



Active ownership policy
Foreningen Nykredit
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Active ownership policy

As an active owner Foreningen Nykredit (the Nykredit "Association") wants to participate actively in ensuring a sound and sustainable development of the Nykredit Group. The Association does so, for example, by having an ongoing dialogue with Nykredit's Management and by listening to customers, shareholders, bondholders and other stakeholders.

Purpose of active ownership

The purpose of the active ownership policy is to contribute to creating openness, trust and predictability in respect of the Association's position as long-term majority shareholder of Nykredit.

The Association's primary objective 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.

The Association will contribute to ensuring the continued existence of a competitive Danish participant in the market for mortgage lending and other financial business with low costs of capital. That will benefit all customers, shareholders, bondholders and other stakeholders.

Stable and predictable majority shareholder

The Association aims to be a stable and predictable majority shareholder of Nykredit. This means that the Association's ownership interest – and thereby its share of the votes in Nykredit – can only be brought below the majority level if so decided by the Committee of Representatives.

The Association aims to participate in any future capital increases or share buyback programmes in Nykredit, however, with due respect for the liquidity and net assets of the Association.

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

Value creation in Nykredit

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

Operational targets for Nykredit

High customer satisfaction is of great importance to the Association, and the level should be as good as that of comparable financial businesses with the highest customer satisfaction scores.

Capitalisation of Nykredit

It is essential that Nykredit optimises its capital structure and is capitalised to a market-consistent level.

Dividends from Nykredit

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

Use of the Association's funds

The Association aims to strengthen its financial position as a stable majority shareholder, with the capacity to ensure stability of annual contributions to Nykredit.

The Association also aims to provide an annual contribution to Nykredit corresponding to the greater part of the dividend received, however, with due consideration to the Association's need to repay any debt and strengthen its financial position.

The Committee of Representatives will on a year by year basis decide on the Association's prioritisation of dividends and other investment returns as follows (after payment of its operating expenses):

1. Repayment of any debt.
2. Strengthening of the Association's financial position to ensure a stable contribution to the Nykredit Group year by year and to be able to participate in any future capital increases.
3. Annual contribution to the Nykredit Group for the benefit of the business and its customers.
4. 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 is organised and managed in accordance with the Recommendations on Corporate Governance, however, with any deviations following from Nykredit's ownership structure.

The Association is governed based on these recommendations to the extent relevant considering its structure as a non-listed association. Furthermore, the Association actively applies the Danish recommendations on active ownership (according to the "comply or explain" principle).

Composition of the 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 is composed of a maximum of eight members elected by the General Meeting and four staff-elected members.

Of the eight members of Nykredit's Board of Directors elected by the General Meeting, at least half should, in the Association's opinion, be independent. In practice, this means that the Association intends to recommend up to four members of the Association's Board of Directors for Nykredit's Board of Directors.

The Chairman of Nykredit's Board of Directors should be independent and should therefore not be a member of the Board of Directors of the Association.

Election of Nykredit's Board of Directors

By exercising its voting rights, the Association will take part in electing eight board members in Nykredit who possess the relevant skills for such a position.

Furthermore, the Association prioritises diversity in 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 reasonably proportionate to the members' skills, responsibility and workload.

Division of duties and responsibilities between Board of Directors and Executive Board of Nykredit

The Board of Directors constitutes the shareholders' representatives and should participate actively in the development 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 votes

The Association intends to be directly represented at Nykredit's General Meetings and to exercise its votes when votes are held. The Association will subsequently publish how its votes were cast.

The Association will vote in favour of proposals which – in the opinion of the Association – will increase the current and future value of the shares. Naturally, this will be done taking into consideration the interests and objectives of the Association.

The Association will be directly represented on Nykredit's Board of Directors. A situation where Nykredit's Board of Directors submits proposals which the Association cannot support will be an exception. However, if such a situation should occur, the Association reserves the right to exercise its voting right to promote the interests and objectives of the Association.

Communication with the Executive Board and Board of Directors

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

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

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 for applicable rules (including rules on disclosure of inside information and the provisions of the Danish Companies Act and the Financial Business Act).

Relations with other shareholders

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

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

Escalation

If the Association has doubts about Nykredit's strategy, governance or capital structure, it will seek a dialogue with Nykredit's Board of Directors and/or Executive Board.

If the Association fails to establish a constructive dialogue, it will consider whether the matter should be escalated.

Conflicts of interest

The Association will monitor whether any conflicts of interest occur between its representatives on Nykredit's Board of Directors and/or Nykredit's Management.

Incentive schemes

Any incentive schemes for Nykredit's Executive Board must be market-consistent – and not least long term so as to agree with the shareholders' 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.