



Nykredit

Nykredit
Group

We believe in
people and
businesses all
over Denmark

Corporate Responsibility Report 2018

Nykredit

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This report forms the Nykredit Group's:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Report on corporate responsibility, see section 135 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
3. 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, and Nykredit's GRI Index is included at the end of the report.

Foreword by Michael Rasmussen, Group Chief Executive

Dear reader

For the entire Danish financial sector, 2018 served as a reminder of the importance of operating a responsible and resilient business that adds value to society. Naturally, this also holds true for a modern customer-owned company like Nykredit.

This report gives a detailed account of our corporate responsibility performance in 2018. Here, three main themes will characterise Nykredit's future work in the area. Naturally embedded in our core business, the first two main themes are about mutual value creation between customers, the communities and Nykredit, and the third main theme is about Nykredit's business integrity and the avoidance of negative impacts on society.

We believe in people and businesses all over Denmark

The first main theme builds on an ambition to contribute to a coherent Danish society and a stable Danish economy. As the largest lender in Denmark, we are particularly committed to ensuring that our lending activities benefit society as a whole. And therefore, Nykredit's overarching objective is to offer affordable and secure loans in urban and rural districts alike – at all times. In meeting this aim, we strive to contribute to the development in all parts of Denmark – something that lies at the core of our corporate responsibility. And that is one of the reasons why I am very pleased that last year, our subsidiary Totalkredit grew its lending in 96 out of 98 Danish municipalities. I am also very pleased that our KundeKroner discount scheme means that our personal

customers today enjoy the lowest administration margin payments in four years and the lowest administration margin payments in the market on the most popular loan types.

We actively support sustainable development

The second main theme is about our contribution to sustainability. Climate changes pose a challenge that calls for action and collaboration between citizens, businesses and politicians. The transition is most effective if everyone concentrates their efforts on the areas in which they can make the largest positive impact. Nykredit must be a qualified partner to homeowners and businesses wishing to contribute to sustainable development. Therefore, in 2018, we laid down a number of ambitions aimed at strengthening our contribution to the green transition and promoting sustainable lending and investments. We will continue to engage in responsible and sustainable investments, and, in 2018, we obtained the Nordic Swan Ecolabel as the first investment fund under Danish management.

Responsible business conduct

Our adherence to responsible business conduct makes up the third main theme of our corporate responsibility commitment. The world must always have confidence in Nykredit, and I am strongly committed to building an organisation where everyone at all levels is able to navigate responsibly and is ready to openly discuss and act on dilemmas when and as the need arises. In 2018 we expanded the Group's risk management efforts to include the task of regularly addressing whether any conduct, propositions, products, advisory services or the

like exist in our organisation that we are unable to explain or defend. This is not a task with a clear beginning and a clear ending, but rather a corporate culture that we must support and follow up on through a structured approach.

Assuming corporate responsibility is a task that develops with the changing challenges faced by society, and a premise shared by all businesses. Nykredit's corporate responsibility is particularly embedded in our mission to provide affordable, secure loans across the country. This is a mission that extends across centuries and generations. Because we believe in people and businesses all over Denmark.



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.

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

As such, we have a special responsibility for operating our business in ways that create value to our customers and to society.

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.



NYKREDIT'S OWNERS



The investor consortium consists of PFA Pension (10.03%), PensionDanmark (2.40%), PKA (2.40%), AP Pension (1.63%) and MP Pension (0.44%). Please refer to the latest Financial Statements of Nykredit Realkredit A/S for a full Group chart.

Nykredit was founded by the customers and is predominantly owned by the customers. This has a significant bearing on our approach to conducting financial business. The fact that we are owned by the customers is particularly seen in two areas:

We have a nation-wide presence

We have made a pledge to be active and support growth in all of 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.

Maintaining active lending in all of Denmark is a matter of priority for Nykredit, and together with our Totalkredit partners, we provide 40% of all home loans. Nykredit provided 64% of all new home loans in areas outside the

large cities together with our 55 Totalkredit partners in 2018, and we recorded lending growth in 96 of the 98 municipalities in Denmark.

We share our progress

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 who had a Totalkredit loan at the end of 2018 enjoy the lowest administration margin payments in the market on the loan types most popular among Danish homeowners. Totalkredit customers also enjoyed the lowest average administration margin payments in four years.

Business customers with a Nykredit mortgage loan receive a similar discount (ErhvervsKroner). The ErhvervsKroner discount is awarded for every million Danish kroner borrowed up to DKK 20 million. Naturally, as commercial property prices are highest in the capital region, more customers in this region reach the limit of DKK 20 million. The implication of this is that more discounts are awarded to business customers outside the capital region.

Last, but not least, in 2018 we launched a new benefits programme, MineMål, also brought about thanks to Forenet Kredit's contribution to the Nykredit Group.

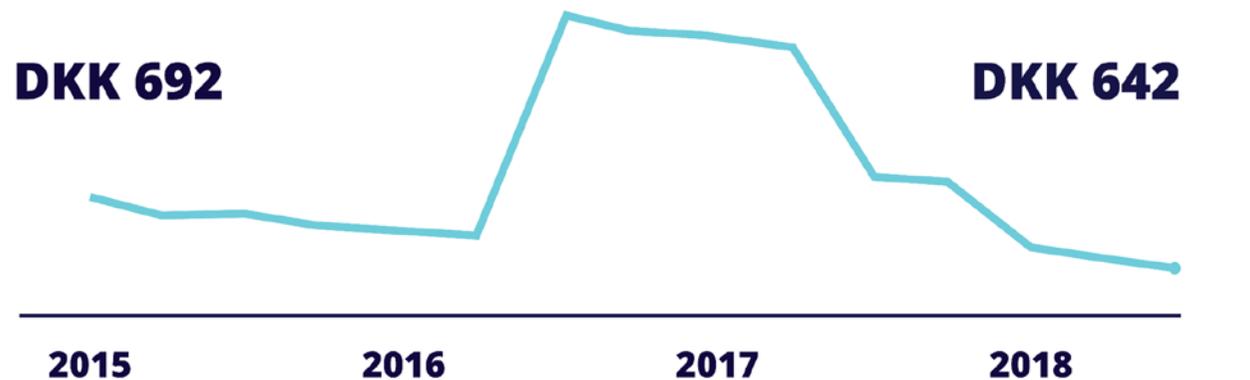
About Forenet Kredit

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

1. The world's best home loans
2. Mortgage lending – also in times of crisis
3. Loans to our children and grandchildren
4. Fair loans to all of Denmark
5. We share the profits.

Read more about Forenet Kredit at Forenetkredit.dk

Our customers' administration margin payments are decreasing



The KundeKroner benefits programme has reduced the borrowing costs for Totalkredit customers. Today Totalkredit customers make average monthly administration margin payments of DKK 642 for each DKK 1 million borrowed. At the beginning of 2015, this amount was DKK 692.

How we shared our progress in 2018

KundeKroner

All our personal customers with a Totalkredit mortgage loan are awarded discounts. In 2018 and 2019 our customers receive annual discounts of DKK 1,500 for every million Danish kroner borrowed.

In 2018 Totalkredit awarded KundeKroner discounts of DKK 956 million.

ErhvervsKroner

All our business customers with a Nykredit mortgage loan are awarded discounts. Until 2019 our business customers will receive annual discounts of DKK 1,500 for every million Danish kroner borrowed. Business customers with loans exceeding DKK 20 million will receive discounts on the first DKK 20 million.

Nykredit awarded discounts to its business customers the first time in Q3/2018 and awarded a total of DKK 143 million in 2018.

MineMål benefits programme

In 2018 Nykredit launched the homeowner benefits programme MineMål. All customers covered by the programme received a welcome discount of DKK 1,000 and a cash contribution of DKK 250 paid into their MineMål account in 2018. Once every three months – so far throughout 2019 – DKK 250 will be paid into the customers' MineMål accounts.

We are currently developing the benefits programme together with our customers.

Customer ownership means more value to more people.

DKK 2 billion returned to homeowners in 2018 and 2019.



Nykredit's business model

Key resources

CAPITAL

Our capital resources are a condition for our capacity to provide loans at all times.
Total capital ratio: 23.5%

STAFF

Our 3,382 staff members are a condition for our ability to operate our business and advise our customers.

TOTALKREDIT PARTNERS

Our collaboration with the 55 local and regional banks in the Totalkredit partnership is the foundation for our capacity to provide mortgage loans to homeowners and businesses all over Denmark.

Core activities

Our Totalkredit partners provide mortgage loans to homeowners and businesses.

DKK 566.6 billion in mortgage loans

We provide residential mortgage loans and offer banking services to personal customers.

DKK 173.2 billion in mortgage loans
DKK 12.3 billion in bank loans

We administer investment portfolios on behalf of institutional clients, such as pension and investment funds.

DKK 664.6 billion in assets under administration

We finance properties, operations and development in the agricultural sector.

DKK 89.6 billion in mortgage loans
DKK 2.6 billion in bank loans

Estate agents at Nybolig and Estate arrange sale and purchase of residential and commercial property.

We provide wealth management to personal and business customers.

DKK 210.6 billion in assets under management

We finance properties, operations and development of small and medium-sized businesses.

DKK 243.3 billion in mortgage loans
DKK 45.7 billion in bank loans

We provide financing for public and cooperative housing.

DKK 63.3 billion in mortgage loans for public housing
DKK 35.6 billion in mortgage loans to housing cooperatives

Value creation

DEVELOPMENT AND GROWTH THROUGHOUT DENMARK

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

Total mortgage loans: DKK 1,171.4 billion
Total bank loans: DKK 60.6 billion

PROFIT RETURNED TO OUR OWNERS

We distribute dividend to Forenet Kredit, the consortium of pension companies and the other owners of Nykredit.

WE SHARE OUR PROGRESS

Forenet Kredit can decide to make a contribution to the Nykredit Group, which Nykredit and Totalkredit may choose to pass on to the customers.

KundeKroner discounts in Totalkredit in 2018: DKK 956 billion
ErhvervsKroner discounts in Nykredit in 2018: DKK 143 billion

TAX

In 2017 Forenet Kredit was the fifth largest taxpayer in Denmark according to the Ministry of Taxation's open tax list. In 2017 Forenet Kredit paid DKK 1.8 billion in tax.

FINANCIAL STABILITY

Nykredit is a systemically important financial institution of huge importance to the Danish economy and the housing market.

Our core values are our foundation

Nykredit's core value statement, *The Story of Nykredit: Nykredit in Denmark*, describes the Group's historical foundation, which was laid more than 160 years ago, and defines our ambition, which reaches many decades ahead: We want to be homeowners' first choice and a pillar of strength in the Danish economy. Throughout Denmark – at all times.

We have therefore made six pledges to the communities, our customers, our Totalkredit partners, our staff, our owners and our bond investors.

Our strategy sets the course

Our Group strategy – Winning the Double – sets the course for our business development and aims to ensure a more customer-centric, profitable and efficient Nykredit. We want to make a difference to our personal and business customers and strengthen our collaboration with the Totalkredit partner banks in support of their endeavours to make a difference to their customers.

Our strategic focus on homeowners and the Totalkredit partnership also guides the way we prioritise our corporate responsibility efforts.

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



Pledge to our customers

We will help our customers stay on top of their finances and will provide them with opportunities and security. We want to share their dreams and worries and help them find the right solutions.



Pledge to our staff

We will prioritise development and opportunities for engaged and skilled people. We want to be known for our trusting culture guided by customer focus, team spirit and empowerment.



Pledge to our business partners

In collaboration with our Totalkredit partners, we want to make a difference to our customers by offering attractive products and effective solutions. We will actively develop the partnership to strengthen our combined competitiveness.



Pledge to our shareholders

As one of Denmark's largest financial institutions, we will strive to maintain a strong and stable share, delivering attractive risk-adjusted returns and dividends.



Pledge to communities

We will be active in all of Denmark and support growth – in urban and rural districts alike. At all times.



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



As one of Denmark's largest financial undertakings, Nykredit is committed to actively supporting long-term, stable and sustainable development of society. With this comes a responsibility to address the risk of any negative impact on society resulting from our business activities.

The framework of our corporate responsibility work is described in *Nykredit's corporate responsibility policy* (in Danish only). The policy covers the entire Group. It is updated annually and approved by the Board of Directors.



"We are committed to minimising any negative impacts of our business and to contributing positively to society by creating maximum shared value for our owners, our customers and society as a whole. We expect all members of staff to carry this commitment with them every single day."

Nykredit's Corporate Responsibility Policy

Nykredit's Group Executive Board makes up our Corporate Responsibility Committee. The Group Executive Board defines the priorities and goals that lie behind corporate responsibility initiatives, business procedures, products and processes.

Materiality analysis

In 2018 our corporate responsibility work pivoted around defining our key priorities and efforts. To provide a foundation for decision-making, we have – on the basis of the Global Reporting Initiative (GRI) – conducted a materiality analysis with focus on:

- **Society's goals.** The UN's 17 Sustainable Development Goals, the Paris Agreement and the EU's and Denmark's goals have provided the yardsticks for determining the main challenges that we can help overcome.
- **Nykredit's core business.** We have identified areas where, by way of our business activities, we can make the largest positive difference, and areas where we run the largest risk of exerting a negative impact.
- **Customer and stakeholder expectations.** We have conducted analyses of our customers' and our stakeholders' expectations of Nykredit's corporate responsibility.
- **The role of the financial sector.** The materiality analysis took as its basis the special role of the financial sector in the context of economic cohesion and sustainable development of society and in the fight against financial crime.

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 communities, 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 our societal risk management are described in more detail in the individual sections of this report.

Business risks include credit, market, liquidity and operational risks. If we fail to properly manage our business risks, it may have consequences for society. Credit risk, for example, includes the risk of losses on the loans we provide to personal and business customers. If we suffer very significant losses, they may have a negative bearing on our performance and resilience and inhibit our ability to offer loans to people and businesses all over Denmark.

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



The Sustainable Development Goals as our guide

Being a customer-owned financial institution, Nykredit is naturally inclined to assist in achieving the UN's 17 Sustainable Development Goals (SDGs) adopted by the world's leaders in 2015. 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 efforts¹. We have analysed the connection between Nykredit's business and the 17 SDGs and the risk of exerting a negative impact. Each of the 17 SDGs has been analysed based on an assessment of the impact on the overall goal as well as on their related targets and indicators. In the summary at the end of each section of the report, we define the SDGs and targets that Nykredit is particularly contributing to through its work.

¹ The SDG Compass – a tool developed by the UN Global Compact, the World Business Council for Sustainable Development and the GRI – has set the framework for our work with the SDGs in 2018.

Five prioritised SDGs

Using the analysis as our basis, we have picked the five SDGs most central to Nykredit's work. In Denmark, Nykredit can be a vital contributor in promoting economic growth and stability, in line with SDG No 8. We help achieve SDG No 11 via funding for development of sustainable cities and local communities. We can contribute to resolving the climate and energy challenges addressed in SDGs Nos 7 and 13 – through our operations and our business. Nykredit is a systemically important financial institution (SIFI), and our efforts in countering financial crime therefore play a vital role in achieving SDG No 16.

Through investments – on behalf of ourselves and of our customers – we can influence developments globally and in a wide range of areas. This is why we have focus on all SDGs when we invest. In 2018 we initiated a process of integrating the SDGs into our investment activities.

Integration to be continued in 2019

The UN has developed the SDGs as a political tool. Being a financial undertaking, Nykredit needs to translate the Global Goals, targets and indicators into a financial context. We will continue this process in 2019, and in the next year, we will re-evaluate the way we prioritise the SDGs, develop better indicators and calibrate measures across the organisation to bring them in line with the SDGs.



New corporate responsibility priorities

We have, based on our materiality analysis, framed three main themes for our corporate responsibility efforts. The themes are closely linked to our key business activities:

- We will support growth in all of Denmark – at all times.
- We will support sustainable development.
- Responsible business practices.

The main themes of *Growth in all of Denmark* and *Sustainable development* are being implemented through a string of prioritised efforts aimed at contributing to resolving main societal challenges while creating value for our customers and opportunities for our business.

The main theme of *Responsible business practices* embraces key areas where we are responsible for taking action and areas where we risk having a negative impact on society.

The main themes, which are illustrated overleaf, guide our corporate responsibility efforts and are core elements of Nykredit's overall strategic development.

Main themes and prioritised efforts

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



Development and growth throughout Denmark

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



Balanced cities and viable villages

In partnership with the Nykredit Foundation, we will support projects run by local communities that benefit balanced cities and viable villages.

NYKREDIT WILL ACTIVELY SUPPORT SUSTAINABLE DEVELOPMENT



Sustainable housing

We will contribute to reducing energy consumption in buildings by developing products that incentivise more homeowners to invest in healthy, intelligent and energy-efficient homes.



Sustainable financing

Nykredit will increase the amount of green assets in our loan portfolios year by year.



Sustainable investments

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

RESPONSIBLE BUSINESS PRACTICES

Responsible business practices

- Responsible advice to customers
- Responsible products and services
- Anti-corruption

Combating financial crime and corruption

- Combating money laundering and terrorist financing
- Combating tax evasion

Data security

- Secure handling of customer data
- IT security

Energy, climate and environmental at Nykredit

- Reduction of energy consumption and CO₂ emission
- Waste reduction

Responsible procurement

- Avoid human rights violations and corruption in the supply chain

Staff

- Skills training
- Working environment
- Diversity and equal opportunity



As market leader in its field, Nykredit has a special responsibility to be present coast to coast. 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 an opportunity to own their own homes and Danish businesses the means to finance development."

Nina Smith, Chairman of Forenet Kredit

We believe in people and businesses all over Denmark

Nykredit has a special task. We want to be active in all of Denmark and support 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 in the area of mortgage lending.

The Totalkredit partnership with 55 Danish banks allows banks, small or large, to offer their customers affordable and secure mortgage loans. Nykredit, together with its 55 Totalkredit partners, experienced lending growth in 96

out of 98 municipalities in 2018, which means that lending grew in almost all areas of Denmark. We are continually launching Group-wide initiatives aimed to support home ownership and growth throughout Denmark. The Totalkredit partnership was strengthened in 2018 with the introduction of a shared property valuation set-up. The set-up is locally integrated across Denmark and is available to all banks in the partnership. This way we ensure that all our partner banks can call on the best experts when providing property valuation and advisory services to their customers.



Main risks

The risk of losses on the loans we provide to personal and business customers, for example, is also one of Nykredit’s main societal risks. If we suffer significant total losses, they could have a negative bearing on our performance and resilience, limiting the Group’s capacity to offer loans to people and businesses all over Denmark – also in times of economic fluctuation. We also risk becoming too prudent in the sense that we put unnecessary restrictions on lending. Therefore, striking the right balance between active lending and solid capital and credit policies is a central aspect of our corporate commitment.

Lending growth throughout Denmark



Loans all across the country. Nykredit, together with its 55 Totalkredit partners, increased its lending to Danish homeowners in 96 out of 98 municipalities in 2018.



Lending at all times

Nykredit's overall 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 having a risk management framework that ensures agreement between risk profile, risk appetite and having 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 concentration and exposures as well as continuous controls.

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

Lending at all times

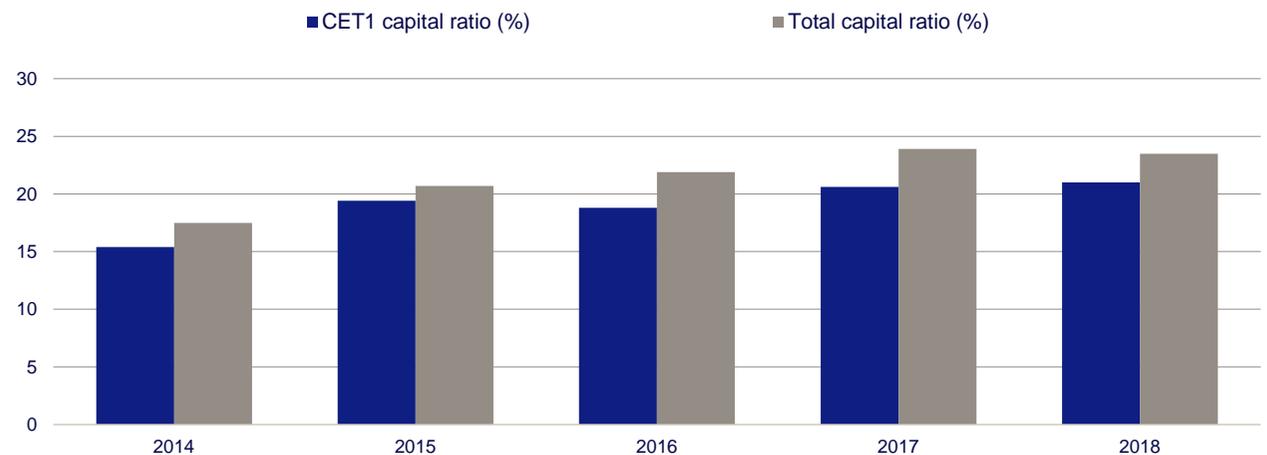
A professional credit assessment of all customers is essential to our efforts to provide loans to people and businesses all over Denmark. And for several reasons. We share a responsibility for ensuring that our customers do not borrow more money than their budgets allow. Moreover, we are under an obligation to make sure that we do not provide loans that carry too much risk, seeing as all of our portfolio of customers will end up footing the bill if we suffer a loss. And as a systemically important financial institution (SIFI), Nykredit has a huge responsibility towards our customers and towards Denmark for operating a steady business.

Sound credit assessment practices and a solid capital position also lay the foundation for our capacity to provide loans at all times. During the most recent crisis,

which began in 2008, Nykredit issued new loans in all parts of Denmark. We had the capacity necessary to support the Danish economy. And we want to retain that capacity if another crisis strikes. To this end, we are committed to ensuring a solid capital position and strong risk and credit management at all times.

In 2018 Nykredit participated in the EU-wide stress test, published by the European Banking Authority (EBA) on 2 November 2018. In the EBA's stress scenario, Nykredit's Common Equity Tier 1 (CET1) capital ratio decreases from 20.5% to 15.6%. The decrease falls within the limits defined in Nykredit's capital policy. The stress test thus reflects Nykredit's resilience to a severe downturn in the Danish economy.

Development in CET1 capital and own funds



The Group has CET1 capital of DKK 72.4 billion, equal to a CET1 capital ratio of 21% of the total risk exposure amount (REA), and total own funds of DKK 80.9 billion, equal to a capital ratio of 23.5%. The high level bears evidence of favourable economic trends and satisfactory results in recent years. The level is deemed to adequately cover the Group's capital need – also after the implementation of the forthcoming Basel requirements.

Nykredit’s pledge to communities also signifies our readiness and willingness to enter into dialogue and look into own practices when certain customer groups face difficulties obtaining a loan. In 2018 we continued to focus on the development in rural districts, senior borrowers’ loan options and challenges in the agricultural sector.

An extra mile for the rural districts

While several villages and rural districts are undergoing a positive development, many others are facing challenges. The rural population is shrinking, villages are losing some of their vital institutions, such as schools and grocers, and citizens and businesses alike are migrating to the cities. As a result, the housing market in rural districts is often marked by insecurity as to marketability and pricing and an oversupply of properties for sale. Consequently, it may be difficult to sell a property and difficult to obtain a loan for your dream home in the rural districts.

However, these challenges do not deter Nykredit from providing loans in rural districts. Through the Totalkredit partnership, Nykredit accounted for 64% of all new lending in areas outside the large cities in 2018.

Alongside our lending practices, we strive to be an active voice in the public debate on rural districts. For example,

in 2018, Nykredit was a member of a committee under the auspices of the Joint Council of Rural Areas together with a number of major trade associations to address future growth conditions in rural districts.

Nykredit’s majority owner, Forenet Kredit, engaged in finding a solution to the challenge of obtaining a home loan in rural districts. Forenet Kredit has contributed DKK 1.56 million to an independent research project at the University of Southern Denmark. Under the project, researchers at the Danish Centre for Rural Research (CLF) will be tasked with mapping and offering solutions to the problems. Nykredit is monitoring the work closely so that we and our owners can stand together in learning how we can contribute to creating sustainable property financing in rural districts.

Improving the dialogue on senior customers’ finances

Danish mortgage loans are characterised by a high level of security combined with minimal losses. Mortgage loans allow a huge number of Danes in different life phases and circumstances to own their own home. Nykredit’s total mortgage lending to customers aged 65 and over amounts to DKK 101.9 billion, and the share of senior customers is expected to increase in future years. Central voices in the public debate have, however, raised

the issue of some senior customers experiencing specific problems of obtaining a loan. In the light of that, in 2018 we talked to a Danish membership organisation for elderly people, the DaneAge Association, and the Danish Consumer Council, among others, about senior customers and their financial circumstances. And, further to these talks, we have analysed our credit policy and advisory services.

Nykredit’s credit policy does not contain any criteria that trigger off any direct or indirect age discrimination. However, we see how some senior customers face the challenge of obtaining loans when retirement is not an integral part of their financial planning. Therefore, as to the loan options of senior customers, it is essential that their income and wealth are taken into consideration and projected forward on loan establishment and financial planning in general.

To this end, Nykredit Bank will introduce a range of new advisory tools in 2019, based on the analyses. Thanks to these new initiatives, we hope that our customers, as they get older, will be better equipped to assess and plan their future finances together with their advisers.

Table 1: Selected key figures for development throughout Denmark

Area	Indicator	2016	2017	2018
Lending throughout Denmark	Lending growth in municipalities, Totalkredit	88 out of 98	94 out of 98	96 out of 98
Lending to businesses throughout Denmark	Mortgage loans to the agricultural sector (DKK billion)	93	91	89.5
Lending to homeowners in different life phases	Mortgage loans to customers aged 65 and over (DKK billion)	93.8	98.3	101.9
	New loans to customers aged 65 and over (DKK billion)	11.9	11.5	10.7

Based on a number of key figures, we can track how we are contributing to enhancing development in all of Denmark. See the overview on page 57 for more key figures for the development in all of Denmark.

A helping hand to the drought-stricken agricultural sector

Having issued loans worth around DKK 90 billion, Nykredit is the largest lender to the Danish agricultural sector, and we see it as part of our pledge to communities to further development and growth in the agricultural sector at all times.

In 2018 the agricultural sector faced the driest summer for many years. The drought has led to financial challenges for large parts of the sector, and Nykredit has been in contact with many of our agricultural customers to find a solution to the challenge. As a guiding principle, we are ready to go to great lengths to find a lasting solution where this is financially feasible and responsible. As responsible lenders we cannot guarantee that individual farmers will never again be charged a higher administration margin. We can, however, seek to keep a

steady hand when responding to a given situation. Accordingly, we approached the extraordinary summer with the declared intent of ensuring that no farmers were to experience increasing administration margins solely because of a drought-related challenge.



The Nykredit Foundation supports local communities across Denmark

A new square in front of the multi-purpose venue K.B. Hallen in Copenhagen, two artificial grass pitches in Eastern Jutland and a new heat pump for the village hall in Bringstrup. The Nykredit Foundation closed 2018 by distributing DKK 1.3 million to 18 projects throughout Denmark.

"We believe in local communities and in local commitment. That is what it takes to make the kind of places where people enjoy living. Commitment as a driver of creating something bigger to the benefit of all members of the local community is the ever recurring theme in the projects that we, the people behind the Nykredit Foundation, have chosen to support," says Nina Smith, Chairman of the Nykredit Foundation and Forenet Kredit.

Nykredit's five regions are collaborating with the Nykredit Foundation in seeking out local associations and communities and encouraging them to apply for the Foundation's funds. This way Nykredit's staff can apply their insights into local needs when contributing to the local communities of which Nykredit is a part.

"The project also underpins Nykredit's pledge of being active in all of Denmark and support growth – in urban and rural districts alike. And there is no doubt that every single krone distributed by the Nykredit Foundation will be put to good use," says Anders Jensen, Group Managing Director, Nykredit.

2019 will see continued development of the partnership with the Nykredit Foundation aimed to support local communities that benefit balanced cities and viable villages.



CASE: Campus Bornholm

High-quality education and more workplaces

A campus for young people and others in education. This was the overarching vision behind the construction work initiated in 2016. The work was finished in June 2018 when Campus Bornholm was opened to students. Nykredit helped turn the vision into reality by providing access to funds.

“At Nykredit, we feel a special responsibility for providing loans throughout Denmark, thereby contributing to life and developments in urban and rural areas, and being financial partner to Campus Bornholm really means a lot to us. A strong, unifying educational institution is a huge win for the island. Our young people can now get high-

”

When we venture into projects like this one, we must of course be certain that the project is a viable business case for us. It was in this case, and we look forward to following the campus and not least all the young people who leave the campus with a diploma.”

Benjamin Schou, Head of Customer Centre, Rønne

quality education here on Bornholm, and they no longer have to leave the island to receive an education,” says Benjamin Schou, Head of Nykredit’s Customer Centre, Rønne.

Above all, the new Campus Bornholm is a huge gain for everyone wanting to receive an education; however, being the first large construction project on Bornholm for several decades, Campus Bornholm also brought some positive side effects.

“First and foremost, Campus Bornholm will help maintain and develop educational opportunities on Bornholm, but much to our delight, we also witnessed how Campus Bornholm was realised using mainly local labour, which again led to the creation of a great many workplaces for a period of time,” says Benjamin Schou.



We believe in people and businesses all over Denmark – in brief



Value to society

Banks that are able and willing to provide loans to people and businesses all over Denmark are essential for the Danish society. Giving the Danes access to affordable and secure loans lies at the core of our corporate responsibility.



Value to Nykredit

A cohesive Denmark provides the foundation for Nykredit's business. It is in Nykredit's interest that we contribute actively to creating a stable Danish economy with development in all parts of the country.



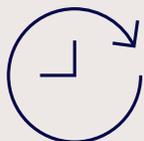
Nykredit's ambitions

We want to provide access to affordable and secure loans for people and businesses all over Denmark. At all times. In addition, knowing that a healthy economic climate rests on strong financial institutions, we want to extend loans in a responsible manner at all times.



Activities and achievements in 2018

- 64% of loans granted to homeowners in areas outside the large cities
- Lending growth in 96 out of 98 municipalities
- Strengthened the Totalkredit partnership through Shared Valuation
- Bolstered Nykredit's capital position
- Focus on access to loans in rural districts, to senior customers and to the agricultural sector

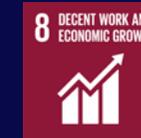


Initiatives in 2019

- Continued focus on ensuring that Nykredit can be active in all of Denmark and support growth – in urban and rural districts alike
- Continued focus on districts and customer segments faced with difficult access to loans
- Development of the partnership with the Nykredit Foundation aimed to support projects that promote balanced cities and viable villages.

UN Sustainable Development Goals

Nykredit's work is in particular contributing to achieving the SDGs and related targets set out below.



8.1 Sustain annual per capita economic growth.

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized businesses, including through access to financial services.

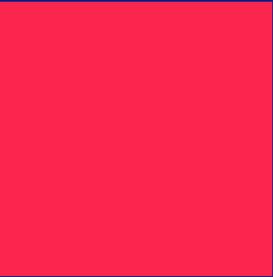
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces.

11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.





Climate changes pose a challenge that calls for action and collaboration between citizens, businesses and politicians. Nykredit is not in a position to tackle the challenges on its own. Our main task is to be a good partner to homeowners and businesses wishing to contribute to sustainable development."

Anders Jensen, Group Managing Director, Retail

We will actively support sustainable development

Global warming and climate changes represent one of the main challenges for society, and the financial sector plays an essential role in the transition towards a more sustainable economy.

As Denmark's largest lender and with extensive investment activities, we are in a position to support society's sustainability transition goals. We therefore aim to help:

- fulfil Denmark's and the EU's target of reducing greenhouse gas emissions and moving towards a low-emission society, independent of fossil fuels.
- meet global temperature increase targets set by the Paris Agreement.
- fulfil the UN Sustainable Development Goals.

Focus on the core business

Nykredit facilitates funding of and investment in many types of property and business, each affecting the climate in different ways and at different scales. For example, together with our Totalkredit partners we provide more than 40% of all home loans. And we invest more than DKK 211 billion on behalf of our customers. With that in mind, we can make the biggest difference if we focus on how we, together with our customers, can contribute positively to the green transition.

We have concentrated our work in three areas of Nykredit's core business:

- Sustainable housing
- Sustainable financing
- Responsible investment

In addition to these three areas, we aim to reduce Nykredit's own climate and environmental footprint as much as possible. To this end, we have set ambitious targets to reduce our own energy consumption, carbon footprint and amount of waste.

Main risks

Nykredit invests in and provides lending for a wide range of properties and businesses. Climate changes entail a risk that our assets may lose value because of extreme weather conditions or because the transition to a sustainable society affects the market – in the form of new regulation and otherwise. There is also the risk that our financing and investment activities have an indirect negative impact on the climate and the environment.



More sustainable financing

Nykredit will increase the amount of green assets in our portfolios year by year. This target guides our work and ensures that Nykredit contributes increased funding of sustainable activities at all times.

As a first and crucial step, we have begun to map the climate impact of activities for which we provide loans. Based on our mapping, Nykredit can target its efforts and at the same time ensure more effective sustainability investments.

This is a complicated task since Nykredit provides lending to many different sectors in which it is difficult to determine the environmental impact. Since home financing makes up the bulk of our lending, we have started by focusing our mapping on the sustainability of the around 500,000 properties mortgaged through Nykredit in Denmark.

In 2019 we will continue our work of mapping the climate impact of our lending. In parallel with that, we are closely monitoring the drafting of new reporting requirements and standards by the EU and the Task Force on Climate-related Financial Disclosures to get a good overview of sustainable financing volumes.

Housing holds the largest climate potential

In an analysis², the Danish Council on Climate Change points out that energy renovation in buildings is the one initiative that can bring the largest contribution to the green transition at the lowest costs for society up until 2050. Approx 90% of our buildings will still exist in 2050,

² "Status for Danmarks klimamålsætninger og -forpligtelser 2018" at <https://www.klimaraadet.dk/da/nyheder/analyse-status-danmarks-klimamaalsætninger-og-forpligtelser-2018>

and many of them call for energy renovation if Denmark is to reach its climate targets.

Aside from climate effects, energy renovation may increase the value of homes mortgaged through Nykredit and may ensure lower energy bills and improved housing quality for the individual homeowners.

Sustainability assessment of all products

Going forward, all Nykredit products – ranging from banking and mortgage products to investment products – will be assessed for economic, social and environmental/climate sustainability. This way we aim to ensure that we fulfil our pledge to communities and support sustainable development.

The assessment will be made as part of the overall review by Nykredit's Products Committee, which approves all new products and evaluates existing products on an annual basis. Specifically, the report submitted to the Products Committee for review will from now on contain a section with assessment of the sustainability of the product in question.

The framework for assessment will be defined and implemented in the Products Committee's working procedures in 2019.

Nykredit's lending for energy-efficient housing

High building standards in Denmark help ensure that homeowners build sustainable houses. For decades, Danish homeowners have also looked to invest in energy efficiency measures. All this has a bearing on Nykredit's residential lending activities.

Facts on energy-labelled homes mortgaged through Nykredit:

100%

of dwellings built after 2008 carry energy label A, B or C.

97%

of dwellings built after 1999 carry energy label A, B or C.

Approx 15%

of dwellings built before 1977 have, according to our assessment, likely been thoroughly improved for energy efficiency, given that they carry energy label A, B or C today.

Many of the most energy-efficient homes are located in rural districts, which Nykredit is particularly committed to supporting with lending at all times.

Financing of energy renovation

Nykredit provides financing for energy efficiency improvements and has for several years worked with sustainable value propositions aimed to help our customers get an overview of possibilities and financing available in the various phases of housing renovation. We offer our customers a Home Check-Up by an expert, who can make recommendations for energy efficiency optimisation, climate adjustments and maintenance. Nykredit Home Plan offers the customer a digital overview of home projects based on the recommendations made during the Home Check-Up. Last, but not least, customers can get quotations for home projects from a network of skilled builders via Nykredit Home Project Support.

We are moving in the right direction. For example, 20% of the homeowners in Nykredit with an energy-labelled home built before 1900 have improved energy efficiency to energy label A, B or C. This means that they have improved the energy efficiency of their homes by more than 25%.

A need for speedier renovation

Renovation of the housing stock is, however, not progressing fast enough, leaving a large untapped potential for energy savings. The causes are manifold. Low energy prices, long repayment periods, nuisance caused by renovation work, lack of knowledge of the options available etc are all barriers that may deter homeowners from choosing energy renovation.

In 2019 Nykredit will focus on developing products that incentivise homeowners to invest in healthy and energy-efficient homes. Among other things, we will look into ways in which we can further digitise and enhance the flexibility of our solutions, offering our customers the possibility to structure their renovation efforts to their

needs by, for instance, including or excluding the choice of an indoor climate test, a radon test, a mould analysis, heat source replacement, insulation etc. We also aim to introduce new value propositions, such as assistance regarding client consultancy, to make renovation an easy choice for our customers.

The new solutions will help us achieve our ambition of supporting the green transition together with our customers.

Facts on Home Check-Up

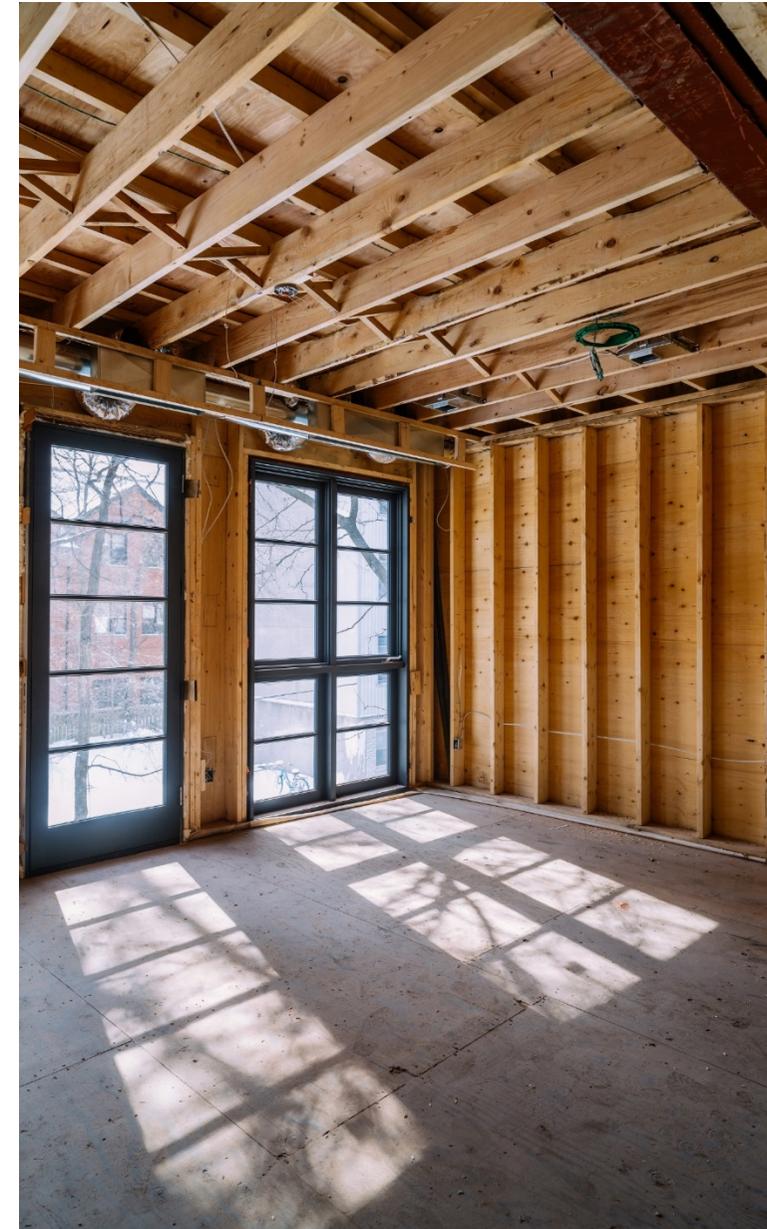
DKK 190,000

Average improvement costs

DKK 3,463

Average annual savings potential per homeowner

Home Check-Up – homeowners' overview of maintenance, energy efficiency improvements and climate adjustment of the home. Figures are for home check-ups carried out in 2018.



CASE: Smart technology to guide the way to renovation

Under the auspices of the Hardtech Entrepreneurship Programme, Nykredit is collaborating with the Technical University of Denmark on a project that seeks to improve the quality of Danish homes with focus on incentivising homeowners to renovate.

“We want to make Danish homes future-proof with data from the Internet of Things devices to show, for instance, that renovation makes good sense, not only as a way to create a healthy indoor climate, but also financially,” says Philip Theut Stehr-Nielsen, Data Scientist at Nykredit Digital Innovation.

”

Nine in ten Danes do not monitor the air quality in their homes, and many do not know that better ventilation, new windows and other initiatives that improve the air quality pay off and that they can recoup the cost within a reasonable number of years.”

Claes Ronnenberg, student, Design & Innovation at the Technical University of Denmark and a member of the Hyve project group

A group of students at the Technical University of Denmark have now been entrusted with the task of developing a product called Hyve, an inexpensive and easy-to-use device for homeowners for air quality monitoring in rooms and for generation, via an app, of easily accessible data that have a strong bearing on the homeowner’s health and energy consumption.

In collaboration with the Technical University of Denmark, Nykredit seeks to identify the technical possibilities of such a set-up and how it may be put to use in the everyday lives of the customers.

The business concept is not yet in place, but the Hyve project group is applying a subscription model, under which customers may, against a monthly fee, monitor their indoor climate and receive notifications from the app that help ensure, for example, that rooms are sufficiently aired. If data received from the home show a need to further improve the air quality, a calculation may be made of the renovation cost and how fast the homeowner can recoup the cost in energy savings. This way, improved air quality can go hand in hand with money savings and reduced CO₂ emissions.



We will support sustainable development – in brief



Value to society

Limiting and adapting to climate changes require that businesses, too, contribute to actively supporting sustainable development.



Value to Nykredit

We are committed to actively supporting long-term, stable and sustainable development of society. Nykredit's value creation occurs in tandem with and because of a well-run society.



Nykredit's ambitions

We will contribute to fulfilling Denmark's and the EU's target of reducing greenhouse gas emissions and moving towards a low-emission society, independent of fossil fuels, and to meeting the targets for global temperature increases set out in the Paris Agreement. We will also contribute to achieving the SDGs.



Activities and achievements in 2018

- Mapped the sustainability of Nykredit's residential lending
- In future, Nykredit's products are to be assessed based on their economic, social and environmental sustainability



Initiatives in 2019

- Reporting on initiatives taken to increase the share of green assets mortgaged through Nykredit
- Development of Nykredit's housing value propositions with the aim of becoming homeowners' preferred partner in the area of energy efficiency improvement.

UN Sustainable Development Goals

Nykredit's work is in particular contributing to achieving the SDGs and related targets set out below.



7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

7.3 By 2030, double the global rate of improvement in energy efficiency.



11.3 By 2030, enhance inclusive and sustainable urbanisation.

11.6 By 2030, reduce the negative per capita environmental impact of cities.



13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Investments that make a difference

The world is facing major social and environmental challenges, and investments are key to improvement. This is the guiding principle of Nykredit’s work in the area of responsible investment.

We continuously focus on strengthening our processes to ensure that the companies we invest in adhere to international law and contribute to achieving the UN Sustainable Development Goals and the climate targets

of the Paris Agreement. And we strive to find new ways of making it easy for our customers to make investments that align with their ethical, climate and environmental values.

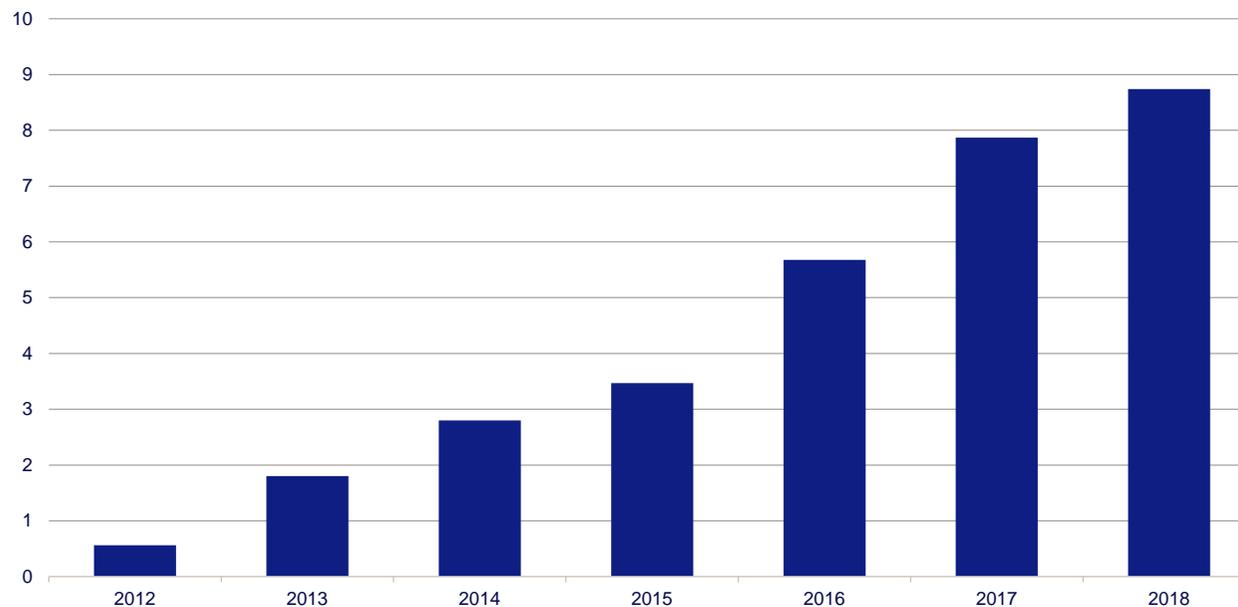
In 2018 Nykredit decided to give higher priority to developing solutions that help more customers to make sustainable investments.



Main risks

Nykredit and Nykredit’s customers have invested in more than 2,000 companies across the world. Consequently, there is a risk that we invest in companies that act in violation of human rights, obstruct the green transition or otherwise act in ways that do not promote sustainable development.

Sustainability assessments form an integral part of a growing number of equity investments (DKK bn)



Nykredit relies on sustainability analyses when conducting risk analyses of all our funds, in the active selection processes and in a string of equity funds. In 2018 funds that underwent sustainability assessments generated significantly higher returns compared with the market. The chart above illustrates the development in investments involving sustainability analyses.

Sustainability in the investment process

Nykredit invests DKK 211 billion on behalf of our customers and our own portfolio of DKK 100 billion. We apply sustainability analyses in our active asset management and for assessing the risk of all our portfolios. The sustainability analyses are a means to compare the individual company with relevant competitors using environmental, social and governance (ESG) factors. An increasing share of Nykredit’s investments in equities involves the use of sustainability analyses (see table).

Responsible investments in figures

DKK billion	2016	2017	2018
Nykredit's total investments, covered by the responsible investment policy	303	279	301
Number of companies subjected to quarterly screening	2,281	2,320	2,283
Companies with which Nykredit engages in dialogue because of breach of standards	17	21	22
Excluded companies	23	32	51
Participation in general meetings			
– No of general meetings	N/A	589	772
– Ratio of AUM where Nykredit participated in general meetings	N/A	58%	85%
– Votes cast against the Board of Directors, %	N/A	8.4%	8.1%

Data for participation in general meetings are not available for 2016.

Policies that guide the framework for our work:

- Responsible investment policy

Principles for responsible investment

- Nykredit's investment products are all in compliance with the recommendations set out by the UN-supported Principles for Responsible Investment (PRI).

Read more about our work with responsible investment [here](#)



Nykredit Invest is the first Danish fund to obtain the Nordic Swan Ecolabel

In 2018 Nykredit Invest Bæredygtige Aktier was the first fund under Danish management to obtain the Nordic Swan Ecolabel. Previously known as an environmental certification programme for consumer products, the Nordic Swan Ecolabel has introduced a certification for investment funds, awarded based on 25 different criteria, such as exclusion and inclusion of companies, transparency and influencing companies to move in a more sustainable direction.

The certification is an important step towards offering Nykredit's customers an extended range of sustainable solutions.

"We know that a large group among our customers would like to know how they can contribute positively to the climate. That is why we are very pleased to offer our customers a Swan Ecolabelled investment fund," says Søren Larsen, Head of ESG, Nykredit Invest.

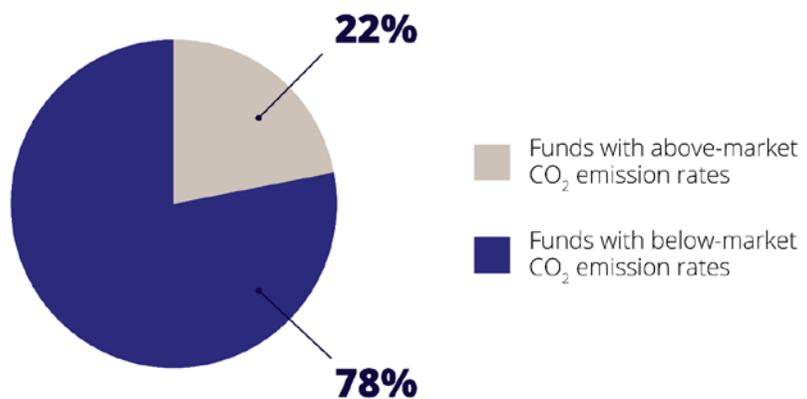
We regularly benchmark our funds against the market to assess their performance on their overall ESG rating and their climate footprint. This information is used to optimise processes of own and external managers. One of the benchmarks is the companies' and thereby the funds' carbon footprint. 78% of our funds outperform the market in terms of carbon footprint.

This is the outcome of a firm strategy of regularly updating our process and developing new products that apply the most recent sustainability analysis methods.

Improved information on companies' climate efforts

Nykredit's sustainable investment activities depend on reliable and sufficient information about the companies we invest in. Nykredit encourages companies to prepare their reporting in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This applies to the way that the climate is integrated in the strategy, governance and risk management of the individual company, among other things. Improved information on how the company approaches climate challenges will help facilitate climate-friendly investments – for Nykredit and for our customers. Nykredit Asset Management decided to adopt the TCFD's recommendations in 2018 and will start implementing them in 2019.

In addition, through the Climate Action 100+ network, Nykredit will, jointly with pension funds and other institutional investors, seek to get the world's largest CO₂ emitters to contribute to the green transition.



Persistence and dialogue can make a difference

Nykredit requires that the companies we invest in adhere to 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. 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 the year, we were in dialogue with 22 companies of this kind.

One of the companies we are in dialogue with is Facebook, which has violated the right to privacy for millions of people, and the pharmaceutical company Novartis, which has engaged in corrupt business practices in all its major markets. Our efforts often bear

fruit, and together with other investors, we are successful in influencing the relevant companies to rectify their behaviour. However, this is not always the case. If a company does not improve its conduct, we will exclude it from our investments. Currently, 51 companies are on our exclusion list. In 2018 a number of producers of coal and oil extracted from tar sands were added to the list for lack of plans to bring their activities in line with the Paris Agreement.

Active ownership

Nykredit is in regular contact with the companies in which we make active investments for the purpose of following their development closely. If there is cause for concern, Nykredit will share it with the company. Our active ownership builds on our ability to take care of our customers' investments at all times. In addition,

supporting due diligence practices in the companies is a corporate responsibility.

As part of our ongoing dialogue, we vote at general meetings in the companies we invest in. Nykredit participated in more than 770 general meetings in 2018. Nykredit voted against management recommendations on 8.1% of the almost 10,000 agenda items. In almost half of the cases, this was owing to the composition of a board of directors, with a candidate 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.



Engagement in mining company brings results

In 2018 Nykredit continued its engagement with BHP Billiton brought about by the dam collapse in their Brazilian mine, which killed 19 people, destroyed 700 homes and left extensive contamination. Together with several other investors, Nykredit argued that the company should remedy the damage. The company has undertaken to find the cause of the collapse, make sure it will never be repeated and to remedy the damage. After being greenlighted by the Brazilian authorities, the reconstruction of the villages was finally commenced in the autumn. The work has not been finished yet, but our conclusion is that the company wants to live up to its responsibility.

CASE: Ship recycling transparency

The ship breaking industry is characterised by a lack of transparency and social and environmental problems. Large container ships are built in one location, sail around the world and are usually recycled in a location different from the original shipyard. Often, the ships sail under several different owners and operators during their lifetime, and the lack of global regulation of the area means that ships are recycled under varying circumstances.

The Ship Recycling Transparency Initiative

In response to this, Nykredit, together with Mærsk and a number of other investors, carriers and shipowners, established the Ship Recycling Transparency Initiative (SRTI) in March 2018. SRTI targets to promote a voluntary market-driven approach to socially and environmentally responsible ship recycling practices.

”

It is our hope that the SRTI platform will serve as a one-stop shop for ship recycling information and be used by financial investors and customers to make informed shipping decisions.”

John Kornerup Bang, Head of Sustainability Strategy, Mærsk

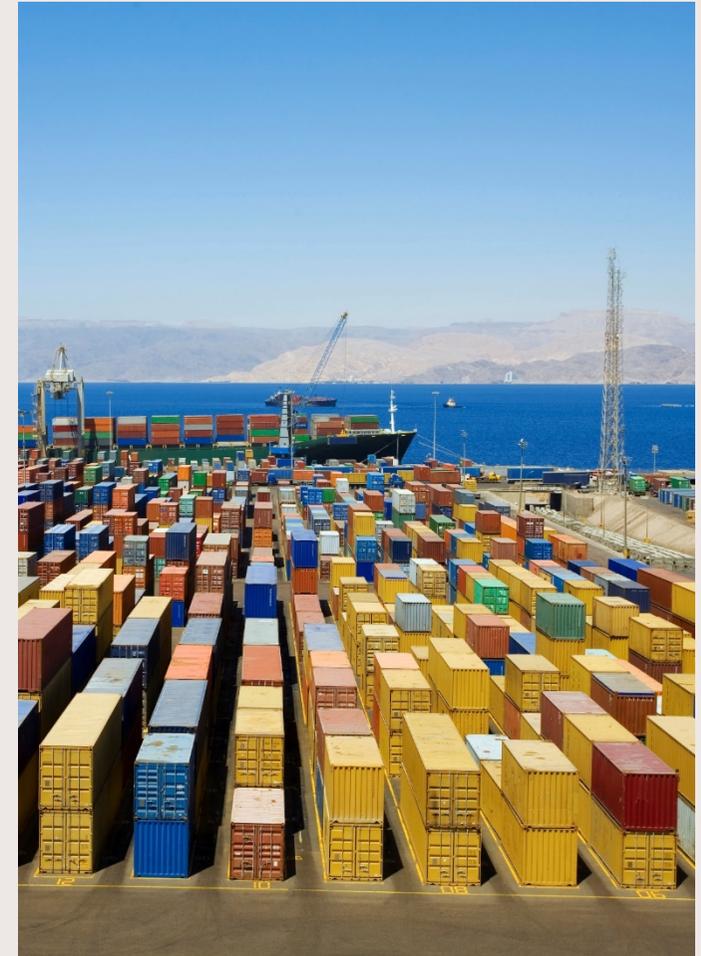
”The problems in the sector are obvious, but as responsible investors, we lacked tools to handle them and to make informed decisions. Against this backdrop, Nykredit immediately gave its support when Mærsk presented the idea of creating more transparency in the sector,” says Søren Larsen, Head of ESG at Nykredit.

Transparency creates investor value

SRTI launched an Internet-based platform on 10 December, allowing investors and carriers to request detailed information from shipowners and shipowners to share their information with a wide circle of stakeholders. This is subject to a number of criteria, such as criteria for disclosure of recycling policies and practices.

Increased transparency creates significant value for investors such as Nykredit.

”As investors we look forward to being able to use the information to gain a better insight into our investments and to improve our dialogue with shipowners. In 2019, we look forward to spreading the message about this new opportunity of promoting responsible recycling,” says Søren Larsen.



Investments that make a difference – in brief



Value to society

The world is facing major social and environmental challenges, and investments can make a difference. By investing in the right companies and sectors and by staying away from investments in companies that engage in irresponsible conduct, investments can support sustainable global development.



Value to Nykredit

Typically, companies that contribute to sustainable development and have decent labour conditions also make good business partners and investment opportunities – for us and for our customers.



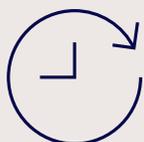
Nykredit's ambitions

In Nykredit's investment universe, we always strive to make a positive contribution to the world that surrounds us all. Both when we invest our customers' money and our own. By offering knowledge to our customers, we empower them to use their investments to make a difference – while getting a good return.



Activities and achievements in 2018

- Sustainability analyses involving more than 6,500 companies
- Better integration of sustainability in the investment process
- Exercised active ownership and added more companies to the exclusion list
- Nykredit Invest Bæredygtige Aktier was the first fund under Danish management to obtain the Nordic Swan Ecolabel
- Co-founder of the Ship Recycling Transparency Initiative



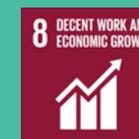
Initiatives in 2019

- Continued upgrading of processes and products that use the latest sustainability assessment methods
- Development of product offering and communication that make sustainable investment easier for our customers
- Integration of the SDGs in the context of investment processes.

UN Sustainable Development Goals

When it comes to investing, Nykredit works with the impact on all 17 SDGs.

The five SDGs to which Nykredit generally contributes the most appear below:





We must demonstrate every day that we make responsible decisions that take into account the long-term consequences for our customers and for society. I am strongly committed to building an organisation where everyone at all levels is able to offer our customers responsible advice, navigate fast and correctly under current legislation and contribute to combating financial crime."

Michael Rasmussen, Group Chief Executive

Responsible business conduct

As a financial undertaking, Nykredit has a great responsibility for offering advice, products and services that are responsible in a societal context and relative to the personal finances of the individual customer. This calls for thorough risk management practices and a healthy and open corporate culture.

Expanded risk management

Nykredit has long-established and structured risk practices in place, aimed at identifying and managing the risks associated with operating a financial undertaking and ensuring that all parts of the business act in a responsible, diligent and sustainable manner.

Nykredit's policy for operational risk sets the framework for handling of operational risks, including the risk of loss resulting from inadequate or failed internal processes, human or system errors and legal risks. The policy describes how to report and handle risks and the responsibilities assigned to different management levels.

At the end of 2018 these risk management efforts were expanded to include the task of regularly addressing whether any conduct, propositions, products, advisory services or similar exist in the organisation that we are unable to explain or defend. These expanded risk management efforts are referred to as *conduct management*, and in line with current practice, identified risks are discussed at the relevant management level and followed up by product changes or changes in conduct.

By applying a more structured focus on conduct, the Group wants to support a culture in which Nykredit's staff and management are able to openly discuss dilemmas and act on them. This culture is also supported through management training.

Last, but not least, Nykredit's Code of Conduct, in combination with a number of Nykredit's other policies, sets the framework for proper staff behaviour. In 2019 we will strengthen the effort of training new staff members to live up to Nykredit's behavioural standards.

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 any concern about potential irregularities, including violations or potential violations of the law.

Responsible lending

Loans provided by Nykredit are based on the customer's creditworthiness. We examine the 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 so in order not to grant loans that imply too much risk, as the business at large – and thereby the customers – will have to foot the bill if we suffer losses.

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.



Main risks:

Nykredit's advisory services, lending and products have significance on our customers' financial position and on the national 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 undertaking, Nykredit is governed by, and will at all times abide by, existing 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 meet society's and our customers' expectations of us. This may lead to breach of trust in Nykredit's business.

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 management 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, and be developed with a long-term perspective and – as something new – assessed in terms of economic, social and environmental/climate sustainability by Nykredit's Products Committee.



– Naturally, we want to remedy errors if and when they occur. Our customers allow us to do just that when they file a complaint.

Just below 20% of enquiries directed to the Customer Ambassador in 2018 resulted in specific initiatives or changes to Nykredit's approach or practices. So it actually pays to complain."

Pernille Hirshals, Customer Ambassador

Sustainability assessment of the Group's entire product portfolio was adopted in 2018 and will, going forward, be made as part of an overall review by Nykredit's Products Committee, when the committee approves new products and evaluates existing products on an annual basis.

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 or address. Nykredit BoligBank operates with three customer propositions, and within each proposition, the prices of bank or home financing products are the same for all.

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.

The Customer Ambassador – customers' guarantee of fair treatment

Nykredit has had a Customer Ambassador since 2007. The Customer Ambassador's role is to ensure that customers are heard and that a customer's complaint is dealt with fairly if – contrary to expectations – a case has reached a deadlock. The Customer Ambassador sees to it that all members of Nykredit's staff treat a dissatisfied customer in the same professional manner, no matter who receives the customer's complaint.

This work is governed by Nykredit's complaints handling policy "FAIR treatment of dissatisfied customers", the purpose of which is to find a reasonable solution for the customer. The policy is implemented through business procedures, which include a specification of response times, escalation levels etc for complaints. Twice a year,

complaints are reported to Nykredit's Group Executive Board, and Nykredit also publishes facts about complaints on its website.

In 2018, 180 customers filed a complaint, and half of them succeeded in full or in part in their complaints.

Anti-corruption

Nykredit has a zero tolerance policy with respect to corruption. We have adopted an anti-corruption policy in the Group, which sets the framework for Nykredit's anti-corruption work. 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.

Policies that guide our work:

- Operational risk policy
- Credit policy
- Policy covering products in the Nykredit Group
- Code of conduct
- Tax policy
- Complaints handling policy
- Anti-corruption policy

Ramping up the fight against financial crime

Money laundering, terrorist financing, tax evasion and other types of financial crime are extremely harmful at both the national and international level. A central element of our responsibility is therefore to prevent and counter any misuse of the Nykredit Group for financial crime purposes.

A number of cases in 2018 have emphasised that financial crime remains a huge challenge to the financial sector, and equipping our organisation to tackle this challenge is a task that we take very seriously.

Strengthening the framework and collaborating across the sector

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. In 2018 we adjusted our risk scoring model, our management reporting and our internal controls. We incorporate new legislation and monitor trends in areas such as laundering of funds from criminal activities or terrorist

financing. We are also preventing financial crime through cross-sectoral collaboration and active collaboration with the authorities, for instance by participating in the preparation of the anti-money laundering guidelines of the Danish FSA.

Our staff are key to prevention

Nykredit's staff play a vital role in fighting financial crime. We focus daily on preventing financial crime and report suspicious customer behaviour and suspicious transactions to the State Prosecutor for Serious Economic and International Crime. In 2018 we doubled the number of cases reported to the State Prosecutor. This is only possible thanks to highly qualified staff resources and the strong vigilance exercised by management and staff alike.

Through Group-wide measures in 2018, we have ensured that our staff have sufficient knowledge of the requirements in the field of financial crime. This has been achieved through mandatory training and specialised training of all relevant staff in customer-facing entities, relevant staff functions and management. 96.7% of Nykredit's staff have completed and passed anti-money laundering certification and e-learning programmes.

These measures will continue in 2019 and contribute to reinforcing and maintaining a robust compliance culture where strong management combined with sufficient and qualified staff resources and adequate training programmes at all levels and all lines of defence exhibits and drives a Group-wide, risk-based approach to the prevention of financial crime.

Policies that guide our work:

- Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions
- The Group Executive Board's risk appetite policy and policy for customer consent for prevention of financial crime
- Whistleblower policy

Managing our efforts

The Group Executive Board has appointed a Group Managing Director to be in charge of implementing and ensuring management focus on measures to prevent financial crime throughout the Group. The Group Managing Director is also anti-money laundering officer at the executive level in Nykredit Realkredit A/S.

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.



Data security: We protect data

Customers' confidence in how companies treat and 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 Danes every year. We are therefore constantly seeking to create a strong and coherent data protection framework throughout the Group. Our efforts in 2018 focused especially on preparing for the new General Data Protection Regulation (GDPR), enhanced IT security and training of our staff.

In 2019 we aim to make the customer experience simpler and easier when we handle customer data. We will become even better at protecting personal data, for instance through even greater focus on controlling how our staff treat personal data. And we will maintain a high IT security level through ongoing monitoring, testing and evaluation.

Main risks:

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



Customer and staff data are only on loan

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. This is also the fundamental idea of the new General Data Protection Regulation (GDPR), which took effect on 25 May 2018. We therefore made a targeted effort in 2018 to offer customers a simple and easy way to exercise their rights, including the right of access to or erasure of their personal data.

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 2018. Naturally, we would have preferred avoiding these breaches, but we nonetheless see our collaboration with the Data Protection Agency as part of a positive development as it heightens the sense of security and safety regarding the protection of personal data.

Enhanced IT security

Nykredit has launched a raft of initiatives in recent years, which all contribute to ensuring a high level of information security. In 2018 we allocated more resources to IT security and conducted an IT risk assessment exercise, ensuring that IT security activities are prioritised according to risk and materiality. We have tested the organisation for vulnerabilities and launched projects to manage them. We have participated in forums for sharing and exchanging knowledge and experience with respect to threats against the financial sector and its

stakeholders. We have also worked closely with our main IT providers, and we keep informed of and monitor compliance with service agreements as well as IT security.

Only as strong as our weakest link

We know that data protection and IT security rely extensively on the staff who handle personal data on a day-to-day basis. In 2018 97.1% and 98.3% of Nykredit's staff completed and passed certification and e-learning programmes in data protection and IT security, respectively. Through their training and certification, they have gained basic knowledge of the provisions of data protection legislation and know how to comply with them in their day-to-day work.

Policies that guide our work:

- Privacy policy
- Personal data policy
- IT security policy

Responsible business practices – in brief



Value to society

It is essential for the individual customer and for society in general that financial undertakings provide responsible advice to customers, comply with current legislation, protect customer data and actively prevent financial crime.



Value to Nykredit

Nykredit relies on the external environments trusting that our advice, products and services are responsible in a societal context and relative to the personal finances of the individual customer and that we treat customer data responsibly and actively prevent financial crime.



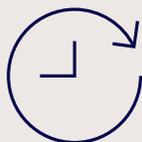
Nykredit's ambitions

All parts of Nykredit's business must be responsible, correct and sustainable. We are committed to strong risk management practices and a healthy corporate culture. We will contribute to the fight against financial crime and ensure appropriate protection and proper treatment of personal data.



Activities and achievements in 2018

- Expanded risk management activities to 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
- Online whistleblower scheme
- Mandatory training and special training of all staff relating to the prevention of financial crime and data protection
- Increased dialogue with relevant authorities on financial crime
- Implemented the requirements of the General Data Protection Regulation
- Prepared user-friendly solutions for insight into or deletion of personal data

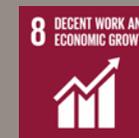


Outlook/targets for 2019

- Enhanced training of management and staff
- Increased focus on Nykredit's internal control environment for data protection purposes
- Continue the development of data protection solutions
- Continued strengthening of cross-organisational frameworks and collaboration for the purpose of preventing financial crime.

UN Sustainable Development Goals

Nykredit's work is in particular contributing to achieving the SDGs and related targets set out below.

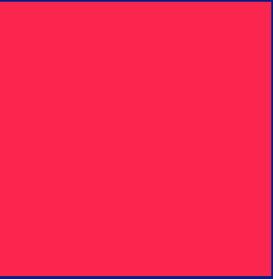


8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



16.4 By 2030, significantly reduce illicit cash and arms flows, strengthen the recovery and return of stolen items and combat all forms of organised crime.

16.5 Substantially reduce corruption and bribery in all their forms.





Nykredit's staff are the ones creating value to customers and the business. We are committed to continuing staff development to ensure that our staff possess the requisite skills to remain current on developments, match customer needs and hold a strong position in a changeable labour market."

Trine Ahrenkiel, Head of HR and Corporate Communications

Skills for the future

Nykredit's most important resource is its staff. This is also true in a time when digitisation and technological developments are changing the way we work and operate our business.

We must ensure that our staff have the skills and competencies required by our customers, that they can provide the best advice, utilise digital capabilities and comply with new regulatory requirements. At the same time, we focus intensely on investing in training and development of our staff, preparing them for a changeable labour market.

This is the background to the pledge given to our staff as part of Nykredit's core value statement:

"We will prioritise development and opportunities for engaged and skilled people. We want to be known for our trusting culture guided by customer focus, team spirit and empowerment."

Staff satisfied with development focus

The core element of Nykredit's HR activities is the regular staff satisfaction and working environment surveys. The latest staff satisfaction survey conducted in November 2018 focused particularly on our staff's perception of development. We are therefore especially proud to see our high scores on parameters such as assessment of job content, learning and development and whether Nykredit lives up to the pledge to its staff. The survey showed no consistent, major challenges regarding staff conditions that would give rise to actions at Group level. In 2017 we conducted a combined workplace

assessment and staff satisfaction survey, which did not give rise to any actions at Group level either. The next workplace assessment survey will be conducted in spring 2019.

Individual development and digital learning systems

We believe the high staff satisfaction (see page 45 for details) is to do with the fact that staff development mostly takes place during their daily work and through reflection and collaboration. This is combined with feedback and a one-on-one dialogue with the immediate supervisor, who will ensure, together with the individual staff member, that specific development activities are launched and evaluated. Nykredit's staff may apply for support for supplementary training through a joint training scheme for financial sector staff, and for the period from June 2018 to March 2020, we have booked 1,200 paid training days for our staff.

In 2018 we launched a string of initiatives and development programmes across the organisation based on our shared ambition to become the customers' preferred bank, including training in good customer communication, mental readiness and online meetings. Also, we have implemented a new, intelligent learning tool aimed at making skills enhancement easily available and an integral element of the day-to-day work of our staff. The system offers step-by-step guides to processes, tips and explanations exactly where and when the need arises. This ensures a more independent and efficient workflow.

We have also invested in training in compliance with new regulatory requirements and business procedures aimed at enhancing data security and our efforts against financial crime. For example, 97.1%, 96.7% and 98.3% of Nykredit's staff completed and passed certification and e-learning programmes in the GDPR, anti-money laundering and IT security, respectively.



Main risks:

Nykredit's most important resource is its staff. For this reason, it is important that Nykredit takes an active approach to preventing and resolving any challenges in terms of wellbeing, satisfaction and perception of the working environment. At the same time, Nykredit must ensure that our staff possess the right skills – today and for the future.

Policies that guide our work:

- Working environment policy

Read more about Nykredit's graduate programme:

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

Meet Nykredit's staff and read more about their development:

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

Part of the Danish labour market model

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. 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.

Development programmes

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 development of future business talents, **Nykredit Academy** for enhancement of our advisers' professional and personal skills, and a **Group talent programme** for accelerating the development of talents and of Nykredit in general.

Stronger management

Staff development, a good working environment and entrenchment of new ways of working begin with effective management, and Nykredit has had a keen focus in recent years on strengthening management skills throughout the organisation. In 2018 we celebrated that all Nykredit managers had attended our ambitious management academy aimed at strengthening managers' ability to unlock our staff's and Nykredit's potential. Against this backdrop, we will in 2019 continue focusing on stronger management in Nykredit while renewing our focus on performance management.

Main results

Job satisfaction: 76
External benchmark: 75

Loyalty: 82
External benchmark: 82

E-NPS: 31
External benchmark: 31

Reputation: 78
External benchmark: 75

Executive management: 75
External benchmark: 73

Immediate supervisor: 81
External benchmark: 79

Collaboration: 83
External benchmark: 81

Working conditions: 72
External benchmark: 71

Job content: 80
External benchmark: 79

Pay and employment terms: 72
External benchmark: 71

Learning and development: 78
External benchmark: 76

Customer orientation: 83

Risk and legal compliance: 88

Results of staff satisfaction survey 2018
(Interval 1-100)
Benchmark: Comparable financial institutions in Denmark

Equal pay and women in management: Not there yet

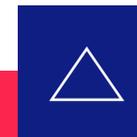
At Nykredit, we see diversity as a prerequisite for new thinking and development of our business. We know that we can only create the workplace we want and the bank we want to be for our customers by having a diverse staff and management group. We are therefore working to promote diversity and female management representation at all stages from recruitment of new staff members and internal recruitment to career development and a manager pipeline for directorships.

Female managers

In 2018 we focused on creating a pipeline of female management talent through effective internal recruitment and mobility. We ensure that our employment and recruitment procedures contribute to uncovering female management talent so that both female and male candidates are represented during internal and external recruitment. We are also working to ensure diversity in the selection of candidates for talent programmes.

We collaborate and share experience with other companies, and we enter into strategic partnerships that support diversity. In 2018 we started cooperating with Female Invest, an organisation that seeks to engage more women in the world of investing.

The gender composition of management did not change markedly in 2018, however. Nykredit has 32% female managers and 68% male managers, and the number of female managers at the first management level dropped from 48% in 2017 to 43% in 2018. This should be seen in the context of a general gender distribution of 44% female and 56% male staff in the Group, which ranks us just above average in the financial sector where female managers represent 30%. We will keep working towards increasing the share of female managers, and we have launched a number of initiatives to get there, see the next page.



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. Therefore, Nykredit must ensure that discrimination does not occur – neither during the ordinary workday, nor during internal and external recruitment.

Policies that govern the area:

- Diversity policy
- Remuneration policy

Female managers by management level

	2015	2016	2017	2018	2018 target	2019 target*	Long-term target*
Top	17%	18%	22%	20%	20%	≥25%	45%
Middle	25%	28%	29%	29%	30%	≥32%	45%
First	46%	45%	48%	43%	50%	≥45%	45%

* With a view to stepping up the effort of raising the number of women in management, flow targets will be applied from 2019 as targets for measuring female management representation. Flow targets are defined as the gender composition when filling management positions (appointment, internal/external recruitment).

Female board representation

In line with current legislation, 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. In 2018 the target was met by Nykredit A/S and Nykredit Realkredit A/S, but not by Totalkredit A/S and Nykredit Bank A/S.

Continued focus on equal pay

Another important parameter for Nykredit's diversity and anti-discrimination efforts is equal pay to women and men. Equal pay statistics based on job titles show that the gender salary differences are still very small. The weighted average of the pay gap between men and women in 2015 was 1.9% in favour of men. This percentage has since dropped to 0.8% in 2018.

Weighted salary difference in favour of men

	2015	2016	2017	2018
Salary difference	1.90%	0.80%	0.70%	0.80%

Development initiatives in 2019

- More women in management will be a special focus area in the annual organisational review of our organisation's readiness to realise our strategy and business objectives.
- In the recruitment phase, we will introduce a "reversed burden of proof". If no female candidates are available for vacant manager positions, such non-availability must be explained, and it must be assessed whether to expand the field of candidates with female candidates.
- Using specific initiatives, we will step up the effort in relation to female managers at the first management level, as the numbers clearly show that many female managers do not climb further up the management ladder. The goal is to qualify and motivate female managers to strive for a management position in middle and top management.
- Equal distribution of men and women in our Group talent programmes and strengthening the abilities of immediate supervisors to spot talents and determine manager ambitions.
- We will single out female role models in management positions and motivate male managers to take on more family responsibilities, for instance in connection with parental leave.



Women on the Board of Directors

Company	2015	2016	2017	2018	Target 2018	Target 2019
Nykredit A/S	22%	22%	28%	33% (5 out of 15)	30%	35%
Nykredit Realkredit A/S	20%	20%	33%	38% (5 out of 13)	30%	35%
Nykredit Bank A/S	20%	0%	0%	0% (0 out of 7)	25%	25%
Totalkredit A/S	22%	11%	11%	11% (1 out of 9)	25%	25%

CASE: Nykredit staff volunteer their time to advise battered women

For ten years, Nykredit staff have volunteered their professional expertise and commitment to help women who are struggling in their lives.

Karin creates security and clarity

Karin Steffensen, Senior Credit Specialist, has since 2009 helped battered women sort out their finances as a volunteer in the programme called Råd til Livet.

"They are a special type of customers, from all walks of life, but the thing they have in common is typically that they are humble about the situation they are in and have low self-esteem," says Karin.

Karin often sees the women leaving the conversation with shoulders down and with more self-confidence than when they arrived.

According to surveys by Mødrehjælpen (Mother's Help), 66% of the users experience improved quality of life as a result of the advice they receive. Getting a hold on your personal finances provides stability and a better sense of your options.

The future for Råd til Livet

After ten years with the Mary Foundation as project manager, the programme will enter a new phase in 2019. The project is now running so smoothly that Mødrehjælpen and the women's crisis centres will take over responsibility. Nykredit's contribution will remain the same – dedicated, voluntary advisers who use their skills to help battered women move on in life.

THE PROGRAMME TEN YEARS ON

- Advice provided to more than 4,500 women
- 32 volunteers in 2018
- 17 crisis centres and other locations offering advice
- 66% of the users at Mødrehjælpen experience improved well-being as a result of the advice they receive.

"Råd til Livet" is a social partnership between the Mary Foundation, Mødrehjælpen (Mothers' Help), LOKK (the National Organisation of Shelters for Battered Women and Children), Nykredit, Østifterne and local attorneys. The Råd til Livet programme offers battered women free social, financial and legal advice. Nykredit's staff offer financial advice aimed at providing the individual women with a better overview and empowering them to manage their own personal finances.



I do it for the children. If the mother can make ends meet in everyday life, the children's everyday lives will improve as well."

Karin Steffensen, Senior Credit Specialist and programme volunteer at Råd til Livet



Staff – in brief



Value to society

Strong and productive businesses that make use of society's entire talent pool are important to society as a whole. That requires skilled and engaged staff who are offered the opportunity to develop, thrive and realise their potential in their professional lives – as well as strong focus on higher diversity.



Value to Nykredit

Without skilled and engaged staff, Nykredit will have limited value creation and thus insufficient value creation for our customers. Value creation relies on Nykredit meeting customer expectations and understanding and accommodating our customers' needs and requirements. This is only possible if we focus on both skills enhancement and a diverse staff.



Nykredit's ambitions

Nykredit aims to build a desirable workplace, attracting skilled staff and strong talents.



Activities and achievements in 2018

- At or above the level of the external benchmarks on all significant parameters in the staff satisfaction survey
- Allocated 1,200 paid training days for our staff through the joint financial sector training scheme
- Completed a number of skills enhancement programmes
- Launched an intelligent learning tool
- Progressed towards our targets for female management and board representation



Initiatives in 2019

- Continue to equip our staff to comply with regulatory requirements and meet customer demands
- Improve management quality in Nykredit
- Inclusion of women in management as part of our annual organisational review
- Introduction of "reversed burden of proof" when recruiting managers
- Equal distribution of men and women in our Group talent programmes
- Promote female role models in our internal communications.

UN Sustainable Development Goals

Nykredit's work is in particular contributing to achieving the SDGs and related targets set out below.



4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.



8.5 By 2030, achieve 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.

8.8 Protect labour rights and promote safe and secure working environments for all workers.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

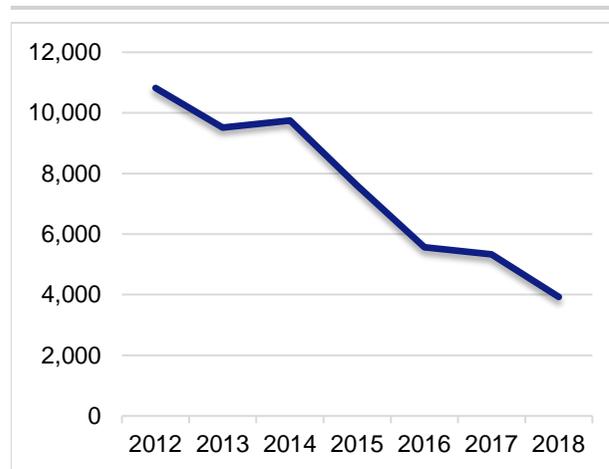
New targets for energy, climate and environment

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. At the close of the year 2018, this target had nearly been reached. Therefore, we have set new targets for our work of reducing our energy consumption, carbon footprint and waste volumes, which will drive our efforts in the years ahead.

Clear objectives and processes

Our experience from the process of reducing Nykredit's CO₂ emissions is that setting clear objectives and conditions is the key to success. Consequently, our new targets are ambitious, specific and have a clear time

Total CO₂ emission, Nykredit Group (tonnes)



frame. Also in 2018 we implemented the ISO 14001 environmental management system to improve our business processes and ensure better documentation of our environmental performance.

Focus on promoting a circular economy

With new targets for reducing our waste volumes and increasing the proportion of recyclable waste, Nykredit has made a clear commitment to contributing to a circular economy. We launched several projects in 2018 aimed at reaching those targets. One project involved pilot testing of source separation of bio-waste, and on that basis we decided to separate the bio-waste from our largest office buildings and have it gasified into biogas. Going forward, all new carpets must be made from recycled plastic recovered from the ocean, and all furniture and building materials must be recycled as far as possible in cooperation with Genbyg, Denmark's largest online store for used building materials. In 2019 our focus will include how to replace the use of plastic by our suppliers and business partners.

Buildings focused on sustainability

We continuously focus on making our locations – future and existing – more energy-efficient. The buildings that Nykredit owns or leases must be as climate-friendly as possible, for instance by means of LED lighting and solar cell systems. In 2018 one of the consequences of this ambition was that sustainability was among the six parameters for deciding on the new headquarters in Nordhavn, which Nykredit will move into in 2022.



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 corruption.

Policies that govern the area:

- Policy for climate, energy and environment
- Procurement policy
- Supplier Code of Conduct

Read more about our work [here](#)

Placing demands on our suppliers

We place demands on our suppliers and their suppliers of services and products in respect of human rights, the environment, labour standards and ethics. Through our Supplier Code of Conduct we ensure that our suppliers live up to the social, ethical and environmental standards laid down in ISO 26000 and the UN Global Compact. However, the fact that our suppliers consider our Code of Conduct when concluding a contract 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 contract.

In 2019, in cooperation with our largest suppliers, we will articulate the importance of these issues being addressed by themselves and their own suppliers.

A joint effort

In 2018 we completed a number of behavioural campaigns among Nykredit's staff. The purpose of the

campaigns is for Nykredit's staff to contribute even more to reducing the Group's climate and environmental footprint. In 2018 we participated in the international campaigns Earth Hour and Earth Overshoot Day and conducted a "print less" campaign.

We will also participate in these campaigns in 2019 and are looking out for new initiatives that may contribute to raising the awareness of our staff.

New targets for energy, climate and environment

- Total MWh consumption to be reduced by 25% by the end of 2025
- CO₂ emission per staff member to be reduced by 5% annually until 2025
- Maximum 20% of Nykredit's waste will be incinerated in 2023 – the rest will be recycled
- Waste volume per staff member to be reduced to 100kg in 2023

All electricity generated by wind turbines

As of 2019 all Nykredit's electricity will be generated by two wind turbines located in northern Jutland as we have purchased certificates of origin covering our annual consumption of electricity. Against this backdrop, our next focus is more energy-efficient operations – we target a 25% reduction of our consumption of electricity and heating by the end of 2025.



Results 2018

22,482 km cycled to work in the 2018
"Cycle-to-Work" campaign



333 MWh generated by our
9 solar panel systems



50% waste recycled



Took delivery of 52,868 m³
of biogas in replacement
of our total natural gas
consumption

25% reduction of our
total CO₂ emission



545 kg coffee grounds
collected for cultivation
of oyster mushrooms



1,644 LED light fixtures
installed in 2018



3.25% of total
purchases carried the
Nordic Swan Ecolabel



5,549 kilometer driven
by electric cars
(DriveNow and own
electric cars)



Decided that, as of 2019,
100% of our electricity is to
come from wind power



Energy, climate and environment – in brief



Value to society

With some 3,400 staff members and nearly 50 locations, operating the Nykredit Group makes its mark on the climate and the environment, and we are therefore dedicated to reducing our negative impact as much as possible.



Value to Nykredit

When we do it right, the work of reducing our energy consumption, carbon footprint, waste volumes etc also generates benefits such as lower costs and higher job satisfaction.



Nykredit's ambitions

Nykredit has an ambition to contribute to making Denmark greener – and this requires keeping order in our own house. Accordingly, we have set clear and ambitious targets for our CO₂ emission, energy consumption and waste.



Activities and achievements in 2018

- Attained 97% of our target to reduce our CO₂ emission by 65% by the end of 2020
- Decided to purchase 100% wind turbine power in 2019
- Implemented ISO 14001 environmental management system
- New targets for our CO₂ emission, energy consumption and waste



Initiatives in 2019

- Continued conversion to sustainable solutions at both existing and future locations
- Mapping of Nykredit's use of refrigerants and formulation of Global Warming Potential (GWP) target
- Verification of our climate and environmental targets as Science-Based Targets
- 10% reduction of paper consumption.

UN Sustainable Development Goals

Nykredit's work is in particular contributing to achieving the SDGs and related targets set out below.



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.



11.6 By 2030, reduce the negative per capita environmental impact.



13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Organisation and governance

Nykredit corporate responsibility is vested in the Board of Directors, the Group Executive Board and relevant support functions and business areas. Nykredit's Group Executive Board makes up Nykredit's Corporate Responsibility Committee.

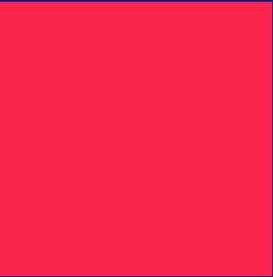


Nykredit's corporate responsibility work is based on international standards and a number of policies and guidelines. Key standards, policies and guidelines of which the most important are:



- Corporate responsibility policy
- Working environment policy
- Diversity policy
- Targets for women in management
- Remuneration policy
- Responsible investment policy
- Policy on energy, climate and the environment
- Group procurement policy
- Travel policy
- Supplier Code of Conduct

- Risk policy
- Credit policy
- Staff Code of Conduct
- Complaints handling policy
- Nykredit Group products policy
- Anti-corruption policy
- Whistleblower policy
- Tax policy
- Policy for the prevention of money laundering, terrorist financing and violation of financial sanctions
- Staff data policy
- IT security policy
- Privacy policy



Key figures for corporate responsibility



Development throughout Denmark

INDICATORS

	2015	2016	2017	2018
Number of municipalities with lending growth	89 out of 98	88 out of 98	94 out of 98	96 out of 98
Lending to senior customers				
Number of loans to senior customers aged 65 and over	114,603	117,927	121,589	124,015
Bond debt outstanding (DKK billion)	89.6	93.8	98.3	101.9
New loans to senior customers aged 65 and over	15,020	11,683	10,918	9,325
Bond debt outstanding (DKK billion)	15.1	11.9	11.5	10.7
Lending to young customers				
Number of loans to young customers aged 30 years and younger	29,147	22,005	22,158	30,315
Bond debt outstanding (DKK billion)	25.9	21.3	23.9	36.1
New loans to young customers aged 30 years and younger	10,943	7,964	8,210	10,431
Bond debt outstanding (DKK billion)	12.9	9.5	10.4	14.5
Public housing lending				
Lending for youth housing (DKK billion)	4.5	4.8	4.9	4.9
Lending for senior housing (DKK billion)	7.6	7.3	7.1	7.1

MORTGAGE LENDING TO THE BUSINESS SEGMENT THROUGHOUT DENMARK

DKK billion	Entire Denmark	Capital Region of Denmark	Sealand Region	North Denmark Region	Central Denmark Region	South Denmark Region
Mortgage lending to business customers, DKK billion	388	112	43	57	98	77
- of which private rental	79	29	5	10	22	13
- of which industry	16	1	2	3	6	3
- of which office and retail	91	32	11	9	22	16
- of which agriculture	90	2	13	23	28	24
- of which public housing	63	23	7	8	12	13
- of which cooperative housing	36	19	3	3	5	5
- of which other	14	5	1	1	4	2



NUMBER OF CUSTOMERS

(1,000)	2015	2016	2017	2018
Number of customers	1,065	1,067	1,101	1,159
- of which personal customers	398	396	409	440
- of which business customers	73	68	69	71
- of which Totalkredit customers	617	625	644	676
- of which "double customers"	(23)	(22)	(21)	(28)

* Customers who are customers of both Nykredit and Totalkredit.

CUSTOMER SATISFACTION

	2015	2016	2017	2018
Personal customers (EPSI 1-100)	70	71	71	72
Business customers (EPSI 1-100)	66	66	63	67
Number of complaints	267	195	184	180



Human Resources

STAFF

	2015	2016	2017	2018
Permanent staff, year-end	3,432	3,227	3,105	3,025
- of which part-time staff	349	313	278	410
Staff paid by the hour	626	586	544	518
New staff	285	321	322	316
Disposals	543	459	647	433
New staff as percentage of permanent staff	8.30%	9.90%	10.40%	10.40%
Average number of full-time staff*	3,709	3,640	3,502	3,382
Staff turnover	15.10%	13.10%	19.30%	13.70%
- of which voluntary	8.80%	9.40%	10.80%	9.00%
- of which involuntary	6.30%	3.70%	8.50%	4.60%
Members of staff per region				
- employed in Denmark	99.8%	99.8%	99.8%	99.8%
- employed in France and Spain	0.2%	0.2%	0.2%	0.2%

STAFF SATISFACTION SURVEY

Staff satisfaction survey (levels 1-100)	2015	2016	2017	2018
Staff satisfaction	74	73	73	76
Assessment of indoor climate (good indoor climate)	69	N/A	70	N/A
Assessment of noise level (low noise level)	82	N/A	83	N/A
Impact on sick absence rate (low impact)	99	N/A	99	N/A

WORK-LIFE BALANCE

	2015	2016	2017	2018
Part-time staff	349	313	278	410
- of which women	318	286	249	305
- of which men	31	27	29	105
Average number of days per paid maternity leave	125	128	131	128
Number of staff members on leave	371	340	340	340

Health

	2015	2016	2017	2018
Average days of absence because of illness	6.1	5.8	5.5	5.6

PERCENTAGE OF FEMALE MANAGERS

%	2015*	2016	2017	2018
Executive-level management	17%	18%	22%	20%
Middle-level management	25%	28%	29%	29%
Lower-level management	46%	45%	48%	43%
Total female managers	31%	32%	34%	32%

Note: The individual categories are defined as: Executive-level management: Managers reporting directly to a member of the Group Executive Board. Middle-level management: Managers to whom five or more staff members report directly. Lower-level management: Managers to whom four or fewer staff members report directly.

FEMALE BOARD REPRESENTATION

%	2015	2016	2017	2018
Nykredit A/S	22%	22%	28%	33%
Nykredit Realkredit A/S	20%	20%	33%	38%
Nykredit Bank A/S	20%	0%	0%	0%
Totalkredit A/S	22%	11%	11%	11%

WEIGHTED SALARY DIFFERENCE IN FAVOUR OF MEN

%	2015	2016	2017	2018
Salary difference	1.90%	0.80%	0.70%	0.80%

STAFF RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

2018, % of staff	Men	Women	Total
Management	72%	80%	75%
Total	73%	73%	73%

Numbers are lower than 100% because of maternity and other leave, illness, change of jobs etc.



Climate and environment

NYKREDIT WANTS TO RUN A SUSTAINABLE AND RESPONSIBLE BUSINESS.

WE HAVE THEREFORE SET A TARGET OF REDUCING OUR CARBON FOOTPRINT BY 65% BY THE END OF 2020. TODAY, WE HAVE REACHED 97% OF THIS TARGET.

RESOURCE CONSUMPTION

	HQ + staff building	Customer centres	Subsidiaries	JN Data **	Nykredit Group 2018	Nykredit Group 2017	Nykredit Group 2016	Nykredit Group 2012	Index 2017-2018	Index 2012-2018
Number of locations	6	39	1	1	47	53	63	74	89	64
- of which leased premises	6	33	1	0	40	41	54	56	98	71
Heated area (sqm)	63,515	39,509	1,473	2,483	106,980	110,995	128,922	146,784	96	73
Number of staff (total)	2,680	914	44	83	3,721	3,816	4,224	4,807	97	77
Number of full-time staff (FTE)	2,194	893	40	83	3,210	3,304	3,623	4,100	97	78
Consumption data										
Electricity (MWh)	4,883	2,098	45	2,694	9,720	10,780	12,476	16,054	90	61
Heating (MWh)	4,229	3,861	108	76	8,275	9,412	9,570	12,010	88	69
Heating, degree-day adjusted (MWh)*	5,352	4,451	127	85	10,015	10,697	11,693	14,094	94	71
Direct energy consumption (MWh)	363	552	0	0	915	772	857	806	119	114
- of which energy via renewable energy systems (MWh)	252	82	0	0	333	301	304	-	111	-
Indirect energy consumption (MWh)	9,001	5,489	153	2,770	17,413	19,720	23,616	29,343	88	59
Energy intensity (excl renewable energy systems)	1%	9%	0%	0%	3%	2%	2%	3%	140	122
Total energy consumption (MWh)	9,364	6,041	153	2,770	18,328	20,492	24,474	30,149	89	61
KPIs										
Heated area per staff member (sqm)	29	44	37	30	33	34	36	35	99	95
Electricity consumption per staff member (kWh)	2,340	2,440	1,136	32,612	3,132	3,354	3,527	3,773	93	83

Electricity consumption per square metre (kWh)	77	53	31	1,085	94	100	99	107	94	88
Heat consumption per staff member (kWh)	2,439	4,985	3,171	1,025	3,120	3,238	3,228	3,312	96	94
Heat consumption per square metre (kWh)	84	113	86	34	94	96	91	94	97	100
Total energy consumption per staff member (kWh)	4,268	6,765	3,835	33,536	5,710	6,202	6,755	7,085	92	81
Total energy consumption per square metre (kWh)	147	153	104	1,116	171	185	190	200	93	86
Transport										
Company car travel (km)	625,425	N/A	3,405	13,460	642,290	803,839	815,885	927,097	80	69
Own car travel (km)	3,646,534	N/A	0	0	3,646,534	4,528,042	4,693,385	6,426,549	81	57
Taxi travel (km)	211,054	N/A	1,581	2,220	214,855	298,296	251,849	524,697	72	41
DriveNow electric cars (km)	5,549	N/A	0	0	5,549	N/A	N/A	N/A	N/A	N/A
Rail travel (km)	1,367,687	N/A	11,233	16,237	1,395,157	1,526,397	1,694,399	2,170,475	91	64
Air travel (km)	3,348,836	N/A	10,409	225,753	3,584,998	3,153,262	3,722,689	9,119,566	114	39
CO2 emission										
Total heat consumption (tonnes)	428	353	11	8	800	1,017	1,328	1,688	85	53
Electricity consumption (tonnes)	1,060	455	10	584	2,109	3,089	2,911	6,609	68	32
Air travel (tonnes)	368	N/A	1.2	20	389	379	457	1,191	103	33
Rail travel (tonnes)	49	N/A	0.4	1	50	56	66	52	89	95
Own car travel (tonnes)	511	N/A	0	0	511	634	657	1,060	81	48
Company car travel (tonnes)	88	N/A	0.5	2	90	113	114	143	80	63
Taxi travel (tonnes)	31	N/A	0.2	0.3	32	44	37	78	72	41
Total CO2 emissions (tonnes)	2,534	808	23	615	3,980	5,332	5,570	10,821	75	37
CO2 emission per staff member (tonnes)	1.15	0.90	0.58	7.45	1.24	1.61	1.54	2.64	77	47
CO ₂ emission per DKK 1 earned (DKK per kg CO ₂)	N/A	N/A	N/A	N/A	3,016	2,628	2,408	1,089	0	0

*The calculation is based on degree-day adjusted heat consumption, corresponding to a standard year.

** Approximately 12.7% of the energy consumption of JN Data has been included in 2018 as Nykredit took up about one-eighth of its operations. The number of kilometres and emissions from transport for JN Data are based on the distribution also applied to expenses.

CO₂ EMISSIONS: CURRENT LEVEL TOWARDS TARGET OF 65% CO₂ REDUCTION – BY SOURCE

Direct and indirect emissions

OUR AIR EMISSIONS ARE DIVIDED INTO THREE CATEGORIES:

- **Scope 1** – Direct greenhouse gas emissions are emissions from sources that are owned or controlled by Nykredit. They include emissions from direct combustion of fuels and our vehicle fleet.
- **Scope 2** – Indirect greenhouse gas emissions are emissions that result from the consumption of the electricity we purchase. They include emissions that result from our consumption of electricity and district heating.
- **Scope 3** – Other indirect greenhouse gas emissions are emissions from sources that are not owned or controlled by Nykredit. They include third-party deliveries, business travel and use of products and services sold. Reporting of Scope 3 emissions is optional. Nykredit includes the following elements: CO₂ emissions from air and rail travel, work-related own car travel and taxi travel.

CO ₂ emissions (Scopes)	2018		2017		2016		2012		Index 2012-2018	
	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based	Location-based	Market-based
Total CO₂ emissions (tonnes)	3,980	6,780	5,331	8,419	5,570	9,196	10,821	12,399	37%	55%
Direct CO₂ emissions (Scope 1)	90	90	186	186	228	228	308	308	29%	29%
- Company car travel (tonnes)	90	90	112	112	114	114	143	143	63%	63%
- Heat consumption (tonnes) – oil and gas	0	0	73	73	114	114	165	165	0%	0%
Indirect CO₂ emissions (Scope 2)	2,909	5,708	4,033	7,121	4,125	7,751	8,131	9,710	36%	59%
- Electricity consumption (tonnes)	2,109	4,908	3,089	6,177	2,911	6,537	6,609	8,188	32%	60%
- Heat consumption (tonnes) – from CHP plants	800	800	944	944	1,214	1,214	1,522	1,522	53%	53%
Other indirect CO₂ emissions (Scope 3)	981	981	1,113	1,113	1,217	1,217	2,382	2,381	41%	41%
- Air travel (tonnes)	389	389	379	379	457	457	1,191	1,191	33%	33%
- Rail travel (tonnes)	50	50	56	56	66	66	52	52	95%	95%
- Own car travel (tonnes)	511	511	634	634	657	657	1,060	1,060	48%	48%
- Taxi travel (tonnes)	32	32	44	44	37	37	78	78	41%	41%

Note: Source of the market-based emissions from electricity is RE-DISS European Residual Mixes.

Waste

NYKREDIT DIVIDES THE GROUP'S WASTE VOLUMES INTO THE BELOW COMPONENTS. THIS SHOWS THAT ABOUT 50% OF NYKREDIT'S WASTE WAS RECYCLED. WE HAVE SPECIAL FOCUS ON INCREASING THIS SHARE.

	HQ + staff buildings	Customer centres	Subsidiaries	JN Data	Nykredit Group 2018	Nykredit Group 2017	Nykredit Group 2016	Index 2017-2018
Total waste (tonnes)	373	82	N/A	N/A	454	413	421	110
Waste per staff member (kg/FTE)	170	91	N/A	N/A	141	125	120	113
Waste sent to incineration (tonnes)	194	32	N/A	N/A	227	225	245	101
Waste sent to landfill (tonnes)	0,3	0.2	N/A	N/A	0.5	4	1	11
Waste recycled (tonnes)	178	49	N/A	N/A	227	186	175	122
- of which food waste (tonnes)	81	0	N/A	N/A	81	46	21	176
- of which paper waste (tonnes)	70	44	N/A	N/A	114	131	147	87
- of which cardboard (tonnes)	9.6	4	N/A	N/A	13.8	N/A	N/A	N/A
- of which plastic (tonnes)	6.6	0	N/A	N/A	6.6	N/A	N/A	N/A
- of which electronic waste (tonnes)	2	0	N/A	N/A	1.9	2	2	108
- of which glass waste (tonnes)	4.1	0.6	N/A	N/A	4.7	5.6	3.3	84
- of which iron and metal waste (tonnes)	4.8	0	N/A	N/A	4.8	1.9	1.3	253
- of which batteries (tonnes)	0.06	0	N/A	N/A	0.06	0.03	0.05	183
- of which other waste (tonnes)	0.2	0.1	N/A	N/A	0.3	0.07	0.5	457
Recycling (%)	48%	60%	N/A	N/A	50%	45%	42%	111
Other fragments (%)	52%	40%	N/A	N/A	50%	55%	58%	91

Water consumption

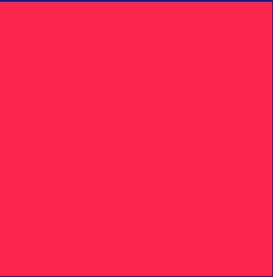
	HQ + staff buildings	Customer centres	Subsidiaries	JN Data	Nykredit Group 2018	Nykredit Group 2017	Nykredit Group 2016	Index 2017-2018
Total water use (cubic metres)	27,120	8,059	488	822	36,488	36,717	39,928	92%
- of which recycling of water (cubic metres)	647	N/A	N/A	N/A	647	N/A	N/A	N/A
Number of staff (FTE)	2,194	893	40	83	3,210	3,304	3,623	91%
Heated area (sqm)	63,515	39,509	1,473	2,483	106,980	110,995	111,843	99%
Water use per staff member (litres)	12,361	9,025	12,188	9,947	11,369	11,113	11,021	101%
Water use per square metre (litres)	427	204	331	331	341	331	289	114%



Responsible investments

RESPONSIBLE INVESTMENTS IN FIGURES

DKK billion	2016	2017	2018
Nykredit's total investments, covered by the Responsible investment policy	303	279	301
Number of companies subjected to quarterly screening	2,281	2,320	2,283
Companies with which Nykredit engages (enters into dialogue) because of breach of standards	17	21	22
Excluded companies	23	32	51
Participation in general meetings			
– No of general meetings	N/A	589	772
– Percentage of AGM in which Nykredit participated	N/A	58%	85%
– Votes cast against board of directors, %	N/A	8.4%	8.1%



GRI reporting

Nykredit's Global Reporting Initiative (GRI) Index contains references to relevant reports and websites that describe the relevant areas.

Annual Report = Nykredit Group Annual Report 2018

CR Report = Corporate Responsibility Report 2018, Nykredit Group

Fact Book = Fact Book 2018, Nykredit Group

Risk and Capital management Report = Risk and Capital Management Report 2018

Corporate Governance Report = Corporate Governance Report 2018

General Disclosures: 102

GRI	Disclosure title	Reference/Report	External assurance
	General Disclosures		No
102-1	Name of the organization	Annual Report: Page 41	
102-2	Activities, brands, products, and services	CR Report: Pages 6-10	
102-3	Location of headquarters	Annual Report: Page 41	
102-4	Location of operations	Nykredits primary location of operation is Denmark.	
102-5	Ownership and legal form	Annual Report: Page 41	
102-6	Markets served	See our Fact Book 2018 for information regarding our activities broken down by geographic location and sectors served.	
102-7	Scale of the organization	CR Report 2018: "Key figures": Page 59 Fact Book 2018: Page 8-9	
102-8	Information on employees and other workers	CR Report, "Key figures": Page 59	
102-9	Supply chain	The supply chain of Nykredit is in line with the guidance of the Global Compact. As a provider of financial services, our employees represent the main element of our value proposition related to the organization's activities. Cleaning services, canteen and outdoor facility maintenance are operated by external suppliers subject to our Code of Conduct, which can be found at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf	
102-10	Significant changes to the organization and its supply chain	CR Report, "Placing demands on our suppliers": Page 52 No significant changes to the organization and its supply chain have occurred.	
102-11	Precautionary Principle or approach	Annual Report: Page 11. Nykredit is a signatory to the UN Global Compact's principles, which include the Precautionary Principles. To comply with the Precautionary Principle, Nykredit always strives to mitigate and avoid negative externalities caused by our operations, and our products and services are assessed continuously. In addition, our suppliers and	

GRI	Disclosure title	Reference/Report	External assurance
		subsuppliers are subject to our Code of Conduct, which outlines the minimum standards required in terms of social, ethical and environmental matters.	
		CR Report, "Placing demands on our suppliers": Page 52	
		https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf	
102-12	External initiatives	UN Global Compact Principles for Responsible Investments ISO 14001 ISO 26000 GRI Standards OECD Guidelines UN's 17 Sustainable Development Goals (SDGs) Carbon Disclosure Project World Economic Forum Dansif Danish Committee on Corporate Governance	
102-13	Membership of associations	Ecolabelling Denmark (Miljømærkning Danmark) Finance Denmark Landsdækkende Banker Joint Council of Rural Areas (Landdistrikternes Fællesråd)	
102-14	Statement from senior decision-maker	CR Report, "Foreword": Page 5	
102-15	Key impacts, risks and opportunities	CR Report, "Lending at all times": Page 17 CR Report, "We will actively support sustainable development": Page 25 CR Report, "Investments that make a difference": Page 30 CR Report, "Responsible business conduct": Page 37 CR Report, "Ramping up the fight against financial crime": Page 39 CR Report, "Data security: We protect data": Page 40 CR Report, "New targets for energy, climate and environment": Page 51 CR Report, "Skills for the future": Page 44 CR Report, "Equal pay and women in management": Page 46	
		https://www.nykredit.com/filarkiv/?searchText=&documentTypeCategories=&legalEntities=&documentTypes=89&years=	
102-16	Values, principles, standards, and norms of behavior	CR Report, "In brief": Pages 6-19 CR Report, "Our business concept is our foundation": Page 10 CR Report, "Nykredit's corporate responsibility": Page 11 CR Report, "We believe in people and businesses all over Denmark": Page 16	
		https://www.nykredit.com/samfundsansvar/ https://www.nykredit.com/siteassets/om-os/politik_for_samfundsansvar_november_2018-11-27_da.pdf	
102-17	Mechanisms for advice and norms of behavior	All relevant units and employees contribute to the design of Nykredit's Corporate Responsibility Policy, from which initiatives, products, procedures and policies are derived. Nykredit has formed policies on whistleblowing, anti-corruption, nepotism etc.	
		An overview of Nykredit's policies can be found at https://www.nykredit.com/om-os/organisation/politikker/	
102-18	Governance structure	Annual Report, "Organisation and governance": Page 37	

GRI	Disclosure title	Reference/Report	External assurance
102-19	Delegating authority	Annual Report, "Organisation and governance": Page 37 CR Report, "Organisation and governance": Page 55	
102-20	Executive-level responsibility for economic, environmental, and social topics	The Group Executive Board represents our Corporate Responsibility Committee and is responsible for designing our social responsibility policy, which is approved by the Board. Annual Report, "Organisation and governance": Page 37	
102-21	Consulting stakeholders on economic, environmental, and social topics	Nykredit follows the Managerial Code of Conduct of the Danish Bankers Association, which recommends that the Board of Directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the Board of Directors to be aware of the shareholders' views, interests and opinions on the company. Nykredit prioritises ongoing dialogue with our customers to ensure they are consulted regarding our company policy and that our products and services match their needs and demands. CR Report: Page 18 Find our Corporate Governance at https://www.nykredit.com/globalassets/nykredit.com/pdf/corporate-governance-rapport-2017_nykredit-koncernen_dk.pdf See our communication policy for further information at: https://www.nykredit.com/siteassets/om-os/politik-for-kommunikation_opdateret-november-2018_2019-01-17.pdf	
102-22	Composition of the highest governance body and its committees	The Board of Directors has 15 members, five of whom are staff-elected. Composition of the Board of Directors is available at https://www.nykredit.com/en-gb/om-os/organisation/bestyrelsen/ Nykredit has established the following committees: Credit Committee Asset/Liability Committee Risk Committee Contingency Committee Products Committee Corporate Responsibility Committee For a description of these committees, see: Annual Report, "Organisation and responsibilities": Page 37	
102-23	Chair of the highest governance body	Chairman of the Board of Directors is Steffen Kragh, who is not an executive at Nykredit A/S. Annual Report, Company details: Page 37	
102-24	Nominating and selecting the highest governance body	Corporate Governance Report, section 1.1.1.: Page 4 Annual Report, "Organisation and responsibilities": Page 37	
102-25	Conflicts of interest	Corporate Governance Report, [section 3.2.1.]: Page 4	

GRI	Disclosure title	Reference/Report	External assurance
102-26	Role of highest governance body in setting purpose, values, and strategy	The Corporate Responsibility Committee is handling environmental and social issues and regularly reviews the organization on issues related to economic, environmental and social topics. Annual Report, "Organisation and responsibilities": Page 37 CR Report, "Organisation and governance": Page 55	
102-27	Collective knowledge of highest governance body	Corporate Governance Report, "Organisation and responsibilities": Page 19	
102-28	Evaluating the highest governance body's performance	Annual Report, "Organisation and responsibilities": Page 37	
102-29	Identifying and managing economic, environmental, and social impacts	Risk and Capital Management Report 2017, 2.4 "Risk governance and culture": Page 8 CR Report, "Responsible business conduct ": Page 37	
102-30	Effectiveness of risk management processes	Risk and Capital Management Report, "Risk Monitoring": Page 13	
102-31	Review of economic, environmental, and social topics	CR Report, "Organisation and management": Page 55 Risk and Capital Management Report, "Risk Monitoring": Page 14	
102-32	Highest governance body's role in sustainability reporting	The Corporate Responsibility Committee has reviewed and approved the contents of this report. The Board of Directors is responsible for the final approval of the CR Report. CR Report, Page 55	
102-33	Communicating critical concerns	Critical concerns can be communicated anonymously through our whistleblower scheme. Reportings will be screened by an external lawyer before being handed over to our head of Group Legal Affairs or to Internal Audit.	
102-34	Nature and total number of critical concerns	No critical concerns are to be reported for 2018.	
102-35	Remuneration policies	Annual Report, "Remuneration": Page 47 Remuneration Policy: Pages 3-12	
102-36	Process for determining remuneration	Remuneration Policy: Page 47 Remuneration Policy: Pages 3-12	
102-37	Stakeholders' involvement in remuneration	Remuneration Policy: Page 3	
102-38	Annual total compensation ratio	Annual total compensation ratio: 20.5	
102-39	Percentage increase in annual total compensation ratio	Ratio of the percentage increase in annual total compensation for the highest-paid individual to the median percentage increase in annual total compensation for all employees: 0.76	
102-40	List of stakeholder groups	CR Report, "Pledge to our customers": Page 10	
102-41	Collective bargaining agreements	Nykredit has entered into a collective agreement with NYKREDS, a company-specific branch of the Danish Financial Services Union. See: https://www.finansforbundet.dk/da/Kredse/Nykreds/Overenskomst/Sider/default.aspx	
102-42	Identifying and selecting stakeholders	CR Report, "Nykredit's corporate responsibility": Page 11 Corporate Responsibility Policy: https://www.nykredit.com/siteassets/om-os/politik_for_samfundsansvar_november_2018-11-27_da.pdf	
102-43	Approach to stakeholder engagement	CR Report, "Nykredit's corporate responsibility": Page 11 Nykredit's communication policy includes guidelines on Nykredit's conduct in relation to its stakeholders both in and outside the Group. Find our communication policy at: https://www.nykredit.com/siteassets/om-os/politik-for-kommunikation_opdateret-november-2018_2019-01-17.pdf	
102-44	Key topics and concerns raised	CR Report, "Nykredit's corporate responsibility": Page 11	
102-45	Entities included in the consolidated financial statements	Annual Report: Page 37	

GRI	Disclosure title	Reference/Report	External assurance
102-46	Defining report content and topic Boundaries	CR Report, "Nykredit's corporate responsibility": Page 11	
102-47	List of material topics	CR Report, "Nykredit's corporate responsibility": Page 11	
102-48	Restatements of information	No information given in the previous report had been restated.	
102-49	Changes in reporting	See CR Report, "New corporate responsibility priorities": Page 13 for a description of our new priorities in our work with responsibility and sustainability. In addition, we have converted our reporting on GRI from the GRI G4 Index to Standard Disclosures. Furthermore, we are now able to report on disclosure 302-3: Energy intensity and disclosure 303-3: Water recycled and reused.	
102-50	Reporting period	CR Report, "Foreword": Page 5	
102-51	Date of most recent report	2017 report, released February 2018	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	For questions regarding the report or its contents, please contact: Emilie Turunen, Head of Public Affairs and Responsibility E-mail: EMTU@Nykredit.dk Tel: +45 44 55 14 89 Uffe Lembo, Senior Consultant at Public Affairs and Responsibility E-mail: UL@Nykredit.dk Tel: +45 44 55 14 71	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	
102-55	GRI content index	The full GRI Content Index is included in the CR Report, which can be found on our corporate website: www.nykredit.com	
102-56	External assurance	The GRI Content Index has not been subject to external assurance.	

Management Approach: 103

GRI	Disclosure title	Reference/Report	External assurance
	Management Approach		No
103-1	Explanation of the material topic and its Boundary	CR Report, "Nykredit's corporate responsibility": Page 11 CR Report, "Main themes and prioritised measures": Page 14	
103-2	The management approach and its components	CR Report, "Nykredit's corporate responsibility": Page 11 CR Report, "Main themes and prioritised measures": Page 14 CR Report, "We will actively support sustainable development": Page 25 CR Report, "Investments that make a difference": Page 30 CR Report, "Responsible business conduct": Page 37 CR Report, "Skills for the future": Page 44 CR Report, "Energy, climate and environment": Page 51	
103-3	Evaluation of the management approach	CR Report, "Nykredit's corporate responsibility": Page 11 CR Report, "New corporate responsibility priorities": Page 13	

Economic: 201-206

GRI	Disclosure title	Reference/Report	External assurance
Economic Performance			No
201-1	Direct economic value generated and distributed	Annual Report, "Financial highlights": Page 5	
201-2	Financial implications and other risks and opportunities due to climate change	CR Report, "We will actively support sustainable development": Page 25	
201-3	Defined benefit plan obligations and other retirement plans	See our collective agreement at: https://www.finansforbundet.dk/da/Kredse/Nykreds/Overenskomst/Sider/default.aspx Page 17	
201-4	Financial assistance received from government	Nykredit has not received financial assistance from the government in 2018.	
Market Presence			No
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Standard entry level wage paid in Nykredit is significantly above the local minimum wages, and we do not differentiate between gender, ethnicity or other. For information regarding general wage levels by gender, see the CR Report, "Equal pay and women in management": Page 47 For further information, see our remuneration policy at: https://www.nykredit.com/en-gb/om-os/organisation/politikker/	
202-2	Proportion of senior management hired from the local community	100%: Nykredit's most senior management (the five executive directors) are all Danish citizens and are all located at the Nykredit headquarters in Copenhagen. For an overview of our senior management, see: https://www.nykredit.com/om-os/organisation/	
Indirect Economic Impacts			No
203-1	Infrastructure investments and services supported	Nykredit has a large engagement with the commercial sector in Denmark and facilitate both infrastructure and supply services. Examples of this is described in CR Report, "Campus Bornholm": Page 21 In 2018 Nykredit launched 'Infrastructure Fund 1', which facilitates infrastructural investments on behalf of customers.	
203-2	Significant indirect economic impacts	The Danish FSA (Financial Supervisory Authority) has declared Nykredit to be a SIFI (Systemically Important Financial Institution) for the Danish national economy. Nykredit is a SIFI due to its large lending portfolio. This means that Nykredit has to comply with stricter financial regulations than non-SIFI companies in order to ensure financial stability in the Danish economy. See Risk and Capital Management Report Page 40 for information regarding our market policy in relation to risk associated with our loan portfolio. As a SIFI institute, Nykredit has a significant economic impact on society through the portfolio and services provided. The impact is not measurable, but Nykredit is very conscious about how it can contribute positively through its activities. Examples of this can be found in:	

GRI	Disclosure title	Reference/Report	External assurance
		CR Report, "We believe in people and businesses all over Denmark": Page 16 CR Report, "We will actively support sustainable development": Page 25	
	Procurement Practices		No
204-1	Proportion of spending on local suppliers	Information unavailable. Nykredit is looking into whether and how this can be reported in the future.	
	Anti-Corruption		No
205-1	Operations assessed for risks related to corruption	CR Report, "Ramping up the fight against financial crime": Page 39	
205-2	Communication and training about anti-corruption policies and procedures	Nykredit's anti-corruption policies and procedures have been communicated and executed to the entire organization. In addition, all employees have received mandatory education and special training to prevent financial crime.	
205-3	Confirmed incidents of corruption and actions taken	CR Report, "Ramping up the fight against financial crime": Page 39 No incidents of corruption have been reported.	
	Anti-competitive Behavior		No
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No violations or legal actions for anti-competitive behavior, anti-trust and monopoly practices are to be reported for 2018.	

Environmental: 301-308

GRI	Disclosure title	Reference/Report	External assurance
	Materials		No
301-1	Materials used by weight or volume	Not applicable - Nykredit provides financial services as its main product.	
301-2	Recycled input materials used	Not applicable - Nykredit provides financial services as its main product.	
301-3	Reclaimed products and their packaging materials	Not applicable - Nykredit provides financial services as its main product.	
	Energy		Yes
302-1	Energy consumption within the organization	CR Report, "Key figures": Page 61	
302-2	Energy consumption outside of the organization	CR Report, "Key figures": Page 61	
302-3	Energy intensity	CR Report, "Key figures": Page 61	
302-4	Reduction of energy consumption	CR Report, "Key figures": Page 61	
302-5	Reductions in energy requirements of products and services	CR Report, "Key figures": Page 61	
	Water		No
303-1	Water withdrawal by source	CR Report, "Key figures": Page 64	
303-2	Water sources significantly affected by withdrawal of water	Not applicable	
303-3	Water recycled and reused	CR Report, "Key figures": Page 64	
	Emissions		Yes
305-1	Direct (Scope 1) GHG emissions	CR Report, "Key figures": Page 63	
305-2	Energy indirect (Scope 2) GHG emissions	CR Report, "Key figures": Page 63	
305-3	Other indirect (Scope 3) GHG emissions	CR Report, "Key figures": Page 63	

GRI	Disclosure title	Reference/Report	External assurance
305-4	GHG emissions intensity	CR Report, "Key figures": Page 63	
305-5	Reduction of GHG emissions	CR Report, "Key figures": Page 63	
305-6	Emissions of ozone-depleting substances (ODS)	Disclosure to be reported from 2019	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Information unavailable. Nykredit is looking into whether and how this can be reported in the future.	
Effluents and Waste			No
306-1	Water discharge by quality and destination	Not applicable	
306-2	Waste by type and disposal method	CR Report, "Key figures": Page 64	
306-3	Significant spills	Not applicable	
306-4	Transport of hazardous waste	Not applicable	
306-5	Water bodies affected by water discharges and/or runoff	Not applicable	
Environmental Compliance			No
307-1	Non-compliance with environmental laws and regulations	No incidents were reported in 2018	
Supplier Environmental Assessment			Yes
308-1	New suppliers that were screened using environmental criteria	All of Nykredit's suppliers are subject to our Code of Conduct for suppliers and sub-suppliers. CR Report, "Placing demands on our suppliers": Page 52 Code of Conduct for suppliers and sub-suppliers is available at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf	
308-2	Negative environmental impacts in the supply chain and actions taken	No negative environmental impacts in the supply chain have been recorded for 2018.	

Social: 401-419

GRI	Disclosure title	Reference/Report	External assurance
Employment			No
401-1	New employee hires and employee turnover	CR Report, "Key figures": Page 59	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Nykredit's collective agreement can be found at: https://www.finansforbundet.dk/da/Kredse/Nykreds/Overenskomst/Documents/Nykredit_Koncernoverenskomst_17.pdf	
401-3	Parental leave	Return to work rate, men: 95.4% Return to work rate, women: 96.4%	
Labor/Management Relations			No
402-1	Minimum notice periods regarding operational changes	Nykredit is subject to collective agreements with a minimum notice period of 3-6 months depending on seniority. Nykredit offers additionally up to 13 months' notice depending on seniority.	

GRI	Disclosure title	Reference/Report	External assurance
		However, according to collective agreements, the minimum notice period is down to one month if seniority is below 5 months.	
	Training and Education		No
404-1	Average hours of training per year per employee	The actual number of registered training hours has not been recorded, but in the period from June 2018 to May 2019, a total of 1,200 paid days of education and training have been reserved.	
		CR Report, "Skills for the future": Page 44	
404-2	Programs for upgrading employee skills and transition assistance programs	CR Report, "Skills for the future": Page 44	
404-3	Percentage of employees receiving regular performance and career development reviews	CR Report, "Key figures": Page 61	
	Diversity and Equal Opportunity		No
405-1	Diversity of governance bodies and employees	Composition of the Board of Directors is available at https://www.nykredit.com/en-gb/om-os/organisation/bestyrelsen/	
405-2	Ratio of basic salary and remuneration of women to men	CR Report, "Equal pay and women in management": Page 46	
	Incidents of Discrimination and Corrective Actions Taken		No
406-1	Incidents of discrimination and corrective actions taken	No incidents were reported in 2018.	
	Freedom of Association and Collective Bargaining		No
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	CR Report, "Placing demands on our suppliers": Page 52	
	Supplier Social Assessment		No
414-1	New suppliers that were screened using social criteria	All of Nykredit's suppliers are subject to our Code of Conduct for suppliers and sub-suppliers. CR Report, "Placing demands on our suppliers": Page 52	
		Code of Conduct for suppliers and sub-suppliers is available at: https://www.nykredit.com/siteassets/samfundsansvar/filer/nykredit-code-of-conduct.pdf	
414-2	Negative social impacts in the supply chain and actions taken	No negative social impacts in the supply chain have been recorded for 2018.	
	Marketing and Labeling		No
417-1	Requirements for product and service information and labeling	All of our investment products are subject to risk labelling.	
417-2	Incidents of non-compliance concerning product and service information and labeling	Not applicable	
417-3	Incidents of non-compliance concerning marketing communications	Two incidents were recorded in 2017. See our press releases on both incidents: https://www.nykredit.com/siteassets/presse/presse-og-nyheder/pressemeddelelse_nykredit_indgar_aftale_med_forbrugerombudsmand_en_2018-12-20_da.pdf https://www.totalkredit.dk/siteassets/pdf/danske-pressemeddelelser/2018/sag_mod_totalkredit_afgjort_2018_04_26_da.pdf	

GRI	Disclosure title	Reference/Report	External assurance
	Customer Privacy		No
418-1	Substantiated complaint concerning breaches of customer privacy and losses of customer data	Nykredit has not received any substantiated complaints concerning breaches of customer privacy.	
	Socioeconomic Compliance		No
419-1	Non-compliance with laws and regulations in the social and economic area	No incident of non-compliance with laws and regulations in the social and economic area have been reported	

Financial Sector Specific Supplements (fsss)

GRI	Disclosure title	Reference/Report	External assurance
G4-DMA (FS1)	Policies with specific environmental and social components applied to business lines	CR Report, "We will actively support sustainable development": Page 25	No
G4-DMA (FS2)	Procedures for assessing and screening environmental and social risks in business lines	CR Report, "We will actively support sustainable development": Page 25	No
G4-DMA (FS3)	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Information unavailable	No
G4-DMA (FS4)	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	CR Report, "We will actively support sustainable development": Page 25	No
FS6	Percentage of the portfolio for business lines by specific region, size, and by sector	CR Report, "Key figures": Page 58	No
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Information unavailable. We are currently unable to report the monetary value of products and services. See CR Report, "We believe in people and businesses all over Denmark": Page 19 for a description of initiatives designed to provide social benefits	No
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Information unavailable. We are currently unable to report the monetary value of products and services. See CR Report, "We will actively support sustainable development": Page 19 for a description of initiatives designed to provide environmental benefit	No
G4-DMA (FS9)	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	CR Report, "Organisation and governance" Page 55	No
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	CR Report, "Persistence and dialogue can make a difference": Page 33	No
FS11	Percentage of assets subject to positive and negative environmental or social screening	CR Report, "Responsible investment": Pages 30-31	No
G4-DMA (FS12)	Active ownership	CR Report, "Persistence and dialogue can make a difference": Page 33	No
FS13	Access points in low-populated or economically disadvantaged areas by type	Nykredit has 42 centers distributed all around Denmark. While the distance varies between the cities and low-populated areas, most of Nykredit's services are available online, providing a digital access point for the whole country.	No
FS14	Initiatives to improve access to financial services for disadvantaged people	Not applicable	No

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.

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