

Second-Party Opinion

Nykredit Green Bond

Evaluation Summary

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



USE OF PROCEEDS The eligible category for the use of proceeds – green mortgages on energy efficient buildings – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible green mortgages will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goal 11 – Sustainable Cities and Communities.



PROJECT EVALUATION / SELECTION Aligned with market practice, Nykredit has established a dedicated Green Bond Committee, consisting of representatives from departments including Capital & Funding, Group Finance & Investments, Regulation and External Relations & Responsibility, as well as the relevant member of the executive board. The Committee will review mortgages to ensure they qualify as eligible assets, on at least a quarterly basis.



MANAGEMENT OF PROCEEDS Nykredit's Capital & Funding department will be charged with maintaining a registry of eligible assets, and matching the cash flow of the green bonds with those of the funded mortgages. Based on the use of a formal registry, as well as the disclosure of how unallocated funds will be managed, Sustainalytics considers this process to be in line with market practice.



REPORTING Nykredit has committed to reporting on both allocation and impact on an annual basis for the life of the green bonds, to be made available on the issuer's website. Based on the commitment to annual reporting, including quantitative performance metrics, Sustainalytics considers this process to be in line with market practice.

Evaluation date	March 5, 2019
Issuer Location	Copenhagen, Denmark

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	8

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Introduction

Nykredit (the “Issuer”) is the largest lender in Denmark with an overall market share of 31%. Majority-owned by an association of its customers, Nykredit has been active for more than 165 years, and currently is involved primarily in lending to homeowners, small and medium-sized enterprises, the agricultural sector, and the rental housing industry in its home market of Denmark, as well as in Sweden, Germany, Spain, France and Finland.

Nykredit has developed the Nykredit Green Bond Framework (the “Framework”) under which it is considering to issue green covered bonds and use the proceeds to finance or refinance, existing and future mortgages on energy efficient residential and commercial buildings. The Framework defines eligible assets in the following areas:

1. Green mortgages
 - a. Private rental housing
 - b. Commercial real estate
 - c. Residential Housing

Nykredit engaged Sustainalytics to review the Nykredit Green Bond Framework, dated March 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (the “GBP”).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Nykredit’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Issuer’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Nykredit Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Nykredit Green Bond Framework is available on Nykredit’s website at: <https://www.nykredit.com/investor-relations/>

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that Nykredit's Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Nykredit's Framework:

- Use of Proceeds:
 - The Use of Proceeds category – green mortgages – is recognized as impactful by the GBP. Nykredit intends to finance mortgages primarily in Denmark and Sweden.³
 - Various green building certification schemes and minimum levels, namely LEED Gold, BREEAM & BREEAM SE Very Good, DGNB Gold, Nordic Swan, Miljöbyggnad Silver, and GreenBuilding have been specified. Sustainalytics considers these schemes to be reputable and the certifications to be environmentally impactful. Please refer to Appendix 1 for a full assessment of these schemes.
 - Properties with an energy label of A or B, awarded by consultants licensed by the Danish Energy Agency, are considered eligible. In Denmark, energy labels are mandatory for any building at time of construction, sale, or lease for more than 4 weeks; buildings achieving an A or B rating make up 15.4% of labeled properties. By limiting eligible assets to those with the top two labels, Nykredit has therefore selected only the highest-performing 15.4% of rated buildings, and an even smaller proportion of the overall building stock.⁴ This criterion is consistent with the approach adopted by the Climate Bonds Initiative,⁵ which specifies that the top 15% of a local market be considered eligible low-carbon buildings. Refer to Appendix 2 for further discussion of Danish energy labels.
 - The Framework allows for the inclusion of Danish properties built after 2009, in compliance with Danish building code BR08 or later versions.⁶ According to the Danish Ministry of Energy, buildings that meet these standards will possess the characteristics necessary to obtain A or B energy labels. Refer to Appendix 3 for further discussion of the Danish building codes.
 - In addition to excluding pre-2009 buildings that do not have energy labels⁷ or certifications, the Framework includes exclusionary criteria for holiday homes, hobby farms, and building plots.
- Project Evaluation and Selection:
 - Nykredit has established a dedicate Green Bond Committee, consisting of representatives from departments including Capital & Funding, Group Finance & Investments, Regulation and External Relations & Responsibility, as well as the relevant members of the executive board. The Committee will review mortgages to ensure they qualify as eligible assets, on at least a quarterly basis.
 - Based on the presence of a committee with executive representation and the usage of a formal register to track eligible assets, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Nykredit's Capital & Funding department will be charged with maintaining a registry of eligible assets, and matching the proceeds from the green bonds with the funded mortgages.

³ Nykredit notes that approximately 98% of its mortgage lending is in the markets of Sweden and Denmark, with small proportions in other countries including Finland and Germany.

⁴ Sustainalytics notes that only 32% of Danish residential buildings have been granted EPCs and recognizes that new buildings are overrepresented by EPCs when compared with older buildings in the stock. Given that the share of A and B EPCs granted are also higher in new buildings, Sustainalytics considers this approach of basing eligibility criteria on EPC levels A and B in Denmark to be aligned with the criterion of the top 15% most energy efficient residential buildings.

⁵ The Climate Bonds Initiative Low-Carbon Buildings Criteria, <https://www.climatebonds.net/low-carbon-buildings-criteria>.

⁶ At this time, these codes include BR08, BR10, BR15, and BR18, promulgated under executive order BEK No. 604.

⁷ These buildings are excluded, as it cannot be guaranteed that buildings constructed before 2009 are constructed under a construction code that equals an energy label B or better. Building code BR08 was implemented 1 February 2008. The technical requirements of BR08 equal an energy label of B or higher.

- The Framework specifies that, any portion of the net proceeds of Green Bonds that have not been allocated to Eligible Assets in the Green Covered Bond Registry will be held in accordance with Nykredit's normal liquidity management policy, in assets that qualify for covered bond issuances under Article 129 of EU Regulation No 575/2013.⁸
- Based on the use of a formal registry, as well as the disclosure of how unallocated funds will be managed, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Nykredit has committed to reporting on both allocation and impact on an annual basis for the life of the green bonds, to be made available on the Issuer's website. Allocation reporting will include the amounts allocated and outstanding. Where practical, Sustainalytics encourages the Issuer to report on the share of new financing versus refinancing. Impact reporting will provide an ex-ante estimate of energy savings, greenhouse gas emissions avoided, and energy consumption per unit of floor area.
 - Based on the commitment to annual reporting, including quantitative performance metrics, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that Nykredit's green bond aligns with the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

Nykredit's sustainability approach is rooted in its unique governance structure, in which the Issuer is predominantly owned by an association representing Nykredit customers, Forenet Kredit. As the primary shareholder, Forenet Kredit receives significant dividend payments from Nykredit – DKK 2.2 billion (€300 million) in 2018 – the majority of which was subsequently reinvested in the Issuer, in particular to provide discounts and support for customers such as the KundeKroner program which decrease the margin payments for homeowners and the ErhvervsKroner program benefitting business, farmers, and associations with mortgages through the Issuer.⁹ In keeping with its tradition of customer ownership, the Issuer has made pledges of commitment to its six key stakeholder groups: customers, business partners, communities, staff, shareholders, and bond investors.¹⁰

Nykredit has defined the three main themes that underly its social responsibility policy: supporting growth in Denmark, supporting sustainable development, and responsible business practices.¹¹ The Issuer also views its corporate responsibility through the lens of the UN Sustainable Development Goals, and has conducted an analysis which identifies the five SDGs most relevant to its operations: affordable and clean energy, decent work and economic growth, sustainable cities and communities, climate action, and peace, justice and strong institutions.¹²

On an operational level, Nykredit's sustainability strategy addresses the following areas:

- Nykredit is committed to the principles of the UN Global Compact
- Responsible Lending: As a systemically important financial institution (SIFI) in Denmark, Nykredit's operations are entwined with the country's financial stability. Recognition of this situation reinforces the Issuer's commitment to conducting appropriate credit assessments for all loans and ensuring robust capitalization at all times.¹³

⁸ EU, "Regulation (EU) No 575/2013 Of The European Parliament And Of The Council of 26 June 2013", <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=DA>.

⁹ Nykredit, "Annual Report 2018", https://www.nykredit.com/siteassets/ir/files/financial-reporting/financial-reports/nykredit/2018/nykredit_q4_18_2019-02-05_en.pdf.

¹⁰ Nykredit, "Business concept", <https://www.nykredit.com/en-gb/om-os/businessconcept/#de-seks>.

¹¹ Nykredit, "Corporate responsibility", <https://www.nykredit.com/en-gb/samfundsansvar/>.

¹² Nykredit, "Corporate Responsibility Report 2018", https://www.nykredit.com/siteassets/ir/files/corporate-responsibility/csr-reports/corporate_responsibility_report_q4_18_2019-02-05_en.pdf.

¹³ Nykredit, "Responsible lending", <https://www.nykredit.com/en-gb/samfundsansvar/udlan/>.

- **Responsible Investment:** Nykredit strives to integrate ESG in all investment decisions, including compliance with Danish and international recommendations on responsible investments,¹⁴ quarterly screening of companies combined with a list of excluded companies applied to all funds,¹⁵ analysis of environmental, social, and governance (ESG) factors,¹⁶ and a sustainable investment policy which promotes active ownership in the form of engagement and voting.¹⁷ Furthermore, Nykredit is a signatory to the Principles for Responsible Investment (PRI),¹⁸ and participates with Dansif, the Danish collaboration for socially responsible investments.¹⁹
- **Climate and environment:** In addition to its investment choices, which include engagement with the Carbon Disclosure project to support decision-making as well as the exclusion of several thermal coal and tar sands companies,²⁰ Nykredit has identified energy and waste within its own operations as an area in which it can address environmental impact. Since 2012, the Issuer has achieved goals within this domain such as sourcing 100% renewable electricity, phasing out direct consumption of oil and natural gas for heating, and retrofitting buildings for solar power and LED lighting. Furthermore, targets for future progress have been established such as a 25% decrease in total energy consumption by 2025, a 5% annual decrease in carbon emissions per employee until 2025, and decreasing waste generated per employee to 100 kg per year by 2023.²¹ The CDP has assessed the Issuer's Climate Change Program and awarded a score of "B", the highest of any Danish financial institution.²² Nykredit has also highlighted that, as the largest mortgage lender in Denmark, they can play a significant role in supporting the transition of the built environment to more environmentally friendly forms, through programs such as BoligEftersyn (Home Check-up) which assists homeowners in identifying possibilities for enhancing energy efficiency.²³
- **Procurement:** Nykredit recognizes that socially responsible procurement means considering ethics and the environment in all purchasing decisions. In practice, this means that specific demands are placed upon suppliers regarding issues such as environmental responsibility, labour, and corruption.²⁴ The Issuer is a member of Ecolabelling Denmark, and is committed to increasing the share of certified products purchased within various procurement categories on a year-over-year basis.²⁵
- **Social partnerships and the Nykredit Foundation:** Nykredit has identified social partnerships and support which are relevant to its own knowledge and expertise. One example is offering free and individual counselling on financial independence at women's shelters across Denmark.²⁶ The Nykredit Foundation supports initiatives within Danish industry, in particular the building sector, which is of specific importance to an organization with high participation in mortgage lending.²⁷

Overall, Sustainalytics considers Nykredit's sustainability strategy to be robust, and adequate in scope and depth to address relevant material issues. Additionally, Sustainalytics views positively the alignment of the Nykredit Green Bond Framework with the goals of the Issuer's sustainability approach, in particular in the areas of responsible lending and the environmental impact of the built environment.

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

While the promotion of green buildings through the issuance of green covered bonds is anticipated to deliver overall environmental benefits, as with any project there may be associated environmental and social risks. In this case, these may include environmental impact from construction projects, credit risk from borrowers' ability to repay mortgages, and the broader financial market risk related to widespread securitization of debt obligations. Furthermore, by offering lending and financial services, all banks face risks associated with controversial companies and/or projects they may finance, and may also be exposed to the possibility of financing activities that have negative social or environmental impacts.

¹⁴ Nykredit, "Socially Responsible Investments", <https://www.nykredit.com/en-gb/samfundsansvar/investments/>.

¹⁵ Nykredit, "Excluded companies", <https://www.nykredit.com/en-gb/samfundsansvar/investments/ekskluderede-selskaber/>.

¹⁶ Nykredit, "ESG: A new equity factor", https://www.nykredit.com/globalassets/pdf-falles/esg_a_new_equity_factor_analysis.pdf.

¹⁷ Nykredit, "Sustainable investments policy", <https://www.nykredit.com/en-gb/samfundsansvar/investments/politik-for-baredygtige-investeringer/>.

¹⁸ Nykredit, "RI Transparency Report 2018", https://www.nykredit.com/siteassets/samfundsansvar/filer/public_transparency_report_nykredit-realkredit-group_2018.pdf.

¹⁹ <https://dansif.dk/>

²⁰ Nykredit, "Socially Responsible Investments", <https://www.nykredit.com/en-gb/samfundsansvar/investments/#nyheder-og-analyser>.

²¹ Nykredit, "Responsible Climate and Environmental Policy", <https://www.nykredit.com/en-gb/samfundsansvar/climate-and-environment/>.

²² CDP, "Nykredit", <https://www.cdp.net/en/responses/13627>.

²³ Nykredit, "Sustainable value propositions", <https://www.nykredit.com/en-gb/samfundsansvar/climate-and-environment/baredygtige-varde tilbud/>.

²⁴ Nykredit, "Socially responsible procurement", <https://www.nykredit.com/en-gb/samfundsansvar/indkob/>.

²⁵ Nykredit, "Medlemskab af Miljømærkning Danmark", <https://www.nykredit.com/samfundsansvar/indkob/miljomaerkning-danmark/>.

²⁶ Nykredit, "Social partnerships", <https://www.nykredit.com/en-gb/samfundsansvar/social-partnerships/>.

²⁷ Nykredit, "The Nykredit Foundation", <https://www.nykredit.com/en-gb/samfundsansvar/the-nykredit-foundation/>.

Nykredit has policies in place which seek to address these risks, including:

- An annual Risk and Capital Management report, which assess the Issuer's financial risk situation and lays out a risk appetite for the upcoming year. This statement is approved by the Board of Directors, and recognizes that the primary financial risk faced by the Issuer is related to mortgage and bank lending, and reaffirmed that the credit risk exposure in this area does not exceed the risk appetite.²⁸
- An annual corporate governance statement, which is carried out in accordance with the Recommendations on Corporate Governance of the Copenhagen Stock Exchange. Overall, Nykredit assessed that it was in compliance with all relevant terms of the recommendations.²⁹ Sustainalytics considers compliance with these guidelines to be indicative of a commitment to strong and transparent governance.
- As discussed above, Nykredit's responsible investment policies, including exclusionary screenings and ESG analysis and engagement, will help mitigate the Issuer's exposure to client E&S risks.
- An Environmental Policy, which includes a commitment to identify environmental risks and opportunities on an ongoing basis.³⁰
- A Code of Conduct for Suppliers, in line with ISO 26000 and the UN Global Compact.³¹
- A variety of other internal policies, which by and large seek to address specific risks within Nykredit's business activities, such as procurement, liquidity, data management, whistleblower & anti-corruption, and operational risk.³²

Based on the above, Sustainalytics is of the opinion that Nykredit has sufficient policies in place to mitigate environmental and social risks related to the green bond use of proceeds, and is therefore well-positioned to issue green bonds.

Section 3: Impact of Use of Proceeds

The use of proceeds category is recognized as impactful by the GBP. Sustainalytics has focused below on how the impact is specifically relevant in the local context.

Importance of energy efficient buildings in the Nordics

The countries in which Nykredit primarily intends to fund mortgages from green covered bonds, Denmark and Sweden, is a signatory are signatories to the Paris Agreement, committing to limiting global temperature increases to well below 2° Celsius above pre-industrial levels and pursuing efforts to achieve no more than 1.5° C warming.³³ Denmark's climate policy embraces the EU-wide 2020 targets, including a 20% reduction of greenhouse gases from buildings, agriculture and transportation, achieving 30% renewable energy use overall, and 10% renewable energy use in the transportation sector. Furthermore, under the Danish Climate Law, the country aims to be a low emission society by 2050.³⁴ The Swedish Climate Policy Framework, enacted in 2017, establishes the goal of net-zero greenhouse gas emissions by 2045, as well as interim goals of emissions decreases of 55% from 1990 levels by 2030 and 73% by 2040.³⁵

In 2017, 31% of final energy consumption in Denmark was from households, 82% of which was related to heating. Despite an anticipated increase of approximately 11,775 homes per year, the Danish Energy Agency forecasts that total energy consumption by households will decrease over the period 2017-2030. However, this analysis notes that these savings are "primarily dependent on tighter building regulations and energy saving efforts."³⁶ In Sweden, the residential and service sector accounts for 40% of total energy use, of which

²⁸ Nykredit, "Risk and Capital Management 2018", https://www.nykredit.com/siteassets/ir/files/financial-reporting/risk-and-capital-management-reports/risk_and_capital_management_q4_18_2019-02-05_en.pdf.

²⁹ Nykredit, "Corporate Governance Report 2018", https://www.nykredit.com/globalassets/nykredit.com/pdf/corporate-governance-report-2018_nykredit-group_en.pdf.

³⁰ Nykredit, "Klima-, energi- og miljøpolitik", https://www.nykredit.com/siteassets/om-os/klima-energi-og-miljopolitik_november_2018-11-27_da.pdf.

³¹ Nykredit, "Nykredit Code of Conduct for suppliers and sub-suppliers", <https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf>.

³² Nykredit, "Internal Policies", <https://www.nykredit.com/en-gb/om-os/organisation/politikker/interne-politikker/>.

³³ UNFCCC, "The Paris Agreement," accessed (14.02.19) at <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

³⁴ Danish Energy Agency, "Danish climate policies," accessed (14.02.19) at <https://ens.dk/en/our-responsibilities/energy-climate-politics/danish-climate-policies>.

³⁵ Ministry of Environment and Energy, "The Swedish climate policy framework," accessed (14.02.19) at <https://www.government.se/495f60/contentassets/883ae8e123bc4e42aa8d59296ebe0478/the-swedish-climate-policy-framework.pdf>.

³⁶ Danish Energy Agency, "Denmark's Energy and Climate Outlook 2018." Accessed (14.02.19) at <https://ens.dk/sites/ens.dk/files/Basisfremskrivning/deco18.pdf>.

homes and other non-industrial buildings make up roughly nine-tenths. As with Denmark, Energy use in this sector is trending downwards, which is attributed primarily to a shift from oil-fired heating to district heating and electric heat pumps which perform at higher efficiency ratios, as well as physical energy saving measures such as better performing insulation.³⁷

In this context of aggressive climate targets and high energy use within the household sector, Sustainalytics is of the opinion that the promotion of energy efficient buildings through the issuance of green covered bonds will have positive environmental impacts.

Alignment with and contribution to the Sustainable Development Goals

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

Use of Proceeds Category	SDG	SDG target
Green Mortgages	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Conclusion

Nykredit has developed a Green Bond Framework, under which it intends to issue green covered bonds and use the proceeds to fund mortgages on energy-efficient properties primarily in Denmark and Sweden. Sustainalytics is further of the opinion that the initiatives described by the Framework will advance the UN Sustainable Development Goals, in particular Goal 11: Sustainable Cities and Communities.

Sustainalytics anticipates that the financing of green mortgages as per the Framework will provide environmental benefits and support the achievement of climate goals in Denmark, Sweden and the European Union. In addition, Nykredit's processes for project evaluation and selection as well as management of proceeds and reporting are aligned with market practice.

Based on the above, Sustainalytics considers the Nykredit Green Bond Framework to be robust, credible and transparent, and in alignment with the four core components of the ICMA's Green Bond Principles 2018.

³⁷ Swedish Energy Agency. "Energy in Sweden 2017," accessed (14.02.19) at energimyndigheten.a-w2m.se/FolderContents.mvc/Download?ResourceId=5733.

Appendices

Appendix 1: Summary of Green Building Certification Schemes

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

	This number of points is then weighted by item to determine an overall score, upon which the overall rating is based. Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.	These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	calculated by adding the six key areas of assessment. Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.	points must be achieved. For small houses at least 16 out of 42 possible points must be achieved. For pre-school and school buildings at least 15 out of 39 possible points must be achieved.	Level of certification is determined by the lowest-scoring indicator.	New buildings must demonstrate a 25% saving over the requirements of the applicable building code.
Performance display						
Qualitative Considerations	Widely recognized internationally, with version adapted to local conditions	Widely recognized internationally, and strong assurance of overall quality.	DGNB certification is based on current European Union standards.	Widely recognized within the region, strong assurance of quality.	Developed specifically for Sweden. High emphasis on indoor environments.	Focused only on energy use, not other environmental issues.

Appendix 2: Summary of Danish Energy Labels

Denmark introduced a statutory energy labeling scheme in 1998. Under this process, buildings are assessed on a scale of A-G, with G representing the lowest-performing structures. As new buildings continue to become more efficient, in tandem with building codes becoming stricter, additional sub-classifications have been introduced within the A category. These supplementary levels, in order of increasing stringency, are A2010, A2015, and A2020. The scheme is aligned with the EU's 2010 Energy Performance in Buildings Directive. The following graphic, provided by the Danish Energy Agency (DEA), provides a visual representation of this system:



The intent of the label is to represent an easily comparable amount of energy required to operate the building, on a per-floor-area basis. This value is derived by assessing the features of a building such as heating source, measured dimensions, building envelope, and others, along with common assumptions about usage patterns and weather. This outcome is therefore theoretical, not measured values, which provides an even basis for comparison between buildings without accounting for differing occupant behaviours. Ratings are mandatory for any building in Denmark at the time of construction, sale, or lease, and can only be provided by government-trained and certified assessors. Once evaluated, a label is valid for ten years.

According to the independent energy consultancy MOE, 7.7% of current buildings fall into the A and B labels, respectively. This implies that all A & B buildings are within the top 15.4% of all buildings in the country on the basis of energy use. Based on the methodology used and the regulatory involvement of the MOE, Sustainalytics considers the energy label to be a reputable indicator of energy performance, and is of the opinion that buildings with an A or B label represent those that are highly performing.

Appendix 3: Summary of Danish Building Codes

The Danish building regulations, the most current of which is BR18, addresses many thematic areas, two of which directly address energy use with several more dealing with environmental issues at least in part, such as site condition, chemical pollution, and indoor climate. With specific reference to energy use, the BR18 code dictates a maximum energy requirement per heated floor area, measured in kWh/m²/year. For residential buildings, this is defined as 30+1000/floor area, while for other building types the value is set at 41+1000/floor area,³⁸ more stringent than the codes in Norway or Sweden.

According to a report by MOE, compliance with chapter 11 of BR18 will be sufficient for a new building to achieve to A2015 label. Furthermore, MOE has indicated that the previous three iterations of the code, BR08, BR10, and BR15, are all sufficient to ensure qualification for at least a B label, and therefore ensure positioning within approximately the top 15% of the building stock.

Based on the stringent energy requirements and the implied position within the share of existing buildings, Sustainalytics considers the Danish building codes BR08, BR10, BR15, and BR18 to be representative of strong environmental performance.

³⁸ For example, a small house or apartment with a heated floor area of 90 m² (approximately 1000 square feet), would have a maximum energy consumption of $30+1000/90 = 41.1$ kWh/m²/year.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Nykredit Realkredit A/S
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Nykredit Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 4, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds – green mortgages on energy efficient buildings – is aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible green mortgages will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goal 11 – Sustainable Cities and Communities.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☐ Renewable energy | ☐ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☐ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other <i>(please specify)</i> : |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Aligned with market practice, Nykredit has established a dedicated Green Bond Committee, consisting of representatives from departments including Funding & Capital, Group Finance & Investments, Regulation and External Relations & Responsibility, as well as the relevant member of the executive board. The Committee will review mortgages to ensure they qualify as eligible assets, on at least a quarterly basis.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Nykredit's Capital & Funding Department will be charged with maintaining a registry of eligible assets, and matching the cash flow of the green bonds with those of the funded mortgages. Based on the use of a formal registry, as well as the disclosure of how unallocated funds will be managed, Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☐ Allocation to a portfolio of disbursements |
| ☐ Disclosure of portfolio balance of unallocated proceeds | ☐ Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

Nykredit has committed to reporting on both allocation and impact on an annual basis for the life of the green bonds, to be made available on the Issuer's website. Based on the commitment to annual reporting, including quantitative performance metrics, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| ☒ Allocated amounts | ☐ Green Bond financed share of total investment |
| ☐ Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☐ Decrease in water use | ☐ Other ESG indicators (<i>please specify</i>): |

Means of Disclosure

- | | |
|--|---|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☒ Other (<i>please specify</i>): On Issuer Investor Relations website |

- ☒ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Limited assurance report of the allocation of the Green Bond proceeds to eligible green mortgages

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

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

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.
- v.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

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