

Nykredit Group

Type of Engagement: Annual Review

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Introduction

As of 2024, Nykredit Group (Nykredit) has six open issuances, namely five green covered bonds and one tier 2 green bond (the “Green Bonds”) to finance or refinance projects intended to contribute to the transition to a low-carbon and climate-resilient economy. In January 2024, Nykredit engaged Sustainalytics to review the projects funded with proceeds from the Green Bonds (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria outlined in the Nykredit Green Bond Framework 2023¹ (the “Framework”), which is an update of the Nykredit Green Bond Framework 2020.² Sustainalytics provided a Second-Party Opinion on the Framework in September 2020³ and an update to it in March 2023.⁴ This is Sustainalytics’ fifth annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in February 2023.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs⁵

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings	<p><u>Construction of new Buildings</u></p> <ul style="list-style-type: none"> The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the national implementation of nearly zero-energy building (NZEB) requirements.⁶ 	<ul style="list-style-type: none"> Total amount disbursed in DKKm Total energy savings in MWh Annual GHG emissions avoided in tCO₂e
	<p><u>Acquisition and Ownership of Buildings</u></p> <ul style="list-style-type: none"> For buildings built before 31 December 2020: 	

¹ Nykredit, “Green Bond Framework 2023”, at: <https://www.nykredit.com/siteassets/ir/files/bond-issuance/green-bonds/nykredit-gbf-2023.pdf>

² Nykredit, “Green Bond Framework 2020”, at: https://www.nykredit.com/siteassets/ir/files/bond-issuance/green-bonds/nykredit_green_bond_framework_2020.pdf

³ Sustainalytics, “Second-Party Opinion: Nykredit Green Bond Framework”, (2020), at: https://www.nykredit.com/siteassets/ir/files/bond-issuance/green-bonds/nykredit-green-bond-framework-second-party-opinion-nykredit-green-bond-framework-2020_2020-11-04.pdf

⁴ Nykredit, “Second-Party Opinion: Nykredit Green Bond Framework”, (2023), at: <https://www.nykredit.com/siteassets/ir/files/bond-issuance/green-bonds/nykredit-green-bond-framework-second-party-opinion-final.pdf>

⁵ The Nykredit Green Bond Framework 2023 defines eligibility criteria for eight green use of proceeds categories. The Annual Review specifically covers the proceeds allocated towards four of these green use of proceeds categories, and Table 1 lists the same.

⁶ European Parliament, “Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010”, (2010), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>

	<ul style="list-style-type: none"> ▪ the building has at least an Energy Performance Certificate (EPC) class A; or ▪ the building is within the top 15 % of the national or regional building stock expressed as operational Primary Energy Demand (PED). <ul style="list-style-type: none"> • For buildings built after 31 December 2020, the Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the national implementation of the nearly zero-energy building (NZEB) requirements at the time of acquisition. <p><u>Renovation of existing buildings</u></p> <p>Building renovations that either:</p> <ul style="list-style-type: none"> • Comply with the applicable requirements for major renovations as set in the applicable national and regional buildings regulations for ‘major renovations’ implementing Directive 2010/31/EU, or • Lead to a reduction in primary energy demand (PED) of at least 30%.⁷ <p><u>Individual measures and professional services</u></p> <p>Direct costs related to:</p> <ul style="list-style-type: none"> • Installation, maintenance and repair of energy efficiency equipment: <ul style="list-style-type: none"> ▪ addition of insulation to existing envelope components; ▪ replacement of existing windows with new energy efficient windows; ▪ replacement of existing external doors with new energy efficient doors; ▪ installation and replacement of energy efficient light sources; ▪ installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems; ▪ installation of low water and energy using kitchen and sanitary water fittings; • Installation, maintenance and repair of renewable energy technologies: 	
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⁷ The 30% improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.

	<ul style="list-style-type: none"> ▪ solar photovoltaic systems, solar hot water panels and the ancillary and solar transpired collectors; ▪ ancillary technical equipment ▪ heat pumps contributing to the targets for renewable energy in heat and cool; ▪ wind turbines; ▪ thermal or electric energy storage units; ▪ high efficiency micro CHP plant ▪ heat exchanger/recovery system. <p>Professional services functional to energy improvements, including but not limited to, technical consultations, accredited energy audits, energy management services.</p>	
Renewable Energy	<p><u>Wind energy</u></p> <ul style="list-style-type: none"> • Onshore and offshore wind energy generation facilities and related infrastructure. <p><u>Solar energy</u></p> <ul style="list-style-type: none"> • Photovoltaics (PV), concentrated solar power (CSP) and solar thermal facilities and related infrastructure for production of electricity; • Concentrated solar power (CSP) and solar thermal facilities and related infrastructure for production of heat/cooling. <p><u>Hydro power</u></p> <ul style="list-style-type: none"> • Projects which electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or • Projects where the power density of electricity generation facility is above 5 W/m²; or • Projects with the life-cycle GHG emissions from the generation of electricity are lower than 100gCO₂e/kWh. <p><u>Bioenergy</u></p> <ul style="list-style-type: none"> • Projects that produce electricity and/or heating/cooling exclusively from biomass, biogas or bioliquids, excluding electricity generation from blending of renewable fuels with biogas or bioliquids (including sustainable aviation fuels). • Construction and operation of facilities producing biogas and/or digestate through anaerobic digestion of separately collected bio-waste or sewage sludge. 	<ul style="list-style-type: none"> • Total amount disbursed in DKKm • Estimated installed capacity in MW • Estimated annual energy production in GWh • Annual GHG emissions avoided in tCO₂e

	<p><u>Geothermal energy</u></p> <ul style="list-style-type: none"> • Geothermal energy generation for electricity and/or heat/cooling and related infrastructure with life-cycle GHG emissions lower than 100 g CO₂e/kWh. <p><u>Waste heat/cooling recovery</u></p> <ul style="list-style-type: none"> • Construction of facilities that produce heat/cool using waste heat. <p><u>Heat pumps</u></p> <p>Installation and operation of electric heat pumps.</p>	
<p>Clean Transportation</p>	<p><u>Low carbon transportation</u></p> <ul style="list-style-type: none"> • Zero emission vehicles. • Retrofits, repurposing or upgrades of transport vehicles to zero emission vehicles. <p><u>Low carbon transportation infrastructure</u></p> <p>Infrastructure enabling the use of zero emission vehicles for private, public and freight transportation modes such as electrified railways and electric vehicle charging stations.</p>	<ul style="list-style-type: none"> • Total amount disbursed in DKKm • Annual GHG emissions avoided in tCO₂e
<p>Energy Efficiency</p>	<ul style="list-style-type: none"> • Transmission and distribution infrastructure in an electricity system that complies with at least one of the following criteria: <ul style="list-style-type: none"> ▪ The system is the interconnected European system, and its subordinate systems; or ▪ more than 67 % of newly enabled generation assets comply with the 100gCO₂ e/kWh threshold (over a rolling 5-year period), or ▪ the grid's average emissions factor is less than 100gCO₂ e/kWh (over a rolling 5-year period) • Direct connections, or expansion of existing direct connections of renewable energy sources • Storage facilities including electricity storage and thermal energy storage 	<ul style="list-style-type: none"> • Total amount disbursed in DKKm • Total distance of transmission cables in km • Annual energy transmitted in MW • Total no. of power transformers <p>Amount of transported and stored tCO₂</p>

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Green Bonds. The work undertaken as part of this engagement included collection of documentation from Nykredit and review of said documentation to assess conformance with the Nykredit Green Bond Framework 2023 and the Green Bond Framework 2020.

Sustainalytics relied on the information and the facts presented by Nykredit. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Nykredit Green Bond Framework 2023 and the Green Bond Framework 2020. Nykredit has disclosed to Sustainalytics that the proceeds from the Green Bonds were fully allocated as at December 31, 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁸ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact

Use of Proceeds Category	Eligibility Criteria	Number of Projects	Net Proceeds Allocation (DKK million)	Environmental Impact Reported by Eligibility Criteria ⁹
Green Buildings	Green Bond Framework 2023			
	Office and retail			
	At least an EPC class A or within the top 15% of the national building stock	2	106	<ul style="list-style-type: none"> 144 MWh of energy saved 19 tCO₂e avoided
	Private rental			
	At least 10% lower than threshold for NZEB	3	831	<ul style="list-style-type: none"> 1,571 MWh of energy saved 140 tCO₂e avoided
	At least an EPC class A or within the top 15% of the national building stock	2		
	Public housing			
	At least 10% lower than threshold for NZEB	1	7	<ul style="list-style-type: none"> 43 MWh of energy saved 4 tCO₂e avoided
	Green Bond Framework 2019 and 2020			
	Office and retail			
	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 labels A and B	59	14,705	<ul style="list-style-type: none"> 8,253 MWh of energy saved 1,125 tCO₂e avoided
	BREEAM or BREEAM-SE (minimum certification Very Good)	10		
	LEED (minimum certification Gold)	2		
	Swedish EPC label A or B	10		
Private rental				
An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15,	101	12,812	<ul style="list-style-type: none"> 16,326 MWh of energy saved 	

⁹ Nykredit reported avoided emissions rounding off totals to the nearest hundred.

	BR18; or later version corresponding to energy labels A and B			<ul style="list-style-type: none"> 1,443 tCO₂e avoided
	Sweden Green Building Council Miljöbyggnad (minimum certification Silver)	10		
	Swedish EPC label A or B	1		
	Public housing			
	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 labels A and B	5	638	<ul style="list-style-type: none"> 2,377 MWh of energy saved 211 tCO₂e avoided
	Individual measures and professional services	1		
	Social and culture			
	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 labels A and B	5	628	<ul style="list-style-type: none"> 2,238 MWh of energy saved 301 tCO₂e avoided
	Total	212	29,727	
Renewable Energy	Solar energy	5	262	<ul style="list-style-type: none"> 35,910 tCO₂e avoided
	Wind power	1	208	<ul style="list-style-type: none"> 11,163 tCO₂e avoided
	Total	6	470	
Clean Transportation	Plug-in hybrid cars ¹⁰	1654	348	<ul style="list-style-type: none"> 2,818 tCO₂e avoided
	Electric cars	5598	1,413	<ul style="list-style-type: none"> 11,199 tCO₂e avoided
	Total	7,252	1,761	
Energy Distribution and Storage	Energy distribution	2	3,210	<ul style="list-style-type: none"> 6,920 km Distance of transmission cables 2,518 GWh annual energy transmitted 3,050 power transformers

¹⁰ Nykredit has confirmed to Sustainalytics that hybrid vehicles with CO₂e emissions up to 50 gCO₂/km are only accounted for until March 2023. Eligibility criteria for hybrid vehicles is determined as per the Nykredit Green Bond Framework 2020, which was updated in 2023 to include only zero-emission vehicles under the Clean Transportation category.

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