investments and own operations by 2050 at the latest, and the emissions reduction should as a minimum be put on a path that aligns with the targets of the Paris Climate Agreement – also known as *Paris alignment*.

Nykredit's commitment has been formalised by joining three acknowledged, global initiatives:

- **The Science Based Targets initiative (SBTi)** – covers the entire Nykredit Group
- **The Net-Zero Banking Alliance (NZBA)** – covers the loan portfolio
- **The Net Zero Asset Managers initiative (NZAM)** – covers the investment portfolio

We will deliver on our commitment by setting targets that build on recognised standards and methodologies and that the SBTi is to validate Nykredit's targets. This process will be initiated in 2023.

The Nykredit Group's climate targets

Net zero by 2050

2030 emissions target

 Owner-occupied dwellings 75% emissions reduction <i>(kgCO₂e/m²/year)</i>	 Real estate Residential real estate: 75% emissions reduction Commercial real estate: 65% emissions reduction <i>(kgCO₂e/m²/year)</i>	 Agriculture 45-55% emissions reduction <i>(tCO₂e/DKKm)</i>	 Businesses Targets under development – due in 2023	 Investments 60% emissions reduction <i>(tCO₂e/DKKm)</i>	 Operations 85% emissions reduction <i>(CO₂e)</i>
--	---	---	--	--	---

Supporting targets

<p>Oil- and gas-fired boilers</p> <p>85% of owner-occupied dwellings will have another heat source than oil- and gas-fired boilers in 2025</p>	<p>Transition plans</p> <p>Nykredit will set targets for the number of real estate customers, agricultural customers and other business customers that must have green transition plans in place.</p> <p>The targets will be ready in 2023</p>			<p>Alignment with the Paris Climate Agreement</p> <p>All investments must be or about to be in line with the 2030 1.5°C goal.</p>	<p>Energy consumption and heating</p> <p>The total MWh consumption must be reduced by 25% relative to the level in 2017 by end-2025.</p> <p>In 2030 no Nykredit locations should be heated directly using fossil fuels.</p>
<p>Electric cars</p> <p>50% of new car loans should be for electric cars in 2023-2025</p>					

[Read more at nykredit.com/corporateresponsibility](https://nykredit.com/corporateresponsibility)

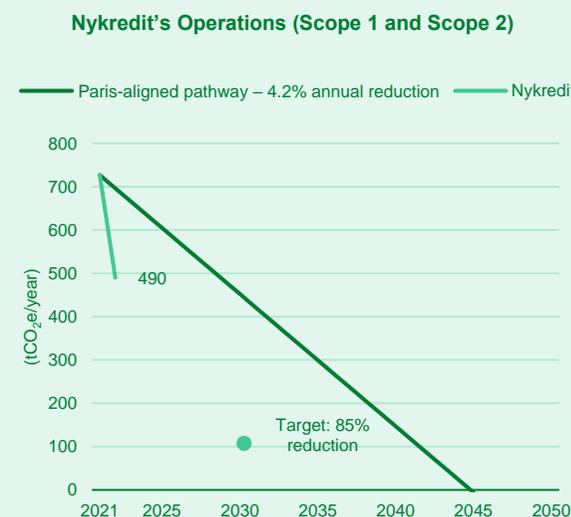
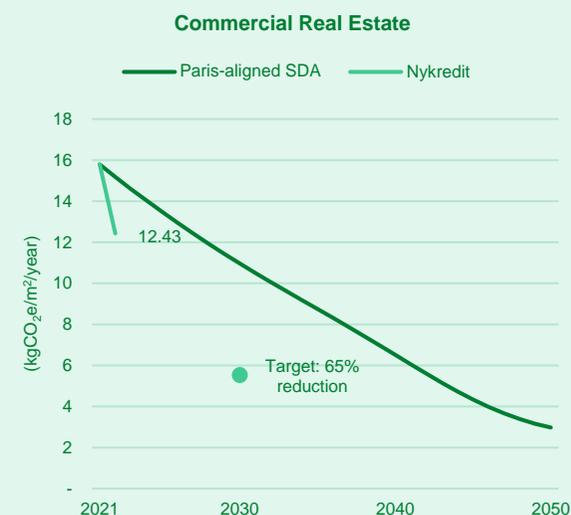
Progress towards SBTi-based climate targets

The right-hand charts provide a status on the emissions targets set by Nykredit in alignment with Science Based Targets initiative's (SBTi) methodologies, and which are expected to be submitted to the SBTi for validation in 2023. For these targets, the development may be compared with the so-called Paris-aligned pathway. This applies to the targets set for Owner-Occupied Dwellings, Residential Real Estate, Commercial Real Estate and Nykredit's Operations.

Emission intensity from owner-occupied dwellings and real estate financed by Nykredit has decreased at a rate that preliminarily suggests that the targets will be met. Emission intensity is significantly below the path emissions should be following to be Paris-aligned. The same goes for emissions from Nykredit's operations. The decrease has been brought about especially by greener production of electricity and district heating. The positive development is also driven by the fact that housing in Nykredit's portfolio has become more energy-efficient and that some of Nykredit's customers have replaced their oil- and gas-fired boilers with greener heat sources.

Investment portfolio emission intensity decreased from 5.7 tCO₂e/DKK million in 2021 to 5.3 tCO₂e/DKK million in 2022. As from 2021, the determination of the climate footprint has been expanded to include mortgage bonds and is therefore not directly comparable with the 2020 figure. In 2023, the baseline and target will be recalibrated as part of the SBTi process.

For the agricultural portfolio, the target has been set in alignment with political targets in the area. The target is therefore *policy-based* and not *science-based*. When possible, Nykredit will update the target to a science-based method. Carbon emissions from the agricultural portfolio are determined based on the total sector average for the agricultural sector provided by Statistics Denmark. This figure rose in 2022, and consequently, so did Nykredit's emissions. Evidently, if this development continues in the coming year, the target will not be met. Status of the supporting targets are available in the relevant sections in this report.



Our actions

For a number of years, Nykredit has been supporting our customers' and society's green transition. The key driver of our strategy is to assist our customers in achieving truly sustainable change. In recent years, we have launched a long line of products, tools and other initiatives aimed to support our customers' green efforts, and we are keenly integrating sustainability factors in our credit procedures, risk management etc. Over the coming years, more initiatives will be added, and the green transition will increasingly be incorporated as a parameter in all parts of our business. With the overall impact of these actions, we aim to ensure that Nykredit plays its part in attaining not only our own but society's ambitious goals.

Our toolbox contains several different elements. We finance and offer advice on the green transition and make it easier and more affordable for our customers to make green choices – thanks in part to a green contribution from our majority shareholder, Forenet Kredit, which we apply to provide strong value propositions to support Nykredit and Totalkredit customers' green transition. We have many conversations with our customers about their plans and how we may support their green transition, and we exercise active ownership of investee companies. We impose requirements to ensure that our business customers support the green transition and address relevant risks. We are, however, aware that we cannot solve the challenges alone.

This is why we are developing our approach in close tandem with our customers, business and industry organisations, NGOs, authorities and other stakeholders. We enter into partnerships when this supports the green transition. Nykredit's actions may be divided into four categories:

- **Value propositions.** Loans for and investment in assets that contribute to the green transition and green benefits that incentivise customers to make green choices.
- **Dialogue and active ownership.** Proactive dialogue with customers about their green transition plans and need for financing. Active ownership of investee companies.
- **Requirements and product terms.** Policies, prices and product terms that reflect Nykredit's ambitions and climate-related risks.
- **Partnerships.** With business and industry organisations, NGOs, authorities and other stakeholders.

In addition to the customer-facing initiatives described in the chart, Nykredit is in the process of incorporating the climate targets into our strategy, risk management, credit assessments and business decisions. Nykredit's efforts are described and updated each year as part of our sustainability reporting, which is published together with the annual report.

What we expect from business customers

We expect all business customers, new and existing, to promote more sustainable practices for the purpose of future-proofing their business models. Nykredit will also be making balanced and insisting demands, and these requirements will be incorporated into future prices and terms and be differentiated in proportion to the sector and size of a business. Balancing expectations is therefore key to building meaningful customer relationships that are based on trust and transparency. This means that we do not end a business customer relationship because the customer's current position is unresolved or vulnerable. And we generally do not reject new customers either. However, we reserve the right to turn down new business customers if their current position, action plans or efforts are too weak, just as we reserve the right to not expand our relationship with business customers who seem unwilling to implement appropriate changes.

Selected initiatives

	 Owner-occupied dwellings	 Real estate	 Agriculture	 Businesses	 Investments
Value propositions – green choices made easier and more affordable	<ul style="list-style-type: none"> • Totalkredit: Initiative to replace oil- and gas-fired boilers • Totalkredit's home energy check-up • Totalkredit's energy calculator • Green savings account • Green home loans • Green car loans 	<ul style="list-style-type: none"> • Green construction loans • Green mortgage loans • Interest discount on construction loans to public housing sector • Partnership with Rambøll • ESG Advisory 	<ul style="list-style-type: none"> • Green machinery leasing • ESGreen Tool (SEGES' climate tool) • Fee-free withdrawal of land from agricultural use 	<ul style="list-style-type: none"> • Green construction loans • Green mortgage loans • ESG Advisory • Validated for SMEs • Mortgage financing of solar panels, wind turbines and infrastructure 	<ul style="list-style-type: none"> • Funds carrying the Nordic Swan Ecolabel exempt from trading commission
Dialogue and active stewardship	<ul style="list-style-type: none"> • Training of advisers • Internal survey, how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Training of advisers • Internal survey, how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Training of advisers • Internal survey, how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Training of advisers • Internal survey, how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Training of advisers • Active ownership strategy – focus on largest carbon emitters • Target for Paris alignment among companies in the portfolio
Requirements and terms	<ul style="list-style-type: none"> • No plans of imposing requirements on homeowners 	<ul style="list-style-type: none"> • Climate score in credit assessments • Transition plans expected of corporate customers • Requirements to be incorporated into future prices and/or terms 	<ul style="list-style-type: none"> • Climate score in credit assessments • Transition plans expected of corporate customers • Requirements to be incorporated into future prices and/or terms 	<ul style="list-style-type: none"> • Climate score in credit assessments • Transition plans expected of corporate customers • Requirements to be incorporated into future prices and/or terms 	<ul style="list-style-type: none"> • Fossil fuel policy that excludes assets where coal, arctic oil and gas as well as unconventional oil and gas make up 5% of the business
Partnerships	<ul style="list-style-type: none"> • Government and sector partnerships on the phasing-out of oil- and gas-fired boilers • Partnership with the Danish Energy Agency on the energy consumption calculator etc 	<ul style="list-style-type: none"> • Validated • Rambøll • PropTech • Partnership with Green Building Council 	<ul style="list-style-type: none"> • SEGES: ESGreen Tool and climate training programme • Partnerships with industry associations on transition plans (under development) 	<ul style="list-style-type: none"> • Validated • Rambøll 	<ul style="list-style-type: none"> • Climate Action 100+ • Sector partnership on climate targets for equity funds

Overview of the most important customer-facing initiatives of Nykredit's action plan divided into main categories.

Greener owner-occupied dwellings

Lending for owner-occupied dwellings accounts for about two thirds of the Nykredit Group’s total lending and about 20% of the loan portfolio’s climate footprint. The Danish Council on Climate Change has on several occasions pointed to energy savings, heat source replacement and more electric cars as central elements in the green transition of Denmark. Homeowners therefore play a central role in the green transition of society as a whole and in Nykredit’s ambition to reach net zero by 2050.

In 2020, Nykredit set emission targets for our portfolio of owner-occupied dwellings in addition to two supporting targets for replacement of oil- and gas-fired boilers as well as the percentage of new car loans used to finance electric cars. These targets have been set using recognised methodologies developed by SBTi. The targets provide further direction for Nykredit’s long-standing campaign. Thanks to a contribution from our majority shareholder, Forenet Kredit, we have launched a series of products and solutions that make it easier and more affordable for homeowners to make green choices, reduce energy consumption and greenhouse gas emissions from their homes and buy greener cars.

2022 has shown us that many customers still support the green transition and turn to Nykredit for financing of their green choices. At the same time, the rising energy prices weigh on many homeowners and have accelerated political initiatives aimed at motivating more homeowners to switch to renewable energy sources.

The path to net zero

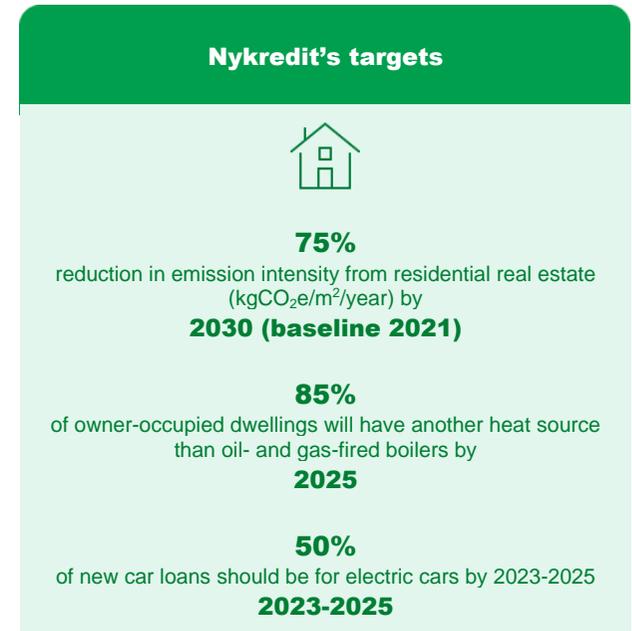
Main elements of the transition of the Danish building stock include:

- 1) replacing individual fossil heat sources (oil- and gas-fired boilers) with green alternatives (district heating and heat pumps),
- 2) reducing energy consumption (and consequently also greenhouse gas emissions) through energy renovations, and
- 3) greener electricity and district heating supply, which reduces emissions from household consumption.

Nykredit’s portfolio will be highly correlated with the development in society as a whole. This is due to Nykredit’s significant market position and because the transition towards greener electricity and heat generation will affect the Danish building stock in general and not only Nykredit’s customers. Therefore, Nykredit’s efforts are mainly targeted at helping individual homeowners make home energy renovations and replace their fossil heat sources, as well as supporting the shift towards greener electricity and heat production through financing of renewable energy and the required infrastructure.

Initiative to replace oil- and gas-fired boilers

Replacing fossil heat sources with green energy is a key element of the green transition of the housing stock in Denmark and an efficient way to obtain a better energy label. And it is also an area where Nykredit can make a significant difference. We have therefore offered Totalkredit customers replacing their old oil- or gas-fired boiler with a heat pump a cash grant of DKK 10,000. If they switch to a heat pump, they may typically save thousands of kroner annually, while reducing their greenhouse gas emissions by up to 70%.



Interest in this scheme was high among our customers in 2022. Totalkredit has issued 7,750 vouchers to customers in 96 of the 98 Danish municipalities since December 2020. The share of owner-occupied dwellings with another heat source than oil and gas-fired boilers in Nykredit’s portfolio rose from 74% to 76% in 2022. In order to reach the target of 85% by 2025, the proportion must increase by three percentage points per year in the next three years.

Helping our customers choose energy renovation, heat pumps and electric cars

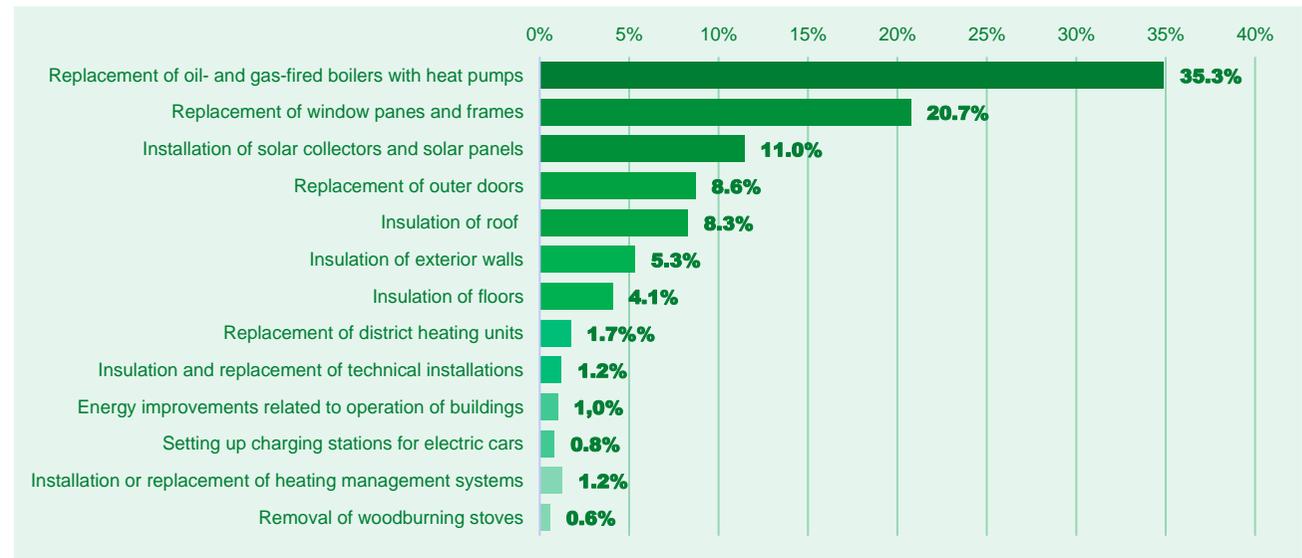
Nykredit Bank customers are offered a green home loan to finance energy efficiency improvements. The loan is offered free of up-front fees and at a very attractive interest rate. Since the loan was launched, Nykredit has provided financing for more than 3,200 energy efficiency improvements. Particularly, replacement of oil- and gas-fired boilers with heat pumps is a hit among customers looking to make energy efficiency improvements. Other popular choices include replacement of window panes and frames and installation of solar panels.

In early 2023, we will launch a new green savings account (Grøn Opsparing), for home energy improvements or for buying an electric or hydrogen car with an attractive bonus interest rate if the savings are to be used to buy green.

In 2022, we also launched a series of initiatives aimed at helping customers at different stages of their energy renovation projects. They include Nykredit's partnership with OK and Energiland for more affordable heat pumps.

We also incentivise our customers to buy an electric car as their new vehicle. Relacing petrol and diesel cars with electric cars is a critical element on the path to a net zero society. And it is an area where Nykredit can make an impact through its financing activities and dialogue with customers on how to influence the development. In 2022, we differentiated the price of loans to finance electric cars and plug-in hybrid cars in alignment with the public tax model and the EU taxonomy, and we set a target that 50% of all new car loans should be for electric cars in 2023-2025. This percentage by far exceeds the expected national average in the same period. Already at 47% in 2022, we are firmly on the path to achieving our target.

Energy renovation initiatives financed by green home loans (Grønt BoligLån)



Focus on social sustainability

The energy crisis has highlighted the fact that irrespective of their wish to do so, not all homeowners have the money nor the possibility to make home energy renovations or replace their heat sources. This particularly applies to homeowners who are prevented from making home energy renovations because of the low value of their home. It is important that the green transition is not supported at the expense of social sustainability, inclusion and development across Denmark.

Therefore, we have no plans of introducing restrictions when we accept new customers or expand the facilities of existing customers for the purpose of reaching our climate target.

Nykredit helps customers make green choices



Potential for energy renovation

ENERGY CHECK-UP (ENERGITJEK)

Totalkredit

Independent energy consultant performs inspection of a customer's home to identify potential for energy improvements and ordinary repairs and to help the customer prioritise initiatives. Energy check-up (EnergiTjek) may include or exclude energy label. Thanks to contributions from Forenet Kredit, customers whose homes have a low energy rating or were built before 2000 are offered a discount.

950 energy check-ups

ENERGY CALCULATOR

Totalkredit

Easy-to-use online calculator offers customers ideas and inspiration for energy improvements allowing for both financial aspects and potential carbon savings.

170,000 energy calculations



Financing of energy renovation

INITIATIVE TO REPLACE OIL- AND GAS-FIRED BOILERS

Totalkredit

Thanks to contributions from Forenet Kredit, Totalkredit offers DKK 10,000 to customers if they replace their current oil- or gas-fired boilers with heat pumps.

7,750 vouchers

GREEN SAVINGS ACCOUNT

Nykredit

Savings account for home energy improvements or for buying an electric or hydrogen car. The contribution from Forenet Kredit allows us to offer customers an attractive bonus interest rate on their savings if they are earmarked for green purposes.

This product was launched in early January 2023

GREEN HOME LOANS

Nykredit

Loans to finance energy improvements. Thanks to contributions from Forenet Kredit, full-service customers of Nykredit Bank are offered these loans free of up-front fees at an attractive interest rate.

More than 4,000 customers have financed their home energy improvements with a green home loan

DISCOUNT ON HEAT PUMPS

Nykredit

Discount on delivery and installation of heat pumps by OK and Energiland for full-service customers of Nykredit Bank.



Financing of green cars

GREEN CAR LOANS

Nykredit

Loans to finance electric cars. Thanks to contributions from Forenet Kredit, full-service customers of Nykredit Bank are offered these loans free of up-front fees at an attractive interest rate.

5,435 green car loans

Greener owner-occupied dwellings



Societal challenges

Energy consumption in buildings makes up around 40% of Denmark’s total energy consumption. The Danish Council on Climate Change has on several occasions pointed to energy savings and heat source replacement as central elements in the green transition of Denmark.

Energy savings lower energy consumption, irrespective of the source of energy. This will ease the transition towards 2050, as we will require less green energy to meet our need. Energy savings may also result in considerable reductions in greenhouse gas emissions. Fossil heat source replacement reduces emissions from private homes. Emissions from private homes mostly stem from the around 400,000 oil-fired boilers and natural gas boilers that exist in Denmark. This makes replacement of oil- or gas-fired boilers with heat pumps, for example, one of the initiatives with the largest impact in terms of greenhouse gas emissions. Besides people’s homes, their cars are one of the large financial decisions that have a major impact on the climate. The climate footprint of cars makes up around 13% of Denmark’s total greenhouse gas emissions, and zero- and low-emission cars only make up around 2% of all cars.



Nykredit's response

Nykredit wants to help inspire more homeowners to make choices that support a greener Denmark.

Nykredit and Totalkredit are behind almost 50% of all home loans in Denmark. Therefore, we assign high priority to supporting a reduction in energy consumption and greenhouse gas emissions from private homes. Aside from the climate impact, energy renovation may potentially increase the value of homes owned by Nykredit’s and Totalkredit’s customers and lead to lower energy bills and improved housing quality for individual homeowners. Nykredit and Totalkredit continue to further develop our products and advisory services to encourage more customers to make energy improvements in their homes.



Governance

The Head of Banking Development and the CEO of Totalkredit are in charge of targets and initiatives.

Policies

- Product Policy



Activities and achievements

Thanks to the financial backing of Forenet Kredit, Nykredit has launched a number of initiatives that make going green easier and more affordable. In 2022, customers truly embraced these products.

Nykredit Bank:

- More than 4,000 customers have made home energy renovations financed by a green home loan (Grønt BoligLån). Our customers particularly choose to replace their oil- and gas-fired boilers with heat pumps.
- More and more customers choose electric cars. In 2022, loans to finance electric cars accounted for 47% of totals sales at Nykredit.
- Price differentiation in electric and plug-in hybrid cars.

Joint efforts with the Totalkredit partner banks:

- 170,000 calculations made using the energy calculator in 2022.
- Extension of the initiative to replace oil-fired boilers with natural gas boilers: Since December 2020, 7,750 customers have received a DKK 10,000 voucher from Totalkredit under the initiative. 3,750 vouchers were redeemed.
- Since April 2021, 950 customers have had a Totalkredit home energy check-up (Energijtjek), which offers customers with a large energy potential a discount on energy check-ups and energy labels.
- Launched energy renovation learning modules for partner bank customer advisers.



Risks of negative impact on society

Nykredit’s lending to homeowners has a negative impact on society because of emissions from our customers’ homes and cars.

Nykredit's risk

Lack of repairs, including energy renovation, of our customers’ homes may reduce the value of their property and, consequently, also the security backing our mortgage loans. Climate change increases the risk of flooding of low-lying homes and buildings, and, with that, the risk that the value of the security backing our mortgage loans in particular is reduced.



Ambitions for 2023

- Continuously encourage more homeowners to make energy improvements to their homes and to choose more climate-friendly cars.
- Launch of a green savings account on 5 January 2023.
- Seek more opportunities for providing products and advisory services that help and motivate our customers and make it easy to go green.

Key figures and targets

Climate footprint, owner-occupied dwellings

768

Lending covered (DKK billion)

639

CO₂e emissions financed (kilotonnes)

Emission intensity (kgCO₂e/m²/year)



Share of owner-occupied dwellings with another heat source than oil and gas-fired boilers



Share of new car loans for electric cars (%)



Greener real estate

The green transition requires large-scale investments in climate-friendly buildings. Existing buildings need to undergo energy renovation, and new buildings should be as climate-friendly as possible.

Lending for residential and commercial real estate makes up around 25% of Nykredit's total lending and around 6% of the climate footprint of Nykredit's loan portfolio. At the same time, Nykredit holds a large market share in Denmark.

The soon-to-be adopted Energy Performance of Buildings Directive and the rules on energy efficiency are expected to enhance the energy performance of energy-intensive real estate and tighten the requirements for new builds in Denmark. The real estate sector also has a responsibility, and Nykredit finds that customers embrace their responsibility and increasingly consider a focus on sustainability as a kind of licence to operate.

Nykredit is therefore working to make it easier for the real estate sector to make green investments in new and existing properties across Denmark. In 2022, Nykredit set emission targets for residential real estate (public, cooperative and rental housing) and commercial real estate. These targets align with the methods developed by SBTi. The targets provide further direction for Nykredit's long-standing campaign.

The path to net zero

Key elements in the transition of the Danish building stock include replacement of fossil heat sources, energy efficiency improvements and greener electricity and district heating supply. Nykredit's portfolio will be highly correlated with the development in society as a whole due to Nykredit's significant market position and because the transition towards greener electricity and heat production affects the general building stock and not Nykredit's portfolio specifically.

Therefore, Nykredit's efforts are keenly focused on supporting and accelerating the transition of existing buildings already ongoing in large parts of the sector and on supporting the shift towards greener electricity and heat production through providing funding for renewable energy and the necessary infrastructure.

Focus is also needed on the CO₂ involved in the construction of a building. This CO₂ is not included in Nykredit's calculations today, which is in alignment with the standards of Finance Denmark's CO₂-model etc. However, the new building regulations include a life-cycle perspective, which means that from 2023, large new builds may not emit more than 12kg of CO₂e/m² per year (including construction emissions). Nykredit will therefore explore further how to incorporate life cycle considerations both when we finance new builds and energy renovations and in our future climate accounts.

Nykredit's targets



75%

reduction in emission intensity from residential real estate (kgCO₂e/m²/year) by

2030 (baseline 2021)

65%

reduction in emission intensity from commercial real estate (kgCO₂e/m²/year) by

2030 (baseline 2021)

Mortgage loans and green loans to fund the green transition

Mortgage lending is a low-cost and secure source of funding suitable for financing assets necessary to drive the green transition. For example, around 34% of all commercial properties backing Nykredit's loan portfolio have a valid A or B energy label, and we continually finance new energy-friendly building. The criteria defining a green building are constantly evolving. A definition of green buildings is provided in, for example, the EU taxonomy, and Nykredit aims to ensure that our financing criteria are in alignment with regulation and market standards at all times.

Focus on transition plans

The specific plans of individual real estate customers for reducing greenhouse gas emissions from their portfolio properties serve as a useful indicator of whether the customer is addressing the risks brought about by climate change and the green transition. Particularly, in our dialogue with our largest customers and when assessing their creditworthiness, Nykredit seeks to determine whether such plans are in place. Based on the overall efforts made by the real estate customers in our portfolio, we can assess whether the Nykredit Group is moving towards a lower-emission portfolio.

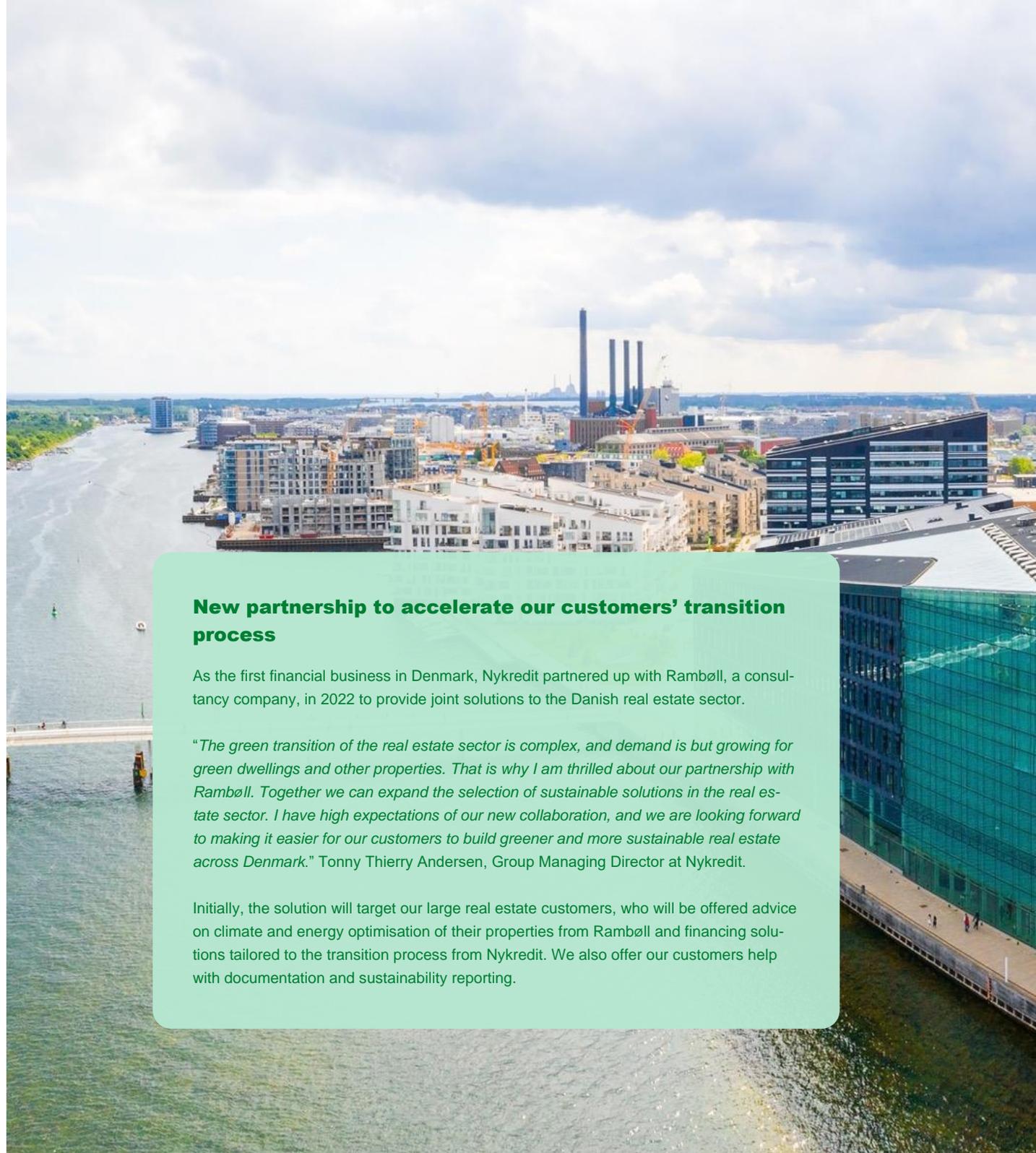
We also help our customers make plans for specific energy renovation projects and for the transition of their businesses. Through our partnership with Rambøll, our real estate customers are offered advice on how to climate and energy optimise their buildings as well as help with documentation and reporting.

New partnership to accelerate our customers' transition process

As the first financial business in Denmark, Nykredit partnered up with Rambøll, a consultancy company, in 2022 to provide joint solutions to the Danish real estate sector.

"The green transition of the real estate sector is complex, and demand is but growing for green dwellings and other properties. That is why I am thrilled about our partnership with Rambøll. Together we can expand the selection of sustainable solutions in the real estate sector. I have high expectations of our new collaboration, and we are looking forward to making it easier for our customers to build greener and more sustainable real estate across Denmark." Tonny Thierry Andersen, Group Managing Director at Nykredit.

Initially, the solution will target our large real estate customers, who will be offered advice on climate and energy optimisation of their properties from Rambøll and financing solutions tailored to the transition process from Nykredit. We also offer our customers help with documentation and sustainability reporting.



Greener real estate



Societal challenges

Energy consumption in buildings makes up around 40% of Denmark’s total energy consumption. Existing buildings need to undergo energy renovation, and new buildings should be as climate-friendly as possible.

Focus is also needed on the CO₂ inherent in the construction of a building and in recycling and reuse of materials and buildings.



Nykredit’s response

Nykredit is a committed provider of green transition financing for public housing organisations, housing cooperatives and property investors. Because of our business model, we have special focus on energy renovation of commercial properties and the construction of new, climate-friendly commercial properties funded by, for instance, green bonds and business loans.



Governance

Responsibility for initiatives relating to the largest commercial properties rests with the Head of Corporates & Institutions. Responsibility for Nykredit’s green bonds rests with the Head of Group Treasury. Nykredit’s Green Bond Committee is responsible for Nykredit’s Green Bond Framework.

Policies

- Credit Policy
- Green Bond Framework 2020
- Valuation Policy



Activities and achievements

- Increase green bond volumes.
- Interest rate discount on construction loans for energy renovation and new building of public housing backed by a contribution from Forenet Kredit .
- Partnership with Rambøll on joint solutions for the Danish real estate sector
- Upskilling our people.



Risks of negative impact on society

Real estate financed by Nykredit may have a negative impact on the climate and the environment caused by energy consumption, greenhouse gas emissions and other factors. Operating a property company may also involve a risk of poor working conditions, breach of human rights in supplier chains etc.

Nykredit’s risk

Lack of repairs – including energy renovation – of our customers’ homes may reduce the value of the properties and, consequently, also the security behind our mortgage loans. Climate change increases the risk of flooding of low-lying buildings, and, with that, the risk that the value of the security behind our mortgage loans in particular is reduced.

Climate changes and the green transition may also affect the business models and operations of property companies. This in turn results in new risks and opportunities, and, consequently, it is only natural and necessary to look at the customers’ ESG positions as part of our credit assessment.



Ambitions for 2023

- Ensure a continued increase in the number of green activities financed using green bonds.
- Ensure additional upskilling of colleagues so that we strengthen the quality of our advisory services and risk management.

Key figures and targets

Climate footprint, real estate

278

Lending covered (DKK billion)

182

CO₂e emissions financed (kilotonnes)

Emission intensity from residential real estate (ktCO₂e/m²/year)



Emission intensity from commercial real estate (ktCO₂e/m²/year)



Greener agriculture

The Danish agricultural sector sets ambitious targets in the climate area, and society places demands on the green transition of agricultural and food production. As one of the largest lenders to the agricultural sector, Nykredit supports these ambitious targets. Lending for agriculture accounts for about 6% of the Nykredit Group's total lending and about 60% of the climate footprint of the Group's loan portfolio.

We make it easier and more affordable for more farmers to contribute to a greener Denmark, and we integrate sustainability into our advisory services and credit assessments, just as we are part of the partnership aimed at preparing farmers for the green transition through increased use of data.

The path to net zero

The green transition of agriculture is one of the biggest challenges to ensuring carbon neutrality in Denmark by 2050.

According to the Danish Centre for Environment and Energy (DCE), a central unit under Aarhus University, the agricultural sector accounted for 22.4% of total greenhouse gas emissions in terms of CO₂ equivalents in 2017. The broad political agreement on the green transition of Danish agriculture from 2021 implies a target of a 55-65% reduction of emissions from the sector by 2030. The agreement primarily aims to achieve the necessary reductions through higher efficiency, technological development and withdrawal of low-lying land areas from agricultural use.

In light of Nykredit's large market position, greenhouse gas emissions from Nykredit's agricultural loan portfolio

are expected to be closely correlated with the general development in society. This is also why Nykredit's 2030 target for the agricultural area has been derived directly from the political objective. Our efforts include driving development, financing green initiatives at individual farms and offering solutions that may help support the sector's overall green agenda.

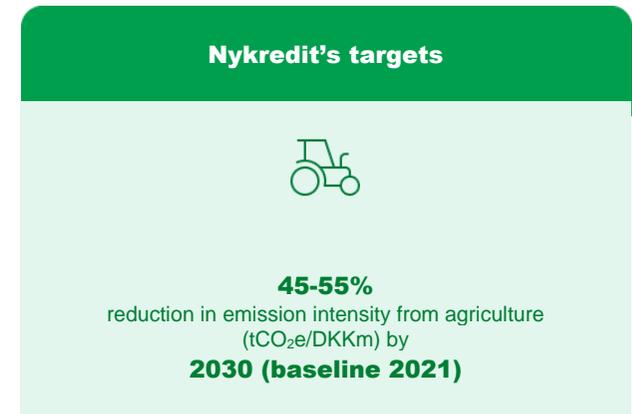
Sustainability aspects in credit assessments, advisory services and products

A strategic focus on sustainability has increasingly become necessary to ensure a robust and financially sustainable farm. This is the starting point of Nykredit's advisory services to agricultural customers, which have been designed to add value to the individual customer, local communities and the overall green transition. We find it important and expect that individual farmers are aware of their climate impact, biodiversity, the environment and working conditions, just as they must have plans and benchmarks for their future progress. The individual farmer's approach to sustainability issues forms an integral part of the overall credit assessment.

Nykredit also supports farmers' transition by making green choices easier and more attractive. In 2022, among other things, we extended our offer for low-cost financing of green technology.

Transition plans build on data

ESGreen Tool, a climate tool resulting from a partnership between Nykredit's majority shareholder, Forenet Kredit, and SEGES, a knowledge and innovation house of the agricultural sector, aims to provide farmers with tools and



knowledge to be used to find a viable and documented effective path forward in the green transition.

More than 1,300 farmers have started to use the new climate tool since its launch in March 2022. The tool is a supplement to sector-specific initiatives launched by, for instance, Arla and Danish Crown to their milk- and meat-producing members.

The data collected allow individual farmers to plan their green transition. Also, the tool may provide Nykredit with knowledge of individual farms, which enables us to offer farmers advice and assess their creditworthiness based on a solid picture of relevant ESG factors and to assess whether our portfolio is developing in alignment with our targets.

All agricultural advisers have received sustainability training

Advisers at Nykredit's agricultural centres all received sustainability training in 2022, developed by Nykredit in collaboration with SEGES Innovation. This way, our advisers are better qualified to assist individual farmers in identifying and financing initiatives that contribute to the sustainable development of their farms. For example, our advisers have been trained to assess the ESG profiles of individual customers and have expanded their market knowledge and learned how customers can determine their climate footprint using the ESGreen Tool.

Birgitte Berg Laustsen, Senior Agricultural Adviser, Agricultural Centre North Jutland, Viborg, says:

“Thanks to our training programme, I now have a much wider knowledge of sustainability in the agricultural sector. It has given me the skills to enter into more advanced dialogue with our agricultural customers on how they can embrace new green solutions that have proved successful for others. It will be my great pleasure to help our customers make the shift to these solutions.”



Choosing green technology is more economical

Green machinery leasing enables farmers to finance new sustainable technology at interest rates as low as 0%.

Examples of technology eligible for green financing:

- Inter-row weeders with camera steer hitch
- Sowing machines equipped with commercial fertilizer and eco fertilizer spreader
- Drones for weed mapping

Afforestation throughout Denmark

In the course of 2022, Nyskovfonden made financial grants for another 16 specific afforestation projects. This means that Nyskovfonden has made grants to 58 afforestation projects, totalling an area of around 250 hectares across Denmark. The new forests will bind an estimated 2,500 tonnes of CO₂e annually*.

Interest in Nyskovfonden has been high since the first approx 10,000 trees were put into the ground in April 2021. Private landowners throughout Denmark have approached Nyskovfonden and expressed great interest in afforestation on their land. Particularly, interest is increasing among professional farmers in expectation that requirements will be imposed on the agricultural sector for reduction of greenhouse gas emissions from farms. Forestation may be part of the solution.

Nyskovfonden really took root in 2022, and today, the foundation's engine is running smoothly, providing afforestation to the benefit of many people across Denmark. Against this backdrop, Nyskovfonden has invited other businesses to contribute funds so that, together, we can plant more trees in Denmark in the years to come. So far, we have entered into two partnerships with companies outside the circle of founders. For instance, the foundation has entered into an agreement with NonStop on afforestation of 1 hectare of land in spring 2023.

“We all share the responsibility for ensuring a more sustainable future and a smaller climate footprint. NonStop Systems would like to make a difference in meeting the climate challenge.”

Kim Pedersen, NonStop Systems

*One hectare of healthily growing forest can bind up to 10 tonnes of CO₂e annually depending on the type of forest.

Source: Vivian Kvist Johannsen PhD, Senior Researcher, Head of Division, Forest, Nature and Biomass, the Department of Geosciences and Natural Resource Management, University of Copenhagen

About Nyskovfonden

Nykredit, Forenet Kredit and Østifterne launched Nyskovfonden in 2020 – a foundation charged with the task of promoting forestry in Denmark and thereby binding greenhouse gas from the atmosphere. Trees absorb greenhouse gas, and when we plant more trees, we contribute to reducing the climate footprint of our communities.

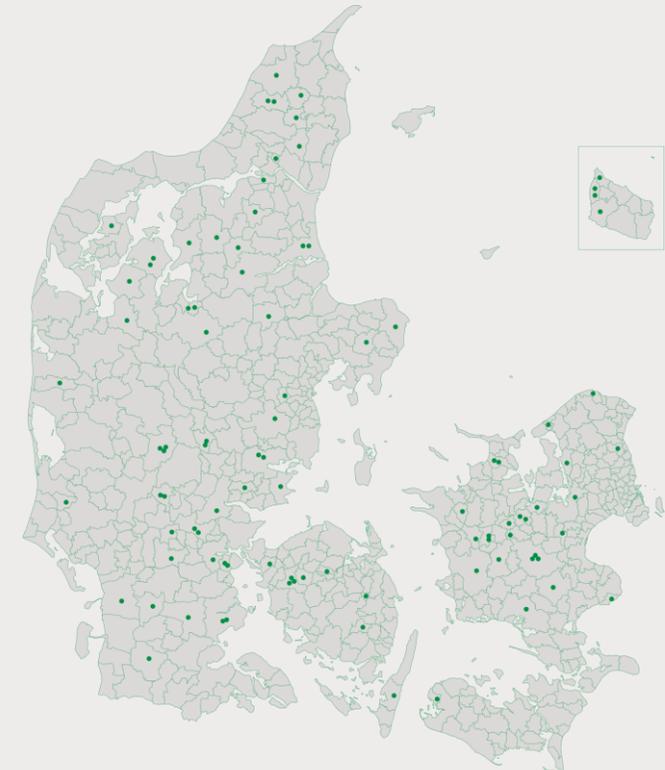
Nyskovfonden grants financial support for afforestation projects, primarily to private landowners, parish church councils and local waterworks throughout Denmark.

The foundation's objective is to plant 5,000 hectares of new forest. The funding will cover both planting and care of the trees for three years. All forests are beneficial to the climate. It is a requirement that the forest areas are registered as forest reserve for at least 100 years.

More forest areas in Denmark also offer other advantages such as recreational values, protection of water reservoirs and production of building materials for long-term storage of greenhouse gas.

Read more at www.nyskovfonden.dk.

Afforestation projects supported by Nyskovfonden (by postcode area)



NYSKOVFONDEN

Greener agriculture



Societal challenges

Danish agriculture is a high-tech, energy-efficient sector compared with those of other countries, but accounts for over 20% of total greenhouse gas emissions in Denmark. For this reason, there is a large need for the development of new solutions and investment in more sustainable production methods. The sector has set its own target of carbon neutrality by 2050, and a broad-based political agreement has been concluded for specific reduction targets for carbon and nitrogen emissions to be reached by 2030.



Nykredit's response

Nykredit wants to help guide more farmers into making choices that support a greener Denmark, and we will join forces with the agricultural sector to reach the political goals and the ambitious 2050 target. Therefore, our advisory services and financing should promote the sustainable development of individual farms.

We find it important and expect that individual farmers are aware of the climate impact as well as other sustainability aspects of their activities, such as biodiversity, the environment and working conditions, just as they must have clear plans and benchmarks for progress. This is why we support the development and integration of higher-quality sustainability data, which will form the basis for action. At the same time, the individual farmer's approach to sustainability issues forms an integral part of our credit assessment.



Governance

Responsibility for efforts relating to greener agriculture rests with the Head of Banking Business Development.



Activities and achievements

- Extended the offer for green machinery leasing (Grøn Maskinleasing) backed by a contribution from Forenet Kredit.
- Sustainability training programme for all agricultural advisers with focus on the approach to sustainability in the agricultural sector of market leaders.



Risks of negative impact on society

Farms having loans with Nykredit may have a negative impact on the climate and the environment through their emission of carbon, nitrogen, plant protection products etc, and farm production may involve a risk of poor working conditions. Also, the agricultural sector plays a significant role in Denmark outside of the large cities, and therefore, the green transition may have a negative impact, economically and socially, if it leads to the closing down of farms and job losses.



Ambitions for 2023

- Ensure additional upskilling of colleagues so that we strengthen the quality of our advisory services and risk management.
- Further develop our ESG assessments, using quantitative data etc.

Policies

- Credit Policy

Nykredit's risk

In terms of climate, the agricultural sector is a high-risk area, and Nykredit's exposure here is significant. The green transition of the agricultural sector may have an impact on the financial situation of farms that do not meet the mounting requirements and expectations, and of farms that are not able to pass additional costs (such as carbon taxes) of the green transition on to the consumers.



Key figures and targets

Carbon footprint, agricultural properties

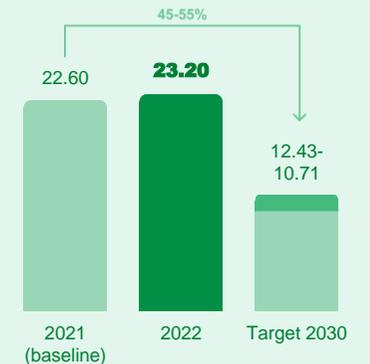
81

Lending covered (DKK billion)

1,893

CO₂e emissions financed (kilotonnes)

Emission intensity (tCO₂e/DKKm)



Greener businesses

The green transition requires massive investments in the development of green solutions, in corporate initiatives that may reduce greenhouse gas emissions and in renewable energy and infrastructure. For example, in 2020 the financial sector’s climate partnership estimated that businesses’ investment need in relation to electricity generation and distribution, manufacturing energy efficiency, green industrial transition etc will amount to at least DKK 350 billion towards 2030. This will require financing, which Nykredit can provide. Therefore, we are constantly developing our core business, mortgage lending, as well as our other products and advisory services to support the transition among our customers in the best way possible.

We also use our credit assessments of business customers as a basis for addressing, together with the individual customer, their approach to challenges and opportunities brought about by climate change and other factors related to sustainability.

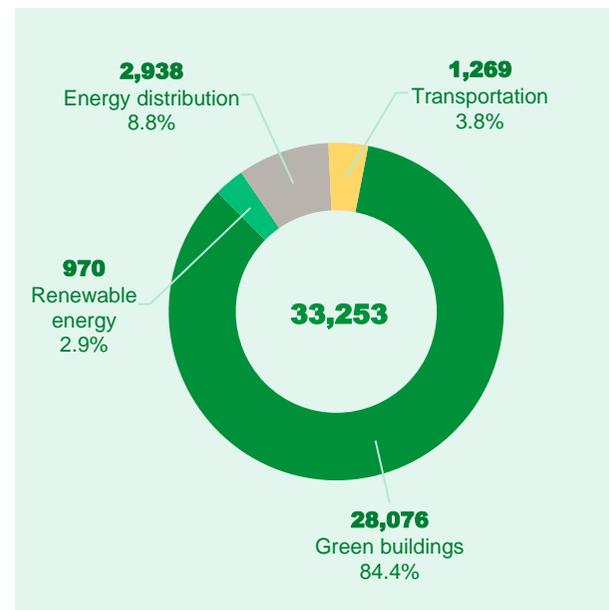
Green Bond Framework

Mortgage lending is a low-cost and secure source of funding suitable for financing assets necessary to drive the green transition. We are constantly exploring new ways of supporting the green transition through mortgage lending. Also, we are offering our customers green bonds for lower-cost financing of green assets. Green bonds serve as investors’ guarantee that loan proceeds are earmarked for financing of green assets, which often makes for better market rates. Our Green Bond Framework defines which assets are eligible for green bond funding. These include energy renovation of buildings, renewable energy and energy distribution. In 2022, our green bond

volumes rose considerably, making Nykredit market leader. Nykredit’s Green Bond Investor Report includes data on the impact of green bonds.

Green financing

Lending funded by green bonds (DKK million)



Determination of mortgage and bank loans under Nykredit’s Green Bond Framework, by asset type.

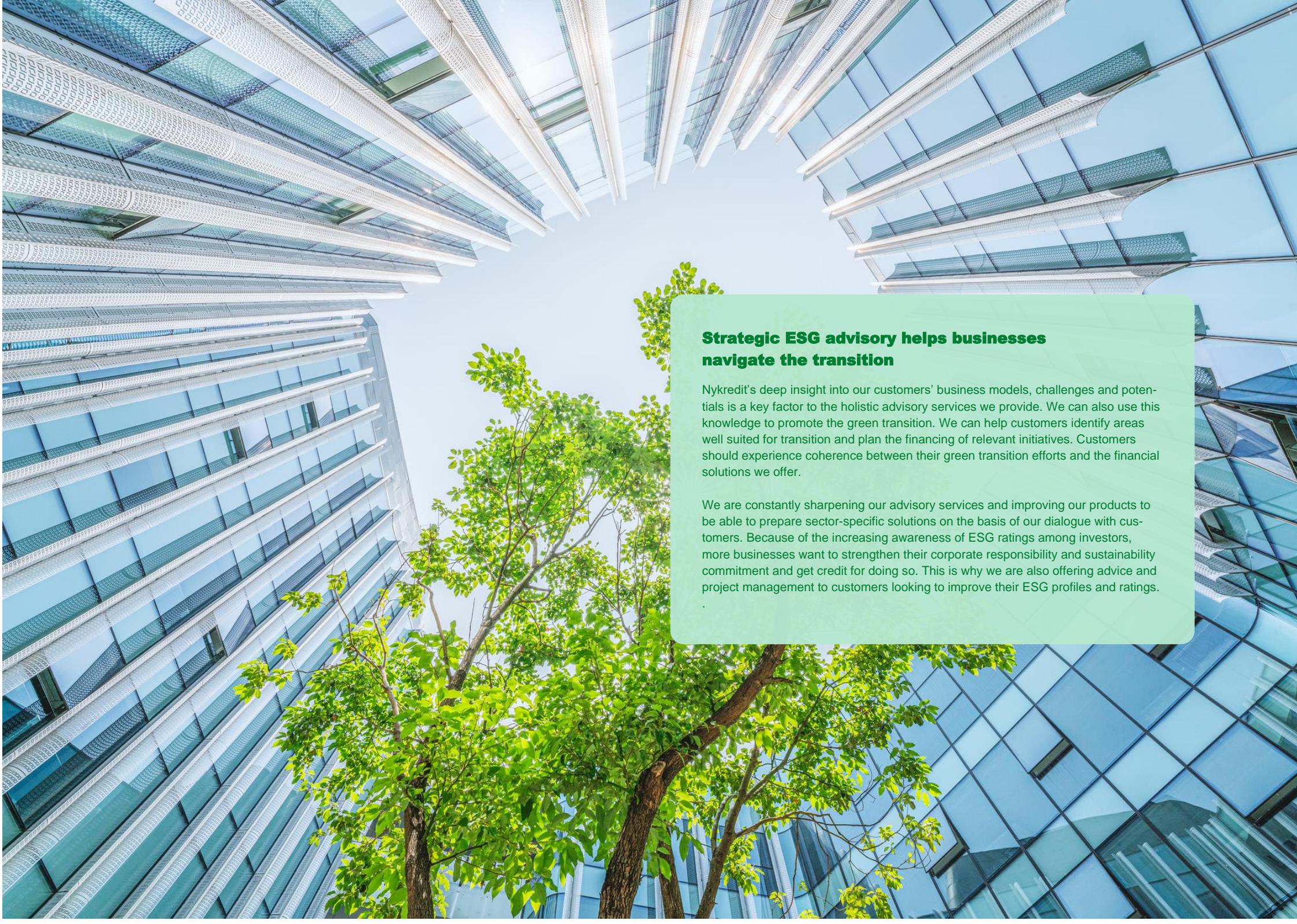
Energy and infrastructure

Expanding energy and infrastructure assets is essential in the transition towards reaching the political targets set for 2030 in Denmark.

Expanding renewable energy capacity and infrastructure is a catalyst for the transition process in several different sectors and a key focus area for Nykredit.

Nykredit also views investment in renewable energy technologies, distribution systems and alternative energy sources as part of the solution to the current energy crisis. Here, investment in technologies, such as solar energy, wind energy, district heating etc, may help create a more independent energy sector ready to counter any market shocks caused by external factors.

In 2022, Nykredit started to look into ways of contributing to the expansion of these assets. Renewable energy technologies in Denmark hold huge potential for expansion, which may contribute to the overall green transition in Denmark and abroad. If we offer the right financing and guidance, we may help drive the expansion and contribute to a key transition area through our products and financing solutions.



Strategic ESG advisory helps businesses navigate the transition

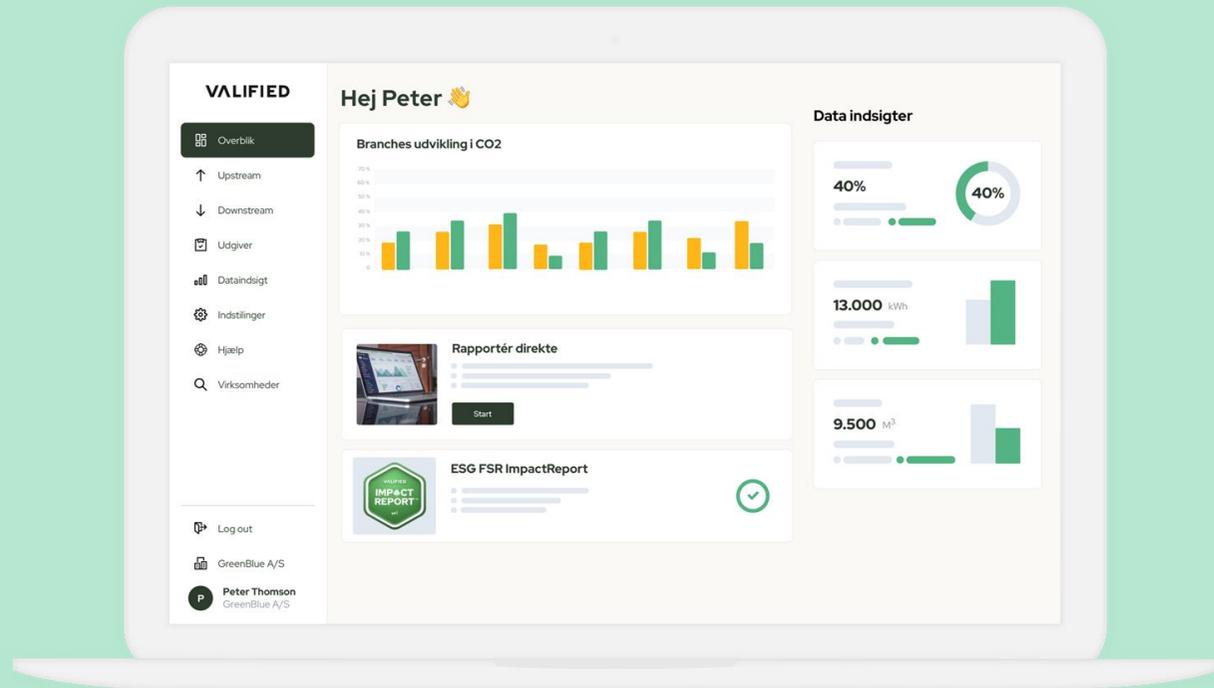
Nykredit's deep insight into our customers' business models, challenges and potentials is a key factor to the holistic advisory services we provide. We can also use this knowledge to promote the green transition. We can help customers identify areas well suited for transition and plan the financing of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

We are constantly sharpening our advisory services and improving our products to be able to prepare sector-specific solutions on the basis of our dialogue with customers. Because of the increasing awareness of ESG ratings among investors, more businesses want to strengthen their corporate responsibility and sustainability commitment and get credit for doing so. This is why we are also offering advice and project management to customers looking to improve their ESG profiles and ratings.

Reporting tool to help SMEs manage ESG data

In collaboration with Valified, Nykredit offers customers access to a digital reporting tool. The tool makes it simple and easy for small and medium-sized enterprises (SMEs) to meet the still higher sustainability reporting requirements imposed by authorities and by businesses to which they provide goods and services. This is a unique opportunity for customers to work with their climate footprint, and it is likely to give them a significant edge over competitors going forward.

All of Nykredit's customer-facing business banking colleagues will have received training in customer sustainability dialogues by end-2023. Sixty staff members are currently receiving training.



Greener businesses



Societal challenges

Denmark has set an ambitious target of reducing its greenhouse gas emissions by 70% by 2030 compared with the 1990 level. This will require massive investments in the green transition. For example, in 2020 the financial sector's climate partnership estimated that the Danish businesses' investment need in relation to electricity generation and distribution, manufacturing energy efficiency, green industrial transition etc will amount to at least DKK 350 billion towards 2030.



Nykredit's response

Nykredit is a committed provider of green transition financing for large and small businesses. We finance infrastructure to promote the green transition, renewable energy and a series of other green assets.

Together with our business customers, we are finding ways to contribute positively to the green transition. We will assist our customers in identifying suitable transition initiatives and encourage change through advice on and financing of initiatives that develop and support the transition of society and the individual businesses. Finally, our portfolio management and credit assessments allow for sustainability-related opportunities and risks as well as the strengths and weaknesses of the individual customers.



Governance

Responsibility for initiatives relating to the largest business customers rests with the Head of Corporates & Institutions. Responsibility for Nykredit's green bonds rests with the Head of Group Treasury. Nykredit's Green Bond Committee is responsible for Nykredit's Green Bond Framework.

Policies

- Credit Policy
- Green Bond Framework 2020



Activities and achievements

- Assisted a number of corporate customers in improving their ESG profiles and ratings.
- Online ESG reporting tool for SMEs launched in collaboration with Validified.
- Assessment of business customers' ESG positions as part of Nykredit's credit assessment.



Risks of negative impact on society

Businesses receiving loans from Nykredit may have a negative impact on the climate and the environment caused by energy consumption, greenhouse gas emissions and other factors. Operating a business may also involve a risk of poor working conditions, breach of human rights in supplier chains etc.

Nykredit's risk

Climate change and the transition to a more sustainable society challenge enterprises' business models, production and markets to a greater or lesser extent. This in turn results in new risks and opportunities, and, consequently, it is only natural and necessary to look at the customers' ESG positions as part of our credit assessment.



Ambitions for 2023

- Further develop the ESG assessment, using, for instance, quantitative data and the EU taxonomy.
- Develop concepts and solutions that may help businesses on their ESG journey and provide financing for the green transition.
- Further develop financing solutions for customers in the area of energy and infrastructure.
- Provide sustainability training to business banking advisers, including Finansssektorens Uddannelsescenter's course in "sustainable customer dialogue".

Key figures and targets

Climate footprint, businesses

81

Lending included (DKK billion)

713

Emissions financed (ktCO₂e)

Total volume of green bonds (DKKm)

31,321



Sustainable investments

Nykredit's ambition is to invest in ways that create value for our customers and benefit society. The world is facing major social and environmental challenges, and together with our customers, we will support sustainable development and contribute to realising the UN Sustainable Development Goals and limiting the climate challenges.

Nykredit's ambitious climate initiatives

Nykredit has set ambitious climate targets for our investments to be aligned with the transition required to meet the objective of the Paris Climate Agreement. In 2021, Nykredit joined the Net Zero Asset Managers Initiative, and we are now committed to making the Group's investment portfolio climate neutral by 2050. Later that year, Nykredit published an ambitious target of reducing the emission intensity across asset classes by 60% from 2020 to 2030. But ambitious targets do not fulfil themselves.

That is why we are taking various measures to ensure the long-term decarbonation of Nykredit's investments:

- Active ownership of fossil companies and high-emission companies
- More green investments
- Climate-related benchmarks
- Exclusion of companies without a reliable, Paris-aligned transition plan.

Implementation of the EU's Disclosure Regulation

In March 2021, new EU legislation on sustainability-related disclosures entered into force, including the Sustainable Finance Disclosure Regulation (SFDR). The SFDR is a set of sustainability disclosure rules applicable to individual subfunds – both at a company-specific level and at a product level. The rules are intended to provide investors with improved sustainability disclosures. In addition, the EU taxonomy entered into force at the beginning of 2022. The EU taxonomy defines activities that qualify as sustainable based on the EU's technical screening criteria. This is to be used to match investors' sustainability preferences, now a supplement to investors' assessment of risk preferences.

Investments are made across several different asset classes and markets. The scope of activities that qualify as taxonomy-eligible varies from one market to another. We have estimated that across markets, investment opportunities that may qualify as taxonomy-eligible according to the current definitions account for 13.9%. Our estimates also show that the proportion of our investments that qualified as taxonomy-eligible at the turn of the year comes to 6.7%.

The EU taxonomy is far from being complete. The technical definitions remain to be clarified, and reporting based on known technical criteria remains limited. Nykredit prefers reported data, but seeing as reported data are so far only available in limited quantities, we are using assessments provided by our main supplier of ESG data, MSCI ESG-research.

Nykredit's targets



60%

60% reduction of emission intensity by
2030 (baseline 2020)

All investments must be or about to be
in line with the 1.5°C goal by
2030

For several years, we have been in dialogue with mortgage bond issuers, and their reporting is no longer limited to CO₂ data, but also includes data on financed housing, energy labelled A, which, based on the technical screening criteria, now allows for determination of the extent to which investments are taxonomy-aligned. As this provides for a more accurate and complete picture of the extent of taxonomy-eligibility, we use these criteria with respect to the mortgage bond issues in our investment portfolio. As with other ESG data, Nykredit performs due diligence on these data.

What to expect in 2023

- The last four (of a total of six) environmental objectives of the EU taxonomy are delayed, but are expected to enter into force in H2/2023
- The environmental taxonomy is supplemented with a social taxonomy
- ESMA's (the European Securities and Markets Authority) guidelines on the new MiFID II regulation will be implemented in spring 2023. The guidelines will improve our advisory services and systems.

Nykredit will also be required to report on the share of sustainable investments in our investment funds to our customers. For an investment to qualify as sustainable, it is no longer enough that it contributes to a climate and environmentally friendly development, it should also meet the corporate governance requirement and respect the “do no significant harm” principle. Nykredit has identified the following criteria aimed to support sustainable development:

- Positive contribution to the UN's 17 Sustainable Development Goals (SDGs); or
- More than 20% of income comes from products that contribute to sustainable development; or
- More than 20% of income comes from activities that contribute to the EU's sustainability targets; or
- A verified Science Based Target of reducing environmental impact; or
- A board of directors consisting of at least 40% women; only 20% for developing countries.

Nykredit will regularly report on the share of investments in the individual portfolios that meets these requirements. Also, the majority of our funds have each set specific targets for the minimum fulfilment expected in the fund. For funds having set a sustainability target in addition to its performance target, the so-called Article 9 funds, the target will be 100%.

Active stewardship to promote the green transition

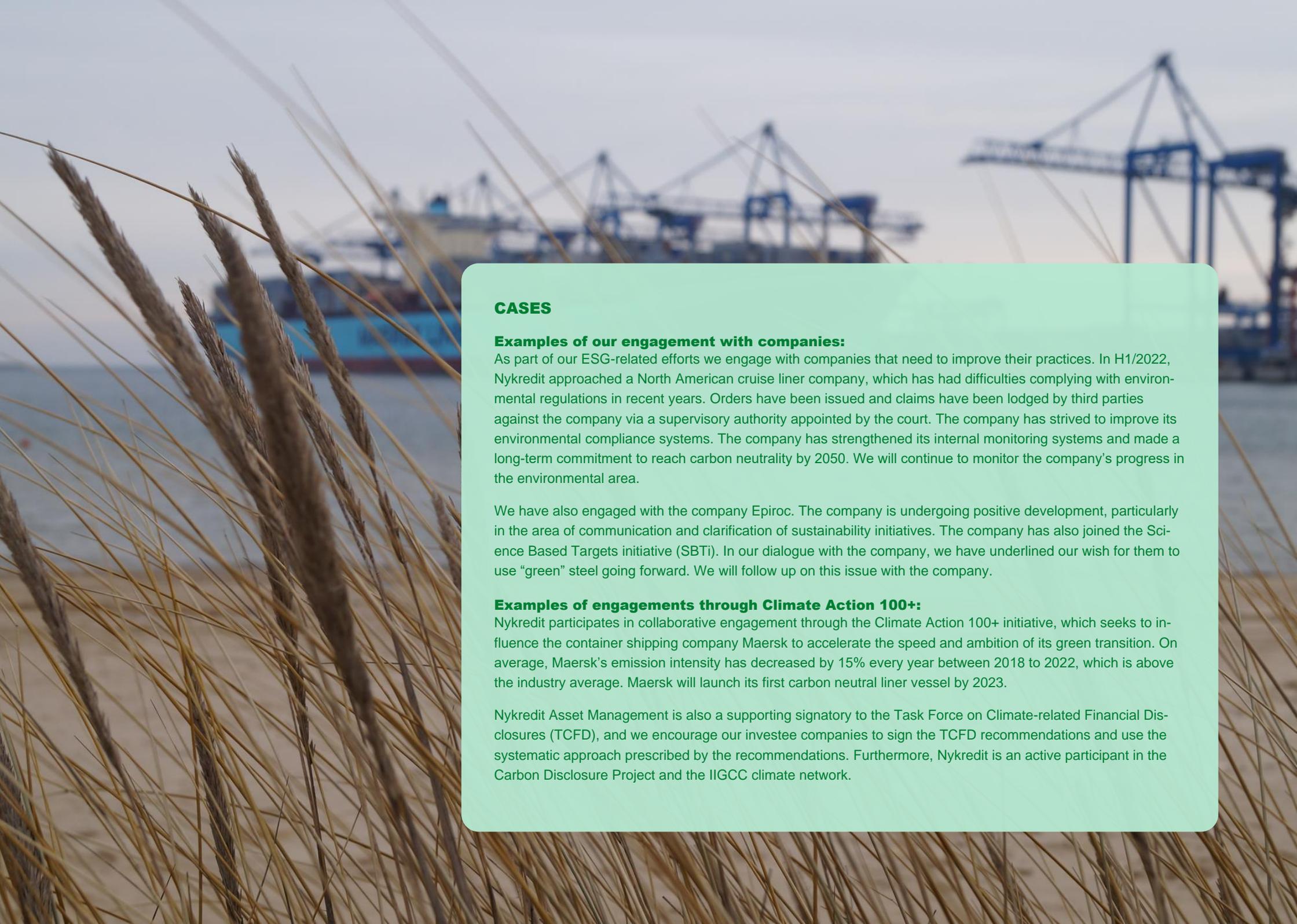
Our approach to sustainability feeds directly into our active stewardship programme. Nykredit seeks to support our investee companies in their transition towards a net zero emission economy. We engage with companies responsible for a significant share of total emissions from our portfolios to ensure that they set targets in alignment with the targets of the Paris Climate Agreement and IEA's scenario for meeting them. Our engagement involves dialogue with our investee companies on a day-to-day basis and through the global investor initiative Climate Action 100+.

Voting

In 2022, Nykredit and Sparinvest participated in more than 3,615 general meetings. At the meetings we take an active stand and represent our investors' interests. Normally, company boards act in the best interests of investors. In 23% of the votes we opted to vote against the recommendations of the boards of directors. In half of the cases, we opted to do so because of the composition of the boards of directors, including if the board lacks independence.

Nykredit intensified its voting practices in 2022, gathering all Sparinvest funds and Nykredit funds in one voting platform. This year's policy revision included higher voting ambitions with participation in all general meetings, wherever possible. During the transition period, a number of votes were not exercised because of the migration of funds to the same voting platform. Consequently, our vote was not exercised as intended for a few funds. In H2/2022, our total voting rate was 98%.

See how we voted at the general meetings of individual companies at nykreditinvest.dk.



CASES

Examples of our engagement with companies:

As part of our ESG-related efforts we engage with companies that need to improve their practices. In H1/2022, Nykredit approached a North American cruise liner company, which has had difficulties complying with environmental regulations in recent years. Orders have been issued and claims have been lodged by third parties against the company via a supervisory authority appointed by the court. The company has strived to improve its environmental compliance systems. The company has strengthened its internal monitoring systems and made a long-term commitment to reach carbon neutrality by 2050. We will continue to monitor the company's progress in the environmental area.

We have also engaged with the company Epiroc. The company is undergoing positive development, particularly in the area of communication and clarification of sustainability initiatives. The company has also joined the Science Based Targets initiative (SBTi). In our dialogue with the company, we have underlined our wish for them to use "green" steel going forward. We will follow up on this issue with the company.

Examples of engagements through Climate Action 100+:

Nykredit participates in collaborative engagement through the Climate Action 100+ initiative, which seeks to influence the container shipping company Maersk to accelerate the speed and ambition of its green transition. On average, Maersk's emission intensity has decreased by 15% every year between 2018 to 2022, which is above the industry average. Maersk will launch its first carbon neutral liner vessel by 2023.

Nykredit Asset Management is also a supporting signatory to the Task Force on Climate-related Financial Disclosures (TCFD), and we encourage our investee companies to sign the TCFD recommendations and use the systematic approach prescribed by the recommendations. Furthermore, Nykredit is an active participant in the Carbon Disclosure Project and the IIGCC climate network.

Greenhouse gas emissions from Nykredit’s investment portfolio

Nykredit published the total climate footprint of its investments on behalf of its customers and its own portfolio. The calculations, which are shown to the right, have been prepared in compliance with Finance Denmark’s recommendations and are based on data from the Carbon Disclosure Project, data reported by bond issuers and data provided by our data supplier MSCI etc. However, data covering a range of asset classes are lacking for a complete overview. The determination therefore only includes investments in listed equities, corporate bonds and mortgage bonds. This corresponds to about 54% of Nykredit’s total investments. Together with managers of private equity and infrastructure funds we seek to obtain good quality emission data. Under the auspices of Finance Denmark and the climate network IIGCC, we are also developing a method for determination of emissions from government bonds.

At the end of 2022, we had aggregate greenhouse gas emissions data for all Danish mortgage bond issuers, which puts Denmark at the forefront of other mortgage markets. This means that today, Nykredit Asset Management can monitor developments in the climate footprints of our portfolios. Nykredit Asset Management is in ongoing dialogue with individual issuers about their ESG focus, both in terms of borrower incentives to reduce emissions from the financed dwellings and in terms of the quality and delivery of aggregated climate data.

Greenhouse gas emissions from Nykredit’s investment portfolio

	Investments, Nykredit and Sparinvest	Own portfolios
Business volume (DKK billion)	397	113
Coverage ratio (%)	85	89
Emissions (ktCO ₂ e)	2,360	371
Weighted average carbon intensity (WACI)*	13	-

The figures comprise scopes 1 and 2, which cover emissions from companies’ own consumption of fossil fuels as well as from their electricity consumption. The carbon emissions of alternatives and hedge funds are not included.

* Exclusive of government bonds, mortgage bonds, alternatives and hedge funds

Sustainability assessments part of investment process

Every time Nykredit considers a potential investment, we apply sustainability assessments to understand the risks and opportunities related to ESG factors. Companies that do not duly address ESG issues are often a poorer investment. The most important output from a sustainability analysis is an indication of whether a company is developing in a more sustainable direction. This means that a company with a very high sustainability performance and a company with a lower sustainability performance, but which is on a positive development track, may both be good investments.

Nykredit has applied sustainability analyses in its investment processes since 2012, and we are improving our processes across funds and asset classes. Already in 2014, our analyses indicated that return and sustainability may be correlated, and these insights have continually been further substantiated.

Today, ESG factors are part of all phases of the investment process – from idea generation and assessment of market structures to assessment of a company’s potential and our active stewardship. At end-2022, the sustainability performance of 60% of our funds was above benchmark.

Training in and integration of sustainability in advisory services

Nykredit wants to be Denmark’s responsible wealth manager. For this reason, we are trying to raise awareness about dilemmas, risks and opportunities within selected ESG-related topics through research articles (Issue Briefs) published digitally and through social media. They also come as abbreviated versions denoted Investor Insights (in Danish only). Issue Briefs are moreover used to strengthen our knowledge base, as a supplement to the ESG skills our colleagues acquire through training.

In 2022, we published three research articles on the energy crisis, COP27 and the impact of climate targets on investors and how to integrate biodiversity in wealth management. A series of monthly research articles is planned for 2023.

In June 2022, we launched sustainability training for all Nykredit advisers. The training programme comprises both self-study and webinars and is mandatory for customer advisers.

We are steering companies in a more sustainable direction

We regularly analyse the positive and negative impacts on the SDGs of our investee companies. It is important to us to be transparent and reliable – also when it comes to describing significant challenges. Being transparent makes it easier to find the right solutions.

Glencore, a multinational commodity trading and mining company listed in South Africa and the UK and domiciled in Switzerland, is classified as misaligned with SDG 8 (decent work and economic growth). Glencore has been associated with child labour and dangerous working conditions, including serious accusations of severe injuries and deaths in Bolivia, where the company previously operated two mines in a joint venture with a government-owned mining company. Through our external adviser Sustainalytics, Nykredit has engaged with Glencore since 2021.

Based on this engagement, the company has launched a strategy to stamp out child labour throughout its supply chain. The strategy is still far from being achieved, but implementation is well underway. The purpose of our engagement with Glencore is for the company to cease any activity with businesses involved in child labour.

Nykredit invests to meet the UN SDGs

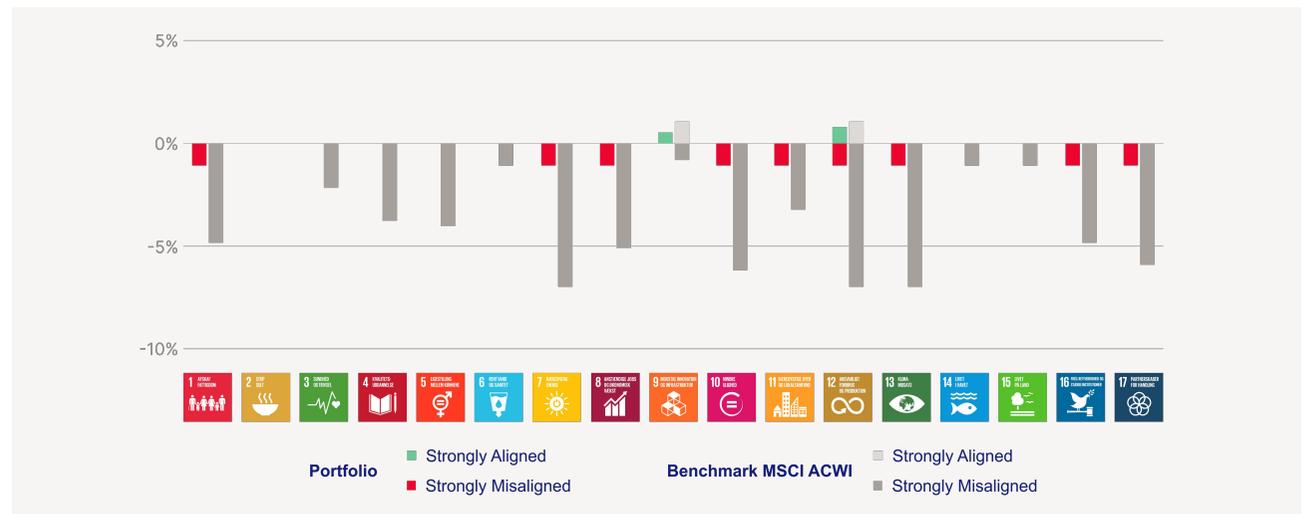
Nykredit’s investments should contribute to reaching the UN SDGs by 2030. To this end, we regularly analyse developments to determine the positive and negative impacts on the SDGs of our investee companies. Together with the sustainability analyses integrated into our investment process, this will help us steer investments towards companies that address societal challenges.

We expect all companies, new and existing, to promote more sustainable practices for the purpose of future-proofing their business models. Generally, we do not sell off a company that shows signs of a negative impact.

But we do engage in critical and active dialogue with the company to drive a change of behaviour if its current position, action plans or efforts seem unconvincing.

Investments aligning with and not aligning with the UN SDGs are shown in the chart below. The aim is of course to increase the positive impact and reduce the negative impact so as to create value and be of use. As can be seen from the chart, realising this ambition is progressing positively.

Alignment between Nykredit’s investments and the UN Sustainable Development Goals



The determination of the positive impact (“strongly aligned”) and the negative impact (“strongly misaligned”) of Nykredit’s investments on the UN Sustainable Development Goals. Source: Nykredit and MSCI ESG Research

More funds carrying the Nordic Swan Ecolabel for different investment profiles

In 2022, Nykredit expanded the range of funds carrying the Nordic Swan Ecolabel to offer our customers better opportunities for choosing investment solutions that carry the label. At the same time, thanks to a contribution from Forenet Kredit, we removed the trading commission for personal customers investing in funds that carry the Nordic Swan Ecolabel. In 2021, Nykredit launched three new balanced funds, which are the first Danish managed balanced funds to carry the Nordic Swan Ecolabel. A string of other funds received the label on the same occasion. With 13 funds, Nykredit can now offer our customers the broadest selection of solutions carrying the Nordic Swan Ecolabel in the Nordic region. For the sixth year running, Nykredit's Nordic Swan Ecolabelled fund Bæredygtige Aktier generated higher returns after costs than the world index.



The Nordic Swan Ecolabel and investment funds

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 choice of companies and transparency of investments. Under these requirements, at least half of a fund's portfolio will consist of investments in companies that have achieved good sustainability scores. And the fund may not invest in certain industries and companies, including companies involved in fossil fuels, weapons and tobacco as well as companies in breach of international standards.

Read more at ecolabel.dk.

Due care for human rights and international law

We require 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 of international law by the issuer. And if a company is in breach of international law, we will attempt, through dialogue and together with other investors, to make them remedy the breach. At the end of 2022, Nykredit had engagements with 12 companies because of breach of international standards.

If a company fails to rectify its behaviour, it will be excluded from Nykredit's investments. However, together with other investors, we are often successful in influencing the relevant companies into rectifying their behaviour.

Today, 410 companies are on Nykredit's exclusion list. They fall into four categories:

- 1) Manufacturers of controversial weapons
- 2) Companies in breach of international standards and unwilling to change their conduct
- 3) Coal and tar sand companies with no green transition plans
- 4) Companies under EU sanctions.

New companies on the exclusion list include manufacturers of tobacco, which are deemed to be in conflict with the UN's objective of reducing smoking and smoking-related deaths as much as possible. Nykredit's exclusion list is available online under Excluded companies (nykredit.com).

Nykredit's exclusion of companies

Nykredit Asset Management has set the ambition that 100% of the assets under management must be in alignment with, be on the path to alignment with or be part of a critical dialogue on alignment with the 1.5°C target. Furthermore, the emission intensity must be down by 60% by 2030 (from a 2020 baseline). Against this backdrop, Nykredit Asset Management's approach to investing in fossil fuel companies was updated and refocused in 2022. Nykredit is following the guidelines of the International Energy Agency (IEA) on transition laggards and exclude companies that derive more than 5% of revenues from thermal coal and companies that have not set a transition plan. We also exclude companies that derive more than 5% of revenues from unconventional oil and gas and drillings in the Arctic. These exclusions help reduce climate risks in our investment portfolios. In addition to reducing the climate footprint, they will also reduce the financial risks of investing in companies that are directly impacted by the green transition and have not set a transition plan.

Nykredit began implementing EU sanctions against Russia at an early stage of the conflict. In fact, Nykredit has over-implemented sanctions in that we have sold off all investments in companies hit by sanctions, despite the fact that old issues were not covered by the sanctions. In January 2022, we decided to exclude Russian government bonds.

Already in early February, Nykredit had disposed of all Russian government bonds, and after the war broke out, we decided to sell any remaining Russian securities. Our last Russian holding, a non-sanctioned Russian telecommunications company, was sold off in April. Russian and Belarussian companies are excluded from Nykredit's investment universe.

The exclusions are based on a principled stand on the companies' possibilities of meeting basic principles of respect for human rights and non-involvement in the current conflict with Ukraine. Although the decision had no financial aim, these divestments reduced our financial risks.

A total of 229 companies have been excluded. Out of these, 28 companies were excluded following EU sanctions against Russia. Nykredit currently has no exposure to Russia, and companies in Russia, Belarus, North Korea, Iran, Syria and Venezuela were excluded from 2022. In 2022, a weapons company and 13 tobacco companies were also excluded.

Nykredit's exclusion list is available at [Excluded companies \(nykredit.com\)](https://nykredit.com/excluded-companies)

Sustainable investments in numbers

DKK billion	2018	2019	2020	2021	2022
Nykredit's total investments, covered by the Sustainable Investment Policy	301	440	451	541	510
Number of companies screened quarterly	2,283	4,091	5,285	4,684	6,522
Companies with which Nykredit engages because of breach of standards	22	21	25	27	12
Excluded companies	51	58	65	168	410
Participation in general meetings					
- Number of general meetings	772	839	1,724*	2,285*	3,615
- Nykredit participation in AGMs	37%	49%	33%	36%	70%
- Votes cast against boards of directors, %	8%	8%	8%	8% / 16%	23%
Funds with a below-benchmark climate footprint	78%	78%	80%	65%	49%

At the beginning of 2022, Nykredit's and Sparinvest's funds voted using two different voting platforms, Glass Lewis and ISS, but in H1/2022, the two platforms were merged, and voting now takes place via ISS's proxy voting platform. Unfortunately, this meant that, for some investment funds, votes were not exercised to the extent intended during the transition from one system to the other. The total number reflects the general meetings in which we participated, but for some funds, votes were not exercised as intended.

Data on voting in individual funds appears from the funds' own annual reports and our website, which now provides direct access to all data on voting in individual funds and general meetings.

Sustainable investments



Societal challenges

The world is facing major social and environmental challenges, and there is a great need for investments that contribute to their solution. By investing in the right companies and sectors and by being active owners, investors can support sustainable development globally.



Nykredit's response

We develop solutions that can help more customers make more sustainable investments. We enter into a dialogue with our customers about their preferences for sustainable investments, and we offer more climate-friendly and sustainable alternative investment opportunities, for instance in the form of fossil-free funds and funds carrying the Nordic Swan Ecolabel.

Nykredit integrates sustainability into the investment process by applying criteria related to ESG factors to all portfolios that contribute to risk assessment and analysis of companies in terms of ESG factors. At Nykredit, we practise active stewardship and therefore maintain regular contact with our investee companies so as to actively influence them to contribute to the green transition.



Governance

Nykredit's Sustainable Investment Forum makes decisions on the implementation and development of the Sustainable Investment Policy.

The Executive Boards of Wealth Management, Sparinvest, Nykredit Bank and Nykredit Porteføljeadministration report on this work to the relevant Boards of Directors at least annually. The investment funds of Nykredit Invest and Sparinvest have adopted the policy, and the Boards of Directors of these funds also receive regular reports.



Activities and achievements

- Updated Sustainable Investment Policy.
- Continue pursuing the objective set for all Nykredit investments to be Paris-aligned or on the path to becoming Paris aligned by 2030.
- In the context of our climate targets and Russia's invasion of Ukraine, we have excluded 229 companies from our investment universe.



Risks of negative impact on society

Nykredit and Nykredit's customers have investments 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 direct involvement in 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. Some of these risks are also defined using the concept of Principle Adverse Impact under EU regulation, which we handle by engaging with the relevant company with a view to making it change its conduct and, ultimately, exclusion.



Ambitions for 2023

- Launch an investment fund dedicated to green bonds, enabling investors to make direct investments in the green transition.
- Implement quarterly sustainability reporting on our funds to make it easier for investors to compare products from a sustainability perspective.
- Continue to strengthen and invest in training of colleagues.

UN Sustainable Development Goals

We invest in just under 5,000 companies across countries and sectors and therefore have an impact on all UN SDGs. We measure the positive and negative impact of the companies we invest in on behalf of our customers, across all 17 UN SDGs. Nykredit's goal is to improve our investments' net alignment with the SDGs.

Policies

- Sustainable Investment Policy

- We implemented EU and US sanctions against Russia. Nykredit currently has no exposure to Russia, and companies domiciled in Russia, Belarus, North Korea, Iran, Syria and Venezuela were excluded from investments during the year.
- We launched sustainability training for all Nykredit's advisers.

Nykredit's risk

Sustainability risks may be of material significance and may therefore affect returns. If Nykredit fails to identify and respond to any such risks, it may negatively affect Nykredit's own portfolio as well as our customers' investments. The latter could have an adverse impact on Nykredit's business. Solid data are a prerequisite for managing these risks.

Key figures and targets

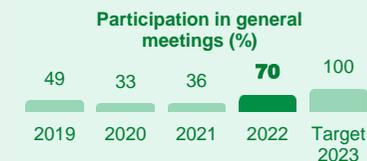
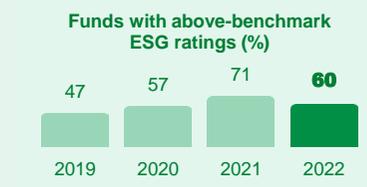
Carbon footprint, investments

510

Investments covered (DKK billion)

2,731

CO₂e emissions financed (ktCO₂e)



* The 2020 figure covers equity and corporate bond investments only, as data were only available for these investments at that point. 2021 onwards also includes the climate footprint of mortgage lending and own portfolios. In 2023, we will set a suited baseline based on our current knowledge of mortgage lending.

3

Responsible business practices

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

Anders Jensen, Group Managing Director

A greener Nykredit

With more than 4,000 colleagues and around 50 locations, the Nykredit Group has a substantial climate and environmental impact. We are making keen efforts to reduce our impact in this area. Our efforts towards a greener Nykredit are also an important element of our collaboration with customers to create a greener Denmark.

Nykredit responds to the energy crisis

The current energy crisis requires us as a responsible business to explore ways to further reduce our energy consumption. It has been a matter of course for us to reduce Nykredit's energy consumption where we can – exactly like we are doing it at home, for instance, by doing the laundry when electricity is cheapest. We have therefore identified and introduced several extraordinary energy initiatives inspired by colleagues at our different locations – without compromising their comfort.

Transition to climate-friendly energy sources

Since 2012, the Nykredit Group has undertaken targeted actions to reduce greenhouse gas emissions from our operations. In 2020, we surpassed our ambitious target of a 65% reduction, reaching a total reduction of 84% since 2012. We are now pursuing a new target of a 5% annual reduction in emissions per FTE. Unfortunately, however, we did not succeed in further reducing emissions in 2022, as the 2021 level was extremely low in our buildings because of the coronavirus pandemic.

Our operations returned to normal in 2022 after the corona crisis, which was clearly reflected in our energy consumption and waste volumes. Heating consumption

declined as more colleagues returned to the office after a period of working from home, reducing the need for heating in the buildings. Electricity consumption, on the other hand, rose after the return of more colleagues. In particular, our use of transportation returned to normal levels. In other words, travel by taxi, plane and car increased from 2021 to 2022. However, travel by all modes of transportation was below pre-corona levels.

PPA secures new solar park in West Jutland

Every year, we convert Nykredit's consumption of electricity and natural gas into renewable energy sources based on Renewable Energy Certificates (RECs). However, the current RECs for electricity are based on existing green electricity already available in the power grid. The certificates may help boost demand for electricity from renewable energy sources, but do not necessarily ensure an expansion of renewable energy capacity.

That will now change. Nykredit, JN Data and five Totalkredit partner banks have signed a Power Purchase Agreement (PPA) to take green electricity from a newly established solar panel park, effective from January 2023 and for ten years ahead. Thanks to this new partnership, the electricity consumption of the parties to the PPA will be covered by additional green electricity. From the turn of the year 2022/2023, all electricity in Nykredit will be supplied via this new solar park.

Nykredit's targets



85%

reduction in carbon emissions from Scope 1 and Scope 2 by **2030 (baseline 2021)**

25%

reduction in total MWh consumption by **2025 (baseline 2017)**

80%

waste recycled by **2023**

No Nykredit locations may be heated directly using fossil fuels

2030

Setting up charging stations

Nykredit is working to promote the use of more climate-friendly cars, both through low-cost green car loans to our customers and by setting up charging stations at our locations. In 2022, we installed charging stations at more locations, bringing the total number of charging points at Nykredit to 55. Some of them are reserved for our colleagues so that they can charge their electric or plug-in hybrid cars while at work. Others are freely available to all electric car users.

Focus on paper – and people returning to the offices

Nykredit’s total waste volume must be reduced so that we reach a waste level in 2023 of 100 kg per FTE. At the same time, like in 2021, the many days of remote working reduced the Group’s waste volumes in 2022, which means that we successfully met our target of 100 kg per FTE.

Nykredit also remained focused on the disposal and recycling of the waste we generate, both through the agreements we make with our suppliers and by working to prevent obsolete furniture and equipment from being scrapped. As an example, in 2022 we donated used desks, cabinets and bookcases to the homeless support newspaper “Hus Forbi”, following a minor refurbishment of our offices in Søborg. That way, the furniture is put to good use elsewhere. We do, however, still have a long way to go before we realise our ambition of 80% recycling of our waste in 2023. At end-2022, 56% of our waste was recycled.

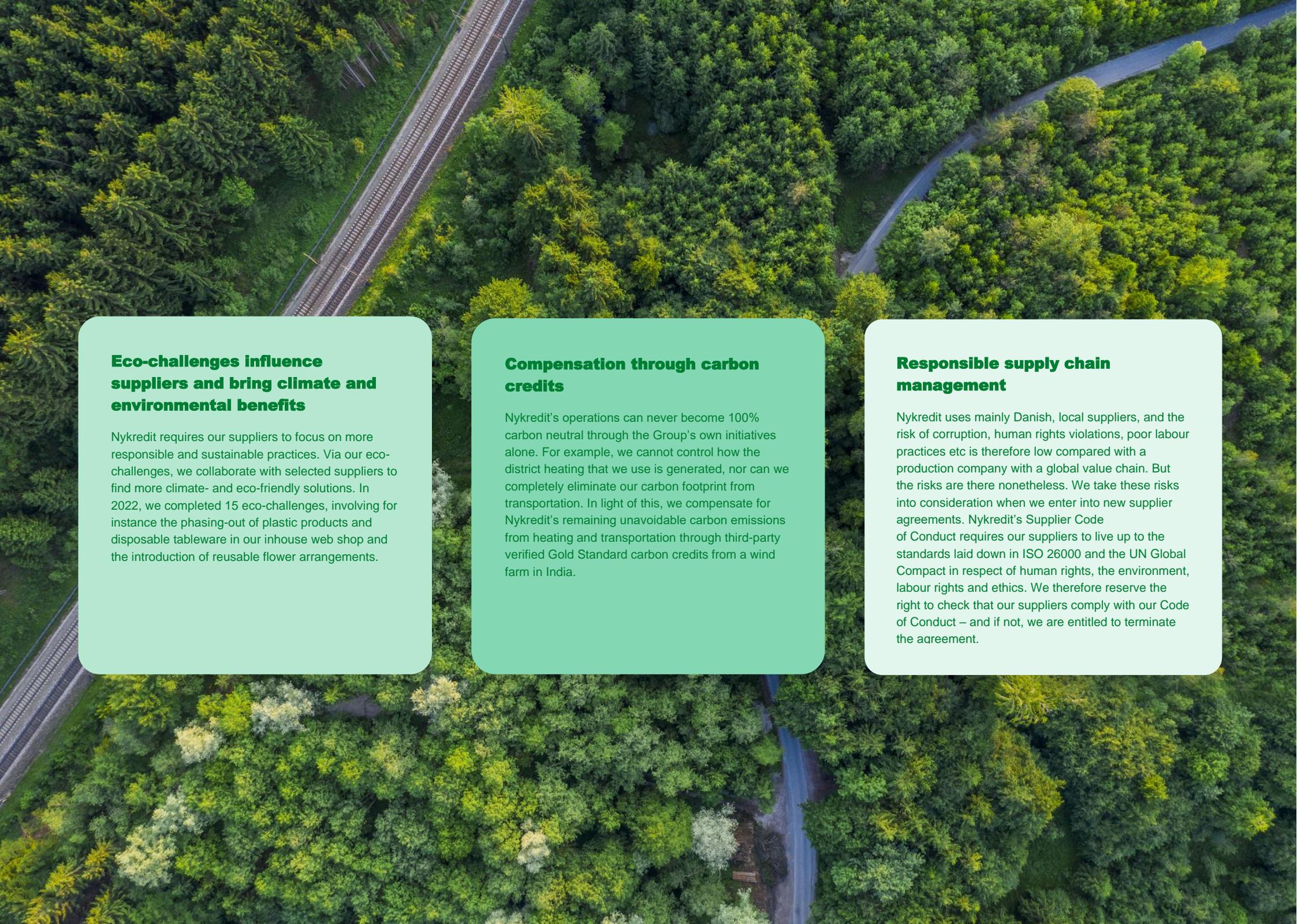
Extraordinary energy initiatives

- Adjusted heating at our locations.
- Removed more than 400 light bulbs.
- Set the ventilation system to stop outside working hours.
- Reduced cooling in server room.
- Closed down cold storage and sauna.
- Turned off lit signs at locations.
- Closed down 15 kitchenettes with water cooling, coffee machines and refrigerators.
- Turned off another 13 combi fridge freezers and vending machines.
- Turned off coffee machines, where alternatives were available.
- Adjusted lights-on hours at our locations.

Savings achieved from new energy initiatives

In October alone, extraordinary initiatives brought a reduction in our heat consumption of an impressive 32%, while electricity consumption reduced by 14%. A smaller reduction was seen in November when we started to turn up heating and consumed more electricity for lighting.

Energy form	Unit	Period	Consumption 2021	Consumption 2022	Reduction
Electricity	kWh	October	753,642	650,008	-13.8%
Electricity	kWh	November	667,179	641,431	-3.9%
Heating	kWh	October	546,263	369,082	-32.4%
Heating	kWh	November	799,207	713,243	-10.8%

An aerial photograph of a lush green forest. A railway track runs diagonally from the top left towards the center. A paved road curves through the trees on the right side. The overall scene is a dense, healthy forest with various shades of green.

Eco-challenges influence suppliers and bring climate and environmental benefits

Nykredit requires our suppliers to focus on more responsible and sustainable practices. Via our eco-challenges, we collaborate with selected suppliers to find more climate- and eco-friendly solutions. In 2022, we completed 15 eco-challenges, involving for instance the phasing-out of plastic products and disposable tableware in our inhouse web shop and the introduction of reusable flower arrangements.

Compensation through carbon credits

Nykredit's operations can never become 100% carbon neutral through the Group's own initiatives alone. For example, we cannot control how the district heating that we use is generated, nor can we completely eliminate our carbon footprint from transportation. In light of this, we compensate for Nykredit's remaining unavoidable carbon emissions from heating and transportation through third-party verified Gold Standard carbon credits from a wind farm in India.

Responsible supply chain management

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 risks are there nonetheless. We take these risks into consideration when we enter into new supplier agreements. 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. 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 agreement.

A greener Nykredit



Societal challenges

All businesses impact the climate and the environment through their production. The operation of our locations and transportation are the main reasons for Nykredit's greenhouse gas emissions, consumption of resources and the amount of waste we generate.



Nykredit's response

We will reduce the climate footprint of the Group's energy consumption, carbon footprint and waste volumes from operating our locations to bring our negative climate and environmental impact to a minimum.

We have set ambitious targets to drive our efforts in the coming years.



Governance

The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.

Policies

- Nykredit Internal Climate, Energy and Environmental Policy



Activities and achievements

- Reduced the Nykredit Group's energy consumption by 10%.
- Reduced office printing by 16%.
- Installed LED lighting at an additional four locations.
- Established an 850 m² wild nature field according to the "Vild med vilje" (Intentionally Wild) concept and a green roof at our location in Høje Taastrup.

- Set up more charging stations, now totalling 55 charging points for electric cars.
- Donated used desks, cabinets and bookcases to Hus Forbi.
- Increased recycling of waste fragments.
- Joined the Science Based Targets initiative (SBTi), which includes one emissions target and two supporting targets for own operations.



Risks of negative impact on society

Nykredit may have a negative impact on the climate and the environment through the operation of our locations and sourcing of goods or services.

Nykredit's risk

Increasing energy prices pose a financial risk if we fail to optimise our consumption of resources. Lacking green transition in our locations involves reputational risk.



Ambitions for 2023

- Switch to our PPA project in Ådum (all power supplied by new solar cell system).
- Continue working towards our objectives, especially the waste targets.
- Operate all our locations without direct use of fossil fuels.
- Further 10% reduction of paper consumption.

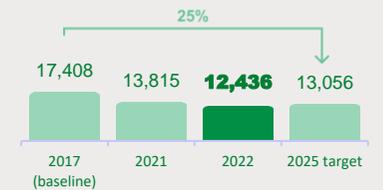


Key figures and targets

Annual CO₂e emissions (Scopes 1 and 2)



Total MWh consumption



Percentage of recycled waste (%)



Waste per FTE (kg)



Responsible procurement



Societal challenges

Businesses may indirectly have a negative impact on the climate and the environment when sourcing goods or services and directly through their operations. There is also a risk of supporting suppliers and sub-suppliers that violate human rights or are involved in corruption.



Nykredit's response

We constantly strive to source goods and services that are more climate-friendly and sustainable.

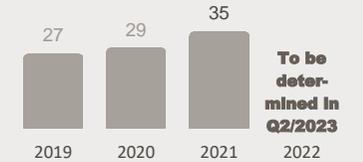
Nykredit's Supplier Code of Conduct requires our suppliers to live up to the standards laid down in ISO 26000 and the UN Global Compact in respect of human rights, the environment, labour rights and ethics. Nykredit is a member of the Ecolabelling Denmark network for green procurement, whereby we commit to increasing the share of sustainable products in our procurement. As part of our approach to responsible supply chain management, Nykredit completes several eco-challenges every year. A challenge may, for instance, involve collaborating with our suppliers to find more sustainable alternatives to existing sourcing arrangements, or new ways of thinking in relation to our daily consumption.

Also, we implement regulatory requirements concerning, for example, processing of personal data and IT security on behalf of our customers and colleagues when making agreements with suppliers.



Key figures and targets

Products carrying the Nordic Swan Ecolabel* (%)



*The share of purchases carrying the Nordic Swan Ecolabel is calculated for selected categories and does not cover total purchases. Data for 2021 are compiled by Ecolabelling Denmark later in 2022.



Governance

The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.

Policies

- Procurement Policy
- Supplier Code of Conduct

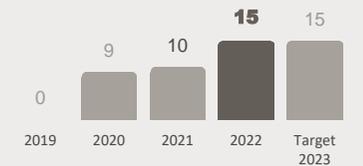


Activities and achievements

Nykredit completed 15 eco-challenges. As a result, we:

- Deselected a few suppliers due to insufficient documentation of environmental certification.
- Implemented an initiative to reuse old phones as emergency supply instead of buying new ones.
- Introduced contractual requirements on our suppliers of furniture and equipment for the share of recycled materials and materials carrying the Nordic Swan Ecolabel and set specific targets for each fitting-out project (a minimum of 20% recycled and a minimum of 20% ecolabelled products).
- Mapped Nykredit's approach to CSR controls of our suppliers and decided to conduct a closer review of suppliers' sustainability profiles, both when entering into new agreements and in existing supplier relationships.
- Campaigned to encourage the physical newspaper subscribers among our colleagues to switch to digital subscriptions.
- Obtained a Nordic Swan Ecolabel certification of our canteens (3 of 6) together with our canteen provider.

Number of completed eco-challenges



Risks of negative impact on society

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

Nykredit's risk

Greenwashing or other responsibility issues at Nykredit's suppliers and sub-suppliers may rub off on Nykredit's reputation.



Ambitions for 2023

- Complete another 15 eco-challenges.
- The new canteen at Nykredit's new headquarters should carry the Nordic Swan Ecolabel when our colleagues move in at the beginning of 2024.
- Decided to minimise the number of days for delivery of office supplies and thereby minimise the use of transportation to Nykredit's locations – to be implemented in the course of 2023.
- Onboard new and existing suppliers based on selected CSR controls.

Responsible business practices

As a financial provider, Nykredit makes decisions every day with a long-term impact on our customers and society. For example when advising a young couple about loan types for buying their first home or when Denmark’s largest corporations need funding to increase exports.

It is fundamental to Nykredit that our advice, products and services are responsible, both in a societal context and relative to the financial position of the individual customer. This requires an organisation that is well prepared in all areas to act responsibly and correctly, complying with not only the letter, but also the spirit of the law. To this end, we need to have a corporate culture where we can openly discuss and act on the business dilemmas that may arise, even when acting within existing rules and regulations, to ensure that we, as a business, can explain and justify our conduct.

This section describes our initiatives relating to and other factors contributing to responsible business practices.

Corporate responsibility skills

In 2022, Nykredit introduced four behavioural skills to serve as benchmarks for the behaviour we want to be known for. These are the skills that set us apart and give us our unique profile. We call it Nykredit behaviour. Responsibility is one of these four behavioural skills that will be the main focus of Nykredit’s continuous people development.

To Nykredit, responsibility implies that we must be able to explain and justify our choices and actions, both at the business strategic level and in our day-to-day work performance. This further implies that managers must

ensure that their team understand the specific meaning of Nykredit behaviour and provide feedback and discuss behaviour as part of the continuous performance conversations. The figure below illustrates Nykredit’s four behavioural skills:

All our colleagues are responsible for drawing attention to any Nykredit business practices in their daily work or their own field that may be perceived as inappropriate or, at worst, irresponsible. It is important that our colleagues speak up if they experience areas in need of improvement so that we make any necessary business and behavioural adjustments. Nykredit managers have a special responsibility for promoting a safe and open atmosphere that encourages our colleagues to openly share opinions or concerns if they become aware of customers or the

general public perceiving Nykredit’s business practices as inappropriate or irresponsible. Moreover, responsible business practices are an overall focus point in Nykredit’s management training programmes.

Nykredit behaviour

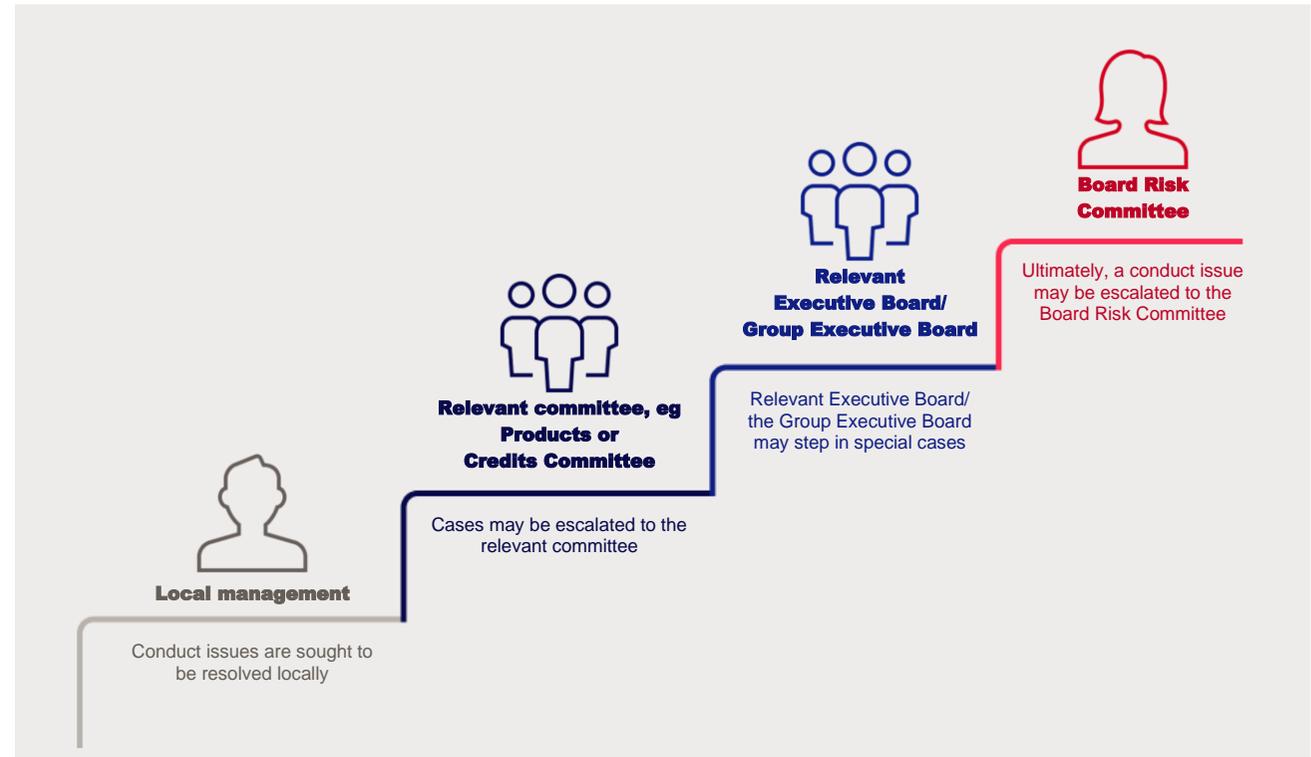


Conduct risk is incorporated in risk management activities

The Group’s conduct risk is a fixed part of our established risk management practices. Risk meetings are held regularly with the managers of the individual business units, at which conduct risks are identified, discussed and managed, for instance by a change of practices or conduct. Conduct risks are treated in line with other non-financial risks and since Q4/2022 a new risk management system has been employed, which will contribute to increasing the awareness and general overview in the respective units.

In 2022, 106 conduct risks were identified in the Nykredit Group. These risks were identified by reviewing behaviours and business practices. Issues raised by customers or in the media can also serve as a catalyst for us to examine our behaviours and practices in a given area.

How Nykredit handles a conduct issue:



Nykredit’s escalation structure, which clarifies and illustrates the process and criteria for escalation of conduct issues. The fundamental principle is that issues related to conduct or business practices should generally be resolved as close to local management as possible. If that is not possible, conduct issues should be escalated within relevant committees etc.

Main focus points

In identifying and addressing conduct risks, we have observed four Group-wide focus points. The four focus points are:

1. Tax matters

Conduct risk exists where Nykredit's practices are within the letter of the law, but where there is a risk that they will be perceived as being at odds with the spirit of the law and the societal discourse on tax matters and tax optimisation. Examples of conduct risks are customers' tax optimisation and exploitation of loopholes in tax law as well as Nykredit's advice on tax matters. Nykredit deals with tax matters within the framework of the Group's Tax Policy.

2. Sustainable financing

Conduct risks related to sustainable financing fall within two themes. The first theme is related to Nykredit's spearhead position with respect to the development of green financial products, including the risk of being accused of greenwashing in the media or by regulators as there is no clear frame of reference with regard to what classifies as green and non-green. This risk becomes even more pronounced by the fact that the regulatory framework in the area is still taking shape. Moreover, extending credit to industries or customers that are not adequately focused on the sustainability agenda entails conduct risk.

Nykredit has a strong focus on ensuring that products marked as green or sustainable finance projects are initiatives that can be considered green according to the EU taxonomy, public subsidy schemes etc. Also, Nykredit has introduced a special green step in its product approval process, which sets out additional requirements in terms of documentation, control etc. Other examples of how we actively reduce conduct risk associated with the green transition include increased focus on ESG in our

investment advisory services and sustainability training for all our colleagues.

3. Transparency in products and pricing

Financial products are complex by nature, and Nykredit has immense focus on providing information on the price and risks of a given product. Customers' expectations of a given product should match what they actually get. Transparency and information to the customer in product development are key parameters in this context, and our advisers receive regular training and education as a means to strengthen responsible advisory services and a responsible product offering.

4. Data ethics

The area of data ethics constitutes an emerging conduct risk, as machine learning and artificial intelligence etc are increasingly used in our business conduct and decision-making. We are gradually identifying and assessing data-ethical dilemmas and adjusting practices accordingly. Sector developments are continually monitored, and the Executive Board is notified if Nykredit's efforts in the area are deemed no longer to live up to market standards or if the risk scenario changes.

Risk is highest in areas where we introduce automated solutions, including in relation to the use of personal customer data. Nykredit is well aware of the need for caution and that data usage is a sensitive area to many people; Nykredit may inadvertently use data in ways that conflict with the values of some of our customers, and therefore, it is paramount that the issue is trained and addressed, particularly (but not only) by our business and product developing units.

Taking a risk-based approach, we will stay focused on the four focus points as part of our risk management activities, and they may cause Nykredit to adjust behaviours or practices in the relevant areas.



Our Corporate Culture Policy sets the framework for conduct at Nykredit

Nykredit's Corporate Culture Policy lays down the overall principles for promoting a sound corporate culture as well as the ethical and professional standards by which Nykredit wants to be known.

The policy was thoroughly revised in 2022 to the effect that it is now more directly linked to our colleagues' day-to-day work. It now builds on two principles and supports Nykredit's four behavioural skills, which set the direction for the kind of company we want to be in our capacity of financial mutual. As previously described, these four behavioural skills serve as benchmarks for the behaviour we want to permeate our daily work in everything we do, regardless of our position at Nykredit. The policy is supplemented with other policies and guidelines, all serving to clearly define responsible conduct, including

Corporate Culture Policy

The following two principles laid down in the policy serve to promote and sustain a sound corporate culture at Nykredit:

1. Responsible business practices
2. Safe and open culture.

Responsible business practices and a safe and open culture are the two main principles applied to ensure and promote a sound corporate culture at Nykredit. All colleagues are responsible for drawing attention to any Nykredit business practices in their daily work or their own field that may be perceived as inappropriate or irresponsible, so that business and behavioural adjustments can be made where required.

Nykredit's Code of Conduct. In 2022, an evaluation was made for the Board of Directors of the level of compliance with the policy during the past year. Overall, Nykredit is at a satisfactory level within the principles laid down in 2021 to promote a healthy corporate culture. In the policy areas data governance and personal data, the level remains less satisfactory in terms of meeting the objectives of the specific policies, however. In both policy areas, various measures have been taken to improve data quality in the governance area and the level of compliance in relation to personal data. The challenges in these areas are not deemed to relate primarily to culture and conduct.

Whistleblower scheme

Besides ensuring a healthy and open culture in our day-to-day work, it is essential that our colleagues can file anonymous reports if they experience irregularities. Nykredit has established an online whistleblower scheme where colleagues can anonymously report suspected irregularities, violations or potential violations of financial regulation, other legislation or Nykredit's policies and guidelines, including sensitive issues such as sexism.

The whistleblower scheme is a supplement to existing structures at Nykredit where colleagues can, and are encouraged to, mention irregularities to their line manager or Nykredit's management. Any such reports will first be submitted to an external attorney, who will review the report and forward it to the Head of Compliance, the Head of Internal Audit and the Chair of the Board Risk Committee. The number of reports filed under Nykredit's whistleblower scheme has remained stable and low.

Anti-corruption

Nykredit has a zero tolerance policy with respect to corruption. Denmark is among the least corrupt countries in the world, and Nykredit would like to contribute to retaining this position. 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 objective of the policy is to ensure and support conduct and work ethics characterised by the highest standard of personal and organisational integrity, both internally and externally, in the interaction with all types of customers and business partners.

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 supported by business procedures for fraud, nepotism, independence and receipt of gifts.

The level of compliance with the policy is reported to the Board of Directors in connection with the annual policy review. The conclusion of the reporting in August 2022 was that the policy is generally complied with and that no special measures were needed in this area.

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 management 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' potential risk exposure. Accordingly, all products must be developed with a long-term perspective and are therefore assessed in terms of financial, social and environmental/climate sustainability and evaluated annually by Nykredit's Products Committee. All new products are furthermore assessed in terms of conduct risk.

Responsible lending and advisory services

Loans provided by Nykredit are based on the creditworthiness of the individual customers. 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.

Nykredit's advisers are trained and diligent in advising customers about the risks associated with the different products, prices and other relevant information. Nykredit's advisory services must consider the interests of our customers, be fair, relevant and adequate and provide customers with a good basis for decisions.

Transparency of price and risk

Uniform and transparent prices are a common feature of Nykredit's pricing structure for personal customers. All personal customers of Totalkredit pay the same price for the same type of loan. This means that the price varies with the loan-to-value ratio and loan type, but not with the customer's income, age or where in the country the customer lives. Nykredit BoligBank offers three customer value propositions, and within each proposition, the price of bank or home financing is the same for all customers. Last, but not least, we risk label loans as well as investment products, allowing customers to assess the risk of existing or future loans and investments.

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 2022, 220 customers filed a complaint. Less than 30% of them succeeded in full or in part in their complaints.

Responsible business practices



Societal challenges

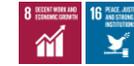
Financial service providers have a responsibility for ensuring that advice, products and services are responsible relative to the individual customer, but also in a societal context. This is a task that has been highlighted in recent years by a number of business reputation cases in the sector.



Nykredit's response

All parts of Nykredit's business must be responsible, orderly and sustainable. We support a safe and open corporate culture where we adjust behaviours and practices as needed to always ensure responsible business practices that we can explain and defend in relation to our customers, society and ourselves.

Our initiatives related to responsible business practices follow a two-pronged approach, which involves: risk management initiatives where we identify, assess and act on the Group's conduct risk as part of our ongoing risk management practices as well as a broad initiative for all colleagues to contribute to ensuring responsible business practices on an everyday basis. All our colleagues are responsible for drawing attention to any Nykredit business practices in their daily work or their own field that may be perceived as inappropriate or irresponsible, so that business and behavioural adjustments can be made where needed.



Governance

Responsibility for the day-to-day management of non-financial risks, including conduct risks, is decentralised and lies with the individual business units. On a par with other risks, conduct risks are included in the ongoing identification, assessment and management of risks.

Policies

- Operational Risk Policy
- Credit Policy
- Nykredit Group Product Policy
- Code of Conduct
- Tax Policy
- Complaints Handling Policy
- Anti-Corruption Policy
- Corporate Culture Policy
- Data Ethics Policy



Activities and achievements

- Responsibility as a behavioural skill on which all colleagues are assessed.
- Since autumn 2022, conduct risks have been managed in Nykredit's Government, Risk Management & Compliance (GRC) system in line with other operational risks.
- Increased weighting of conduct risks in product approvals and evaluations.

- Assessment of conduct risks is included in the credit approval process (part of the ESG assessment).
- Updated Nykredit's Corporate Culture Policy and Code of Conduct.
- Annual reporting to Nykredit's Board of Directors on compliance with the Corporate Culture Policy.



Risks of negative impact on society

Nykredit's advisory services, lending and products have significance on our customers' financial position and on the Danish 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.

Nykredit's risk

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 live up to society's and our customers' expectations. This may lead to breach of trust in Nykredit's business.

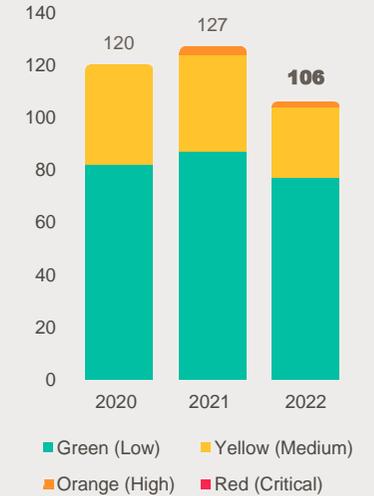


Ambitions for 2023

- Ensure that the conduct risk outlook is forward-looking in terms of trends that can affect the business.
- Launch a new theme site for all colleagues about a strong and sound risk culture.
- Maintain and continually strengthen colleagues' awareness of responsible business practices.
- Regular training of Assistant Risk & Compliance Officers (ARCOs) and other risk colleagues.
- Integrate responsibility as a behavioural skill locally so that all colleagues know how to act responsibly in their day-to-day work.

Key figures and targets

Number of conduct risks



Initiatives to combat financial crime

Money laundering, tax evasion, terrorist financing and other types of financial crime are extremely harmful at both the national and international level. Like the rest of the sector, we are in a race against criminals who are becoming increasingly sophisticated in their attempts to misuse Nykredit for money laundering and other financial crime. We should expect this to be a never-ending race. 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 contribute actively to preventing and countering any such misuse.

Sanctions against Russia call for increased capacity

With Russia's invasion of Ukraine and the ensuing sanctions imposed by Western countries on Russia, Belarus and Iran, among others, the complexity and scope of the sanction packages have multiplied. We have therefore expanded our capacity, partly to be able to support our customers with advice and guidance, partly to ensure that we are not unwittingly being used in connection with sanction violations. Also, as a natural part of complying with the sanctions, we have stopped our payments to Russia and Belarus.

Continued systems optimisation

We are making a sustained effort to improve our ability to combat and prevent financial crime so that our initiatives and capacities reflect our business activities and the associated risk exposure.

Accordingly, we also reinforced our set-up in several areas in 2022:

- We improved our transaction monitoring so that suspicious transactions are detected and addressed
- We optimised customer due diligence (KYC) procedures through better utilisation of internal and external data
- We integrated Group companies more closely through greater interaction between our central risk management unit and the individual Group companies

New and improved training tool

Nykredit invests considerable resources to ensure a targeted effort against financial crime through awareness and training of colleagues. In addition, we contribute to initiatives across the sector aimed at raising customers' awareness of risks related to financial crime.

We remain particularly focused on raising awareness among frontline colleagues to ensure they have the skills required to effectively combat threats of financial crime. The individual advisers are the ones interacting with customers, and they therefore represent the first line of defence in terms of detecting any suspicious behaviour. Consequently, we have focused on training frontline colleagues in customer-facing business areas. We are also developing a new and improved training tool, which will be implemented in 2023, to further raise awareness of how to combat financial crime.

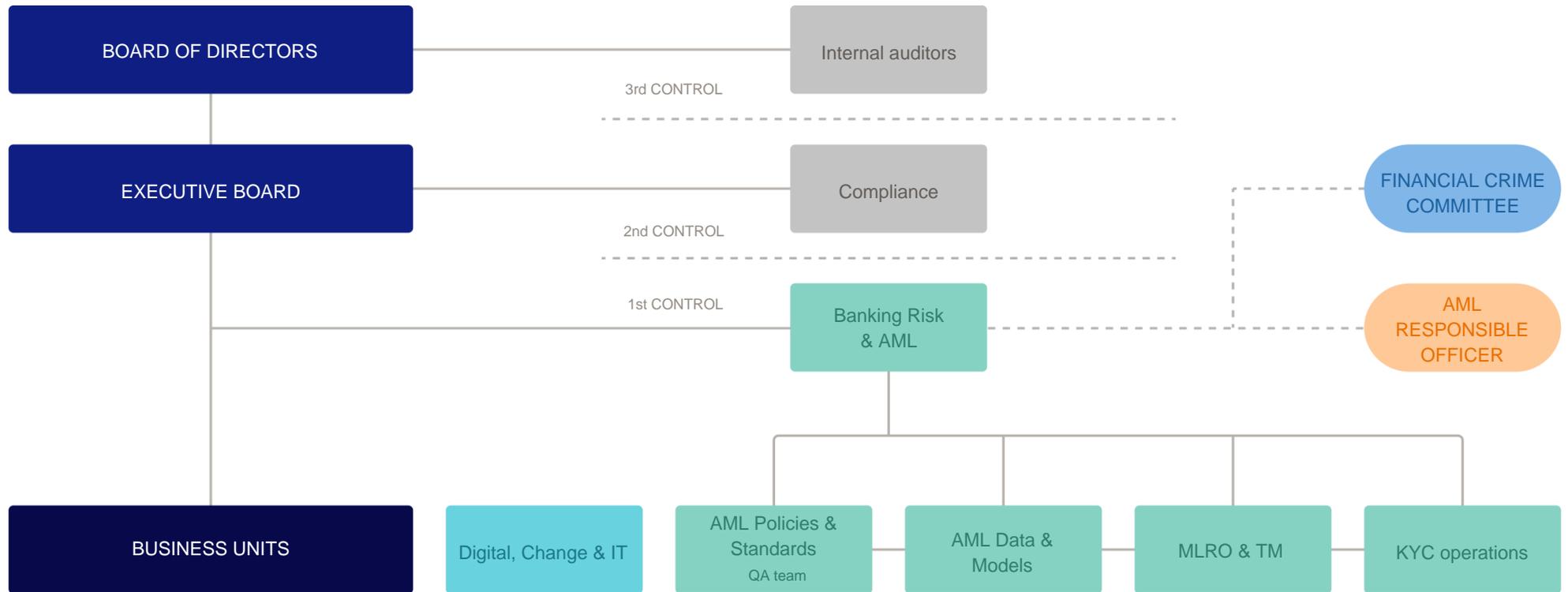
In 2022, 97.4% of Nykredit's workforce completed and passed e-learning programmes and tests in how to combat money laundering and financial crime. The

percentage is lower than 100% because of leave, illness, change of jobs etc.

No orders were issued against us by the Danish FSA in 2021 and 2022. In 2020, however, eight orders were issued against us by the Danish FSA, relating to KYC procedures and transaction monitoring. We are making a targeted effort towards complying with these orders.



Anti-money laundering efforts



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

Initiatives to combat financial crime



Societal challenges

Financial crime, which includes money laundering, tax evasion, terrorist financing, violation or circumvention of sanctions etc, is extremely harmful at both the national and international level.



Nykredit's response

Combating financial crime is integral to Nykredit and a key element of our social contract. We consider it a central element of our responsibility to actively contribute to preventing and countering any misuse of the Nykredit Group and the financial sector in general for financial crime purposes.

Nykredit's objective is to contribute to preventing and to report potential misuse of the financial system in relation to financial crime in every respect. We are making a sustained effort to improve our ability to combat and prevent financial crime so that our initiatives and capacities reflect our business activities and the associated risk exposure.

All Nykredit customers will be affected by our customer due diligence (KYC) procedures in connection with the regular updating of the required customer due diligence (KYC) data, and it is therefore essential to the customer experience that the procedures are effective and as far as possible perceived as relevant, easy and simple.



Governance

The Group Managing Director of Banking 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 A/S.

Policies

- Policy for the prevention of money laundering, terrorist financing and breach of financial sanctions
- Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime
- Executive Board guidelines for the prevention of financial crime
- Whistleblower Policy



Activities and achievements

- Strengthened governance and coherence between risk assessment, policies, guidelines and business procedures.
- Improved and more efficient customer onboarding.
- Improved updating process with optimised usage of internal and external data as well as increased centralisation.
- Stopped payments to and from Russia and Belarus.
- Increased capacity for transaction monitoring.
- Continued upskilling of colleagues through training etc. 97.4% of our colleagues have completed and passed financial crime e-learning and tests.
- Increased capacity to ensure compliance with sanctions in connection with international transactions.



Risks of negative impact on society

Nykredit may be misused for money laundering and tax evasion, including undeclared work, terrorist financing, violation or circumvention of sanctions and other financial crimes that would have major negative consequences for society, Nykredit and Nykredit's customers.

Nykredit's risk

There is a risk that our customers and stakeholders lose confidence in Nykredit and reject us if we fail to live up to our responsibility and obligations in the effort to combat financial crime. Also, errors and defects on our part in our work to combat financial crime may cause the Danish FSA to issue orders or submit a criminal complaint. This may have an adverse impact on our options for financing our substantial mortgage business. It could also result in fines and ultimately withdrawal of the licence to operate a financial business.

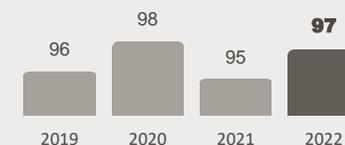


Ambitions for 2023

- Strengthen governance set-up.
- Continue to strengthen governance and coherence between risk assessment, policies, guidelines and business procedures.
- Improve the capacity for handling the ever more complex sanction regime, partly due to the war in Ukraine.
- Continue to expand the monitoring capacity in relation to customers and transactions.
- Improve onboarding and updating of customers through increased usage of internal and external data.
- Further upskill colleagues to prevent financial crime.

Key figures and targets

Colleagues having completed and passed AML e-learning and tests (%)



Number of colleagues involved in initiatives to combat financial crime

275

Personal data, IT security and data ethics

Customers' confidence in how companies treat and 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 a large number of Danes. We are therefore constantly seeking to create a strong and coherent data protection framework throughout the Group. Our aim is to become even better at protecting personal data, maintaining a high IT security level through ongoing monitoring, testing and evaluation, and to act ethically and responsibly when using data.

Data Ethics Policy

New opportunities created by technological developments imply stricter requirements for businesses' use of data. Nykredit's Data Ethics Policy describes Nykredit's approach to and principles for ethically correct, responsible and transparent data processing.

Nykredit's Data Ethics Policy provides our colleagues with a clear framework for ethically responsible use of data and how to earn the trust of our customers, colleagues, business partners and other stakeholders.

IT security

Like all financial companies, Nykredit is working diligently to improve IT risk management by making improvements and further strengthening risk scoring and documentation practices.

In 2022, Nykredit identified and scored a total of 30 IT security risks, five of which would have high impacts on the Nykredit Group if materialising in connection with Nykredit's IT usage. The five IT security risks relate to suppliers, cybercrime and non-compliance with the GDPR. The total number of IT risk scenarios increased from 21 in 2021 to 30 in 2022. This does not indicate a higher risk level, but rather a more granular breakdown of risks, allowing us to measure and report on more specific areas.

Against this background, we have launched risk mitigating initiatives in all critical areas, at both the organisational and technical level, with a view to reducing risks to a satisfactory level in the course of 2022-2023.

Processing of personal data

As data controller, Nykredit is focused on ensuring that the processing of personal data complies with data protection legislation. Nykredit processes personal data with great care and solely for the legitimate purposes for which the personal data were collected and in compliance with applicable data protection rules. We are transparent about why we collect personal data, what we use the data for and with whom we exchange the data. Our focus on responsible processing of personal data is maintained, also after the end of a customer or supplier relationship.

Data Ethics Policy

Nykredit's Data Ethics Policy is based on the following four key principles:

Transparency

Nykredit should be transparent and able to explain where data are used in customer services and how the results of such usage are integrated into Nykredit's business processes.

Responsibility

Nykredit must ensure that data are used in the interests of our customers so as to increase the quality of the services and products provided and to optimise internal processes. Established internal processes ensure compliance with Nykredit's data ethical principles.

Equality

Nykredit strives to always interact with customers objectively and on an equal footing, also in situations where data usage supports customer services. As a main principle, areas such as ethnicity, cultural background, religion, sexual orientation, political affiliation, disabilities etc may not be used in the customer service design, be it directly or indirectly via deliberate selection of data that capture such areas.

Security

Customers of Nykredit can rest assured that data are used securely and responsibly. By providing a high level of IT security, robust platforms and standardised processes, Nykredit seeks to inspire security for customers.

It is important to us that data subjects have control over their personal data and are offered an easy and simple way to exercise their rights in this respect. Data subjects can, for instance, request access to or erasure of the personal data we process about them through our website.

Nykredit has established processes and a control framework to monitor our compliance with data protection legislation. Using these controls, we regularly measure the degree to which the processes of the individual business units comply with Nykredit's personal data and IT security policies and guidelines, for example with respect to erasure of personal data.

Like many other companies, Nykredit reported breaches of personal data security to the Danish Data Protection Agency in 2022. The majority of these breaches related to procedural errors such as e-mails sent to the wrong recipient or with the wrong attachments – breaches which we would have preferred to avoid and which we are continuously working to reduce. To this end, we implemented measures in 2022 to reduce the number of breaches related to procedural errors.

Our people are key

We know that data protection and IT security rely extensively on those of our colleagues who handle personal data on a day-to-day basis. Therefore, we train these colleagues in processing personal data and IT security prudently and responsibly. Through their annual training and certification, they gain basic knowledge of data protection legislation and IT security and know how to support compliance with the rules and procedures in their day-to-day work.

Cybersecurity and Russia's invasion of Ukraine

Russia's invasion of Ukraine made its mark on 2022. To financial companies, a high cyberthreat is, unfortunately, not a new thing, and the invasion has merely emphasised the importance of maintaining a high cybersecurity level. In the initial phases of the invasion, we conducted an extra cyber hygiene check-up and intensified our cybersecurity monitoring.

At the present time, the cybersecurity threat has stabilised, and we are maintaining our high cybersecurity level.



Personal data, IT security and data ethics



Societal challenges

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 have serious consequences.



Nykredit's response

It is important to us that data subjects have control over their personal data and are offered an easy way to exercise their rights, including the right to access to or erasure of personal data. We are transparent about why we collect personal data, what we use the data for and with whom we exchange the data. Nykredit must provide efficient, reliable and secure IT services as IT usage is a key element of Nykredit's business execution. Nykredit wants to apply best practice in its industry, whereby security measures are balanced against costs and value to Nykredit. Nykredit's IT environment must be sufficiently secure to withstand generally known cyberattacks and sufficiently robust for systems to be restored within the scope of the contingency plan objectives. Further, any compromising of a single IT system or computer must not put Nykredit's overall IT environment at risk.



Governance

The Executive Vice President of Digital, Change and IT is in charge of IT security. The Executive Board is generally responsible for compliance with personal data protection legislation and for overseeing and assessing how the risks in this field are managed. The individual business units are responsible for the day-to-day risk management in this area as well as compliance with personal data protection legislation. Nykredit's compliance function includes a Data Protection Officer (DPO) tasked with assessing, monitoring and reporting on the effectiveness of Nykredit's methods and procedures relating to personal data processing.

Policies

- Privacy Policy
- Personal Data Policy
- IT Security Policy
- Data Ethics Policy



Activities and achievements

- Conducted several controls related to personal data and IT security.
- Introduced stricter IT security requirements for suppliers.
- Continued effort to ensure that personal data are processed and erased as prescribed by current legislation.
- Red Team testing of IT security.

- 95% and 96% of Nykredit's workforce completed and passed certification and e-learning programmes in data protection and IT security, respectively (numbers are lower than 100% because of leave, illness, change of jobs etc).
- Completed internal control programmes to ensure compliance with IT controls.
- Implemented governance structure in relation to Data Ethics Policy, according to which Nykredit's Data Governance Committee reviews data ethics issues quarterly.



Risks of negative impact on society

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

Nykredit's risk

Cyberattacks and breaches of personal data security may lead to financial losses and harm Nykredit's reputation and customers' trust in us. Personal data security breaches may also result in Nykredit being fined.



Ambitions for 2023

- Regularly test IT security.
- Raise awareness of IT security through education and training.
- Fortify IT solutions against cyberattacks.
- Continue to support measures to tighten IT security requirements for suppliers.
- Complete self-check programmes aimed at testing implemented controls at Nykredit and main suppliers.
- Continue to implement any measures required to protect the personal data we collect and process, for instance by implementing additional controls.
- Follow up on measures identified during controls.

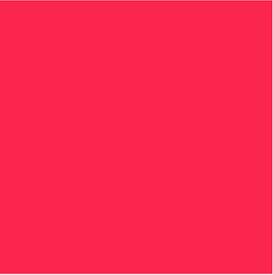
Key figures and targets

Colleagues having completed IT security e-learning and tests (%)



Colleagues having completed data protection e-learning and tests (%)





People

“We want to provide the best environment for all colleagues to feel that their value contribution is acknowledged and included. It has always been extremely important to me that Nykredit should have a culture where everybody is thriving, and where we are actively promoting Nykredit as a mutual employer, offering team spirit, drive and focused career opportunities full of growth and learning potential.”

Trine Ahrenkiel, Executive Vice President, People & Identity

People

Sustainable development and responsible business operations require a systematic effort to position Nykredit's organisation for the future so that we can deliver on our strategy and business plan. Our annual organisational reviews help the Group's management teams identify needs, opportunities and risks within the themes Organisation, Management and People so that we can deliver on our business strategy.

Job satisfaction, colleague engagement and development are important elements in creating success and the results required to successfully execute our business plan. This has always been a focus area at Nykredit, and 2022 was no exception.

High colleague engagement

Colleague engagement in 2022 remained at the same high level as in 2021. We have high colleague engagement, and we outperform external benchmarks in most areas. We are particularly proud of the high scores on parameters such as job engagement, management, collaboration, learning and development – and that our colleagues increasingly recommend others to work for Nykredit. This has not changed despite changeable times, where we are experiencing high inflation and soaring energy prices and still find ourselves in the middle of a trial period with more flexible and virtual ways of working.

We also celebrated our advancement on Universum's list of the most attractive employers in Denmark in 2022. Nykredit was ranked as number 20 out of 100 businesses.

Moreover, Nykredit had the highest ranking on the list among the financial companies. The survey shows that Nykredit is associated with key words such as development opportunities, inspiring leadership, work-life balance, flexible working conditions and a meaningful purpose. We are very pleased with our ranking, and it is essential to realising our ambitions that we are prepared to accept that existing and especially future generations will demand something new of Nykredit as an employer, if we want to continue to be perceived as an attractive workplace.



Uncertain economic times call for new skills

In times of rising inflation and elevated energy prices, we more often need to talk to customers about priorities and options. We are preparing for more situations where Nykredit will be unable to meet customers' expectations, which will give rise to more difficult conversations. Therefore, we are particularly strengthening our customer-facing colleagues, providing them with the skills and tools required to have the difficult conversation with customers. These preventive measures will support customer advisers in handling the new market conditions and prepare our colleagues to guide customers in the best possible way through unpredictable times.



The flexible working life continues

After the coronavirus pandemic, focus in 2022 turned to how we can keep using the insights gained on remote work, which our colleagues generally embraced, to create a more flexible working life to the advantage of our colleagues and Nykredit alike.

This has been done by converting several units into "activity-based" workspaces, providing our colleagues with the option to work in different zones according to their specific need or type of assignment. Colleagues can choose to work in an office zone, a focus zone, a dynamic zone or a flexible zone. This also means that there is flexible seating, which facilitates collaboration and relation building across different units. Flexible seating has heightened knowledge-sharing among colleagues, and it has so far had a positive effect in terms of breaking down professional silos. The workspaces have been redesigned to achieve a warm and homely atmosphere.



Nykredit has entered into an agreement with NYKREDS concerning the remote work framework. Under the agreement, the individual manager and team member can arrange increased flexibility, always prioritising customers, business performance and the wellbeing of the team and the individual colleague. Our colleagues can always choose to work entirely from their workspace at Nykredit, and management may always determine the suitability and extent of remote work for the specific function. Colleagues who choose to work from home are required to have the right equipment at home as prescribed by working environment legislation.



Investing in people

Nykredit aims to build a desirable workplace, attracting and retaining skilled people and strong talents in a culture focused on community and development. We have therefore made a pledge to our colleagues:

“We will prioritise development and opportunities for people who will and can make a difference. We want to be known for our trusting culture guided by customer centricity, team spirit and empowerment.”

In alignment with the pledge to our colleagues, it is our ambition and obligation to strengthen the professional and personal skills of our workforce, in the short and long term. The pledge also supports our strategic upskilling efforts to safeguard Nykredit’s competitive power. Our upskilling initiatives are based on existing business needs and regulatory requirements to ensure that our colleagues have the skills and capabilities required by our customers, namely that they can provide the best advice, take advantage of digital opportunities and comply with regulatory requirements and Nykredit’s Code of Conduct.

One element of our annual organisational reviews is to identify future skills required in the respective units and how best to acquire them. To ensure development of colleagues who will and can make a difference, our focus is on strengthening our people via local upskilling and by promoting internal job transfers as a way to broaden expertise and experience. Another element of the organisational review process is our annual people reviews, where management teams identify colleagues with unrealised potential or management potential. This may be realised by way of a broader task portfolio in the colleague’s current role or wider responsibilities in a new role. Specific development plans are created, supplemented by regular performance conversations

between the team leads and team members aimed to maintain motivation and ensure continuous skills development.

Every year, all our colleagues complete mandatory training and certification in the prevention of financial crime, IT security and personal data protection. Also, all Nykredit colleagues may receive skills enhancement through a specialised joint financial sector scheme, which offers a broad range of courses and training programmes for financial sector employees (Finanskompetencepuljen). In addition, our colleagues undergo relevant business-specific training.

Talent development is the cornerstone of our efforts to ensure that we have the most talented colleagues across the Group. We provide various development programmes to selected talents so they can develop their professional and personal skills through dedicated accelerating training – and contribute to developing Nykredit. In 2022, we completed the programmes listed in the right-hand box.

Upskilling our people

- Basic sustainability training for managers and colleagues, supplemented with training in sustainable investment for all customer-facing managers and colleagues and training programmes within selected fields, such as agriculture and SMEs, to ensure strong advisory expertise.
- Mandatory training and certification of all colleagues in the prevention of financial crime, IT security and personal data protection
- All our people have development and performance reviews
- Training and certification in investment products, the Insurance Distribution Directive (IDD), home loans and credit management for personal and business advisers and specialists
- Specialised credit management training for all personal banking and business banking advisers as part of Nykredit’s credit management academy
- Relevant upskilling of colleagues in Nykredit’s customer-facing entities in fields such as construction finance, ESG for credit assessment, energy check-ups and new customer propositions

Talent programme for selected colleagues

- Nykredit Academy: Personal development and sales training for banking advisers
- Group talent programme: Group-wide programme for hand-picked talents
- Graduate Programme: 1-year programme for graduates

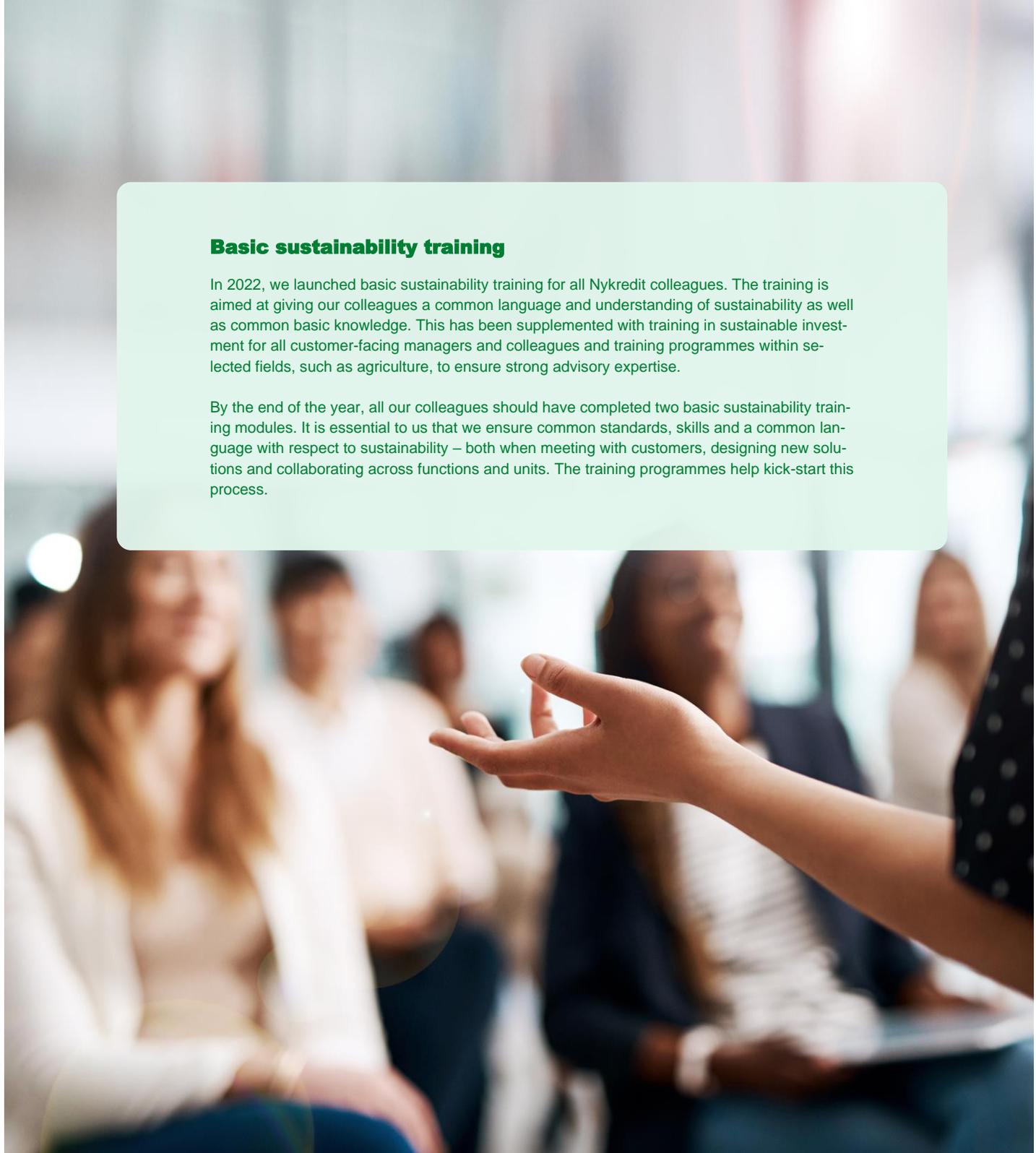
Performance and development

In 2022, we adjusted our performance management process, focusing on continuous performance conversations about the individual colleague's development, wellbeing and career path, now and in the long term. The timing of the continuous performance conversations is flexible, and they may take place at the frequency that best suits the individual team member and manager. The introduction of more frequent, continuous performance communication and feedback is intended to lead to increased motivation, development and improved performance. The effect of the new process was clearly visible in the colleague engagement survey conducted in 2022, in which the score for the statement *"My manager and I have regular talks about my career development"* increased by three points. The performance management process is supported by our HR system, Talentsoft.

Basic sustainability training

In 2022, we launched basic sustainability training for all Nykredit colleagues. The training is aimed at giving our colleagues a common language and understanding of sustainability as well as common basic knowledge. This has been supplemented with training in sustainable investment for all customer-facing managers and colleagues and training programmes within selected fields, such as agriculture, to ensure strong advisory expertise.

By the end of the year, all our colleagues should have completed two basic sustainability training modules. It is essential to us that we ensure common standards, skills and a common language with respect to sustainability – both when meeting with customers, designing new solutions and collaborating across functions and units. The training programmes help kick-start this process.



People

Colleague engagement, health, wellbeing and development



Societal challenges

Sustainable development and responsible business operations require qualified, engaged and satisfied people. Job engagement and wellbeing at work are essential to the everyday life of the individual and to Nykredit's ability to make a positive contribution to the communities we serve.



Nykredit's response

Nykredit's most important resource is people. Our ambition is to create the best workplace in the sector over the coming years. Our colleagues are the ones creating value for customers, for society and for the business. Nykredit aims to build a desirable workplace that attracts skilled people. To do this, we have to focus on creating working conditions that make for satisfied and proud colleagues.

We are committed to developing our people and training their requisite skills to match customer needs, provide the best advisory services and comply with legislation. Nykredit provides room for colleague participation at the workplace and for colleagues to exercise their rights, for example through the Group Works Council and the Group Health and Safety Committee as well as staff-elected members of the Board of Directors, supplemented by the union representative system and working environment representatives.



Governance

The Executive Vice President of People & Identity is in charge of our work with colleague engagement, health, wellbeing and development.

Policies

- Code of Conduct
- Group Collective Agreement
- Freedom of Association Policy



Activities and achievements

- Completed the annual colleague engagement survey with continued high scores on job engagement, wellbeing, loyalty and learning.
- Launched basic sustainability training for all managers and colleagues.
- Completed upskilling and talent programmes for selected target groups, including Nykredit Academy and Graduate Programme as well as programmes for business academy graduates and bachelors.
- Completed statutory training and certification of all colleagues relating to the prevention of financial crime, IT security and data protection.
- Completed a new training course in greener agriculture for all agricultural banking advisers and launched training programmes for all business banking advisers.

- Completed the first training activities of Nykredit's credit management academy.
- Launched a new performance management process focused on colleague engagement, wellbeing and career paths.
- Introduced four new behavioural skills to serve as benchmarks for the behaviour we want to be known for at Nykredit: customer centricity, responsibility, team spirit and empowerment.
- Increased opportunities for a flexible and meaningful working life.
- Completed various activities aimed at embedding "Together we are more"-management locally in management teams, focusing on team spirit, empowerment, constructive feedback culture, responsible business practices, team performance and inclusive management.



Risks of negative impact on society

Lack of wellbeing may have serious consequences for the individual colleague's physical and mental health. At the same time, Nykredit and our workforce are navigating a changeable labour market with new skills requirements. If Nykredit's workforce does not possess the required skills, it could lead to inadequate advisory services or a failure to comply with requirements of responsible business conduct.

Nykredit's risk

If Nykredit does not ensure that our people have the right skills and provide the setting for a healthy and secure working environment, there is a risk that we will lose colleagues and, ultimately, that Nykredit does not meet society's and our customers' expectations of us.



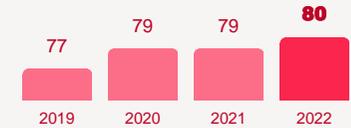
Ambitions for 2023

- Create an effective internal job market at Nykredit, where structured mobility and clear career paths are central elements of the culture.
- Further embed performance management concept to ensure focus on development, performance and wellbeing for all colleagues.
- Complete additional bespoke sustainability training for selected target groups at Nykredit to ensure relevant upskilling that matches different job profiles.

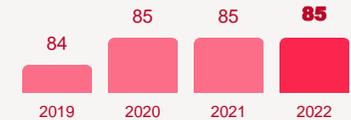
- Strengthen customer-facing advisers' capacity with skills and tools for having the difficult conversation with customers in the context of the new market conditions.
- Focus on skills and talent development, including strengthening of managers' ability to spot and develop talent.
- Further strengthen management quality and manager skills, so that "Together we are more"-management with tools from Nykredit's Winning the Double Management Academy III are put into play, focusing on team spirit, empowerment and customer centricity, including a collaboration-oriented leadership culture, team development, feedback, diversity and inclusion.

Key figures and targets

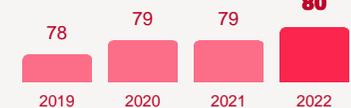
Colleague engagement (index 100)



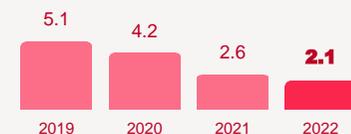
Loyalty (index 100)



Learning and development (index 100)



Average days of absence due to illness (days/FTE)



Diversity and inclusion

At Nykredit, we regard diversity and inclusion as important prerequisites for operating a sound business to the benefit of our customers, colleagues and society – now and in the future. Nykredit wants a diverse workforce that, together, reflect the diversity of our customers and society.

It is important to us that Nykredit is an inclusive workplace, where all colleagues have equal opportunities and feel respected and involved. We believe diversity is a benefit and a catalyst for development, growth and wellbeing. In 2022, we especially sought to promote the general understanding of diversity and inclusion by integrating specific training elements in the Group's development and talent programmes.

26 weeks of paid maternity/paternity leave

As the first employer in Denmark within our sector, Nykredit offered mothers, fathers and co-parents the right to 26 weeks of paid maternity or paternity leave from 2022. The opportunity for the individual parent to spend more time with their child holds clear benefits for us as a company, for our colleagues and for their families. This is an important step towards realising our ambition to create an inclusive workplace with equal opportunities for all.

On the same occasion, we implemented a new tool facilitating dialogue between colleagues on maternity or paternity leave and their supervisors. We believe a better dialogue between managers and colleagues before, during and after maternity/paternity leave contributes to a good return from leave. One result of the dialogues is that more colleagues have received new roles or career

opportunities, such as for instance their first management position either before or when returning from leave.

Data is key to successful diversity initiatives

Diversity and inclusion efforts must be based on solid data to have a real impact. Inclusion surveys provide us with data that tell us where to take action to drive positive change. In 2022, we introduced "Diversity and inclusion" as a new theme in our colleague engagement survey. The theme covers three statements:

- 1) "I feel that I belong at Nykredit."
- 2) "In my unit I feel that everyone's ideas and opinions are heard and valued."
- 3) "In my unit all colleagues have equal opportunities regardless of gender, age, nationality, sexual orientation etc".

The first two statements are new, while the third one also appeared in the 2021 survey. We recorded high scores in all three areas and went up a notch on the third statement compared with the year before. We see this as evidence that our initiatives are working, and we are making a targeted effort to retain this positive trend. All data are available in our Sustainability Fact Book.

Specific initiatives to promote gender diversity in management

We are committed to improving and strengthening Nykredit's gender balance through specific initiatives and significant attention from senior management. Particular focus is on ensuring gender diversity, including equal

gender opportunities for leadership at all levels at Nykredit.

We monitor the gender distribution in management positions as this is a good measure of our success in improving the gender balance in management. We are targeting an equal gender balance in management-level positions, while skills and qualifications remain the decisive factors in the selection of candidates. It is important to us that we ensure the representation of all genders in the recruitment process. We conduct exit interviews with female managers who have resigned from their job with Nykredit to learn how we can target our initiatives to ensure that Nykredit is and remains an attractive workplace for female managers. We have also stepped up our efforts to attract more women to our graduate programme and to single out female role models in external and internal communications.

In 2022, we also started to work with systematic and targeted skills and career transitioning, for instance in Retail Banking. The purpose is to strengthen skills development and career transition opportunities among potential and existing banking advisers and managers and to support the development of a stronger pipeline.

Particularly, the personal and business banking segments provide huge potential for diversity and an uplift in the gender balance, including attracting more female candidates into management positions in the organisation, where skills and experience from the business banking segment are indeed key to filling the role.

In 2022, we announced our new targets for an improved gender balance among our managers. We have set a long-term target of 50% male and 50% female managers in the Group – and we will launch new initiatives to speed up the process. Today, the percentage of female managers at Nykredit is 33%. In the sector we operate in, this is slightly above average. We want to do more to faster achieve an equal gender balance among our managers. So we have turned up our ambitions, and with the new targets, we have raised the bar. The targets represent a direction – in practice, they denote our ability to recruit broadly both internally and externally and to develop talented colleagues with leadership potential and aspirations.

Female managers by management level (%)	2019	2020	2021	2022
Top	20%	18%	19%	25%
Middle	26%	28%	33%	30%
First	39%	43%	38%	45%

The chart shows the proportion of women by management level.

Gender distribution of Nykredit Group managers (%)	2019	2020	2021	2022	Target 2030	Long-term target
Women	29%	30%	32%	33%	45%	50%
Men	71%	70%	68%	67%	55%	50%

The chart shows the total proportion of female and male managers in the Nykredit Group.

Going forward, intense focus will remain on ensuring equal representation of female and male candidates for recruitment, promotion and internal reassignment/ reorganisation at all levels of management.

Taking a strategic approach to diversity and inclusion, we are addressing this area at three levels: Diversity Policy



We commit to provide greater equality of opportunity

We want to create the right setting where everybody feels that they have equal opportunities. Equal opportunities is about creating the same opportunities (in life) for everyone – whatever their background. As part of this work, Nykredit joined Foreningen Lige Adgang (a Danish association promoting equality of opportunity) in 2022. Foreningen Lige Adgang promotes an inclusive labour market for everybody experiencing barriers in relation to gender, ethnicity, sexual orientation or background. Through our membership, we will build skills and knowledge across our organisation regarding, for example, how to onboard new colleagues who have a different work experience or background or who may need an extra hand in the onboarding process – but who otherwise have the right qualifications for the job. In our view, this collaboration serves to promote a positive societal development and makes good sense from a business perspective.

As another example of bringing broader diversity into play in the organisation, we held our so-called NykreditTalk in August 2022, targeting all Nykredit colleagues as a lead-up to our activities in connection with Copenhagen Pride. The purpose was to learn more about how to work systematically to eliminate bias and barriers that prevent specific groups from unfolding their potential – and which may ultimately keep otherwise talented people from applying for a job with Nykredit. In our view, it is basically about building a culture where everybody is thriving and where we actively work to ensure Nykredit is perceived as an attractive workplace for all.

In addition to this, we entered into a three-year partnership with Nordic Female Founders in April 2022 with the common objective of creating more (gender)

diversity in the business sector and breaking down any controlling and restricting barriers between banks and entrepreneurs on growth journeys. With this partnership, we aim to enter into a dialogue with entrepreneurs and actively contribute to creating increased understanding of entrepreneurs’ aspirations on the one hand and financial funding and credit requirements on the other. This is a good opportunity for the individual entrepreneur, who will benefit from the chance to realise their ideas. And society will also benefit, as the initiative fosters talent, job creation, innovation, new business and growth.

Also in 2022, we entered into a partnership with Women’s Board Award as part of our endeavours to promote board diversity, and we will be hosting the Women’s Board Award 2023.

Equal pay

Nykredit’s remuneration systems and practices must be gender-neutral and support equal pay. To support equal pay, the pay level is classified and determined on the basis of a recognised job evaluation system that factors in elements such as complexity, skills, influence and communication requirements. The system supports objectivity in the determination of pay. We regularly monitor and measure pay gaps between men and women, determined according to position impact ranking. The figures are used in the individual manager’s basis for decision in connection with pay rounds.

Evidently, Nykredit – and the financial sector at large – has an important job in understanding and eliminating the pay differences still existing. As part of this work, managers are encouraged to actively ensure that individual pay rises support a positive trend towards equal pay. All data are available in our Sustainability Fact Book.

Salary gap between women and men

IPE class = Position impact ranking	Salary gap	In favour of (Women/Men)
57	5,8%	Men
56	6,9%	Men
55	4,9%	Men
54	3,9%	Men
53	0,8%	Women
52	3,7%	Men
51	2,9%	Men
50	0,7%	Men
49	2,8%	Men
48	1,5%	Women
47	6,6%	Women
46	1,7%	Women

The chart shows the salary gap between women and men according to position impact ranking. * Includes colleagues under collective agreement, the IPE class consisting of more than 10 representatives of each gender.

Female board representation

Nykredit has set diversity targets for women on the Board of Directors. Our Diversity Policy emphasises that, in addition to professional and personal skills, regard must be had to diversity in terms of, 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, also reflecting the diversity seen across the organisation.

As one of few among the professional boards in Denmark, Nykredit appointed a woman as Chair in 2020. This means that the chairs of both Nykredit A/S and Nykredit Realkredit A/S are held by women. In 2022, we met our 2025 target for Nykredit A/S, Nykredit Realkredit A/S and Nykredit Portefølje Administration A/S, meaning

that an equal gender balance has been achieved. As one vacancy was filled by a woman, the proportion of women on the Board of Directors of Nykredit Portefølje Administration A/S has risen. The targets set for Nykredit Bank A/S and Totalkredit A/S have not been reached

In the Nykredit Group, the Boards of Directors of Totalkredit A/S and Nykredit Bank A/S are composed of three and four Group Executive Board members, respectively. As there are currently no women on the Group Executive Board, the targets for the representation of women could not be met with respect to these boards in 2022.

Following an amendment to the Danish Financial Business Act, staff-elected board members are no longer included in the count as from 2023. Therefore, Nykredit's

determination for 2022 has been prepared both inclusive and exclusive of staff-elected board members, as a basis for future target-setting and follow-up purposes. Staff-elected female board members are on the Boards of Directors of Nykredit A/S, Nykredit Realkredit A/S and Nykredit Bank A/S.

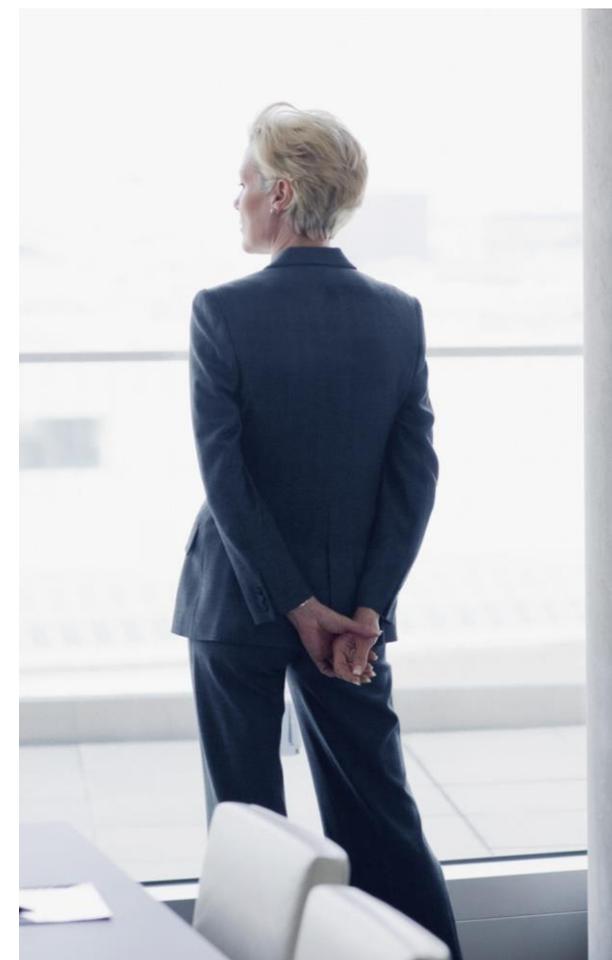
Female board representation

Company	2018	2019	2020	2021	2022 incl staff-elected members	2022 excl staff-elected members	Target 2025
Nykredit A/S	33%	33%	40%	40%	40% (6 out of 15)	30% (3 out of 10)	40%
Nykredit Realkredit A/S	38%	38%	42%	42%	42% (5 out of 12)	38% (3 out of 8)	40%
Nykredit Bank A/S	0%	17%	17%	17%	17% (1 out of 6)	0% (0 out of 4)	20%
Totalkredit A/S	11%	11%	0%*	0%	0% (0 out of 3)	0% (0 out of 3*)	25%
Nykredit Portefølje Administration A/S**	-	-	40%	25%	50% (2 out of 4)	50% (2 out of 4)	40%**

Targets are set in Nykredit's Diversity and Non-Discrimination Policy.

*The structure of the Board of Directors of Totalkredit was changed in 2020. The Board of Directors is now composed of three persons.

**As from 2021, the policy also covers the Board of Directors of Nykredit Portefølje Administration A/S. An equal gender balance on a board of directors consisting of four members is achieved if the ratio of women to men (or vice versa) is 1:3 or if the "40% target" for male or female representation is met, see guidelines issued by the Danish Business Authority.



Diversity and inclusion



Societal challenges

A lack of diversity and underrepresentation may result in failure to unlock the full potential of current and potential colleagues.

When a company fails to establish a diverse workforce and management that reflect broader society, colleagues belonging to minority groups may feel overlooked or discriminated against. Also, it may hamper a company's innovative power and have a negative earnings impact because of the absence of diverse skills, experience and perspectives.

Pay gaps between people of different genders but having the same experience, education, job level etc can lead to general inequality. It may affect the level of engagement and motivation and have a negative impact on people's career choices.



Nykredit's response

Community, equality, team spirit and empowerment are essential at Nykredit. We believe that together we are more. It is important to us that Nykredit is recognised as an inclusive workplace where all colleagues feel they can be themselves and that their unique contribution is both recognised and included.

In recent years, we have in particular championed gender-balanced management. This will remain a priority, supplemented with additional focus on bringing the broader diversity into play so as to challenge conventional thinking and generate creative and innovative solutions for the benefit of our customers, our colleagues and society. Concurrently, we train and strengthen our managers' and colleagues' ability to create and promote an inclusive workplace where different perspectives and potentials are brought into play.



Governance

The Board of Directors approves the targets recommended by the Executive Board for the underrepresented 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.

Policies

- Diversity Policy
- Remuneration Policy



Activities and achievements

- Announced new targets to strengthen gender diversity among our managers.
- Launched and implemented initiatives at the structural, management and individual levels to recruit, develop and retain more women in management.
- Monitored and analysed how payroll costs break down by gender in the different business entities to enable management to support equal pay.
- Introduced new agreement offering 26 weeks of paid maternal/paternal leave for Nykredit colleagues from 1 April 2022.
- Integrated focus on diversity, inclusion and bias in the Group-wide development and talent programmes.
- Incorporated the theme of "Diversity and inclusion" into Nykredit's colleague engagement survey to monitor and ensure progress in the organisation.

- Joined Foreningen Lige Adgang (an association promoting equality of opportunity, which champions an inclusive labour market for everybody experiencing barriers in relation to gender, ethnicity, language, religion or professional background).
- Entered into a three-year partnership with Nordic Female Founders for the common purpose of enabling and encouraging more women to become entrepreneurs.
- Arranged "NykreditTalk" for the entire organisation with the themes of diversity, inclusion and bias and particular focus on the LGBTQIA+ target group for all managers and colleagues in connection with Copenhagen Pride 2022.
- Entered into a partnership with Women's Board Award as part of efforts to promote board diversity.



Risks of negative impact on society

A lack of diversity and underrepresentation may result in failure to unlock the full potential of current and potential colleagues. It slows down the progress of businesses and society.

Nykredit's risk

There is a risk that we fail to notice potential due to affinity bias in recruitment and promotion situations – favouring candidates who resemble ourselves. This could lead to an insufficient breadth of skills in the Group and, by extension, a risk of decreasing quality, productivity and innovation. There is also a risk that our customers and colleagues get a sense of not being understood or matched in terms of their needs, with a resultant decline in customer and colleague engagement.



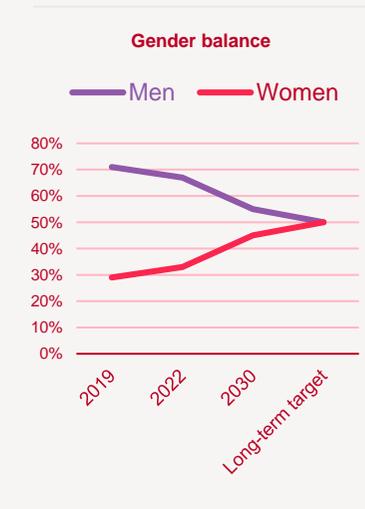
Ambitions for 2023

- Continue our focus on ensuring equal representation of female and male candidates in recruitment and promotion processes.
- Strengthen and support the internal job market with initiatives to further accelerate broad diversity at Nykredit.
- Upskill the workforce in diversity and inclusion through training.
- Use the maternity/paternity leave dialogue tool to support an inclusive working environment and a strong connection to Nykredit.

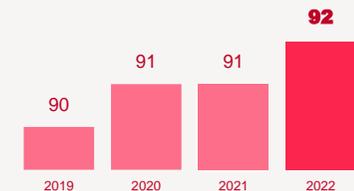
- Increased focus on systematic and targeted skills and career transitioning.
- Activate our membership of Foreningen Lige Adgang to create an inclusive labour market where everyone can feel they belong in working and educational environments.
- Strengthen and support ambitious entrepreneurs by way of open and professional advice through our partnership with members of Nordic Female Founders.
- Contribute to promoting board diversity through our partnership with and as host of Women's Board Award 2023.

Key figures and targets

Gender distribution of Nykredit Group managers (%)



In my unit all colleagues have equal opportunities regardless of gender, age, nationality, sexual orientation (index 100)



ESG overview: Prioritised initiatives and selected key figures

SOCIETAL CHALLENGES	INITIATIVE	UN SDGS	FINANCIAL RATIOS	2018	2019	2020	2021	2022	TARGET
Access to finance for homeowners and businesses is essential to Danish society and to growth and prosperity all across the country.	Development and growth throughout Denmark	 	CET1 capital (%)	21.0	19.5	20.2	20.6	19,5	-
			Portfolio proportion of repayment loans, Totalkredit (%)	-	56%	57%	57%	57%	-
			Portfolio proportion of fixed-rate loans, Totalkredit (%)	-	54%	59%	63%	53%	-
Buildings are key to achieving the climate targets. Replacement of heat sources, energy renovation of existing homes as well as new, sustainable buildings are needed.	Greener owner-occupied dwellings	  	Lending included (DKKbn)	-	-	-	905	768	-
			Emissions financed (ktCO ₂ e)	-	-	-	1,031	639	-
			Emission intensity (CO ₂ e/year)	-	-	-	16.9	14,4	4.2 by 2030
Energy consumption in buildings makes up around 40% of Denmark's total energy consumption. Existing buildings need to undergo renovation, and new buildings should be as climate-friendly as possible.	Greener real estate	Residential real estate Commercial real estate	Lending included (DKKbn)	-	-	-	299	278	-
			Financed emissions (ktCO ₂ e)	-	-	-	374	182	-
			Emission intensity (tCO ₂ e/DKKm)	-	-	-	12.0	8.7	3.0 by 2030
			Emission intensity (tCO ₂ e/DKKm)	-	-	-	15.8	12.4	5.5 by 2030
The agricultural sector accounts for about 20% of Denmark's greenhouse gas emissions.	Greener agriculture	   	Lending included (DKKbn)	-	-	-	86	81	-
			Emissions financed (ktCO ₂ e)	-	-	-	1,951	1,893	-
			Emission intensity (tCO ₂ e/DKKm)	-	-	-	22.6	23.2	10.8-12.4 by 2030
Denmark has set an ambitious target of reducing its greenhouse gas emissions by 70% by 2030 compared with 1990.	Greener businesses		Lending included (DKKbn)	-	-	-	87	81	-
			Emissions financed (tCO ₂ e/DKKm)	-	-	-	799	713	-
			Total volume of green bonds (DKKbn)	-	5,884	9,099	22,528	31,321	-
Need for massive investment in companies that contribute to sustainable global development and for investors that engage with companies to promote responsible business practices and green transition.	Sustainable investments		Investments included (DKKbn)	-	-	-	523	510	-
			Emissions financed (ktCO ₂ e)	-	-	-	2,968	2,731	Carbon neutral by 2050
			Emission intensity (tCO ₂ e/DKKm)	-	-	-	5.7	5.3	60% reduction from 2020 to 2030
			Equity funds with above-benchmark ESG ratings (%)	44%	47%	57%	71%	60%	-
			Percentage of equity AuM where Nykredit participated in general meetings (%)	37%	49%	33%	36%	70%	100% in 2023

SOCIETAL CHALLENGES	INITIATIVE	UN SDGS	FINANCIAL RATIOS	2018	2019	2020	2021	2022	TARGET
Businesses impact the climate and the environment through their production.	A greener Nykredit		Total emissions, operations (Scopes 1 and 2)	3,980	2,956	1,409	727	490	85% reduction from 2021 to 2030
			Emissions per FTE	1.08 (22% reduction)	0.63 (42% reduction)	0.33 (48% reduction)	0.26 (21% reduction)	0.43 (62% increase)	5% annual reduction up to 2025
			Total MWh consumption	15,558	15,277	14,599	13,815	12,436	25% reduction from 2017 to 2025 = 13,056
			Waste recycled (%)	50%	51%	47%	54%	56%	80% by 2023
			Waste per FTE (kg)	141	137	96	100	100	100 kg by 2023
			Products carrying the Nordic Swan Ecolabel (%)	28	27	29	35	Determined in Q2/2023	-
			Number of eco-challenges completed	-	-	9	10	15	15 by 2023
Financial crime is extremely harmful at both the national and international levels.	Initiatives to combat financial crime		Colleagues having completed and passed AML e-learning and tests (%)	96.7%	95.6%	98.2%	95%	97.4%	-
Financial institutions have a major responsibility for ensuring responsible advisory services in relation to their products and services.	Responsible business practices		Number of conduct risks	-	-	120	127	126	
In the financial sector, data breaches and loss of personal data may harm society and have serious consequences.	Personal data, IT security and data ethics		Colleagues having completed and passed IT security e-learning and tests (%)	98.3%	97.9%	99.5%	85%	95%	-
			Colleagues having completed and passed data protection e-learning and tests (%)	97.1%	95.0%	98.1%	97.3%	96%	-
A qualified, dedicated and satisfied workforce is a prerequisite for sustainable and responsible business operations.	People		Colleague engagement (index 100)	76	77	79	79	80	
			Loyalty (index 100)	-	84	85	85	85	-
			Learning and development (index 100)	-	78	79	79	80	
			Average days of absence due to illness	5.6	5.1	4.2	2.6	2,1%	
A lack of diversity and underrepresentation may result in failure to unlock the full potential of current and potential colleagues.	Diversity and inclusion		Number of women when filling positions, by management level (%)	Top	20%	18%	19%	25%	45%
				Middle	26%	28%	33%	30%	45%
				First	39%	43%	38%	45%	45%
			Gender distribution of Nykredit Group managers (%)	Women	29%	30%	32%	33%	50%
				Men	71%	70%	68%	67%	50%
Equal opportunities regardless of gender, age, nationality, sexual orientation (index 100).				90	91	91	92	100	

Accounting policies

The Corporate Responsibility Report covers the entire Nykredit Group and provides a detailed account of the Group's corporate responsibility efforts and performance based on a number of key figures in 2022. The report forms the Group's:

- Communication on Progress to the UN Global Compact, which we signed in 2008
- Reporting on the UN Principles for Responsible Banking signed by us when introduced in 2019
- Report on corporate responsibility, see section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- 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.
- Report on Nykredit's Data Ethics Policy, see section 135d of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

This report was prepared to meet the reporting obligations outlined above and is not to be considered as an offer to buy or sell securities, nor should the report be considered as an investment research note or as an investment recommendation.

The report is supplemented by Nykredit's Sustainability Fact Book 2022, which is available at nykredit.com/samfundsansvar. Nykredit's Sustainability Fact Book includes all of the Group's ESG key figures and a number of data other than those contained in this report, as well as references to other reporting.

This report and the Sustainability Fact Book 2022 have been prepared in accordance with the Global Reporting Initiative (GRI) Standards. Nykredit's GRI Index is included in the Sustainability Fact Book 2022.

The statements of resource consumption of and greenhouse gas emissions from the operations of the Nykredit Group and its subsidiaries have been externally audited by FORCE Certification A/S. Other key figures in this report are not subject to external audits. In accordance with Nykredit's business procedure for the preparation of Nykredit's Corporate Responsibility Report, data provided have been coordinated with Group Finance to ensure the correctness, consistency and completeness of the figures stated in this report. All key figures have been determined for the calendar year 2022, unless otherwise specified.

Development and growth throughout Denmark

CET1 capital (%): Common Equity Tier 1 capital (excluding Additional Tier 1 capital) divided by the risk exposure amount.

Portfolio proportion of repayment loans, Totalkredit: Nominal bond debt outstanding on repayment loans divided by Totalkredit's total nominal bond debt outstanding.

Portfolio proportion of fixed-rate loans, Totalkredit: Nominal bond debt outstanding on fixed-rate loans divided by Totalkredit's total nominal bond debt outstanding.

Determination of climate footprint

The carbon footprint of the Nykredit Group's operations, lending and investments has been determined using [Finance Denmark's CO₂ model for the financial sector](#).

Scope 1: Comprises direct greenhouse gas emissions from sources owned or controlled by Nykredit, including direct combustion from fuels and our vehicle fleet. A few of Nykredit's customer centres are heated by direct combustion of natural gas. Travel by company cars includes travel by the Group's own or leased vans, company cars and internal mail vans. The mileage of Nykredit's own cars is based on the estimated annual average mileage of a company car. Travel by and emissions from leased company cars are stated as mileage (km) based on litres of fuel purchased per car.

Scope 2: Comprises indirect greenhouse gas emissions from sources resulting from the consumption of the electricity we purchase. For example, the category includes emissions that result from our consumption of electricity and district heating. Several of our locations have district heating which is co-produced with electricity. Emissions from these facilities are distributed at a fixed electricity to heating ratio by applying the "200% method". This method provides a basis for an even distribution of the environmental benefits of CHP generation between electricity and district heating. Nykredit's annual climate and environmental accounts are prepared using environmental declarations/emission factors calculated by applying the 200% method. Emissions from our electricity consumption are calculated using the emission factors published at <http://www.energinet.dk/>. Emissions

from district heating are calculated based on the most recent emission factor from <http://www.ens.dk/>.

Scope 3: Contains other indirect greenhouse gas emissions from sources that are not owned or controlled by Nykredit, including third-party suppliers, business travel, use of IT providers and emissions from customer lending and investment activities. This category is an optional reporting category. Nykredit has opted to include greenhouse gas emissions in scope 3 for the following sub-categories, see the GHG protocol:

Category 3: Fuel- and Energy-Related Activities:

Nykredit's data are hosted and managed by JN Data. Nykredit's share of JN Data's greenhouse gas emissions are calculated at 10.99%, based on Nykredit's share of the cost of operating JN Data. Actual emissions are determined by applying the methods described in scopes 1 and 2.

Category 6: Business Travel For travel by taxi, calculations are made using emission factors published at www.ens.dk. And for travel by own car, calculations are made using emission data published by Statistics Denmark at www.dst.dk. Emission data on travel by rail are obtained via the Danish State Railways (DSB), and emission data on air travel are obtained directly from our travel agency Egencia. The travel agency uses a determination method that includes emissions from short-, medium- and long-distance flights, respectively. The method is based on the official and international DEFRA standard of the Department for Environment, Food and Rural Affairs.

Category 13: Downstream Leased Assets

Car loans: Emissions from leased passenger cars are calculated by combining a car's fuel consumption (based on Worldwide Harmonised Light Vehicle Test Procedure (WLTP) data for the individual car type) with an estimated annual distance travelled. For car types without WLTP

data, average data for a car in Denmark using the same kind of fuel is used. The estimated distance travelled and average data for a car are provided by the Danish Centre for Environment and Energy (DCE). These emissions are ascribed to Nykredit at 100%.

Category 15: Investments

Finance Denmark's CO₂ model for the financial sector contains methods for estimation of financed greenhouse gas emissions from ten asset classes, with up to five levels of data quality. Nykredit's calculations are based on this model. Nykredit's share of emissions from all lending is scaled according to Nykredit's share of total financing. Unspecified personal lending and investments in government bonds are not included, seeing as no Danish or internationally acknowledged method exists for calculation of the climate footprint of these asset classes.

Lending for buildings: For the main part of the portfolio, financed emissions from mortgage and bank lending for the purchase of buildings are calculated using data on the energy consumption of the buildings available from energy labels provided by the Danish Energy Agency. For buildings without an energy label, a distribution of energy labels is applied for buildings with similar characteristics, such as year of construction, heating source, location and building type. The energy consumption of the buildings is translated into greenhouse gas emissions by applying the emission and energy factors of the Danish Energy Agency.

Mortgage lending to industry and agriculture as well as bank lending to business customers: Emissions from mortgage lending for industrial and large agricultural properties and from bank lending to business customers are calculated using data on the lending and emissions of the respective businesses. Financed emissions are then calculated by assigning to Nykredit its percentage share of the emissions of the respective business, equal to

Nykredit's share of the lending to the business. If no information is available on the specific business, calculations are instead based on average data covering the industry of the business in question from Statistics Denmark. Statistics Denmark provides data on the industry's lending and emissions with a delay of up to two years. Nykredit uses the most recently available data.

Car loans: Emissions from personal car loans are calculated by combining a car's fuel consumption (based on Worldwide Harmonised Light Vehicle Test Procedure (WLTP) data for the individual car type) with an estimated annual distance travelled. For car types without WLTP data, average data for a car in Denmark using the same kind of fuel is used. The estimated distance travelled and average data for a car are provided by the Danish Centre for Environment and Energy (DCE).

In this report, Nykredit's lending is divided into four initiatives: greener owner-occupied dwellings, greener businesses, greener real estate and greener agriculture.

Sustainable owner-occupied dwellings comprise mortgage lending and bank lending for owner-occupied dwellings and personal car loans. Greener businesses include mortgage lending to industry and bank lending to businesses. Greener real estate comprises mortgage lending for public housing, cooperative housing, rental, office and industrial properties and for subsidised housing. Greener agriculture comprises mortgage loans for agricultural properties over 10 hectares and bank lending to agricultural customers.

Listed equities and corporate bonds: The valuation applied in the weighting of companies is based on the Enterprise Value Including Cash (EVIC) method according to the European Banking Authority's technical standards for investment key figures. Climate data are provided by MSCI ESG Research, which provide data on the basis of disclosures from companies and the CDP.

Mortgage bonds: Nykredit has collected data directly from issuers of mortgage bonds for calculation of the climate footprint of this asset class. Data are based on reporting from the capital centres through which the bonds have been issued. The coverage ratio remains relatively low, but dialogue with the issuers has led us to conclude that the ratio will be improved in the years to come.

Derivatives: Derivatives and futures are included if they follow a defined benchmark with underlying identifiable physical assets. This is of particular relevance to Nykredit's hedge funds that hedge investments using derivatives and futures of this kind. This means that the coverage ratio in the funds is low, and therefore, reporting is not relevant. We are working to develop methods in this field.

Alternative investments: The coverage of alternative investments, which in Nykredit comprise infrastructure and private equity, is limited. This means that emission calculations for this asset class are not possible for the time being. We are in dialogue with investment fund managers with a view to receiving the data required for the calculations.

Coverage ratio: Proportion of lending and investment activities included in the calculation.

Emission intensity: Financed emissions divided by lending/investments included in the calculation.

Weighted data quality: Nykredit uses the definitions of Finance Denmark's CO₂ model to determine data quality on a scale of 1-5 for each asset class. The weighted data quality score shows the proportion of lending and investment activities that apply the different calculation methods available in Finance Denmark's CO₂ model.

Total greenhouse gas emissions, operations:

Greenhouse gas emissions from operations are defined as scope 1 + scope 2 + categories 3 and 6 of scope 3. Data thus represent the Nykredit Group's energy consumption, including external IT providers, and consumption data from travel by car, rail and air.

Greenhouse gas emissions per FTE: Total greenhouse gas emissions from operations divided by the number of FTEs at the end of the year. Emissions from operations are defined as scope 1 + scope 2 + categories 3 and 6 of scope 3.

Distribution of energy labels

The proportion of Nykredit's lending distributed by the energy labels of financed buildings. Data on the buildings' energy labels are provided by the Danish Energy Agency. The distribution is benchmarked against the distribution of energy labels of all Danish buildings of the same type, which is available at the Agency's website www.spareenergi.dk.

Sustainable investments

Nykredit applies the terms and methodologies recommended by UNPRI for the purpose of Nykredit's annual reporting to the UNPPRI and other reporting. Nykredit applies the Danish Investment Association's trade recommendation for minimum handling of sustainable investments for reporting at fund level and in our overall reporting.

Data on the sustainability characteristics of issues and issuers: MSCI ESG Research is the main provider of sustainability data used in analyses, both in the investment process and in this report. Sustainalytics is Nykredit's partner when we engage with companies for breach of international standards. Sustainalytics provides supplementary data on the relevant case, along with an assessment of its progress. ISS provides analyses prior

to annual general meetings of public limited companies to be used in voting decisions. They also provide statistical data on voting for this report. Nykredit also applies data sets issued by public authorities or organisations, provided that we deem such data to be reliable. When applying this type of information, we include the source in our reporting.

EU taxonomy-alignment and -eligibility of equities and corporate bonds are determined based on data from MSCI ESG Research. Nykredit has collected the data on mortgage bond issues. Identification is based on the taxonomy of housing, including in particular energy labelling.

Funds with above-benchmark ESG ratings: The proportion of Nykredit's investment funds with an above-benchmark ESG rating. The funds are ESG rated by applying MSCI's ESG rating for companies combined with a method of measuring funds. The ESG rating is the so-called quality score, which is determined by weighting the so-called industry-adjusted score, a score of 1-10 for each company, and then weighting it for the fund and the benchmark, respectively. The benchmark is the official benchmark of the funds, which appears from their prospectuses. The statement does not include funds without a benchmark, nor does it include funds where determination of the fund or its benchmark is not possible. The same data are applied when analysing the fund and the benchmark, respectively.

Nykredit participation in AGMs: The proportion of general meetings in which Nykredit participated, relative to the total number of annual general meetings held in Nykredit's investee companies. A company may hold more than one general meeting a year, and Nykredit may have purchased a position after the general meeting. If so, Nykredit is not entitled to vote, and the annual general meeting will not be included in the statement. In

2020 and 2021, Nykredit voted and collected data for voting purposes via two voting platforms. All votes in Nykredit funds were cast through Glass-Lewis, whereas votes in Sparinvest funds were cast via ISS. Data covering 2019 only concern the Glass-Lewis platform, as the merger between Nykredit and Sparinvest had not been effected at that point. From 2022, Nykredit votes using one common platform for all funds.

Resource consumption

The determination of Nykredit's resource consumption covers the entire Nykredit Group and its subsidiaries: Nykredit Leasing (ownership interest: 100%) and Sparinvest Holdings SE (ownership interest: 78,81%). Data on Nykredit's operations cover the period from 1 October 2021 to 30 September 2022. This reporting period has been selected to enable Nykredit to report climate and environmental data at the beginning of the following year.

Total MWh consumption: Consumption of electricity and heating for most Nykredit Group locations is determined on the basis of automatic data transfers from intelligent electricity meters. However, in a few locations, consumption of heating and water is based on quarterly meter readings or calculations using data from statements prepared by energy companies and landlords. For a few of the customer centres, data on heating are based on consumption data of previous years. If neither a reading nor a statement from a landlord is available for a specific location, consumption will be estimated based on the average consumption of electricity or heating of other Group locations.

Proportion of recycled waste: Proportion of recycled waste relative to total waste. Waste generated by Nykredit's workforce is to varying degrees sorted at the Group's locations. Waste placed in Nykredit's

(designated) containers is registered by the waste management suppliers that also determine waste fractions, expenses and monthly kg/location. The determination of waste comprises combustible waste and recyclable waste. Recyclable waste comprises: electronic waste, iron and metal, paper, cardboard, plastic, bio-waste, batteries, glass and other non-combustible waste. The statement of waste is exclusive of foreign activities. Combustible waste from some of the leased locations is not included in our statistics, as the landlords dispose of the waste via regular (municipal) refuse collection.

Waste per FTE: The total amount of waste generated by Nykredit's workforce divided by the number of FTEs at the end of the year.

Proportion of Nordic Swan Ecolabelled products: The proportion of products/services carrying the Nordic Swan Ecolabel relative to the total purchase of products/services within selected product groups. The product groups are selected in alignment with Nykredit's obligations in Ecolabelling Denmark's network for green procurement.

Responsible business practices

Number of conduct risks: Total number of conduct risks identified in the Nykredit Group.

E-learning and testing in the areas of anti-money laundering, personal data and IT security awareness: The proportion of permanent, temporary and student colleagues who, in 2022, have completed mandatory training and learning in specified areas. Colleagues on leave and long-term absent colleagues are not included in the determination.

People

Indicators from colleague engagement survey: Results of the Nykredit Group colleague engagement survey conducted in October 2022:

- Job satisfaction (index 100)
- Loyalty (index 100)
- Learning and development (index 100)
- In my unit all colleagues have equal opportunities regardless of gender, age, nationality, sexual orientation etc (index 100).

Absence due to illness: The average days of absence due to illness relative to the number of permanent, temporary and student colleagues in 2022. Colleagues' days of absence due to illness include the individual colleagues' absence due to illness, including illness from covid-19. Absence due to illness of children and leave is not included.

Diversity and inclusion

Female managers by management level: Proportion of female managers at each of the Nykredit Group's three management levels

Gender distribution of Nykredit Group managers: Proportion of female and male managers in the Nykredit Group.

Female board representation: The proportion of female members of the Boards of Directors relative to the total number of members of the relevant Board of Directors. Following an amendment to the Danish Financial Business Act, staff-elected board members are no longer included in the count as from 2023. Therefore, Nykredit's calculations for 2022 are prepared inclusive of and exclusive of staff-elected board members and form a basis for future targets and follow-up on those targets.

The UN’s Principles for Responsible Banking

Nykredit signed the UN Principles for Responsible Banking (PRB) in 2019. The six principles for responsible banking are in natural alignment with Nykredit’s current efforts and provide a strong framework for advancing our future corporate responsibility and sustainable development. Our obligations include annual progress reporting on the implementation of the principles. The main conclusions are summarised here, and the full report is included in the [Sustainability Fact Book 2022](#)

Principle	Implementation of the principles
 <p>Alignment</p> <p>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.</p>	<p>Nykredit’s core values include a pledge to society to be active in all of Denmark and contribute to a greener Denmark. As part of our Corporate Responsibility Policy, we have committed to contributing to achieve the UN SDGs and the Paris Climate Agreement. These commitments are incorporated into the Group’s strategy: One of the three strategic objectives is for us to be the customer-owned, responsible financial provider for people and businesses all over Denmark. The objective sets the framework for our regular adjustment of specific business activities so as to ensure that they contribute to meeting society’s goals.</p>
 <p>Impact & targets</p> <p>We will continually increase the positive impact and reduce the negative impact of as well as manage the risks posed by our activities, products and services on people and the environment. To this end, we will set and publish targets for areas with the greatest impact.</p>	<p>Nykredit’s corporate responsibility and sustainability efforts rest on analyses of where we can make the greatest positive and negative impact. Based on a series of key figures, we regularly analyse our impact on Danes’ possibilities of obtaining loans across Denmark and of our ability to maintain active lending – also in times of crisis. In 2022, we particularly addressed Nykredit’s climate impact, which is one of the areas where we have the greatest impact, and as the first Danish systemically important financial institution (SIFI), we joined the <i>Science Based Targets initiative (SBTi)</i>, which provides methodologies for and validates corporate climate ambitions. We also joined the Net Zero Banking Alliance (NZBA), and we have previously set climate targets for our investment portfolio and joined <i>Net Zero Asset Managers Alliance</i>. In 2022, we also set new targets for the proportion of women at all management levels aimed at ensuring that every other management position in Nykredit is held by a woman over time. We expect to continue and increase the depth of these analyses, while at the same time expanding the scope of the impacts we analyse.</p>
 <p>Customers</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable financial activities that create shared prosperity for current and future generations.</p>	<p>We have launched a suite of products and initiatives that will make it easier and more affordable for our customers to make green choices. We have sustainability on the agenda in the dialogue with customers for the purpose of personal banking, business banking and investments. We provide relevant advisers with sustainability training and include ESG risks as a natural part of the credit analysis of all business customers.</p>
 <p>Stakeholders</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.</p>	<p>We are in ongoing dialogue with relevant stakeholders, including business and trade organisations, NGOs, public authorities and politicians, about climate and sustainability, diversity and inclusion, rural districts and lending to specific sections of the population. In 2022, Nykredit entered into partnerships and dialogue with a number of stakeholders to discuss how we best support our customers through the financial challenges expected as a consequence of the war in Ukraine, high inflation etc.</p>
 <p>Governance & Culture</p> <p>We will implement our commitment to these principles through effective governance and a responsible banking culture.</p>	<p>In accordance with the Group’s strategic corporate responsibility objective, we are implementing corporate responsibility and the principles into our governance, organisation, policies, targets, business procedures and conduct. The Group Executive Board has overall responsibility for the implementation. Through our responsible business practices, we are dedicated to building an organisation which is in all functions prepared to act responsibly from a societal perspective and a culture where we openly air, discuss and act on any business dilemmas that may arise in financial business.</p>
 <p>Transparency & Accountability</p> <p>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.</p>	<p>This year we will report on our progress in implementing the UN’s Principles for Responsible Banking for the third time. We will disclose the results of our impact analyses. We calculate the CO₂e footprint of our aggregate lending and investment portfolio. We are periodically reporting and publishing more and broader data in alignment with regulation, international standards, GRI and our endorsement of the UN Global Compact, PRB and PRI.</p>

Commitments and policies governing our efforts

National and international commitments



NET ZERO ASSET MANAGERS INITIATIVE

Policies

- Credit Policy
 - Risk Policy
- Corporate Responsibility Policy
- Credit Policy
 - Valuation Policy
 - Nykredit Group Products Policy
 - Sustainable Investment Policy
 - Green Bond Framework 2020
 - Climate, Energy and Environmental Policy
 - Group Procurement Policy
 - Supplier Code of Conduct
- Policy for the Prevention of Money Laundering, Terrorist Financing and Breach of Financial Sanctions
 - Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime
 - Executive Board guidelines for the prevention of financial crime
 - Whistleblower Policy
 - Operational Risk Policy
 - Credit Policy
 - Nykredit Group Products Policy
 - Data Ethics Policy
 - Corporate Culture Policy
- Diversity Policy
 - Remuneration Policy
 - Freedom of Association Policy



Nykredit

Kalvebod Brygge 1-3
DK-1780 Copenhagen V

+45 70 10 90 00
Nykredit.com



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

*This document is an English translation of the original Danish text.
In the event of discrepancies between the original Danish text and
the English translation, the Danish text shall prevail.*