

Nykredit

Type of Engagement: Annual Review

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Introduction

In H1/2019, Nykredit launched its first green covered bonds aimed at financing energy efficient buildings. In January 2020, Nykredit engaged Sustainalytics to review the projects funded through the issued green covered bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Nykredit Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the green bonds issued in 2019 based on whether the projects and programmes:

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

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

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

Use of Proceeds	Eligibility Criteria	Key Performance Indicators (KPIs)
Private rental housing	<ul style="list-style-type: none"> • Properties with an energy label¹ of A² or B³ regardless of year of construction • Properties constructed after 2009 compliant with construction codes BR08, BR10, BR15, BR18 or later versions⁴, corresponding to energy label A and B • BREEAM or BREEAM-SE⁵ (minimum certification "very good") • LEED⁶ (minimum certification "gold") • DGNB⁷ (minimum certification "gold") • Nordic Swan⁸ • Or any equivalent international recognisable certification as 	<ul style="list-style-type: none"> • Estimated ex-ante annual energy savings in MWh • Estimated ex-ante annual GHG emissions reduced/avoided in tons of CO2 equivalent

¹ Energy labels will be based on data from the Danish official Information Service (OIS) – according to '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 Mortgage it will remain so unless it later gets an energy label below the selection criteria and thus becoming ineligible.

² Note: The "A label" cover labels A, A1, A2, A2010, A2015, A2020 which guarantees an energy consumption – kWh/m²/year ≤ 52.5 + 1,650/A

³ Note: The "B label" cover labels B or B1 which guarantees an energy consumption – kWh/m²/year ≤ 70.0 + 2,200/A

⁴ Construction codes are according to executive order BEK nr. 604 of 29/05/2018

⁵ BREEAM: <http://www.breeam.org/>

⁶ LEED: <http://www.usgbc.org/certification>

⁷ DGNB: <http://www.dk-gbc.dk/english/>

⁸ Nordic Swan: <https://www.nordic-ecolabel.org/certification/ecolabelled-buildings2/>

	determined by the Green Bond Committee	
Commercial real estate	<ul style="list-style-type: none"> • Properties with an energy label⁵ of A⁶ or B⁷ regardless of year of construction • Properties constructed after 2009 compliant with construction codes BR08, BR10, BR15, BR18 or later versions⁸, corresponding to energy label A and B • BREEAM or BREEAM-SE⁹ (minimum certification "very good") • LEED¹⁰ (minimum certification "gold") • DGNB¹¹ (minimum certification "gold") • Nordic Swan¹² • Sweden Green Building Council Miljöbyggnad⁹ (minimum certification "silver") • GreenBuilding¹⁰ • Or any equivalent international recognisable certification as determined by the Green Bond Committee 	<ul style="list-style-type: none"> • Estimated ex-ante annual energy savings in MWh • Estimated ex-ante annual GHG emissions reduced/avoided in tons of CO2 equivalent
Residential housing	<ul style="list-style-type: none"> • Properties with an energy label⁵ of A⁶ or B⁷ regardless of year of construction • Properties constructed after 2009 compliant with construction codes BR08, BR10, BR15, BR18 or later versions⁸, corresponding to energy label A and B 	<ul style="list-style-type: none"> • Estimated ex-ante annual energy savings in MWh • Estimated ex-ante annual GHG emissions reduced/avoided in tons of CO2 equivalent

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, estimated and realized costs of projects, 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. Further, Sustainalytics, has assessed as to whether the projects met the Reporting commitments outlined in the Nykredit Green Bond Framework. 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.

⁹ Miljöbyggnad: <https://www.sgbc.se/var-verksamhet/miljoebyggnad>

¹⁰ GreenBuilding: <https://www.sgbc.se/var-verksamhet/greenbuilding>

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.

Conclusion

Based on the limited assurance procedures conducted,¹¹ 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 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 to green mortgages as of December 31, 2019.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2019 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 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

¹¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Impact Reporting by Green Bond

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 55% when benchmarked against the national buildings code. The relative energy savings increases to 70% and to 80%, 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: 3,572 MWh - National reference building: 7,093 MWh - European reference building: 10,091 MWh • Absolute GHG reduction (tons of CO2 equivalents) <ul style="list-style-type: none"> - 807 (compared to National Building code) - 1,527 (compared to national reference building) - 2,165 (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 22% when benchmarked against the national buildings code. The relative energy savings increases above 38% and close to 56%, when benchmarked against a national and European reference building, respectively. <p>The absolute energy savings are the following:</p> <ul style="list-style-type: none"> - National building code: 3,961 MWh - National reference building: 9,813 MWh - European reference building: 21,676 MWh • Absolute GHG reduction (tons of CO2 equivalents) <ul style="list-style-type: none"> - 1,258 (compared to National Building code) - 2,667 (compared to national reference building) - 5,671 (compared to European reference building)

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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