

Nykredit Group

Type of Engagement: Annual Review

Date: February 07, 2023

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Introduction

Between 2019 and 2022, Nykredit issued six green covered bonds, one senior-non preferred green bond and one tier 2 green bond (the “Green Bonds”) to finance or refinance projects intended to contribute to the transition to a low-carbon and climate-resilient economy. In 2023, Nykredit engaged Sustainalytics to review the projects funded with proceeds from the Green Bonds and provide an assessment as to whether the projects met the use of proceeds criteria outlined in the 2020 Nykredit Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the Green Bonds based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the 2020 Nykredit Green Bond Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the 2020 Nykredit Green Bond Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings¹	<p><u>Residential Housing</u></p> <ul style="list-style-type: none"> • Danish energy label² A³ or B⁴ regardless of the year of construction; or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy labels A and B⁵ <p><u>Other Buildings</u></p> <ul style="list-style-type: none"> • An energy label A or B regardless of the year of construction; or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy labels A and B <p><i>Buildings that meet one of the following minimum certification levels:</i></p> <ul style="list-style-type: none"> • BREEAM or BREEAM-SE (minimum certification Very Good) • LEED (minimum certification Gold) 	<ul style="list-style-type: none"> • Total energy savings in MWh • Annual greenhouse gas (GHG) emissions avoided in tonnes of CO₂ equivalent

¹ Nykredit informed Sustainalytics that no allocation was made under the other categories defined in the Nykredit Green Bond Framework 2020.

² Energy labels are based on data from the Danish Official Information Service (OIS) according to the Danish Order on the publication of energy labelling of buildings and inspection reports on boiler and central heating installations etc. (*Bekendtgørelse om offentliggørelse af energimærkninger af bygninger og eft-ersynsrapporter om kedel- og varmeanlæg m.v.*). Energy labels for buildings are valid for 10 years from issuance.

³ The A label covers labels A, A1, A2, A2010, A2015, A2020 in Danish regulation, which indicate energy consumption in kWh/m²/year ≤ 52.5 + 1,650/A.

⁴ The B label covers labels B or B1 in Danish regulation, which indicate energy consumption in kWh/m²/year ≤ 70.0 + 2,200/A.

⁵ MOE – an engineering firm engaged as an independent consultant – has conducted a study of the Danish EPCs to demonstrate that buildings that obtain the mentioned EPC labels and construction codes would be placed among the top 15% energy-efficient buildings in Denmark, at:

https://www.nykredit.com/siteassets/ir/files/bond-issuance/green-bonds/moe_report_energy_labels_and_energy_efficient_properties_2019-01-25.pdf

	<ul style="list-style-type: none"> • DGNB (minimum certification Gold) • Nordic Swan • Sweden Green Building Council Miljöbyggnad (minimum certification Silver) • GreenBuilding <p>Or any equivalent international recognizable certification of a building as determined by the Green Bond Committee</p>	
	<p><u>Individual measures and professional services</u></p> <p>Direct costs (e.g. material and labour) related to:</p> <ul style="list-style-type: none"> • Technical interventions aimed at increasing energy efficiency, including but not limited to: addition of insulation, replacement of existing windows, installation of heat pumps, solar panels or installation of energy-efficient lighting. • Professional services functional to energy improvements, such as technical consultations, accredited energy audits, energy management services or similar with a look-back period of three years 	<ul style="list-style-type: none"> • Total energy savings in MWh • Annual greenhouse gas (GHG) emissions avoided in tonnes of CO₂ equivalent
Renewable Energy	<ul style="list-style-type: none"> • Wind power • Solar energy 	<ul style="list-style-type: none"> • Estimated installed capacity in MW • Estimated annual energy production in MW • Annual GHG emissions avoided in tonnes of CO₂ equivalent
Clean Transportation	Fully electrified or other vehicles, such as passenger cars with CO ₂ emissions lower than 50 gCO ₂ /km	Annual GHG emissions avoided in tonnes of CO ₂ equivalent
Energy Efficiency	Transmission and distribution infrastructure and equipment in systems, which are “on a trajectory to full decarbonization”. ⁶	<ul style="list-style-type: none"> • Total distance of transmission cables in km • Annual energy transmitted in MW • Total power transformers

Issuer’s Responsibility

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

Independence and Quality Control

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

Sustainalytics relied on the information and the facts presented by Nykredit. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Nykredit.

⁶ The 2020 Nykredit Green Bond Framework defines systems being on a “full decarbonization trajectory” as those that over a rolling five-year period have:
i) 67% of newly connected generation capacity in the system below 100 gCO₂e/kWh; or ii) the average system grid emissions factor is below 100 gCO₂e/kWh.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds and reporting criteria outlined in the Nykredit Green Bond Framework. Nykredit has disclosed to Sustainalytics that the proceeds from the Green Bonds were fully allocated as at December 31, 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the Green Bonds to determine if projects aligned with the use of proceeds criteria outlined in the 2020 Nykredit Green Bond Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the Green Bonds to determine if impact was reported in line with the KPIs outlined in the 2020 Nykredit Green Bond Framework and above in Table 1. For allocation to individual use of proceeds categories, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁷ Sustainalytics' limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Reported Impact

Use of Proceeds Category	Eligibility Criteria	Number of Projects	Net Proceeds Allocation (EUR million) ⁸	Environmental Impact Reported by Eligibility Criteria ⁹
Green Buildings	Office and retail			
	An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18; or later version corresponding to energy labels A and B	57	1,530	<ul style="list-style-type: none"> 9,207 MWh of energy saved 1,489 tCO₂e avoided
	BREEAM or BREEAM-SE (minimum certification Very Good)	7		
	LEED (minimum certification Gold)	2		
	Sweden Green Building Council Miljöbyggnad (minimum certification Silver)	3		
	Swedish EPC label A or B	5		
	Private rental			
	An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18; or later version corresponding to energy label A and B	106	2,124	<ul style="list-style-type: none"> 16,762 MWh of energy saved 1,453 tCO₂e avoided
	BREEAM or BREEAM-SE (minimum certification Very Good)	4		
	LEED (minimum certification Gold)	2		
	Sweden Green Building Council Miljöbyggnad (minimum certification Silver)	8		
	Public housing			
	An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version,	11	106	<ul style="list-style-type: none"> 3,181 MWh of energy saved 318 tCO₂e avoided

⁸ Nykredit reported allocation in Danish krone. The totals were converted to euros here at the forex rate of 31 January 2023 (1EUR = 7.4388 DKK).

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

	corresponding to energy label A and B			
	Social and culture			
	An energy label of A or B regardless of the year of construction or properties compliant with construction codes BR08, BR10, BR15, BR18 or later version, corresponding to energy label A and B	1	13	<ul style="list-style-type: none"> • 157 MWh of energy saved • 14 tCO₂e avoided
	Individual measures and professional services	1	1	<ul style="list-style-type: none"> • 944 MWh of energy saved • 81 tCO₂e avoided
Renewable Energy	Solar energy	6	93	99,383 tCO ₂ e avoided
	Wind power	1	37	64,260 tCO ₂ e avoided
Clean Transportation	Hybrid cars	3,136	109	8,781 tCO ₂ e avoided
	Electric cars	1,913	62	4,100 tCO ₂ e avoided
Energy Efficiency	Energy distribution	1	395	
Total		5,264	4,470	

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