

2024

Climate Transition Plan



Nykredit

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Introduction

Being a customer-owned financial provider, Nykredit is both committed and uniquely positioned to help solve the challenges faced by society and to make a difference at all times.

In recent years, climate change has posed a significant and growing challenge, and as Denmark's largest lender and a major asset manager, Nykredit has a unique opportunity to make a difference. Therefore, climate change mitigation is directly incorporated into Nykredit's core values as part of our pledge to society: "We will do our best to create a greener Denmark".

Nykredit's ambition is to achieve net zero GHG emissions from our lending, investments and own operations by 2050 and to put emissions on a path that aligns with the goals of the Paris Agreement – also known as Paris alignment. This ambition has been formalised by joining three acknowledged, global initiatives:

- The Science Based Targets initiative (SBTi) – joined in October 2022; validation in June 2024 (covers the entire Nykredit Group)
- The Net Zero Banking Alliance (NZBA) – joined in October 2022 (covers the loan portfolio)
- The Net Zero Asset Managers initiative (NZAM) – joined in March 2021 (covers the investment portfolio).

This climate transition plan describes how Nykredit will proactively pursue our ambition through concrete targets and actions towards 2030.

The focus of the climate transition plan is climate *mitigation*. Nykredit's climate change *adaptation* efforts are described in other contexts.

Nykredit's climate targets

Nykredit's climate transition plan contains the climate targets set for our loan portfolio, investment portfolio and own operations.

The targets are set in accordance with relevant methodologies described in SBTi, NZBA and NZAM. In June 2024, SBTi validated the climate targets set within the framework of SBTi. All of Nykredit's SBTi-validated reduction targets are based on recognised decarbonisation pathways that are compatible with the goals of Paris Agreement of limiting global warming to 1.5°C.

The plan describes the rationale behind each target, the methods used to set the individual target and the progress.

Joining forces with our customers

We cannot achieve our targets alone. More than 99% of the carbon emissions related to the Nykredit Group originate from the activities we finance and invest in. Clearly, by joining forces with our customers, we can take the greatest leap forward.

The key driver of our strategy is to assist our customers in achieving a truly sustainable transition. We want to help our customers and make green choices easier and more cost-effective, thereby accelerating their transition towards a low-emission society.

This way, Nykredit will be a catalyst for change – especially if our customers' other stakeholders follow our lead. Side by side and together with our customers, we can help push Denmark in the right direction.

On the other hand, we also expect the businesses we provide funding to and invest in to promote more sustainable practices for the purpose of reducing emissions and future-proofing their own business model. We integrate these expectations into our customer dialogues, credit assessments, investment processes and policies.

The achievement of Nykredit's targets also depends substantially on external factors such as economic trends, the transformation of the energy sector and the political framework. Particularly, the transition pace of Danish energy production is essential in achieving the targets.

Therefore, a substantial part of our efforts consists in supporting the necessary green transition of global energy production – by financing and investing in the infrastructure and technology that is needed and by setting limits on our financing and investment in the production of fossil fuels, which goes against the direction we need to move in as a society.

Nykredit's climate transition plan delves into the specific initiatives designed to ensure that we achieve our targets.

Responsibility for climate targets and transition plan

The climate targets and transition plan have been approved by Nykredit's Board of Directors. The Group Executive Board has the overall responsibility for following up on Nykredit's climate targets and the plan for achieving them. Status on the climate targets and progress of the transition plan are subject to annual reporting alongside the annual financial statements.



The implementation of the climate transition plan is embedded in the relevant business units, and the tasks of monitoring and developing data and climate targets are the responsibility of the relevant specialist functions. The work is coordinated across these units through Nykredit's ESG unit, which ensures central, cross-Group coordination and prioritisation of Nykredit's sustainability efforts.

Nykredit's climate targets

Nykredit has defined a common framework that includes the Group's climate targets and links them to the overall ambition of reaching net zero emissions by 2050. The targets of the framework are categorised based on the specific part of Nykredit's emissions they address, and together they embrace the key areas of Nykredit's business.

The targets and actions set out in the plan are grouped into six initiatives: *Owner-Occupied Dwellings, Real Estate, Agriculture, Businesses and Energy, Investments and Nykredit* (own operations).

These initiatives address Nykredit's impacts, opportunities and risks related to climate change mitigation.

Net zero by 2050

2030 reduction targets

SBTi validated



Owner-occupied dwellings
70%


(kgCO₂e/sqm/year)

SBTi validated



Real estate
Residential: 70%
Commercial: 70%

(kgCO₂e/sqm/year)




Agriculture
45–55%

(tCO₂e/DKKm)



Businesses and energy
Emissions from electricity and heat production are kept below 10.


(kgCO₂e/MWh)



Investments
Total emissions: 60%

(tCO₂e/DKKm)

SBTi validated



Nykredit
85%

(CO₂e)

Other key targets

Oil- and gas-fired boilers
85% of owner-occupied dwellings will have another heat source than oil or gas-fired boilers by 2025.

Electric cars
50% of new car loans must be for electric cars by 2023-2025.

Transition plans
Corporate clients are expected to have transition plans.

SBTi validated

Transport and manufacturing
75% of emissions from large manufacturing and transport companies must be covered by SBTi-validated targets by 2028.

SBTi validated

Equities and bonds
By 2028, the temperature rating of equities and corporate bonds must be on its way to 1.75°C by 2040.

By 2028, emissions from mortgage covered bonds must be reduced by 44% relative to 2022.

Energy consumption and heating
The total MWh consumption must be reduced by 50% relative to the 2017 level by end-2025.

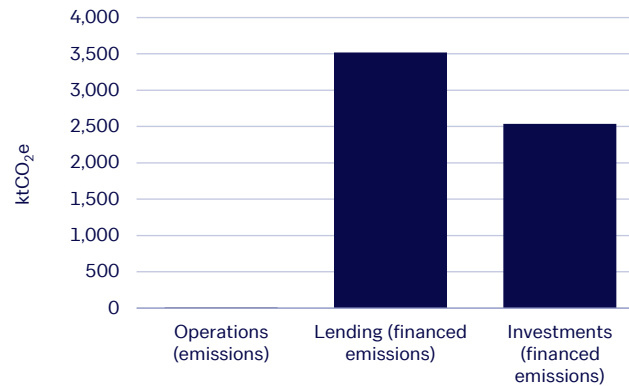
In 2030 no Nykredit locations should be heated with the direct use of fossil fuels.

Carbon emissions

Nykredit's carbon footprint consists of emissions from our own operations and from the activities and assets we finance and invest in.¹ The accounting of Nykredit's carbon footprint forms the basis of our emissions targets and builds on Finance Denmark's Framework for Financed Emissions Accounting (Finance Denmark's CO₂ model), which is based on PCAF's methodologies and the GHG Protocol.

Emissions from Nykredit's own operations account for less than 1% of our total carbon footprint. The last more than 99% of our carbon footprint originates from our lending activities and investments. Lending accounts for 58%, while investments account for 42%. These numbers show that we can make the biggest difference if we join forces with our customers.

The Nykredit Group's emissions



¹ Nykredit's carbon footprint comprises all greenhouse gasses in the GHG Protocol. Numbers and units are therefore expressed in terms of CO₂e (carbon dioxide equivalents). For other mentions, the unit CO₂ is used for ease of reading.

Lending

For the lending portfolio, Nykredit's financed emissions amounted to 3,521 ktCO₂e in 2023. The statement covers DKK 1,231bn in loans, or 86% of Nykredit's total lending in 2023.² The main share (92%) of covered carbon footprint is made up of Owner-Occupied Dwellings, Real Estate and Agriculture, where Nykredit set emission targets in 2022. Nykredit's market shares in Denmark in these areas are equally large.

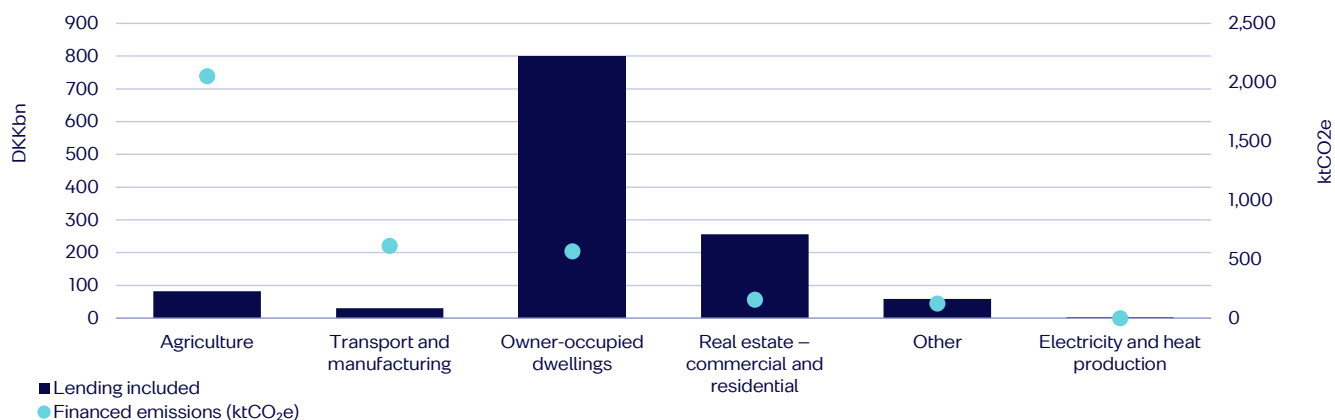
The distribution of financed emissions differs from that of lending as the carbon intensity (carbon emissions per DKK 1 lent) varies between sectors. Agriculture, which represents around 7% of total lending, accounts for around 58% of total carbon emissions from the loan portfolio. However, by far the main part (79%) of Nykredit's carbon footprint from the loan portfolio originates from the three sectors that dominate the loan portfolio: Owner-Occupied Dwellings, Real Estate and Agriculture. The remaining share of the carbon footprint

originates from the category of Transport and Manufacturing, which represents a total of around 17%. In this area, Nykredit has set targets in 2024. In 2024, Nykredit has also set a target of maintaining a low level of emissions from electricity and heat production.

Together, Nykredit's climate targets cover 95% of the calculated loan portfolio and 96% of the financed emissions.

Nykredit's carbon footprint accounting is continuously improved as data and methods develop. Data covering Owner-Occupied Dwellings and Real Estate may not be perfect but represents the best quality data, whereas data covering Agriculture is still inadequate. We therefore expect the levels in these charts to change as data improves. The overall conclusions, on the other hand, are not expected to change.

Financed emissions from loan portfolio by sector



² The category of Owner-Occupied Dwellings comprises the Nykredit Group's portfolio of owner-occupied dwellings and holiday homes. Real Estate comprises the public housing sector, cooperative housing, private rental, offices, retail etc. Together, Owner-Occupied Dwellings and Real Estate comprise all buildings mortgaged to Nykredit in Denmark that, according to Finance Denmark's method for calculating CO₂e emissions, are not classified as agricultural or industrial buildings.

Investments

For the investment portfolio, the Nykredit Group's financed emissions amounted to 2,538 ktCO_{2e} in 2023. The statement covers DKK 481bn, or 87% of Nykredit's total investments in 2023, including the Group's own portfolio and assets under management (AuM).

The disclosure covers the asset classes listed equities, mortgage covered bonds and listed corporate bonds. Other asset classes are not covered due to lack of data.

For listed equities, the disclosure covers DKK 196bn, corresponding to 97% of the total holding of listed equities and 41% of the total AuM included in the calculation. Financed emissions from Nykredit's total portfolio of listed equities amounted to 1,369 ktCO_{2e} in 2023, or 54% of the calculated financed emissions.

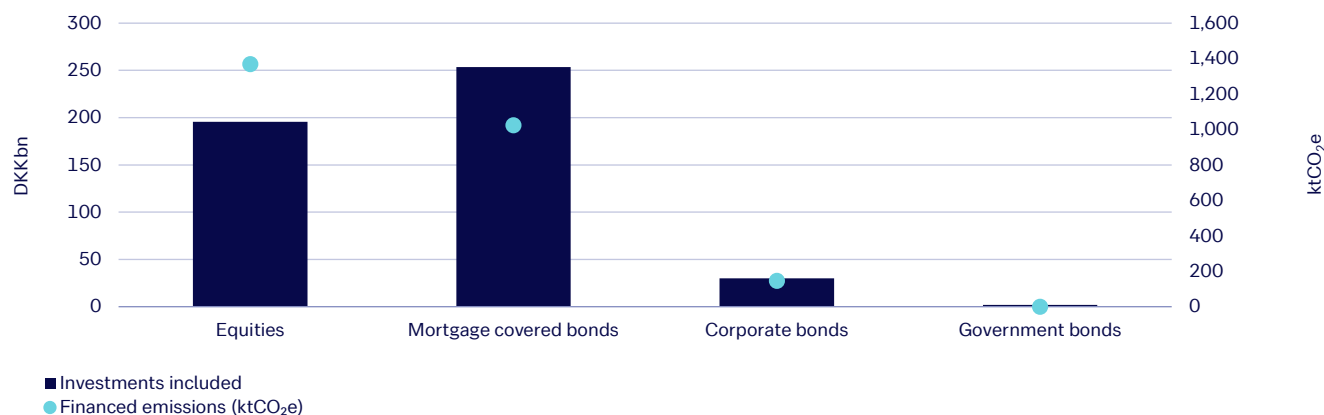
For mortgage covered bonds, the disclosure covers DKK 254bn, corresponding to 93% of the total holding of mortgage covered bonds and 53% of the total AuM included in the calculation. Financed emissions from Nykredit's total holding of mortgage covered bonds

amounted to 1,023 ktCO_{2e} in 2023, corresponding to 40% of the calculated financed emissions.

For listed corporate bonds, the disclosure covers DKK 30bn, corresponding to 85% of the total holding of listed corporate bonds and 6% of the total AuM included in the calculation. Financed emissions from Nykredit's total portfolio of listed corporate bonds amounted to 146 ktCO_{2e}, or 6% of the calculated financed emissions.

Nykredit has an overall reduction target, which covers the entire investment portfolio, and separate targets for mortgage covered bonds, equities and corporate bonds, which cover 100% of the calculated investment portfolio and financed emissions from these asset classes.

Financed emissions from the investment portfolio by asset class



Fossil Fuels Policy

Nykredit's Fossil Fuels Policy plays a key role in our climate transition plan.

Reducing emissions from fossil fuels is a crucial part of society's ambitions to mitigate climate change.

Nykredit is committed to supporting the necessary green transition of global energy production. We expect the companies we finance and invest in to share this commitment.

Against this background, our Fossil Fuels Policy sets the framework for Nykredit's lending to and investment in companies involved in the exploration, extraction or production of fossil fuels.

The basis of the policy is the International Energy Agency's (IEA) Net Zero Emissions by 2050 scenario, which sets out that no new coal mines or oil and gas fields may be

developed and that coals must be phased out of energy production in all OECD countries by 2030.

The policy implies that Nykredit:

- does not provide financing to companies involved in the exploration, extraction or production of fossil fuels – unless it is for separated green activities.
- generally excludes from our investment universe companies that expand their production in violation of the IEA's 2050 scenario.

Like the IEA, Nykredit acknowledges that fossil fuels will play an inevitable role in global energy production for years to come. Nykredit also acknowledges that companies involved in the exploration, extraction or production of fossil fuels today have both an opportunity and an obligation to play an active and positive role in the

green transition by moving their businesses away from fossil fuels and into renewable energy sources.

Nykredit's policy builds on the general principle that companies acting in conflict with the IEA's conclusions will be excluded, but Nykredit still reserves the possibility of financing specific and necessary renewable energy expansions and investing in companies that make massive investments in accelerating the green transition and have a credible Paris-aligned transition plan.

In 2023, following adoption of the policy, Nykredit's exclusion list was expanded to include another 483 companies operating within the oil, gas or coal industries.

Owner-occupied dwellings

The Nykredit Group is the largest provider of loans for owner-occupied dwellings. The green transition of owner-occupied dwellings financed by Nykredit is therefore a key priority for us. The transition will mitigate climate change and potentially safeguard or increase the value of owner-occupied dwellings financed by the Nykredit Group.

Nykredit has set specific emissions reduction targets for owner-occupied dwellings financed by us as well as targets for replacement of oil- and gas-fired boilers and for the share of new car loans used to finance electric cars.

The path to greener owner-occupied dwellings

The key elements in the transition of the building stock in Denmark are:

1. Replacement of individual fossil heat sources (oil- and gas-fired boilers) with greener alternatives (district heating and heat pumps);
2. Reduction of energy consumption (and consequently also GHG emissions) through energy renovations;
3. Greener electricity and district heating, reducing emissions from individual household consumption.

The development in Nykredit's portfolio will be highly correlated with the general development in society. This is due to Nykredit's significant market position and because the transition towards greener electricity and heat production will affect not only Nykredit's customers but also the Danish building stock in general. Therefore, Nykredit's efforts are mainly targeted at helping individual homeowners carry out energy renovations of their homes 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.

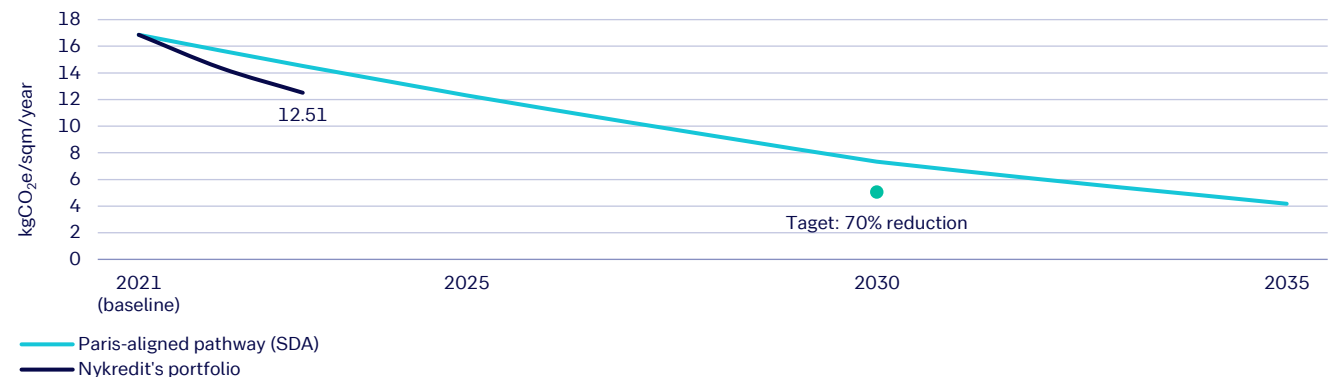
Target setting and progress

Reduction targets for owner-occupied dwellings

The target for emissions from owner-occupied dwellings is set using the Sectoral Decarbonization Approach (SDA), where the portfolio is compared with a Paris-aligned sector development scenario. Nykredit uses SBTi's 1.5°C scenario for residential buildings.

Owner-occupied dwellings

Emission intensity



Nykredit's portfolio is Paris-aligned as long as emissions are on or below the light blue path in the chart above. However, Nykredit expects, based on analyses of Nykredit's own initiatives and the Danish Energy Agency's projections, that the development of Nykredit's portfolio may be faster than this. This is partly due to a decrease in the emission factors for electricity and district heating and the replacement of oil and gas-fired boilers with district heating and heat pumps.

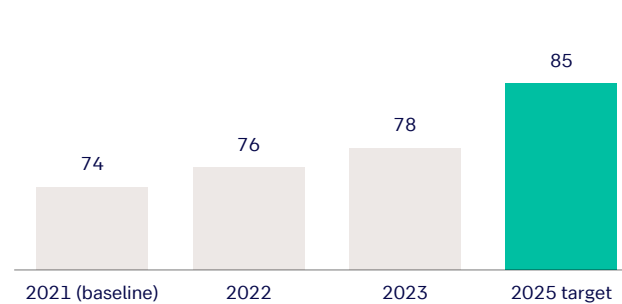
Nykredit has therefore set a 70% reduction target, which is more ambitious than the reduction needed to be Paris-aligned.

The emission intensity has so far fallen at a rate that suggests that the targets can be met. This is due to a positive development in all three underlying factors: the dwellings in Nykredit's portfolio have, in overall terms, become more energy-efficient, part of Nykredit's customers have replaced their oil and gas-fired boilers with greener heat sources, and emissions from production of electric and district heating have decreased.

Replacement of oil- and gas-fired boilers

The target of 85% of all owner-occupied dwellings in Nykredit's portfolio having a heat source other than oil- or gas-fired boilers by 2025 has been set as a target that supports the emissions target for owner-occupied dwellings. This target is also more ambitious than indicated by the climate outlook when the target was set. So far, the development is heading in the right direction, but at a slightly slower pace than expected.

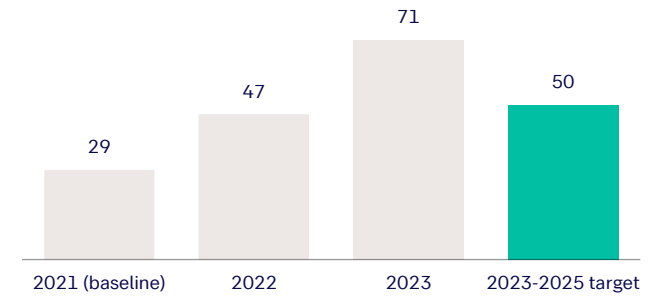
Oil- and gas-fired boilers
Owner-occupied dwellings with another heat source than oil- or gas-fired boilers (%)



Electric cars

The target of having a larger share of new lending for electric cars has been set to support society's transition to more green cars on the roads. The target of allocating more than 50% of all new car loans to electric cars in the period 2023-2025 is significantly above the general level in Denmark when the target was set. In 2023, at 71%, Nykredit was significantly above target; the overall market average was 36%.

Cars
Share of new car loans for electric cars (%)



Approach and key actions

Key elements in the transition of the Danish housing and building stock include replacement of fossil heat sources, energy efficiency improvements and greener electricity and district heating supply. In addition, there is a need for new builds to be as climate-friendly as possible.

In the area of owner-occupied dwellings, Nykredit has particular focus on the first two elements, ie replacement of fossil heat sources and energy efficiency improvements. Here, Nykredit has the opportunity to make a significant difference and address significant impacts.

By having targeted dialogues with customers and offering attractive value propositions and solutions, Nykredit encourages homeowners to make energy efficiency improvements and replace fossil heat sources. Thanks to contributions from the Group's majority shareholder, Forenet Kredit, both Nykredit Bank and Totalkredit have launched products and solutions that support this. The Bank has also launched a special car loan that encourages customers to buy an electric car rather than a traditional car. Nykredit's initiatives also include skills enhancement and learning programmes for Nykredit's banking advisers, enabling them to better integrate sustainability into their dialogue with personal customers when relevant.

At Totalkredit, we have launched an initiative to replace oil- and gas-fired boilers. Customers who want to replace their oil- or gas-fired boiler with a heat pump can get a voucher of DKK 10,000. This is an effective way to improve the carbon footprint of a home and in many cases also its energy label. Nykredit Bank customers are offered green home loans to finance energy efficiency improvements as well as green car loans to finance electric cars. These loans are offered free of up-front fees and at a very attractive interest rate.

Climate targets for owner-occupied dwellings – an overview

Sector	Scope (financed carbon emissions)	Unit of measurement	Base year	Baseline	Progress (2023)	Target year	Target (change compared with baseline, %)	Financed emissions, ktCO ₂ e (% of total emissions from lending)	Lending covered (DKKbn) (% of total portfolio covered)	External frameworks
Owner-occupied dwellings	1 and 2	kgCO ₂ e/sqm/year	2021	16.86	12.51	2030	5.06 (70%)	566 (16%)	798 (65%)	SBTi validated NZBA
- Oil- and gas-fired boilers	-	% (housing with another heat source than oil- or gas-fired boilers)	2021	73.9	81.1	2025	85%	-	-	-
- Electric cars	-	% (new car loans for electric cars)	2021	27	71	2023-2025	50%	-	-	-

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-ups may include or exclude an energy label. Thanks to contributions from Forenet Kredit, homeowners and owners of holiday homes with Totalkredit loans can get a home energy check-up at a discount.

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.



Financing of energy renovation

Goodbye to the oil- and gas-fired boiler

Totalkredit

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

Green savings account

Nykredit

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

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 and at an attractive interest rate.

Discount on heat pumps

Nykredit

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



Financing of electric cars

Green car loan

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 and at an attractive interest rate.

Real estate

Nykredit is one of Denmark's largest providers of real estate finance. The green transition of real estate financed by Nykredit is therefore an important priority for the Group. The transition will mitigate climate change and potentially ensure or increase the value of the real estate financed by the Group.

Nykredit has set specific targets to reduce emissions from real estate financed by us.

The path to greener real estate

The key elements in the transition of the building stock in Denmark are:

1. Replacement of individual fossil heat sources (oil- and gas-fired boilers) with greener alternatives (district heating and heat pumps);
2. Reduction of energy consumption (and consequently also GHG emissions) through energy renovations;
3. Greener electricity and district heating supply, which reduces emissions from individual buildings.

The development in Nykredit's portfolio will be highly correlated with the general development in society. This is due to Nykredit's significant market position and because the transition towards greener electricity and heat production will affect not only Nykredit's customers but also the Danish building stock in general. Nykredit's efforts are 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 by providing funding for renewable energy and the necessary infrastructure.

In the longer term, it will also be necessary to focus on the embodied carbon resulting from the construction of a

building. Today, this is not included in Nykredit's calculations.

Target setting and progress

Targets for emissions from residential buildings and from commercial buildings are set using the Sectoral Decarbonization Approach (SDA). Nykredit uses SBTi's 1.5°C scenario for residential buildings and for service buildings (i.e. commercial buildings).

Nykredit's portfolio is Paris-aligned as long as emissions are on or below the light blue path in the chart below. However, as for owner-occupied dwellings, Nykredit expects, based on analyses of Nykredit's own initiatives and the Danish Energy Agency's projections, that the development may be faster than this. This is partly due to a decrease in the emission factors for electricity and district heating and the replacement of oil and gas-fired boilers with district heating and heat pumps.

Nykredit has therefore set a 70% reduction target for both sectors, which is more ambitious than the reduction needed to be Paris-aligned.

The emission intensity from residential buildings and from commercial buildings has so far fallen at a rate that indicates that the target can be met.

Approach and key actions

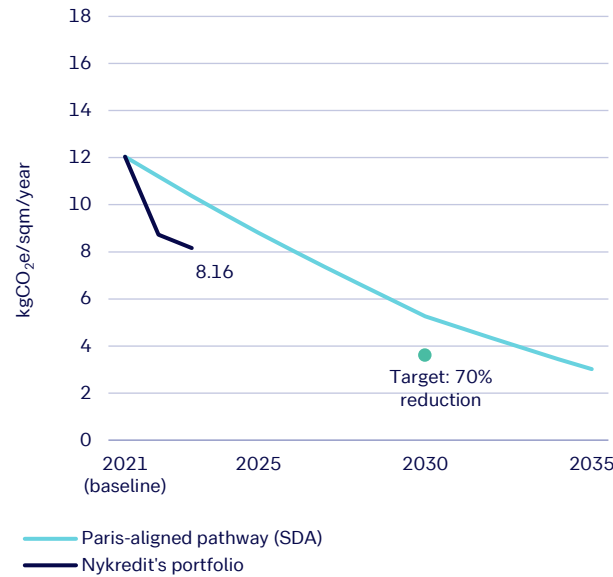
Key elements in the transition of the Danish housing and building stock include replacement of fossil heat sources, energy efficiency improvements and greener electricity and district heating supply. In addition, there is a need for new builds to be as climate-friendly as possible.

In the area of real estate, Nykredit has particular focus on the first two elements, ie replacement of fossil heat

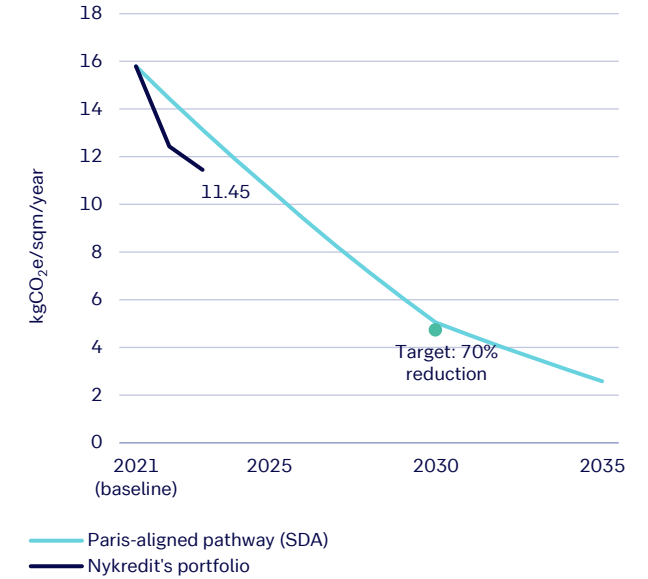
sources and energy efficiency improvements, as well as on climate-friendly new builds. Nykredit has sharpened its focus on ensuring that individual real estate customers have concrete plans to reduce GHG emissions from the buildings in the portfolio. Nykredit expects its largest customers to measure their carbon footprint, set climate targets, implement reduction initiatives and initiate energy labelling of their buildings. These expectations are included both in the dialogue with customers and as an element of credit assessment.

Specifically, Nykredit has also launched a series of initiatives aimed at motivating our customers to get involved in the green transition. Among other things, we will to an increasing extent offer prices and terms differentiated according to a building's energy label. In addition, we offer favourable loan terms for buildings where documentation of energy efficiency improvements is available, just as we offer favourable green financing based on the issuance of green bonds.

Residential buildings
Emission intensity



Office and retail buildings
Emission intensity



Climate targets for real estate – an overview

Sector	Scope (financed carbon emissions)	Unit of measurement	Base year	Baseline	Progress (2023)	Target year	Target (change compared with baseline, %)	Financed emissions, ktCO ₂ e (% of total emissions from lending)	Lending covered (DKKbn) (% of total portfolio covered)	External frameworks
Commercial buildings	1 and 2	kgCO ₂ e/sqm/year	2021	15.79	11.45	2030	4.74 (70%)	81 (2%)	84 (7%)	SBTi validated NZBA
Residential buildings	1 and 2	kgCO ₂ e/sqm/year	2021	12.04	8.16	2030	3.61 (70%)	76 (2%)	118 (10%)	SBTi validated NZBA



Nykredit's expectations for business customers' transition plans

Concrete plans for how the individual real estate customer will work to reduce greenhouse gas emissions from the buildings in their portfolio are a good indicator of whether the customer addresses the risks that the green transition entails. Therefore, we are engaging actively with our customers and have laid down stricter credit assessment procedures, placing particular emphasis on whether our largest business customers have transition plans in place.

Based on the total scope of plans among the real estate customers in our portfolio, we can determine whether Nykredit is moving towards a lower-emission portfolio. We go one step further by helping our customers plan specific energy renovation projects and 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.

Agriculture

Nykredit is one of Denmark's largest lenders to Danish agriculture. The green transition of agriculture is therefore an important priority for Nykredit. The transition will mitigate climate change and potentially future-proof customers' operations.

We have set a policy based target to reduce emissions from farms financed by Nykredit.

The path to greener agriculture

The green transition of agriculture is one of the biggest challenges in terms of 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 34% of total Danish GHG emissions in 2023. A broad political agreement on the green transition of Danish agriculture from 2021 sets a target of a 55-65% reduction of emissions from the sector by 2030 (the Agriculture Agreement). The primary focus of the agreement is to achieve the necessary reductions through higher efficiency, technological development and withdrawal of low-lying land areas from agricultural use. To realise the aims of the agreement, the government has set up a green tripartite, which in 2024 has tabled a number of proposals expected to have a significant impact on agricultural farms, including Nykredit's customers. Nykredit's climate targets and initiatives will be revisited regularly in light of political developments in the area.

Due to Nykredit's strong market position, GHG emissions from Nykredit's agricultural portfolio are expected to be closely correlated with the general development in society. This is also why Nykredit's 2030 target for the agricultural portfolio is linked directly to the political objective. Our efforts include driving progress, financing green initiatives

at individual farms and offering solutions that may help support the sector's overall green agenda.

Target setting and progress

As of now there are no Paris-aligned decarbonation pathways or guidelines for setting emissions targets for agriculture from SBTi for the financial sector. Therefore, Nykredit's climate target for agriculture has initially been set based on current national policy targets for the area. The target is therefore *policy based* and not *science based*. Nykredit currently calculates carbon emissions from agricultural farms in the portfolio based on a total average for the agricultural sector from Statistics Denmark, which is in accordance with the standards of Finance Denmark's CO₂ model. This means that Nykredit is currently only able to set targets based on this average data. As emissions are calculated based on an average for the agricultural sector, Nykredit cannot at this time monitor the development of individual customers. Nykredit seeks to be able to use data at farm level via a partnership with SEGES on the ESGreenTool.

At the same time, Nykredit is planning to develop a more precise and accurate reduction target for agriculture when methods and data have matured sufficiently.



The Agriculture Agreement includes a target of reducing emissions by 55-65% by 2030 from a 1990 baseline. Based on data from the Danish Energy Agency's climate outlook, this ambition can be translated into a need to reduce emissions by around 45-55% by 2030 from 2021, which is Nykredit's baseline year. Nykredit expects and is committed to ensuring emissions reductions in the Nykredit Group's agricultural portfolio at the speed required to meet the political target, and therefore, Nykredit has set a similar target. It is noted that under the political agreement, the vast majority of the reductions must be found after 2025. Nykredit's portfolio should thus be expected to follow a similar pathway.

Emissions from agriculture at societal level have increased slightly since 2021. This is also reflected in Nykredit's emission intensity, which has so far increased marginally.

Approach and key actions

The agricultural sector has set its own target of carbon neutrality by 2050, and a broad political agreement has been concluded on specific reduction targets for GHG and nitrogen emissions to be reached by 2030. Nykredit supports these ambitious targets and wants to help more farmers make choices that support a greener Denmark, and we will be working with the agricultural sector to reach the political goals and the ambitious 2050 target.

More specifically, 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 assessment process. We are part of a partnership aiming to prepare farmers for the green transition through increased use of data. Our advisory services and financing are designed to 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, just as they must have clear plans for further development. We offer all agricultural customers free access to the climate tool ESGreenTool if they prepare a climate action plan. In 2024, Nykredit has raised expectations for the largest agricultural customers which must be able to present a climate action plan. At the same time, the individual farming business's approach to sustainability matters forms an integral part of our overall credit assessment.

Climate targets for agriculture – an overview

Sector	Scope (financed carbon emissions)	Unit of measurement	Base year	Baseline	Progress (2023)	Target year	Target (change compared with baseline, %)	Financed emissions, ktCO ₂ e (% of total emissions from lending)	Lending covered (DKKbn) (% of total portfolio covered)	External frameworks
Agriculture	1 and 2	tCO ₂ e/DKKm	2021	24.34	24.95	2030	13.39-10.95 (45-55%)	2,052 (58%)	82 (7%)	-



More attractive to disclose climate action plan using free climate tool

ESGreenTool is a climate tool jointly developed by our majority shareholder, Forenet Kredit, and SEGES, a knowledge and innovation house of the agricultural sector, which aims to provide farmers with tools and knowledge to be used to find a viable and documented effective path forward in the green transition. The tool supplements the industry-specific initiatives that for instance Arla and Danish Crown have initiated for their dairy and meat producing members, respectively. Nykredit offers all agricultural customers free access to ESGreenTool in 2024 and 2025 if they prepare a climate action plan. This is possible thanks to our mutual ownership structure. A climate tool of this kind is a prerequisite for the individual farmer to document the effect of the farmer's climate initiatives and find out how a farm's emissions can be reduced as much as possible. Therefore, we want to make it easy and attractive for our customers to use the tool so that they can initiate a climate action plan and make their green efforts visible.

Businesses and energy

The green transition requires massive investments in renewable energy and infrastructure, the development of green solutions and corporate initiatives to reduce GHG emissions – not least among transport and manufacturing companies, which generally have large carbon footprints.

In 2020, the financial sector's climate partnership estimated that businesses' investment need in relation to electricity generation and distribution, energy efficiency and green industrial transition etc will amount to at least DKK 350bn towards 2030. This will require financing, which Nykredit can provide.

We have set a target to maintain low emissions from the energy production financed by Nykredit, as well as targets for the proportion of transport and manufacturing companies in the portfolio that have set SBTi-validated targets.

The path to greener energy and businesses

Expanding energy and infrastructure assets is essential in Denmark's transition towards reaching the political targets by 2030. Investment in renewable energy, distribution systems and alternative energy sources is part of the solution to the current energy crisis. These investments, including in technologies such as solar energy, wind energy, district heating etc, play a crucial role in creating a more independent energy sector better prepared to mitigate any market shocks caused by external factors.

At the same time, there is a need for individual businesses, not least in the manufacturing and transport sectors, to transform its production so that it emits less carbon. This requires long-term investments in the development and implementation of new technology and new products as well as adaptation of the value chain.

Nykredit's commitment involves securing financing which is tailored to the market and regulatory conditions of the transition in the individual sector, while at the same time supporting customers' development and business plans that help accelerate the green transition.

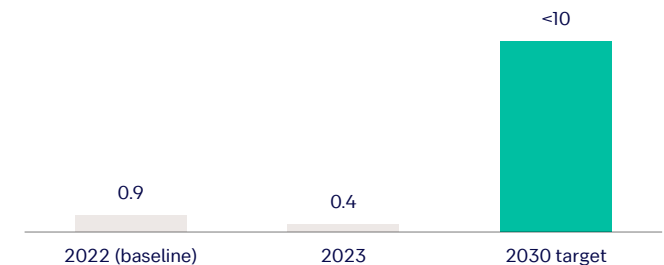
Target setting and progress

Electricity and heat production

Emissions from electricity and heat production financed by Nykredit are notably low because our financing predominantly supports renewable energy and district heating production with a high proportion of renewable energy. Specifically, emissions in 2022 were 0.89 kgCO₂e/MWh. Nykredit is also committed to financing renewable energy in the future and has therefore set a target that embodies this aspiration. Specifically, the target stipulates that by 2030, emissions must not exceed 10 kgCO₂e/MWh, which is far below the average emissions from electricity and heat production in Denmark.

The target has been set based on SBTi's methods but has not been validated because it constitutes a very small part of Nykredit's total loan portfolio. The target only includes large companies.

Electricity and heat production
Emissions (kgCO₂e) per MWh of produced energy



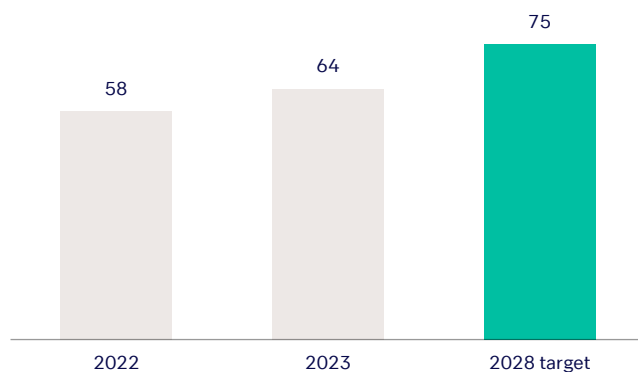
Transport and manufacturing

The target for transport and manufacturing has been set according to SBTi's Portfolio Coverage method. It is a target for how large a proportion of financed carbon emissions from transport and manufacturing businesses in Nykredit's loan portfolio is covered by SBTi-validated targets.

The Portfolio Coverage Approach means that the target must follow a linear path to 100% by 2040 from the baseline. At 58% in the baseline year 2022, this means that a minimum of 72% must be covered by 2028. Nykredit has set a target of 75% by 2028, thus exceeding the SBTi requirement.

Transport and manufacturing

Share of financed emissions covered by SBTi-validated targets (%)



The target covers customers in transport and manufacturing, the most emission-intensive sectors in the Group's portfolio. Together, they accounted for 93% of Nykredit's financed emissions from large companies in 2022. Seeing as SBTi-validation is less relevant for small businesses, the target only covers large companies.



Approach and key actions

Nykredit's key contribution is to provide green transition financing for large and small businesses. Therefore, we are constantly developing our core business, mortgage lending, as well as our other products and advisory services to best support our customers in their transition.

Nykredit strategically evolves our commitment to the development of renewable technologies both in the short and long term. We develop financing and value propositions that are adapted to the often specialised market and regulatory conditions applying to the individual technology. As described in the sections on owner-occupied dwellings and real estate, the shift towards more green electricity and heat production is essential in the transition of the Danish housing and property stock. Today, Nykredit predominantly finances green electricity and heat production, and we are committed to not only maintaining but also expanding our

financing in this area. This commitment is echoed in the Group's targets for this area.

Nykredit's Fossil Fuels Policy ensures that Nykredit cannot provide direct financing for the establishment of new energy production from fossil fuels and can only finance companies where more than 5% of the revenue comes from fossil-based energy production, provided that they have a credible plan for phasing out energy production from fossil fuels.

We are developing value propositions designed to assist small and large business customers in creating transition plans, financing their transition and reporting on their progress, and in 2024 we have launched Incept Sustainability, a learning platform tailored to SMEs.

At the same time, our credit assessment of business customers provides the basis for our dialogue with the individual customer. This allows us to understand how the business is addressing the challenges and opportunities arising from climate change and other sustainability-related issues.

Nykredit expects our largest customers in transport and manufacturing, which constitute the most carbon-intensive sectors in the Group's portfolio, to measure their carbon footprint, set reduction targets and implement reduction initiatives. These expectations are included both in the dialogue with customers and as an element of credit assessment.

Climate targets for businesses and energy

Sector	Scope (financed carbon emissions)	Unit of measurement	Base year	Baseline	Progress (2023)	Target year	Target (change compared with baseline, %)	Financed emissions, ktCO ₂ e (% of total emissions from lending)	Lending covered (DKKbn) (% of total portfolio covered)	External frameworks
Electricity and heat production (large companies)	1 and 2	kgCO ₂ e/MWh	2022	0.89	0.38	2030	<10	0.3 (0%)	3 (0.2%)	NZBA
Transport and manufacturing (large companies)	1 and 2	% (financed CO ₂ e with approved SBTi targets)	2022	58	63.8%	2028	75%	612 (17%)	30.4 (2.5%)	SBTi validated NZBA

Investments

The path to greener investments and businesses

Nykredit has an overarching ambition of achieving a net zero investment portfolio by 2050. This ambition was formulated in connection with our joining the Net Zero Asset Managers initiative and encompasses our entire investment portfolio.

We are dedicated to facilitating the green transition across sectors and asset classes. If we are to succeed in achieving carbon neutrality in the investment portfolio by 2050, our investee companies must make real progress. At Nykredit, we do not want to achieve our targets through exclusions alone. Therefore, the transformation of our investment companies is absolutely essential. We seek to contribute to this through continuous dialogue, both directly and through international investor collaboration initiatives.

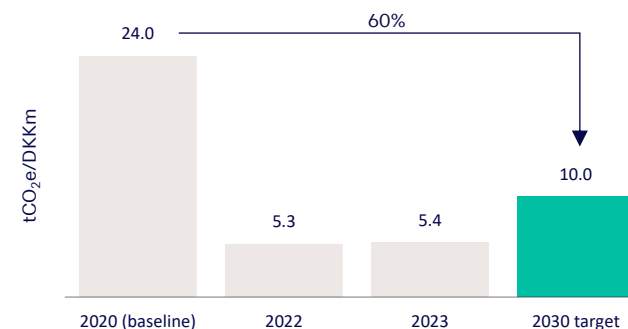
Target setting

To ensure that Nykredit can achieve our long-term ambition of a carbon neutral investment portfolio, we have set several short- and medium-term targets and ambitions, which can be divided into the following categories: carbon reduction, transition, temperature rating and sector-specific targets.

Reduction target

Nykredit's carbon reduction target has been set as part of our commitment to the Net Zero Asset Managers initiative (NZAM) and applies across all asset classes. Nykredit will reduce its carbon footprint from scope 1 and 2 emissions from the total investment portfolio by 60% from 2020 to 2030.

Total investment portfolio
Emission intensity



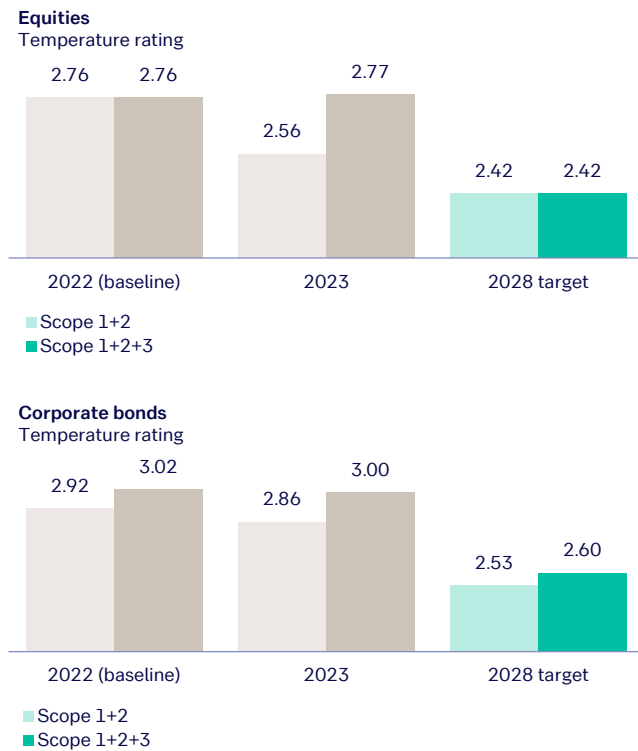
Transition

Nykredit has set a transition ambition as part of our commitment to NZAM. The ambition also applies to our total AuM and follows the guidelines of the Net Zero Investment Framework (NZIF). The NZIF serves as a framework tool for the development of a concrete path to achieve real transformation. Nykredit's ambition is that 70% of the financed emissions in high-intensity sectors can be classified as either "achieving" or "aligned", or that they must be subject to engagement. By the end of 2030, this proportion must have risen to 90%. Nykredit is currently in the process of developing the specific method for achieving this.

The ambition of transition is one of the cornerstones of the commitment that Nykredit has entered into in connection with NZAM. It is considered to be absolutely essential to the goal of achieving real carbon reductions.

Temperature rating targets

Nykredit has set so-called temperature rating targets, which were approved by SBTi in 2024. The targets apply to listed equities and corporate bonds and mean that externally validated targets have been set for the expected temperature rise of the portfolios. Temperature rating targets have been set for both scopes 1+2 and 1+2+3 for listed equities and corporate bonds with a 2022 baseline. For listed equities, both scopes 1+2 and 1+2+3 are subject to a reduction from 2.76°C to 2.42°C. For listed corporate bonds, scopes 1+2 and 1+2+3 are subject to a reduction from 2.92°C to 2.53°C and from 3.02°C to 2.53°C, respectively.

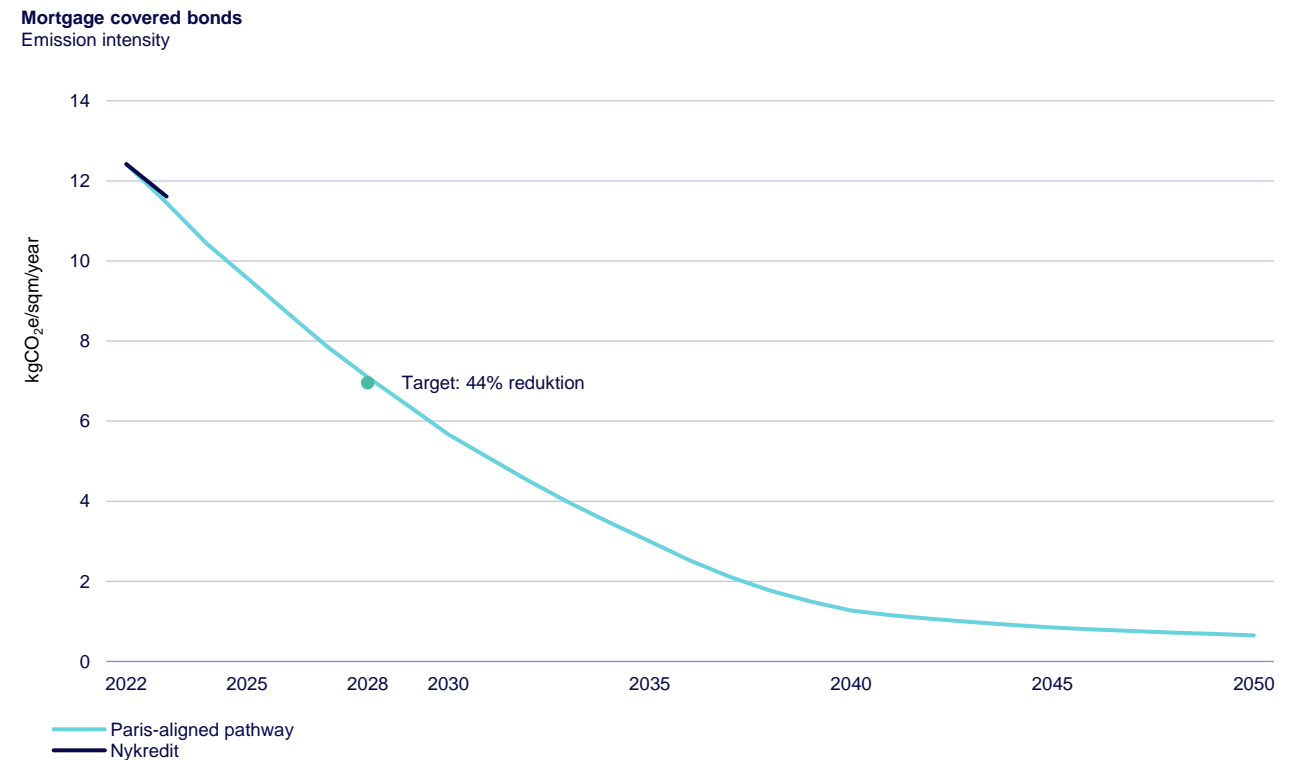


The methodology behind the calculation of SBTi's temperature rating has been developed in a collaboration between CDP and WWF. Here, the individual companies' carbon reduction targets are translated into a single data point: temperature rating. This data point makes it possible to compare the global temperature increase with the companies' ambitions.

Target for mortgage covered bonds

Nykredit has set a sector-specific target for mortgage covered bonds, which has also been approved by the SBTi.

For mortgage covered bonds, Nykredit has chosen to use SBTi's Sectoral Decarbonization Approach (SDA) for buildings, where the emission intensity is to be reduced by 44% per financed square metre by 2028 compared with 2022.



Key actions

Nykredit is working on several fronts with concrete initiatives to reduce customers' climate risks and achieve the climate targets:

Exclusions

Nykredit has integrated the Paris Agreement into its Sustainable Investment Policy and made climate-related exclusions since 2018. In 2022, Nykredit decided to systematically exclude companies involved in the extraction of thermal coal, unconventional oil and gas, and oil and gas from Arctic drilling operations as well as coal-based energy production. In 2023, building on the International Energy Agency's Net Zero Emissions by 2050 scenario, Nykredit resolved to exclude companies involved in the extraction of oil and gas from drilling operations approved after 2021. For both policies, companies with a credible transition plan may be exempted. At the end of October 2024, 22 companies were exempt, while 782 companies had been excluded.

Engagement and voting

Nykredit continuously engages with companies about their green transition. Such engagement is prioritised according to the sectors with the most significant risks and where Nykredit can most realistically make its voice heard. Nykredit engages with companies alone and also participates actively in climate-focused engagements through Climate Action 100+ and Net Zero Engagement Initiative (NZEI). When Nykredit finds it relevant to engage with a company but cannot do so independently or collaboratively with other investors, Nykredit may appoint a third-party service provider to facilitate the engagement. The objective of engagement differs depending on the company's sector and specific climate challenges, and engagement may be escalated in alignment with Nykredit's active ownership policy.

At the same time, Nykredit has a policy of voting at all general meetings and a voting policy that incorporates climate considerations.

Product offerings

The Nykredit Group aims to support customers in making green choices. Therefore, Nykredit also offers its investment customers a wide range of products that address climate and sustainability risks and opportunities. Some of these products comply with the EU Benchmark Regulation's guidelines for Paris-aligned benchmark products, which require annual emissions reductions in line with the targets of the Paris Agreement. Forenet Kredit supports customers in this process by covering the trading commission on investment in selected sustainable products.

Climate targets for investment – an overview

Asset class Covered by target	Scope (financed carbon emissions)	Unit of measurement	Base year	Baseline	Progress (2023)	Target year	Target (change compared with baseline, %)	CO ₂ e emissions, ktCO ₂ e	Investments covered, DKKbn	External frameworks
Total investment portfolio	1 and 2*	tCO ₂ e/DKKm	2020	24	5.4	2030	10 (60%)	2,538	481	NZAM
Mortgage covered bonds	1 and 2*	kgCO ₂ e/sqm/year	2022	12.42	11.61	2028	6.95 (44%)	1,023	253	SBTi validated
Equities	1 and 2	C°	2022	2.76	2.56	2028	2.42	1,369	196	SBTi validated
Equities	1, 2 and 3	C°	2022	2.76	2.77	2028	2.42	9,311	195	SBTi validated
Corporate bonds	1 and 2	C°	2022	2.92	2.82	2028	2.53	146	30	SBTi validated
Corporate bonds	1, 2 and 3	C°	2022	3.02	3	2028	2.60	974	30	SBTi validated

Net Zero Investment Framework (NZIF)

Nykredit uses NZIF's alignment maturity scale as a foundation for determination and selection of companies. The NZIF provides a methodology for classifying companies according to its alignment maturity scale. The companies can be categorised into five groups:

- **Not aligning:** Companies that have not yet committed to a carbon reduction aligning with the global net zero emissions target.
- **Committed to aligning:** Companies that have committed to a long-term carbon reduction target in alignment with the global net zero emissions target.
- **Aligning to a net zero pathway:** Companies that have set science based targets and have a carbon reduction plan, but whose emissions are not yet in alignment with a relevant net zero pathway.
- **Aligned to a net zero pathway:** Companies that have set science based targets and have a carbon reduction plan and whose emissions are in alignment with a relevant net zero pathway.
- **Achieving net zero:** Companies that already have and are expected to continue to have net zero emissions.

Ticks represent instances where a criterion is required to be met in order to qualify for a specific "alignment" category.

	Not aligning	Committed to align	Aligning to a net zero pathway	Aligned to a net zero pathway	Achieving net zero
Companies whose emissions align with sector-specific requirements and a regional pathway towards net zero by 2050, and whose business model will sustain this level of emissions performance.					✓
Emissions performance: Current absolute or emissions intensity is at least equal to a relevant net zero pathway.				✓	✓
Capital allocation alignment: A clear demonstration that capital expenditures are consistent with a relevant net zero pathway.				✓	✓
Decarbonisation strategy: A quantified set of measures exists to achieve short- and medium-term science based targets by reducing GHGs and increasing green revenues, when relevant.			✓	✓	✓
Disclosure: Disclosure of operational scope 1, 2 and material scope 3 emissions.			✓	✓	✓
Targets: Short- and medium-term science based targets to reduce GHG emissions.			✓	✓	✓
Ambition: A long-term reduction target consistent with the global goal of achieving net zero by 2050.		✓	✓	✓	✓

Operations

With more than 4,000 people and 42 locations, the Nykredit Group leaves a substantial climate and environmental footprint. Emissions from Nykredit's own operations account for less than 1% of our total carbon footprint. Nykredit has nevertheless set out to reduce emissions from our operations, because it is important for us to "put our own house in order".

Nykredit has set specific targets for emissions from our operations (scopes 1 and 2), for Nykredit's energy consumption and for the number of fossil heat sources.

Target setting and progress

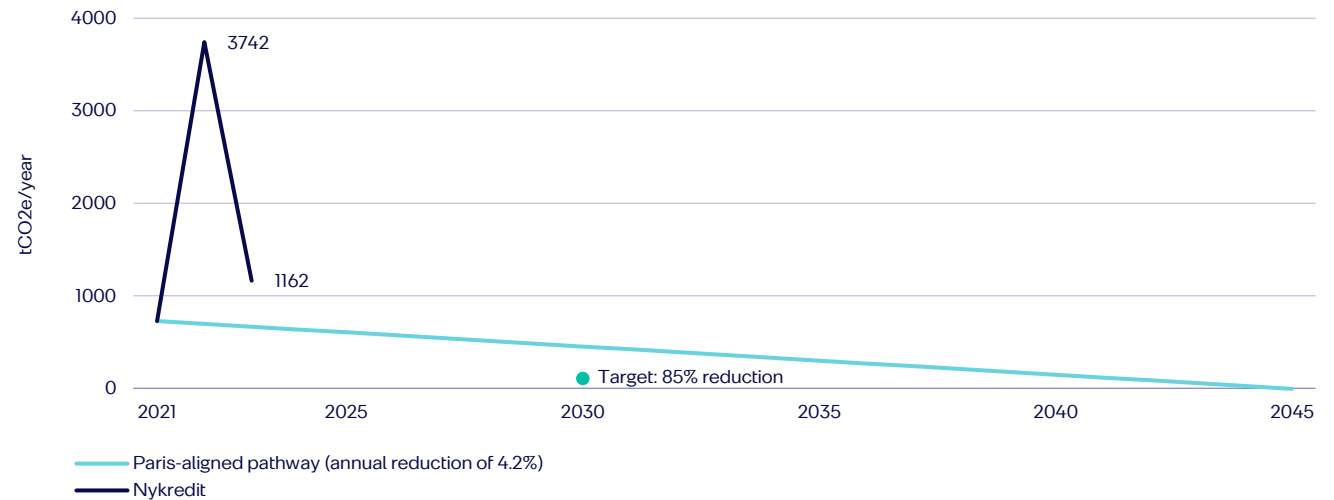
Carbon reduction

The target for Nykredit's operations has been set using the SBTi "Absolute Emissions Contraction" approach, where emissions must at least follow a linear reduction of 4.2% annually to be Paris-aligned. At this reduction pace, Nykredit's operations will be net zero by 2045. However, our analyses show that we can reduce our

emissions significantly faster than the annual requirement of 4.2%. This is partly due to the effect of greener district heating towards 2030, and partly to the initiatives launched by Nykredit during the same period aimed at phasing out natural gas from Nykredit's locations, relocating to new headquarters etc. To this end, Nykredit has set an 85% target reduction of emissions from scopes 1 and 2 by 2030, equal to an average annual reduction of 9.5%.

In 2022, calculated carbon emissions surged as Nykredit switched to solar-based power via a Power Purchase Agreement (PPA) collaboration with Better Energy and for some time ceased buying renewable energy certificates (RECs), previously the means to ensure green power in Nykredit. In 2024, Nykredit's operations are again on course to reach the 85% reduction target, because the PPA is now fully phased in.

Operations



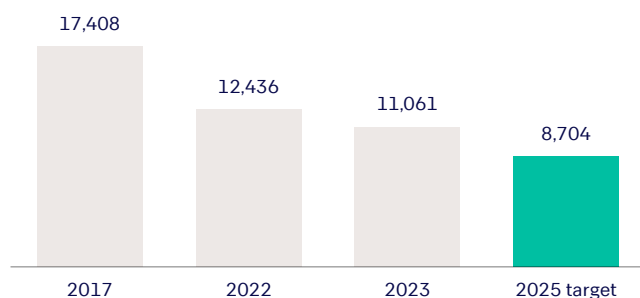
Energy consumption

Reducing energy consumption is a key element in reducing emissions from operations. Therefore, Nykredit has set a target of reducing energy consumption by 50% from 2017 to 2025. When set in 2017, the target was 25%, but as it was already met in 2022, this target has been adjusted upwards. Nykredit has continuously lowered its overall energy consumption as a result of energy efficiency initiatives and office space reductions. Moving to new headquarters in 2024 will have a significant impact on our future total annual energy consumption. Consequently, we expect to meet our target.

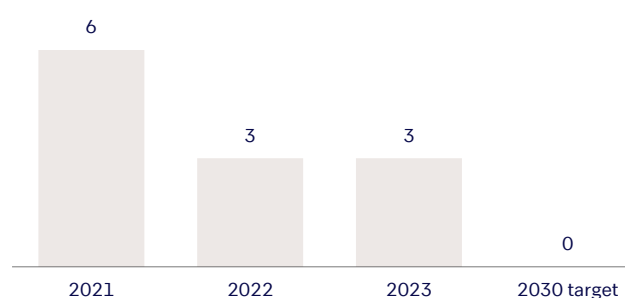
Heat sources

Nykredit has set a target that no locations will be heated with fossil heat sources such as oil and natural gas by 2030. In 2024, half of the original six locations have replaced their fossil heat sources, and replacement is planned at one more of Nykredit's locations.

Total MWh consumption



Locations heated with the direct use of fossil fuel sources



Climate targets for operations – an overview

	Scope (carbon emissions)	Unit of measurement	Base year	Baseline	Of which scope 1/2	Status 2023	Target year	Target (change compared with baseline, %)	External frameworks
Total operations (CO ₂ e)	1 and 2	tCO ₂ e	2021	727	191/536	1,162	2030	105 (85%)	SBTi validated
Heat sources	1	Number (Scope, heat source)	2021	6	-	3	2030	0 (100%)	-
Total operations (energy consumption)	2	MWh	2017	17,408	-	11,061	2025	8,704 (50%)	-

Approach and key actions

Emissions from Nykredit's operations (scopes 1 and 2) are divided into power consumption, district heating, natural gas for heating and fuel for cars. Nykredit's reduction targets are to be achieved through a series of initiatives. The estimated effect of the individual initiatives is illustrated in the chart below.

Phasing out natural gas: Phasing out natural gas will reduce emissions in scope 1. Heat consumption will be replaced by district heating or, in areas where there are no plans to introduce municipal district heating, heat pumps.

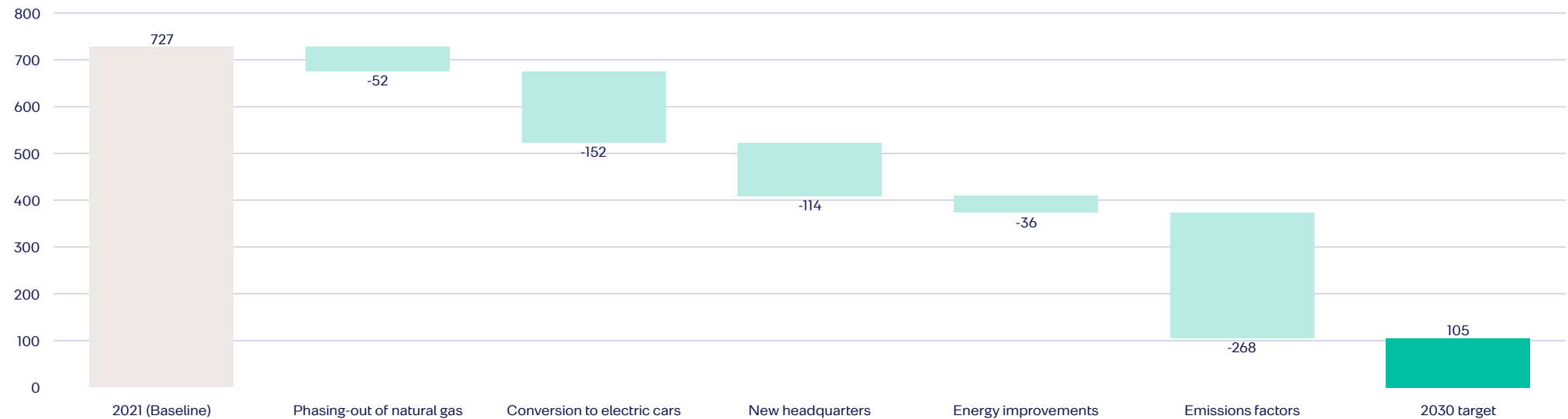
Transitioning fuel from fossil-based to electricity: Nykredit can reduce scope 1 emissions by only having electric company cars. The fuel will be electricity generated from solar energy secured through a Power Purchase Agreement (PPA).

New headquarters: In 2024, Nykredit has combined three headquarter locations into one, new headquarter. This has led to significant reductions in office space and energy optimisation.

Energy efficiency: Nykredit is continually improving the energy efficiency of its offices and expects these improvements to result in reductions every year.

Changed emission factors for district heating: A higher share of renewable energy in the district heating supply, which is beyond Nykredit's direct control, will further contribute to the annual reductions. Projections of emission factors for district heating come from the Climate Status and Outlook 2024 published by the Danish Ministry of Climate, Energy and Utilities.

Initiatives aimed at achieving climate targets for operations



Nykredit's actions – an overview

The key elements of Nykredit's climate transition plan towards 2030 are shown below.

It is the sum of these actions that will enable us to fill our role in achieving Nykredit's own and society's ambitious targets. Nykredit's actions in the areas of lending and investment can be divided into four types:

Value propositions. We provide loans for and invest in assets that contribute to the green transition and offer green benefits that incentivise customers to make green choices.

Policies and terms. We prepare policies, prices and product terms that reflect Nykredit's ambitions and climate-related risks.

Involvement. We enter into proactive dialogue with customers about their green transition plans and need for financing. Nykredit exercises active ownership of investee companies.

Stakeholders and partnerships. We collaborate with industry organisations, NGOs, authorities and other stakeholders on solutions and activities that promote climate change mitigation.

Cross-organisational initiatives

In addition to initiatives directly tied to Nykredit's specific sub-targets described previously, we also have cross-organisational initiatives that support our climate change mitigation efforts. These initiatives are:

Risk management

Climate-related risks affect Nykredit's customers and counterparties as well as invested assets and security backing Nykredit's lending. Therefore, we continuously identify, assess and manage climate-related risks as an integral part of the management of traditional types of risk, which is described in more detail in the annual Risk and Capital Management report.

To this end, Nykredit has developed a tool designed to manage climate-related risks for Nykredit's business and agricultural customers, allowing banking advisers to classify customers' ESG risks into climate-related risks (E) and integrity (S and G). If a company is classified with high ESG risk, our banking advisers are required to further account for the customer's creditworthiness, as we assume that a customer's profitability in the long term will be negatively affected by ESG risk. Climate-related risks are determined in the tool based on a customer's current situation and awareness of climate-related risks.

Nykredit also continuously addresses risks at portfolio level, through stress tests and analyses of selected parts of the portfolio etc. We aim to ensure that our products meet all internal and external sustainability standards, so that both customers and investors can rest assured that greenwashing does not occur in our products, investments or practices.

On the investment side, Nykredit regularly analyses companies in our investment portfolio (own portfolio and AuM) that hold or insure assets with risks associated with rising temperatures or sea level rise, as well as companies with transition risks, i.e. exposure to the regulatory and economic consequences of the transition to net zero emissions by 2050.

Learning programmes

The area of sustainability is constantly evolving with new technology and legislation. Therefore, Nykredit is committed to providing ongoing sustainability and climate learning programmes to our employees to ensure they have the best foundation to tackle new challenges and tasks pertinent to their job function.

We offer basic sustainability e-learning to all employees and managers at Nykredit. At the same time, training programmes have been developed that are aimed at employees in specific job functions in Nykredit, including all customer-facing employees in business banking, the majority of customer-facing employees in personal banking and employees in Nykredit's CRO division.






Data

Nykredit's efforts in the areas of climate and the green transition build on a solid and reliable foundation of knowledge and data. Good and reliable data is an important prerequisite for ensuring that Nykredit and our customers can progress in the desired direction and that we can analyse and manage climate-related risks and assist and make demands on our customers.

Strengthening data availability and data quality is therefore a focus area for Nykredit. We aim to strengthen our data basis through intensive coordination across Nykredit and by initiating IT support for relevant solutions and engaging in collaborative efforts for sector-wide solutions, especially e-nettet. Furthermore, we have entered into partnerships with relevant actors that can support both Nykredit's and our customers' data-related efforts. Examples are the climate tool ESGreenTool developed with SEGES for agricultural farms and Nykredit's partnership with Validified for agricultural and SME customers, respectively.



Initiatives under the climate transition plan – an overview

	 Owner-occupied dwellings	 Real estate	 Agriculture	 Businesses and energy	 Investments
Value propositions	<ul style="list-style-type: none"> • Green savings account • Green home loans • Green car loans • "Replace your boiler" loans • Vouchers for replacement of oil- and gas-fired boilers (Totalkredit) • Partnership with NRGi on heat pumps • Energy check-up (Totalkredit) • Energy calculator (Totalkredit) 	<ul style="list-style-type: none"> • Green construction loans • Green mortgage loans • Interest discount on construction loans to public housing sector • ESG Advisory • Valified tool 	<ul style="list-style-type: none"> • Machinery leasing • Fee-free withdrawal of land from agricultural use • ESGreenTool (SEGES' climate tool) 	<ul style="list-style-type: none"> • Green construction loans • Green mortgage loans • Mortgage financing of solar panels, wind turbines and infrastructure • ESG Advisory • Valified tool • Incept Sustainability (learning platform for SMEs) 	<ul style="list-style-type: none"> • Selected sustainable funds exempt from trading commission
Policies and terms	<i>No plans of imposing requirements on homeowners</i>	<ul style="list-style-type: none"> • Transition plans expected of large customers • Climate score in credit assessments • Price differentiation based on energy labels 	<ul style="list-style-type: none"> • Transition plans expected of large customers • Climate score in credit assessments 	<ul style="list-style-type: none"> • Transition plans expected of large customers • Climate score in credit assessments • Fossil Fuels Policy 	<ul style="list-style-type: none"> • Fossil Fuels Policy • Sustainable Investment Policy • Integration of sustainability into risk assessments and pre-contractual documents
Involvement	<ul style="list-style-type: none"> • Banking advisers include green transition at meetings with customers where relevant • Internal survey of how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Banking advisers include green transition at meetings with customers where relevant • Internal survey of how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Banking advisers include green transition at meetings with customers where relevant • Internal survey of how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Banking advisers include green transition at meetings with customers where relevant • Internal survey on how we put green transition on meeting agendas 	<ul style="list-style-type: none"> • Active ownership strategy – focus on largest carbon emitters • Target of Paris alignment among investee companies
Stakeholders and partnerships	<ul style="list-style-type: none"> • Collaboration with the financial sector and the Danish government on a phasing-out of oil- and gas-fired boilers • Partnership with the Danish Energy Agency on energy calculations etc 	<ul style="list-style-type: none"> • Partnership with the Council for Sustainable Construction • Ramboll • PropTech • AlmenKompas • The Danish Property Federation 	<ul style="list-style-type: none"> • SEGES: ESGreenTool and climate learning programme • Partnerships with industry associations on transition plans (under development) 	<ul style="list-style-type: none"> • Ramboll 	<ul style="list-style-type: none"> • Net Zero Asset Managers initiative, Science Based Targets initiative, GFANZ, Climate Action 100+ and Net Zero Engagement Initiative • Sector collaboration on climate targets for equity funds • Investor Alliance for Human Rights

A greener Nykredit

Operations	<ul style="list-style-type: none"> • Reducing office space and improving energy efficiency of buildings • Green power through a PPA on solar energy with Better Energy • Extended waste sorting • Phasing out gas-heated offices • Replacing fossil cars with electric cars
Responsible procurement	<ul style="list-style-type: none"> • Developing baseline for scope 3, category 1 • Developing and implementing due diligence procedure

Group-wide

Learning programmes	<ul style="list-style-type: none"> • Targeted learning programmes for banking advisers • Sustainability learning programmes for all employees
Data	<ul style="list-style-type: none"> • Strengthened quality of the CO₂e calculator • Sector collaboration on data
Target	<ul style="list-style-type: none"> • Strengthened follow-up on existing targets • New climate targets

Appendix: Methods

Nykredit's carbon footprint is calculated in accordance with the Greenhouse Gas Protocol (GHG Protocol) and Finance Denmark's Framework for Financed Emission Accounting (Finance Denmark's CO₂ model), which builds on the standards set out in the GHG Protocol and the Global GHG Accounting & Reporting Standard for the Financial Industry, developed by the Partnership for Carbon Accounting Financials (PCAF). Calculation includes both CO₂ and other relevant GHG emissions.

The emission targets are based on Nykredit's carbon calculations and therefore apply the same delimitations, unless otherwise stated under the specific targets.

In this report, carbon footprints and target attainment progress have been calculated based on end of 2023 data.

To give an indication of the uncertainty inherent in the calculation of carbon emissions, Nykredit attaches a data quality score into all calculations according to PCAF and Finance Denmark's CO₂ model. There are clear definitions of data qualities for each calculation method. Scores range from 1 to 5, with score 1 representing the highest data quality, and score 5 the lowest (however, the scale for cars is limited to just three levels). The data quality score depends on the type of data used to calculate and determine the carbon emissions of the financed asset. The data quality score is presented as part of the annual reporting of carbon emissions.

This appendix elaborates the methodologies and key assumptions underpinning the target-setting process, including carbon footprint data, for the loan portfolio, the investment portfolio and the Group's operations, respectively.

Lending

Climate targets

All emission targets for the loan portfolio cover scopes 1 and 2.

Owner-occupied dwellings, residential buildings and commercial buildings

Scope and delimitation: Nykredit's three emission targets for buildings cover owner-occupied dwellings, residential buildings, and commercial buildings, respectively. Only mortgage loans, which are loans secured by mortgages on real estate, are included in the calculation. This means

that the targets do not cover bank lending. At present, only Danish real estate is included.

Method: The targets are set using the Sectoral Decarbonization Approach (SDA), where the portfolio for a given sector is compared with a science based scenario for the development of the given sector that complies with the temperature targets of the Paris Agreement, according to SBTi guidelines. When initially setting targets, Nykredit used CRREM's 1.5°C scenario for Denmark, which was regarded as the most accurate and ambitious scenario available at the time. The SBTi has since updated its 1.5°C scenario for buildings in Europe, ensuring that in some areas it is now at least as ambitious as CRREM's scenario. At the same time, SBTi validation of Nykredit's emission

targets has been conducted based on SBTi's 1.5°C scenario. Therefore, going forward, Nykredit will assess and illustrate progress towards targets on the basis of SBTi's scenario. The targets have been set so that they are below both CRREM's and SBTi's 1.5°C scenarios.

Data and calculation: The target is based on intensities and calculated as CO₂e emissions per sqm per year. Both CO₂e emissions and financed square metres are LTV-adjusted.

Oil- and gas-fired boilers

Scope and delimitation: The target includes all Danish owner-occupied dwellings financed by Nykredit mortgage loans.

Climate targets for lending – an overview

	Asset classes Covered by target	Scope	Unit of measurement	Base year	Target year	Target (reduction compared with baseline, %)	Method	Scenario	External frameworks
	Owner-occupied dwellings	1 and 2	kgCO ₂ e/sqm/year	2021	2030	5.06 (70%)	SDA	SBTi 1.5°C scenario ("residential buildings")	SBTi validated NZBA
Owner-occupied dwellings	Owner-occupied dwellings (heat source)	-	% (housing with another heat source than oil- or gas-fired boilers)	2021	2025	85	-	The Danish Energy Agency's climate outlook	-
	Cars	-	% (new car loans for electric cars)	2021	2023-2025	50	-	The Danish Energy Agency's climate outlook	-
Real estate	Commercial	1 and 2	kgCO ₂ e/sqm/year	2021	2030	4.74 (70%)	SDA	SBTi 1.5°C scenario ("service buildings")	SBTi validated NZBA
	Residential	1 and 2	kgCO ₂ e/sqm/year	2021	2030	3.61 (70%)	SDA	SBTi 1.5°C scenario ("residential buildings")	SBTi validated NZBA
Agriculture	Agriculture	1 and 2	tCO ₂ e/DKKm	2021	2030	10.95-13.39 (45-55%)	Policy based	-	-
Businesses and energy	Electricity and heat production (large companies)	1 and 2	kgCO ₂ e/MWh	2022	2030	<10	Maintenance target	SBTi 1.5°C scenario	NZBA
	Transport and manufacturing (large companies)	1 and 2	% (financed CO ₂ e with approved SBTi targets)	2022	2028	75	SBTi Portfolio Coverage	-	SBTi validated NZBA

Data and calculation: Achievement of the target of 85% of all owner-occupied dwellings in Nykredit's loan portfolio having a heat source other than an oil- or gas-fired boiler is determined by calculating the ratio of owner-occupied dwellings without an oil- or gas-fired boiler to the total amount of owner-occupied dwellings. In order for a building to count towards having another heat source, it must not have an oil- or gas-fired boiler. If a building has several heat sources, none of them can be an oil- or gas-fired boiler.

Our data on buildings' heat sources is based on information from the Danish building and dwelling registry (Bygnings- og Boligregistret (BBR)). Therefore, for the data to be correct, it is crucial that the BBR registrations are updated, for example, when a building changes heat source.

Cars

Scope and delimitation: The target includes all personal car loans.

Data and calculation: Achievement of the target is determined based on the total electric car loans granted by Nykredit in a given period (2023-2025) relative to total car loans in the given period. Data is based on internal records.

Electricity and heat production (large companies)

Scope and delimitation: The target covers large companies, defined as companies and subsidiaries of companies in reporting classes D and large C within electricity and heat production.

Method: The target follows the calculation method in SBTi's guidance for targets of this type, but has not been validated by SBTi, as Nykredit's financed emissions from

this sector are below SBTi's minimum threshold. The target is based on the SBTi's 1.5°C scenario.

Data and calculation: The target for electricity and heat production is an intensity target measured as kgCO_{2e} of emissions per MWh of energy produced. Total financed carbon emissions are subsequently divided by the financed amount of energy produced.

Transport and manufacturing (large companies)

Scope and delimitation: The target includes customers in the transport and manufacturing sectors. The target covers large companies, defined as companies and subsidiaries of companies in reporting classes D and large C.

Method: The target has been set according to SBTi's Portfolio Coverage method. The method concerns targets for the proportion of financed carbon emissions within a given portfolio (transport and manufacturing) that is covered by SBTi-validated targets. The target for transport and manufacturing covers both bank loans and mortgage loans to the sectors. Carbon emissions are calculated according to the method for business loans. The target runs until 2028 and is to follow a linear curve from the base year until all large transport and manufacturing companies have been SBTi-validated by 2040.

Agriculture

Scope and delimitation: The target includes all agricultural buildings for which Nykredit has provided mortgage loans.

Method: The financial sector currently has no science based scenario or method for agricultural emission targets. Nykredit's agricultural target is therefore a policy based target that mirrors the Danish political target of a

55%-65% reduction in emissions from agriculture by 2030 compared with 1990. Nykredit has used 2021 as baseline and therefore recalculated the reduction to align with the political target.

Data and calculation: The target is based on sector averages from Statistics Denmark. The target is calculated based on intensities such as CO_{2e} emissions per DKK 1m lent. Carbon emissions are calculated using the business loans method.

Carbon emissions

To calculate emissions from the loan portfolio, Nykredit uses three methods of Finance Denmark's CO₂ model: "Business loans", "Mortgage loans" and "Motor vehicle loans (to private customers)". The methods define how to attribute financed emissions for different asset classes and loan types.

"Business loans" method: The method is used to calculate financed CO_{2e} emissions for loans secured by **mortgages on industrial and agricultural buildings** as well as **bank loans to business customers**.

Our data is mainly based on data from Statistics Denmark on sector averages for CO_{2e} emissions and the overall **balance** at industry level (data quality 5). At the same time, Nykredit collects data from large companies that report their CO_{2e} emissions themselves, where it is possible to obtain the information from the company's financial statements or sustainability reporting (data quality 1 or 2 for audited and unaudited CO_{2e} reports, respectively). In such cases, emissions are attributed based on the relationship between the loan amount and the companies' individual balances.

"Mortgage loans" method: The method is used to calculate the financed emissions for **lending secured by a mortgage on real estate**, with the exception of industrial and agricultural buildings, for which emissions are calculated using the business loans method, see above.

The calculation uses emissions from building operations, which are attributed to Nykredit at the same proportion as the current loan-to-value (LTV) ratio of the loan. Emissions from building operations mainly derive from a calculation based on the building's actual energy label or estimated energy label (data qualities 3 and 4). The calculation of buildings' energy labels follows Finance Denmark's method. A fixed value is used for the energy consumption of all holiday homes, which is calculated as part of Finance Denmark's CO₂ model, and which is multiplied by the emission factor (data quality 5). The energy consumption of the buildings is translated into GHG emissions by applying the emissions and energy factors of the Danish Energy Agency and Energinet.

Electricity and heat production: The method for calculating emissions from **electricity and heat production** uses both the business loans method and the mortgage loans method. For mortgages, the calculation is made by applying Nykredit's financed share of the asset's value and the corresponding share of energy production and carbon emissions from such production. For bank loans, the calculation is made in the same way, but with Nykredit's financed share of the company's balance. The total financed carbon emissions are subsequently divided by the financed amount of energy produced. Solar and wind energy as well as energy produced from biogas or biofuel are calculated as climate-neutral energy sources.

Investments

Climate targets

Total investment portfolio

Scope and delimitation: Nykredit's carbon reduction target for the total investment portfolio encompasses all asset classes and is thus representative of Nykredit's total assets under management (AuM) including the Group's own portfolio. Discretionary mandates managed on behalf of clients, where the client's own investment policy applies, are included in the overall reduction target.

The target covers scope 1 and 2 emissions.

Method: Nykredit has set carbon reduction targets as part of our commitment to the Net Zero Asset Managers initiative (NZAM) and adheres to its guidelines.

Due to a lack of data coverage, the asset classes government bonds and alternatives are not included in this calculation.

Mortgage covered bonds

Scope and delimitation: The target includes investments in mortgage covered bonds as well as scope 1 and 2 emissions.

Method: For mortgage covered bonds, Nykredit has chosen to apply the SDA method in accordance with SBTi's guidelines (see description under targets for owner-occupied dwellings, residential buildings and commercial buildings above).

The pathway is formed using CRREM's 1.5°C scenario.

Data and calculation: All covered bond issuers in Denmark have joined the ECBC Covered Bond Label initiative and

therefore disclose emissions for all their cover pools (capital centres) on a quarterly basis using a Harmonised Transparency Template (HTT). By mapping the property categories of the cover pools' HTT with the corresponding CRREM property categories as well as the underlying bonds within each cover pool, the different CRREM pathways can be weighted into a single pathway.

Actual emissions are calculated as a weighted average for all bonds within each cover pool. By combining actual emissions with the weighted pathway from CRREM, the final pathway can be calculated using SBTi's portfolio intensity target model. Each year, actual emissions are calculated and then compared with the pathway for that same year.

Temperature rating targets

Scope and delimitation: Targets include listed equities and corporate bonds.

Climate targets for investment – an overview

Covered by target	Scope	Unit of measurement	Base year	Target year	Target (reduction compared with baseline, %)	Method	Scenario	External frameworks
Total investment portfolio	1 and 2	tCO ₂ e/DKKm	2020	2030	10 (60%)	TCFD recommendation for calculation of carbon footprint	-	NZAM
Mortgage covered bonds	1 and 2	kgCO ₂ e/sqm/DKK	2022	2028	6.95 (44%)	SDA	CRREM 1.5°C (Denmark)	SBTi validated
Equities	1 and 2	°C	2022	2028	2.42	Temperature rating	IPCC WB2DS	SBTi validated
Equities	1, 2 and 3	°C	2022	2028	2.42	Temperature rating	IPCC WB2DS	SBTi validated
Corporate bonds	1 and 2	°C	2022	2028	2.53	Temperature rating	IPCC WB2DS	SBTi validated
Corporate bonds	1, 2 and 3	°C	2022	2028	2.59	Temperature rating	IPCC WB2DS	SBTi validated

No temperature rating targets have been set for other asset classes due to a lack of method and inadequate data. Discretionary mandates managed on behalf of clients, where the client's own investment policy applies, are included in the temperature rating target.

Temperature rating targets have been set for both scopes 1+2 and 1+2+3 with 2022 as baseline.

Method: Nykredit has set temperature rating targets using relevant SBTi methodologies. The method specifically entails setting targets for the anticipated temperature rise associated with the portfolio.

SBTi's Temperature Rating Methodology has been developed in a collaboration between CDP and WWF. Here, the individual companies' carbon reduction targets are translated into a single data point: a temperature rating. This data point makes it possible to compare the global temperature increase with the companies' ambitions.

The temperature rating approach involves three steps:

- (i) A target protocol that converts individual temperature reduction targets.
- (ii) A company protocol that aggregates those targets into an overall company score.
- (iii) A portfolio protocol that weights those company scores across an investment portfolio.

To convert reduction targets into temperatures, the target protocol uses data from climate scenarios of the IPCC Special Report on Global Warming of 1.5°C. It generates simple regression models for estimated warming by 2100 for climate scenarios with short-, medium- and long-term trends in absolute emissions and emission intensity. Since companies can have multiple reduction targets, data is

aggregated into an overall company score. For a reduction target to be included, it must meet specific quality requirements.

Companies without relevant published reduction targets are attributed a temperature score of 3.2°C by SBTi's tool, assuming a "business as usual" scenario.

Data and calculations: Nykredit uses data from our ESG data provider MSCI, which relies on reported data from sources such as CDP and calculated estimates. The total temperature rating for the investment portfolio is calculated as a weighted average of the current temperature ratings of the individual companies in the portfolio.

The data and the underlying method are in accordance with industry standards and the guidelines of international organisations (TCFD and PCAF).

Carbon emissions

The total carbon footprint of Nykredit's investment portfolio is defined as tCO₂ per DKK 1 million invested and is calculated as the sum of Nykredit's financed emissions from the individual investment companies divided by the total investment portfolio.

Mortgage covered bonds: Nykredit has collected data directly from issuers of mortgage covered bonds to calculate emissions from this asset class. Data is based on the reporting from the cover pools from which the bonds are issued. For investments in mortgage covered bonds, scope 1, 2 and 3 emissions are included.

Mortgage lending is exclusive of foreign lending. The calculation of carbon emissions related to the mortgage portfolio follows the principles of the two methods for

mortgage loans and business loans of Finance Denmark's CO₂ model, see section on Lending.

For energy-labelled buildings that are not labelled as industrial or agricultural, carbon emissions are estimated as a function of: energy label (energy consumption), heat source (emission factor) and size (square metres).

For buildings in the above categories, which do not have an energy label, the energy consumption is estimated based on buildings with similar characteristics, such as building type, year of construction, municipality and heat source.

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

Government bonds, cash and other investments: Nykredit's coverage of these areas is limited due to the absence of a Danish or internationally recognised method for calculating the climate footprint of these asset classes. We are working to develop a method in this field.

Operations

Climate targets

Total operations (CO₂e)

Scope and delimitation: The target includes scopes 1 and 2 for Nykredit's own activities, defined by operational control.

Method: Nykredit has used SBTi's target setting tool 2.3 to set the target. This tool builds on SBTi's 1.5°C scenario. SBTi's Absolute Contraction Approach (ACA) has been applied. This approach defines a specific reduction in Nykredit's absolute emissions. SBTi's target setting tool sets an absolute reduction of 43.1% towards 2030 to align with the 1.5°C scenario. Based on changes in future emission factors for district heating, Nykredit's Fossil Fuels Policy and future planned reduction initiatives, Nykredit has set a more ambitious target of an 85% reduction.

The target is based on the market-based approach to scope 2 emissions (see section on "Scope 2 emissions").

Heat sources

Scope and delimitation: Nykredit has set a target that by 2030, none of the Group's locations will be heated directly by fossil fuel sources. This includes a direct heat source, such as natural gas, but not if the indirect heat source includes fossil fuel, such as district heating.

The target includes both owned and leased buildings where Nykredit has its activities.

Total operations (energy consumption)

Scope and delimitation: The target includes power consumption, heat consumption, gas consumption at locations within Nykredit's operational control as well as fuel for cars related to Nykredit's operations.

Method: The target is set based on an internal plan and ambition for future energy reduction initiatives, which include office space reductions, energy renovation of buildings and intelligent control.

Carbon emissions

Scope 1 emissions

Scope 1 emissions include direct GHG emissions from sources that are owned or controlled by Nykredit.

Heat: The calculation of emissions from heat sources of Nykredit's buildings includes the consumption of non-renewable energy sources (natural gas) estimated using the Danish Energy Agency's emission factors.

Cars: Calculation of emissions from Nykredit's own cars includes transport/travel by the Group's own or leased vans, company cars and internal mail vans. Mileage for Nykredit's own cars is calculated based on internal statements of the total cost of petrol. For leased company cars, emissions are calculated based on litres of fuel purchased per car. GHG emissions are then calculated based on the Danish Energy Agency's emission factors for each fuel type.

Scope 2 emissions

Scope 2 emissions comprise indirect GHG emissions from sources resulting from the consumption of the energy we source. This includes both GHG emissions from electricity consumption and district heating production.

Electricity: Emissions from electricity are calculated according to the GHG Protocol's market- and location-based methodologies. Under the *market-based*

Climate targets for operations – an overview

Covered by target	Scope	Unit of measurement	Base year	Target year	Target (reduction compared with baseline, %)	Method	Scenario	External frameworks
Total operations (CO ₂ e)	1 and 2	CO ₂ e	2021	2030	105 (85%)	Absolute emissions reduction	SBTi 1.5°C scenario	SBTi validated
Heat sources	1	% (Percentage of locations heated without the use of fossil heat sources)	2021	2030	100	Policy based	IEA Net Zero Emissions Scenario	-
Total operations (energy consumption)	2	MWh	2017	2025	8704 (50%)	-	-	-

methodology, electricity consumption is covered by a Power Purchase Agreement (PPA) with Better Energy on the purchase of solar energy. If the PPA does not cover the total electricity consumption, the emissions factor for electricity of the European Residual Mixes is used for the remaining part. Under the *location-based* method, the emission factors for DK1 and DK2 included in Energinet's environmental declaration are used for Nykredit's locations in Jutland and on Funen (DK1) and Nykredit's locations on Sealand (DK2), respectively.

District heating: Nykredit has meters at most locations, where district heating consumption is monitored in real time. However, at some Nykredit locations, own meters of district heating consumption are not available. As a result, 10% of Nykredit's district heating consumption is calculated based on the latest available invoice for district heating consumption for the location, while 7% of Nykredit's district heating consumption is calculated based on the average heat consumption per sqm for the rest of the Group. The emission factor for district heating is determined on the basis of a weighted average of the emission factors from Nykredit's largest heat suppliers.

Scope 3 emissions

Nykredit's emissions disclosure include calculations on the following scope 3 categories:

- Category 1: Purchase of goods and services (furniture, canteen operations, office supplies as well as data processing and storage etc)
- Category 3: Fuel and energy-related activities (emissions associated with the production of fuels as well as network and distribution losses not covered by scopes 1 and 2)
- Category 6: Business travel (business travel – travel by plane, train, taxi and car)
- Category 13: Leasing to customers (leased cars to personal customers).

Nykredit

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.

