

# Nykredit – Engaging with Society

2016



# Foreword

For more than 160 years, Nykredit has helped Danish families buy their homes and Danish businesses grow. Security and stability have been the distinguishing marks of Nykredit and our core product, mortgage lending, since 1851. Today, it is our ambition to be the preferred financial partner of Danish homeowners – and we will actively support growth in small and medium-sized enterprises and agriculture.

Nykredit is rooted in the proud traditions of Danish mortgage finance, built on the notion that homeowners and businesses can achieve more favourable loan terms if based on a mutuality concept. This led to the formation of the first mortgage associations and later on the modern-day mortgage banks. As a unique feature in the Danish financial market, Nykredit is owned mostly by the Nykredit Association, of which our customers can be members.

That way, we have been created by the Danish people, for the Danish people.

We are proud of our heritage. But we are also aware that the world around us is changing dramatically these years. Globalisation of the economy, digitisation of society and internationalisation of regulation provide new development opportunities, challenges and unpredictabilities. The markets for financial services are changing fast, new participants emerge, and customers expect ever-improving advisory services and products. This makes demands on us as a financial undertaking.

At a time when new legislation is constantly changing the ground rules in the sector, when mobile phones have within a few years become the main tool for managing your daily finances, and when a home loan is no longer necessarily a mortgage loan, Nykredit's relevance to homeowners and businesses cannot be taken for

granted. We must do our utmost every day to live up to our ambition of being the preferred financial partner of homeowners, SMEs and agriculture.

Nykredit is changing, and the world around us is changing. In times of change we cannot promise that everything will stay the same. But we can promise this – that we will stick to our core business and to our heritage.

In 2017 we will therefore step up our social responsibility work. This means that we will keep addressing issues such as financial stability, responsible lending, access to home financing, climate and environment, socially responsible investment, staff conditions, responsible procurement and compliance.

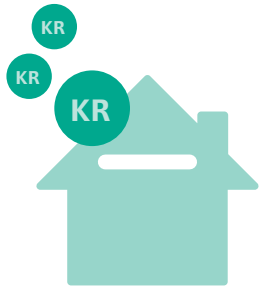
At the same time, the Panama Papers have emphasised how important it is that the financial sector, together with the authorities, actively combats tax evasion, money laundering and terrorist financing. Areas in which Nykredit will be even more watchful going forward.

We recognise our social responsibility and we are committed to delivering on it. I hope that is evident from this CSR report. We are also well aware that we cannot simply lean back and be satisfied with the present state – not in this field either. We can and must continue to improve.



**Michael Rasmussen**  
Group Chief Executive





**KundeKroner is a benefits programme** offering discounts to Totalkredit customers on mortgage fees. The better the results, the greater the discounts for our customers.



**Did you know that** Nykredit and Totalkredit provide loans for more than four in ten dwellings in Denmark – and that we have a strong presence in every part of Denmark?



**Did you know that** Nykredit and Totalkredit together make up the largest lender in Denmark – and one of the largest lenders to small and medium-sized enterprises?



**Did you know that** Nykredit in 2016 took part in a political project aimed to expand the scope for financing fiber networks and mobile phone masts with mortgage loans? This means that it will be cheaper to provide broadband to a greater part of Denmark.

# Nykredit's pledge to customers and society

Nykredit is working to make our pledge to customers and society an integral part of our business model.

We have pledged to our customers that we will share our progress with them by making payouts under the KundeKroner benefits programme. We go to work finding great motivation in the fact that the better our performance, the more we can return to homeowners and businesses across the country. This means that we will be making the first KundeKroner payouts already in H2/2017.

At the same time, we aim to be the preferred financial partner of Danish homeowners. We want to be homeowners' first choice when they seek advice on financial decisions, however small or large. We stand ready to provide advice when life takes an unexpected turn – towards new opportunities or challenges. We provide guidance when first-time buyers try to find their way around a confusing housing market – and we manage homeowners' savings and investments to optimise their returns. To this end, we will continue to expand our homeowner banking concept so that we can accommodate homeowners' expectations for sound advisory services and relevant products at any time.

We pledge to our business customers that we will provide expertise and insight, supporting the growth and progress of, primarily, small Danish businesses and agriculture. To this end, we will constantly develop our business banking programme to ensure that we deliver on our ambition to be a focused, expert financial partner to our business customers.

We pledge to society that we will be there for Danish businesses and Danish agriculture in good times and bad. If the economy freezes over, our ambition is to be the ones that keep up lending, thus taking responsibility for supporting the Danish economy. Therefore, we will operate with a responsible, long-term and secure capital base, enabling us at any time to support the real economy.

Just like today, there will be no local community or postal district where we are not represented to help housing dreams and business ambitions come true. This means that we will maintain our mortgage lending in all parts of Denmark – lending that even increased during the financial crisis

*– We are very pleased that the Danish parliament is now prepared to offer power and telecommunications companies access to mortgage financing, which is cheaper. This is good news for the companies, for customers and for society. We stand ready to provide the loans.*

Michael Rasmussen, Group Chief Executive of Nykredit

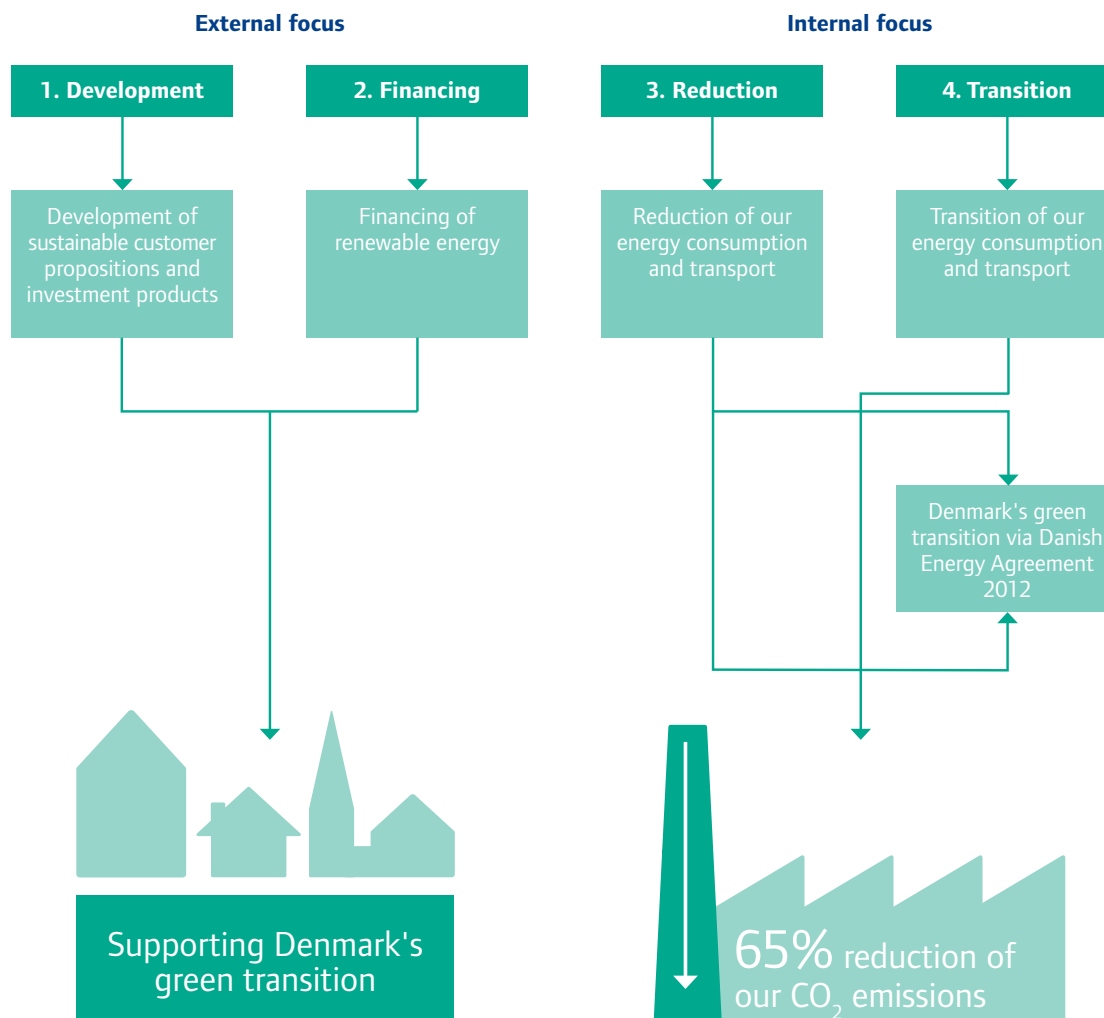
# Climate and environment

## Working for a greener society

Nykredit contributes to the communities we live and do business in. As the largest domestic credit provider, we have a great potential for supporting Denmark's green transition and helping homeowners, businesses and investors reduce their carbon footprints. It is our ambition to contribute to a greener society. Partly by supporting the green transition nationally, partly by reducing our own CO<sub>2</sub> emissions by 65% from the level in 2012 by the end of 2020.

We believe that running an environmentally conscious business is of common value to Nykredit, our customers and to society. And creating common value is the fundamental principle of our climate and environment strategy 2020, which sets out four focus areas:

- 1. Development of sustainable customer propositions and investment products.** Through our market share of some 41% of Danish mortgage lending, we and the homeowners who are Nykredit customers can potentially contribute a CO<sub>2</sub> reduction of several thousand tonnes.
- 2. Financing of renewable energy.** The energy sector is the largest industry in Denmark measured by revenue, with total fixed assets worth DKK 274bn. Therefore, Nykredit is developing financial products that can help businesses and investors finance electricity networks, wind farms and biogas facilities.
- 3. Reduction of our energy consumption and transport.**
- 4. Transition of our energy consumption and transport.**



Based on our climate and environment strategy, we have since 2012 developed four new kinds of sustainable customer proposition, financed more than 475 MWh of renewable energy in the energy sector, reduced the Nykredit Group's CO<sub>2</sub> emission by 49% by the end of 2016 and installed solar cell systems in nine locations, which in June 2016 had produced 1 million kWh of electricity. This corresponds to the annual electricity consumption of some 200 Danish homes. We have an ongoing project of implementing energy efficient lighting in the form of LED.

### Climate and environmental performance in 2016

#### Energy audits and energy labelling

In Q1/2016 Nykredit became one of the first Danish businesses to comply with the provisions of the Danish executive order on mandatory energy audits for large enterprises. Energy audit reports were prepared for a representative number of Nykredit's buildings, and energy labelling reports were prepared for all buildings owned by Nykredit.

#### Electric bicycles and LED lighting

In Q2/2016 Nykredit bought 10 new electric bicycles intended to replace taxi trips of up to 5 kilometres. For example, if one staff member replaces a weekly 5 km taxi trip with a bicycle trip, we will cut CO<sub>2</sub> emission by 38 kg a year. We have installed LED lighting at our customer centre in Slagelse.

#### Nykredit Home Project Support

In Q3/2016 we launched Nykredit Home Project Support for our personal customers. With this programme on hand, we can now assist our customers all the way – from specification of a renovation project through our Home Checkup and Homebuyers' Inspection to implementation of the project through Home Project Support.

#### CDP score

Ending 2016, Nykredit was assigned its first score under the Carbon Disclosure Project – Climate Change. Nykredit achieved an average score called "Awareness C". We will strive to improve the score in the coming years.

#### Targets for 2017

In 2017 we will focus on the following areas:

- Continued reduction and transition of our energy consumption
- Maintaining the low level of travel
- Positioning as the energy sector's preferred financial services provider
- Further increasing the share of eco-labelled purchases



### Customers' comments on Home Project Support

*– Nykredit Home Project Support made it easy for us to find a reliable builder to change and energy renovate our roof. Nykredit helped us not only find the right builder, but also to realise our dream.*

Claus Christiansen, personal customer

# Socially responsible investments

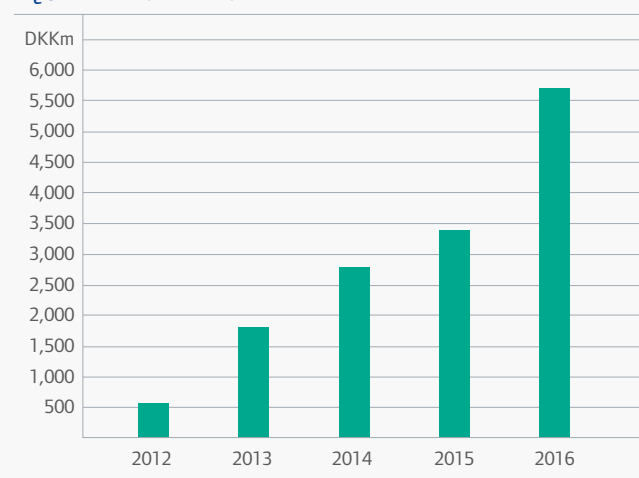


Sustainability assessment of investments totalling DKK 5.7bn

Since 2012 Nykredit has used research on companies' behaviour with respect to environmental, social and corporate governance issues, so-called ESG ratings, in selecting which companies to invest in. We do that because we believe responsible behaviour reduces risk and delivers better returns. Our own analysis of returns from more than 5,000 companies since 2007 confirms exactly that. For the past four years, the most socially responsible companies have delivered twice the returns of the least socially responsible ones every year.

We will leverage this knowledge for the benefit of our customers' investments. Today we are using ESG ratings as part of our risk assessment of all products and our selection of companies in connection with investments to the tune of DKK 5.7bn.

## USING SUSTAINABILITY ASSESSMENTS IN MORE AND MORE EQUITY INVESTMENTS



## Green transition is an investment factor

Climate challenges and efforts to meet the goal of the Paris Agreement of keeping the increase in global average temperature below 2°C are incorporated in our sustainability assessments where relevant. But we are also addressing this issue in other ways. For example, we are in regular dialogue with companies whose business models rely on fossil fuels, and which are therefore part of the challenges but potentially also part of the solution. To this end, at the AGMs of these companies we vote in favour of every proposal which contributes to green transition – with due respect for the value creation of the respective company. Also, we have in 2016 launched several investment solutions for institutional investors who want to avoid investing in companies whose business models include fossil fuels.

## Nykredit as active owner on behalf of our customers

Nykredit is an active investor. We regard dialogue with the companies as a natural step of the investment process – not only when selecting them, but also during our ownership. In 2016 we have stepped up this effort to include participation at the AGMs of over 380 companies where we often vote according to our knowledge that sustainability pays off. In case we get confirmed information about a breach of international conventions or the like by a company – regarding for instance pollution, human rights or weapons production – and the company does not demonstrate the will or ability to change this, we may exclude it from Nykredit's investment universe.

Furthermore, Nykredit participated in the preparation of the new recommendations of the Committee on Corporate Governance for institutional investors. Nykredit will keep developing this effort in 2017 as well.

# A developing workplace

Nykredit employs around 3,600 people. We have the opportunities of a large corporation and the agility of a small business, feeling and noticing the difference that every one of us makes. This is also the reason why we target resources at professional development and job satisfaction.

## Employability of our staff

Nykredit is on a journey of change. Digitisation, IPO and increased regulation make heavy demands on the adaptability and skills of our staff. No one in the financial sector can guarantee job security. But we can promise that we will invest in their individual development. We use our own transformation process as an opportunity to actively strengthen the employability of our staff through challenging tasks, collaboration in new constellations, training and feedback. And we invest in staff training and education, enhancing their position in a changeable labour market. In addition to this, we invest in management skills to support the transition and development of our staff. In 2016 all managers of the Nykredit Group completed a management programme focused on key change management skills – management communication, coaching, feedback and follow-up. In 2017 we will add new dimensions to the programme.

Nykredit aims to be among the very best financial advisers. To this end, we take the training of advisers to the next level and ensure that their adviser certification is renewed every three years, keeping them up to date on areas ranging from personal finances and housing to pension and investment. And we apply our own certification programme, Nykredit Certification, extending beyond the official certification requirements in the investment area.

## A diverse workplace

At Nykredit we believe that having a diverse staff strengthens the business and creates a knowledgeable and broad-based working environment – professionally and socially. It is important to us that everybody feels welcome and comfortable in Nykredit regardless

of their age, gender, sexual orientation, ethnicity or disabilities. We make a targeted effort to ensure more women in management, for instance through talent development and build-up of a talent pipeline. We also promote diversity in society – Nykredit has since 2011 backed and participated in the Copenhagen Pride Parade.

## Healthy people perform better

Healthy people have a higher job satisfaction, create a pleasant social environment at the workplace – and have lower sickness absence. Therefore, it is important to us to offer various benefits such as exercise initiatives and health checks. And of course we regularly monitor the level of staff engagement and job satisfaction through staff surveys.

## Volunteer, social work by Nykredit staff

Nykredit participates in two social partnerships: "Råd til Livet" and "Økonomisk Overblik". In both projects, Nykredit staff members provide their professional expertise and experience as financial mentors on a voluntary and unpaid basis. The evaluations of the projects show that our staff make a big difference to the men and women who benefit from their efforts.



**Økonomisk overblik**

**Økonomisk Overblik:** This project offers free and independent financial advice to soldiers of the Danish army who have returned from international missions. It is a partnership between Soldaterlegatet, KFUM's Soldatermission and Nykredit.

**Mary Fonden**  
H.K.H. KRONPRINSESSE MARYS FOND

**Råd til Livet:** This project offers free and independent advice on social, financial and legal matters to battered and other vulnerable women. It is a partnership between the Mary Foundation, Mødrehjælpen, the National Organization of Shelters for Battered Women and Children (LOKK) and Nykredit.

**Nykredit**

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For additional information on Nykredit's corporate social responsibility, including our CR Fact Book and relevant corporate social responsibility policies please refer to our website.

