

Nordea

Nordea Sector Guideline for the Forestry Industry

November 2019



1. Introduction

The Board of Directors of Nordea Bank has adopted a Code of Conduct for Nordea Bank Abp and its subsidiaries, including branches and representative offices. It applies to all people working for Nordea. The Code of Conduct is primarily based on the ten principles of the UN Global Compact and sets out the general principles for how we aspire to work at Nordea and guides us in our business relationships. The Code of Conduct is supplemented by more detailed internal rules, policies and guidelines.

This is Nordea's Sector Guideline for the Forestry Industry approved by the Business Ethics and Values Committee, November 2019.

2. Commitment

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into our decision-making process. Nordea is a signatory to the UN Global Compact, the Principles for Responsible Investments (PRI), the Principles for Responsible Banking (PRB), the UN Net-Zero Asset Owner Alliance and the Equator Principles.

Nordea performs ongoing due diligence (ODD) on all customers and enhanced due diligence (EDD) with regards to customers that are assessed to have a higher risk.

Nordea's Policy for Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risk management sets the framework and minimum standards for Anti-Money Laundering and Counter Terrorist Financing risk management. According to the policy the Know-Your-Customer process is a key element in all AML/CTF activities.

Nordea does not facilitate business with individuals, corporations or countries that are subject to relevant sanctions. Nordea has detailed processes for capturing potential violations of sanctions to ensure that transactions do not breach relevant sanctions imposed by UN, EU, the USA and applicable local regulators. Nordea has dedicated task groups and regular training in place.

3. Forestry, climate change, biodiversity and deforestation

About one third of the earth is covered by forests. Forests are critical to our terrestrial ecosystem and biodiversity. Forests absorb carbon dioxide, produce oxygen and provide habitat for animal and plant species.

Forests are also the source of a multitude of socially and economically valuable benefits. In the Nordic region, forestry has been and is an important part of the economy and there are over a million private owners of forest lands. Forests provide recreation and livelihoods for many people and raw materials for small and large forestry sector enterprises. The sector includes forest harvesting, pulp and paper and wood processing companies and the raw materials are used to produce products like pulp, paper, tissue, cardboard, plank, packaging and biofuels. Forest products are recyclable and biodegradable and increasingly seen as a renewable source for the substitution of fossil-based products and raw materials.

The Intergovernmental Panel on Climate Change (IPCC) and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Service (IPBES) highlight the links between unsustainable land use, biodiversity loss and climate change¹. Carbon dioxide emissions are rising, and biodiversity is declining. Sustainable forest management is imperative to halt biodiversity loss, enhance food security and meet the goals of the Paris Agreement and the UN Sustainable Development Goals. It is a global trend that is also is pertinent to the Nordic eco system with many species under threat².

Sustainable forest management and the multifunctional role of forests are integral parts of the European Union's environmental policy objectives of a climate-neutral economy by 2050 and the EU Action Plan for Financing Sustainable Growth. The forthcoming EU taxonomy for sustainable activities³ aspires to include also such actions in the forestry sector that can contribute to climate change mitigation and other environmental objectives.

The world faces the challenge of resource stress driven by population growth, from the current world population of 7.6 billion to an expected 9.8 billion in 2050⁴, and economic growth, while greenhouse gas emission must be contained to limit global warming. Sustainable forestry and land use are essential to meet these challenges.

4. Expectations on the forestry industry

Nordea recognises the responsibility to work towards a just transition to a sustainable society. Nordea expects clients and portfolio companies to acknowledge the IPCC scientific consensus on the influence of human activities on inducing climate change and commit to the fulfilment of the objectives of the Paris Agreement.

Nordea recognises the importance of upkeep healthy forest ecosystems and preventing decline in biodiversity. Companies in the forestry industry should invest in and work towards sustainable forestry management and all industries should work towards preventing deforestation. Nordea expects forest sector clients and portfolio companies to, in addition to the adherence to applicable national laws and regulations, such as the EU Timber Regulation, follow and respect internationally recognized norms and standards in all areas of their operations.

For the forest industry this includes;

- Having a Code of Conduct and a Supplier Code of Conduct ensuring ethical business practices and striving for best practices as well as a compliance function including whistle blower and grievance mechanisms
- Having environmental, health, and safety (EHS) management systems meeting standards such as the ISO 14001, OHSAS 18001 or ISO 45001 Preventing the pollution of air, water and soil by applying the best available techniques

¹ Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems

² For examples: reports from the Finnish Environment Institute (SYKE) www.syke.fi Artdatabanken www.artdatabanken.se/en, Finland's Environmental Administration www.ymparisto.fi/en-US

³ https://ec.europa.eu/info/publications/180524-proposal-sustainable-finance_en#investment
https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

⁴ <https://population.un.org/wpp/Graphs/Probabilistic/POP/TOT/900>

- Reporting regularly on material sustainability matters in line with established standards, such as the GRI Standards, (applied to companies required to report according to Directive 2014/95/EU)
- Managing forests and wood supply chains in a sustainable way and certify in accordance with the standards of the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) or other similar certification systems
- Managing forests and wood supply chains in a sustainable way including refraining operations that negatively affect High Conservation Value Forests (HCVF)⁵
- Reporting to CDP's Forest Program (if requested by CDP)
- Include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers

Nordea expects clients and portfolio companies to meet high standards with regards to the sustainable management of forestry assets, and to consider and reduce the environmental impact of produced products and services throughout their life-cycle. Operations are expected to integrate biodiversity in the environmental management planning and decision-making processes which includes undertaking environmental baseline studies and assessing environmental impact of operations.

Nordea expects companies to prevent the use of illegally cut and traded forestry products throughout the supply chain and refrain from involvement in forestry operations in areas protected by international conventions and respect the objectives and rights with regards to children, indigenous people, workers, modern slavery, environment, biological diversity and wildlife as expressed in;

Environment

- the UN Convention on Biological Diversity (CBD),
- the International Union for Conservation of Nature and Natural Resources (IUCN) with regards to protected areas defined therein,
- the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Convention with regards to sites listed therein and,
- the Ramsar Convention on Wetlands of International Importance especially as Waterfowl Habitat (RAMSAR)

Human rights

- the United Nations "Protect, Respect and Remedy" framework set out in the UN Guiding Principles for Business and Human Rights
- the United Nations Convention on the Rights of the Child
- the Children's Rights and Business Principles

Labour rights

- the ILO Minimum Age Convention (no 138)
- the ILO Worst Forms of Child Labour Convention (no 182)
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Nordea is committed to engage in dialogue with our stakeholders, clients and portfolio companies to fulfil the objectives of this sector guideline. The purpose of our sector guidelines is to establish a common framework for a dialogue with the clients and portfolio companies we work with. This includes both business opportunities and risk reduction.

Sector guidelines provide direction on best practice as well as on the international conventions and standards that we encourage and expect companies to follow.

We are committed to engage and work with our clients and portfolio companies towards improved business practices.

