

Nykredit Group

Type of Engagement: Annual Review

Date: January 24, 2022

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Introduction

Since 2019, Nykredit has issued six green covered bonds and one senior-non preferred green bond aimed at financing or refinancing eligible projects that contribute to the transition to a low carbon and climate resilient economy. In 2022, Nykredit engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the 2020 Nykredit Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with bond proceeds from 2019 to 2021 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Nykredit Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Nykredit Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	<p><u>Residential Housing</u></p> <ul style="list-style-type: none"> • Danish energy label¹ of A² or B³ regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B⁴ <p><u>Other Buildings</u></p> <ul style="list-style-type: none"> • An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B <p><i>Buildings which meet one of the following minimum certification levels:</i></p> <ul style="list-style-type: none"> • BREEAM or BREEAM-SE (minimum certification "very good") • LEED (minimum certification "gold") 	<ul style="list-style-type: none"> • Total energy savings in MWh • Annual Greenhouse Gas (GHG) emissions avoided in tonnes of CO₂ equivalent

¹ Energy labels are based on data from the Danish Official Information Service (OIS) – according to the Danish Order on the publication of energy labelling of buildings and inspection reports on boiler and central heating installations etc. ("Bekendtgørelse om offentliggørelse af energimærkninger af bygninger og eft-ersynsrapporter om kedel- og varmeanlæg m.v."). An energy label for a building is valid for 10 years after issuance. Once a building has obtained an energy label that qualifies it as an Eligible Green Asset it will remain so unless it later gets an energy label below the selection criteria and thus becomes ineligible

² The "A label" covers labels A, A1, A2, A2010, A2015, A2020 in Danish regulation which guarantee energy consumption – kWh/m²/year ≤ 52.5 + 1,650/A

³ The "B label" covers labels B or B1 in Danish regulation which guarantee energy consumption – kWh/m²/year ≤ 70.0 + 2,200/A

⁴ MOE – an independent consulting engineer – has conducted a study of the Danish EPCs demonstrating that the mentioned EPC labels and construction codes fall within top 15% in Denmark at:

https://www.nykredit.com/siteassets/ir/files/debt/green-bonds/moe_report_energy_labels_and_energy_efficient_properties_2019-01-25.pdf

	<ul style="list-style-type: none"> • DGNB (minimum certification "gold") • Nordic Swan • Sweden Green Building Council Miljöbyggnad (minimum certification "silver") • GreenBuilding • Or any equivalent international recognisable certification of a building as determined by the Green Bond Committee 	
Renewable Energy	<ul style="list-style-type: none"> • Wind power • Solar energy 	<ul style="list-style-type: none"> • Estimated installed capacity in MW • Estimated annual energy production in MW • Annual GHG emissions avoided in tonnes of CO₂ equivalent
Clean Transportation	Fully electrified or other vehicles such as passenger cars with CO ₂ emissions lower than 50 gCO ₂ /km	<ul style="list-style-type: none"> • Annual GHG emissions avoided in tonnes of CO₂ equivalent
Energy Distribution	Transmission and distribution infrastructure and equipment in systems, which are "on a trajectory to full decarbonisation". ⁵	<ul style="list-style-type: none"> • Total distance of transmission cables in km • Annual energy transmitted in MW • Total power transformers

Issuing Entity's Responsibility

Nykredit is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Nykredit's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Nykredit employees and review of documentation to confirm the conformance with the Nykredit Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Nykredit with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Nykredit.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

⁵ A system is on full decarbonization trajectory if, over a rolling five-year period: 1) 67% of newly connected generation capacity in the system is below 100gCO₂e/kWh, or 2) the average system grid emissions factor is below 100gCO₂e/kWh.

Conclusion

Based on the limited assurance procedures conducted,⁶ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Nykredit's Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Nykredit Green Bond Framework. Nykredit has disclosed to Sustainalytics that the proceeds of the green bonds were fully allocated as of December 31, 2021.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bonds from 2019 to 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Nykredit Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bonds from 2019 to 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Nykredit Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁶ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria	Number of Projects	Net Bond Proceeds Allocation (EUR millions) ⁷	Environmental Impact Reported by Eligibility Criteria
Green Buildings	<u>Residential Housing</u> An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B	64	765	<ul style="list-style-type: none"> • 12,683 MWh of energy saved • 983 tCO₂e avoided
	<u>Other Buildings</u>			
	An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B	42	1,843	<ul style="list-style-type: none"> • 18,663 MWh of energy saved • 2,559 tCO₂e avoided
	BREEAM or BREEAM-SE (minimum certification "very good")	10		
	LEED (minimum certification "gold")	3		
	Sweden Green Building Council Miljöbyggnad (minimum certification "silver")	1		
	Swedish EPC label A or B	9		
Renewable Energy	Wind power	1	49	<ul style="list-style-type: none"> • 60 MW of capacity installed • 204 GWh of energy generated • 64,209 tCO₂e avoided
	Solar energy	3	91	<ul style="list-style-type: none"> • 305 MW of capacity installed

⁷ The projects' currency is DDK and EUR/DDK exchange rate of January 13, 2022 is used for calculating the allocated amounts.

				<ul style="list-style-type: none"> • 302 GWh of energy generated • 40,851 tCO₂e avoided
Clean Transportation	Electric cars	1,535	54	<ul style="list-style-type: none"> • 3,993 tCO₂e avoided
	Plugin-hybrid cars with emissions under 50gCO ₂ e/km	1,306	43	<ul style="list-style-type: none"> • 2,618 tCO₂e avoided
Energy Distribution	Transmission and distribution infrastructure and equipment in systems, which are “on a trajectory to full decarbonisation”.	1	395	<ul style="list-style-type: none"> • 6,322 km of transmission cables built • 2,676 MW of energy transmitted • 3,616 of power transformer installed
Total	NA	2,975	3,240	NA

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