

Nykredit

Type of Engagement: Annual Review

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Introduction

In 2019 Nykredit issued a Stibor green bond and two Cibor green bonds aimed at financing development and renovation of certified Green Buildings. In 2021, Nykredit engaged Sustainalytics to review the projects funded through the issued Stibor and Cibor green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 and 2020 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Frameworks; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the 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	<u>Residential Housing</u> <ul style="list-style-type: none"> - An 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 	<ul style="list-style-type: none"> • Estimated ex-ante annual energy savings in MWh, no. of individual renovations • Estimated ex-ante annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
	<u>Other Buildings</u> <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 version⁵, corresponding to energy label A and B - BREEAM or BREEAM-SE⁶ (minimum certification "very good") - LEED⁷ (minimum certification "gold") - DGNB⁸ (minimum certification "gold") 	

¹ Energy labels will be 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 eftersynsrapporter 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 https://www.nykredit.com/siteassets/ir/files/debt/green-bonds/moe_report_energy_labels_and_energy_efficient_properties_2019-01-25.pdf

⁵ Construction codes are according to executive order BEK nr. 604 of 29/05/2018

⁶ BREEAM: <http://www.breeam.org/>

⁷ LEED: <http://www.usgbc.org/certification>

⁸ DGNB: <http://www.dk-gbc.dk/english/>

	<ul style="list-style-type: none"> - Nordic Swan⁹ - Sweden Green Building Council Miljöbyggnad¹⁰ (minimum certification "silver") - GreenBuilding¹¹ - Or any equivalent international recognisable certification of a building as determined by the Green Bond Committee <p>Major renovations</p> <p>Existing buildings having undergone energy efficient retrofit or renovation, which meets either:</p> <ul style="list-style-type: none"> - Requirements set out in the applicable buildings regulation for "major renovations" transposing the Energy Performance of Buildings Directive - The renovation leads to a reduction of primary energy demand, expressed as kWh/sqm per year, of at least 30% in comparison with the energy performance of the building prior to the renovation <p>Individual measures and professional services</p> <p>Direct costs (e.g. material and labour) related to:</p> <ul style="list-style-type: none"> - Technical interventions aimed at increasing energy efficiency, including, but not limited to addition of insulation, re-placement of existing windows, installation of heat pumps, solar panels or installation of energy-efficient lighting. - Professional services functional to energy improvements, such as technical consultations, accredited energy audits, energy management services or similar with a look-back period of three years 	
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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 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.

⁹ Nordic Swan: <https://www.nordic-ecolabel.org/certification/ecolabelled-buildings2/>

¹⁰ Miljöbyggnad: <https://www.sgbc.se/var-verksamhet/miljobyggnad>

¹¹ GreenBuilding: <https://www.sgbc.se/var-verksamhet/greenbuilding>

Conclusion

Based on the limited assurance procedures conducted,¹² 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 Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. Nykredit has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December 31, 2020.

Detailed Findings

Table 2: 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 in 2019 and 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the 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 bond in 2019 and 2020 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

¹² 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.

Appendices

Appendix 1: Allocation by Green Bond

Development Type	Stibor-linked Green Covered Bonds	Cibor-linked Green Covered Bonds
Commercial Real Estate	EUR 662mn (6,665 mSEK)	EUR 177mn (1,321 mDKK)
Private Rental Housing	EUR 42mn (427 mSEK)	EUR 285mn (2,122 mDKK)
Total	EUR 704mn (7,092 mSEK)	EUR 463mn (3,443 mDKK)

Appendix 2: Impact Reporting by Eligibility Criteria

Green Bond	Environmental Impact Reported by Eligibility Criteria
Cibor-linked Green bond	<ul style="list-style-type: none"> To provide reasonable non-financial indicators, which may be used by investors for comparison with other green bonds investments, Nykredit has provided more than one indicator. The indicators are benchmarked against three baselines (as specified in Nykredit's Green Bond Investor Report): <ul style="list-style-type: none"> National building code National reference building European reference building On average, the relative energy savings are close to 57% when benchmarked against the national buildings code. The relative energy savings increases to 72% and to 82%, when benchmarked against a national and European reference building, respectively. The absolute energy savings are the following: <ul style="list-style-type: none"> National building code: 9,531 MWh National reference building: 18,958 MWh European reference building: 32,478 MWh Absolute GHG reduction (tons of CO₂ equivalents) <ul style="list-style-type: none"> 1,704 (compared to National Building code) 3,326 (compared to national reference building) 5,718 (compared to European reference building)
Stibor-linked Green bond	<ul style="list-style-type: none"> To provide reasonable non-financial indicators, which may be used by investors for comparison with other green bonds investments, Nykredit has provided more than one indicator. The indicators are benchmarked against three baselines (as specified in Nykredit's Green Bond Investor Report): <ul style="list-style-type: none"> National building code National reference building European reference building On average, the relative energy savings are 25% when benchmarked against the national buildings code. The relative energy savings increases above 36% and close to 64%, when benchmarked against a national and European reference building, respectively. The absolute energy savings are the following: <ul style="list-style-type: none"> National building code: 6,062 MWh National reference building: 10,393 MWh

	<ul style="list-style-type: none">- European reference building: 34,285 MWh• Absolute GHG reduction (tons of CO₂ equivalents)<ul style="list-style-type: none">- 1,516 (compared to National Building code)- 2,549 (compared to national reference building)- 7,811 (compared to European reference building)
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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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The
Green Bond
Principles