Second-Party Opinion

Nykredit Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Nykredit Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds — Green Buildings, Renewable Energy, Clean Transportation, Energy Distribution, Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Climate Change Adaptation — are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8, 9, 11, 12, and 15.

PROJECT EVALUATION / SELECTION Nykredit's internal process in evaluating and selecting projects is handled by a dedicated Green Bond Committee. The eligibility of assets is determined against the use of proceeds criteria included in the Framework and loans for corporate clients must undergo an ESG assessment, including for climate-related risks. Sustainalytics considers the company's project selection process to be in line with market practice.

MANAGEMENT OF PROCEEDS Nykredit's process for management of proceeds is handled by the Group's Treasury. Nykredit will allocate the green bonds proceeds using two management approaches. A dedicated Green Registry holding mainly mortgages funded by green covered bonds, and a Green Portfolio for all other Eligible Green Assets. Unallocated proceeds will be temporarily held in accordance with Nykredit's standard liquidity management policy. Sustainalytics considers this process to be in line with market practice.

REPORTING Nykredit intends to report the allocation of proceeds on its website, on an annual basis. The allocation reporting will include the total outstanding amount, the total net proceeds allocated from the issuance of Green Bonds, the breakdown by Green Asset Categories, the geographical distribution, and share of new financings entering the portfolio vs refinancing. Nykredit is also committed to reporting on relevant impact indicators. Based on these elements, Sustainalytics considers this process to be in line with market practice.

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Issuer Location	Copenhagen, Denmark

Report Sections

For inquiries, contact the Sustainable Finance Solutions project team:

Rebecca Dreyfus (Amsterdam)
Project Manager
rebecca.dreyfus@sustainalytics.com
(+31) 20 299 46 92

Cristhian Veintimilla (Amsterdam)
Project Support
cristhian.veintimilla@sustainalytics.com
(+31) 20 205 02 09

Jean-Claude Berthelot (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Nykredit Group ("Nykredit", or the "Group", or the "Institution") is one of the largest financial institutions in the Nordics, active in a broad range of business activities, including corporate lending and asset management. Nykredit is the largest lender in Denmark with a market share of approximately 34%. Active for more than 165 years, Nykredit's primary focus is on lending to homeowners, small and medium-sized enterprises, the agricultural sector, and the rental housing industry in its home market of Denmark, as well as in Sweden, Germany, Spain, France and Finland.

Nykredit has developed the Nykredit Green Bond Framework (the "Framework") under which it intends to issue multiple green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that promote the transition to a low carbon and climate resilient society. The Framework defines eligibility criteria in eight areas:

1. Green Buildings
2. Renewable Energy
3. Clean Transportation
4. Energy Distribution
5. Sustainable Management of Living Natural Resources and Land Use
6. Sustainable Water and Wastewater Management
7. Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
8. Climate Change Adaptation

Nykredit engaged Sustainalytics to review the Nykredit Green Bond Framework, dated September 2020, and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).[1] This Framework has been published in a separate document.[2]

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics independent[3] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Nykredit's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Nykredit representatives have confirmed (1) they understand it is the sole responsibility of Nykredit to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

[1] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/.
[2] The Nykredit Green Bond Framework is available on Nykredit's website at: www.nykredit.com/greenbonds.
[3] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Nykredit.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Nykredit has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Nykredit Green Bond Framework

Sustainalytics is of the opinion that the Nykredit Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Nykredit's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories (i) Green Buildings, (ii) Renewable Energy, (iii) Clean Transportation, (iv) Energy Distribution, (v) Sustainable Management of Living Natural Resources and Land Use, (vi) Sustainable Water and Wastewater Management, (vii) Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, and (viii) Climate Change Adaptation are aligned with those recognized by the GBP. Sustainalytics is of the opinion that the loans and assets financed and refinanced under this Framework can be expected to contribute to positive environmental impacts, including the transition to a low-carbon and climate-resilient built environment in Europe, primarily in Denmark and Sweden.
  - Under the Green Buildings category, Nykredit may finance and refinance the acquisition, construction and/or refurbishment of green buildings, primarily in Denmark and Sweden. The eligibility criteria incorporate Danish EPC labels[4] and building codes[5] for residential buildings, third-party green building certification standards, and Danish building codes for commercial buildings. Residential and commercial buildings belonging to top 15% low-carbon buildings in Denmark (as determined by the building codes and EPC label approaches) are eligible.[6] This is aligned with the CBI proxy for residential and commercial buildings.[7] In addition, commercial buildings are considered eligible for financing if they meet the following minimum certification levels: BREEAM or BREEAM-SE "Very Good", LEED "Gold", DGNB "Gold", Nordic Swan, Sweden Green Building Council Miljöbyggnad "Silver", GreenBuilding or any equivalent certification. For Sustainalytics' assessment of these building certification schemes, please refer to Appendix 1.
  - In addition to the eligibility based on the above building certification, the Framework identifies as eligible the renovation of existing buildings which lead to a reduction of at least 30% of primary energy demand or meet the requirements set out in the Energy Performance of Buildings

[4] Energy labels based on data from the Danish Official Information Service (OIS): label A, including A, A1, A2, A2010, A2015, A2020, which guarantee energy consumption – kWh/m2/year ≤ 52.5 + 1,650/A, and label B, including B or B1, which guarantee energy consumption – kWh/m2/year ≤ 70.0 + 2,200/A.
[5] BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B.
[6] 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
[7] CBI, "Buildings", at: https://www.climatebonds.net/standard/buildings

Directive.[8] Technical interventions in existing buildings and professional services' expenditures for increased energy efficiency are eligible. Nykredit has established a look-back period of three years for professional services expenditures.

- Under the Renewable Energy category, Nykredit may finance all facilities, including associated equipment and infrastructure of renewable energy generation from the following sources: wind, solar, bioenergy, hydropower, and geothermal. Concentrated Solar Heat and Power (CSP) and other thermal solar projects with a minimum 85% of power generated derived from solar sources are eligible. In the case of bioenergy, facilities that operate above 80% of GHG emissions reduction,[9] and use feedstock listed in Part A of Annex IX of Directive (EU) 2018/2001 are considered eligible for financing. Nykredit confirms that all wood and agricultural waste feedstock will originate from well managed forest or agricultural production, and further notes there will be no sourcing of feedstock from palm oil. Hydropower projects limited to small-scale facilities (<20MW) are eligible. Furthermore, Sustainalytics notes that all energy projects, regardless of source, are subject to a lifecycle emission threshold of 100gCO_2e/kWh.
- Under the Clean Transportation category, Nykredit may finance or refinance the acquisition of fully electrified, hydrogen, fuel cell or other vehicles such as passenger cars with CO_2 emissions lower than 50gCO_2/km. Expenditures may include charging stations and supporting electric infrastructure for the electrification of transport.
- Under the Energy Distribution category, Nykredit may provide loans to finance or refinance direct connections (or expansion) of renewable energy sources, transmission grid expansions and improvements to increase stability, flexibility and availability for connecting and facilitating renewable energy generation and distribution, and storage facilities, including electricity storage and thermal energy storage. Construction and operation of pipelines and associated infrastructure for distributing heating and cooling are eligible in systems that meet the definition of efficient district heating/cooling systems,[10] as outlined in the EU Energy Efficiency Directive.[11] Additionally, Nykredit may finance transmission and distribution infrastructure and equipment for systems on a trajectory to full decarbonisation.[12]
- Under the Sustainable Management of Living Natural Resources and Land Use category, Nykredit may provide loans to finance environmentally responsible forest management and agricultural activities. Forest land and forestry projects and activities certified to the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC) standards are eligible. For Sustainalytics assessment of these certification schemes, please refer to Appendix 2. As pertains to agricultural activities specifically, Nykredit confirms that activities compliant with the Technical Screening Criteria in the EU Taxonomy[13] are eligible. Nykredit will on a best-effort basis ensure compliance with Do No Significant Harm (DNSH) criteria. Sustainalytics encourages Nykredit to promote holistic deployment of conservation agriculture practices[14] through its lending criteria for agriculture projects.
- Under the Sustainable Water and Wastewater Management category, Nykredit may finance new and/or the expansion of water collection, treatment and supply facilities. Eligible projects must meet either one of the two following criteria: 1) maximum average energy consumption of 0.5 kWh/m^3 of billed/unbilled authorised water supply, or 2) at least 20% improved energy efficiency

[8] EU, "Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the Energy Performance of Buildings", (2010), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010L0031&from=EN
[9] In relation to the relative fossil fuel comparator set out in RED II, increasing to 100% by 2050.
[10] For district heating/cooling projects limited to distribution, the share of renewables must be at least 50%, as per the Energy Efficiency Directive 2012/27/EU
[11] EU, "Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on Energy Efficiency", (2012), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012L0027&from=EN
[12] 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.
[13] EU, "Taxonomy Report: Technical Annex", (2020), at: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf
[14] Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: http://www.fao.org/conservation-agriculture/en/

measured in kWh/m^3 billed/unbilled authorised water supply or 20% reduction between the actual leakage and a given leakage target for the network.
  - Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes category, Nykredit may finance all facilities, including associated equipment and infrastructure, contributing to waste reduction, reuse and recycling. Eligible expenditures include sorting plants for recyclable material, waste containers for specific waste, and recycling plants producing recycled material.
  - Under the Climate Change Adaptation category, Nykredit may finance expenditures linked to maintaining or enhancing the resilience of assets to all material physical climate risks with a focus on flood mitigation. Nykredit notes that the specific activity must not adversely affect other adaptation efforts and the outcome must be defined and measured using adequate indicators.
- Project Evaluation and Selection:
  - Nykredit's internal process in evaluating and selecting projects is managed by the Green Bond Committee, which consists of members of the following business units: Group Treasury, Regulation, Group Finance & Investments, External Relations & Responsibility, Corporate Client & Institutions. Project evaluation and selection involves a three-step process: Business units nominate potentially Eligible Green Assets. These Assets are reviewed and approved by the Group Treasury. The Committee conducts additional review of eligible assets to ensure compliance with eligibility criteria. Eligible loans for corporate clients at Nykredit will undergo ESG assessments, including climate-related risks.
  - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Nykredit's process for management of proceeds is handled by the Group's Treasury. Nykredit will allocate the green bond proceeds using two management approaches. A dedicated Green Registry holding all assets funded by Green Covered Bonds (mainly mortgages for residential and commercial property), and a Green Portfolio for all other Eligible Green Assets which follows a portfolio approach. Nykredit intends to match or exceed the net balance of outstanding green bonds over time. Should any proceeds remain unallocated, they will be temporarily held in accordance with Nykredit's standard liquidity management policy. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Nykredit intends to report on the allocation of proceeds on its website on an annual basis. The allocation reporting will include details such as the total outstanding amount of issued bonds, the total amount of net proceeds allocated from the bonds, the breakdown of the Green Registry and the Green Portfolio by Green Asset Categories, the geographical distribution of the Green Registry and the Green Portfolio, and new loans entering the portfolio over the previous reporting year. In addition, Nykredit is committed to reporting on relevant impact indicators, such as estimated ex-ante annual GHG emissions reduced/avoided, energy savings (kWh), or area of certified sustainable forest land/farmland (ha). For an exhaustive list of impact metrics, please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Nykredit Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Nykredit

Contribution of framework to Nykredit's sustainability strategy

Nykredit has defined three main themes that guide its corporate responsibility efforts: (i) supporting development and growth in Denmark – in urban and rural districts alike, (ii) supporting sustainable development – to fulfil Denmark's and EU's target of reducing GHG emissions, meet global temperature increase targets set by the Paris Agreement, and fulfil the UN Sustainable Development Goals, and (iii)

responsible business practices.[15] The first two themes focus on addressing principal societal challenges while creating value, and the third theme focuses on mitigating the risk of potential negative impacts resulting from Nykredit's business activities.[15] The Group aims to use its business to make it easier and more attractive for customers to make green choices by financing and investing in sustainable development,[16] and articulates its commitment to contributing to the sustainable development of society more broadly.

The Group has demonstrated a commitment to supporting a transition to a low-carbon economy from its core business through the following efforts:

- In 2019, mortgage loans for residential buildings with a valid A or B energy label totaled DKK 97 billion (EUR 13.04 billion), representing around 24% of Nykredit's mortgage loan portfolio with EPC label.[15] Since 2012, Nykredit has a number of financial products specifically designed to contribute to a more energy efficient building stock.[17] And for 2020, the Group aims to develop financing solutions to support energy renovation in private residential housing.[15] Activities financed via the Framework will further strengthen the efforts made by Nykredit to support a transition to more energy efficient building stock.
- Nykredit finances the establishment and operation of renewable energy plants and energy distribution systems following internal policies and targets. For example, Nykredit has financed wind turbines and biogas plants with capacity to generate 475 GWh and 300 GWh, respectively,[18] and electricity grids spanning more than 85,000 km, as of 2019.[18] These efforts will be further supported by Nykredit's Green Bond Framework via which the Group intends to support renewable energy generation and energy distribution projects from renewable sources.
- Nykredit offers interest rate and up-front fee discounts to promote the purchase of green vehicles by its customers.[15] In 2019, Nykredit started offering a lower interest rate of 2.48% for loans for electric, hydrogen or hybrid cars (compared to 2.95% for regular car loans).[19] By the end of 2019, Nykredit had provided luans for 266 green cars for a total DKK 57 million (EUR 7.66 million), compared with 106 green cars for a total of DKK 22 million (EUR 2.96 million) at the end of 2018.[15] These efforts could be further supported by several projects eligible under the Framework, including low-carbon passenger vehicles and charging stations.
- The Group has established initiatives to support sustainable and climate-friendly agricultural practices.[15] In 2020, Nykredit launched a loan with zero interest that finance machines and tools that promote the green transition in agriculture. A total of DKK 500 million (EUR 67.19 million) can be provided in loans under this product.[20] Activities funded via the Framework, which promote sustainable agriculture and forestry will further support the Group's efforts to promote transition to sustainable farming practices.

Sustainalytics is of the opinion that the Nykredit Green Bond Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities. Sustainalytics encourages the establishment of quantitative, time-bound targets for sustainable financing.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics acknowledges that the Framework will be directed towards eligible projects that have positive environmental impact. However, Sustainalytics acknowledges that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety risks, land use change and biodiversity issues associated with large-scale infrastructure development, and ESG risks associated to the projects financed. Although Nykredit has a limited role in the execution and development of the individual projects and activities financed, Sustainalytics is of the opinion that Nykredit can manage and/or mitigate potential risks through implementation of the following:

[15] Nykredit, "Corporate Responsibility Report 2019", (2020), at: https://www.nykredit.com/siteassets/ir/files/corporate-responsibility/csr-reports/corporate_responsibility_report_q4_19_2020-02-05_en.pdf
[16] Nykredit, "Code of Conduct", (2020), at: https://www.nykredit.com/globalassets/nykredit.com/samfundsansvar/code-of-conduct_uk.pdf
[17] Nykredit, "Sustainable value propositions", at: https://www.nykredit.com/en-gb/samfundsansvar/climate-and-environment/baredygtige-varditilbud/
[18] Nykredit, "Financing renewable energy systems through partnership", at: https://www.nykredit.com/en-gb/samfundsansvar/climate-and-environment/faglig-sparring-inden-for-finansiering-af-vedvarende-energianlag/
[19] Nykredit, "Low interest rate and fee discount on loans for electric, hydrogen and hybrid cars", at: https://www.nykredit.com/en-gb/presse/news/low-interest-rate-and-fee-discount-on-loans-for-electric-hydrogen-and-hybrid-cars/
[20] Nykredit, "Nykredit går forrest med et nyt tiltag til grøn maskinfinansiering", at: https://www.nykredit.dk/din-virksomhed/virksomhedstype/til-dig-med-eget-landbrug/aktuelt/nykredit-gar-forrest-med-et-nyt-tiltag--til-gron-maskinfinansiering/#kom-godt-videre

- Nykredit is a signatory of the UN Principles for Responsible Banking[21] by which it commits to implement impact analysis and manage the risks to people and environment resulting from its activities, products and services.[15]
- Nykredit integrates climate, ESG and sustainability considerations into its credit assessment practices and risk policy.[15] Furthermore, by the Environmental Policy, Nykredit commits to identify environmental risks and opportunities on an ongoing basis.[22]
- Activities funded by Nykredit within the EU must comply with European Union (EU) Environmental Impact Assessment (EIA) Directive[23] for development projects within the EU. The EIA Directive is aimed at ensuring that projects which are likely to have significant impact on the environment are adequately assessed before approval. With respect to biodiversity, the Directive instructs that measures must be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats." Concerning land use the Directive notes that the "EIA shall identify, describe and assess land use related impacts".[23]
- Denmark is classified as a "Designated Country" under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.[24]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Nykredit has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of energy efficient buildings in the Nordics

The countries in which Nykredit primarily intends to finance green buildings in Europe, primarily in Denmark and Sweden, are signatories to the Paris Agreement. The Agreement outlines a commitment by these countries to limit global temperature increases to below 2˚C pre-industrial levels, and pursue efforts to achieve no more than 1.5˚C warming.[25] Denmark's climate policy in particular embraces the EU-wide 2020 targets, including a 20% reduction of greenhouse gases from buildings, agriculture and transportation, achieving 30% renewable energy use overall, and 10% renewable energy use in the transportation sector. Furthermore, under the Danish Climate Law, the country aims to be a low emission society by 2050,[26] and reduce emissions by 70% by 2030 (compared to 1990).[27] Sweden for its part has established the Swedish Climate Act and Climate Policy Framework, enacted in 2017, which establishes the goal of net-zero greenhouse gas emissions by 2045, as well as interim goals of emissions decreases of 55% from 1990 levels by 2030 and 73% by 2040.[28]

In Denmark 31% of final energy consumption in 2017 was from households, 82% of which was related to heating. Despite an anticipated increase of approximately 11,775 homes per year, The Danish Energy Agency forecasts that total energy consumption by households will decrease over the period 2017-2030, primarily thanks to tighter building regulations and energy saving efforts.[29] Similarly in Sweden, households account for approximately 26% of total energy use. As with Denmark, energy use in this sector is trending downwards, which is attributed primarily to a shift from oil-fired heating to district heating and electric heat pumps which perform at higher efficiency ratios, as well as physical energy saving measures such as better performing insulation.[30] Nykredit's financing to build new or renovate commercial and private buildings can further contribute to reducing energy consumption in Denmark and Sweden and promote a transition to more sustainable building stocks.

[21] UNEPFI, "Principles for Responsible Banking", at: https://www.unepfi.org/banking/bankingprinciples/
[22] Nykredit, "Klima-, energi- og miljøpolitik", (2018), at: https://www.nykredit.com/siteassets/om-os/klima-_energi_og_miljopolitik_november_2018-11-27_da.pdf
[23] EU, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052
[24] The Equator Principles, "Designated Countries", at: https://equator-principles.com/designated-countries/
[25] UNFCCC. "The Paris Agreement," at: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
[26] ENS, "Danish climate policies" at: https://ens.dk/en/our-responsibilities/energy-climate-politics/danish-climate-policies
[27] KEFM, "Bred aftale om ambitiøs og bindende klimalov", (2019), at: https://kefm.dk/aktuelt/nyheder/2019/dec/klimalov/
[28] Swedish EPA, "Sweden's Climate Act and Climate Policy Framework", (2019), at: http://www.swedishepa.se/Environmental-objectives-and-cooperation/Swedish-environmental-work/Work-areas/Climate/Climate-Act-and-Climate-policy-framework-/
[29] ENS, "Denmark's Energy and Climate Outlook 2018", (2018), at: https://ens.dk/sites/ens.dk/files/Basisfremskrivning/deco18.pdf
[30] Swedish Energy Agency, "Energy in Sweden 2017", at: https://energimyndigheten.a-w2m.se/FolderContents.mvc/Download?ResourceId=104743

In this context, Sustainalytics is of the opinion that the promotion of energy efficient buildings through the issuance of green bonds is expected to provide positive environmental impacts and may contribute to each countries' targets and commitments.

Importance of wind and solar energy generation in Denmark

Danish energy policy is largely driven by compliance with international obligations on climate change, in particular EU's goals and initiatives.[31] The EU has established targets to reduce total CO_2 emissions by at least 40% by 2030, and by 80-95% compared to 1990 by 2050.[31] In this context, the new Danish Climate Act of 2019 set a legally binding target to reduce GHG emissions by 70% by 2030, based on 1990 levels, and net zero emissions by no later than 2050.[32] In order to reach the targets the country is committed to accelerate the transition to renewable energy and plans for a 55% renewable energy in gross final consumption by 2030.[32]

In line with these ambitions, Denmark's CO_2 emissions from electricity generation have fallen by 61% in the period from 1990 to 2017.[31] Wind energy is the backbone of Denmark's renewable energy transition, as it is the largest source of electricity production (55.16%) in the country, followed by fossil fuels (18.22%), biofuels (17.4%), waste (5.87%), solar (3.29%), and hydropower (0.05%) in 2019.[33] In 2019, Denmark's wind energy installed capacity exceeded 6 GW and power generated from wind grew by 15% from the previous year, reaching 16 TWh.[34] It is expected that wind energy will provide 50% of the country's energy needs by 2050.[34] In terms of solar energy, Denmark's installed capacity is expected to surpass 1,000 MV by 2020, more than a hundredfold the capacity in 2010.[35] This trend puts Denmark on track to reach 3,400 MW of installed solar energy capacity by 2030.[35] This is in part a result of government policies that make installation of solar attractive to the public.[35]

Sustainalytics believes that the use of proceeds from Nykredit's green bonds will increase the share of renewable energy generation, harvest the full potential of renewables, support a shift towards a decarbonized energy matrix in Denmark, and thus the Framework will help meet the country's GHG gas emission reduction targets.

Importance of investment in energy distribution networks for a carbon free energy matrix

In 2020, electricity consumption in Denmark sourced from wind and solar energy sources is likely to reach 55%.[31] At the same time, nearly two-thirds of Danish households are supplied with district heating via hot water in pipes.[36] Renewable energy sources, mainly biomass, account for roughly half of district heating energy needs in Denmark.[36] Energy supply in Denmark is very reliable, with households experiencing 99.99% electricity supply security in 2019.[37] When supply interruptions occur, distribution grid incidents are responsible for the disruption.[38] As Denmark steadily increases the share of energy supply from renewable sources, energy distribution systems adapted to renewable energy production are essential to integrate the increasing volumes of electricity and heat generated from renewable sources.[31] Efficient and reliable distribution networks are the infrastructure that will enable green energy transition,[39] as more renewable energy can only be integrated with continuous improvement of the existing system and new solutions.[31]

Sustainalytics believes that Nykredit's financing improvements and expansions of energy transmission and distribution infrastructure will facilitate renewable energy generation and will support Denmark's goal to have fossil free energy production by 2050.

[31] Energinet, "System Plan 2018 – Electricity and Gas in Denmark", (2018), at: https://en.energinet.dk/-/media/FDC2E007EC274EE88C74090DEB349D35.pdf
[32] European Commission, "Denmark's Integrated National Energy and Climate Plan", (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/dk_final_necp_main_en.pdf
[33] EIA, "Denmark", (2020), at: https://www.iea.org/countries/denmark
[34] NS Energy, "Denmark's wind power vision to make its electricity sector fossil-free by 2030", (2020), at: https://www.nsenergybusiness.com/features/denmark-electricity-wind-power/
[35] Denmark Ministry of Foreign Affairs, "Denmark reaches 2020-goal for solar energy before time", (2020), at: https://um.dk/en/news/newsdisplaypage/?newsid=25147b44-3dce-4647-8788-ad9243c22df2
[36] Denmark official website, "Pioneers in clean energy", at: https://denmark.dk/innovation-and-design/clean-energy
[37] The probability that electricity is available when demanded by consumers.
[38] ENS, "Security of Electricity Supply in Denmark", (2016), at: https://ens.dk/sites/ens.dk/files/Globalcooperation/security_of_electricity_supply_in_denmark.pdf
[39] Dansk Energi, "Smart Distribution Grids Power Europe's Transition to Green Energy", (2017), at: https://www.danskenergi.dk/sites/danskenergi.dk/files/media/dokumenter/2017-11/DSO_Magazine_210x297_ENG_V10.pdf

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Renewable Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Energy Distribution	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Sustainable Water and Wastewater Management	6. Clean water and sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	8. Decent work and economic growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Climate Change Adaptation	15. Life on land	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world

Conclusion

Nykredit has developed the Nykredit Green Bond Framework under which it intends to issue green bonds and the use of proceeds to finance projects and activities that promote the transition to a low carbon and climate resilient society. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Nykredit Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Nykredit Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 8, 9, 11, 12, and 15. Additionally, Sustainalytics is of the opinion that Nykredit has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Nykredit is well-positioned to issue green bonds and that the Nykredit Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Certification Schemes for Green Buildings

	BREEAM BREEAM-SE	LEED	DGNB	Nordic Swan	Miljöbyggnad	GreenBuilding
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings. BREEAM-SE is tailored to the Swedish market	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	Svanen is owned by "Ecolabelling Sweden", a Swedish state company responsible for both the Swan ecolabel and the EU Ecolabel. Svanen was first released in 1989 by the Nordic Council of Ministers.	Administered by the Swedish Green Building Council (SGBC), Miljöbyggnad certifies new and existing residential and commercial buildings. First implemented in 2010, Version 3 launched in 2018.	Administered by the Swedish Green Building Council (SGBC), GreenBuilding is aimed at making buildings more energy efficient.
Certification levels	Pass Good Very Good Excellent Outstanding	• Certified • Silver • Gold • Platinum	• Bronze • Silver • Gold • Platinum	• Certified	• Bronze • Silver • Gold	• Certified
Areas of Assessment	• Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	• Environment • Economic • Sociocultural and functional aspects • Technology • Processes & Site	• General requirements • Resource efficiency • Indoor environment • Chemicals and materials • Construction Management • Regulatory requirements • Point-score requirements (including energy)	• Energy • Indoor Environment • Chemical Substances • Specific Environmental Demands	• Energy Use
Requirements	Prerequisites depending on the levels of certification and credits with associated points	Prerequisites independent of level of certification, and credits with associated points. These points are then added together to obtain	Percentage-based performance index. The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment.	Points-based assessment. For apartment buildings at least 17 out of 44 possible points must be achieved.	Checklist of 15 indicators, all of which must be met in order to obtain certification. Level of certification is determined by the lowest-scoring indicator.	Refurbishments must demonstrate a 25% energy saving over existing baseline. New buildings must demonstrate a 25% saving over the requirements of the

	This number of points is then weighted by item[40] and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.	For small houses at least 16 out of 42 possible points must be achieved. For pre-school and school buildings at least 15 out of 39 possible points must be achieved.		applicable building code.
Performance display						
Qualitative Considerations	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.	Widely recognized internationally, and strong assurance of overall quality.	DGNB certification is based on current European Union standards.	Widely recognized within the region, strong assurance of quality.	Developed specifically for Sweden. High emphasis on indoor environments.	Focused only on energy use, not other environmental issues.

[40] BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Appendix 2: Sustainalytics' assessment of forestry certification schemes

	Programme for the Endorsement of Forest Certification (PEFC)[41]	Forest Stewardship Council (FSC)[42]
Background	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements	• Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement	• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
Governance	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers –

[41] PEFC, Standards and Implementation: https://www.pefc.org/standards-implementation
[42] Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf

	national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
Scope	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)[43] and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody	• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC
Non-certified wood sources	The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from: a. forest management activities that do not comply with local, national or international laws related to: - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values,	FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including: a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in

[43] ISO, ISO/IEC Guide 59:2019: https://www.iso.org/standard/23390.html

	- protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations.	violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
Accreditation/verification	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures. PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.
Qualitative considerations	Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices[44] and both have also faced criticism from civil society actors.[45,46] In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.	

Appendix 3: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Nykredit Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Nykredit Green Bond Framework

[44] FESPA, FSC, PEFC and ISO 38200: https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200
[45] Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed
[46] EIA, PEFC: A Fig Leaf for Stolen Timber: https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber

Review provider's name:	Sustainalytics
Completion date of this form:	September 25, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds: Green Buildings, Renewable Energy, Clean Transportation, Energy Distribution, Sustainable Management of Living Natural Resources and Land Use, Sustainable Water and Wastewater Management, Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Climate Change Adaptation are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8, 9, 11, 12, and 15.

Use of proceeds categories as per GBP:

☒ Renewable energy	☒ Energy Distribution
☒ Pollution prevention and control	☒ Sustainable Management of Living Natural Resources and Land Use
☐ Terrestrial and aquatic biodiversity conservation	☒ Clean transportation
☒ Sustainable water and wastewater management	☒ Climate change adaptation
☒ Eco-efficient and/or circular economy adapted products, production technologies and processes	☒ Green buildings
☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	☐ Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Nykredit's internal process in evaluating and selecting projects is handled by a dedicated Green Bond Committee. The eligibility of assets is determined against the use of proceeds criteria included in the Framework and loans for corporate clients must undergo an ESG assessment, including for climate-related risks. Sustainalytics considers the company's project selection process to be in line with market practice.

Evaluation and selection

☒ Credentials on the issuer's environmental sustainability objectives	☒ Documented process to determine that projects fit within defined categories
☒ Defined and transparent criteria for projects eligible for Green Bond proceeds	☐ Documented process to identify and manage potential ESG risks associated with the project
☐ Summary criteria for project evaluation and selection publicly available	☐ Other *(please specify):*

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification	☐ In-house assessment
☐ Other (please specify):	

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Nykredit's process for management of proceeds is handled by the Group's Treasury. Nykredit will allocate the green bonds proceeds using two management approaches. A dedicated Green Registry holding mainly mortgages funded by green covered bonds, and for all other Eligible Green Assets a Green Portfolio which will follow a portfolio approach. Unallocated proceeds will be temporarily held in accordance with Nykredit's standard liquidity management policy. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

☐ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☐ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Nykredit intends to report the allocation of proceeds on its website, on an annual basis. The allocation reporting will include the total outstanding amount of Green Bonds, the total net proceeds allocated from the issuance of Green Bonds, the breakdown of the Green Registry and the Green Portfolio by Green Asset Categories the geographical distribution of the Green Registry and the Green Portfolio, and share of new financings entering the portfolio vs refinancing. Nykredit is also committed to reporting on relevant impact indicators, on an annual basis. Impact reporting will include, but is not limited to, estimated ex-ante annual GHG emissions reduced/avoided, and energy savings (kWh). Based on these elements, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other *(please specify):*

Frequency:

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project ☒ On a project portfolio basis

☐ Linkage to individual bond(s) ☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings ☒ Energy Savings

☒ Decrease in water use ☒ Other ESG indicators (please specify):

Frequency

☒ Annual ☐ Semi-annual

☒ Other (please specify):

Eligible Green Assets			
Selected Categories	**Nykredit Sub Categories**	**Impact Measurement Indicators**	
Green Buildings	Green buildings, major renovations, individual measures and professional services	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
Renewable Energy	Wind power, solar energy, bio energy, hydropower, geothermal energy	Annual renewable energy generation (MWh) and/or capacity of renewable energy plant(s)	Estimated ex-ante annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Clean Transportation	Electric, hydrogen, and fuel cells vehicles and associated infrastructure.	No. of vehicles and/or charging stations	Estimated ex-ante annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Energy Distribution	Energy storage, transmission and distribution infrastructure	Distance of transmission, energy transmitted (MWh), energy stored (in MWh)	Estimated ex-ante annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Sustainable management of living natural resources and land use	Forestry, agriculture	Area of certified sustainable forest land/farm land (ha), no. of farm units	
Sustainable water and wastewater management	Sustainable water and wastewater management	Volume of water saved, reduced or treated (m^3)	Energy savings (kWh)
Eco-efficient and/or circular economy adapted products, production technologies and processes	Waste management	Waste recycled or diverted from landfill (tonnes)	

Climate change adaptation	Adaptation activities	Qualitative description of projects	

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☒ Information published in ad hoc documents
☐ Other (please specify):
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☒ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify):*

Review provider(s): **Date of publication:**

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as

a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

About Sustainalytics, a Morningstar Company

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.

Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider