



# CLIMATE TRANSPARENCY REPORT 2020

Nykredit Realkredit Group

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-1EF2ADE9-A003-41B7-9027-61403D073BEC/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	-	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Nykredit Realkredit Group
<b>Signatory Category</b>	Fund Management - Majority
<b>Signatory Type</b>	Investment Manager
<b>Size</b>	US\$ > 50 billion AUM
<b>Main Asset Class</b>	>50% Fixed Income SEC Internally Managed
<b>Signed PRI Initiative</b>	2009
<b>Region</b>	Europe
<b>Country</b>	Denmark
<b>Disclosure of Voluntary Indicators</b>	100% from 38 Voluntary indicators

# Nykredit Realkredit Group

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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Det overarching policy has the ambition of ensuring our investments are aligned with the goals in the Paris-agreement. As part of our efforts to reach this goal Nykredit has taken a number of initiatives. Nykredit Asset Management is a supporter of TCFD and has been an active participant in the Climate Action 100+ initiative since its initiation. Nykredit has been carbon foot printing portfolios for a number of years to identify risks, but more importantly we have been integrating ESG-analysis into the active investments processes and thereby make the climate-related risks and opportunities part of the investment proces.

All portfolios are analyzed on an ongoing basis and as part of this Nykredit has identified 16 thermal coal producers and three tarsand companies with extreme transition risk and no strategy to transition. To protect our clinet's investments from future loses Nykredit has decided to exclude the companies from all of our portfolios.

Nykredit offers our clients a number of different solutions, which adresses the climate risk and opportunities in different ways. Some products focus on integrating climate-related KPI's into the process and combining this with engagement, whereas others supplement this approach with also excluding companies involved in fossil fuel. The data to asses the climate-related physical risk and so far been quite limited, but they also play a part in the ESG-analysis. This area as well as to continue to look beyond energy sector to identify transition risks is a focus area for the coming year.

Especially in infrastructure these risk play an import role in the risk assessment and dialogue with our external manager, as these assets are indeed illiquid an the investment horizon is 10 years. Therefore the managers ability to identify and handle these risk are an import part of our selection and monitoring. Nykredit also tries to identify the risks related to each of the investments don in this perspective as well.

The majority of the Nykredit investmens are in securitized Danish mortgage bonds. These bonds finance the majority of Danish housing as well as farms, ships and buildings of enterprises. As the Danish economy is already far in transitioning to a low carbon economy. This goes for the energy sector, and Denmark is planning to cut emissions by 70% by 2030. Danish authorities have identified the physical risk as mainly risks of draught, flooding and violent weather. The Danish mortgage system lends thorough large pools financed by bond issuance. This means that the physical risks are spread quite evenly from bond to bond. Better disclosure of the use of proceeds will help make better assessment and this is why Nykredit is deeply engaged in sector developments on better disclosure of lending carbon foot print and use of proceeds. The EU-Taxonomy will also improve this. In general the mortgage bonds has great opportunity is being a tool to finance the investment needs in energyo optimization and renewable solutions. This could both be through traditional mortgage loans and green mortgage bonds, where Nykredit issued its first last year.

No

**SG 01.7  
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

The base line assumption is that the goals of the Paris-agreement on Climate will be reached. This assumes carbon neutrality by 2055. Nykredit is sees different possible scenarios, including 1.5 degrees and the 3 degrees with the larger physical risk it entails.

No

**SG 01.8  
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Nykredit Asset Management supports the TCFD. The investment policy mentions the goals of the Paris-agreement on Climate. Nykredit has a company wide climate policy and is a reporting member of the Carbon Disclosure Project.

No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

Carbon foot print and actions to handle climate risks are reported in the sustainability reports connected to the annual filings.

- We currently do not publish TCFD disclosures

## Governance and human resources

**SG 07 CC**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Descriptive**

**General**

**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

**Board members or trustees**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Other Chief-level staff or heads of departments**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Portfolio managers**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Dedicated responsible investment staff**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**External managers or service providers**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Other role, specify (1)**

**Manager Selection staff**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues



**SG 07.6  
CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Forum on Sustainable Investments overlooks the implementation of the investment policy. The Nykredit senior management and the board overlook the sustainability strategy of Nykredit where climate and investments are a cornerstone, as is the reporting on it.

The policy is reviewed annually, but the Forum meets quarterly to discuss any issues related to the implementation of the policy.

More importantly the results are reported to clients and discussed. The next step will be a more detailed scenario analysis preformed in 2019.

**SG 07.7  
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Senior management at Nykredit is responsible for implementing the Nykredit strategy on sustainability. Climate-related issues play an integral part of the strategy on sustainability. The strategy on sustainability is decided by the board members and the senior management reports to them on progress and new initiatives taken. The annual report and the dedicated report on sustainability describes the initiatives and progress and it is signed of by the board. The report has looked at the carbon foot prints of investments at an aggregate level.

As part of the implementation the senior management has action plan dedicated to each of the business lines. One of these are Wealth Management which has the overview of investments and where the RI-ressources for Nykredit is anchored. The climate actions on investment, lending, own reduction initiatives and green bond issuance is all coordinated through the group wide sustainability working group. Senior management has the role of sustainability committee.

The investment mutual has a similar governance structure. Each mutual has a policy on sustainable investments decided by the board memebers, who also review this annually. Management and the ESG-department implement and reports to the board on an ongoing basis about the initiativea, progress and further action. The mutual funds have their own separate sustainability report, which covers carbon foot prints and the work on assessing and handling climate related risks and opportunities. This report is signed of by the boards of the mutual funds.

**SG 07.8  
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

## ESG issues in asset allocation

**SG 13**

**Mandatory**

**Public**

**Descriptive**

**PRI 1**

**SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.3**

Additional information. [OPTIONAL]

Nykredit is in the process of gathering the necessary data to do a consistent scenario analysis. Nykredit has done analysis on issuer level and these conclusions are used differently in the investment process. The overall allocation is done between asset classes and markets. The different strategies will use the conclusions to allocate between sectors and geographies. In case of EMD the conclusions can result in excluding specific countries or reducing exposure.

**SG 14**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Additional Assessed**

**PRI 1**

**SG 14.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

**SG 14.2**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

**SG 14.3**

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Indicators on green transitions risk, based on strategy and exposure. Other indicators on revenue related to the fossil fuel industry, especially relevant to servicing companies.

- None of the above

**SG 14.5**

Additional information [Optional]

The analytic tools for surveying and stress testing are still in their developmental phase, but these are improving - both externally and internally developed ones.

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC**

Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Climate-related targets</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Above or below benchmarks of aggregated funds	CDP-data, accessed through Bloomberg, measured against IEA.
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Above or below benchmarks of aggregated funds	CDP-data, accessed through Bloomberg.
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Above or below benchmarks of aggregated funds	CDP-data, accessed through Bloomberg.
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Above or below benchmarks of aggregated funds	CDP-data, accessed through Bloomberg.
<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Above or below benchmarks of aggregated funds	CDP-data, accessed through Bloomberg.
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	To ensure compliance with the goals of the Paris Agreement	Depends on the specific asset	Own or sell side analysis

SG 14.7  
CC

Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
<input checked="" type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target	Following the Paris Agreement	2050	This is dynamic, so if the Paris Agreement is strengthened, so is the target.	<a href="#">File 1:Politik for ansvarlige investeringer endelig udgave 040418 uk.pdf</a>
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input type="checkbox"/> Intensity target				

**SG 14.8  
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management

Please describe

The carbon footprints and ESG portfolio screens are used as part of fund evaluation and policy evaluation together with CIO. The Policy is evaluated in the Forum on Sustainable Investments with representatives of senior management and all relevant departments and is also evaluated in boards of senior management. New analysis and projections are shared actively with the different departments.

- Processes for climate-related risks are not integrated into overall risk management

**SG 14.9  
CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

Nykredit is an active member of Climate Action 100+, and find the TCFD adoption as a key engagement tool here. Nykredit also uses TCFD as part of active ownership as such.

- No, we do not undertake active ownership activities.  
 No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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**SG 15.1** Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No