



**Policy for Forenet Kredit's  
Ownership of Nykredit**

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# Policy for Forenet Kredit's ownership of Nykredit

As the majority shareholder of Nykredit A/S (**Nykredit**), Forenet Kredit f.m.b.a. (**Forenet Kredit** or the **Association**) plays an active role in ensuring a sound and sustainable development of the Nykredit Group. The Association does so, for example, by engaging in dialogue with Nykredit's Management, by being represented on Nykredit's Board of Directors and by listening to and engaging in an active dialogue with the Association's members, Nykredit's other shareholders, bondholders and other stakeholders.

## **Purpose**

The purpose of the Association is to be a shareholder of Nykredit and as such to carry on financially sustainable mortgage business and other financial business for the benefit of the customers. Through its ownership of Nykredit, the Association will contribute to ensuring the future viability of a competitive Danish participant in the market for mortgage lending and other financial business with low costs of capital for the benefit of the Nykredit Group's customers, shareholders, bondholders and other stakeholders. The Association will exercise its ownership in a prudent and responsible manner and seek to ensure that the Nykredit Group's governance remains grounded on similar principles.

The aim of this policy for the Association's ownership of Nykredit is to promote openness, trust and predictability in respect of the Association's position as a long-term majority shareholder of Nykredit.

## **Stable and predictable majority shareholder**

The Association is committed to being the stable and predictable majority shareholder of Nykredit. This means that the Association's ownership interest – and thereby its share of votes in Nykredit – can only be brought to a level where the Association no longer holds the majority of shares and votes in Nykredit if so approved by the Association's Committee of Representatives.

The Association finds it important that Nykredit's Board of Directors acts in the long-term interests of the shareholders.

## **Maintaining the Association's majority shareholding in Nykredit**

Forenet Kredit, with due regard to the Association's liquidity and financial position, intends to participate in any future cash capital increases in Nykredit.

## **Value creation in Nykredit**

The Association prioritises healthy and sound growth and value creation in Nykredit so as to generate a risk-adjusted return on a level comparable with that of the most profitable peers. Over time, this will benefit the shareholders via dividends and/or increased share value.

## **Operational targets for Nykredit**

High customer satisfaction in the Nykredit Group is of great importance to the Association, and the level should match that of comparable financial businesses with the highest customer satisfaction scores.

## **Dividends from Nykredit**

The Association aims for Nykredit, under normal market conditions, to make stable and competitive dividend payments with due consideration to Nykredit's capital position.

### **Capitalisation of Nykredit**

The Association finds it important that Nykredit will constantly seek to optimise its capital structure and is capitalised to a market-consistent level and at least to a level ensuring a stable and secure rating that matches that of comparable companies with a substantial, broad-based mortgage lending business.

### **Funds of the Association**

Forenet Kredit is committed to strengthening its financial position to remain the stable majority shareholder of Nykredit, with the capacity to ensure stability of the annual contributions to the Nykredit Group and provide capital to Nykredit as necessary.

The Association also aims to make an annual contribution to the Nykredit Group corresponding to the greater part of the dividend received from Nykredit, however, with due consideration to the Association's need to repay any debt and strengthen its financial position, including to build up capital reserves.

Based on a resolution made by the Committee of Representatives on a year-by-year basis, the Association will prioritise the appropriation of dividends received and other investment returns as follows (after coverage of the Association's operating expenses):

1. Repayment of debt.
2. Securing funding flexibility by building up capital reserves in the Association, enabling the participation in any future capital increases in Nykredit.
3. Strengthening the Association's financial position to ensure a stable contribution to the Nykredit Group year by year.
4. Annual contribution to the Nykredit Group for the benefit of the business and its customers.
5. Possibly minor contributions, for example to support product development in the sector, organisation of relevant political debates and to the Nykredit Foundation.

### **Corporate governance**

The Association finds it important that Nykredit's Board of Directors regularly considers the Recommendations on Corporate Governance laid down by the Danish Committee on Corporate Governance from time to time and as far as possible complies with these Recommendations, unless there are well-founded reasons for derogation, for instance due to Nykredit's ownership structure and the fact that Nykredit's shares are not listed on a regulated market (the "comply or explain" principle).

### **Composition of Board of Directors across the Association and Nykredit**

The Board of Directors of the Association is composed of eight members elected by the Committee of Representatives and four members elected by the staff of Nykredit Realkredit A/S.

The Association finds it appropriate that Nykredit's Board of Directors, over time, be composed of eight members elected by the General Meeting, with the number of Board members to be determined having regard to the skills of the candidates and the functionality of the Board of Directors.

Of the members of Nykredit's Board of Directors elected by the General Meeting, at least half should, in the Association's opinion, be independent of the Association and consequently should not be members of the Association's Board of Directors unless special conditions apply. Similarly, the Chairman of the Board of Directors of Nykredit should, in the Association's opinion, be independent of the Association.

### **Election of Nykredit's Board of Directors**

The Association finds it important that the Board of Directors elected for Nykredit possesses all skills and abilities relevant to the Board's responsibilities.

Furthermore, the Association prioritises diversity on the Board of Directors in terms of gender, age etc.

### **Remuneration of Nykredit's Board of Directors**

The remuneration of the members of Nykredit's Board of Directors should be market-consistent and proportionate to the members' skills, responsibility and workload on the Board.

### **Division of duties between Nykredit's Board of Directors and Executive Board**

The Board of Directors constitutes the shareholders' representatives and should participate actively in the development, delivery and review of Nykredit's strategy, governance and capital structure.

The Association therefore finds it important that Nykredit's Board of Directors ensures the requisite internal oversight of the Executive Board.

### **Exercise of the Association's voting rights**

The Association will be represented at Nykredit's general meetings and will exercise the Association's voting rights when votes are held.

Forenet Kredit will vote in favour of proposals which – in the opinion of the Association and with due consideration to the Association's interests and objectives – will increase the current and future value of the shares.

### **Communication with Nykredit's Executive Board, Board of Directors and other shareholders**

The Association's representatives on Nykredit's Board of Directors will have a natural insight into the work and plans of Nykredit's Board.

In addition to this, the Association will maintain a dialogue with Nykredit in line with the dialogue between other majority shareholders and companies of a similar type and size.

The Association will seek to ensure that all relevant information is made available to all shareholders to the widest extent possible – naturally with due regard to Nykredit's competitive position, confidentiality issues and current legislation.

The Association will work to maintain good relations with the other shareholders of Nykredit.

### **Communication with the Association's Committee of Representatives**

The Association finds it important to establish transparency vis-à-vis the Committee of Representatives – naturally with due regard to Nykredit's competitive position, confidentiality issues and current legislation.

### **Incentive schemes**

Any incentive schemes for Nykredit's Executive Board must be market consistent – and in agreement with the shareholders' long-term interests.

The Association does not support incentive schemes for Nykredit's Board of Directors.

**Information to investors**

The Association finds it important that Nykredit establishes transparent and open communication with investors in line with the best communicating listed companies in Denmark.

**Exercise of ownership policy**

The Board of Directors and Executive Board of Forenet Kredit will implement, and monitor the implementation of, this ownership policy. The Board of Directors will make all decisions regarding the exercise of voting rights in relation to the Association's shares at Nykredit's general meetings and will, together with the Executive Board, be responsible for the dialogue with Nykredit and other shareholders of Nykredit.

The Board of Directors will report annually to the Committee of Representatives of the Association on compliance with the principles laid down in this ownership policy.