



Nykredit

**Together
we are more**

**Corporate Responsibility
Report 2020**

**Nykredit
Group**

Nykredit

Contents

Foreword by Group Chief Executive Michael Rasmussen	5
Nykredit – a lender to people and businesses all over Denmark	6
Nykredit's corporate responsibility	11
The UN's Principles for Responsible Banking	16

1. We will support development and growth throughout Denmark

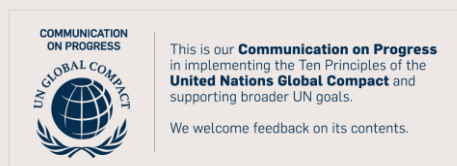
Development and growth throughout Denmark	19
---	----

2. We want to contribute to a greener Denmark

Sustainable housing	32
Sustainable businesses and buildings	37
Sustainable agriculture	43
Responsible investment	45

3. Responsible business practices

A greener Nykredit	53
Responsible business conduct	60
Initiatives to combat financial crime	64
Data security	66
People	73
Diversity and inclusion	76
Principles and policies governing our work	82
Overview: Prioritised initiatives and selected key figures	83
Reporting principles	85
Appendix: Principles for Responsible Banking – reporting and self- assessment	86



PRINCIPLES FOR
RESPONSIBLE
BANKING

This report forms the Nykredit Group's:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Reporting on the UN Principles for Responsible Banking signed by us when introduced in 2019.
3. Report on corporate responsibility, see section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
4. Report on the gender composition of management, see section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) standards. Nykredit's GRI Index is included in our Sustainability Fact Book.

Foreword by Group Chief Executive Michael Rasmussen

Dear reader

2020 was indeed a year marked by the coronavirus pandemic. This was true globally, locally, in the financial sector and at Nykredit. At the time of writing we are still battling the pandemic. However, overall, Denmark and our customers have steered well through the crisis. Throughout the year we have been devoted to helping them do just that.

Furthermore, in 2020, we have maintained our focus on contributing to a greener Denmark and on doing our utmost to ensure that Danes are able to buy a home and live in all parts of Denmark also in future.

These are among the topics you can read more about in this report, which gives a detailed account of our corporate responsibility performance in 2020.

Corporate responsibility – a strategic priority

As a financial mutual, it is part of Nykredit's DNA to promote the interests of our customers and of Denmark. In 2018 we adopted three main themes that set the course for our corporate responsibility commitment. The three main themes are described in detail in this report.

In September 2019 we went one step further and included corporate responsibility in Nykredit's updated strategy, Winning the Double 2.0. The strategy has three overarching objectives, and the third objective reads: "We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark".

This objective sets out to ensure that we give the same priority to corporate responsibility as to the strategy's other objectives regarding Nykredit's and Totalkredit's market positions and that Nykredit continues operating its business in alignment with society's goals and international principles. The UN Sustainable Development Goals and the Paris Climate Agreement remain central benchmarks for our business practices. The UN's Principles for Responsible Banking set a strong framework for our business practices, and we will continue to support and comply with the Ten Principles of the UN Global Compact.

Supporting customers through the crisis

As we embarked on 2020, we expected another year with corporate responsibility activities focused particularly on the green transition, development across Denmark as well as compliance and conduct. During the year, we have made much progress in these areas, but the corona crisis nonetheless became the dominant theme – also at Nykredit.

In March and April the first national lockdown meant that many customers came to us for loans and liquidity to stay afloat. We therefore launched a number of special corona initiatives to help these customers with responsible advice and support. During those months, Nykredit Bank saw significant growth in lending.

We are proud to have had the strength and capacity to increase lending at a time of uncertainty. Being able to always keep our loan books open is an essential part of our business – also at times when the Danish economy is struggling. If we close our loan books, we would only worsen the crisis. We should always be part of the solution, not the problem.

We provide loans throughout Denmark

Not only Nykredit Bank increased lending despite the corona crisis. Totalkredit recorded lending growth in all the 98 Danish municipalities in 2020. This underlines another central aspect of our corporate responsibility. We should not only be ready to provide loans at all times. We should be ready to provide loans throughout Denmark. This way, we can help ensure continued development and growth in all regions of Denmark. We are proud to have maintained and expanded our nation-wide lending activities during a difficult year.

We facilitate green choices

The green transition is a defining challenge of our time, and as a financial mutual, naturally we strive to make a difference in this area. We have already significantly reduced our own carbon footprint. Thus, we can make the greatest difference together with our customers.

To this end, we have set out to make it easier and more affordable for our customers to make green choices. This

autumn we launched several such products across the Group. Nykredit Bank now offers green home loans (Grønt Boliglån) to finance energy improvements at 0% interest and no up-front fees. We offer green car loans (Grønt Billån) to finance electric cars at 1% interest and no up-front fees. We also offer green machinery financing (Grøn Maskinfinansiering) at 0% interest and no up-front fee. Totalkredit offers a cash contribution of DKK 10,000 to customers who replace their oil-fired boilers with heat pumps.

These are examples of the products and benefits that we can offer our customers thanks to the backing of our majority shareholder, Forenet Kredit. In September, the Committee of Representatives of Forenet Kredit decided to allocate DKK 200 million to green initiatives. We have put some of this money to work by lowering the price of green loans and making cash contributions as well as launching various other initiatives that make it easier for our customers to make green choices. This goes to show how well mutual ownership and corporate responsibility go hand in hand.

Together we are more.



Michael Rasmussen
Group Chief Executive



Nykredit – a lender to people and businesses all over Denmark

Nykredit is the largest lender in Denmark, the largest lender to homeowners and one of the largest lenders to small and medium-sized businesses, the agricultural sector and the housing sector. We serve people and businesses all over Denmark.

Being predominantly owned by an association, Forenet Kredit, which represents our customers, Nykredit is unique in the Danish financial landscape.

As such, we have a special responsibility for creating value to our customers and to society; especially in challenging times with climate change and a pandemic.

In the following pages, you can read more about the core elements of our business and the foundation of our corporate responsibility: our business model, our core values, our strategy, and what it means to us to be owned by an association.

Who are Nykredit's owners?



The investor consortium consists of PFA Pension (10.03%), PensionDanmark (2.40%), PKA (2.40%), AP Pension (1.63%) and AkademikerPension (0.44%). See the Management Commentary of the latest Annual Report of Nykredit A/S for a full Group chart.



About Forenet Kredit

Forenet Kredit is the association behind Nykredit and Totalkredit. The association promotes stable home loans for homeowners all over Denmark – now and in future.

Forenet Kredit owns 78.9% of the Nykredit Group, and its members are either customers of Nykredit or Totalkredit. Hence, the Nykredit Group's customers have a voice through the democratic processes of the association.

Read more about Forenet Kredit at forenetkredit.dk

Nykredit was founded by its customers and is owned mainly by its customers. This has a significant bearing on our approach to conducting financial business. The fact that we are owned by our customers manifests itself in several ways.

Nation-wide presence – also in times of crisis

We have made a pledge to society to be active in urban and rural districts alike and support development and growth throughout Denmark. At all times. The Nykredit Group's capacity to provide loans to homeowners and businesses all over Denmark across economic cycles lies at the core of our corporate responsibility. We kept this promise during the national lockdowns prompted by the outbreak of covid-19 by providing help and support to families and businesses in financial distress because of covid-19 and by continuing active lending across the country.

Totalkredit, which is a part of the Nykredit Group, provided 66% of all new home loans in areas outside the large cities together with our 50 Totalkredit partners in

2020, and we recorded lending growth in 98 of the 98 municipalities in Denmark.

We share our success

Forenet Kredit wants the dividend it receives from the Nykredit Group to benefit our customers. The association has therefore decided to make a contribution to the Group, which Nykredit and Totalkredit may pass on to their customers.

As a result, all customers with a Totalkredit mortgage loan are awarded a unique discount (KundeKroner). Thanks to these discounts, customers with a Totalkredit loan at the end of 2020 enjoy the lowest administration fees in the market on the loan types most popular among Danish homeowners. Business customers with a Nykredit mortgage loan receive a similar discount (ErhvervsKroner). The discount is awarded for every million Danish kroner borrowed up to DKK 20 million.

Last but not least, we offer homeowners who are Nykredit Bank customers a benefits programme called MineMål. In 2021 the MineMål benefits programme will

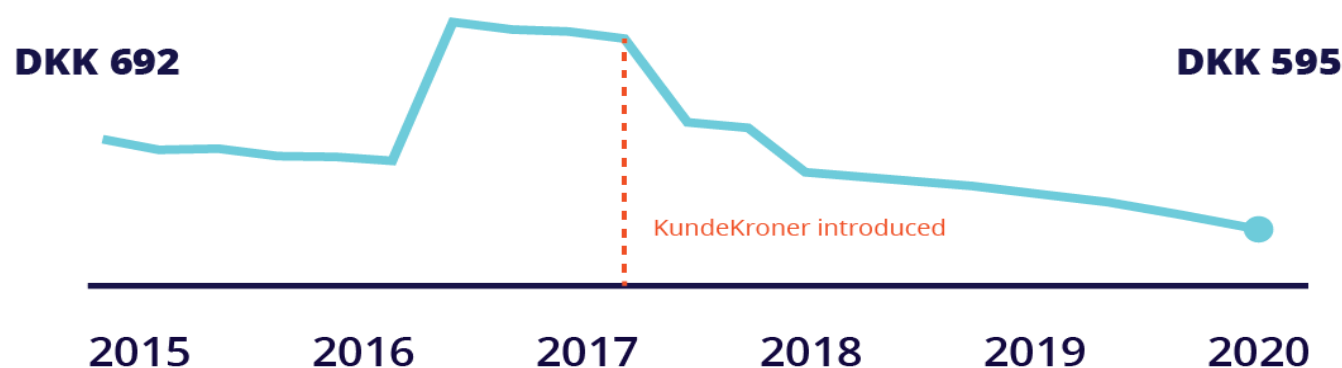
be replaced by new mutual benefits for the bank's personal customers.

We contribute to a greener Denmark

The climate continues to be a fundamental and global societal challenge. Being a financial mutual and Denmark's largest lender, we can and must contribute to solving this challenge. We are not a traditional manufacturing company, and that puts a natural limitation on our own carbon emissions, which we have in fact reduced significantly. We can therefore make the biggest difference by making green choices easier and more attractive for our customers.

In 2020 we launched a series of products and strengthened our advisory services to help our customers live, drive, renovate, invest and do business sustainably. And a green contribution of DKK 200 million from our owners, Forenet Kredit, earmarked for green initiatives from Nykredit and Totalkredit has given us unique opportunities to be a catalyst for our customers' green transition.

Our customers' administration fees are decreasing



Totalkredit customers receive discounts under the KundeKroner benefits programme. This reduces their administration fees, which today average DKK 595 monthly for each DKK 1 million borrowed. This is the lowest level in more than six years.

Sharing our progress in 2020

KundeKroner

KundeKroner discounts* awarded by Totalkredit in 2020:

DKK 1,166 million

ErhvervsKroner

ErhvervsKroner discounts** awarded by Nykredit in 2020:

DKK 278 million

MineMål

MineMål bonuses*** awarded by Nykredit in 2020:

DKK 229 million

* All our personal customers with a Totalkredit mortgage loan get a KundeKroner discount equal to DKK 1,500 a year for every million Danish kroner borrowed. KundeKroner discounts are guaranteed up to and including 2021.

** All our business customers with a Nykredit mortgage loan receive an ErhvervsKroner discount equal to DKK 1,500 a year for every million Danish kroner borrowed. Business customers with loans exceeding DKK 20 million will receive discounts on the first DKK 20 million. ErhvervsKroner discounts are guaranteed up to and including 2021.

*** Every three months, all Nykredit Bank customers covered by the MineMål programme receive a cash contribution of DKK 250, which is paid into their MineMål account. Contributions are guaranteed up to and including 2020. In 2021 the MineMål benefits programme will be replaced by new mutual benefits for the bank's personal customers.

Forenet Kredit allocates DKK 200 million to the green transition

It should be easier and more affordable to make green choices for customers of Nykredit and Totalkredit. For that purpose, Forenet Kredit has earmarked DKK 200 million for our customers' green transition in 2020-2022.

"The green transition is not just about switching off the lights when we leave the office. We are now acting on our ambition to drive change together with our customers. Together we have enormous potential to make a difference for the climate – and for our customers," says Nina Smith, Chairman of Forenet Kredit.

The DKK 200 million is an addition to the contributions made by Forenet Kredit to Totalkredit to fund the KundeKroner and ErhvervsKroner programmes. Nykredit and Totalkredit are then tasked with making the most of the green contribution to the benefit of the customers.

**Forenet
Kredit**

Nykredit's business model

Key resources

CAPITAL

Nykredit's capitalisation is a prerequisite for our capacity to provide lending at all times.
CET1 capital: 20.2%

STAFF

Our 3.799 staff members are the key to our ability to operate our business and give advice to our customers.

TOTALKREDIT PARTNERS

The 50 local and regional Totalkredit partner banks form the foundation of our joint effort of providing mortgage loans throughout Denmark.

Core activities

We finance homes and handle other banking services to personal customers.
Mortgage lending: **DKK 182 billion**
Bank lending: **DKK 10 billion**

Our Totalkredit partner banks finance properties for private individuals and companies.
Mortgage lending: **DKK 669 billion**

Sustainable housing, **page 32**

Development and growth throughout Denmark, **page 19**

A greener Nykredit, **page 53**
Responsible procurement, **page 54**

Responsible business conduct, **page 60**
Efforts to combat financial crime, **page 64**
Data security, **page 66**

People, **page 73**
Diversity and inclusion, **page 76**

We finance buildings, operations and development in the agricultural sector.
Mortgage lending: **DKK 88 billion**
Bank lending: **DKK 3 billion**

Sustainable agriculture, **page 43**

The estate agencies Nybolig and Estate arrange the sale and purchase of residential and commercial properties.

We administer investment portfolios for institutional clients, such as pension and investment funds.
Assets under administration: **DKK 949 billion**

We provide wealth management services to personal and business clients.
Assets under management: **DKK 372 billion**

Responsible investment, **page 45**

We finance buildings, operations and development in small and large businesses.
Mortgage lending: **DKK 283 billion**
Bank lending: **DKK 58 billion**

Sustainable businesses and buildings, **page 37**

We finance public and cooperative housing.
Mortgage lending to public housing: **DKK 64 billion**
Mortgage lending to housing cooperatives: **DKK 35 billion**

Value creation

DEVELOPMENT AND GROWTH THROUGHOUT DENMARK

We provide affordable and secure loans to homeowners and businesses all over Denmark.

Total mortgage lending: **DKK 1,321 billion**
Total bank lending: **DKK 71 billion**

CUSTOMERS

We help our customers stay on top of their finances and provide them with opportunities and security.

DIVIDEND TO OUR OWNERS

We pay dividend to Forenet Kredit, the consortium of Danish pension companies and Nykredit's other owners.

WE SHARE OUR PROGRESS

Forenet Kredit can make a contribution to the Nykredit Group, which Nykredit and Totalkredit may give back to their customers.

KundeKroner discounts from Totalkredit in 2020: **DKK 1,166 million**
ErhvervsKroner discounts from Nykredit in 2020: **DKK 278 million**
MineMål bonuses in 2020: **DKK 229 million**

TAX

Forenet Kredit paid **DKK 1.4 billion** in taxes in 2019.

FINANCIAL STABILITY

Nykredit is a systemically important financial institution and as such plays a major role in the Danish economy and the housing market.

Corporate responsibility at the core

The Nykredit Group's corporate responsibility commitment rests on Nykredit's core values.

In step with Nykredit's core values, the overarching element of Nykredit's self-image is Denmark's ability to rely on Nykredit – also in times of crisis. Having the distinctive character of a financial mutual, we are committed to being a successful and well-capitalised business in firm control of earnings and costs. Operating from a position of strength enables us to be there for Denmark.

Nykredit is both committed and uniquely positioned to help solve the challenges faced by society and to make a difference. In a predictable and reliable manner.

This applies to challenges that are self-evident, given our core product and business system. When the economy falters, Danes should rest assured that Nykredit does not. There should be no doubt that Nykredit has the strength to support its customers, the economy and society by keeping its loan books open all across the country – at all times.

New societal challenges may arise over time. It is paramount that businesses and households contribute to a greener Denmark now and in the years to come. We can make the biggest difference by making green and sustainable choices easier and more affordable – for homeowners and savers as well as for businesses and investors. As a financial mutual, and together with Forenet Kredit, we are committed to offering our customers the best solutions for a greener Denmark.

We have made six pledges to our stakeholders.

We have made six specific and long-term pledges to our customers, business partners, society, staff, owners and bond investors:



Pledge to our customers

We will provide our customers with financial security through sound advice and products tailored to their needs, and we will share our success with our customers.



Pledge to our business partners

In collaboration with our partners, we want to make a difference to our customers by offering them attractive products and effective solutions. We will prioritise joint solutions and actively contribute to developing and expanding our alliance so that we and our partners become more together.



Pledge to society

We will be active in all of Denmark and support growth – in urban and rural districts alike. At all times. We will also do our best to create a greener Denmark for our children and for future generations.



Pledge to our staff

We will prioritise development and opportunities for people who will and can make a difference. We want to be known for our trusting culture guided by customer centricity, team spirit and empowerment.



Pledge to our shareholders

We will strive to be a successful and well-capitalised business that thinks and acts for the long term. We will generate market-consistent dividend to the benefit of our Danish owners.



Pledge to our bond investors

As one of Europe's largest bond issuers, we will provide a stable and secure investment opportunity for domestic and foreign bond investors.

Nykredit's corporate responsibility

Corporate responsibility is embedded in our Group strategy

As one of Denmark's largest financial providers, Nykredit is committed to actively supporting long-term, stable and sustainable development of society.

The third objective in the Group's updated strategy Winning the Double 2.0 reads:

"We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark."

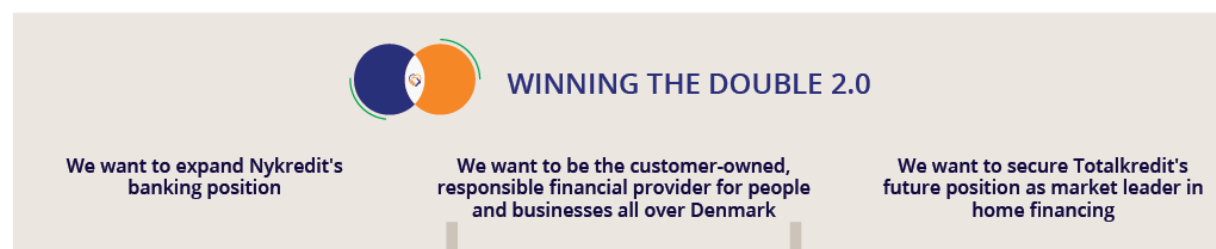
The aim of the objective is to ensure that Nykredit's business strategy is at all times in alignment with society's goals. It also aims to ensure that we give the same priority to corporate responsibility as to the strategy's other objectives regarding Nykredit and Totalkredit's positions in the market.

In 2020, based on our strategic objective, Nykredit has:

- integrated corporate responsibility and sustainability in the business strategies set for the Group's key business areas
- incorporated sustainability into our credit and risk management practices
- translated the objective into specific initiatives and products to the benefit of society and of our customers
- set our first long-term climate targets in the investment area in compliance with the Paris Climate Agreement.

GROUP STRATEGY

Corporate responsibility is one of three objectives set out in the Nykredit Group's strategy



BUSINESS STRATEGIES

The corporate responsibility objective is ingrained in the business strategies for the Group's three key business areas



CORPORATE RESPONSIBILITY STRATEGY

The corporate responsibility strategy implements the objective into prioritised initiatives across business areas and staff functions. Initiatives are organised under three main themes



We concentrate on areas where we can make a substantial difference

Nykredit's corporate responsibility and sustainability efforts rely on analyses of where we can make the biggest impact, what our stakeholders expect from us, and how our business model is linked to key societal challenges.

This way, we are sure to concentrate on the areas where we can make the greatest difference.

Based on these analyses, Nykredit's Corporate Responsibility Committee decides which main themes and prioritised initiatives are to be covered by our corporate responsibility strategy.

Strategic alignment with the UN Sustainable Development Goals

As a financial mutual, contributing to achieving the UN's 17 Sustainable Development Goals (SDGs) adopted by the world's leaders in 2015 is a natural part of Nykredit's responsibility. The SDGs offer a common language for addressing the main global challenges and how we overcome these challenges together.

In 2018 we integrated the SDGs into our strategic corporate responsibility efforts. The SDGs remain central benchmarks for how Nykredit may contribute to solving main societal challenges. In the summary at the end of each section of this report, we list the SDGs and sub-targets that Nykredit's activities are particularly contributing to.

Setting targets

For a number of years Nykredit has had specific targets for reduction of carbon emissions from our own activities and for the share of women in management.

In 2020, together with the rest of the Danish investment industry, we set the first long-term target for carbon emissions from our lending and investment portfolio. We also incorporated a variety of corporate responsibility KPIs into the Group's strategic scorecard to be able to continually determine whether we are making the desired progress.

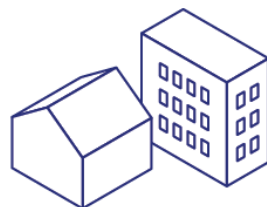
We will continue setting targets for Nykredit's key priorities in the years ahead.

Impact and materiality analyses conducted by Nykredit



What are the challenges faced by society?

We examine and address the challenges faced by society to ensure that our strategy and prioritised initiatives are in alignment with society's needs. The UN Sustainable Development Goals, the Paris Agreement and national, political objectives are among our central benchmarks.



Where can we make a significant impact? And how do the challenges affect our business and strategy?

Based on our core business, we analyse the scope and nature of the current and potential positive and negative impact of Nykredit's lending, investments and business activities on the given societal challenges. And we address the risks and opportunities presented by the different challenges to our business and strategy.



What is important to our stakeholders?

We engage with our stakeholders, who help us understand the nature of individual challenges and expectations as to where and how Nykredit may contribute. Our stakeholders include our owners, staff, customers, investors, politicians, authorities, local communities, partner banks and NGOs.



Where and how can we create value through our business?

We address key challenges and sustainability-related risks and opportunities for impact through prioritised initiatives, which are vested in the relevant business areas and staff functions. We have particular focus on how we can create value by working with and advising our customers.

Strategic priorities in 2020

In 2020 the development in society and our own impact and materiality analyses fundamentally confirmed the focus of Nykredit's corporate responsibility strategy.

The climate challenge

In 2018 Nykredit identified climate change as one of the challenges where we have a profound impact in the form of the carbon footprint of activities we finance and invest in, and where we stand a considerable chance of making a positive difference together with our customers.

This strategic prioritisation was confirmed in 2020 through additional analyses, which have strengthened our understanding of Nykredit's climate impact and scope for action:

- By applying the UNEP FI Portfolio Impact Analysis Tool for Banks, we have identified climate as a "significant impact area", in the area of personal as well as business customers.
- We have for the first time determined the carbon footprint of our aggregate lending and investment portfolios based on Finance Denmark's new industry standard.
- Analyses by the Danish Council on Climate Change and the specific proposals of the Danish government have guided us in prioritising key areas that may contribute to reaching Denmark's 2030 target of reducing carbon emissions by 70%.
- We have used the energy labelling of dwellings in our portfolio to identify customers with a particular potential for energy renovation.
- We have estimated our exposure to carbon-intensive industries to understand Nykredit's risks and scope for action.

- We have had special focus on being in dialogue with trade organisations, NGOs, politicians etc to grasp their views on the climate challenge in Denmark and Nykredit's role in the green transition.
- We have used the determination of the carbon footprint of equity investments made on behalf of our customers to set a specific 2030 target for this part of the portfolio.

Initiatives relating to sustainable housing, sustainable businesses and buildings, sustainable agriculture and responsible investment address our business areas with the largest climate footprint. At the same time we have maintained our strong focus on the Group's own climate footprint through the initiative *A greener Nykredit*.

Lending throughout Denmark during the covid-19 crisis

Being Denmark's largest lender and mortgage provider, one of our most significant impact areas is how we strengthen access to affordable, secure financing to all regions in Denmark. The outbreak of covid-19 spurred us to adjust and enhance our focus under the main theme of *Development and growth throughout Denmark*. For us, particularly three key elements were important to prioritise to help Denmark steer through the economic crisis:

- *Getting customers through the crisis.* Fast help to customers financially challenged by the crisis.
- *Active lending in a time of crisis.* Impairments and provisions necessary to ensure that Nykredit holds sufficient capital to also withstand future economic crises and maintain its capacity able to provide lending at all times.
- *Recovery should be green and support development and growth throughout Denmark.* Specific initiatives that may contribute to economic recovery, and which

support the green transition and contribute to the recovery of urban and rural districts alike.

- Also, in the context of the covid-19 crisis, we have been in regular contact with our customers and stakeholders to ensure that we meet their expectations for Nykredit's conduct.

Initiatives taken as part of our responsible business practices, which form the foundation of our corporate responsibility efforts, remain unchanged.

The figure on page 14 provides an overview of Nykredit's corporate responsibility strategy.

Risks

Nykredit's business activities entail certain risks that have an impact on society as well as on our business.

Societal risks include the risk that our activities have a negative impact on society, people, the environment and the climate. One example could be investments in companies that fail to fully meet human rights standards. These societal risks and the way we address them are described in more detail in the individual sections of this report.

Business risks primarily include credit risks, but also market, liquidity and operational risks. Nykredit's risk management in these areas helps secure our financial stability and ability to provide lending all across Denmark and follows naturally from our status as a systemically important financial institution (SIFI) and the responsibility that comes with it. Climate-related risks affect the business and are included in the management of business risks in general.

This is why our risk management focuses on financial solutions that are sustainable for Nykredit and for society in the short, medium and long term. Business risks and our handling of these risks are described in more detail in our report [Risk and Capital Management](#).

Main themes and prioritised initiatives

NYKREDIT WILL ACTIVELY SUPPORT DEVELOPMENT AND GROWTH THROUGHOUT DENMARK – AT ALL TIMES



Development throughout Denmark

Through our lending practices and new initiatives, we will deliver on our pledge to society to be active and support development and growth in all of Denmark – at all times.

NYKREDIT WILL ACTIVELY SUPPORT SUSTAINABLE DEVELOPMENT



Sustainable housing

We will contribute to reducing energy consumption and greenhouse gas emissions from private homes by developing advisory services and products that incentivise homeowners to invest in healthy and energy-efficient homes.



Sustainable businesses and properties

We will support sustainable development among businesses, housing organisations and property investors through our advisory services and financing of climate-friendly construction and the development of green solutions and initiatives to reduce energy consumption and greenhouse gas emissions.



Sustainable agriculture

We will contribute to the sustainability of individual farmers and develop advisory services and products that support farmers in making sustainable and climate-friendly choices.



Responsible investment

We will develop solutions that encourage more customers to invest responsibly.

RESPONSIBLE BUSINESS PRACTICES



Responsible business conduct

- A healthy and open corporate culture (conduct management)
- Responsible customer advice
- Responsible products and services
- Anti-corruption



Initiatives to combat financial crime

- Contribute to the effort of preventing and putting a stop to money laundering, terrorist financing and tax evasion



Data security

- Secure processing of customer data
- IT security



A greener Nykredit

- Reduction of energy consumption and CO₂ emissions
- Recycling and reduction of waste



Responsible procurement

- Prevent human rights violations and corruption in the supplier chain



Staff

- Staff satisfaction
- Skills development
- Working environment



Diversity and inclusion

- Women in management and on boards
- Equal pay

Nykredit's corporate responsibility governance

Nykredit's corporate responsibility commitment has been integrated into the Group's governance structure. The Board of Directors sets the Group's strategic direction and approves the Corporate Responsibility Policy, which defines the scope of our commitment. The Policy applies to the entire Group and is subject to annual updates. The Group Executive Board makes up our Corporate Responsibility Committee. The Group Executive Board defines our strategy for corporate responsibility and the prioritised efforts that form the basis of specific initiatives, business procedures, products and processes. In addition, the Group Executive Board has overall responsibility for the implementation of the UN Principles for Responsible Banking and our annual reporting. In 2020 we have moved towards clearer integration of sustainability-related risks and opportunities in our established setup of committees, policies and risk management. The chart below shows the integration of corporate responsibility and sustainability-related matters in our governance structure.

Board of Directors

Chairman: Merete Eldrup

- Sets the strategic framework for Nykredit's business, including Nykredit's corporate responsibility and sustainability efforts
- Approves the Corporate Responsibility Policy and determines the risk appetite via the overall risk policy and related policies, including the credit policy and the market risk policy
- Receives regular reports, including risk reports, and is briefed on the annual Corporate Responsibility Report

Group Executive Board (Corporate Responsibility Committee)

Chairman: Michael Rasmussen, Group Chief Executive

- Makes up Nykredit's Corporate Responsibility Committee
- Implements the Group strategy as laid down by the Board of Directors and is responsible for the Group's corporate responsibility strategy, including Group-wide targets and the progress of such targets
- Prioritises corporate responsibility themes and initiatives based on analyses of materiality, impact and sustainability-related risks Delegates responsibility for prioritised initiatives
- Responsible for the implementation of the UN Principles for Responsible Banking
- Receives regular reports from a number of committees, to which powers have been delegated
- Approves annual corporate responsibility reporting

Committees set up by the Group Executive Board

Business areas and staff functions

- Conduct materiality, Impact and risk analyses
- Develop and drive prioritised initiatives included in the corporate responsibility strategy
- Set targets and define key figures for prioritised initiatives
- Develop policies and business procedures
- Report on performance in strategic scorecard and annual corporate responsibility reporting

Group Risk Committee

Chairman: Anders Jensen, Group Managing Director with responsibility for the CRO division

- Responsible for ensuring a cross-disciplinary overview of the Nykredit Group's overall risk outlook
- Handles risks related to ESG factors as an integrated part of traditional risk areas (credit risk, market risk and operational risk (including conduct management))

Credits Committee

Chairman: Anders Jensen, Group Managing Director with responsibility for the CRO division

- Responsible for Nykredit's credit policy, which aims to ensure that we can offer loans to people and businesses all over Denmark, at all times
- Responsible for integration of risks and opportunities relating to ESG factors into the credit policy and the valuation policy
- Responsible for the management of Nykredit's credit portfolio, including risks relating to ESG factors

Asset/Liability Committee

Chairman: Anders Jensen, Group Managing Director with responsibility for the CRO division

- Responsible for the management of and duties in accordance with guidelines approved by the Boards of Directors in the areas of capital, funding, liquidity and market risk Capital management ensures that Nykredit is able to maintain its business activities throughout Denmark independently of fluctuations in economic trends
- Nykredit's Green Bond Committee is a subcommittee under the Asset/Liability Committee and is responsible for ensuring that green bonds are issued in accordance with Nykredit's Green Bond Framework

Contingency Committee

Chairman: David Hellemann, Group Managing Director with responsibility for the CFO/COO division

- Responsible for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes)
- Responsible for implementing the Group's overall contingency plans, covering IT as well as business aspects, and for the emergency staff in the event of major accidents, catastrophes etc, including handling of covid-19 in the Nykredit Group

Products Committee

Chairman: Anders Jensen, Group Managing Director with responsibility for the CRO division

- Charged with ensuring that Nykredit's products and services are responsible from a societal perspective, and, if relevant, that Nykredit's products and services contribute to a sustainable development of society in an economic, social, climate and environmental sense
- Approves sustainability assessment of all products and the special green section of the product approval template for all green products

Sustainable Investment Forum

Chairman: Peter Kjærgaard, Head of Wealth Management







- Responsible for implementation of Nykredit's responsible investment policy
- Responsible for decisions on active stewardship and exclusions
- Responsible for quarterly ESG screening of investments, including human rights violations

UN Principles for Responsible Banking

Nykredit signed the UN Principles for Responsible Banking (PRB) in 2019. The six principles for responsible banking are in natural alignment with Nykredit's current efforts and provide a strong framework for advancing our future corporate responsibility, sustainability and development efforts in all parts of Denmark.

Under the principles we are obliged to analyse the impact of our lending and investments and to set targets for areas with the largest impact. Our obligations include annual progress reporting on the implementation of the principles.

The main conclusions are summarised here. See the appendix *Principles for Responsible Banking – reporting and self-assessment* for more details.

Principle	Implementation of the principles
 Harmonisation We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the UN Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	<p>Nykredit's core values include a pledge to society to be active and support development and growth throughout Denmark and contribute to a greener Denmark. As part of our Corporate Responsibility Policy, we have committed to contributing to achieve the UN SDGs and the Paris Climate Agreement.</p> <p>These commitments are incorporated into the Group's strategy: One of the three strategic objectives is for us to be the customer-owned, responsible financial provider for people and businesses all over Denmark. The objective sets the framework for our regular adjustment of underlying business strategies and activities so as to ensure that they contribute to meeting society's goals.</p>
 Impact & targets We will continually increase the positive impact and reduce the negative impact of as well as manage the risks posed by our activities, products and services on people and the environment. To this end, we will set and publish targets for areas with the greatest impact.	<p>Nykredit's corporate responsibility and sustainability efforts rest on analyses of where we have the greatest positive and negative impact. Based on a series of key figures, we regularly analyse our impact on Danes' possibilities of obtaining loans across Denmark and of our ability to maintain active lending – also in times of crisis. In 2020 we particularly addressed Nykredit's impact on the climate, which is one of the areas where we have the greatest impact and, among other things, we determined the carbon footprint of our total lending and investment portfolios. We expect to continue and increase the depth of these analyses, while at the same time expanding the scope of the impacts we analyse.</p> <p>We have set our first long-term target for the climate impact of the investment area. We have also established a series of specific targets, including for women in management and the Group's own carbon emissions. We have not set targets for the climate impact of the activities we finance.</p>
 Customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable financial activities that create shared prosperity for current and future generations.	<p>We have launched a suite of products that will make it easier and more affordable for our customers to make green choices. We are actively putting sustainability into play in the talks we have with our personal banking, business banking and investment customers, and we are now training relevant advisers sustainability skills. We take ESG factors into consideration in the credit assessment of all our business customers.</p>
 Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	<p>We are in ongoing dialogue with business and industrial organisations, NGOs, politicians, authorities and other stakeholders about key societal challenges where Nykredit has an impact. In 2020 we had particular focus on dialogue with relevant stakeholders with respect to the launch of our sustainable products. During such talks our focus was on understanding our stakeholders' views on the climate challenge in Denmark and Nykredit's role in the green transition.</p> <p>Also in 2020, we engaged in active dialogue with trade organisations and authorities on how Nykredit as best as possible could provide financial aid and advice to businesses and citizens during the covid-19 crisis.</p>
 Governance & Culture We will implement our commitment to these principles through effective governance and a responsible banking culture.	<p>In accordance with the Group's strategic corporate responsibility objective, we are implementing corporate responsibility and the principles into our governance, organisation, policies, targets, business procedures and conduct. The Group Executive Board has overall responsibility for the implementation and monitors progress on initiatives through our strategic scorecard.</p> <p>Through our conduct management efforts, we are dedicated to building an organisation which is in all functions prepared to act responsibly and a culture where we openly air, discuss and act on any business dilemmas that may arise in a financial undertaking.</p>
 Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.	<p>This year we will report our progress in implementing the UN's Principles for Responsible Banking for the first time.</p> <p>We will disclose the results of our impact analyses. This year we determined the carbon footprint of our aggregate lending and investment portfolios in a beta version for the first time.</p> <p>We are periodically reporting and publishing more and broader data in alignment with regulation, international standards, GRI and our endorsement of the UN Global Compact, PRB and PRI.</p>

1

**We will support
development and
growth
throughout
Denmark**



Forenet Kredit's key priority is for Nykredit and Totalkredit to offer fair loans to people and businesses all over Denmark – giving people in Denmark the opportunity to own their own homes and Danish businesses access to finance development.”

Nina Smith, Chairman of Forenet Kredit

Development and growth throughout Denmark

Nykredit has a special role to play. We want to be active in all of Denmark and support development and growth – in urban and rural districts alike. At all times. This is a pledge that places demands on the Group's profitability, capital resources and lending practices in the area of banking as well as mortgage lending.

Delivering on our pledge to society proved particularly important in 2020 as the Danish economy and many Danish citizens and businesses were challenged by the covid-19 crisis.

Our business model, which partly rests on the Totalkredit partnership with 50 Danish banks, is the foundation for keeping our pledge. It allows banks, small and large, to offer their customers attractive and secure mortgage loans all across the country. Despite the crisis, Nykredit

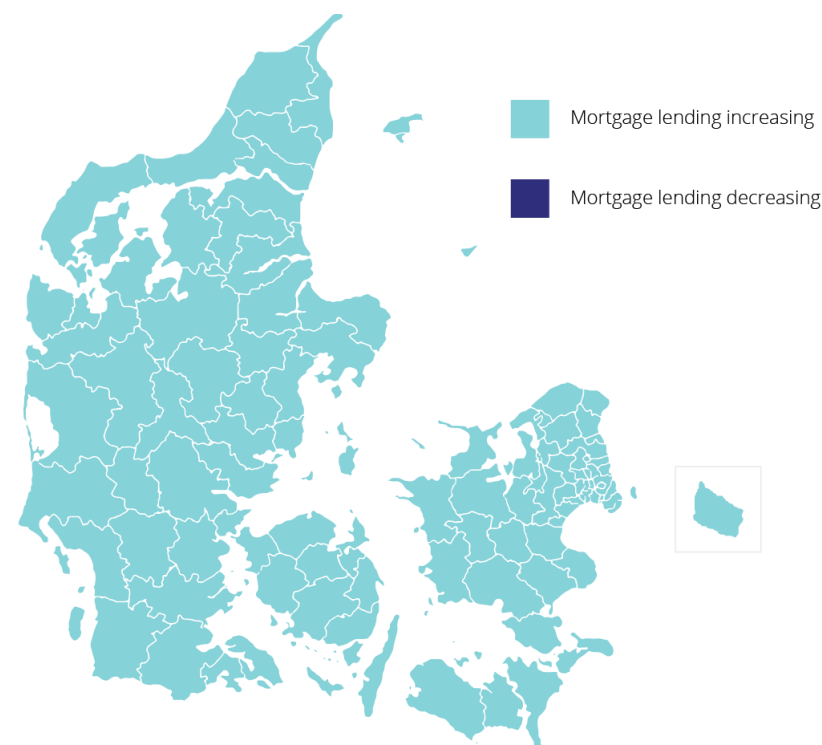
and its 50 Totalkredit partners recorded lending growth in all of the 98 Danish municipalities in 2020.

We are working across the Group with initiatives aimed to support home ownership and growth throughout

Denmark and to help Denmark get through the crisis.

We are monitoring the development through a number of key figures for lending to different geographic areas and customer groups.

We are growing lending throughout Denmark



Together with its partner banks, Totalkredit has increased lending to Danish homeowners in 98 out of 98 municipalities in 2020.

Main risks

The risk of suffering losses on the loans we provide to personal and business customers, for example, is also one of Nykredit's main societal risks. Excessive losses can have a negative bearing on our financial position and resilience and inhibit the Group's capacity to offer loans to people and businesses all over Denmark – also in times of economic volatility. We also risk becoming overly prudent in the sense that we might restrict our lending activities unnecessarily. Therefore, striking the right balance between active lending and



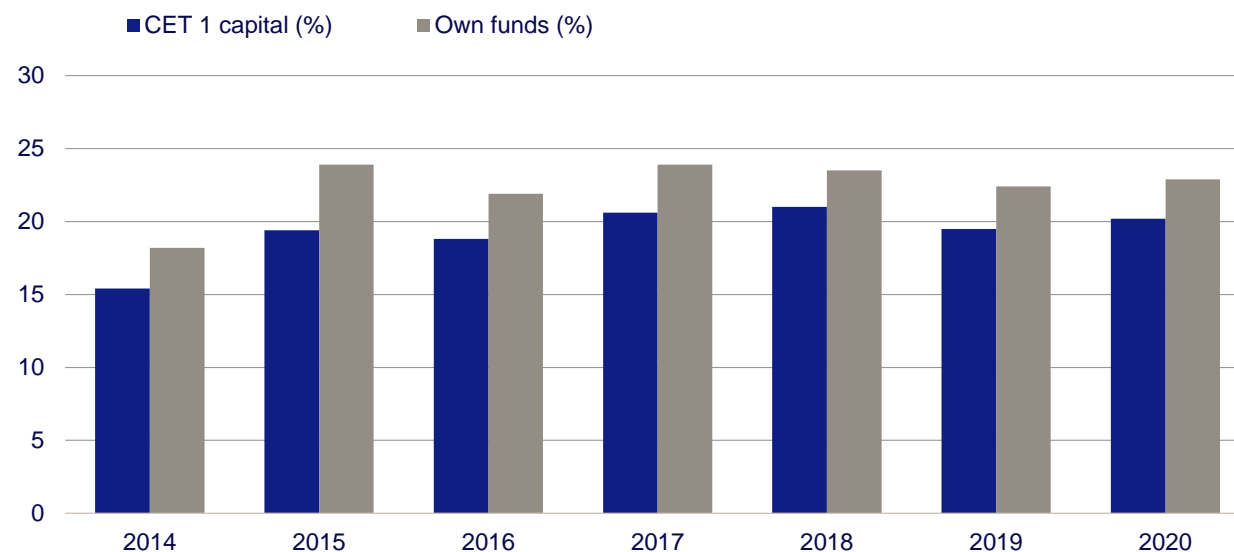
Lending at all times

A professional credit assessment of all customers' finances is a cornerstone of our efforts to provide loans to people and businesses all over Denmark. And for several reasons. We share a responsibility for ensuring that our customers do not borrow more money than their personal budgets or business budgets allow. Moreover, we are under an obligation not to assume excessive risk exposures, as all of our customers will have to pay for any losses we incur. And as a systemically important financial institution (SIFI), Nykredit has a great responsibility to our customers and to Denmark for operating a stable and robust business.

Sound credit assessment practices and a solid capital position also constitute the foundation for our capacity to provide loans at all times. Nykredit kept its loan books open in all parts of the country during the financial crisis, which began in 2008, just as we are doing during the current covid-19 crisis. We have the capacity necessary to support the Danish economy. And we want to continue to do so every time a new crisis hits the Danish economy. To this end, we need a solid capital position and strong risk and credit management practices at all times. Write-offs prompted by the covid-19 pandemic remained low at end-2020. Nevertheless, Nykredit has made significant impairment provisions to ensure that Nykredit

has sufficient capital to also withstand future economic crises and can continue to provide lending at all times.

Changes in CET 1 capital and own funds



The Group's CET1 capital amounts to DKK 80,9 billion, equal to a CET1 capital ratio of 20.2% of the total risk exposure amount (REA), and total own funds of DKK 92,0 billion, equal to a total capital ratio of 22.9%. The high level reflects the favourable economic climate and our satisfactory financial performance in recent years. The level is deemed to adequately cover the Group's capital need – also after the implementation of the forthcoming Basel IV requirements.

Lending at all times

Nykredit's risk appetite

We aim to maintain active lending to the Group's full-service customers and Totalkredit customers, also in a challenging economic climate.

This is best done through:

Risk and capital management

Nykredit focuses on risk management that ensures agreement between risk profile, risk appetite and a robust capital structure. The risk appetite reflects our overall tolerance for assuming risks in the context of our business model and strategy.

Credit management

Nykredit's credit policy regulates the level of large exposures, the composition of the loan portfolio, lending to personal customers and special lending segments. Nykredit manages credit risk according to a portfolio management approach whereby significant concentrations are avoided, supplemented with reviews of single-name exposures, credit work-outs and continuous controls.

Read more in our [Risk and Capital Management Report](#).

Covid-19: Helping our customers through the crisis

The covid-19 pandemic posed the predominant societal challenge in 2020. The pandemic was a hard blow to the Danish economy, triggering severe uncertainty and financial hardship for many businesses and large parts of the population. We have made a pledge to society to be active and promote economic resilience and development throughout Denmark – at all times. We continued to honour this pledge during the lockdowns of 2020. We launched a host of initiatives designed to support the economy through stable lending and offered our customers the advice and financial support they needed to overcome the crisis.

Right after the lockdown in Denmark in the spring of 2020, Nykredit introduced a number of special initiatives supporting families and businesses in financial distress due to the crisis. As a mutual company, it has been important to Nykredit that we make every effort to help our customers with their financial challenges during the covid-19 crisis. Therefore, we offered our customers overdraft facilities at 0% interest and charged no up-front fees and granted up to six months' payment holiday on a variety of business as well as personal loans.

Against this backdrop, we have since mid-March found solutions for several hundred customers. Around 54% of these customers are personal customers, whom we have typically offered payment holidays or loan limit increases. Around 44% of the customers are small and medium-sized businesses, which we have typically offered authorised overdrafts or loan limit increases. And around 2% of the customers are large businesses, which have received additional financial support, typically in the form of loan or credit limit increases. In relation to the covid-19 crisis, Nykredit has granted loan commitments of around

DKK 5bn to our customers, 95% of which consists of loan and credit limit increases.

24-hour response time and complaints board

The covid-19 pandemic brought uncertainty and difficulties for businesses and families, spurring Nykredit to offer fast advice and support to resolve our customers' corona-related inquiries. We therefore made a commitment to respond to covid-19-related inquiries within 24 hours from receipt of any required documentation. In addition, we established a corona hotline, which our customers may consult for financial advice and information on government relief packages.

How we have supported our customers

- All customers who have contacted us have received advice on their situation and their options.
- **98% of customers** have been offered interim solutions to help them through their crisis-induced challenges.
- **2% of customers** had needs that were not only related to the corona-19 crisis, but which arose before the crisis and are of a long-term nature, which is why our covid-19 initiatives were not the right solution for them.

Nykredit's special covid-19 initiatives during the national lockdown

Personal customers



Credit facility: 0% interest rate and no up-front costs



Overdrafts: No overdraft commission



Payment holidays: On bank, home and consumer loans of up to six months



Holiday pay: Interest- and fee-free temporary credit facility

Business customers



Payroll finance: Bridge financing of wage compensation (75%) and loans to cover the remaining 25%



Credit facility: No up-front costs



Payment holidays: On bank loans and leases



Bridge financing of Danish VAT: Interest- and fee-free bridge financing of up to DKK 5 million

Nykredit launched special covid-19 initiatives immediately after the lockdown of Denmark in the spring of 2020. However, due to very low demand, the initiatives were phased out in the autumn. After the lockdown in December, Nykredit relaunched its covid-19 initiatives for personal and business customers.

In light of the gravity of the situation, we wanted to make absolutely sure that the correct decisions were reached in all covid-19-related cases.

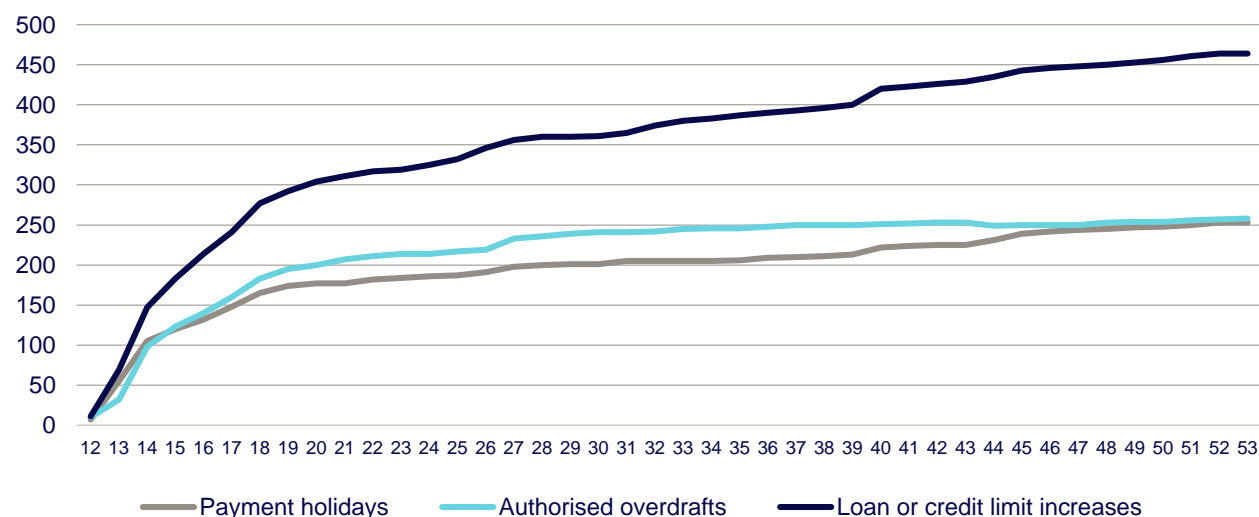
We therefore introduced the principle that all cases must undergo a four-eye review process. A rejection of a covid-19-related request is therefore subject to review by an adviser and their team lead. Nykredit also established a complaints board to which customers may address complaints if they remain unsatisfied with the decision. These possibilities of fast advice and support will be available as long as covid-19 continues to bring massive economic and financial difficulties for society, businesses and people. Going forward, Nykredit will therefore remain ready to assist customers facing financial problems due to covid-19.

Overdrafts and green restart

Nykredit has also focused on supporting the recovery of the Danish economy. To that end, in June, we offered our customers no-fee overdrafts available immediately of an amount equal to their frozen holiday pay. Already from last summer, customers were offered no-interest, no-fee overdrafts equal to the amounts of frozen holiday pay due to them in October. Customers only had to repay the overdraft when the frozen holiday pay was paid out. Nykredit has paid out DKK 15 million in holiday pay overdrafts since June. In addition, we launched a suite of green products in September in support of the Danish government's green recovery packages to make it more affordable for our customers to make energy improvements and buy electric and plugin hybrid cars.

When the lockdown became a reality in December 2020, the Nykredit Group reopened its special covid-19 initiatives launched in the spring, including holiday pay overdrafts, to help our customers get through the crisis.

Number of payment holidays, authorised overdrafts and loan or credit limit increases



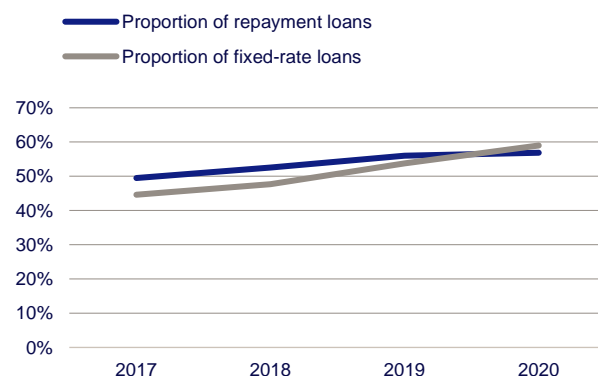
The chart show the number of accumulated loan commitments granted, broken down by product type on a week-by-week basis after the covid-19 pandemic hit Denmark.



More affordable loans and more robust homeowners

Danish homeowners can obtain low loan rates compared with abroad. The total cost of most loans inclusive of interest and fees is lower in Denmark compared with the same loan type in other countries. This is due to our efficient mortgage lending system, which entails relatively low costs for consumers.

Growth in fixed-rate and repayment loans



Development in Totalkredit fixed-rate and repayment loans.

At the end of 2020, Nykredit's customers enjoyed the lowest administration fees in the market on the loan types most popular among Danish homeowners. Also, Nykredit's customers increasingly opt for fixed-rate mortgage loans and repayment loans, which make them more resilient to changes in interest rates paid on their debt.

An extra mile for the rural districts

While several villages and rural districts are undergoing a positive development, others are facing difficulties. The rural population is shrinking, villages are losing some of their vital institutions, such as schools and local grocers, and people and businesses are migrating to the cities. As a result, the housing market in rural districts may be marked by uncertainty as to marketability and pricing and an oversupply of properties for sale.

However, these challenges do not deter Nykredit from providing loans in rural districts. In 2020, through the Totalkredit partnership, Nykredit accounted for two in three new loans extended in areas outside the large cities and recorded lending growth in all Danish municipalities.

The Totalkredit partnership allows banks, small and large, to offer attractive and secure mortgage loans all across the country, while using their local presence and knowledge to take local aspects into consideration and support positive development through lending and local community engagement. Thanks to this model, the Nykredit Group is a major loan provider to the rural districts.

We cannot stop urbanisation, but we can try to slow its pace by making rural living as attractive as possible, thereby ensuring an efficient housing market all across Denmark.

We are monitoring the development closely

Based on a number of indicators, we can track how we are contributing to enhancing development and growth throughout Denmark. Key figures have been included in this report. See [Sustainability Fact Book 2020](#) for key figures not included here.

Selected indicators for development and growth throughout Denmark

Area	Indicator	2017	2018	2019	2020
Lending throughout Denmark	Lending growth in municipalities, Totalkredit	94 out of 98	96 out of 98	97 out of 98	98 out of 98
CET 1 capital and own funds	CET1 capital (%)	20.6%	21%	19.5%	20.2%
	Own funds (%)	23.9%	23.5%	22.4%	22.9%
Resilient homeowners	Proportion of repayment loans, Totalkredit	49%	52%	56%	57%
	Proportion of fixed-rate loans in the portfolio, Totalkredit	45%	48%	54%	59%

Based on a number of indicators, we can track how we are contributing to enhancing development and growth throughout Denmark. See more key figures for the development in all of Denmark in our [Sustainability Fact Book 2020](#).

Focus	Development and growth throughout Denmark
Societal challenges	<p>It is essential to the Danish economy and to growth in all parts of the country that businesses and homeowners have access to loans.</p> <p>During financial crises, banks and credit institutions generally tend to curb lending to minimise the risk of losses. This affects private individuals and businesses in need of a loan, and the lack of funding for new development and activities may aggravate a financial crisis.</p> <p>Also, borrowing may, for various reasons, prove more difficult for certain groups of society or certain regions.</p>
UN Sustainable Development Goals	<p>We contribute to promoting economic growth and stability in Denmark under SDG No 8. We finance the development of more sustainable cities and local communities under SDG No 11, and we help achieve SDG No 11.1 by promoting safe and affordable housing.</p>
Nykredit's response	<p>We want to be active in all of Denmark and support development and growth – in urban and rural districts alike. At all times. Throughout the corona crisis, we have offered our personal as well as our business customers support in the form of special covid-19 initiatives.</p> <p>We prioritise lending in all of Denmark, and together with our Totalkredit partners, we provide 45% of all home loans. We are working across the Group with initiatives aimed to support home ownership and growth throughout Denmark.</p> <p>Sound credit assessment practices and a solid capital position constitute the foundation for our capacity to provide loans at all times. To this end, we need a solid capital position and strong risk and credit management practices at all times.</p> <p>We are also ready and willing to reassess our own practices and enter into dialogue when there are customer segments which have difficulties obtaining loans.</p>
Governance	<p>The Group Executive Board is in charge of setting goals and overseeing initiatives aimed at ensuring that Nykredit can support development and growth throughout Denmark – at all times.</p>
Policies governing our efforts	<ul style="list-style-type: none"> ■ Credit policy ■ Risk policy
Activities and achievements	<ul style="list-style-type: none"> ■ Launched special initiatives, including no-interest, no-fee loans to customers facing financial challenges caused by the covid-19 crisis ■ Covid-19-related loan commitments of a total of DKK 5 billion, 95% of which consists of loan and credit limit increases ■ Recorded lending growth in 98 out of 98 municipalities

Focus	Development and growth throughout Denmark																				
	<ul style="list-style-type: none">■ Provided 66% of all new mortgage loans to homeowners in areas outside the large cities■ Strengthened Nykredit's capital position																				
Selected key figures and targets	<table><tr><th></th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>CET1 capital (%)</td><td>20.6</td><td>21.0</td><td>19.5</td><td>20.2</td></tr></table> <table><tr><th></th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Lending growth in municipalities, Totalkredit</td><td>94 out of 98</td><td>96 out of 98</td><td>97 out of 98</td><td>98 out of 98</td></tr></table>		2017	2018	2019	2020	CET1 capital (%)	20.6	21.0	19.5	20.2		2017	2018	2019	2020	Lending growth in municipalities, Totalkredit	94 out of 98	96 out of 98	97 out of 98	98 out of 98
	2017	2018	2019	2020																	
CET1 capital (%)	20.6	21.0	19.5	20.2																	
	2017	2018	2019	2020																	
Lending growth in municipalities, Totalkredit	94 out of 98	96 out of 98	97 out of 98	98 out of 98																	
Plans for 2021	<ul style="list-style-type: none">■ Continued focus on ensuring that Nykredit can be active in all of Denmark and support development and growth throughout Denmark■ Continued focus on helping our customers and Denmark get through the covid-19 crisis.																				

2

**We want to
contribute to a
greener Denmark**



As a society we share a common task of making Denmark greener. We believe that being green should be easier than being indifferent. It should be affordable for more Danes to contribute to the green transition and to make green choices. Therefore, we have made it our business to make it easier and more attractive for our customers to live, drive, renovate, invest and do business sustainably.”

Michael Rasmussen, Group Chief Executive

We want to contribute to a greener Denmark

The climate crisis is one of the greatest challenges of our time. The Paris Agreement has set a joint direction for the world, and in Denmark, the Danish parliament has set ambitious climate targets. However, there is still a long way to go and a need for more action from private, public and commercial players.

“We will do our best to create a greener Denmark for our children and for future generations.”

Nykredit's pledge to society

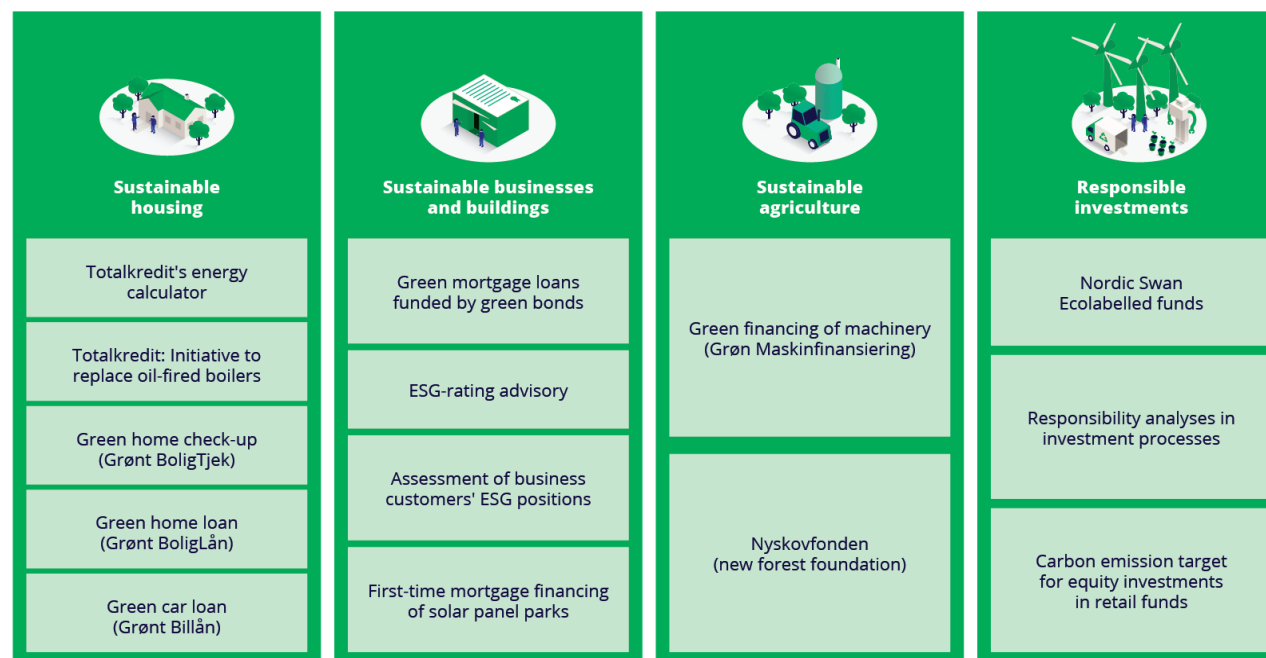
Nykredit is committed to contributing to the green transition. Being a financial mutual and Denmark's largest lender with extensive investment business, we can and must contribute to achieving society's ambitious climate objectives. We want to reduce emissions from our own portfolios to help meet the Danish government's 2030 target as well as the Paris Climate Agreement's long-term goal of keeping temperature increases below 2°C. And we will promote the opportunities and address the risks posed by climate change and the green transition.

In 2020 we launched a series of initiatives and products that contribute to a greener Denmark. Being a financial mutual, we have taken the first steps in our endeavours to make green choices affordable for more Danes.

We use our core business to make a difference

Nykredit's most significant contribution to the green transition is to provide advice on and financing for sustainability initiatives that allow more people to

Selected initiatives and products that make Denmark greener



contribute to a greener Denmark through their homes, cars, businesses and investments. Therefore, the Nykredit Group has decided to offer advisory services, products and solutions that make it easier and more affordable for our customers to make green choices. A green contribution of DKK 200 million from our owners, Forenet Kredit, earmarked for green initiatives from Nykredit, Totalkredit and Forenet Kredit has given us unique opportunities to be a catalyst for our customers' green transition.

The first of such initiatives to be backed by Forenet Kredit was targeted at **homeowners** and on making it easier and more affordable for them to energy renovate their homes, thereby contributing to the necessary green transition of the housing stock, which, according to the Danish Council on Climate Change, is key if Denmark is to reach its climate targets, and with focus on lowering the financing costs of electric cars and plugin hybrid cars.

The Nykredit Group collaborates closely with the **agricultural sector** with the aim of ensuring that our many agricultural customers are offered such advice and loan options as are necessary to make green choices. Together with Forenet Kredit and Østifterne, Nykredit launched a forest foundation, offering more farmers the opportunity of planting forest to bind CO₂ from the atmosphere.

Last but not least, Nykredit is offering the **businesses** financing of climate-friendly buildings as well as green solutions and other initiatives aimed at reducing greenhouse gas emissions. We use our credit assessments of business customers as a basis for addressing, together with the individual customer, their

approach to challenges and opportunities brought about by climate change and other ESG factors.

On the **investment front**, the Danish investment industry, led by Nykredit, in 2020 set a goal to reduce the CO₂e footprint of Danes' private investments by 75% in 2030 relative to the current CO₂e footprint of the MSCI World Index. This goal determines the course of our efforts to strengthen Nykredit's active stewardship with respect to the climate challenge and offer Danes investment solutions that support their increasing demand for green investments.

In 2020 our strategic focus was thus on advisory services and products within four prioritised focus areas:

- Sustainable housing
- Sustainable agriculture
- Sustainable businesses and buildings
- Responsible investment

Common to these focus areas is the climate challenge and Nykredit's potential to make a significant difference to the benefit of our customers and the climate through its business activities.

We focus on areas with the biggest environmental impact

Nykredit determined the CO₂e footprint of its real estate mortgage lending and investments for the first time in 2020.

Overview: CO₂e footprint of Nykredit's portfolio

	Mortgage lending					Bank lending		Total	Investments			Total
	Housing (detached & terraced houses, holiday homes and flats)	Multi-storey, office and retail properties	Other business segments, excl agriculture	Farm buildings <10 hectares (farmhouses)	Farming properties >10 hectares	Total, exclusive of car loans	Car loans		Equity og corporate bonds	Other AuM	Own portfolios	
Business volume (DKK billion)	793	309	88	43	88	57	2	1,380	129	243	103	475
Share of total business volume	57%	22%	6%	3%	6%	4%	0%	100%	27%	51%	22%	100%
Emissions (1,000 tonnes CO ₂ e)	1,057	63	Not determined	143	Not determined	Not determined	33	-	3,170	Not determined	Not determined	-
Coverage	0.97	0.37	Not determined	0.91	Not determined	Not determined	1,00	-	0.92	Not determined	Not determined	-
Emission intensity (tonnes of CO ₂ e/DKK million)	1.37	0.55	Not determined	3.67	Not determined	Not determined	21	-	24	Not determined	Not determined	-
Prioritised initiative	Sustainable housing	Sustainable businesses and buildings		Sustainable agriculture			Sustainable housing		Responsible investment			

The statement only includes lending in Denmark. The statement is based on Finance Denmark's CO₂ model for the financial sector. CO₂ emissions and related emission intensities are determined using different methods for different categories, see Finance Denmark's model, meaning that they are not immediately comparable. The statement shows emissions from mortgage loans scaled to LTV, total CO₂ emissions from car loans, and emissions from investments weighted by ownership interest. More data and the accounting policies applied to Nykredit's CO₂ emissions are available in Nykredit's [Sustainability Fact Book 2020](#).

*Equities and bonds with sufficiently accessible data. Other AuM comprises the remaining share of the Group's total AuM.

This provides transparency about the climate impact of the activities in which Nykredit invests and funds and can be used to monitor our carbon footprint over time and ensure that our efforts are targeted at the areas with the greatest environmental impact.

The determination is made in alignment with the recommendations of Finance Denmark's Forum for Sustainable Finance and its manual on CO₂e footprints. The determination is also one of the elements in our implementation of the UN Principles for Responsible Banking.

In total, carbon emissions from Nykredit's real estate mortgage lending amounted to 1,263 tonnes of CO₂e in 2020. This figure has been determined based on the loan-to-value ratios (LTV) of the properties and covers 69.8% of Nykredit's total mortgage lending.

The statement of Nykredit's real estate mortgage lending shows that residential and other types of real estate are a

A greener Nykredit

With some 3,400 staff members and nearly 50 locations, the Nykredit Group in itself makes a substantial footprint on the climate and the environment. To make this mark as small as possible, we have set clear and ambitious targets for how we reduce our carbon emissions, energy consumption and waste volumes. Since 2012 we have reduced our carbon emissions by around 84%, and in 2020 we bought third-party verified Gold Standard carbon credits from a wind farm in India to cover the remaining 16%. Read more on page 53.

Nykredit's handling of climate-related financial risks

Nykredit's business activities have an impact on the climate, but climate change also implies new risks to Nykredit's business activities and our customers. We seek to integrate these risks in different ways into our existing, sound risk management principles and into our risk culture at all levels of our business. Risks arising from climate change include physical risks and transition risks. Physical risks pertain to the costs and losses arising from extreme weather conditions or long-term changes brought about by climate change. For Nykredit, one example could be the risk of flooding of low-lying homes and buildings, and, with that, the risk that the value of the asset serving as security behind our mortgage loans in particular is reduced. Transition risks pertain to business customers' risk of incurring costs and losses as a result of new regulation, technological advances and changes in consumer behaviour arising in the wake of the transition to a more sustainable economy. For Nykredit it is a matter of whether the customers we provide loans to and invest in are able and willing to prepare for a situation where their business models may be challenged by the transition to a more sustainable economy. We are in the process of integrating climate-related risks in particular, but our risk management efforts also focus on the remaining ESG risk elements.

Specifically, activities in 2020 included:

ESG risk analysis:

We have intensive focus on analysing and determining the ESG risks of our lending to various industries and sectors. This is an extensive task, and our ambition is to improve the data that provide the basis of assessment and monitoring of our customers' ESG risks in coming years so that we can integrate these data in our risk management.

Assessment of ESG factors in relation to business customers:

We have introduced assessment of ESG factors in relation to all our business customers. In 2020 we have been in dialogue with our advisers about ESG assessments, just as we have gained preliminary experiences together with them. Concurrently, we have worked on identifying the KPIs that express transition risk, which we aim to qualify and incorporate into our credit assessments in 2021.

Participation in the European FSA's Pilot Sensitivity Exercise on Climate Risk:

We have analysed our lending relative to the EU's taxonomy for sustainable activities. The purpose of this work has been to support the authorities' insights into the practical use of the taxonomy and to build up insights into the challenges of applying the taxonomy for assessment of transitory risks at Nykredit.

ESG as part of the valuation policy:

We have incorporated ESG factors in our valuation policy. Particularly, we have had focus on the impact of climate change on property valuations. This means that we will include environmental and climate aspects in our property valuations if these aspects are assumed to affect the price of a property. In coming years we aim to improve our property valuations and train our Group's valuation specialists in this area.

Reporting on CO₂e emissions:

We have disclosed a first version of our carbon footprint to enhance transparency as to Nykredit's impact on the climate – for our own benefit and that of our investors. In coming years we will continue to improve our internal and external reporting.

key priority area for Nykredit if we are to reduce our total carbon emissions.

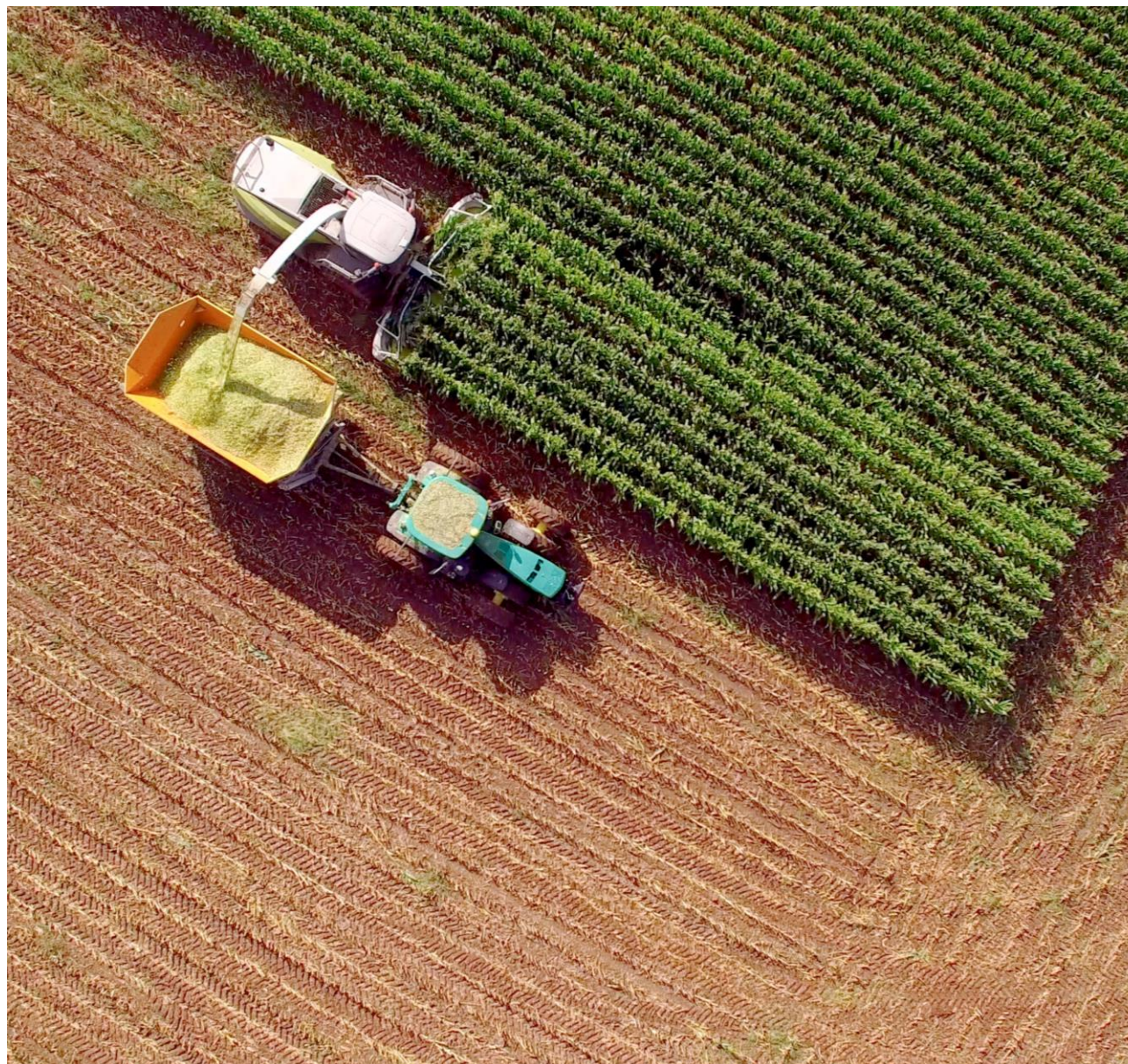
The carbon footprint of the investments we make on behalf of our customers is also considerable, and our aim is to reduce that footprint. Finally, we have determined the CO₂e footprint of our car loans for personal customers.

We will improve our CO₂e footprint statement in coming years. We aim to increase the share of assets used to determine our carbon footprint and to improve the statement as more carbon emission data become available.

We are looking at how best to determine the carbon footprint of our banking activities, where, with the exception of car loans, the quality of data is lower than that of real estate mortgage lending, resulting in currently unreliable estimates. The same applies to mortgage lending to other business segments.

As for the agricultural sector, known to have a large climate footprint, no valid methods have yet been developed to determine the climate footprint of individual farms. These are among the data we want to procure in the future. We are collaborating with the rest of the financial sector and with the agricultural knowledge and innovation centre SEGES to develop such data in the coming years.

Even though data may be improved, the statement still gives us a first impression of the carbon footprint of the Nykredit Group's portfolio, and the analysis serves to affirm our prioritised initiatives relating to *housing, businesses and buildings, agriculture and investments*.



Sustainable housing

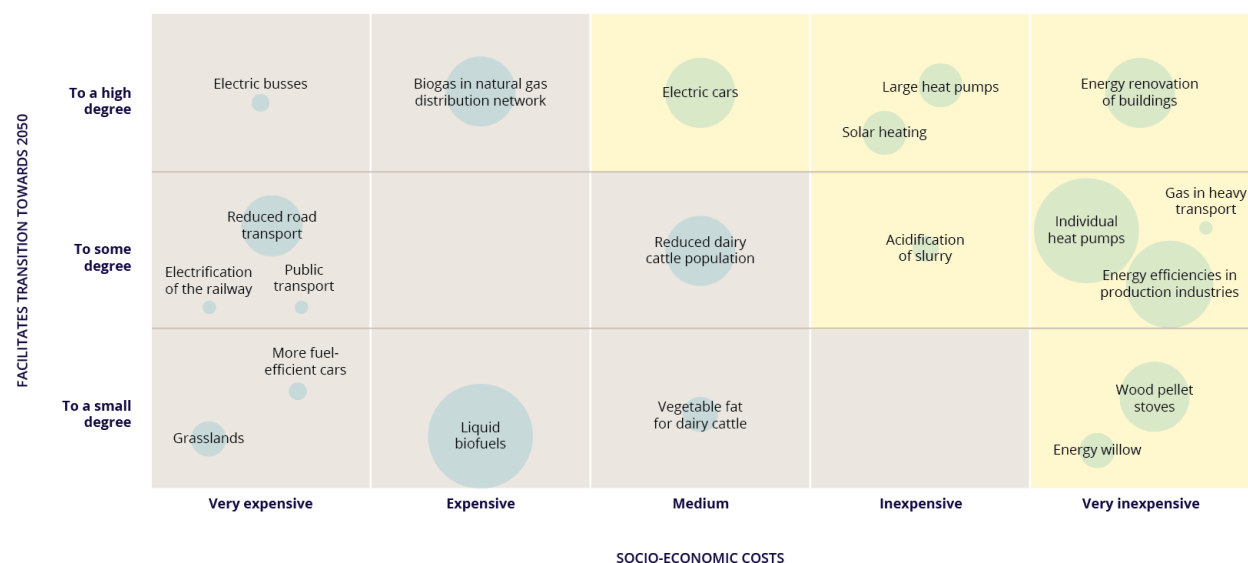
Energy consumption in buildings makes up around 40% of Denmark's total energy consumption and as such plays a pivotal role in achieving the Danish climate targets.

Thanks to a contribution from our owners, Forenet Kredit, the Nykredit Group launched a series of products and solutions in 2020 that will make it easier and more affordable for homeowners to make green choices, reduce energy consumption and carbon emissions in their homes and choose an electric or a plug-in hybrid car when they buy a new car.

The housing stock must become greener if we are to reach Denmark's climate target

The Danish Council on Climate Change has on several occasions pointed to *energy savings* and *heat source replacement* as central elements in the green transition of Denmark. The Council's analyses from 2017 show that both elements are among the initiatives that are quite affordable from an economic viewpoint, contribute significantly to the transition into a zero-emission society in 2050, and hold a large reduction potential (see figure X). The Danish Council on Climate Change repeated this view in its analysis on how to reach the 70% carbon reduction target in 2030: *"Energy savings, heat pumps and more district heating connections are among the transitional elements we already know today, and which the Council on Climate Change finds to be among the elements most relevant for further reducing greenhouse gas emissions from buildings."*

We will focus on initiatives that have real impact



Source: The Danish Council on Climate Change: *Status of Denmark's climate goals and commitments 2018*

Note: The size of the circle expresses the potential for reducing greenhouse gas emissions between 2021-2030 in terms of tonnes of CO₂ equivalents. The position of the circles inside the square fields is of no significance.

Energy savings lower energy consumption, no matter the source of energy. This will ease the transition towards 2050, as we will require less green energy to meet our need. Energy savings may also result in considerable carbon savings.

Fossil heat source replacement reduces carbon emissions from private homes. For the most part, carbon emissions from private homes stem from the around 150,000 oil-fired boilers and 400,000 natural gas boilers

that exist in Denmark. This makes replacement of oil-fired boilers with heat pumps, for example, one of the initiatives with the largest effect on carbon emissions.

Green loans and solutions make energy renovation easier and more affordable

Homeowners play a central role in the green transition, and there is a need for more homeowners making energy renovations in their homes. However, getting started may seem expensive and cumbersome, and time and again

analyses show that the financial aspect is a substantial barrier.

Therefore, the Nykredit Group has decided that the advisory services, products and solutions we offer must make it easier and more affordable for homeowners to make green choices. And a green contribution of DKK 200 million from our owners, Forenet Kredit, has given us unique opportunities to boost the green transition of the housing stock.

The Nykredit Group helps homeowners make green housing decisions



We are considering energy improvements – what is our actual potential?



We are considering energy improvements – can we afford it?

ENERGY CALCULATOR Totalkredit

Easy-to-use online calculator gives customers ideas and inspiration for energy renovations allowing for both financial aspects and potential carbon savings.

100,000 energy calculations

since June 2020

GREEN HOME CHECK-UP (GRØNT BOLIGTJEK) Nykredit

The customer gets a home inspection by an energy consultant, who reviews the potential for energy improvements, estimates potential CO₂ savings and presents the findings and data in a digital report. Thanks to contributions from Forenet Kredit, full-service customers of Nykredit Bank whose homes have a low energy label or were built before 2000 are offered the product at a favourable price.

88 green home check-ups

since October 2020

GOODBYE TO OIL-FIRED BOILERS Totalkredit

Under a campaign to replace oil-fired boilers, Totalkredit offers 3,000 customers to pay DKK 10,000 of their costs of replacing oil-fired boilers with heat pumps.

462 vouchers

issued in December 2020

GREEN MORTGAGE LOAN (GRØNT BOLIGLÅN) Nykredit

Loans for energy improvements. Thanks to contributions from Forenet Kredit, full-service customers of Nykredit Bank are offered loans free of up-front fees at an interest rate of as low as 0%.

148 green home loans

since October 2020

There are many barriers and concerns in relation to energy improvements. As a financial undertaking we are in contact with many homeowners at times that are most obviously suited for considering energy improvements, for example when they buy or sell a house or refinance a loan.

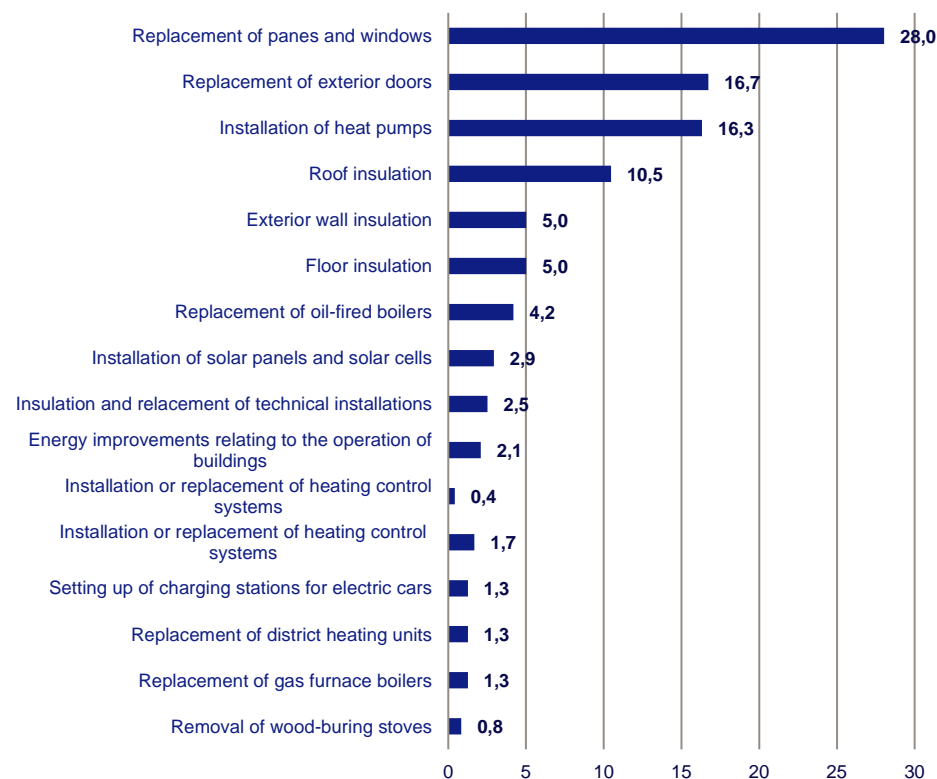
In alliance with its partner banks, Totalkredit has launched a joint initiative, offering our customers support in making energy renovations in their homes. Our support includes Totalkredit's energy calculator, which gives customers ideas for energy renovations from a perspective of finances and carbon savings, As well as the initiative to replace oil-fired boilers, which is an offer to

3,000 Totalkredit customers to pay DKK 10,000 of their costs of replacing oil-fired boilers with individual heat pumps.

If they change to a heat pump, customers may typically save thousands of kroner per year, while reducing their carbon emissions by up to 70%.

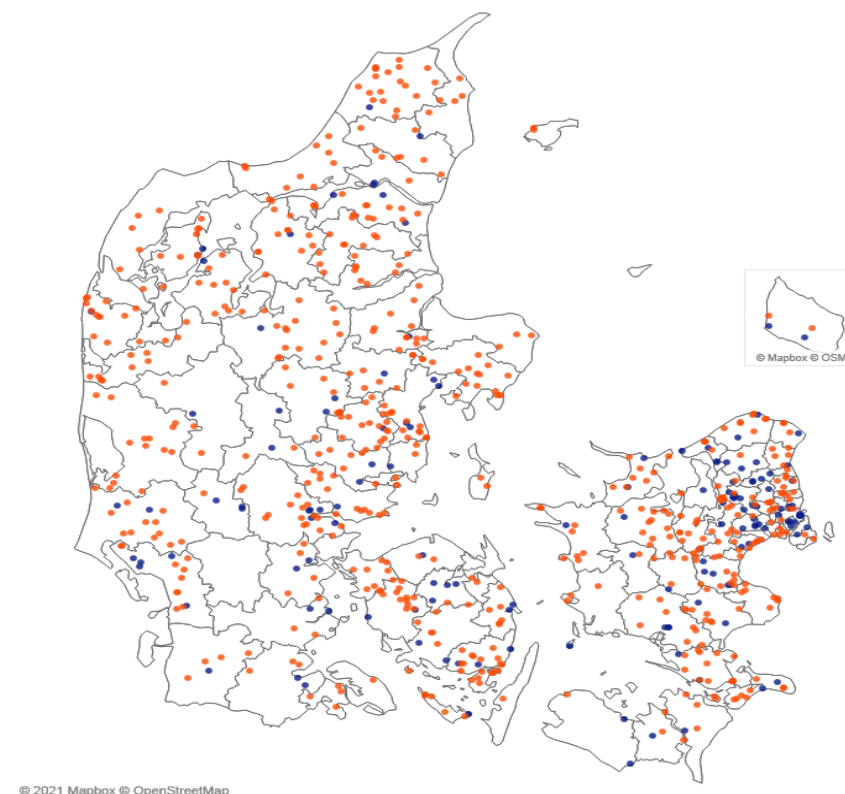
Nykredit Bank has made financing of energy renovations much more affordable by offering a green home loan (Grønt Boliglån) free of up-front fee and at a 0% or 1% interest rate depending on the loan term. And a green home check-up (Grønt Boligtjek) provides an easy overview of the options available for home energy renovation.

Energy renovations financed by green home loans (Grønt Boliglån)



Expected purpose of green home loans as a percent by type of energy renovation project, based on the agreements concluded.

Homeowners all over Denmark start energy renovations



Green home loan and campaign for oil-fired boilers targeted at Totalkredit customers

More than four out of ten new car loans are for green cars

Besides your home, buying a car is a major financial decision for most people, and one that will often require a bank loan.

The carbon footprint of cars makes up around 13% of Denmark's total carbon emissions, and zero- and low-emission cars only make up around 1% of all cars. As for Nykredit's own portfolio, we are financing cars with a total carbon footprint of 33,100 tonnes of CO₂e.

The Danish Council on Climate Change emphasises electric cars as a key element in reaching Denmark's 2030 climate target, and the Danish government entered into a political agreement at end-2020, which seeks to get more electric cars on the roads. In other words, there is a clear need for Danes to choose greener cars.

This is why, in September 2020, we launched a green car loan (Grønt Billån), making plug-in hybrid cars, hydrogen-fuelled or electric cars a favourable choice. In the last three months of 2020, nearly 500 customers opted for a green car loan, corresponding to more than four out of ten new car loans.



The CO₂e footprint of owner-occupied dwellings in the Nykredit Group's portfolio

Our best measure of whether owner-occupied dwellings in the Nykredit Group's portfolio are energy-efficient and climate-friendly is the Danish energy label assigned to a building when sold, rented or built.

The development in the energy labelling of buildings reflects a housing stock that is becoming increasingly green over time. For Denmark to meet its climate targets will require that more homeowners make energy renovations in their homes and contribute to a reduction of carbon emissions.

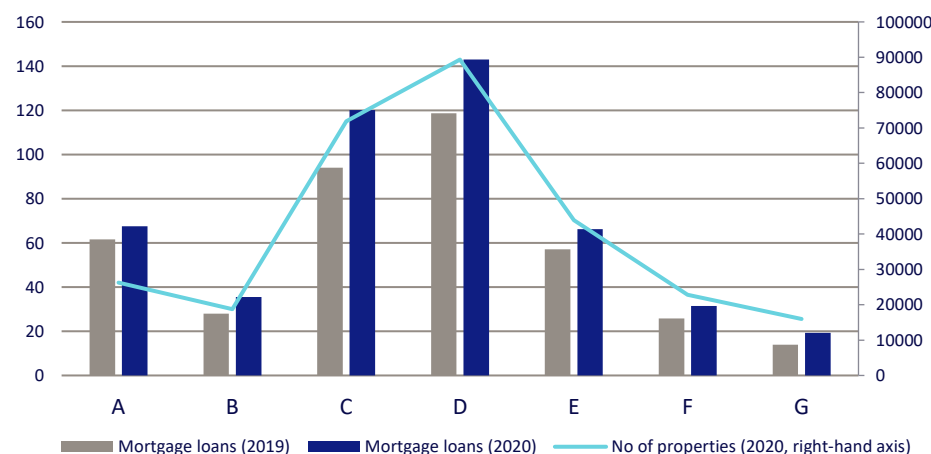
The energy labelling may also be used to determine the carbon footprint of the properties. In 2020 the Nykredit Group for the first time estimated the carbon footprint of owner-occupied dwellings mortgaged by Nykredit. The total footprint of owner-occupied dwellings is 1,057 tonnes of CO₂e determined based on the loan-to-value ratios (LTV scaled) of the properties.

Plans for 2021

In 2021 Nykredit and Totalkredit will launch more green products and solutions designed to help homeowners make green choices. We are also committed to promoting energy improvements to homeowners.

Furthermore, we will monitor legislation, recommendations and discussions with respect to sustainable buildings to ensure that our efforts always have a real impact on the climate and environment. Particularly, we will monitor the debate about sustainable building materials and life cycle perspectives of energy renovations.

Mortgage loans for owner-occupied dwellings – distribution of energy labels



The chart shows mortgage loans for owner-occupied dwellings by energy label. The left-hand axis shows debt outstanding DKK billion. The right-hand axis shows the relative proportion of the total debt outstanding in owner-occupied dwellings with valid energy labels. Mortgage loans for buildings without a valid energy label are not included. The assumptions underlying these figures are described in the [Sustainability Fact Book 2020](#).
Data: Danish Energy Agency

The CO₂e footprint of owner-occupied dwellings in the Nykredit Group's portfolio

	Detached houses	Flats	Terraced, linked and semi-detached houses	Holiday homes
Mortgage lending (DKK billion)	571	94	82	46
No of properties	406,001	62,099	49,676	53,905
CO₂e emissions (1,000 tonnes)	1,391	69	95	148
CO₂e emissions (1,000 tonnes, scaled to LTV)	880	41	57	79
Emissions per sqm (kg CO₂e/sqm)	19.6	26.6	29.1	13.9

The table shows CO₂e emissions in tonnes (thousands) from residential property by property category. The determination does not include residential mortgage lending abroad. The assumptions underlying these figures are described in the [Sustainability Fact Book 2020](#).

Data: Danish Energy Agency

Sustainable businesses and buildings

The green transition requires massive investments in climate-friendly construction, in the development of green solutions and in corporate initiatives that may reduce greenhouse gas emissions. Nykredit will contribute by providing financing, and we are constantly developing our core business, mortgage lending, as well as our other products and advisory services to support the transition among our customers in the best way possible.

We also use our credit assessments of business customers as a basis for addressing, together with the individual customer, their approach to challenges and

opportunities brought about by climate change and other ESG factors.

Mortgage loans to finance the green transition

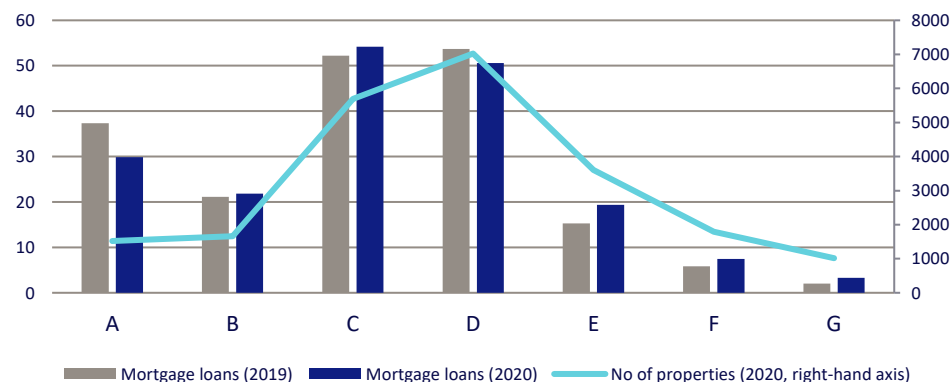
Mortgage lending is the cornerstone of property financing in the private rental sector, the public housing sector and the business sector, and of much of the infrastructure required to ensure a successful green transition.

We see it as a primary task to ensure that Nykredit's products, solutions and advisory services are optimised to

finance the transition for property investors and businesses going forward.

Mortgage lending is a low-cost and secure source of financing suitable for financing some of the assets necessary to meet the climate targets. Therefore, in 2020 we have explored more ways of bringing mortgage lending into play in the green transition. For example, as the first lender in Denmark, Nykredit provided mortgage finance for solar panel parks last summer. Nykredit has also provided extensive mortgage financing for the Danish distribution network, which plays a large and important role in the green transition in the energy and other sectors.

Mortgage loans for rental, office and retail properties and for public housing – distribution of energy labels



The chart shows the distribution of energy labels in the mortgage loan portfolio for rental, office and retail properties and for public housing. Left-hand axis shows mortgage lending in DKK billion (absolute terms). Right-hand axis shows the number of properties with valid energy labels. Mortgage loans for properties without a valid energy label are not included. The assumptions underlying these figures are described in the [Sustainability Fact Book 2020](#).
Data: Danish Energy Agency

CO₂e footprint of businesses and properties i Nykredit's portfolio

	Multi-storey properties	Office and retail properties	Businesses excl properties
Mortgage lending (DKK billion)	184	125	-
No of properties	27,530	11,800	-
CO₂e emissions (1,000 tonnes)	83	37	-
CO₂e emissions (1,000 tonnes, scaled to LTV)	45	18	-
Emissions per sqm (kg CO₂e/sqm)	10.6	11.3	-

The table shows CO₂e emissions in tonnes (thousands) from commercial properties by property category. The category multi-storey properties includes housing cooperatives, public housing and private rental properties. The determination does not include real estate mortgage lending outside Denmark. The assumptions underlying these figures are described in the [Sustainability Fact Book 2020](#).
Data: Danish Energy Agency

We have also expanded our Green Bond Framework and are now in a position to finance more green assets with green bonds. These include energy renovation of buildings, renewable energy and the electricity networks. Green covered bonds serve as investors' guarantee that loan proceeds are specifically earmarked for financing of green assets.

To be able to assess the impact of our lending activities on the green transition, we will determine the volume of green assets as well as the carbon emissions from our loan portfolio.

In 2020 we determined the carbon footprint of approximately a third of our mortgage lending for commercial properties. The total footprint of the mortgaged properties (LTV) is 63 tonnes of CO₂e. The determination of carbon emissions is based on the energy labels of the properties we finance.

Nykredit has granted mortgage loans for rental, office and retail properties and for public housing with a valid A or B energy label of around DKK 52 billion. This corresponds to around 25% of total mortgage lending for the above-mentioned property segments. To this should be added the proportion of mortgage lending for energy-efficient buildings outside Denmark, and the proportion of mortgage and bank loans where the sustainability of the portfolio has not yet been determined.

For properties financed by green covered bonds, we record, for example, the amount of energy and greenhouse gas emissions saved relative to financing of regular properties. These data are available in the [Nykredit Green Bond Investor Report 2020](#).

Advising businesses on their green transition

Nykredit's deep insight into our customers' business models, challenges and potentials is a key factor in the holistic advisory services we provide. We can also use this knowledge to promote the green transition. We can help customers identify areas well suited for transition and plan the financing of relevant initiatives. Customers should experience a natural alignment between their green transition and the financial solutions we offer.

In 2020 we established our Sustainable Solutions team, which offers advice to our corporate and institutional clients as well as property investors on green transition financing. The team also advises our clients on how to improve their sustainability approach in the broad sense through our ESG rating advisory services. Increasing focus on ESG ratings among investors has made more companies strengthen their corporate responsibility and sustainability commitment and seek recognition for their efforts in the market. This is why we are offering advice and project management to clients looking to improve their ESG rating.

Sustainability is part of our credit assessment

Climate change and the necessary transition to a more sustainable economy will challenge the business model and platform as well as the production and markets of a large number of business customers. For others the green transition will bring new opportunities. These and any other ESG-related risks may affect customers' creditworthiness. Therefore, we have introduced a new requirement in our credit policy so that our assessment of business customers should also include assessment of ESG aspects relevant to the business customer concerned. This requirement applies to all industries and aims to ensure that Nykredit considers the sustainability-

Green Bond Framework

Nykredit launched a new Green Bond Framework in 2020. It builds on the International Capital Market Association's (ICMA) Green Bond Principles and defines the types of green assets that can back green bonds.

Under the Green Bond Framework, Nykredit is now in a position to finance energy-friendly properties, renewable energy such as solar panel parks and wind farms, supply and electricity networks, electric cars, sustainable agriculture and forestry as well as investment in climate adaptation.

With the new Green Bond Framework, we want to promote green bonds among our customers so as to further support the green transition.

Nykredit's Green Bond Committee is responsible for the new Green Bond Framework.

Read more in [Nykredit Green Bond Framework](#) and [Nykredit Green Bond Investor Report](#).

related opportunities and risks as well as strengths and weaknesses of the individual customer.

In 2020 this requirement was introduced for a trial period, during which we launched a host of initiatives. Via dialogue between credit and customer advisers, we have gained preliminary experience with ESG assessments. Concurrently, we have aimed to identify the KPIs that express increased/reduced transition risk. In 2021 we will qualify and incorporate these KPIs into our credit granting processes, and we will pay closer attention to industry-specific focus points.

The ESG assessment adds value to our dialogue with customers and our credit assessments, but is also involves some practical challenges. We have, for example, analysed the environmental impact of Nykredit's 20 largest customers, looking for information on carbon emissions, climate objectives etc in CSR reports, financial statements etc. Our conclusion was that finding relevant and consistent ESG data on individual businesses may prove particularly difficult.

This requirement is expected to be subject to controlling in 2021 in line with the remaining credit assessment procedure, to be made more measurable and structured and supplemented by business procedures for specific customer types. Also, we are continually upgrading advisers' ESG skills.

Climate-related risks faced by small and medium-sized businesses in Denmark

In the business segment, climate-related transition risks primarily derive from earnings pressure and loss of customers. Small and medium-sized businesses play a key role in the Danish business sector, but are also the most vulnerable due to low organisational strength and rising demands from their customers.

Higher taxes on energy, water, waste etc, which cannot be passed on to customers, will put earnings, and thus also the debt capacity of businesses, under pressure. Accordingly, it is vital that businesses address their respective transition risks while their earnings can still carry the necessary investments in energy optimisation etc to ensure that their climate profile remains attractive to their customers also in future.

The external pressure and expectations for large companies' sustainability efforts rub off on their suppliers. In working with sustainability, large corporations in Denmark and abroad place ever increasing climate target and reporting demands on their suppliers. This poses a potential and imminent transition risk to the thousands of small and medium-sized businesses that do not have the organisational strength to establish an actual ESG setup inhouse.



Focus	Sustainable housing	Sustainable businesses and buildings
Societal challenges	<p>Energy consumption in buildings makes up around 40% of Denmark's total energy consumption and therefore plays a key role in fulfilling Denmark's obligations under the Paris Climate Agreement as well as the Danish climate targets. Existing buildings need to undergo energy renovation, and new buildings should be as climate-friendly as possible.</p> <p>The Danish Council on Climate Change has on several occasions pointed to energy savings in existing buildings and replacement of fossil heat sources as central elements in the green transition of Denmark.</p> <p>Besides people's homes, their cars are one of the major financial decisions that have a large impact on the climate. The carbon footprint of cars makes up around 13% of Denmark's total carbon emissions, and zero- and low-emission cars only make up around 1% of all cars.</p>	<p>Denmark has set an ambitious target of reducing its greenhouse gas emissions by 70% in 2030 compared with the level of 1990. This will require massive investments in the green transition. For example, in 2020 the financial sector's climate partnership estimated that the Danish businesses' investment need in relation to electricity production, electricity distribution, manufacturing energy efficiency, green industrial transition etc will amount to at least DKK 350 billion towards 2030.</p> <p>Energy consumption in buildings makes up around 40% of Denmark's total energy consumption, and buildings therefore play a key role in achieving Denmark's obligations under the Paris Climate Agreement as well as the Danish climate targets. Existing buildings need to undergo energy renovation, and new buildings should be as climate-friendly as possible.</p> <p>At the same time, businesses need to develop and export solutions that may contribute to the green transition, and carbon-intensive industries need to reduce their emissions. Finally, businesses looking to operate responsibly and sustainably need a more systematic approach and to obtain market recognition for their efforts so as to be have better opportunities for green financing.</p>
UN Sustainable Development Goals	<p>We contribute to the climate efforts under SDG No 13, and we contribute to reducing the negative per capita environmental impact (SDG No 11.6) and to improving energy efficiency (SDG No 7.3).</p>	<p>We contribute to the climate action under a number of the UN Sustainable Development Goals. Under the updated Green Bond Framework we particularly support the following SDGs:</p> <ul style="list-style-type: none"> ■ 6 (Clean water and sanitation) ■ 7 (Affordable and clean energy) ■ 11 (Sustainable cities and communities) ■ 12 (Responsible consumption and production) ■ 13 (Climate action) ■ 15 (Life on land)
Nykredit's response	<p>Nykredit wants to help steer more homeowners into making choices that support a greener Denmark.</p>	<p>Nykredit is committed to financing the green transition for property investors and businesses. We finance a wide variety of green assets, and because of our business model, we have special focus on energy renovation of commercial properties and the construction of new, climate-friendly commercial properties funded by, for instance, green bonds and business loans.</p>

Focus	Sustainable housing	Sustainable businesses and buildings
	<p>Together with Totalkredit, Nykredit is behind more than 45% of all home loans in Denmark. Therefore, we assign high priority to supporting a reduction in energy consumption and greenhouse gas emissions from private residential housing. Aside from climate effects, energy renovation may potentially increase the value of homes owned by Nykredit's and Totalkredit's customers and lead to lower energy bills and improved housing quality for individual homeowners. We are constantly further developing our products and advisory services to best incentivise more customers to make energy improvements in their homes. Many of Nykredit's customers have chosen Nykredit for all their banking business, including car financing. Therefore, it is also important for us to support the transition from fossil cars to hybrid, hydrogen and electric cars. This way we also contribute to a reduction of energy consumption and greenhouse gas emissions.</p>	<p>Together with our business customers, we are finding ways to contribute positively to the green transition. We will assist our customers in identifying suitable of transition initiatives and encourage change through advice and financing of initiatives that develop and support the transition of society and the individual businesses. Finally, in our portfolio management and credit assessments, we will consider sustainability-related opportunities and risks as well as strengths and weaknesses of the individual customers.</p>
Governance	<p>The Head of Banking Business Development and the Managing Director of Totalkredit are in charge of targets and initiatives.</p>	<p>Responsibility for initiatives relating to the largest commercial properties and business customers rests with the Head of Corporates & Institutions. Responsibility for Nykredit's green bonds rests with the Head of Group Treasury. Nykredit's Green Bond Committee is responsible for maintaining and updating Nykredit's Green Bond Framework.</p>
Policies that govern the area	<ul style="list-style-type: none"> ■ Product policy 	<ul style="list-style-type: none"> ■ Credit policy ■ Green Bond Framework 2020 ■ Valuation policy
Activities and achievements	<ul style="list-style-type: none"> ■ Launched a series of initiatives at Nykredit Bank thanks to contributions made by Forenet Kredit: <ul style="list-style-type: none"> ■ Green home loan (Grønt BoligLån) for energy improvements. No up-front fee and at an interest rate of down to 0%. ■ Green home check-up (Grønt BoligTjek) offering customers inspection by an energy consultant. Customers whose homes hold a particular potential receive a discount of DKK 2,000. ■ Green car loan (Grønt BoligLån), which may be used for financing electric, hydrogen and plug-in hybrid cars. 1% interest rate and no up-front fee on loans of up to DKK 300,000. ■ Joint initiative with the Totalkredit partner banks: <ul style="list-style-type: none"> ■ The energy calculator makes suggestions for energy renovations allowing for both the financial aspect and potential carbon savings . 	<ul style="list-style-type: none"> ■ Launched extended Green Bond Framework. ■ Mortgaging of solar panel parks and wind turbines. ■ ESG rating advisory – new value proposition for corporate and institutional clients with specific focus on ESG factors. ■ Credit assessment includes assessment of customers' ESG position. ■ Property valuation policy strengthened to allow for climate change and energy optimisation. ■ Disclosed carbon footprint and distribution of the energy labelling of mortgaged owner-occupied dwellings.

Focus	Sustainable housing	Sustainable businesses and buildings																																																																						
	<ul style="list-style-type: none">■ The campaign to replace oil-fired boilers is sponsored by Forenet Kredit and offers 3,000 customers to pay DKK 10,000 of their costs of replacing oil-fired boilers with individual heat pumps.■ Disclosed carbon footprint and distribution of the energy labelling of mortgaged owner-occupied dwellings.																																																																							
Selected key figures and targets	<table><tr><th>CO2e footprint, residential properties</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Mortgage lending (DKK billion)</td><td>-</td><td>-</td><td>-</td><td>793</td></tr><tr><td>No of properties</td><td>-</td><td>-</td><td>-</td><td>571,681</td></tr><tr><td>CO2e emissions (1,000 tonnes)</td><td>-</td><td>-</td><td>-</td><td>1,703</td></tr><tr><td>CO2e emissions (1,000 tonnes, scaled to LTV)</td><td>-</td><td>-</td><td>-</td><td>1,057</td></tr><tr><td>Emission intensity (tonnes of CO2e/DKK million)</td><td>-</td><td>-</td><td>-</td><td>1.3</td></tr><tr><td>CO2e emissions per square metre (kg/sqm)</td><td>-</td><td>-</td><td>-</td><td>19.0</td></tr></table>	CO2e footprint, residential properties	2017	2018	2019	2020	Mortgage lending (DKK billion)	-	-	-	793	No of properties	-	-	-	571,681	CO2e emissions (1,000 tonnes)	-	-	-	1,703	CO2e emissions (1,000 tonnes, scaled to LTV)	-	-	-	1,057	Emission intensity (tonnes of CO2e/DKK million)	-	-	-	1.3	CO2e emissions per square metre (kg/sqm)	-	-	-	19.0	<table><tr><th>CO2e emissions from multi-storey, office and retail properties</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Mortgage lending (DKK billion)</td><td>-</td><td>-</td><td>-</td><td>309</td></tr><tr><td>No of properties</td><td>-</td><td>-</td><td>-</td><td>39,330</td></tr><tr><td>CO2e emissions (1,000 tonnes)</td><td>-</td><td>-</td><td>-</td><td>120</td></tr><tr><td>CO2e emissions (1,000 tonnes, scaled to LTV)</td><td>-</td><td>-</td><td>-</td><td>63</td></tr><tr><td>Emission intensity (tonnes of CO2e/DKK million)</td><td>-</td><td>-</td><td>-</td><td>0.2</td></tr><tr><td>CO2e emissions per square metre (kg/sqm)</td><td>-</td><td>-</td><td>-</td><td>111.8</td></tr></table>	CO2e emissions from multi-storey, office and retail properties	2017	2018	2019	2020	Mortgage lending (DKK billion)	-	-	-	309	No of properties	-	-	-	39,330	CO2e emissions (1,000 tonnes)	-	-	-	120	CO2e emissions (1,000 tonnes, scaled to LTV)	-	-	-	63	Emission intensity (tonnes of CO2e/DKK million)	-	-	-	0.2	CO2e emissions per square metre (kg/sqm)	-	-	-	111.8
CO2e footprint, residential properties	2017	2018	2019	2020																																																																				
Mortgage lending (DKK billion)	-	-	-	793																																																																				
No of properties	-	-	-	571,681																																																																				
CO2e emissions (1,000 tonnes)	-	-	-	1,703																																																																				
CO2e emissions (1,000 tonnes, scaled to LTV)	-	-	-	1,057																																																																				
Emission intensity (tonnes of CO2e/DKK million)	-	-	-	1.3																																																																				
CO2e emissions per square metre (kg/sqm)	-	-	-	19.0																																																																				
CO2e emissions from multi-storey, office and retail properties	2017	2018	2019	2020																																																																				
Mortgage lending (DKK billion)	-	-	-	309																																																																				
No of properties	-	-	-	39,330																																																																				
CO2e emissions (1,000 tonnes)	-	-	-	120																																																																				
CO2e emissions (1,000 tonnes, scaled to LTV)	-	-	-	63																																																																				
Emission intensity (tonnes of CO2e/DKK million)	-	-	-	0.2																																																																				
CO2e emissions per square metre (kg/sqm)	-	-	-	111.8																																																																				
Plans for 2021	<ul style="list-style-type: none">■ Nykredit and Totalkredit are committed to encouraging more homeowners to renovate their homes and to introducing more initiatives that make it easier and more affordable to make green choices.	<ul style="list-style-type: none">■ Nykredit's updated Green Bond Framework 2020 will provide a number of new green financing opportunities, and the launch of new products for financing of even more green assets is expected in 2021, Including, for example, solar and wind power, biogas and supply networks.■ To support our customer-facing staff, we want to provide more operational guidelines for assessment of our customers' ESG position within a range of industries.																																																																						
Relevant national and/or international frameworks	<ul style="list-style-type: none">■ The Danish Climate Act and Denmark's climate objective■ The Paris Climate Agreement■ Recommendations of Finance Denmark's Forum for Sustainable Finance	<ul style="list-style-type: none">■ The Danish Climate Act and Denmark's climate objective■ The Paris Climate Agreement■ Green Bond Principles■ The EU green taxonomy■ Recommendations of Finance Denmark's Forum for Sustainable Finance																																																																						

Sustainable agriculture

Danish agriculture is a high-tech, energy-efficient sector compared with other countries. Even so, the agricultural sector accounts for about 20% of Denmark's greenhouse gas emissions and also plays a significant role in biodiversity. Therefore, there is a great need for partnerships on the development of sustainable solutions and investments in green technology, production and fast transfer of new science-based knowledge into practical application.

Being the largest lender to the agricultural sector, Nykredit supports the sector's ambitious objective of carbon neutrality in 2050 by making it easier and more attractive for more agricultural customers to contribute to a greener Denmark. The importance of the agricultural sector and of the food cluster for rural districts and the economy is also an important incentive to Nykredit's involvement in the sector.

Systematic dialogue and advice to ensure sustainable development

We are seeing how our agricultural customers are looking to promote sustainability on their farms and have typically launched own initiatives, which thereby contribute to meeting the sector's overall climate target and other sustainability targets. We find it important and expect that individual farmers are aware of the environmental impact as well as other sustainability aspects of their activities, such as biodiversity, the environment and working conditions, just as they must have clear plans and indicators for the future development.

These aspects form part of the ongoing dialogue with our customers, and at the same time, farms' approach to sustainability aspects became an integrated part of Nykredit's credit assessment in 2020. This underlines the fact that strategic focus on sustainability has increasingly become a necessary element of a robust and financially sustainable farm.

Sustainability is also an integral part of our advisory services. This way we can, together with the individual farmer, identify and finance initiatives that contribute to sustainable development on a customer's farm.

This work will be continued and diversified in the years ahead to ensure that our advisory services add value to the individual customer, local communities and the green transition. We are working on the premise that Danish agricultural production is climate competitive globally and that production needs to become even more sustainable to prevent its expatriation.

Planting trees and choosing green technology is more economical

Nykredit wants to steer more farmers into making choices that support a greener Denmark. One of the challenges posed by the green transition of the agricultural sector is the slow application of green technology in the fields. This has spurred Nykredit to launch green machinery financing (Grøn Maskinfinansiering), which makes it more affordable for farmers to lease and finance agricultural machinery and other equipment that will accelerate the green transition. Examples are precisely steered spraying and nozzle systems that optimise the effect of plant

Green machinery financing (Grøn Maskinfinansiering) enables farmers to finance new sustainable technology at interest rates as low as 0%. Nykredit has earmarked DKK 500 million for this purpose, DKK 68 million of which was allocated to 64 farmers since the launch in September to the end of 2020.

Examples of technology eligible for green financing:

- Inter-row weeders with camera steer hitch
- Sowing machines equipped with commercial fertilizer and eco fertilizer spreader
- Sprayers equipped with a minimum of two nozzles, approved for 90% drift reduction
- Patch spraying equipment
- Drones for weed mapping
- Agricultural vehicles with engine auto-stop feature to prevent idling
- N sensor technology for graduation of nutrients

Nyskovfonden, a new forest foundation, supports the planting of up to 5,000 hectares of forest to bind CO₂e from the atmosphere. Initially committing DKK 11.5 million, the new forest foundation was founded together with Forenet Kredit and Østifterne. Since its launch in November 2020, 22 landowners have applied for funding from the new forest foundation for around 34 hectares of afforestation.

protection agents or reduce water consumption, or tools that promote plough-free cultivation.

Another challenge is the many farmers who cultivate some of their obsolete land, which could potentially be better used for planting trees, thereby binding CO₂e and creating landscape amenity value and maybe also giving access to the public. By establishing the new forest foundation (Nyskovfonden), which Nykredit founded together with Østifterne and Forenet Kredit, farmers and other landowners have gained access to paid afforestation and forest maintenance for three years of areas as small as 0.5 hectares.

Progress achieved through training

The agricultural sector is a key business area at Nykredit, and we have staff specifically trained to advise this sector. In 2020 we set out to strengthen the sustainability training of advisers with knowledge of sustainable market options. As sustainability data improve, we will add this dimension to reinforce our advisers' basis for providing advisory services and performing credit assessments of our agricultural customers.

Plans for 2021

In addition to promoting existing initiatives, strengthened dialogue with our customers, training of our advisers and collaboration on improved sustainability data, we expect more focus to be given to withdrawal of low-lying land areas from agricultural use and negotiations on net absorption of carbon in farm land in 2021. Therefore, we have started to look into ways in which our business procedures best support that development.

Close collaboration with SEGES on improved sustainability data

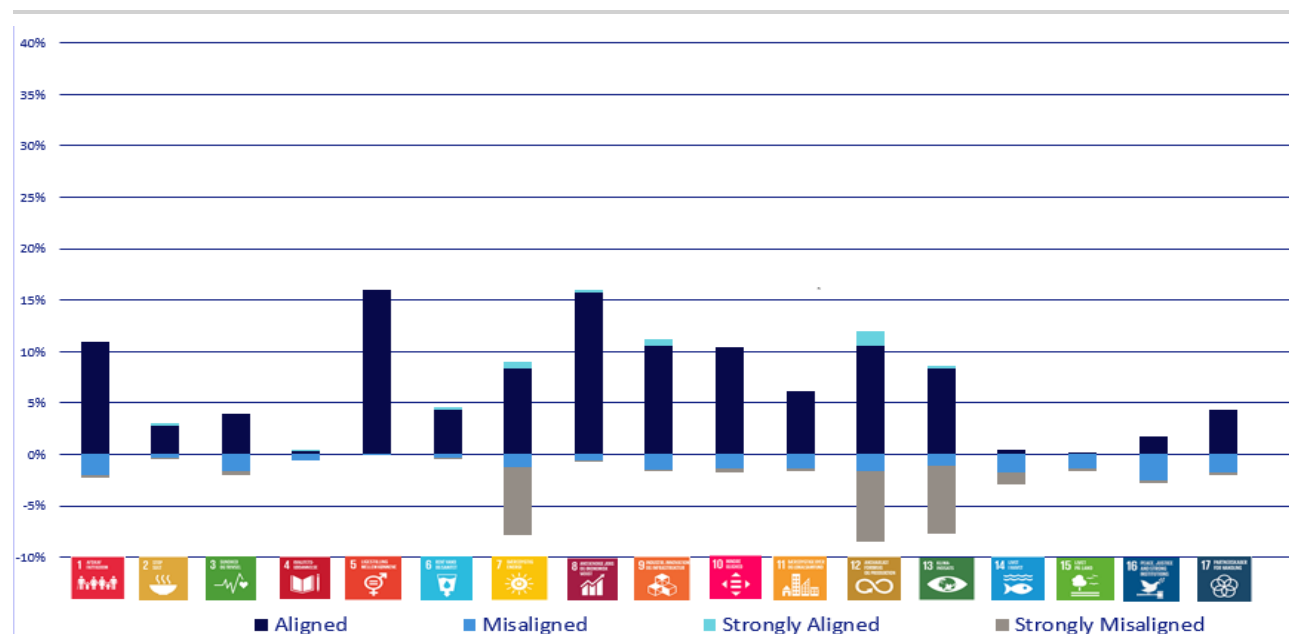
Standardised data on the individual farm's climate footprint and impact on other sustainability-related areas play an essential role in the green transition of agriculture. Hence, we are collaborating closely with agricultural knowledge and innovation centre SEGES on the development of tools that allow the individual farm to document its climate footprint and report on a series of sustainability parameters.

Nykredit may use such data to strengthen credit assessments, advise the individual farmer and support dialogue with the sector in general on how we as a financial sector can best support the green transition in the agricultural sector.



Responsible investment

Alignment between Nykredit's investments and the UN Sustainable Development Goals



The determination of the positive impact ("aligned" and "strongly aligned") and the negative impact ("misaligned" and "strongly misaligned") of Nykredit's equity investments on the UN Sustainable Development Goals.

Source: Nykredit and MSCI ESG Research

Main risks

Nykredit and Nykredit's customers have invested in around 5,000 companies across the world. As a consequence, we are exposed to many different risks. These include financial risks, a risk of breach of international standards defined by the UN and the OECD and a risk that the companies do not act in line with sustainable development principles.

Nykredit's ambition is to invest in ways that create value for our customers and benefit society. The world is facing major social and environmental challenges, and together with our customers, we will support sustainable development and contribute to realising the UN Sustainable Development Goals and limiting the climate challenges.

In 2020 we, together with the rest of the Danish investment industry, set specific targets for carbon emissions from our equity investments, which are to drive our investment activities in accordance with the Paris Climate Agreement.

Nykredit invests to meet the UN Sustainable Development Goals

Nykredit's investments should contribute to reaching to UN SDGs in 2030. To this end, we are analysing developments on an ongoing basis to determine the positive or negative impacts on the SDGs of companies we invest in. Together with the sustainability analyses that we have integrated in the investment process, this will help us steer investments towards companies that address their own and societal challenges.

The figure on this page shows the impact of Nykredit's investments on individual SDGs. The aim is of course to increase the positive impact and reduce the negative impact so as to create value. Therefore, the impact on the SDGs is included in the evaluation of our efforts of integrating ESG factors into our investment processes.

A new climate target is to ensure alignment with the Paris Climate Agreement

For several years Nykredit's ambition has been for our investments to be aligned with the transition required to meet the objective of the Paris Climate Agreement. On the investment front, the Danish investment industry, led by Nykredit, set a target in 2020 to reduce the carbon footprint of Danes' private investments by 75% in 2030 relative to the current carbon footprint of the MSCI World Index. This target sets a specific course for

our ambition of offering Danes investment solutions that support their increasing demand for green investments.

The way to reaching this target is through focused green investments, incorporation of climate considerations in all investment decisions, active stewardship, improved mapping of climate risks and not least reporting to our clients. Also, we are following up on climate gas emissions from the companies in which we have an ownership interest, or which have issued bonds that we invest in.

Nykredit Asset Management is a supporting signatory to the Task Force on Climate-related Financial Disclosures (TCFD), and we encourage companies that we invest in to sign the TCFD recommendations and use the systematic approach prescribed by the recommendations. Nykredit is also an active participant in the Carbon Disclosure Project, Climate Action 100+ and the IIGCC climate network.

The Danish Investment Association's climate objective

The Danish investment industry was first in the world to set specific targets for a reduction of the climate footprint of the industry's equity investments. The target implies a 75% reduction of the climate footprint of equity investments in Danish investment funds from 2020 to 2030. This is necessary if the world is to reach the zero-emission target by 2050, thereby limiting the temperature increase to 1.5°C. The industry will report annually on the footprint of investments and progress towards the 2030 target. In addition, all investment fund managers are recommended to disclose the carbon footprint of their funds. Naturally, Nykredit abides by these recommendations.

The recommendations and the statement of climate footprints are described in more detail at www.finansdanmark.dk.

When assessing a company, Nykredit examines its carbon emissions and strategy in line with the approach taken in the above networks. It is therefore a central precondition that the company discloses relevant information. However, non-disclosure may also be an important indication of the company's approach to climate considerations. Generally, Nykredit requests the following disclosures:

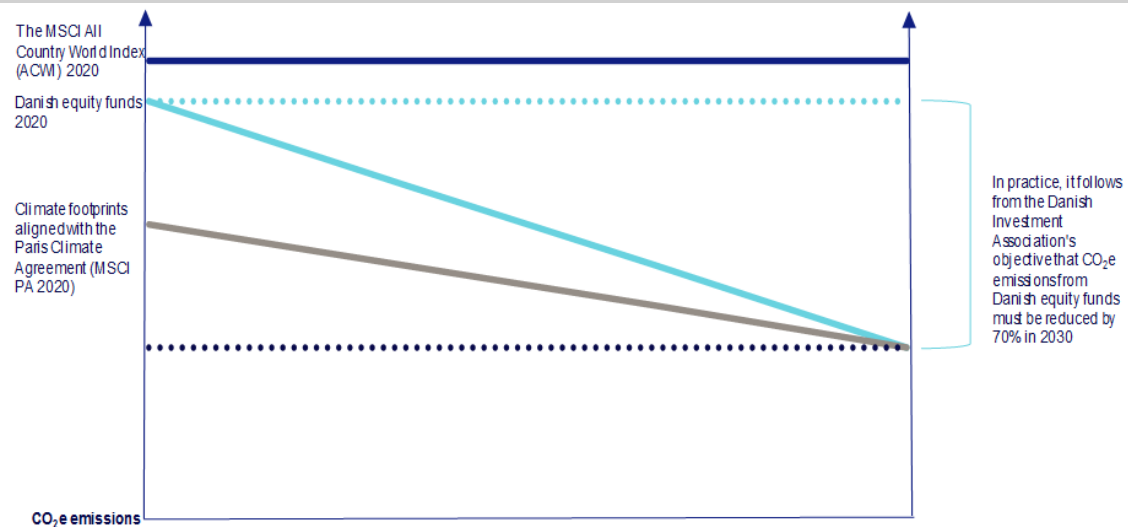
1. Scope 1 and 2 emissions
2. Assessment of scope 3, if feasible
3. Objective – preferably approved by the Science-Based Targets
4. Assessment of main risks (TCFD)
5. Strategy

Strategic KPIs covering efforts in the area of responsible investment

Nykredit wants to be Denmark's leading responsible wealth manager. The key to reaching this target lies in ensuring that our investments create value and are useful. To monitor the development, we have four strategic indicators, which we monitor regularly. The indicators are:

- Development in the climate footprint of our investments
 - Supply of responsible investment funds
 - Customers' opinion of Nykredit's responsible investment performance
 - Nykredit staff's own assessment of our performance.
6. Sub-target including action plan, preferably investment plan
 7. Challenges relating to climate change and the green transition and the company's approach to these.

Reaching the target through carbon emission reductions



The Danish Investment Association is committed to reducing the climate footprint of the sector's equity investments to 25% of the footprint of the world market in 2020. In practice, this is a reduction of 70% relative to the current level of Danish equity funds. The target has been picked from among newly developed EU climate benchmarks, which describe how the climate footprint should develop in order to be in alignment with the target of 1.5°C laid down in the Paris Agreement. The climate footprint should be 50% of the world market footprint already in 2020, followed by a drop to 25% in 2030. This development is marked by a light blue line.

We determine carbon emissions, but data are incomplete

Nykredit disclosed the total carbon footprint of our investments on behalf of our customers and of our own holdings. The statement, which is shown below, is prepared in compliance with Finance Denmark's recommendations and is largely based on data from CDP (formerly Carbon Disclosure Project), which receives carbon emission data from a long list of companies, including Nykredit. However, data covering a range of asset classes are lacking for a complete overview. The statement therefore only includes investments in equities and corporate bonds. The statement contains the so-called scopes 1 and 2, which cover emissions from companies' own consumption of fossil fuels as well as from their electricity consumption.

The statement shows that the carbon footprint of Nykredit's equities is above the carbon footprint of the world market (MSCI ACWI) in absolute terms, but below the carbon footprint of the world market in terms of intensity, the so-called weighted average carbon footprint. In order to fulfil Nykredit's objective of making investments in alignment with the goals set in the Paris Agreement, Nykredit will take the first step towards defining a strategy for the realisation of such investments.

At the same time, we are in the process of improving the statement so as to include the remaining asset classes. Today, bond issuance by mortgage lenders and banks only provides limited data. However, Danish mortgage bond issuers have agreed, through Finance Denmark, to determine and publish the carbon footprint of their funding, which will allow the measurement of the carbon footprint of mortgage bonds. Nykredit has already collected some data on our alternative investments in, for example, infrastructure and unlisted equities, and we are

in dialogue with our partners on a more elaborate approach. Read more about the carbon footprints of our individual investment funds at www.nykreditinvest.dk.

Sustainability assessments in the investment process

Every time Nykredit assesses a potential investment, we apply sustainability assessments to understand the risks and opportunities related to climate, environmental, social and governance issues (ESG). Companies that do not duly address ESG issues are often a poorer investment. The most important output from the sustainability analysis is an indication of whether a company is developing in a more sustainable direction.

Therefore, a company with a very strong sustainability performance and a company with a lower sustainability performance but on a very positive development track may both be good investments.

Nykredit has applied sustainability analyses in its investment processes since 2012, and we are improving our processes across funds and asset classes. Already in 2014, our analyses indicated that return and sustainability may be correlated, and we have continually developed these insights.

In 2020, for the fourth year running, Nykredit's Nordic Swan Ecolabelled fund Bæredygtige Aktier has generated higher returns after costs than the world index.

Today, ESG factors are part of all phases of the investment process – from idea generation and assessment of market structures to assessment of a company's potential and our active stewardship. At end-2020 the sustainability performance of 80% of our funds was above their benchmarks.

Implications of the Nordic Swan Ecolabel for an investment fund

Investment funds that carry the Nordic Swan Ecolabel must satisfy 25 mandatory requirements governing the different ways in which a fund may influence companies. This involves aspects such as a fund's choice of companies and transparency of investments. Under these requirements, at least half of a fund's portfolio will consist of investments in companies that have achieved good scores in a sustainability analysis. And the fund may not invest in certain industries and companies, including companies involved in fossil fuels, weapons and tobacco as well as companies in breach of international standards. Read more at ecolabel.dk

For the fourth year running, Nykredit's Nordic Swan Ecolabelled fund Bæredygtige Aktier has generated higher returns after costs than the world index. Nykredit is planning to expand the range of Nordic Swan Ecolabelled funds to offer our customers better opportunities for choosing Nordic Swan Ecolabelled investment solutions.

Active stewardship to further sustainable development

Nykredit conducts active stewardship by way of regular engagement with and voting at general meetings of companies in which we have invested. The purpose is to safeguard our customers' investments and influence companies' sustainable development.

In 2020 Nykredit participated in more than 705 general meetings, and SparInvest participated in 1.019 general

meetings. At the meetings we take an active stand and represent our investors' interests.

Normally, company boards act in the best interests of investors, but in 8% of the cases we opted to vote against the recommendations of the boards. In half of the cases, the reason for this was a candidate for the board not meeting the standards. Every fifth negative vote was cast because management's salary or bonus package did not match the market or was insufficiently defined.

Carbon footprints of companies we invest in

	Investments in equities, Nykredit and Sparinvest	Investments in equities and corporate bonds, Nykredit and Sparinvest	Own portfolios	The MSCI All Country World Index (MSCI ACWI), equities	Reduction in equity funds relative to the MSCI ACWI
Business volume (DKK billion)	112	129	-	-	-
Contribution ratio (%)	99	92	-	-	-
Emissions (1,000 tonnes CO₂e)	2,728	3,170	-	-	-
Emission intensity (tonnes of CO₂e/DKK million)	24	24	-	17	- 41%
Weighted average carbon intensity (WACI)	143	161	-	154	-

All company assets have been determined based on market value. We have not been able to determine the climate footprint of Nykredit's own portfolio, as no available data exist on covered bond issues. Likewise, data on share issues have been too sparse to make a determination in complete alignment with recently adopted industry standards. The determination of the climate footprint of Nykredit's asset management activities only comprises Nykredit's and Sparinvest's equity and corporate bond funds. It does not include the climate footprint of discretionary management activities. A few of the funds are also exposed to other funds outside of Nykredit's and Sparinvest's universes. These have not been included either, as data have not yet been updated. We expect data accessibility to improve in the course of the next six months, and once improved, we will update the climate footprint of Nykredit's investments.

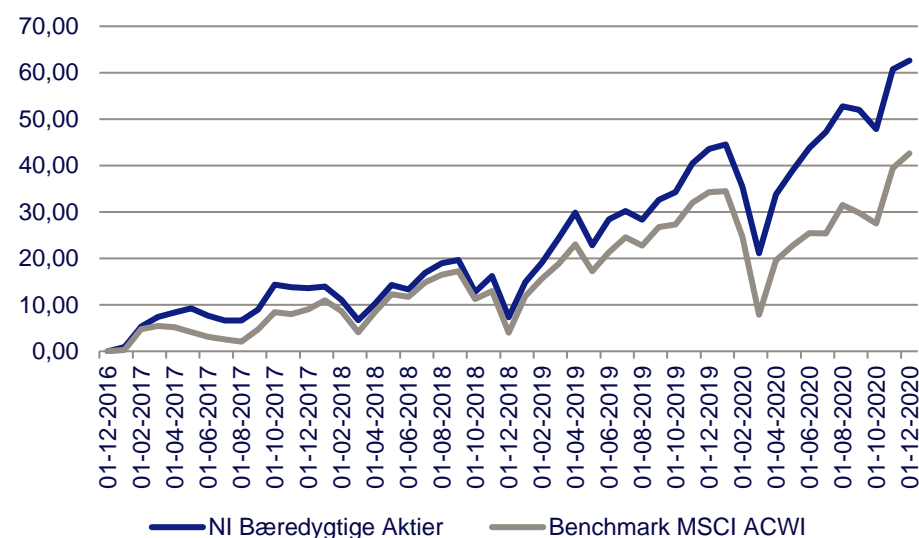
Handling of sustainability-related risks

Seeing as Nykredit and our customers have investments in more than 5,000 companies around the world, we are susceptible to various risks, including financial risks, a risk of breach of international standards defined by the UN and the OECD and a risk that the companies do not act in line with sustainable development principles.

Nykredit manages sustainability-related risks both through conventional management methods and through separate analyses and due diligence procedures. And we conduct systematic screening specifically focused on breaches of international standards and agreements. Once a risk has been identified, the relevant data are provided to the individual investment teams, which coordinate the data with other financial risks.

More information on Nykredit's active stewardship is available in the investment funds' annual reports at www.nykreditinvest.dk.

Nykredit Invest Bæredygtige Aktier has generated higher returns after costs than the world index for three years running



Through investments in companies with a high level or developing favourably in terms of sustainability performance, the fund Nykredit Invest Bæredygtige Aktier has delivered a return which is significantly above the world market defined as the MSCI All Countries World Index (MSCI ACWI). More specifically, the fund delivered a return of 13,24% in the period from the turn of the year to 31 December 2020, which was 7,01% higher than the world market (MSCI ACWI). Source: Nykredit and Bloomberg

Examples of Nykredit's engagement with companies

Nykredit has engaged with Corecivic, which operates private prisons in the USA, where prisoners are subjected to forced labour in violation of human rights. The Geo Group, which operates a number of immigration detention centres in the UK, has been associated with human rights violations. In both cases, Nykredit is, together with other investors, seeking to make the companies change their behaviour.

Due care for human rights and international law

Nykredit requires that the companies we invest in comply with international law and respect human rights at all times. On a quarterly basis, we screen more than 10,000 different securities for breach by the issuer of international law. And if a company is in breach of international law, we will attempt, through dialogue and together with other investors, to make them remedy the breach. At the end of 2020, Nykredit had engagements with 27 companies.

If a company fails to rectify its behaviour, it will be excluded from Nykredit's investments. However, together with other investors, we are often successful in influencing the relevant companies into rectifying their behaviour. Today, 65 companies are on Nykredit's exclusion list. They fall in three categories:

1. Manufacturers of controversial weapons
2. Companies in breach of international standards and unwilling to change their conduct
3. Coal and tar sand companies with no green transition plans.

New companies on the exclusion list are: S&T Dynamics, S&T Holdings, Textron, Transdigm, Tata Power and Premier Explosives, which are all involved in the manufacturing of cluster weapons or nuclear weapons to countries that are not covered by the UN Treaty on the Non-Proliferation of Nuclear Weapons

Nykredit's exclusion list is available at www.nykredit.com/samfundsansvar.

Responsible investment in figures

DKK billion	2017	2018	2019	2020
Nykredit's total investments, subject to the responsible investment policy	279	301	440	451
Number of issuers/companies screened quarterly	2,320	2,283	4,091	5,285
Companies with which Nykredit engages because of breach of standards	21	22	21	25
Companies screened out	32	51	58	65
<i>Participation in general meetings</i>				
– Number of general meetings	589	772	839	1,724*
– % of equity AuM where Nykredit participated in general meetings	58%	85%	88%	54%
– Votes cast against board of directors, %	8.40%	8.10%	7.8%	8.0%

Nykredit's and Sparinvest's funds cast their votes on two different proxy voting platforms in 2020. Nykredit's funds have participated in 705 general meetings, and Sparinvest's funds have participated in 1,019 meetings.

Focus	Sustainable agriculture	Responsible investment
Societal challenges	Danish agriculture is a high-tech, energy-efficient sector compared with other countries, but accounts for over 20% of total greenhouse gas emissions in Denmark. For this reason, there is still a large need for the development of sustainable solutions and investment in sustainable production methods. The sector has set its own target of carbon-neutrality by 2050.	The world is facing major social and environmental challenges, and there is a great need for investments that contribute to their solution. By investing in the right companies and sectors and by being an active owner, investors can support sustainable development globally.
UN Sustainable Development Goals	We contribute to ensuring sustainable food production systems (SDG 2.4), to sustainable use of terrestrial ecosystems (SDG 15), to improving energy efficiency (SDG 7.3), and to climate action (SDG 13).	We invest in just under 5,000 companies across countries and sectors. That way, Nykredit indirectly has both a positive and a negative impact on nearly all SDGs. Nykredit's ambition is to reduce its negative impact and achieve a positive impact on the SDGs. Particularly, we are focused on contributing to climate action under SDG 13.
Nykredit's response	<p>Nykredit wants to help steer more farmers into making choices that support a greener Denmark, and we will collaborate with the agricultural sector on meeting the ambitious 2050 objective. Therefore, our advisory services and financing must serve to foster the sustainable development of the individual farm.</p> <p>We find it important and expect that individual farmers are aware of the environmental impact as well as other sustainability aspects of their activities, such as biodiversity, the environment and working conditions, just as they must have clear plans and indicators for the future development. The individual farmer's handling of sustainability issues therefore forms an integral part of the overall credit assessment.</p>	<p>Nykredit's investments should contribute to reaching the UN SDGs in 2030, and they must be in alignment with the transition necessary to meet the objective of the Paris Climate Agreement.</p> <p>We develop solutions that can help more customers make responsible investments. We enter into a dialogue with our customers about their preferences for responsible investments, and we offer green and responsible investment opportunities, for instance in the form of fossil-free funds carrying the Nordic Swan Ecolabel.</p> <p>Nykredit integrates sustainability into the investment process by means of ESG criteria in all portfolios, which contribute to risk assessment and analysis of companies in terms of environmental, social and governance issues. Nykredit regularly engages with the companies invested in, one reason being to actively influence the companies to contribute to the green transition.</p>
Governance	Responsibility for efforts relating to sustainable farms rests with the Head of Banking Business Development.	Responsibility for efforts relating to responsible investment rests with the Head of Wealth Management.
Policies that govern the area	<ul style="list-style-type: none"> ■ Credit policy 	<ul style="list-style-type: none"> ■ Responsible investment policy

Focus	Sustainable agriculture	Responsible investment																								
Activities and achievements	<ul style="list-style-type: none">■ ESG factors are integrated in templates for credit assessment of agricultural customers.■ Green machinery financing (Grøn Maskinfinansiering) developed, establishing the definition of particularly sustainable technologies, and marketed as from 1 September, offering attractive prices and maximum loan portfolio limit of DKK 500 million.■ Launched the new forest foundation (Nyskovfonden) to promote planting of 5,000 hectares of new forest in Denmark with special focus on small areas of obsolete land in the agricultural sector.	<ul style="list-style-type: none">■ Set new specific 2030 targets for carbon emissions from our equity investments together with the rest of the Danish investment industry.■ Set new strategic targets for our efforts in the area of responsible investment.■ Published the carbon footprints of the total equity portfolio and of all Nykredit funds.																								
Selected key figures and targets	<p>Nykredit collaborates with the entire food cluster on optimal measuring methods for monitoring the development. SEGES, for example, collects data and defines standards.</p> <p>Key figures are defined when an adequate amount of sustainability data is available for the agricultural sector.</p>	<table><tr><th></th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2030 target</th></tr><tr><td>Reduction in climate footprint of equity funds against the world index 2020</td><td>N/A</td><td>N/A</td><td>N/A</td><td>-41%</td><td>75%</td></tr><tr><td>Equity funds with above-benchmark ESG ratings</td><td>N/A</td><td>78%</td><td>78%</td><td>80%</td><td></td></tr><tr><td>– % of equity AuM where Nykredit participated in general meetings</td><td>58%</td><td>85%</td><td>88%</td><td>54%</td><td></td></tr></table>		2017	2018	2019	2020	2030 target	Reduction in climate footprint of equity funds against the world index 2020	N/A	N/A	N/A	-41%	75%	Equity funds with above-benchmark ESG ratings	N/A	78%	78%	80%		– % of equity AuM where Nykredit participated in general meetings	58%	85%	88%	54%	
	2017	2018	2019	2020	2030 target																					
Reduction in climate footprint of equity funds against the world index 2020	N/A	N/A	N/A	-41%	75%																					
Equity funds with above-benchmark ESG ratings	N/A	78%	78%	80%																						
– % of equity AuM where Nykredit participated in general meetings	58%	85%	88%	54%																						
Plans for 2021	<ul style="list-style-type: none">■ Expand sustainability training of staff to include coherent sustainability measuring models as a basis for including them in advisory services and credit assessment.■ Prepare for receipt of climate/ESG data from SEGES/the Danish Agricultural Advisory Service.■ Develop agile approach to land reparcelling and withdrawal of land from agricultural use.	<ul style="list-style-type: none">■ Launch new sustainable Nordic Swan Ecolabelled investment products.■ Determine a strategy for climate neutrality in Nykredit's investments.■ Implementation of shared responsible investment policy.■ Regular reporting to clients on the sustainability perspective, including the climate footprint, of their investments.																								
Relevant national and/or international frameworks	<ul style="list-style-type: none">■ The Danish Climate Act and Denmark's climate objective■ Certification programmes for large farmer-owned food and feed businesses■ Eco-schemes in EU agricultural policy from the next budget period	<ul style="list-style-type: none">■ The Paris Climate Agreement■ Principles for Responsible Investment■ Task Force on Climate-Related Financial Disclosures■ Committee on Corporate Governance																								

3

Responsible business practices

A greener Nykredit

Nykredit's most significant contribution to the green transition lies in our dialogue with customers and industries about sustainability initiatives. By providing funding and advice, we can help more people contribute to a greener Denmark through their homes, cars, businesses and investments.

With some 3,400 staff members and nearly 50 locations, the Nykredit Group also leaves a mark on the climate and the environment. To make this mark as small as possible, we have set clear and ambitious targets for how we reduce our carbon emissions, energy consumption and waste volumes.

Nykredit is carbon neutral

At the end of 2020, the Nykredit Group's total carbon emissions had been reduced by 84% relative to the level

in 2012. A result that exceeds the original ambitious target of a 65% reduction in 2020. To obtain this reduction, Nykredit has worked strategically and determinedly to introduce initiatives throughout the Group, including redirecting Nykredit's consumption of electricity and natural gas towards climate-friendly energy sources, enhancing the energy efficiency of technical plants, installing LED lighting and solar cell systems along with many other initiatives.

Nykredit can never become 100% carbon neutral through the Group's own initiatives alone. For example, we cannot control how the district heating that we use is generated, nor can we completely eliminate our carbon footprint from transport. In light of this, we compensate for Nykredit's remaining unavoidable carbon emissions from heating and transport through third-party verified

Main risks

Nykredit may have a negative impact on the climate and the environment through the operation of our locations and sourcing of goods or services. Moreover, Nykredit's suppliers may be involved in human rights violations and

Gold Standard carbon credits from a wind farm in India. With the investment in carbon credits, Nykredit was

Targets for a greener Nykredit

	2017	2018	2019	2020	Target
Total CO ₂ emissions (reduction relative to 2012 as %)	5,331 (51%)	3,980 (63%)	2,218 (80%)	1,693 (84%)	3,787 (65%) in 2020
CO ₂ emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	0.33 (50% reduction)	5% annual reduction up to 2025
Total MWh consumption	20,492	18,328	17,713	16,951	25% reduction by 2025 = 15,369
Percentage of recycled waste	45%	50%	51%	47%	Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled. (= 80%)
Waste per FTE (kg)	125	141	137	96	Waste volume per FTE to be reduced to 100 kg in 2023

How we reached the 2020 target for CO₂ reduction

2014

Installation of solar cell systems started. Up to and including 2019, we have generated 1,794 MWh in our nine solar cell systems, corresponding to some 423 tonnes of CO₂.

2015

Optimised office space by moving to new locations. Since 2015 we have reduced our office space area by 4,320 sqm, corresponding to a decrease of about 2,020 MWh.

2016

Replacement of light sources with LED lighting started. We have replaced over 40% of the light sources in all properties with energy-friendly LED light sources.

2017

Decision to purchase 100% origin-certified biogas. Up to and including 2019, we have saved 182 tonnes of CO₂.

2018

Decision to purchase 100% origin-certified electricity from wind turbines. Up to and including 2020, we have saved about 3,400 tonnes of CO₂.

2019 and 2020

Continued purchases of origin-certified biogas and wind turbine electricity for our entire consumption. Installation of LED lighting. Installation of three solar cell systems at our locations. Moved to more energy-friendly buildings in Aalborg, Kolding and Odense.



officially carbon neutral as of 1 January 2020. Carbon neutrality does not mean that we have reached the finish line. In 2018 we set new, ambitious targets that drive the work of reducing our carbon emissions, energy consumption and waste volumes.

Waste is still on the agenda

Nykredit's total *waste volume* must be reduced so that we reach a waste level in 2023 of 100 kg per staff member. 2020 was synonymous with working from home for the majority of our staff. This is clearly reflected in the waste volume per staff member, which had dropped to a level of 96 kg by the end of the year.

However, the reduction was not only a result of changed working conditions caused by the coronavirus. Initiatives, such as the transition to digital signature, the implementation of digital roll-ups and the use of white papers, have all served to lower waste volumes and resource consumption.

In 2020 Nykredit remained focused on the disposal and recycling of the waste we generate through the agreements we make with our suppliers. For example, waste separation at source into recyclable fractions has been expanded, all furniture packaging is now disposed of in an environmentally-friendly manner, household products are increasingly sustainable, logo articles have become more eco-friendly and are supplied in sustainable packaging, and plastic water bottles have

been replaced by boxed water cartons. As a result, Nykredit had not only reduced waste volumes at the close of the year. With 47% waste recycling at end-2020, we are also well on the way to reaching the target of 47% recycling of our waste in 2025.

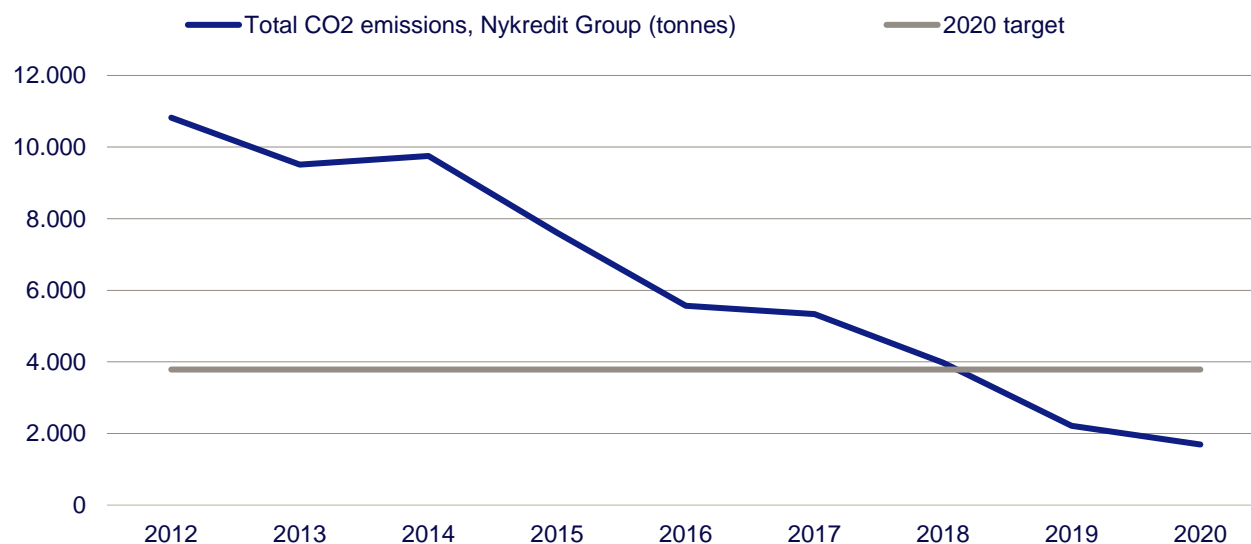
Sustained focus on energy

Nykredit's total energy consumption is to be reduced by a further 25% by the end of 2025 compared with 2017 through focused energy-reducing priorities in all initiatives taken. We are making progress. At the end of 2020, the energy consumption had been reduced by 17% relative to the level in 2017. The primary reason is the move to more energy-friendly locations in Odense, Kolding, Herlev and Aalborg. For instance, a small customer

centre such as the one in Herlev has brought down energy consumption by 11 MWh. In 2020 we also increased the number of locations for the first time in several years, adding two new buildings in Campus Høje Taastrup. Viewed separately, this has caused an increase in energy consumption, which we have reduced by installing solar cell systems of 60 kWp and 117 KWp on the roofs of the buildings and various other measures.

In 2020 Nykredit converted 100% of our electricity and 100% of our natural gas to renewable energy sources (Renewable Energy Certificates – RECs). Thanks to these measures, combined with the move to more energy-friendly locations, we reached our target for 2020

How we reached the 2020 target for CO2 reduction



Responsible supply chain management

Nykredit uses mainly Danish, local suppliers, and the risk of corruption, human rights violations, poor labour practices etc is therefore low compared with a production company with a global value chain. But the risks are there nonetheless.

We take these risks into consideration when entering into new supplier agreements. Nykredit's Supplier Code of Conduct requires our suppliers to live up to the standards laid down in ISO 26000 and the UN Global Compact in respect of human rights, the environment, labour rights and ethics. However, the fact that our suppliers allow for our Code of Conduct when concluding an agreement is no guarantee that they will satisfy the requirements in the future. We therefore reserve the right to check that our suppliers comply with our Code of Conduct – and if not, we are entitled to terminate the agreement.

Eco-challenges influence suppliers for the benefit of the climate and the environment

Nykredit requires our suppliers to focus on more responsible and sustainable practices. In our eco-challenges, we collaborate with selected suppliers to find more climate and eco-friendly solutions.

In 2020 we completed nine eco-challenges, involving for instance the replacement of petrol and diesel cars with electric cars at our security service provider, increasing the share of sustainable household products and entering into a strategic collaboration with our suppliers of logo articles.



Nyskovfonden – funding Danish forests

Nykredit, Forenet Kredit and Østifterne joined forces to launch Nyskovfonden in 2020 – a foundation with the objective of planting more forest in Denmark and thereby binding carbon from the atmosphere. Trees absorb CO₂, and when we plant more trees, we contribute to reducing the carbon footprint of our communities.

Nyskovfonden grants financial support for afforestation projects, primarily to private landowners, parish church councils and local waterworks throughout Denmark.

Starting off, Nyskovfonden has committed DKK 11.5m for afforestation. The foundation's objective is to plant 5,000 hectares of new forest. The funding will cover both planting and care of the trees for three years.

All forests are beneficial to the climate. As a rule of thumb, one hectare of healthily growing forest can bind up to 10 tonnes of CO₂ annually depending on the type of forest. In other words, forests absorb CO₂ from the atmosphere. More forest areas in Denmark also offer other advantages such as recreational values, protection of water reservoirs and production of building materials for long-term storage of CO₂.

The ambition behind Nyskovfonden is to contribute to a greener Denmark and to support development and growth in urban and rural districts across the country. Nyskovfonden is a supplement to the many other green initiatives launched in 2020 by the Nykredit Group with support from Forenet Kredit. Since its launch in November 2020, the foundation has received 20 applications for a total area of 34 hectares.

Focus	A greener Nykredit	Responsible procurement
Societal challenges	All businesses impact the climate and the environment through their production. At Nykredit, the operation of our locations and transport are the main reasons for our carbon emissions, consumption of resources and the amount of waste we generate.	Businesses may have a negative impact on the climate and the environment indirectly when sourcing goods or services. Using suppliers and sub-suppliers also involves a risk of human rights violations and corruption.
UN Sustainable Development Goals	We contribute to increasing substantially the share of renewable energy in the global energy mix by 2030 (SDG No 7.2) and to reducing the negative per capita environmental impact by 2030 (SDG No 11.6). Also, we contribute to climate action under SDG No 13.	We contribute to increasing substantially the share of renewable energy in the global energy mix by 2030 (SDG No 7.2). We also contribute to responsible consumption and production under SDG No 12.
Nykredit's response	<p>We will reduce the Group's energy consumption, carbon footprint and waste volumes to bring our negative climate and environmental impact to a minimum.</p> <p>With the launch in 2012 of our Climate and Environmental Strategy, we set an ambitious target of reducing the Group's CO₂ emissions by 65% by the end of 2020. We attained this target already in 2019 and have therefore set new targets to drive our efforts in the coming years.</p>	<p>We are moving towards more climate-friendly and sustainable procurement. One example is our membership of the Ecolabelling Denmark network for green procurement, whereby we commit to increasing the share of sustainable products in our sourcing.</p> <p>Nykredit's Supplier Code of Conduct requires our suppliers to live up to the standards laid down in ISO 26000 and the UN Global Compact in respect of human rights, the environment, labour rights and ethics.</p>
Governance	The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.	The Executive Vice President of Procurement & Facility Management is responsible for targets and initiatives.
Policies that govern the area	<ul style="list-style-type: none"> ■ Climate, Energy and Environmental Policy 	<ul style="list-style-type: none"> ■ Group Procurement Policy ■ Supplier Code of Conduct
Activities and achievements	<ul style="list-style-type: none"> ■ Co-founder of Nyskovfonden, whose objective is to bind CO₂ by planting 5,000 hectares of forest in Denmark ■ Installed three solar cell systems at our locations in Høje Taastrup and Roskilde ■ Set up charging stations for electric cars at four new locations in Odense, Kolding, Høje Taastrup and Aalborg ■ Fitted out 8,312 new square metres with LED lighting, carpets of recycled plastic and other sustainable initiatives 	<ul style="list-style-type: none"> ■ We completed nine eco-challenges during 2020. Some examples are given below: <ul style="list-style-type: none"> ■ A change of the supplier of household products has increased the share of sustainable products ■ All furniture packaging is now disposed of in an environmentally friendly manner ■ Nykredit's security service car has been replaced by an electric car ■ All plastic water bottles have been replaced by boxed water cartons ■ Strategic collaboration with our supplier of logo articles concerning sustainable packaging and eco-friendly alternatives

Focus	A greener Nykredit	Responsible procurement																																																						
	<ul style="list-style-type: none">■ Converted 100% of our electricity and 100% of our natural gas consumption to renewable energy sources (Renewable Energy Certificates – RECs)■ Continued to compensate for our unavoidable CO₂ emissions from district heating and transport by purchasing carbon credits■ Expanded waste separation at source into recyclable fractions, including by introducing sorting of biowaste on each floor of our headquarter buildings■ Certified our ISO 14011 environmental management system	<ul style="list-style-type: none">■ Transition to digital signatures in some parts of the Group to reduce paper use■ Implementation of digital roll-ups■ Change of tea assortment to 100% organic and fair trade tea■ Implementation of white paper in the Group																																																						
Selected key figures and targets	<table><thead><tr><th></th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>Target</th></tr></thead><tbody><tr><td>Total CO₂ emissions, tonnes (reduction relative to 2012 as %)</td><td>5,331 (51%)</td><td>3,980 (63%)</td><td>2,218 (80%)</td><td>1,693 (84%)</td><td>2020 target: 63% reduction relative to 2012 = 3,787</td></tr><tr><td>CO₂ emissions per staff member</td><td>1.61</td><td>1.24 (29% reduction)</td><td>0.66 (47% reduction)</td><td>0.33 (50% reduction)</td><td>5% annual reduction up to 2025</td></tr><tr><td>Total MWh consumption</td><td>20,492</td><td>18,328</td><td>17,713</td><td>16,951</td><td>25% reduction by 2025 = 15,369</td></tr><tr><td>Percentage of recycled waste</td><td>45%</td><td>50%</td><td>51%</td><td>47%</td><td>Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled. (= 80%)</td></tr><tr><td>Waste per FTE (kg)</td><td>125</td><td>141</td><td>137</td><td>96</td><td>Waste volume per staff member to be reduced to 100 kg in 2023</td></tr></tbody></table>		2017	2018	2019	2020	Target	Total CO ₂ emissions, tonnes (reduction relative to 2012 as %)	5,331 (51%)	3,980 (63%)	2,218 (80%)	1,693 (84%)	2020 target: 63% reduction relative to 2012 = 3,787	CO ₂ emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	0.33 (50% reduction)	5% annual reduction up to 2025	Total MWh consumption	20,492	18,328	17,713	16,951	25% reduction by 2025 = 15,369	Percentage of recycled waste	45%	50%	51%	47%	Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled. (= 80%)	Waste per FTE (kg)	125	141	137	96	Waste volume per staff member to be reduced to 100 kg in 2023	<table><thead><tr><th>Responsible procurement</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>Target</th></tr></thead><tbody><tr><td>Nordic Swan Ecolabelled products</td><td>54%</td><td>28%</td><td>27%</td><td>-*</td><td>-</td></tr><tr><td>Number of completed eco-challenges</td><td>N/A</td><td>N/A</td><td>N/A</td><td>9</td><td>8 (2020) 10 (2021)</td></tr></tbody></table> <p>* Data for 2020 are compiled by Ecolabelling Denmark mid-2020.</p>	Responsible procurement	2017	2018	2019	2020	Target	Nordic Swan Ecolabelled products	54%	28%	27%	-*	-	Number of completed eco-challenges	N/A	N/A	N/A	9	8 (2020) 10 (2021)
	2017	2018	2019	2020	Target																																																			
Total CO ₂ emissions, tonnes (reduction relative to 2012 as %)	5,331 (51%)	3,980 (63%)	2,218 (80%)	1,693 (84%)	2020 target: 63% reduction relative to 2012 = 3,787																																																			
CO ₂ emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	0.33 (50% reduction)	5% annual reduction up to 2025																																																			
Total MWh consumption	20,492	18,328	17,713	16,951	25% reduction by 2025 = 15,369																																																			
Percentage of recycled waste	45%	50%	51%	47%	Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled. (= 80%)																																																			
Waste per FTE (kg)	125	141	137	96	Waste volume per staff member to be reduced to 100 kg in 2023																																																			
Responsible procurement	2017	2018	2019	2020	Target																																																			
Nordic Swan Ecolabelled products	54%	28%	27%	-*	-																																																			
Number of completed eco-challenges	N/A	N/A	N/A	9	8 (2020) 10 (2021)																																																			
Plans for 2021	<ul style="list-style-type: none">■ Continue to reduce our energy consumption, carbon emissions and waste volumes■ Establish a Knowledge Centre for Energy, Climate and Environment to facilitate the sustainability efforts of Totalkredit partner banks.■ Establish more charging stations for electric cars at our locations	<ul style="list-style-type: none">■ Complete at least 10 eco-challenges■ Installation of eco-filter in Nykredit's internal webshop making it easier to choose eco-friendly products■ Examine the possibilities of purchasing 100% green electricity in ways that do not involve RECS certificates.																																																						
Relevant national and/or international frameworks	<ul style="list-style-type: none">■ Carbon Disclosure Project	<ul style="list-style-type: none">■ Carbon Disclosure Project																																																						



We must show the world every day that we make responsible decisions that take into account the long-term impact on our customers and society. I am committed to ensuring that we have an organisation that is well positioned to offer our customers responsible advice, to navigate fast and correctly under current legislation and to contribute to the task of combating financial crime.”

Anders Jensen, Group Managing Director

Responsible business conduct



As a financial provider, Nykredit makes decisions every day that have a long-term impact on our customers and society. For example when advising a young couple about loan types for buying their first home or when Denmark's largest corporations need funding to increase exports.

It is fundamental to Nykredit that our advice, products and services are responsible both in a societal context and relative to the financial position of the individual customer. This requires an organisation that is well prepared in all areas to act responsibly and correctly, complying with not only the letter, but also the spirit of the law. It requires a corporate culture where we can openly discuss and act on the business dilemmas that may arise, even when acting within existing rules and regulations, to ensure that we, as a business, can explain and defend our conduct.

This is what conduct management is about. This section describes our conduct management initiatives as well as other factors contributing to responsible business conduct.

Conduct management

In 2020 we stepped up our conduct management efforts, launching a two-pronged initiative:

- 1) Risk management initiatives where we identify, assess and act on the Group's conduct risk as part of the ongoing risk management practices.
- 2) A broad initiative for all staff members to increase awareness of responsible business conduct and

Conduct management is ...

... the course set by Management in relation to corporate culture and conduct

- Sound values and rules governing ethical conduct
- A trusting environment where staff are willing and able to share information about events
- Focus on how Nykredit's business practices are perceived by our customers and other stakeholders
- Compliance with legislation as well as the intention of rules and regulations.

train managers and staff in identifying, discussing and responding to irresponsible business conduct.

Common to both initiatives is that they support a safe and open culture where both managers and staff talk about and adjust behaviours and practices to ensure responsible business conduct in all areas of our organisation.

Conduct risk – part of our risk reporting

As of Q3/2020, the Group's conduct risk is a fixed part of our established risk management practices. Risk meetings are held regularly with the managers of the individual business entities, at which conduct risks are

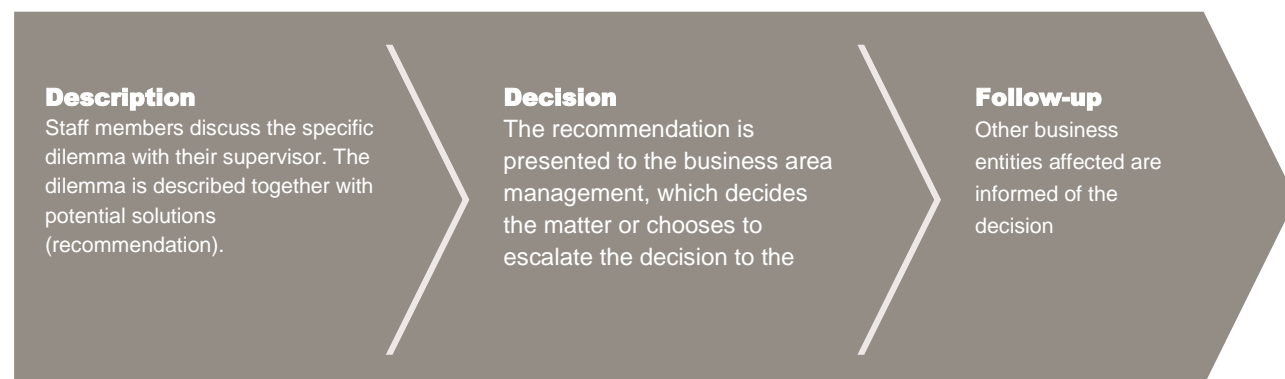
Main risks

Nykredit's advisory services, lending and products have significance on our customers' financial position and on the Danish economy. This may, for instance, entail the risk that the individual customer receives inadequate advice or that a specific product has a negative impact on financial stability.

As a financial provider, Nykredit is governed by, and must at all times abide by, current legislation and regulation. This may, for instance, entail the risk that processes and products do not comply with the most recent regulation in the area.

Last but not least, there is a risk that Nykredit does not live up to society's and our customers' expectations. This may lead to breach of trust in Nykredit's business.

How Nykredit handles conduct risk



Excerpt from Nykredit's tax policy

Nykredit will pay the taxes which regulators expect and to which Nykredit is obliged. It is Nykredit's policy to be a competitive business as well as a responsible taxpayer.

Nykredit aims for transparency and accountability in tax matters to comply with current tax legislation and best practice in the area.

Nykredit wants a transparent tax policy, which implies that Nykredit should at all times be able to explain and defend its tax position.

identified, discussed and reduced, for instance by a change of practices or conduct.

In 2020, 120 conduct risks were identified through a number of meetings and conversations with the managers of the individual business entities and selected staff members. The risks were identified by reviewing behaviours and business practices. Issues raised by customers or in the media can also serve as a catalyst for us to examine our behaviours and practices in a given area.

Regular reporting of conduct risks is a new discipline, and we are still only learning how to identify, assess and respond to conduct risks. The assessment of individual conduct risks may therefore change over time as the maturity level increases and as some are mitigated and new ones arise.

Main conduct risks

In identifying conduct risks, we have observed four themes stretching across the remits of the Group. The four Group-wide themes are:

1. Tax matters

Conduct risk exists where Nykredit's practices are within the letter of the law, but where there is a risk that they will be perceived as being at odds with the spirit of the law. Among the conduct risks identified are examples of customers' tax optimisation and exploitation of loopholes in tax law as well as Nykredit's advice on tax matters. Nykredit deals with tax matters within the framework of the Group's tax policy.

2. Undeclared work

Suspected undeclared work is managed as part of Nykredit's anti-money laundering (AML) activities, ensuring a strong focus on reporting to the relevant authorities in case of suspected undeclared work among our customers. Undeclared work as a conduct risk relates to the fact that public opinion is currently grappling with various ethical and moral aspects, and it is therefore likely that the Danes' use of undeclared work will be confronted more openly over time. In this context, it is important to retain and, if necessary, intensify the focus on reporting to the authorities to adapt to a new discourse in this area, to which society will expect the financial sector to be able to accommodate.

3. Sustainable financing

A number of conduct risks related to sustainable financing have been reported. They fall within two themes. First, there is a risk of greenwashing if Nykredit develops and sells products that are not perceived as environmentally sound. Second, providing credit to industries or customers who are not inclined to move in a more sustainable direction involves a conduct risk.

In developing sustainable and green products, Nykredit has had a strong focus on ensuring that products marked as green or sustainable are used to finance measures and initiatives considered to be green according to the EU taxonomy, public subsidy schemes etc. Also, Nykredit has introduced a special green step in its product approval process, which sets out additional requirements in terms of documentation, control etc.

4. Transparency about product characteristics and pricing
Financial products are complex by nature. Nykredit has a Group-wide focus on informing about product risks, but there are nonetheless a number of conduct risks, indicating that some areas remain where we can strengthen our advisory and information activities.

Taking a risk-based approach, we will focus on the four themes as part of our risk management activities, and they may cause Nykredit to adjust behaviours or practices in the relevant areas.

Awareness training of all staff members

In tandem with the work of identifying and risk assessing conduct risks, several initiatives have been launched to support a culture where Nykredit's staff have room to identify, discuss and act on situations perceived as irresponsible. This is not a process with a defined beginning or end, but rather an ongoing process to promote a culture where it is natural and safe for our staff to speak up if they experience something that seems more or less irresponsible.

In 2020 a conduct game was developed where the players in a fictitious online banking universe must make a number of business ethical choices in situations with personal customers, corporate customers, investment and management. By the end of Q1/2021, all staff members will have tried their skills on the conduct game at a theme meeting about conduct management to become better prepared, via the fictitious cases used, for responding to similar situations in future.

Furthermore, conduct management is included as a topic in management and talent programmes and is also dealt with in the introductory programme for new staff. Also in 2020, we updated our Code of Conduct to ensure that all Nykredit staff have an up-to-date and clear framework within which to act responsibly in their day-to-day work.

Whistleblower scheme

Besides ensuring a healthy and open culture in our day-to-day work, it is essential that our staff can file anonymous reports if they experience irregularities. Nykredit has established an online whistleblower scheme where staff members can anonymously report suspected irregularities, violations or potential violations of financial regulation, other legislation or Nykredit's policies and guidelines, including sensitive issues such as sexism.

The whistleblower scheme is a supplement to existing structures at Nykredit where our staff can, and are encouraged to, mention irregularities to their line manager or Nykredit's management. Any such reports will first be submitted to an external attorney, who will

Development in conduct risks

	2018/19	2020
Dilemmas reported as part of self-assessment exercise	232	-
Transferred to risk profile for Q3/2020	88	88
Resolved or no longer relevant	95	-
Included in other conduct risks	29	-
Classified as operational risks	20	-
New identified conduct risks	-	32
Total	232	120

Nykredit made a conduct risk self-assessment in 2019, where dilemmas in the business were identified and discussed in a structured process. As of Q3/2020, identification and handling of new dilemmas and conduct risks have become a fixed part of our established risk management practices.

review the report and forward it to the Head of Compliance, the Head of Internal Audit and the Chairman of the Board Risk Committee. The number of reports filed under Nykredit's whistleblower scheme has remained stable and low.

Responsible lending and advisory services

Loans provided by Nykredit are based on a customer's creditworthiness. We examine a customer's personal finances and assess the customer's ability and will to honour agreements entered into with Nykredit. We do this to ensure that individual customers do not borrow more money than their budgets allow. And we do this so as not to grant loans that carry too much risk, as any losses we may suffer will be passed on to the business at large which means our customers. To best ensure that we do not enter into transactions with customers who engage in activities in violation of existing legislation, human rights, labour standards, principles of environmental responsibility and rules of anti-corruption, including bribery and financial exploitation, the Ten Principles of the UN Global Compact form an integral part of our credit policy.

Nykredit's advisers are trained and diligent in advising customers about the risks associated with the different products, prices and other relevant information.

Nykredit's advisory services must consider the interests of our customers, be fair, relevant and adequate and provide customers with a good basis for decisions.

Product assessment based on sustainability

Nykredit's products and services in the areas of investment, banking and mortgage lending must comply with Nykredit's product policy. The product policy sets the

framework for a responsible and sustainable approach to development and maintenance of products and services. Accordingly, all products must comply with current legislation as well as with Nykredit's policies, including its credit and tax policies. All product evaluations and product approvals involve an assessment of both Nykredit's and customers' potential risk exposure. Accordingly, all products must be developed with a long-term perspective and are therefore assessed in terms of financial, social and environmental/climate sustainability and evaluated annually by Nykredit's Products Committee. All new products are furthermore assessed in terms of conduct risk.

Fair complaints handling

Nykredit is committed to ensuring that customers are heard and that a customer's complaint is dealt with fairly. This work is governed by Nykredit's complaints handling policy "FAIR treatment of dissatisfied customers", the purpose of which is to come to a solution that the customer may find reasonable. The policy is implemented through business procedures, specifying response times, escalation levels etc for complaints. In 2020, 189 customers filed a complaint.

Transparency of price and risk

Uniform and transparent prices are a common feature of Nykredit's pricing structure for personal customers. All personal customers of Totalkredit pay the same price for the same type of loan. This means that the price varies with the loan-to-value ratio and loan type, but not with the customer's income, age or where in the country the customer lives. Nykredit BoligBank offers three customer value propositions, and within each proposition, the price of bank or home financing is the same for all customers. Last, but not least, we risk label loans as well as investment products, allowing customers to assess the risk of existing or future loans and investments.

Anti-corruption

Nykredit has a zero tolerance policy with respect to corruption. Denmark is among the least corrupt countries in the world, and Nykredit would like to contribute to retaining this position. Having adopted the Ten Principles of the UN Global Compact, we are committed to countering any form of corruption, including financial exploitation and bribery.

We have adopted an anti-corruption policy in the Group, which sets the framework for Nykredit's anti-corruption commitment. The objective of the policy is to ensure and support conduct and work ethics characterised by the highest standard of personal and organisational integrity, both internally and externally, in the interaction with all types of customers and business partners. The policy determines management responsibilities in the context of procedures for identifying, preventing and handling the risk of corruption in the Group and defines the primary types of corruption that the organisation should look out for. The policy is supported by business procedures for fraud, nepotism, independence and receipt of gifts.

Initiatives to combat financial crime



Money laundering, terrorist financing, tax evasion and other types of financial crime are extremely harmful at both the national and international level. We will not accept any misuse of the Nykredit Group for financial crime purposes, and we consider it a central element of our responsibility to prevent and counter any such misuse.

Stronger organisation and better systems

We are continuously improving our set-up for preventing financial crime so that the measures we take reflect the risk involved in our business activities. Accordingly, we also stepped up our efforts to combat financial crime in several areas in 2020:

- We allocated more staff dedicated to the task of combating financial crime.
- We focused our activities and strengthened the organisation to ensure clear lines of decision-making and accountability. The stronger organisation will contribute to ensuring higher quality throughout the process.
- We improved the systems that monitor transactions so that suspicious transactions are detected and addressed.

In addition, we stay focused on how to improve our customer due diligence procedures so that we comply with current legislation while also ensuring that our customers are treated properly. All Nykredit customers will be affected by our customer due diligence procedures, and it is essential to the customer experience that the procedures, as far as possible, are perceived as relevant, easy and simple.

Legislation and regulatory practices in the area are changing rapidly, and their interpretation may at times give rise to uncertainty. However, we always seek to implement new legislation and practices in the most efficient and correct manner. We monitor trends in areas such as laundering of funds. We also prevent financial crime through sector-wide collaboration and partnerships with the authorities.

Recognising the importance of transparency in this area, we have made our Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions publicly available.

Sustained effort

Nykredit spends substantial resources ensuring a targeted effort against financial crime through awareness and training of staff. The number of staff involved in anti-money laundering efforts and compliance is growing rapidly. And the efforts are distributed across the organisation, with staff playing a key role in the fight against financial crime.

In 2020, 98.2% of Nykredit's staff completed and passed anti-money laundering, anti-terror and anti-corruption e-learning programmes and tests. Numbers are lower than 100% because of leave, illness, change of jobs etc. Relevant groups of staff complete role-based training and tests. The increased digitisation in the financial area adds to the complexity, and we are well aware that developments are fast paced and that we need to step up our efforts accordingly.

Main risks

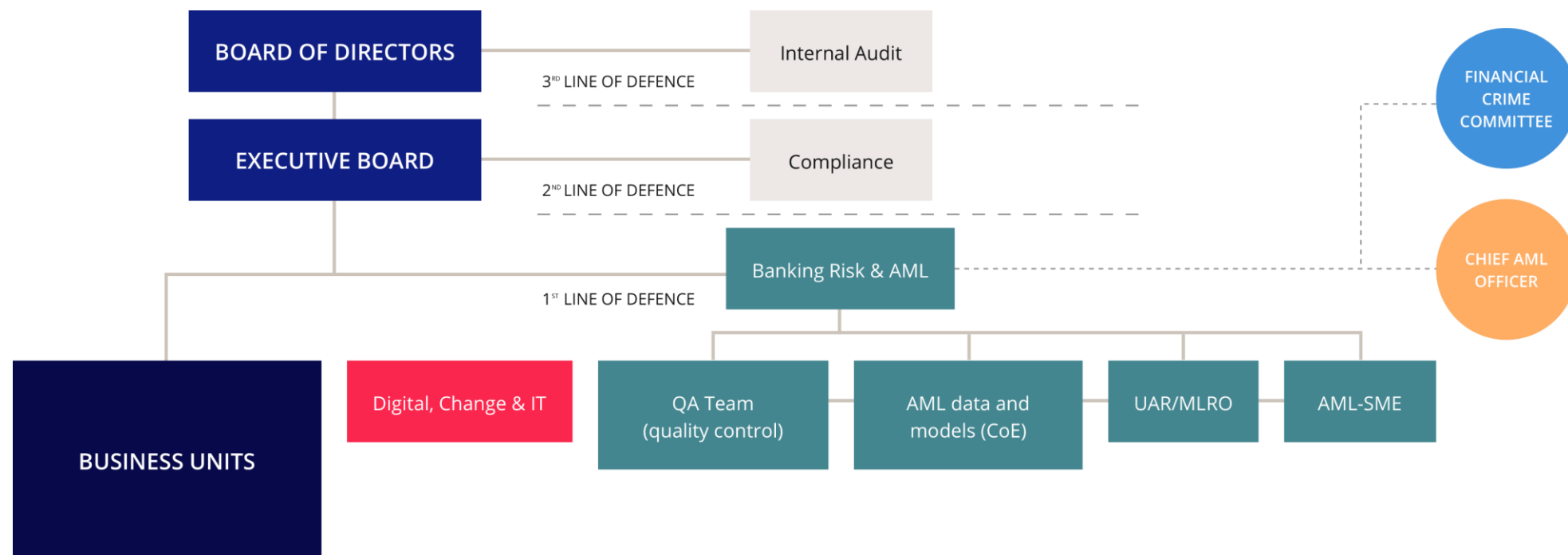
Nykredit may be misused for money laundering, terrorist financing, tax evasion and other financial crimes that would have major negative consequences for society, Nykredit and Nykredit's customers.

In 2020 the Danish Financial Supervisory Authority issued eight orders related in particular to our customer due diligence procedures. We are making a targeted effort towards complying with these orders.

We part ways with customers who will not comply

Our intense focus on this area has resulted in an increasing number of reports to the Money Laundering Secretariat in recent years. In 2018 alone, the number of reports nearly quadrupled. We ensure that our customers keep within our defined risk appetite and customer acceptance policy, and in the course of 2020, we have reviewed our customer portfolio with a view to risk mitigation, so that it reflects our business model and risk appetite. Consequently, we have terminated our relationship with a number of customers declining to be subjected to our customer due diligence procedures or falling outside the Group's defined risk appetite.

Organisation of anti-money laundering efforts



Nykredit's anti-money laundering (AML) efforts are structured around three lines of defence.

Data security

Customers' confidence in companies' ability to protect their data is essential to an efficient market as well as to growth and progress. This is especially true in the financial sector where large data breaches may harm society and where a loss of customers' personal data may have serious consequences.

At Nykredit, we collect and process the personal data of millions of people every year. We are therefore constantly seeking to create a strong and coherent data protection framework throughout the Group. In 2019 we strengthened our IT security and continued the ongoing training of staff in this field.

We want to become even better at protecting personal data, for instance through more control of how our staff process personal data. In addition, we will maintain a high IT security level through ongoing monitoring, testing and evaluation.

Strong focus on IT security

In 2020 we strengthened our IT security and continued training of staff in this field. For example, we hired security specialists to conduct a Red Team test, where the organisation's security measures were tested in a simulated cyberattack. The result of the test showed that Nykredit has generally improved its defences against cyberattacks.

Over the past few years, Nykredit has implemented a range of measures, which have markedly strengthened Nykredit's overall defence against hackers, phishing and virus attacks. We have increased security, for instance by

implementing advanced security software, awareness campaigns and optimising the processes for handling security incidents. This area is constantly changing as criminals are finding new ways and methods.

In a number of areas, Nykredit has optimised existing security measures, such as segmentation of networks, two-factor authentication and updating of contingency plans. Moreover, we have launched a compliance IT project aimed at taking internal processes and procedures to a maturity level that matches the requirements of the ISO 27001/2 standards.

In 2020 Nykredit also joined an international forum and participated in developing principles for how to use technology and data in a responsible and confidence-building way. The project called Responsible Digital Leadership Initiative is headed by Stanford University with partners such as the Danish Business Authority, the Danish Financial Services Union and several Danish universities and organisations. The participating financial institutions are Nykredit and Spar Nord.

Other focus areas included protection of customer data and implementation of a new IT security policy and handbook. The policy is to help ensure that entities across the Group operate according to the same guidelines in the IT area.

Control and right of self-determination

It is important to us that Nykredit's customers and staff have control over and the right of self-determination



Main risks

Data security breaches may result in serious harm to society and violations of individuals' privacy.

regarding their personal data – they are only on loan to us as a business, and we will return them or delete them as required. This is also the fundamental idea of the General Data Protection Regulation (GDPR), which took effect on 25 May 2018. We have therefore made a targeted effort in recent years to offer customers a simple and easy way to exercise their rights, including the right of access to or erasure of their personal data.

Responsibility for personal data processing is decentralised and supported by privacy leads in all areas. The local privacy leads are responsible for ensuring that data protection rules are complied with locally and for identifying possible challenges and solutions. Privacy leads also extend knowledge of Nykredit's policies and guidelines in this field locally in the organisation.

Group Legal holds central governance responsibility, including responsibility for the overall policies and guidelines, and assists the business in implementing the rules through advice, support and training.

In 2020 Nykredit remained focused on optimising security internally and in relation to business partners. Through a number of projects, we are working to ensure that personal data are processed and erased as prescribed by current legislation.

At the same time, we are transparent about why we collect data and what we use the data for. This also applies if data security is breached. Like many other companies, Nykredit reported breaches of personal data security to the Danish Data Protection Agency in 2020. The majority related to procedural errors involving a few customers, for instance e-mails sent to the wrong recipient or with the wrong documents attached.

Naturally, we would have preferred avoiding these breaches, but we nonetheless see our collaboration with the Data Protection Agency as a positive step as it heightens security and safety regarding the protection of personal data.

Nykredit's Compliance unit includes a Data Protection Officer (DPO) tasked with assessing, monitoring and reporting on the effectiveness of Nykredit's methods and procedures relating to personal data processing.

Our staff are key

We know that data protection and IT security rely extensively on the staff who handle personal data on a day-to-day basis. Therefore, we train our staff in processing personal data prudently and responsibly.

In 2020 98.1% and 99.5% of Nykredit's staff completed and passed certification and e-learning programmes in

Data protection governance

Board of Directors, including the Board Risk Committee: Approves personal data policy, incl descriptions of risk appetite. Receives quarterly reports on compliance with personal data policy and on current risk scenarios.

Executive Board: Responsible for compliance with the risk appetite defined by the Board of Directors. Delegates operational responsibility to the personal data unit under Group Legal Affairs. Receives quarterly reports on compliance with personal data policy and current risk scenarios and receives reports without undue delay in the event of extraordinary incidents.

Control functions (second line of defence): Continuous control and monitoring of compliance with personal data policy.

data protection and IT security, respectively. Numbers are lower than 100% because of leave, illness, change of jobs etc. Through their training and certification, they have gained basic knowledge of the provisions of data protection legislation and know how to support compliance with them in their day-to-day work.



Focus	Initiatives to combat financial crime	Responsible business conduct	Data security
Societal challenges	Money laundering, terrorist financing, tax evasion and other types of financial crime are extremely harmful at both the national and international level.	Financial service providers have a responsibility for ensuring that advice, products and services are responsible in a societal context and relative to the finances of the individual customer. This is a task that has been highlighted in recent years by a number of business reputation cases in the sector.	Customers' confidence in how companies treat and protect their data is essential to an efficient market. This is especially true in the financial sector where large data breaches may harm society and where a loss of customers' personal data may have serious consequences.
UN Sustainable Development Goals	We contribute to the efforts under SDG No 16.4 to significantly reduce illicit financial and arms flows by 2030 and to strengthen recovery and return of stolen assets, and combat all forms of organised crime.	We contribute to strengthening the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all (SDG No 8.10) and to substantially reduce corruption and bribery in all its forms (SDG No 16.5).	
Nykredit's response	<p>Combating financial crime is integral to Nykredit and a key element of our social contract. We consider it a central element of our responsibility to prevent and counter any misuse of the Nykredit Group for financial crime purposes.</p> <p>Nykredit's objective is to contribute to preventing and to report potential misuse of the financial system by criminals. We are continuously improving our set-up for preventing financial crime so that the measures we take reflect the risk involved in our business activities.</p> <p>All Nykredit customers will in some way be subjected to our customer due diligence procedures, and it is therefore essential to the customer experience that the procedures, as far as possible, are perceived as relevant, easy and simple.</p>	<p>All parts of Nykredit's business must be responsible, orderly and sustainable. We are committed to strong risk management practices and a healthy and open corporate culture where we can openly discuss and act on the risks and dilemmas that may arise when operating a financial business.</p> <p>Risk management activities include the task of regularly addressing whether any conduct, propositions, products, advisory services and the like exist in the organisation that we are unable to explain or defend.</p>	<p>It is important to us that Nykredit's customers and staff have control over and the right of self-determination regarding their personal data – they are only on loan to us as a business, and we will return them or delete them as required.</p> <p>We are transparent about why we collect data and what we use the data for. This also applies if data security is breached.</p>
Governance	The Group Managing Director of Banking is in charge of implementing and ensuring management focus on measures to prevent financial crime throughout the Group.	The Group Managing Director of the CRO division is in charge of Nykredit's conduct management activities.	The Executive Vice President of Digital, Change and IT is in charge of personal data and IT security.

Focus	Initiatives to combat financial crime	Responsible business conduct	Data security
	And has been appointed Chief AML Officer at the executive level in Nykredit A/S.		
Policies that govern the area	<ul style="list-style-type: none"> ■ Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions ■ Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime ■ Executive Board guidelines for the prevention of financial crime ■ Whistleblower policy 	<ul style="list-style-type: none"> ■ Operational risk policy ■ Credit policy ■ Nykredit Group products policy ■ Code of conduct ■ Tax policy ■ Complaints handling policy ■ Anti-corruption policy 	<ul style="list-style-type: none"> ■ Privacy policy ■ Personal data policy ■ IT security policy
Activities and achievements	<ul style="list-style-type: none"> ■ Increased the number of staff involved in initiatives to combat financial crime by approx 45 person-years. ■ 98.2% of Nykredit's staff have completed and passed anti-money laundering, anti-terror and anti-corruption e-learning programmes and tests. Relevant groups of staff complete role-based training and tests. ■ Reviewed our customer portfolio with a view to risk mitigation. ■ Participated in Finance Denmark's Anti-Money Laundering Task Force. ■ Improved customer due diligence procedures. ■ Improved transaction monitoring systems. 	<ul style="list-style-type: none"> ■ Identified, assessed and managed conduct risks as part of our structured risk management. ■ Completed training in conduct management, including as part of management and talent programmes and the introductory programme for new staff. ■ Updated the Group's Code of Conduct. ■ Strengthened product approval processes so that all products are now assessed from a sustainability perspective and with respect to conduct risks. ■ Introduced a green step in the product approval process for all green products. 	<ul style="list-style-type: none"> ■ Increased focus on control of how our staff process personal data as well as regular training of staff. ■ Launch of compliance project in Digital, Change & IT. ■ Red Team testing of IT security. ■ Respectively 98.1% and 99.5% of Nykredit's staff completed and passed certification and e-learning programmes in data protection and IT security, respectively. ■ Implementation of new IT security policy and manual.

Focus	Initiatives to combat financial crime	Responsible business conduct	Data security																																																						
Selected key figures and targets	<table><thead><tr><th></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr></thead><tbody><tr><td>Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests</td><td>-</td><td>-</td><td>96.7%</td><td>95.6%</td><td>98.2%</td></tr></tbody></table>		2016	2017	2018	2019	2020	Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	-	-	96.7%	95.6%	98.2%	<table><thead><tr><th></th><th>2018/19</th><th>2020</th></tr></thead><tbody><tr><td>Dilemmas reported as part of self-assessment exercise</td><td>232</td><td>-</td></tr><tr><td>Transferred to risk profile for Q3/2020</td><td>88</td><td>88</td></tr><tr><td>Resolved or no longer relevant</td><td>95</td><td>-</td></tr><tr><td>Included in other conduct risks</td><td>29</td><td>-</td></tr><tr><td>Classified as operational risks</td><td>20</td><td>-</td></tr><tr><td>New identified conduct risks</td><td>-</td><td>32</td></tr><tr><td>Total</td><td>232</td><td>120</td></tr></tbody></table>		2018/19	2020	Dilemmas reported as part of self-assessment exercise	232	-	Transferred to risk profile for Q3/2020	88	88	Resolved or no longer relevant	95	-	Included in other conduct risks	29	-	Classified as operational risks	20	-	New identified conduct risks	-	32	Total	232	120	<table><thead><tr><th></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr></thead><tbody><tr><td>Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests</td><td>-</td><td>-</td><td>98.3%</td><td>97.9%</td><td>99.5%</td></tr><tr><td>Percentage of staff having completed and passed data protection e-learning programmes and tests</td><td>-</td><td>-</td><td>97.1%</td><td>95.0%</td><td>98.1%</td></tr></tbody></table>		2016	2017	2018	2019	2020	Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	-	-	98.3%	97.9%	99.5%	Percentage of staff having completed and passed data protection e-learning programmes and tests	-	-	97.1%	95.0%	98.1%
		2016	2017	2018	2019	2020																																																			
	Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	-	-	96.7%	95.6%	98.2%																																																			
		2018/19	2020																																																						
	Dilemmas reported as part of self-assessment exercise	232	-																																																						
Transferred to risk profile for Q3/2020	88	88																																																							
Resolved or no longer relevant	95	-																																																							
Included in other conduct risks	29	-																																																							
Classified as operational risks	20	-																																																							
New identified conduct risks	-	32																																																							
Total	232	120																																																							
	2016	2017	2018	2019	2020																																																				
Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	-	-	98.3%	97.9%	99.5%																																																				
Percentage of staff having completed and passed data protection e-learning programmes and tests	-	-	97.1%	95.0%	98.1%																																																				
Plans for 2021	<ul style="list-style-type: none">■ Further (investments in) development of transaction monitoring.■ Improved customer due diligence procedures while ensuring improved customer experience in compliance with statutory requirements.■ Continued review of customer portfolio with a view to risk mitigation (compliance with FSA orders).	<ul style="list-style-type: none">■ Continued conduct management practices as a part of our established, ongoing risk management efforts.■ Awareness training in conduct management of all staff members.	<ul style="list-style-type: none">■ Regular testing of IT security■ Completion of compliance project in Digital, Change & IT																																																						
Relevant national and/or international frameworks	<ul style="list-style-type: none">■ Finance Denmark's Anti-Money Laundering Task Force and its 25 recommendations	<ul style="list-style-type: none">■ UN Principles for Responsible Banking	<ul style="list-style-type: none">■ ISO 27001 and ISO 27002																																																						





We are committed to attracting and retaining talented people and creating an environment that allows them to unfold their potential.”

Trine Ahrenkiel, Executive Vice President, People & Identity

People



How we have supported staff wellbeing during the covid-19 crisis

- Inspiration to managers for management and motivation from a distance
- Conversion of learning and training to virtual formats to maintain momentum
- Training in the use of digital platforms and virtual facilitation
- Opening of a corona hotline – for both customers and staff
- Flexible working hours and place and organising your own workday.

Nykredit will support development and growth in all of Denmark. Sustainable development and responsible business operations require qualified, engaged and satisfied staff. Well-being at work is essential to the everyday life of the individual as well as to the company's ability to make a positive contribution to society. Nykredit prevents and is working to resolve any challenges to well-being, job satisfaction and perception of the working environment.

The purpose of staff development is to ensure that our staff have the skills and capabilities required by our customers – that they can provide the best advice, take

advantage of digital opportunities and comply with regulatory requirements and Nykredit's Code of Conduct.

Motivation and well-being from a distance

Since the outbreak of the coronavirus pandemic in spring 2020, we have been focused on how to ensure the well-being and motivation of our staff at a time when most of them work far more from home. In mid-March, almost all staff members were asked to work from home. This meant that they had to quickly adapt to working online and remotely.

Against this backdrop, we launched a host of initiatives during 2020 to maintain the motivation and well-being of our staff. We inspired managers to lead and motivate remotely, trained staff in using digital platforms and virtual facilitation, converted all training to virtual formats and set up a staff hotline, which was used extensively.

In the summer of 2020, we invited our staff to participate in a survey of their well-being and motivation during the corona crisis in spring and to provide their views of key learning points. 2000 staff members participated in the survey and generally responded that they had experienced high well-being, motivation and greater efficiency during the crisis. Staff members have indicated that they appreciate the flexibility achieved by working from home as well as the opportunity to plan your own work schedule without compromising productivity. However, the longer the period of workdays somewhat out of the ordinary, the greater the demand for extra management focus on well-being and motivation.

Main risks

Nykredit's people are its most important resource. For this reason, it is important that Nykredit actively seeks to prevent and resolve any challenges in terms of wellbeing, satisfaction and perception of the working environment. At the same time, Nykredit has to ensure that our staff possess the right skills – today and for the future.

Harassment brought to the fore

In 2020 sexual harassment and inappropriate behaviour were on the agendas of Danish industries and workplaces. Nykredit commissioned an external legal investigation into a case involving two former staff members who had come forward with sexual harassment allegations.

We take sexual harassment very seriously. We have therefore made an effort to inform both staff members and managers of their options if they experience sexual harassment at Nykredit. We have also encouraged staff members and managers who have experienced sexual harassment to come forward. Nykredit's staff can talk to their team lead or use our whistleblower scheme, or they can turn to HR or a trade union representative.

Generally high staff satisfaction

Even though 2020 was marked by covid-19, staff satisfaction remained high at Nykredit. It even increased over the past year. Our staff are proud to work for Nykredit. The core element of Nykredit's HR activities is the annual staff satisfaction survey, which in 2020 showed improvements on all parameters. We are particularly proud of the high scores on parameters such as job satisfaction, management, learning and development – and that our staff increasingly recommend others to work for Nykredit. This has not changed, despite a year of working from home.

Investing in people

Nykredit aims to build a desirable workplace, attracting skilled people and strong talents. We have therefore made a pledge to our staff: "We will prioritise development and opportunities for people who will and can make a difference. We want to be known for our trusting culture guided by customer centricity, team spirit and empowerment."

We are determined to deliver on this pledge. Nykredit has since 2018 completed annual Organisational Reviews – a strategic and systematic process to identify risks and ensure that Nykredit can deliver on the business strategy. The process pinpoints a number of organisational challenges and points of action, including to what extent the existing organisation, management and staff support the attainment of the strategic goals. The analysis results in an action plan for each entity. The process is facilitated and supported by a HR Business Partner.

Our skills enhancement initiatives have both a short-term and a long-term aim: We train skills based on existing business needs and regulatory requirements, and from a long-term and strategic perspective to strengthen skills for the future, such as digitisation and agile working

methods and skills, to preserve Nykredit's competitive power. Individual development needs are uncovered as part of the dialogue between staff members and their supervisors about their development to ensure a close coupling between the targeted development of the individual staff member and relevant future skills. In parallel with the day-to-day development of all staff, we provide a number of individual development programmes for selected staff members, enabling them to develop professionally and personally – and to contribute to developing Nykredit. Our development programmes include our graduate programme for future business talents, the Nykredit Academy, for enhancement of our advisers' professional and personal skills, and apprenticeship and trainee programmes for up-and-coming financial profiles on the way to becoming the advisers of the future.

In 2020 we launched the talent programmes Young Talents and Nykredit Move. Young Talents is a personal development programme, while Nykredit Move is a talent programme for middle managers, who are assigned an executive management sponsor. The objectives of Young Talent are to boost the talent development culture at all levels in the organisation, to attract and retain talent and to improve the opportunities for bringing their skills into play in our organisation. Nykredit Move targets management talent with a drive to accelerate development and careers. 70% of programme participants are women. The objective is also to develop the talent pool of female managers in the organisation.

Also in 2020, we completed mandatory training and certification of all staff in the prevention of financial crime, IT security and data protection.

Focus areas in 2021

In 2021 we will focus on enhancing and developing the digital learning and meeting formats and uses of new technologies that have been intensified during the coronavirus pandemic, and which may benefit the development and job satisfaction of our staff. This will enable the inclusion of more development programmes in their everyday work as compared to more conventional courses that require physical attendance. Furthermore, we will focus on how to systematically increase the focus on our talents. This means training the skills of team leads as talent developers and stimulators of local talent environments with a view to sharing and raising learning.

We will also further develop the management quality at Nykredit, which we consider an important competition parameter. In recent years, we have made substantial investments in improving management quality, including through the Group programmes Winning the Double Academy I and II completed by all managers. In addition to continued training in basic management skills, we focus on the management requirements following from Nykredit's mutual ownership structure and corporate responsibility ambitions. Nykredit's managers are expected to be both performance- and collaboration-oriented and to actively contribute to a culture characterised by fellowship, equality and responsible business practices.



**Meet Nykredit's people
and read more about their
development:**

www.nykredit.com/karriere/mod-os/

**Read more about
Nykredit's graduate
programme:**

www.nykredit.com/karriere/karriereveje/#graduate

Selected staff data

	2017	2018	2019	2020
Staff satisfaction in terms of job satisfaction	73	76	77	79
Average days of absence due to illness	5.5	5.6	5.1	4.2

Supporting the Danish labour market model

Nykredit supports the Danish agreement-based labour market, where constructive dialogue between employees and employers results in broad-based collective agreements to the benefit of both parties.

Nykredit has agreed forums and procedures in place that safeguard staff participation in the workplace and protect our staff's rights, including through the Group Works Council and the union representative system.

Nykredit is a member of the Danish Employers' Association for the Financial Sector (FA), which has concluded a collective agreement with the Danish Financial Services Union. In continuation of this collective agreement, Nykredit has concluded a local collective agreement with NYKREDS, which is the local branch of the union, as well as multiple local agreements governing the day-to-day collaboration, reporting of staff matters and respect of and influence of staff-elected representatives in different forums, such as the Group Works Council, local works councils and the Group Health and Safety Committee.

Diversity and inclusion



At Nykredit, we regard diversity and inclusion as crucial prerequisites for operating a sound business to the benefit of our customers, staff and society – now and in the future. Nykredit needs a diverse workforce which together reflect the diversity of our customers and society. A lack of diversity and an uneven gender composition may indicate a failure to exploit the full potential of current and potential staff members and a resulting loss of value both for the individual staff member and for the company.

It is therefore important to us that Nykredit is an inclusive workplace where all staff members feel they can be themselves and that their unique contribution is both recognised and included. Therefore, we will in 2021 train all our managers in inclusive management to provide them with insights and tools to realise that ambition.

We want to be a workplace that spots and values the diversity of individuals and is able to bring their different characteristics into play for the benefit of the development and career of the individual and the company's performance. These years, particular focus is

on ensuring gender diversity, including equal gender opportunities for leadership at all levels at Nykredit. Nykredit took a great leap forward in 2020 in terms of having more women in management. The year before, we launched a range of initiatives under a strategy for increased diversity specifically aimed at strengthening diversity and the representation of women in management, which gained further speed in 2020.

Hiring more women in management

We are making a targeted effort to improve the gender balance at Nykredit. In 2019 we added questions about "equal opportunities" in the staff satisfaction survey, we trained our HR Business Partners and top management, we redesigned job advertisements for the graduate programme to attract more women, and we developed and launched a sponsor programme having diversity as its special aim.

We monitor the gender composition when filling management positions, as this is a good measure of our success in promoting and recruiting more women. In 2020 we significantly improved our delivery of these flow

Main risks

A lack of diversity and an uneven gender composition may indicate a failure to exploit the full potential of current and potential staff members. There is a risk that we fail to notice potential due to unintended preferential treatment of those who resemble ourselves the most in promotion and recruitment situations. There is also a risk that our customers have a sense of not being understood and matched in terms of their needs and wishes if Nykredit's staff lacks diversity.

targets, bringing us close to achieving our long-term target of women representing 45% of promotions and recruitments at all three levels.

We ascribe this positive development to the greater awareness and commitment at the upper management levels in particular resulting from the training activities targeting this group, which was completed

New female managers by management level

	2019	2020	2020 target	2021 target	Long-term target
Top	31%	48%	≥ 25%	≥ 40%	45%
Middle	22%	38%	≥ 32%	≥ 42%	45%
First	41%	50%	≥ 45%	≥ 45%	45%

The figure shows the share of new female managers by management level.

Female managers by management level

	2017	2018	2019	2020
Top	22%	20%	20%	18%
Middle	29%	29%	26%	28%
First	48%	43%	39%	43%

The figure shows the share of new female managers by management level.

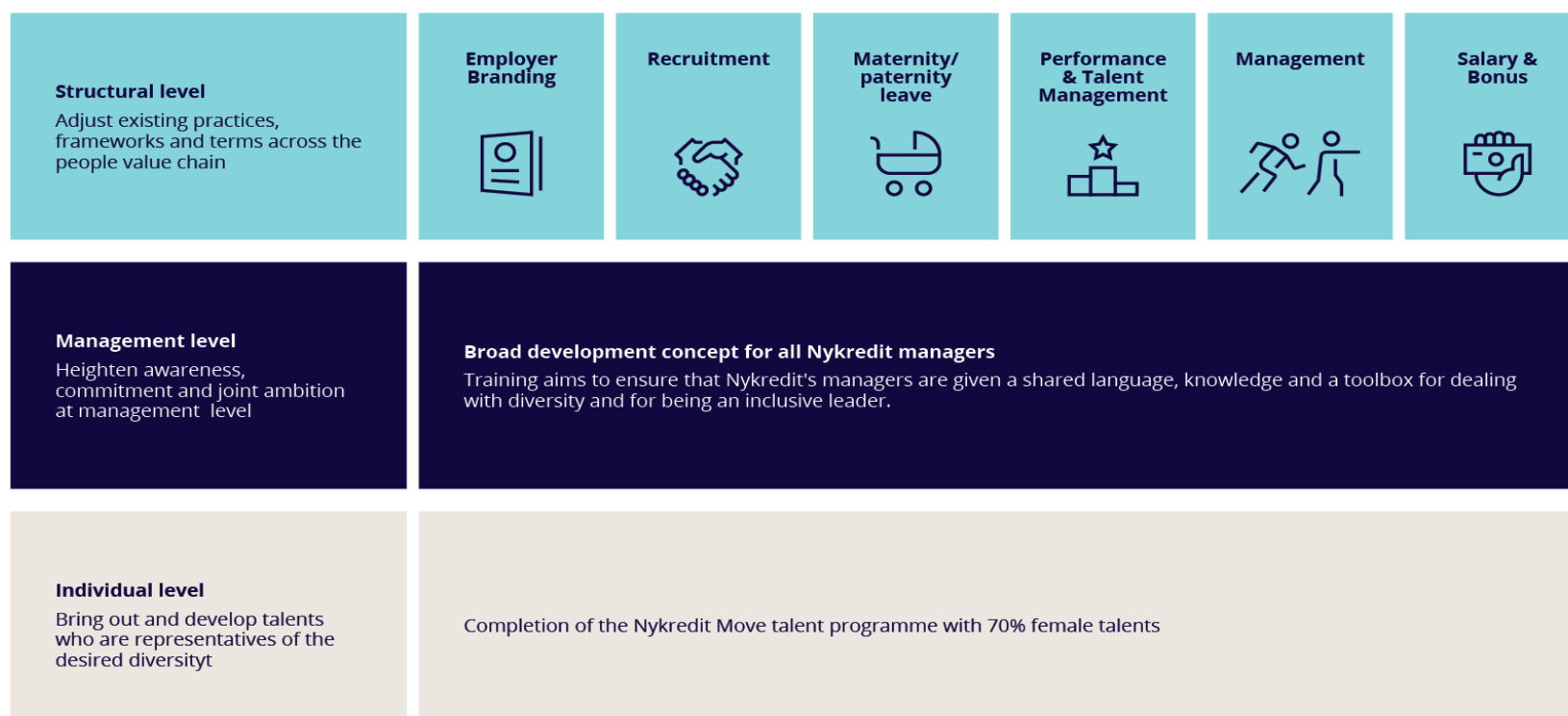
in late 2019. At the same time, the other projects of the plan are making progress. For example, 70% of the participants in our new management talent programme Nykredit Move and 55% of the participants in the Young Talents programme were women. At the structural level, we are experimenting with various new measures in recruitment, such as gender neutral words in job ads, and evaluate the impact on an ongoing basis. Also, we have singled out female role models in both external and internal communications. The improvement in the gender composition of new staff is not yet evident

in the overall gender balance. If we maintain the momentum of the flow targets, we expect it will happen naturally over time.

Also in 2020, we saw growth in the number of men and women who see Nykredit as an ideal employer. We have taken a big leap forward and now rank no 21 among men and no 44 among women. The year before, we ranked no 44 among men and no 74 among women. We attach great importance to being an attractive workplace to both women and men. If we can attract a

larger proportion of women, we will also have a larger base of qualified female candidates for management positions.

Diversity at different levels



Focus areas into 2021

In the coming year, we will continue to focus on our initiatives towards greater diversity and a more diverse workforce. We have a moral and social responsibility to ensure that all staff members feel included, but we are also conscious of the potential in bringing the cognitive diversity at hand into play – that is, the wealth of perspective to be found as a result of our differences with respect to mindsets, knowledge, skills and tools – so that we can challenge conventional thinking and generate more creative and innovative solutions for the benefit of our customers and society. It is a key ambition for Nykredit to try to realise this potential in the years ahead, even if we have yet to formulate the exact way to fully succeed.

At the structural level, we are experimenting with various new measures in recruitment, such as gender neutral words in job ads, and evaluate the impact on an ongoing basis. We are also working on hiding the gender of applicants when filling positions, and candidates for senior management positions must always include

Weighted salary gap in favour of men

	2016	2017	2018	2019	2020
Salary gap	0.8%	0.7%	0.8%	0.9%	1.2%

women. We will continue experimenting in 2021. This also applies to the issue of parental leave and our approach to employer branding.

Equal pay

Nykredit applies a fixed structure to determine the pay level of specific job positions. The pay level is determined based on a recognised job evaluation system that factors in elements such as complexity, skills, influence and communication requirements. Objectivity in the determination of pay levels supports a positive development of equal pay. The weighted pay gap between women and men is now 1.2% in favour of men. The comparison is made on the basis of our title structure, as this is the determination method best suited for comparison of staff members with the same job content.

Female board representation

Nykredit has set diversity targets for the Board of Directors. Our diversity policy emphasises that, in addition to professional and personal skills, regard must

be had to diversity in relation to for example gender, age and nationality when composing and recruiting for the Board of Directors. The aim is to ensure that the Board of Directors is composed of the best qualified persons, also reflecting the diversity seen across the organisation.

The Nykredit Group has decided to appoint three and four members of the Group Executive Board to the Board of Directors of Totalkredit A/S and Nykredit Bank A/S, respectively, and to appoint two staff-elected members to the Board of Directors of Nykredit Bank A/S. Since the Group Executive Board does not include any women, it has not been possible to meet the targets for female representation on the aforementioned Boards of Directors in 2020. In 2020 Nykredit A/S and Nykredit Realkredit A/S delivered on this target, but Totalkredit A/S and Nykredit Bank A/S did not.

As one of few among the professional boards in Denmark, Nykredit appointed a woman as Chair in 2020. This means that the chairmanship of both Boards of Directors is composed of women.

Female board representation

Company	2017	2018	2019	2020	2020 target	2021 target
Nykredit A/S	28%	33% (5 out of 15)	33% (5 out of 15)	43% (6 out of 14*)	35%	40%
Nykredit Realkredit A/S	33%	38% (5 out of 13)	38% (5 out of 13)	45% (5 out of 11*)	35%	42%
Nykredit Bank A/S	0%	0% (0 out of 7)	17% (1 out of 6)	17% (1 out of 6)	25%	25%
Totalkredit A/S	11%	11% (1 out of 9)	11% (1 out of 9)	0% (0 out of 3)	25%	25%
Nykredit Portefølje Administration A/S	-	-	-	40% (2 out of 5)	-	40%

Targets are set in Nykredit's diversity policy. The policy applies to the Board of Directors of Nykredit Portefølje Administration A/S as from 2021. The composition of the Board of Directors of Totalkredit was changed in 2020. The Board of Directors is now composed of three persons.

* The number of members of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S is 14 and 11, respectively, due to a vacancy on the Boards of Directors as at 31 December 2020 following the resignation of a member in October 2020.

Focus	People Staff satisfaction, health, well-being and development	Diversity and inclusion
Societal challenges	<p>Sustainable development and responsible business operations require qualified, engaged and satisfied staff.</p> <p>Well-being at work is essential to the everyday life of the individual as well as to the company's ability to make a positive contribution to society.</p>	<p>A lack of diversity and an uneven gender composition in a company may indicate a failure to realise the full potential of current and potential staff members. Minority groups, for instance, may feel discriminated or overlooked. When a company fails to involve and include some of their staff, it may ultimately hamper its innovative power because the diverse skills and perspectives do not come into play.</p> <p>Lastly, inexplicable salary differences may indicate unequal pay between men and women.</p>
UN Sustainable Development Goals	<p>We contribute to protecting labour rights and promoting safe and secure working environments for all workers (SDG No 8.8). Furthermore, we contribute to ensuring healthy lives and promoting well-being under SDG No 3 and to quality education under SDG No 4.</p>	<p>We contribute to ensuring women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life (SDG No 5.5) and, by 2030, to achieving full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (SDG No 8.5).</p>
Nykredit's response	<p>Nykredit's most importance resource is its staff. Nykredit's staff are the ones creating value to customers and the business. Nykredit wants to be a desirable workplace, attracting skilled staff and strong talents. To do this, we have to focus on creating working conditions that make for satisfied staff.</p> <p>We are committed to developing our staff and train the requisite skills to match customer needs, provide the best advisory services and comply with legislation.</p> <p>Nykredit has agreed forums and procedures that safeguard staff participation at the workplace and protect our staff's rights, including through the Group Works Council and the representative system.</p>	<p>Community and team spirit are essential values at Nykredit, and it is our firm belief that together we are more. It is important to us that Nykredit is recognised as an inclusive workplace where all staff members feel they can be themselves and that their unique contribution is both recognised and included. This is reflected in the pledge given to our staff – that we will prioritise development and opportunities for people who will and can make a difference. We currently have particular focus on ensuring that women who will and can make a difference are given the opportunity to realise their ambitions so that we can improve the gender balance in management over the coming years.</p> <p>Also, we are conscious of the potential in bringing the existing diversity into play, so that we challenge conventional thinking and generate more creative and innovative solutions for the benefit of our customers and society.</p> <p>We are humbly aware that we do not yet have all the answers and that it will require a sustained and focused effort on our part. Our approach is that we must learn while intervening – this includes making room for experiment with different solutions, evaluating and adjusting as we go along, and involving our staff in identifying the most effective adjustments of existing processes, practices, mindsets etc.</p>

Focus	People Staff satisfaction, health, well-being and development	Diversity and inclusion																																			
Governance	The Executive Vice President of People & Identity is in charge of our work with staff satisfaction, health, well-being and development.	The Board of Directors approves targets, recommended by the Executive Board, for the under-represented gender in management and on the boards of directors. The Executive Vice President of People & Identity is in charge of implementing the initiatives launched to realise the targets.																																			
Policies that govern the area	<ul style="list-style-type: none">Working environment policy	<ul style="list-style-type: none">Diversity policyRemuneration policy																																			
Activities and achievements	<ul style="list-style-type: none">Completed mandatory training and special training of all staff relating to the prevention of financial crime, IT security and data protection.Obtained high motivation and continued well-being despite the corona crisis.Launched two new talent programmes – Young Talents and Nykredit MoveIncreased staff satisfaction and job satisfaction despite the majority of staff working from home during the corona crisis.Communicated clearly with our staff about what to do if they experience harassment or other incidents that need to be addressed.Completed Organisational Review.	<ul style="list-style-type: none">Implemented and completed several initiatives under Nykredit's plan for more women in management.Solid progress on our flow target (gender composition when filling management positions) as a result of this initiative.We ascribe this progress to the greater general awareness and commitment at the upper management levels, resulting from the training activities targeting this group.Strong improvement in survey showing how men and women see Nykredit as an ideal employer.70% female managers in Nykredit's new sponsor programme, Nykredit Move, which was launched in September 2020.Every year we measure our staff's perception of "equal opportunities". In 2020 the question <i>"In my unit all staff members have equal opportunities regardless of gender, age, nationality, sexual orientation etc"</i> obtained a score of 91 out of 100.																																			
Selected key figures and targets	<table><tr><th>Staff</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr><tr><td>Staff satisfaction</td><td>73</td><td>76</td><td>77</td><td>79</td></tr><tr><td>Average days of absence due to illness</td><td>5.5</td><td>5.6</td><td>5.1</td><td>4,2</td></tr></table>	Staff	2017	2018	2019	2020	Staff satisfaction	73	76	77	79	Average days of absence due to illness	5.5	5.6	5.1	4,2	<table><tr><th>New female managers by management level</th><th>2019</th><th>2020</th><th>Target 2020</th><th>Long-term target</th></tr><tr><td>Top</td><td>31%</td><td>48%</td><td>≥25%</td><td>45%</td></tr><tr><td>Middle</td><td>22%</td><td>38%</td><td>≥32%</td><td>45%</td></tr><tr><td>First</td><td>41%</td><td>50%</td><td>≥45%</td><td>45%</td></tr></table>	New female managers by management level	2019	2020	Target 2020	Long-term target	Top	31%	48%	≥25%	45%	Middle	22%	38%	≥32%	45%	First	41%	50%	≥45%	45%
Staff	2017	2018	2019	2020																																	
Staff satisfaction	73	76	77	79																																	
Average days of absence due to illness	5.5	5.6	5.1	4,2																																	
New female managers by management level	2019	2020	Target 2020	Long-term target																																	
Top	31%	48%	≥25%	45%																																	
Middle	22%	38%	≥32%	45%																																	
First	41%	50%	≥45%	45%																																	
Plans for 2021	<ul style="list-style-type: none">Nykredit's agile journey continues, so in 2021 we will focus on successful implementation of new agile development methods and collaboration.	<ul style="list-style-type: none">At the structural level, we are experimenting with various new measures in recruitment, such as gender-neutral words in job ads, and evaluate the impact on an ongoing basis. We will continue experimenting in 2021. This also applies to the issue of parental leave and our approach to employer branding.																																			

Focus	People Staff satisfaction, health, well-being and development	Diversity and inclusion
	<ul style="list-style-type: none"> ■ It will require substantial skills enhancement for Nykredit's management and staff. Development profiles organised in value streams and "traditional" personnel managers must adapt to new roles and decision-making processes as well as new ways of collaboration and value-creation. ■ Enhance and develop the digital learning and meeting formats and uses of new technologies that have been accelerated by the coronavirus pandemic. ■ Continue the efforts to strengthen and develop the Group's management power by continuing the investment made in previous years through training of all Group managers at the Winning the Double Management Academy I and II. ■ Increased systematic focus on talent, including an auxiliary focus on managers' ability to spot and stimulate local management talent. 	<ul style="list-style-type: none"> ■ We also expect to implement various measures to support an inclusive culture and inclusive management.
Relevant national and/or international frameworks	<p>Nykredit forms part of the Danish agreement-based labour market, where constructive dialogue between employees and employers results in broad-based collective agreements to the benefit of both parties.</p>	

Principles and policies governing our work

Selected ratings

	2019	2020	Scale (highest to lowest)
Sustainalytics	16.5	16.5	0 to 100
MSCI	BBB	A	AAA to CCC
CDP	B	A-	A to D-

Nykredit received a higher rating from MSCI and CP in 2020.

Corporate responsibility policy

Working environment policy

Diversity policy

Remuneration policy

Credit policy

Valuation policy

Nykredit Group products policy

Responsible investment policy

Green Bond Framework 2020

Climate, energy and environmental policy

Group procurement policy

Supplier Code of Conduct

Credit policy

Risk policy

Policy for the prevention of money laundering, terrorist financing and breach of financial sanctions

Executive Board guidelines for risk appetite and customer acceptance for the prevention of financial crime

Executive Board guidelines for the prevention of financial crime

Whistleblower policy

Operational risk policy

Credit policy

Nykredit Group products policy

Code of Conduct

Tax policy

Complaints handling policy

Anti-corruption policy

Privacy policy

Personal data policy

IT security policy



United Nations
Global Compact



PRINCIPLES FOR
RESPONSIBLE
BANKING



OECD GUIDELINES
FOR MULTINATIONAL ENTERPRISES








TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Overview: Prioritised initiatives and selected indicators

Societal challenge	Focus	UN Sustainable Development Goals	Indicator	2017	2018	2019	2020	Target
It is essential to Danish society and to growth in all parts of the country that homeowners and companies have access to loans.	Development and growth throughout Denmark	 	CET 1 capital ratio, %	20.6	21.0	19.5	20.2	-
			Lending growth in municipalities, Totalkredit	94 out of 98	96 out of 98	97 out of 98	98 out of 98	-
Buildings play a key role in achieving the climate targets. There is a need for energy renovation of existing homes as well as new sustainable buildings.	Sustainable housing	 	CO ₂ e emissions, owner-occupied dwellings (1,000 tonnes)	-	-	-	1,703	-
		 	CO ₂ e emissions, owner-occupied dwellings (1,000 tonnes, scaled to LTV)	-	-	-	1,057	-
			Emission intensity, owner-owner-occupied dwellings (tonnes of CO ₂ e/DKK million)	-	-	-	1.3	-
			CO ₂ e emissions per square metre, owner-occupied dwellings (kg/sqm)	-	-	-	19.0	-
Need for massive investment in the green transition, including electricity production, green transition in the industrial sector, development of new solutions and sustainable building.	Sustainable businesses and buildings	 	CO ₂ e emissions, multi-storey, office and retail properties (1,000 tonnes)	-	-	-	120	-
		 	CO ₂ e emissions, multi-storey, office and retail properties (1,000 tonnes, scaled to LTV)	-	-	-	63	-
		 	Emission intensity, multi-storey, office and retail properties (tonnes of CO ₂ e/DKK million)	-	-	-	0.2	-
			CO ₂ e emissions per square metre, multi-storey, office and retail properties (kg/sqm)	-	-	-	11.8	-
The agricultural sector accounts for about 20% of Denmark's greenhouse gas emissions.	Sustainable agriculture	   	Not defined	-	-	-	-	-
Need for massive investment in companies that contribute to sustainable global development and for investors that influence the enterprises to adopt responsible business practices and contribute to the green transition.	Responsible investment		Reduction in climate footprint of equity funds against the world index 2020	N/A	N/A	N/A	-41%	75% in 2030
			Equity funds with above-benchmark ESG ratings	N/A	78%	78%	80%	-
			– % of equity AuM where Nykredit participated in general meetings	58%	85%	88%	54%	-

Societal challenge	Focus	UN Sustainable Development Goals	Indicator	2017	2018	2019	2020	Target
Businesses impact the climate and the environment through their production.	A greener Nykredit		Total CO ₂ emissions, tonnes (reduction relative to 2012 as %)	5,331 (51%)	3,980 (63%)	2,218 (80%)	1,693 (84%)	65% reduction in 2020 relative to 2012
			CO ₂ e emissions per staff member	1.61	1.24 (29% reduction)	0.66 (47% reduction)	0.33 (50% reduction)	5% annual reduction up to 2025
			Total MWh consumption	20,492	18,328	17,713	16,951	25% reduction by 2025
			Percentage of recycled waste	45%	50%	51%	47%	Minimum of 80% in 2023
			Waste per FTE (kg)	125	141	137	96	Maximum of 100 kg in 2023
Purchases of products and services can indirectly impact the climate. Using suppliers and subsuppliers involves a risk of human rights violations and corruption.	Responsible procurement		Number of completed eco-challenges	N/A	N/A	N/A	9	8 (2020) 10 (2021)
Financial crime is extremely harmful at both the national and international levels.	Initiatives to combat financial crime		Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	96.7%	95.6%	98.2%	-
Trust in financial institutions is challenged. Financial institutions therefore have a huge responsibility to ensure responsible advisory services in relation to their products and services.	Responsible business conduct		Number of customer complaints	184	180	187	189	-
In the financial sector, data breaches and loss of personal data may harm society and have serious consequences.	Data security		Percentage of staff having completed and passed anti-money laundering e-learning programmes and tests	N/A	98.3	97.9	99.5%	-
			Percentage of staff having completed and passed data protection e-learning programmes and tests	N/A	97.1%	95.0%	98.1%	-
Qualified, dedicated and satisfied staff are a prerequisite for sustainable and responsible business operations.	People		Staff satisfaction	73	76	77	79	-
			Average days of absence due to illness	5.5	5.6	5.1	4.2	-
A lack of diversity and an uneven gender composition may indicate a failure to exploit the full potential of staff.	Diversity and inclusion		New female managers by management level					
			Top	-	-	31%	48%	45%
			Middle	-	-	22%	38%	45%
			First	-	-	41%	50%	45%

Reporting principles

This Corporate Responsibility Report covers the entire Nykredit Group and provides a detailed account of the Group's corporate responsibility efforts and performance based on a number of key figures in 2020. The report forms the Group's:

- Communication on Progress to the UN Global Compact, which we signed in 2008.
- Reporting on the UN Principles for Responsible Banking signed by us when introduced in 2019.
- Report on corporate responsibility, see section 135b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- Report on the gender composition of management, see section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The report is supplemented with Nykredit's Sustainability Fact Book 2020, which is available at nykredit.com/samfundsansvar.

The Sustainability Fact Book includes the Group's non-financial key figures (ESG key figures) and a number of data other than those contained in this report as well as references to other reporting. The Sustainability Fact Book also contains the accounting policies for the Group's non-financial key figures.

Reporting in accordance with GRI standards

This report as well as the Sustainability Fact Book have been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. Nykredit's GRI Index is included in the Sustainability Fact Book 2020.

Climate and environmental data

The determination of resource consumption and carbon emissions for the entire Nykredit Group and its subsidiaries are revised externally by FORCE Certification A/S.

Carbon footprint of lending and investments

Determination of the carbon footprint of the Nykredit Group's lending and investments has been made using Finance Denmark's CO₂ model for the financial sector. Reporting policies and detailed method descriptions are described in the Sustainability Fact Book.

Appendix: Principles for Responsible Banking – reporting and self-assessment

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE	REFERENCE(S)/ LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Principle 1 : Alignment	We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Nykredit is a Danish financial undertaking. Nykredit is predominantly owned by an association, Forenet Kredit, which represents our customers. The Group's activities lie within the areas of mortgage lending, banking, investment, insurance, leasing, estate agency business etc.</p> <p>Nykredit mainly operates in Denmark, where we carry on 95% of our activities. Nykredit is the largest lender in Denmark with a total market share of 34.2%, the largest lender to homeowners and one of the largest lenders to small and medium-sized businesses, the agricultural sector and the housing sector. We also have a few activities in Sweden, Germany, Spain and France, among other countries.</p> <p>Our main activities are mortgage lending and banking. Thanks to our alliance with Totalkredit's 50 Danish partner banks, the Group is Denmark's largest provider of mortgage loans with a 43.6% market share. The Totalkredit alliance allows banks, small and large, to offer their customers affordable and secure mortgage loans all across Denmark. We have a 6.6% market share within banking.</p> <p>Lending to the retail segment accounts for around 80% of the loan book, while the corporate segment accounts for 20%.</p> <p>On the investment front, our total market share in Denmark is 36.8% for investment funds and 16.5% for retail investment funds.</p>	<p>See "Nykredit – a lender to people and businesses all over Denmark" on page 6 of the Corporate Responsibility Report 2020 and Nykredit's Annual Report 2020.</p>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Nykredit's <i>core values</i> include a pledge to society to be active in all of Denmark and contribute to a greener Denmark. In our Corporate Responsibility Policy, we have committed ourselves to working to reach the UN Sustainable Development Goals and the Paris Climate Agreement.</p> <p>These basic commitments are incorporated in the <i>Group's strategy</i>. One of the three strategic objectives is for us to be the customer-owned, responsible financial provider for people and businesses all over Denmark. This objective sets the framework for our ongoing adjustments of business strategies and activities so as to ensure that they are in alignment with and contribute to meeting society's goals.</p> <p>Nykredit's <i>corporate responsibility strategy</i> specifies areas where we can make the greatest difference to our stakeholders and to society.</p>	<p>See "Nykredit's corporate responsibility" on page 11 of the Corporate Responsibility Report 2020.</p>

	<p>We take account of the UN Sustainable Development Goals and the Paris Climate Agreement as well as relevant regional and national political frameworks. Among other things, we are working with the EU's Action Plan for Sustainable Finance and Denmark's 2030 target of reducing carbon emissions by 70%.</p> <p>Under the main theme of Development and growth throughout Denmark, we have focus on our contribution to the economic development and stability in all regions of Denmark and in the rural regions in particular. We finance the development of more sustainable cities and local communities and are devoted to promoting safe and affordable housing. Under the main theme of Sustainable development, we have particular focus on contributing to solving the climate challenges and creating a greener Denmark.</p> <p>Defining our corporate responsibility and sustainability priorities relies on analyses of where we have the greatest impact, what our stakeholders expect from us, and how our business model is linked to key societal challenges.</p>
Principle 2 : Impact and Target Setting	<p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>
<p>2.1 Impact Analysis:</p> <p><i>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</i></p> <p>a) <u>Scope</u>: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) <u>Context & Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Scale and intensity/salience of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting</p>	<p>Based on an analysis of our business in the context of the current societal challenges, Nykredit has identified key areas in which we have the most significant impact on society.</p> <p>Being Denmark's largest lender and mortgage provider, one of our significant impact areas is how we can impact the availability of affordable, secure financing – especially for housing – and thereby impact the financial situation of people and businesses in all regions of Denmark.</p> <p>In 2018 Nykredit also identified the climate to be one of the challenges where we have a profound impact in the form of the carbon footprint of activities we finance and invest in, and where we stand a considerable chance of making a positive difference together with our customers.</p> <p>These <i>significant impact areas</i> were confirmed through preliminary application of UNEP FI's Portfolio Impact Analysis Tool in 2020. The analysis comprised retail and corporate banking, whereas the investment area is subjected to other methods of analysis.</p> <p>In the retail area, our activities are focused on mortgage lending and other types of lending to the private residential segment, small and medium-sized businesses (88%) and small farms (88%). Within corporate banking, we also have a large property lending portfolio and smaller shares of lending to various other sectors, including the food and agricultural sector, the energy sector, the transport sector etc.</p> <p>The preliminary analysis pointed to the areas of "<i>climate change</i>", "<i>resource efficiency</i>", "<i>inclusive, healthy economies</i>", "<i>secure, affordable housing</i>" and "<i>decent work</i>" as being among Nykredit's significant impact areas for our portfolios relating to both personal customers and business customers.</p> <p>We have also sought to understand our impact through various other analyses and through dialogue with key stakeholders.</p> <p>Based on a series of key figures, Nykredit has for a number of years analysed the impact of our loans on Danes' possibilities of obtaining loans across Denmark and our ability of maintaining active lending – also in times of crisis. For instance, we are monitoring whether our municipal lending is increasing so as to determine whether we fail to provide sufficient service to some areas.</p>

See "Nykredit's corporate responsibility" on page 11 of the Corporate Responsibility Report 2020.

<p>from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> ■ Identified and disclosed its areas of most significant (potential) positive and negative impact ■ Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>In 2020 we have particularly sought to understand our impact on Denmark's economy and individual citizens' and businesses' financial position in light of the corona crisis, including through dialogue with customers and stakeholders on their expectations for Nykredit's conduct during the crisis. We have translated this knowledge into a series of specific actions to be able to maintain active lending and help our customers get through the crisis.</p> <p>We have also sought to better understand Nykredit's impact on the climate. We have determined the carbon footprint of our aggregate lending and investment portfolio in a beta version. The determination is in alignment with Finance Denmark's industry standard and has particular focus on our largest business area: mortgage lending.</p> <p>Likewise, we have determined the carbon footprint of our portfolio of equity and corporate bond investments on behalf of our customers. We do not yet have sufficient data to determine carbon emissions from the agricultural sector, known to be a large source of carbon emissions in Denmark.</p> <p>We have also used energy labels for housing in our portfolio to identify customers with special potential for making energy renovations to their property. And we have been in dialogue with trade organisations, NGOs, politicians and others to understand their views on the climate challenge in Denmark and Nykredit's role in the green transition.</p> <p>On the investment front, we have also analysed the alignment of our investments and the UN Sustainable Development Goals.</p> <p>Based on these analyses, we have maintained the four strategic prioritised initiatives that address areas of our business with the most significant impacts: <i>sustainable housing, sustainable businesses and buildings, sustainable agriculture and responsible investment</i>.</p> <p>We have, within all four initiatives, identified business opportunities and launched products that support sustainable development.</p> <p>In the coming year, we expect to continue and widen the scope and depth of analyses of our impact through lending and investments, while at the same time expanding the scope of the impacts we analyse.</p>
<p>2.2 Target Setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or</p>	<p>For a number of years, Nykredit has had specific targets for reduction of carbon emissions from our own activities.</p> <p>In 2020 we, together with the rest of the Danish investment industry, set the first targets for carbon emissions from our lending and investment portfolios.</p> <p>More specifically, on the investment front, the Danish investment industry, led by Nykredit, has set a goal to reduce the carbon footprint of Danes' private investments by 75% in 2030 relative to the current carbon footprint of the MSCI World Index.</p> <p>The baseline for the target is carbon emissions from Danes' investments in retail equity funds in 2020. The target has been set based on the MSCI Climate Paris Aligned Index, which means that it is in alignment with the Paris Climate Agreement's objectives.</p> <p>The target sets a specific course for Nykredit's ambition and efforts of offering Danes investment solutions that support their increasing demand for green investments.</p> <p>See "Responsible investments" on page 45 of the Corporate Responsibility Report 2020.</p>

<p>regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</i></p>	<p>We will continue setting targets for Nykredit's efforts in our key focus areas in the years ahead.</p>
<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>In 2020 Nykredit formulated a new strategy in the investment area comprising intensified focus on responsible investments. The strategy is our foundation for meeting the climate target in the investment area.</p> <p>The way to reaching this target is through focused green investments, incorporation of climate considerations in all investment decisions, active stewardship, improved mapping of climate risks and not least reporting to our clients. Also, we are following up on climate gas emissions from the companies in which we have an ownership interest, or which have issued bonds that we invest in.</p> <p>Nykredit has also defined a series of strategic KPIs for our efforts in the area of responsible investment, which are to ensure a reduction of carbon emissions from investments in our portfolio and an increase in the number of customers investing sustainably.</p> <p>The KPIs are included in the Corporate Responsibility Report 2020.</p> <p>See "Responsible investments" on page 45 of the Corporate Responsibility Report 2020.</p>
<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p><i>Show that your bank has implemented the actions it had previously defined to meet the set target.</i></p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p><i>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</i></p>	<p>The climate target for Nykredit's investments was set in November 2020, and therefore, efforts to meet the target will not really be initiated until 2021.</p>

Principle 3 : Clients and Customers	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.	
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>It is fundamental to Nykredit that our advice, products and services are responsible both in a societal context and relative to the financial position of the individual customer. This calls for an organisation which is in every way prepared to act responsibly and correctly and a culture where we openly air, discuss and act on any business dilemmas that may arise in a financial undertaking. This is our conduct management commitment, which we divided into two tiers:</p> <p>Risk management initiatives where we identify, assess and act on the Group's conduct risk as part of the ongoing risk management practices. In 2020, 119 conduct risks were identified across the Group as part of these efforts.</p> <p>A broad initiative for all staff members to increase awareness of responsible business conduct and train managers and staff in identifying, discussing and responding to irresponsible business conduct. In 2021 all staff members will receive awareness training.</p> <p>In addition, Nykredit's policies and processes are designed so as to ensure responsible and sustainable relations with our customers. This applies to our Code of Conduct, which sets the framework for the conduct expected from our staff, and to our policies, including in particular the product and credit policies, which provide the framework for designing products and performing credit assessments.</p>	<p>See "Responsible business conduct" on page 60 of the Corporate Responsibility Report 2020.</p>
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>We have launched a suite of products that will make it easier and more affordable for our customers to make green choices with respect to their homes, cars, businesses and investments. These include very favourable loans for energy renovations of private homes and for machinery that can facilitate a green transition of the agricultural sector.</p> <p>An overview of the products is available in the Corporate Responsibility Report, including a detailed description of the specific products and the results we have achieved.</p> <p>Based, among other things, on these products, we actively put sustainability into play in our dialogue with customers in the areas of personal banking, business banking and investments. We have started to train our advisers and other key staff in sustainability.</p> <p>As from 2020, we will also address relevant ESG factors in our credit assessments of all business customers and use the assessments as a basis for dialogue on sustainability strategies in the individual companies.</p>	<p>See "We will contribute to a greener Denmark" on page 28 of the Corporate Responsibility Report 2020.</p>
Principle 4 : Stakeholders	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>Nykredit is one of Denmark's largest lenders. And that position comes with obligations. As a major financial institution, we are also in ongoing dialogue with relevant stakeholders, including business and trade organisations, public authorities and politicians, on issues such as climate and sustainability, rural districts and lending to specific sections of the population. In 2020 it was also crucial for Nykredit to meet a number of stakeholders to discuss how we can best support our business customers through their financial challenges caused by the covid-19 crisis.</p> <p>Nykredit launched a suite of green initiatives and products in 2020, and therefore, dialogue with our stakeholders has, for a significant part, primarily revolved around the green transition and the climate. Nykredit has in that connection met with leading green organisations, trade organisations and relevant authorities. As part of our dialogue, we have discussed and presented our green</p>	<p>See "Nykredit's corporate responsibility" on page 11 of the Corporate Responsibility Report 2020.</p>

customer initiatives and ideas for future sustainability initiatives. The meetings were first and foremost in the nature of dialogue meetings and therefore also focused on obtaining input from stakeholders regarding Nykredit's sustainability efforts going forward.

Due to covid-19 we had talks with stakeholders from the trade and business organisations, the members of which are among our large borrower segments. At these meetings it was discussed how we can best support their members with advice and increased lending through our special covid-19 initiatives.

Principle 5 : Governance & Culture

We will implement our commitment to these principles through effective governance and a culture of responsible banking

<p>5.1 <i>Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</i></p>	<p>Nykredit's corporate responsibility commitment and the efforts to implement these principles are the responsibility of the Group's governance structure.</p> <p>The Board of Directors sets the Group's strategic direction and approves the Corporate Responsibility Policy, which defines the scope of our work. The Policy applies to the entire Group and is subject to annual updates.</p> <p>The Group Executive Board makes up our Corporate Responsibility Committee. The Corporate Responsibility Committee defines our strategy for corporate responsibility and prioritised initiatives that form the basis of specific initiatives, business procedures, products and processes. In addition, the Corporate Responsibility Committee has overall responsibility for the implementation of the Principles for Responsible Banking and our annual reporting.</p> <p>The Corporate Responsibility Committee receives at least two annual reports on the progress of Nykredit's corporate responsibility strategy and the implementation of the principles.</p> <p>Responsibility for specific initiatives and sustainability-related risks, opportunities and positive and negative impacts is vested in Nykredit's policies, structures and business areas.</p> <p>An overview of the governance structure and responsibility in the individual parts is included in the Corporate Responsibility Report 2020.</p> <p>In 2020 we have moved towards a clearer integration of sustainability-related risks and opportunities in relevant committees, policies and our overall risk setup. We have also incorporated a number of KPIs on corporate responsibility in the Group's strategic scorecard, including the climate targets we have set in the investment area.</p>	<p>See "Nykredit's corporate responsibility" on page 11 of the Corporate Responsibility Report 2020.</p>
<p>5.2 <i>Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</i></p>	<p>It is fundamental to Nykredit that our advice, products and services are responsible both in a societal context and relative to the financial position of the individual customer. This calls for an organisation which is in every way prepared to act responsibly and correctly and a culture where we openly air, discuss and act on any business dilemmas that may arise in a financial undertaking. This is our conduct management commitment, which we have divided into two tiers:</p> <p>Risk management initiatives where we identify, assess and act on the Group's conduct risk as part of the ongoing risk management practices. In 2020, 119 conduct risks were identified across the Group as part of these efforts.</p>	<p>See "Responsible business conduct" on page 60 of the Corporate Responsibility Report 2020.</p>

	A broad initiative for all staff members to increase awareness of responsible business conduct and train managers and staff in identifying, discussing and responding to irresponsible business conduct. In 2021 all staff members will receive awareness training.	
5.3 Governance Structure for Implementation of the Principles	The Group Executive Board makes up our Corporate Responsibility Committee. This Committee has the overall responsibility for implementing of the Principles for Responsible Banking and for our annual reporting.	
Show that your bank has a governance structure in place for the implementation of the PRB, including:	The Corporate Responsibility Committee also defines our strategy for corporate responsibility and prioritised initiatives that form the basis of specific initiatives, business procedures, products and processes. Finally, the Corporate Responsibility Committee is responsible for setting targets for our corporate responsibility efforts in alignment with the obligations under PRB.	See "Stronger governance" on page 15 of the Corporate Responsibility Report 2020.
a) <u>target</u> -setting and actions to achieve targets set	The Corporate Responsibility Committee receives at least two annual reports on the progress of Nykredit's corporate responsibility strategy and the implementation of the principles.	
b) <u>remedial</u> action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.		

Principle 6 : Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on Implementing the Principles for Responsible Banking		
Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).	In our corporate responsibility strategy, we have identified significant areas in which we have an impact on society and a possibility of making a positive difference.	
Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.	In 2020 we have expanded our knowledge of our impacts through lending and investments, particularly in the climate area, and we disclose the results of these analyses in our Corporate Responsibility Report and elsewhere. This year we determined the carbon footprint of our aggregate lending and investment portfolios in a beta version for the first time.	See "Nykredit's corporate responsibility" on page 11 and "We will contribute to a greener Denmark" on page 88 of the Corporate Responsibility Report 2020.
Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	The determination of the carbon footprint is in alignment with Finance Denmark's standards, which have been prepared on the basis of international best practice.	
	This year we will report our progress in implementing the Principles for Responsible Banking for the first time.	
	We are periodically reporting and publishing more and broader data in alignment with regulation, international standards, GRI and our endorsement of the Global Compact, PRB and PRI.	

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text will prevail.

Nykredit

Kalvebod Brygge 1-3
DK-1780 Copenhagen V

+45 70 10 90 00
Nykredit.com

This report
was printed at Nykredit's
Swan Ecolabelled
printing facility.

