Nordea



# Sustainability Report 2020

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**The report in brief**

This report covers the parent company Nordea Bank Abp and its subsidiaries, i.e. the Nordea Group. This Sustainability Report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards): Core option. The report is divided into two sections.

In the front section, pages 4–27, we tell our sustainability story focusing on how we enable the transition to a sustainable future through sustainable banking, providing sustainable solutions, products and services to our customers.

In the back section, pages 28–54, we provide supplementary information to disclosures in the front section as well as information about our materiality and impact analysis, stakeholder engagement and participation in commitments and initiatives. The back section also includes a fact book with sustainability data, our report on limitations in scope and omission statements according to the GRI Standards (where relevant). In the back section, we also publish our Principles for Responsible Banking (PRB) Reporting and Self-Assessment Template, a TCFD (Task Force on Climate-related Financial Disclosures) Index and the GRI Content Index with application level according to the GRI Standards.

An independent third party, PricewaterhouseCoopers Oy, has provided assurance on the sustainability information provided in this report. The scope of the assured information is indicated in the Independent Practitioner's Assurance Report on page 55.

More details about the report itself are presented in sustainability note S1. on page 29.

The report is available for downloading at nordea.com/sustainability.

If you have any questions about the Sustainability Report, you are welcome to address them to sustainability@nordea.com.

# Dear stakeholders,



**2020 was an** extraordinary year in many ways, with the outbreak of the COVID-19 pandemic bringing significant challenges to individuals, businesses and societies. It called on us to act – to show care and flexibility, but also to be even more proactive and accessible. Our customer surveys show that we have managed this well.

All the actions we have taken have had one purpose – to support our customers and societies. When it all started, we did not have the answers ready in our toolbox, but we were prepared to do all we could to find the best possible ways to support our customers.

We have deployed a broad set of tools, maintained high levels of customer activity and served our customers safely through online meetings and other digital solutions. We quickly started to offer instalment-free periods for loans, for both our household and corporate customers, and we provided liquidity for companies that needed it.

These unparalleled times show what is at the core of our business. We are here for our customers in both good and challenging times. As the leading bank in the Nordics it is our responsibility to play an active part in creating solutions and to provide good foundations for business. Our purpose and values guide us in our work.

**The COVID-19 crisis** is accelerating the shift towards more sustainable and resilient economies. As part of the European Green Deal, the EU Commission has laid out a renewed sustainable finance strategy as a method to support a sustainable recovery. As an important component of the financial engine in the Nordics, at Nordea we are committed to supporting this transition as we recognise that, through our lending and investment activities, we have a unique opportunity to inspire and facilitate a change in society.

For us, this means fully integrating sustainability into our business strategy by focusing on the areas in which we can have a significant impact. In 2020, we worked intensively to achieve this, developing a long-term plan that is not only part of our vision and overall business strategy but also supports this vital transition to a sustainable, resilient and low-carbon economy. Achieving net zero emissions by 2050 at the latest is therefore now our given overall objective.

Our focus is on integrating sustainable banking across the entire bank, and that involves fostering a long-term sustainable mindset and a culture of value creation. A number of initiatives

have been launched to accelerate this work: group-wide training programmes on sustainability, broadening our green offerings and systematically integrating climate risk assessments into our credit processes, to name just a few.

Ultimately, we will enable and inspire our customers to make sustainable choices. During the past year we have witnessed a significant increase in customer interest in our sustainable products. For example, assets under management in our sustainability-enhanced funds have increased by 265% and the total transaction volume for our sustainability-linked loans has risen by 256%.

To succeed in our ambition, it is crucial that we support initiatives such as the Principles for Responsible Banking and the UN Global Compact, and we therefore remain highly committed to them.

**At Nordea, we** leverage diversity for better decisions, understanding of customer demand, engagement, and results. We invest in an inclusive culture in which all listen to different opinions, have equal opportunities and feel appreciated. As a truly Nordic company, and also with a large number of non-Nordic employees, we have a good foundation for diversified perspectives and decisions.

One of many diversity aspects is gender. We have managed to maintain the gender balance in our overall workforce, but still have work to do at the top management level. However, we are approaching our target of 40/60 for the Group Leadership Team (GLT), having selected women for four of our five latest GLT appointments – leading to a female representation of 36% at the end of 2020.

Diversity and inclusion go far beyond internal considerations. We are passionate about serving our diverse customer base and consider diversity to be a competitive advantage when it comes to creating great customer experiences. At Nordea, our purpose is "Together we lead the way, enabling dreams and everyday aspirations for a greater good." For a very good reason, the purpose starts with "together" and ends with "for a greater good". It crystallises our sustainability-focused mindset – we are in this together with our customers, suppliers, industry peers and society as a whole.

I strongly believe in practicing what you preach. We want to – and will – run a sustainable bank at which our employees think and act responsibly. This is what we stand for. Our stakeholders increasingly demand more sustainable solutions. We stand prepared to meet and exceed their expectations. Tomorrow's history is created today and we will therefore act and seize the opportunity to be a leading bank of the sustainable transition. We will continuously learn, become wiser and improve for the benefit of our customers, our business and society as a whole.

**Frank Vang-Jensen**
President and Group CEO

# Comment from the Chairman of the Board of Directors



**In 2020,** we all witnessed a heightening focus on various aspects of sustainability, not least a call to leverage sustainable investment as a method for kick-starting global economies after the COVID-19 crisis. Governments across the globe advocate the allocation of investments to companies and infrastructure projects that tackle climate risk, stimulate green innovation, reduce inequality and improve social cohesion. Through European Council, the European leaders have decided on new and more ambitious targets to reduce carbon emissions.

The financial industry is responding to expectations to use its tools and influence to be part of these developments by allocating investments and credits to sustainable projects and companies. At Nordea, we are keen to live up to these expectations, which are well in line with our business strategy.

Consequently, in 2020 sustainable banking was established as a topic high on the Board's agenda. During the year, members of the Board have been closely involved in the development of the new long-term plan for the integration of sustainability into our business strategy, ensuring it is aligned with our purpose, strengthens our long-term resilience and contributes to fulfilling our customer promise.

The Board's engagement is primarily executed through the Board Operations and Sustainability Committee. In 2020 the Committee held regular meetings to support management's strategy development, and to endorse appropriate targets and fulfillment of requirements from different stakeholder groups. Secondly, in order to meet heightened supervisory and regulatory expectations on climate and environmental risks the Board Risk Committee has an important role in assisting the Board in the fulfilment of its oversight responsibilities concerning the implementation of these risks in the Group's risk management frameworks.

**The Board also** takes comfort in the CEO's decision to clarify and strengthen the governance structure in terms of ESG (environmental, social and governance) risk by establishing the Sustainability and Ethics Committee, which, in combination with the Risk Committee, forms the updated sustainability governance structure for the management body. Through these two committees, the Group's sustainable banking governance is designed well in alignment with supervisory expectations.

With the new long-term plan and sustainable banking governance structure in place, the Board of Directors is confident that Nordea's role as an active player in the transition to a sustainable, resilient and low-carbon economy will continue to expand.

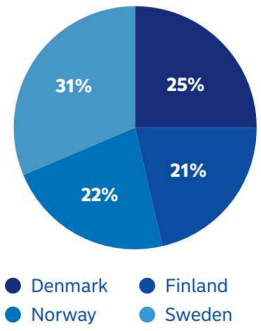
**Torbjörn Magnusson**
Chairman of the Board of Directors

# This is Nordea

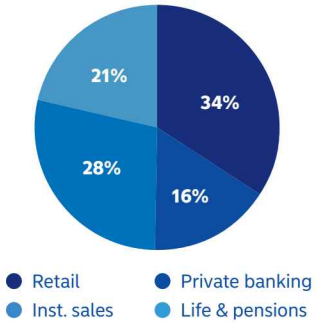
We are a Nordic universal bank with a strong market position



**Credit portfolio per country at December 2020**




**Assets under management (AuM) distribution (EUR 354bn at December 2020)**




Total operating income

**EUR 8,466m**

Number of employees[1]

**30,434**

## We are fully committed to making the financial sector more sustainable

AuM in sustainability-enhanced funds

**EUR 36.3bn**

**(+265%)**

FY 2020

Growth in green corporate loans

**EUR 1.2bn**

**(+110%)**

FY 2020

Increase in transaction volumes for sustainability-linked loans

**EUR 15.5bn**

**(+256%)**

FY 2020

Growth in green mortgages

**EUR 207m**

**(+143%)**

FY 2020

1) Corresponding to 28,051 FTEs (full-time equivalents).

**Based on market capitalisation**, Nordea was one of the ten largest financial services companies in Europe in 2020.

The Nordea share is listed on the Nasdaq Helsinki (in EUR), Stockholm (in SEK) and Copenhagen (in DKK) stock exchanges. Nordea American Depository Receipts (ADR) are traded in the US in USD.

We have five major shareholders – Sampo Plc, BlackRock, Cevian Capital, Nordea-Fonden and Alecta – together owning one third of the shares.

We serve our customers through presence in 22 countries, including our four home markets: Denmark, Finland, Norway and Sweden. Our headquarters are located in Helsinki, Finland.

Our four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – are designed to support the relationship strategy for each specific customer segment.

## Personal Banking

**Personal Banking** strives to deliver great customer experiences to our household customers offering a full range of financial services and products through a combination of physical and digital channels, providing easy and convenient everyday banking, as well as sound advice. Personal Banking has operations in Denmark, Finland, Norway and Sweden.

**Share of operating income:** 39%
**Headed by:** Sara Mella

## Business Banking

**Business Banking** offers banking and advisory products and services to our small and medium-sized corporate customers. Business Banking also includes Transaction Banking, which provides payment and transaction services, and Nordea Finance, which provides asset-based lending and receivables finance. Business Banking has operations in Denmark, Finland, Norway and Sweden.

**Share of operating income:** 27%
**Headed by:** Nina Arkilahti

## Large Corporates & Institutions

**Large Corporates & Institutions (LC&I)** provides financial solutions to our large Nordic corporate and institutional customers. LC&I also services a broad range of Nordea customers through our Markets, Investment Banking and International Division. Besides its presence in the Nordics, LC&I has branches in New York, London, Shanghai, Singapore[1] and Russia[2].

**Share of operating income:** 21%
**Headed by:** Martin Persson

## Asset & Wealth Management

**Asset & Wealth Management** offers an extensive range of award-winning savings products through internal and partners' distribution channels, and provide financial advice to high net worth customers and institutional investors. Besides its Nordic presence, Asset & Wealth Management has offices in Austria, Belgium, Chile, France, Germany, Italy, Luxembourg, Portugal, Singapore[1], Spain, Switzerland, the UK and the US.

**Share of operating income:** 12%
**Headed by:** Snorre Storset

1) Will be closed down in 2021.
2) The Group has decided to wind down its operations in Russia. The legal process has been initiated for the closing of the subsidiary.



# Our customers

### Enabling our customers to make sound economic choices

Ensuring access to financial services for everyone is part of our banking licence. Through our business areas, our Nordic presence and global reach, we meet customers from various countries, businesses and sectors. Each customer is unique and, as a responsible bank, we are bound to support our customers in making sound economic choices. To do so, we must understand their individual needs and ambitions before offering any service, advice or product. We must understand their current financial situation and future plans. How we do this is defined in standard operating procedures, processes, guidelines and tools designed to ensure our compliance with all legal obligations in relation to our customers.

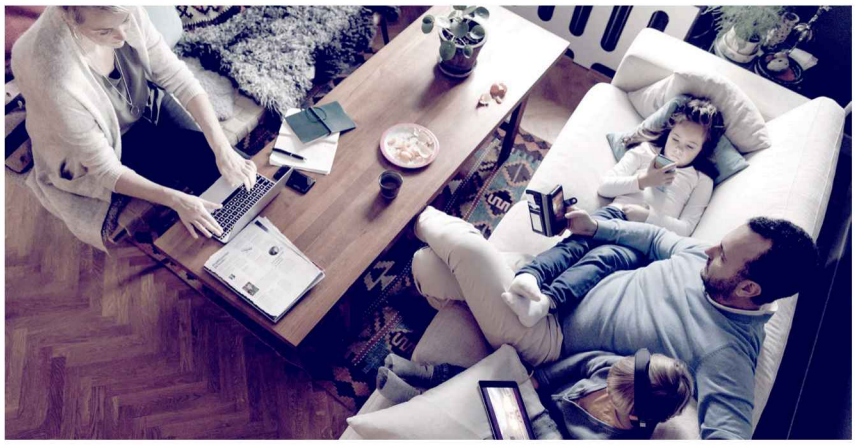
In terms of lending and granting mortgages, we use certain tools to make sustainable calculations for households to ensure their finances could cope with higher interest rates. We also perform credit checks to ensure our customers have debt servicing capacity and do not take on excessive debt, while at the same time minimising the risk for the bank. When providing investment advice, we must conduct a suitability assessment to ensure that we act in the best interests of the customer and that the customer receives suitable investment advice based on the customer's individual circumstances.

### Meeting our customers digitally

Digital customer behaviour was accelerated by the COVID-19 pandemic when most meetings went online in all our home markets. Our numerous digital solutions proved indispensable in upholding good customer relationships during the pandemic, allowing us to be accessible and proactive despite physical restrictions. Our customer feedback loop shows that, despite new ways of working and interacting, recommendation rates after meetings have been at a high level across meeting types. We have also seen increasing numbers in interaction with our digital colleagues Nora and Nova.

Nora is our digital savings advisor, providing customers with investment and savings advice wherever and whenever it suits them best. In 2020, our sustainability-enhanced funds were included in Nora's investment universe in Finland, Norway and Sweden. In 2020, Nora held around 192,000 advice sessions, which is an increase by almost 120% since 2019.

Nova is our chatbot that gives quick answers to quick questions. In 2020, Nova held more than 2.5 million (1.8 million) conversations with customers and resolved on average 61% (33%) of these without having to escalate to human agents, which freed up time for our agents at customer contact centres to take phone calls. Due to the pandemic, the chat with human agents was closed in all countries during most of the year, which explains the significant higher number of cases resolved by Nova in 2020.



### Enhancing customer experiences

To be a relevant bank for all our customers, we put great effort into meeting our customers' widely varying and individual needs. Our approach is to listen, learn and act. Individual customer relationships are the most important source for listening and learning. We also learn from surveys and customer complaints. The ambition is to capture the interactions our customers have with us, giving us a more holistic overview of their experience of us at all levels, removing pain points and enhancing the customer experience. This has for example resulted in smoother card and mortgage processes and more transparent communication. This is even more relevant now as customers increasingly interact with the bank in a number of different ways – through digital self-service solutions, specialist advisory sessions, online meetings, physical meetings or reaching out to us with a phone call.

Despite 2020 being an extraordinary year, presenting a challenging environment for our customers and society at large, we see positive developments in customer satisfaction in both internal and external surveys. Our listen, learn and act approach is paying off, resulting in a 22% reduction in customer complaints, from around 94,000 in 2019 to 73,500 in 2020. In the same period, we also see a more positive customer satisfaction trend than the peer average. In EPSI ratings 2020, Nordea was the bank with the largest personal banking satisfaction improvements in Denmark and Finland. In Large Corporates & Institutions, we retain our leading position for large corporate customers across the Nordics with a strong vote of confidence from our customers in a turbulent year.

## COVID-19 action

### Providing a digital helping hand

When branches closed in Denmark during the COVID-19 pandemic, service agents at 24/7 experienced a notable increase in calls from senior customers needing help in using our digital services for the first time. Personal Banking Denmark set out to understand the obstacles they faced and help them succeed with their digital debut.

At nordea.dk/digital, customers can now access a digital help page, where they can find all kinds of material to help them get started with Nordea's mobile and online banking services. There are visual, step-by-step guides showing users where to tap on their mobile, tablet or computer to complete a task. These can be sent to customers digitally or by regular mail – giving them the freedom to get started at their own pace. In social media channels, a series of customer films featuring testimonials from senior customers help others to understand how easy it is to get started with mobile and online banking services.

# Offerings

## Sustainable financing

Sustainability is becoming an increasing part of discussions about future financing with our corporate and institutional customers, as well as with our household customers. Over the last few years, we have taken into use several products and financing solutions to support our customers in addressing climate change and other sustainability issues in their financing.

We offer green corporate loans to small, medium-sized and large corporate customers. Green corporate loans finance investments or assets, as identified by us, that aim to increase positive, or reduce negative, impact on the environment. We have identified six different green asset categories that give eligibility for green loans. These can be found in the publicly available Nordea Green Bond Framework at nordea.com. The loans are, after external verification, included in a green bond asset portfolio and, once included, they are eligible for financing through one of our two green bonds issued, with the total volume amounting to EUR 1,250m. For our corporate customers, this means that they can take account of climate issues or address environmental matters in their financing too. The entire financing chain is green as we use green market funding for our green loans. During 2020, we have intensified our efforts in originating new green loans in all our main markets. Total outstanding green loans have consequently grown by 110% during the year.

In addition to our own two outstanding green bonds, we help our customers issue bonds – green, social and sustainability bonds alike. The market for sustainable bonds has, like the broader market, been affected by the pandemic but in a more positive manner; in particular, the volume of social bonds is higher than ever. This is due to the heavy COVID-19-related supply of bonds from public-sector issuers. However, the green bond market has also been busy during 2020, hitting an all-time high with September being the busiest month on record. Altogether, the market surpassed USD 1tn in green bond issuance since the market emerged in 2007.

Another product that has seen an increase in interest in 2020 is sustainability-linked loans. Sustainability-linked loans can be any type of loan instrument, with the main characteristic being that sustainability performance is included in the loan documentation with clear annual targets that the borrower must meet. The product was introduced in 2019 and has continued to build further momentum in 2020 with an increase in transaction volume by 256%. For 2021 we expect this trend to continue as the sustainability-linked structure gives borrowers even greater flexibility.

We have also seen an increase in the mortgage market during the year, and in green financing where green mortgages increased by 143% in 2020 compared to 2019. Green mortgages are now becoming an established product in Sweden. The product is not yet as established in Finland and Norway, where it is also available. In Denmark, we have introduced a new product during the year – unsecured loans targeting energy efficiency investments for buildings.

To meet the growing market for electric vehicles, we offer green car loans and green car leasing in Denmark and Sweden. These products have seen an increase in 2020 of 372%, from relatively low levels, compared to 2019.

## Being a responsible investor

As a major investor, it is important that we are also a responsible one. We have developed policies, procedures and investment products to ensure that our investee companies fulfil various criteria. We signed the UN Principles for Responsible Investment (UNPRI) already in 2007 and are thus committed to integrating ESG (environmental, social and governance) factors into our investment analysis, decision-making processes and active ownership practices. All our funds are managed according to our Responsible Investment Policy.

There are different levels of sustainability in our investment products, meaning that they integrate sustainability in different ways in the funds' management processes. Simply excluding poorly performing companies alone will not suffice to enable the transition to a sustainable future. We also recognise that different approaches give different results, and we believe that there is not only one right way when it comes to sustainability. In addition to the negative screening we perform for all funds, we also offer funds with an enhanced ESG focus. For these funds, we have added additional criteria such as positive screening and thematic investing. These sustainability-enhanced funds are labelled Sustainable Choice.

In 2020 we have seen heightened interest in these sustainability-enhanced funds with an increase in assets under management (AuM) by 265%.

## Exercising active ownership

Active ownership is our main way of communicating with our investee companies. We exercise our right to influence companies through attending or voting at shareholders' general meetings. We might even put forward shareholder resolutions at the meetings. In 2020, we voted at around 695 general meetings of companies in which our funds are among the largest owners or have invested substantial capital. This compares to the approximate 515 meetings at which we voted in 2019. We strive for transparency and show how we have voted every vote in our voting portal at nordea.com. Going forward, we will increase our voting activities further and aim to reach a voting fre-



quency close to 100% of our holdings over the period 2021/2022.

When we want to improve a company's management of its ESG risks, we start an engagement process with the company. The timeframe of the engagement process can vary depending on the complexity of the engagement objective. In 2020, we engaged in 924 dialogues with companies in the investment portfolio to ensure that material ESG risks were being adequately managed, or ESG opportunities were being fully harnessed. This is a significant increase in the number of engagements from the almost 600 that were conducted in 2019, although now in digital format due to the COVID-19 pandemic.

### Supporting our customers in sustainability and creating awareness

Enabling the transition to a sustainable future requires more of us than merely offering our customers sustainable products. Many of our corporate customers are affected by new sustainability regulations and directives, change in investment focus towards green, and also expectations from customers and employees to be a sustainable company. For some of these customers, the company's ability to adapt to new standards and business models can be a matter of survival. To support them, we have to work together with them and we are committed to doing even more going forward to support our customers in mitigating climate risks and acting on sustainable investment opportunities.

Creating awareness on how our customers can contribute to sustainable development is also crucial for a sustainable transition. We work together with our customers to build this awareness as we do know that they wish to contribute. At the end of 2019, 27%[1] of our Nordic household and private banking customers said they wanted to make sustainable choices in their investments. This number had risen to 39% at the end of 2020. To increase this number further, we have to continue to help our customers understand the meaning of a sustainability-enhanced investment, introduce them to different approaches and advise them on how sustainability risks and opportunities can impact their returns.

Asking our customers to make sustainable choices requires us to be transparent and clear about how our sustainability-enhanced solutions differ from traditional investments. For this, we have teamed up with Nasdaq to create a tool – The Sustainability Footprint – that enables both customers and advisors to compare the environmental footprint of our investment portfolios.

Another way of helping our customers understand the meaning of sustainability in investments is to train our advisors in sustainability. In 2020 we trained all advisors in Personal Banking in Norway and could see that interest among customers to invest in sustainability-enhanced funds consequently improved significantly. Encouraged by the good results in Norway, we will roll out this training to all our advisors in Personal Banking in Sweden during 2021. We also train our advisors in Business Banking in sustainability and will enhance the focus on ESG guidance to customers and green financing in 2021

We also provide our customers with services they can use themselves to make sustainable choices on a daily basis, such as the Carbon Tracker. It is embedded in our digital banking service Nordea Wallet and enables our customers to see their approximate $CO_2$ impact from the goods and services purchased with all their credit and debit cards worldwide. The calculation is based on all card usage divided into a number of merchant categories such as: car/transport, holiday/ travel, restaurants, shopping, groceries. Information in the Carbon Tracker is based on the Åland Index. In 2020, around 45,000 customers used the Carbon Tracker on a monthly basis and by year-end 186,463 unique customers had viewed their figures.

## COVID-19 action

### Investor expectations on pandemic response and recovery

In the wake of the COVID-19 pandemic, Nordea Asset Management (NAM) signed and communicated to companies several investor statements setting expectations on how industries such as meat processing and pharmaceuticals shall respond to the ongoing pandemic as well as an open letter to EU leaders from investors on measures needed for a sustainable recovery from COVID-19.

## Web links

Nordea Green Bond Framework
Responsible Investment Policy
Voting Portal

1) Reported as 29% in the 2019 report, now changed due to developments in the reporting system.

### Engaging in partnerships for the transition to a low-carbon economy

Buying a house is the largest investment for many people and we want to support our customers in this investment. This means helping them to meet current and future requirements in the transition to a low-carbon economy, in line with the expectations of society.

In Denmark, the government has an ambition for all oil-fired boilers to be phased out by 2030. To support Danish households in this process and to eliminate any frictions for customers when buying and installing heat pumps, we decided to partner up with the newly established company Bodil Energi. In this partnership, we refer homeowners to the energy efficiency experts at Bodil Energi, who then help them to identify the heating solution that best suits them, and then also to install it.

The partnership with Bodil Energi is available to all Danish homeowners. In addition, we can now offer financing of the installation of the heating system (and other energy-efficient investments) through our new tailored loan for energy-efficient housing investments – Energisparelånet. This arrangement facilitates a smooth process for customers from their initial considerations to finalised and financed installation of their heat pump.



# Sustainable Choice

**Sustainable Choice is** the new symbol for our sustainability offerings. It highlights products with a proven level of sustainability, backed by our ESG criteria, so that our customers can make a difference for their finances and a greater good. We are constantly extending the offering to meet customer, investor and regulatory demands.

## Sustainability-enhanced funds

We have created several funds with a special sustainability focus – for example the Stars Funds and the Global Climate and Environment Fund.

The Stars Funds are a set of funds with handpicked companies that, in our opinion, have well-managed ESG profiles. The selection is made through a combination of ESG analysis, company dialogues, thematic research, engagement and field trips.

The Global Climate and Environment Fund invests in companies which, through their climate solutions, are changing the world for the better. It focuses on businesses operating in resource efficiency, environmental protection and alternative energy.

## Sustainability-enhanced pensions

Pension savings are long-term investments aimed at creating a better future for the individual, and are therefore well-suited to having a sustainable focus. Sustainability-enhanced pensions consist for instance of sustainability-enhanced funds – such as the Stars Funds – or direct investments in private equity and real estate. The common denominator is that all investments have a proven level of sustainability and are eligible for the Sustainable Choice symbol.

## Sustainable bonds

Sustainable bonds – i.e. green, social and sustainability bonds – are any type of bond instrument with proceeds earmarked for eligible environmental and/or social projects.

We work with green and sustainable bonds in two different ways. Firstly, we issue our own green bonds, the proceeds of which are earmarked for customer loans with environmental benefits and that mitigate climate change. The projects are typically aimed at renewable energy, pollution prevention, sustainable water management and sustainable agriculture. Secondly, we serve as the intermediary between our customers as issuers and investors, by helping them to issue, or invest in, green bonds via the capital markets.

## Green corporate loans

Green corporate loans are used to finance specific investments with environmental benefits and enable our corporate customers to address climate change in their financing. In our green loans, the entire financing chain is green; that is to say, we use sustainable market funding, the proceeds of which are earmarked for green lending.

## Green mortgages

Our green mortgage is a product for customers who live in climate-smart homes that fulfil criteria relating to energy classification of buildings in the countries where green mortgages are available. Green mortgages are aligned with the European initiative's definition for Energy Efficient Mortgages (EEM).

## Green car loans/leasing

Green car loans for household customers and green car leasing for corporate customers are offered for financing cars that run 100% on electricity.

For volumes relating to Sustainable Choice and our other sustainability offering, see sustainability note S5a. on page 35.



# Sustainable banking

**Over the last** couple of years, we have seen heightened expectations on banks from customers, investors, regulators and other stakeholders to take responsibility and play their part in addressing the world's growing social and environmental challenges. As the leading bank in the region, we acknowledge the importance of the financial sector in the ongoing transition and are ready to continue taking a leading role and work together with different stakeholders, including policymakers.

## A society in transformation

At the global level, the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement set the general sustainability agenda as well as the more specific climate agenda. The EU's support for the transition to a low-carbon, more resource-efficient and sustainable economy is manifested in the European Green Deal, which was presented by the European Commission in December 2019. It is a growth strategy aimed at making Europe the first climate-neutral continent by 2050 and it includes reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030.

The action plan on sustainable finance that was launched by the EU already in 2018 includes: the Sustainable Finance Disclosure Regulation (SFDR), updates to the Markets in Financial Instruments Directive (MiFID II), and the EU Taxonomy for sustainable finance (EU Taxonomy). The SFDR requires sustainability-related disclosures by entities that offer financial investment products' and provide financial advice toward end-investors. MiFID II covers the inclusion of customers' sustainability preferences into the customer due diligence process for investment advice. The EU Taxonomy provides a classification system, beginning with the environmental aspects of sustainability.

The SFDR will enter into force in a stepwise process, beginning during 2021. It aims to provide enhanced transparency to end-investors on how financial market participants consider sustainability in a standardised way, thus preventing greenwashing and facilitating comparability. During the course of 2020, we have worked intensively with the categorisation of our investment products according to the SFDR. We are also ready to document even further our integration of ESG/sustainability risks in our policies and investment processes, and we have developed a methodology for handling Principal Adverse Impacts as required by the SFDR.

The updates to MiFID II will become effective no earlier than in Q1 2022. Nordea has already, since 2019, included sustainability preferences as an integral part of our investment advice to our customers.

In 2022, like all other large companies, we will report how we, as a bank, align with the EU Taxonomy. Currently, work is in progress both at large corporate entities and in the financial industry to develop methodologies to assess the alignment of economic activities with the EU Taxonomy criteria. We have already begun the assessment work in various parts of the bank. To give some examples, we have participated in a project with the UNEP FI to assess the appli-



## The EU Taxonomy in brief

**The EU Taxonomy** is a regulatory framework for identifying what is "green". The classification tool is aimed at investors, companies and financial institutions to define which of their economic activities are sustainable in relation to the six environmental objectives defined in the EU Taxonomy regulation. It also mandates companies to report on their taxonomy alignment. For a number of key industries – those which are responsible for over 90% of EU carbon emissions – it defines the technical criteria for aligning production with a low-carbon society by 2050 and for adapting to the changes caused by climate change. For instance, in energy production this includes renewable energy, and in real estate this means low-energy buildings and renovations.

A company in itself is not taxonomy-aligned; it is the economic activities that it undertakes that are assessed – for instance, the construction of low-energy buildings. The share of taxonomy-aligned activities is then based on turnover derived from, and capital expenditure invested in, or to reach technical thresholds for, low-energy buildings and other taxonomy-aligned activities.

There are three components that an economic activity needs to fulfil in order to be aligned: the technical thresholds (e.g. energy efficiency limits or limit on carbon emissions per output), the need to operate without causing harm to the environment, and the need to conduct business ethically (e.g. no violations of human rights and other minimum safeguards). Further criteria for sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems will be developed during 2021.

cation of the EU Taxonomy on core banking products and also in a voluntary EU Taxonomy exercise by the supervisors. Furthermore, our treasury department is looking into how to align our green bond asset categories and subsequent criteria with the EU Taxonomy and the upcoming EU Green Bond Standard.

Within the framework of the European Green Deal, the European Commission has announced a renewed sustainable finance strategy supporting the sustainability transition of businesses in a context of recovery from the impact of the COVID-19 pandemic. The renewed strategy will build on the current action plan on sustainable finance and lay down an enabling framework for private investors and the public sector to facilitate sustainable investment.

## Being a sustainable bank is part of our business strategy

The transition to a sustainable and resilient economy requires a transformation of assets and behaviours. We have a key role to play in reaching society's goals through redirecting investments and financing towards more sustainable technologies and businesses, and contributing to the creation of a low-carbon, climate-resilient and circular economy. To achieve this and to be an even more sustainable bank than we are today, we will fully integrate sustainability into our business strategy. Our focus will be on the sustainability topics in which we can have a significant impact – either through reducing our negative impact or increasing our positive impact caused by both our business activities and by our internal operations – and setting targets and objectives in line with society's expectations.

In 2020, we worked intensively with a new long-term plan on how to achieve this. As one of the founding banks to the Principles for Responsible Banking (PRB) we believe the principles provide the framework and tools needed by banks to collectively address the global sustainability challenges and work towards the objectives of the SDGs and the Paris Agreement. The PRB were therefore the beacon guiding our work.

Our significant sustainability topics were identified through a combined materiality and impact analysis and then grouped into four strategic pillars: financial strength, climate action, social responsibility and governance and culture. These are linked to targets for 2023 and the pillar climate action also to long-term objectives. Targets and objectives were approved by the Group Leadership Team in November 2020 and by the Board in December 2020.

For details about our combined materiality and impact analysis, see note S2. on pages 30–31. All targets and objectives are presented in the following pages, but also in completeness in note S4. on pages 33–34.

## Interacting with our stakeholders

During the entire process of developing our long-term plan on how to integrate sustainability further into our business strategy, we interacted closely with internal stakeholders from all levels and parts of the organisation. We also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, non-governmental organisations (NGO), investors and customers.

For a full list of stakeholder engagements, see sustainability note S3. on page 32.

## Enabling successful implementation

As part of our decision to strengthen sustainability in our business strategy and to ensure oversight of the four strategic pillars, we established the new Sustainability and Ethics Committee (SEC) in December 2020, which replaces the Business Ethics and Values Committee from January 2021. For more detailed information on our new sustainability governance structure, see pages 24–25.

The new committee will have a stronger mandate to facilitate the forthcoming overall integration of sustainability and to support the integration of ESG factors in risk management. Successful implementation requires integration across the entire Group and fostering a culture of a long-term sustainable mindset and value creation. This entails investments in competence and capabilities as well as inclusion in remuneration structures, performance management and leadership communication. An implementation structure with five tracks – offering and risk management; competence, education and awareness; narrative, brand and communication; people and culture; internal carbon reduction plan – has been developed and will ensure that sustainability is integrated into all business areas and group functions. Progress of the tracks will be monitored by the SEC.

Furthermore, as part of the implementation, training in sustainable banking will be developed.



# Financial strength

**Targets 2023**

- Risk management framework for ESG risks in place.
- Risk assessments in place for the sectors and customers most vulnerable to climate risk.

## A strong and personal financial partner

Everyone – individuals, large and small companies, and local and national government – rely on a functioning financial system. As a bank, we have three main tasks – to convert savings into financing, to manage credit and other financial risks and to enable payments and other financial transactions efficiently and securely.

We serve all customers with a vision to become a strong and personal financial partner with the flexibility to act in both good times and bad. We focus on three key priorities to make us truly competitive and improve our financial performance: optimising operational efficiency, driving income growth initiatives and creating great customer experiences. To achieve our financial targets, our focus is on execution with full empowerment for the business areas. Our priorities and operating model guide us on how we run the bank today and tomorrow. Our goal is to have stable and competitive dividends for our shareholders, and to maintain a strong balance sheet to create business flexibility and shareholder returns in the future.

Even though we are a well-capitalised bank with a strong balance sheet, Nordea's Board of Directors decided to follow the recommendation of the European Central Bank (ECB) to limit dividends and share buy-backs until the end of September 2021 as a result of the COVID-19 pandemic.

For more information about the updated decision made by the Board of Directors in relation to dividend distribution, see the Board of Directors Report in Nordea's Annual Report 2020.

## Managing ESG-related risk in relation to our customers

In relation to our customers, Nordea's Code of Conduct is the central steering document for our financing operations together with our principles on ESG in financing, investing and advice in our sustainability policy.

For corporate borrowers, there are different types of ESG evaluations performed depending on the size and type of the transaction and the customer's internal segmentation. ESG-related risks identified in the ESG evaluation process are integrated into the credit risk assessment. A credit memorandum is produced, which contains a conclusion on the level of ESG-related risk associated with the customer. Approval follows the established credit decision-making process. For customers classified as having high ESG-related risk, the decision is escalated to the Executive Credit Committee. In 2021, the credit risk framework will be updated to address regulatory requirements and supervisory expectations on the integration of climate and environmental factors in customer onboarding, evaluation and monitoring processes.

For household customers seeking mortgage funding, energy efficiency labels and carbon emissions are one of many factors considered in credit decision-making.

## Adequate ESG-related risk management essential for financial strength

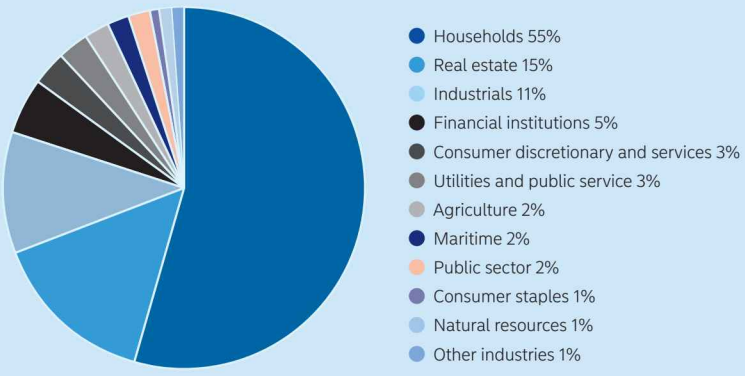
Managing ESG-related risk is key to maintaining our financial strength. We define ESG risk as the risk of negative financial impact over the short to longer term, stemming from the direct or indirect impact that environmental (includ-

## COVID-19 action

### Offering instalment-free periods

During the COVID-19 pandemic, we were quick to offer instalment-free periods to Nordic retail and corporate customers who needed help overcoming temporary liquidity problems caused by the pandemic. Help that we know for a fact was much needed. In a survey we carried out in Sweden just after the summer 2020 with respondents from primarily small enterprises with one or two employees operating in many sectors, 83% of the respondents had been negatively affected by the pandemic. Almost half of respondents expressed they had lost more than 60% of their income and around 30% cited problems paying salaries.

## Loans to the public by sector, EUR 318bn




Loans measured at amortised cost and fair value to the public (excluding repos).
For details and further segmentation, see note G2. Risk and Liquidity Management in Nordea's Annual Report 2020.

ing climate), social and governance issues could potentially have on Nordea. These issues relate either to our internal operations – such as processes, people, systems and the functions supporting our internal operations such as outsourcing – or to financial exposures such as issues relating to trading positions, the operations of our customers (including borrowers and trading counterparties) and those of our investee companies.

In June 2020, our Risk Committee approved the revision of ESG risk definitions in our risk taxonomy to consider ESG factors as drivers of existing risk categories such as credit risk, liquidity risk, market risk and operational risk, and to further incorporate them into existing risk management frameworks, taking a proportionate and risk-based approach.

Recent efforts have focused on integrating climate-related risks in the credit risk framework while integration with other financial risk frameworks is planned to start in 2021. To support this work, we are participating in external and regulatory initiatives aimed at developing comparable methods for assessing transitional and physical climate impacts and are actively advocating on policy consultations through various industry groups.

In 2020 the materiality assessment for ESG-related risks associated with financial exposures focused on the impact of physical and transitional climate change factors on our corporate loan portfolio. The assessment concluded that climate-related risks are material to our credit risk profile. We will therefore manage ESG-related risks in line with internal rules for all material risk types.

## Norwegian mortgage pilot

In 2020, we piloted physical risk identification for our Norwegian mortgage portfolio. The exercise highlighted the number of properties and total value of collateral exposures in the locations most vulnerable to flooding and risk of landslide.

Out of the assessed mortgage portfolio, the largest concentrations of exposed collaterals were in zones at low risk of landslide (26.4%), in flood zones with a 1,000-year return interval (17.8%), in flood zones with 200-year return intervals (11.4%) and in zones at high risk of landslide (4.1%).

Currently, damage from these hazards is covered by insurance in Norway. Recognising that property valuation may be impacted by market perception of heightened physical risk, we are considering proactive mitigation measures as a next step.

## Physical risk heatmapping

In 2020, we participated in Phase 2 of the UN Environmental Programme Finance Initiative (UNEP FI) TCFD banking pilot. Leveraging on that participation, we adopted a bespoke method to classify sectors most vulnerable to physical hazards in our four home markets Denmark, Finland, Norway and Sweden. The method has been scientifically reviewed from a climatological perspective in terms of its geographical applicability by SMHI (the Swedish Meteorological & Hydrological Institute).

According to our classification, sectors most vulnerable to physical hazards include animal husbandry, paper and forest products, oil, gas and offshore, fishing and aquaculture, materials, retail trade, mining and supporting activities, power production, accommodation and leisure and land transportation. The analysis considers also the vulnerability of mortgage exposures to physical hazards based on geographical location.

The method will potentially guide more granular assessments and initiation of proactive mitigation measures.

## Transition risk classification

In 2020, a bespoke approach was developed to classify economic activities according to their impact on the climate, accounting both for business models that are resilient and those that are vulnerable to market and policy changes in the Nordic market.

According to our classification, sectors likely to be impacted by the transition to a low-carbon economy include oil, gas and offshore, animal husbandry, shipping, land transportation, utilities, distribution and waste management, materials, mining and supporting activities, capital goods, power production and construction.

The classification will be subject to further development and testing and integrated into the credit risk framework and processes in 2021.

## Integrating climate risk into investment decisions

In 2020, Nordea Life & Pension (NLP) further advanced its models and capabilities for assessing and integrating climate risk into its investment decision-making and risk management processes.

For listed equity and corporate debt exposures, NLP uses the MSCI Climate Value at Risk (CVaR)[1] methodology to assess both transition and physical risks in various climate scenarios. At the end of 2020, NLP's total listed equity exposure, measured against a 1.5°C trajectory, had a policy risk CVaR of -12% and a physical risk CVaR of -7.9%. For corporate debt exposure, the CVaR results were -3.5% for policy risk and -0.7% for physical risk.

In the real estate portfolios, NLP uses the Carbon Risk Real Estate Monitor (CRREM) to assess the risk of stranded assets from a transition to a low-carbon economy. NLP is a member of CRREM's European Investor Committee and has been involved in developing the model. During 2020, NLP made an initial assessment of the Swedish and Finnish real estate portfolios using CRREM's methodology and 1.5°C decarbonisation pathways on end-of-year 2019 data. The assessment showed an aggregated carbon value at risk of +0.4% and -0.6% respectively with the majority of buildings in both portfolios aligned with a 1.5°C trajectory up to 2030.



# Climate action




**2030 objectives**

- Reduce carbon emissions from our lending and investment portfolios by 40-50% by the end of 2030 compared to 2019 and achieve net zero emissions by the end of 2050 at the latest.
- Reduce carbon emissions from our internal operations by more than 50% by the end of 2030 compared to 2019 and achieve net positive carbon contribution (through offsetting).
- Shipping portfolio to have at least 25% lower emissions than the global fleet by the end of 2050.

**Targets 2023**

- 25% of gross inflow for savings in sustainable products.
- Nordea Life & Pension will reduce its carbon emission intensity for listed equities, corporate bonds and real estate by at least 25% by the end of 2024 compared to 2019.
- All savings advisory sessions contain the topic of a sustainable choice for our customers to invest in.
- Increase in green and transitioning financing and being the leading provider of sustainability products for large corporates in our home markets.
- Large corporate customers in carbon-intensive industries shall increasingly have low-carbon transition plans that align with EU and local climate targets.
- Growing the share of EU Taxonomy-aligned assets and income and meet disclosure requirements.
- Total carbon reduction from internal operations of 30% compared to 2019.
- All relevant requests for proposal among suppliers to have requirements that are aligned with the Paris Agreement to achieve a carbon reduction in the supply chain.

## Evolving our climate action agenda

To fulfil the Paris Agreement – limiting temperatures to well below 2°C and preferably below 1.5°C – global carbon emissions must be halved by 2030 and on a pathway towards net zero emissions by 2050 at the latest. As a financial institution, we are an important part of this transition. Our Nordic home markets all have climate legislation in place aimed at net zero emissions by 2050 or earlier.

Our climate action agenda will evolve from acting in line with our own targets, towards delivering on the long-term global and regional net zero emissions targets by 2050. As such, our objectives for our business are to achieve net zero emissions by 2050 at the latest and reduce carbon emissions from our lending and investment portfolios by 40–50% by 2030 compared to 2019.

To support our target-setting and to deliver on our long-term objectives, we joined The Partnership for Carbon Accounting Financials (PCAF) in December 2020 and have accordingly measured our financed emissions on business loans, listed equity, corporate fixed income and commercial real estate investment asset classes. For business loans, a pre-baseline trend was investigated, covering the period 2014–2018, using the economic activity-based emissions approach with a PCAF data quality score 5 (lowest quality). Our data quality continues to improve, but improvements are dependent on the broader enhancement of data in alignment with the European sustainable finance agenda – by our customers, stakeholders and regulators.

## Policies and guidelines

Our commitments in relation to climate change are described in our Position Statement on Climate Change. It states, among other things, our position in relation to thermal coal, coal mining, and extraction of oil sands.

In addition to the position statement, we have several sector guidelines addressing the climate issue. In 2020, we updated our sector guideline for the fossil fuels industry to further emphasise our expectations on customers and investee companies in the fossil fuels industry in terms of their commitment to fulfilling the objectives of the Paris Agreement and investing in and working towards the necessary energy transition. Among other things, the guidelines explicitly state that we do not provide project financing dedicated to the extraction of unconventional oil and gas.

During the year, NAM published a policy relating to fossil fuel for the sustainability-enhanced funds, requiring all fossil fuel companies to demonstrate that they have a decarbonisation strategy that is consistent with 2°C global warming or lower. These companies are put on the Paris-Aligned Fossil Fuel list and are eligible for inclusion in any of our sustainability-enhanced funds. Companies that are not on the list are excluded from such funds.



### External commitments supporting our work

As a testimony to our strong commitment to climate action, we are a signatory to several UN-convened climate initiatives requiring concrete and timebound actions to align our lending and investment portfolios with the objectives of the Paris Agreement. At Group level, we are a signatory to the Collective Commitment to Climate Action since 2019. Also in 2019, NLP was a founding member to the Net-Zero Asset Owner Alliance and in December 2020, NAM was the first to join the Net Zero Asset Manager Initiative.

### Joint efforts to reach common targets

In addition to external commitments, we also participate in pilot projects to achieve our common targets.

In 2019, we participated in road testing the Paris Agreement Capital Transition Assessment (PACTA) methodology. The pilot was launched by 2°C Investing Initiative (2Dii) to support banks in assessing the alignment of their lending to carbon-intensive sectors with 2°C decarbonisation trajectories. The methodology was made available to all in 2020. We tested the methodology for the power production, oil and gas and shipping sectors. The results were fed into our risk management work at portfolio level in 2020. Some key outcomes show that, as a result of a predominantly Nordic power portfolio, fossil-free power generation capacity in our portfolio is higher than the sector average globally and in Europe. The portfolio is close to the International Energy Agency's Sustainable Development Scenario trajectory. Our oil and gas portfolio seems to be slightly tilted towards oil at the expense of natural gas. As for our shipping portfolio, it is better rated from a greenhouse gas (GHG) ratings perspective than the global fleet on average. However, the GHG ratings in the PACTA methodology were changed in 2020 to a more granular methodology aligned with the Poseidon Principles (which is described further in the shipping story below).

Joint engagement efforts are also a priority on the investment side and are carried out through, for instance, NAM's participation in the Climate Action 100+. The investor engagement initiative has led to putting in place a range of breakthrough net zero emission commitments and significant progress across a range of industries, many of which are among the most challenging to decarbonise.

In 2020, NAM took charge, among a group of European funds representing assets of USD 3.4tn, in criticising South Korean and Japanese groups over developing a coal-fired power plant in Vietnam, underscoring mounting pressure from investors over climate change. The initiative has already led to policy changes in relation to thermal coal as a significant climate risk for some of the stakeholders involved.

Going forward, NLP will work to ensure that investee companies, especially in high-emitting sectors, set science-based targets aligned with a 1.5°C trajectory and that asset managers that manage money on behalf of NLP implement robust climate policies and set net-zero targets. This will be done in close collaboration with other investors through collective efforts in the UN Net-Zero Asset Owner Alliance and through direct dialogues with investee companies.

## Promoting a cleaner and more responsible shipping industry

**Shipping is** one of the sectors in relation to which we work through various partnerships to promote a cleaner and more responsible industry. Through the Poseidon Principles, we play an active role in promoting this and raising awareness. We are part of a pioneering group of 18 banks, jointly representing approximately USD 150bn in shipping finance, which now requires shipowners to annually collect and report specified data for ships with a gross tonnage of 5,000 or more, and which are engaged in international trade. The results from the first year of the Poseidon Principles and data received show that the climate alignment of our shipping portfolio in 2020 was 6.7% higher in relation to the global target trajectory from the International Maritime Organization (IMO) of a 50% emission reduction by 2050. We are pleased to see our shipping customers achieving close to a 100% climate data reporting rate already in the first year. The target for our shipping portfolio is that it has at least 25% lower emissions than the global fleet by 2050.

Green shipping, together with offshore energy and fully traceable seafood, is also in focus for our engagement in the UN Global Compact Local Network, Norway's National Ocean Platform, which was initiated in the spring of 2020. The platform is a forum for business, academia and public sector organisations to promote sustainable business within the ocean industries, and help ensure healthy oceans. It consists of five workstreams, and we are participating in the three workstreams mentioned above (green shipping, offshore energy and fully traceable seafood). The work is ongoing, and is planned to continue throughout the spring of 2021.

We are also committed to the Responsible Ship Recycling Standards (RSRS). These are voluntary principles for financial institutions active in ship financing. The RSRS aim to promote responsible ship recycling and to minimise the dangers associated with hazardous materials on board. The standards form guiding principles in the dialogue on responsible ship recycling between the financial sector and stakeholders in the shipping industry. Currently, eleven banks have endorsed the standards. Besides pursuing a dialogue with external stakeholders and improving knowledge internally about ship recycling, we have incorporated these standards into the ESG analyses of our shipping sector lending portfolio as well as into our lending agreements. In 2020, approximately 97% of new loan agreements for Nordea-financed vessels included a clause relating to responsible recycling. Over time, we aim to include a responsible recycling clause in all new loan agreements for Nordea-financed vessels in the shipping sector.



## Reducing climate impact from internal operations

Although our greatest impact on climate is through financing and investments, we also work with reducing climate impact from our internal operations in which we apply the precautionary principle. We have a long-term objective to reduce carbon emissions from internal operations by more than 50% by 2030 and a 30% reduction target by 2023, compared to 2019.

Already in 2019 we reduced our total carbon footprint, despite an increase in scope to also include postal services, paper and water. Following this reduction, our total emissions of 15,898 tonnes $CO_2e$ in 2020 marked a 62% reduction from 2019 even though waste was added to the scope in 2020. The reduction in carbon emissions was mainly due to Nordea's travel policy in response to the COVID-19 pandemic. The reduction will continue going forward, even though we expect business travel activities to increase somewhat in 2021 from the significantly low levels in 2020.

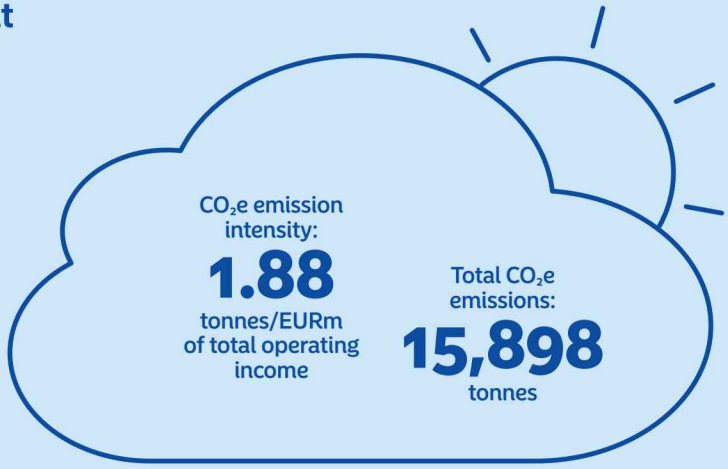
In Nordea, we also have around 500 leasing cars for travel on a more daily basis. In December 2020 we decided on a new company car policy effective from 1 January 2021, lowering the environmental cap to 95 g $CO_2$/km, in line with EU targets for passenger cars, which in practice only allow for electric or hybrid cars. Even though the policy has not been in place during 2020, 68% of all new leases during the year have concerned plug-in hybrid/electric cars.

In addition to business travel, energy consumption is another factor contributing to carbon emissions and we take various measures to reduce those. We purchase 100% renewable electricity through Guarantees of Origin equal to our electricity consumption in Denmark, Finland, Norway, Sweden, Poland, Estonia and Luxembourg. The majority of our large HQ offices are LEED- or BREEAM-certified to ensure energy efficiency, and in 2020 we continued to vacate buildings that are not up to par.

In 2020, we see a 8% decrease in energy consumption compared to 2019. Though the reduction is primarily driven by many employees working remotely, it is also a result of ongoing system improvements such as a re-design of our district heating system in the Norwegian head office. One of the main consumers of energy is the data centres which make our digital services possible. Mitigating steps are being taken, such as keeping servers up to date and running as efficiently as possible. A side effect of the high activity level in the datacentres is that they are generating excess heat. We have reached an agreement with local municipalities in Denmark to return this excess heat to the city's central heating system. Currently, 700 households in the community where the datacentres are located are heated by our excess heat.

The positive effect of going digital is that it reduces the need to send out physical documentation from the bank and the associated carbon emissions from distribution. We have taken a structured approach to focus on replacing physical letters with customer-friendly, digital solutions through our Paperless Banking Programme. This

## Our carbon footprint







Emissions from diesel generators and leased cars:
**1,455**
tonnes $CO_2e$




Emissions from electricity, district heating and district cooling:
**4,793**
tonnes $CO_2e$




Emissions from business travel, fuel- and energy-related activities, postal services, paper, water and waste:
**9,650**
tonnes $CO_2e$

For details about our carbon footprint and a description of the boundary, scope and calculation methods, see sustainability note S5b. on pages 36–37.

work covers all units that dispatch large volumes of letters and printouts. Since the start in 2015, the programme has digitalised and removed 60% of all customer letters, with quantified targets to further reduce letters in the coming years.

Water is another aspect of climate change that we address with various measures. In 2020, our total water consumption was 110,369 cubic metres, which is a reduction of 29% compared to 2019, most likely relating to the pandemic and the lockdowns.

Despite our active efforts to reduce our carbon footprint, we have some emissions that are difficult to reduce. For these, we buy carbon offsets to ensure that we are carbon neutral. For 2020, we have bought carbon credits for wind power in India.

### #thinkgreen

At Nordea, we use #thinkgreen as the umbrella term for all the day-to-day steps that take us towards a more sustainable workplace. Reducing single-use plastic, adding more meat-free options in our canteens and printing less are all examples of this.

Raising awareness about how to have a positive impact on the changing climate is important to us. To this end, we hosted sustainability events for employees in several countries in 2020 – to signal the importance of the topic, share ongoing initiatives and invite discussion and new ideas about how to make a positive change. We hope these internal events will inspire our employees to reduce their own carbon footprint and serve as a well of ideas for constant improvement in the area.

### Climate action and the circular economy

Not only working downstream and in our own operations to reduce climate change, but also upstream, climate action is one of the strategic focus areas of our sourcing practices.

In 2020 we have taken a number of actions and launched various initiatives to minimise our resource consumption and further embed the circular economy mindset in our business. Sourcing managers have undergone circular economy training and we have run a project in Denmark on refurbishing used IT accessories, in particular headsets, keyboards and mice. We have also worked to further integrate climate into our supplier selection process. For selected sectors we now add climate science-related questions in our request for tenders to ensure that our key suppliers are on a trajectory towards decarbonisation. These efforts will continue in 2021, to ensure we jointly do our bit in fulfilling the objectives of the Paris Agreement.

In addition to our internal activities, we continue to cooperate with other large IT buyers to steer the IT sector in a more sustainable direction. IT is our largest spend area representing 31%, and we believe that collective action through engagement with partners will have the greatest impact.

## Web links

Position Statement on Climate Change

Sector Guidelines for the Fossil Fuels Industry

NAM policy relating to fossil fuel for the sustainability-enhanced funds



# Social responsibility

**Targets 2023**

- Deliver a new diversity and inclusion strategy, targets and a milestone plan by the end of 2021.
- All investee companies in funds managed by Nordea Asset Management assessed against the minimum safeguards in the area of human rights (in line with the EU Taxonomy).
- Human rights impact assessment of the supply chain in place.
- 100% of new suppliers screened for sustainability issues.

## Policies and guidelines

Social responsibility is about taking sustainability issues such as human rights, labour rights, employment, gender equality and education into consideration across the entire value chain.

The Nordea Sustainability Policy sets out the principles for how we ensure the long-term sustainability of our operations and, in so doing, strengthens long-term customer relationships and our contribution to a greater good. Besides the policy, we have position statements and sector guidelines that provide guidance and principles regarding various themes or sectors for dealing with both business opportunities and risk mitigation.

To ensure that we communicate our expectations and that companies comply with our requirements and thresholds, each business area is to implement relevant efforts depending on the nature of the business, credit exposure and size of the company. Examples of such efforts include screening our portfolio to identify companies that are relevant to engage with, and integrating ESG considerations into our customer dialogue.

## Equality as the starting point for an inclusive work environment

Our ambition is to ensure that equality, as a fundamental human right, is embedded in our business and operations. This means that we work to ensure equal opportunities for all our people and that we offer a safe and inclusive workplace, where everyone is respected for their uniqueness and can thrive and contribute to our development.

In 2020, our people's perception of equal opportunities obtained a 88 (86) point score in our employee survey People Pulse. We are proud to see that the index has increased significantly in the past few years, although we are aware that there still is a gap between how men and women evaluate this dimension.

## Diversity makes us better

Our ability to grow sustainably and meet our customers' needs depends on our people. We have a broad definition of diversity and aim to attract and retain people of different gender, gender identity, age, ethnicity and national background, cultural affiliation, sexual orientation, physical ability and other aspects.

Our Diversity & Inclusion Committee was established to discuss, monitor and influence the overall strategic direction and key efforts within the area of diversity and inclusion (D&I) across Nordea. It also ensures the requisite anchoring among top executive management.

With a setup of local D&I Councils and Employee Resource Groups (ERG) focusing on gender balance, cross-culture, LGBT+, ability variation and age, we work to strengthen our support of a diverse workforce and inclusive workplace from a bottom-up perspective. When we experience that a specific D&I issue arises, we establish new councils or ERGs to support effective handling. Our latest D&I council was established in the US and we launched an ERG in 2020 with a focus on cross-generation aspects since age diversity plays an important role in improving organisational performance and leveraging productivity.

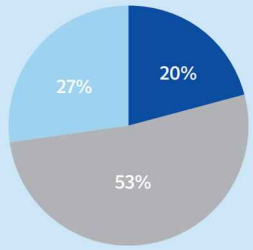
A strong employee engagement for D&I helps to highlight diverse perspectives and foster inclusive workplaces through internal initiatives and by contributing to our partnerships with Pride organisations, initiating the Nordea award "The Abilitypreneur of the year" (with a focus on ability variation inclusion), arranging celebrations of International Women's Day and International Men's Day and much more.

We have embedded bias awareness in leadership programmes to counter potential biases in people-related decisions and training activities that will continue to support our D&I effort.

We are committed to ensuring that all employees are treated equally, and are subject to fair and unbiased remuneration decisions. We analyse potential equal pay gaps annually, and we continue to support people leaders through communication and training, to mitigate risk of discrimination in remuneration or other employment terms.



## Age distribution in the workforce




- Total workforce below 30 years old
- Total workforce 30-50 years old
- Total workforce above 50 years old

## Gender balance

| | | |
|---|---|---|
| Board of Directors[1] | 40% | 60% |
| GLT | 36% | 64% |
| People leaders | 40% | 60% |
| Total workforce | 51% | 49% |

1) Excluding employee representatives.

### A gender-balanced workforce

We strive for gender balance in all parts of the organisation, in the total workforce as well as on every leadership level.

During 2020, we have succeeded in maintaining the gender balance in the total workforce with 51% (51%) women and 49% (49%) men counted as the number of employees. In the Group Leadership Team (GLT), the gender balance has improved to 36% (22%) women and 64% (78%) men. To further improve the gender balance at all senior manager levels, we are actively working to enhance the balance in succession pipelines and when recruiting. Initiatives to raise awareness and support more diverse succession pipelines are being taken.

For details about our workforce, see sustainability note S5c. on page 38.

### Safe and inclusive workplace

We promote everyone's equal value and opportunities and condemn all forms of discrimination. We have zero tolerance of harassment, bullying or victimisation of any kind. During 2020, 1% (2%) of the respondents to the People Pulse stated that they had been subjected to some sort of harassment or other mistreatment and 10 (28) harassment cases were reported through our whistleblowing function Raise Your Concern (RYC). We are happy to see that the number of incidents have decreased since 2019 and understand that our ongoing work with proactive measures to ensure safe and inclusive workplaces makes a difference and needs to continue.

### Sustainable procurement practices

Taking social responsibility is as important upstream our value chain as it is within our own operations. Our overall sustainability performance within the supply chain is largely based on the actions and maturity of our suppliers. Our Supplier Code of Conduct outlines our expectations of suppliers and is aligned with the Nordea Code of Conduct and the UN Global Compact. We expect our suppliers not only to abide by the laws and regulations of the countries in which they operate, but also to work to move beyond compliance. By encouraging suppliers to share our standards and continuously collaborate on improvements, it is our belief that we can have a significant impact and at the same time mitigate risks.

In 2020, we faced a new and unprecedented situation in our supplier relations. The COVID-19 pandemic required swift mobilisation of global value chains. For us, this meant that our suppliers that support IT application development and maintenance from the extended delivery centres in India, had to adapt to the new circumstances. In order to maintain business activities, restricted remote access was enabled in cooperation with the suppliers as a temporary solution during lockdown. Besides dealing with the effects of the pandemic, in 2020 we continued to focus our sustainability efforts where we believed they could have the greatest impact.

### Supplier due diligence

Potential suppliers are subject to pre-screening, and any alerts on social issues like human rights or labour rights, as well as on environmental or anti-corruption issues, result in a more in-depth investigation before proceeding to engagement. For existing suppliers, we are working to further enhance the ongoing due diligence process and have established a contract management team which will be responsible for the continuous oversight of suppliers including potential adverse impacts on human rights, labour rights and the environment. We will continue to engage in dialogues with suppliers where risks have been identified to determine appropriate action. That could mean asking the supplier for evidence showing their actions to mitigate the issue, or facilitating a dialogue with such suppliers to understand the issue from their perspective. We believe that engaging in a partner-to-partner spirit gives the best outcome, and termination of agreements is our last resort.

### Supplier engagements as a basis for improvements

In 2020 we continued building on the supplier reviews conducted in 2019. Internally, that resulted in a revision of our marketing guideline, which now holds positions on circularity, product certifications and a 20% price premium acceptance for sustainable products. Our marketing department has committed to a target that 100% of new gifts and giveaways should fulfil a set of predefined sustainability criteria by 2022.

Externally, the continuous dialogues showed that all suppliers are progressing well in the implementation of the recommended actions, such as enhancing their supplier review process, conducting human rights due diligence and setting concrete environmental targets.

In 2020 we reviewed one direct supplier of debt collection services as well as two sub-suppliers offering IT equipment recycling and office material and personal protection equipment, respectively. No severe findings were identified in any of the reviews. The dialogues however revealed findings of a more structural character.

For details about our supply chain, see sustainability note S5d. on page 39.

## COVID-19 action

### Faster supplier payments

The COVID-19 pandemic resulted in difficult financial situations and liquidity shortage for many companies. Acknowledging our responsibility as a large customer to many of our suppliers, we therefore decided to change our payment terms in April. Our regular contractual payment terms were disregarded, and instead supplier invoices were paid as soon as they were registered and approved in the central payment system. On average that meant that invoices were paid 19 days prior to invoice due date during the period from April until the end of 2020.



### Supporting human rights

Human rights as a sustainability issue is addressed in all parts of the organisation and due diligence processes. We have identified our most critical areas in terms of human rights as being within investing, financing, transactions and sourcing. We support the Universal Declaration on Human Rights and human rights are included in our Code of Conduct, Sustainability Policy, Responsible Investment Policy, Supplier Code of Conduct and in our sector guidelines as relevant for specific industries.

In 2019, we conducted an independent human rights assessment identifying a need to continue working on embedding human rights into these processes, which has been in focus in 2020. For details about the human rights assessment, see sustainability note S5e. on page 40.

### Integrating human rights in business selection

The ESG assessments included in our investment and financing decision-making processes include human and labour rights, as does the norm-based screening of all our funds. As per December 2020, we have 10 companies on our exclusion list due to violations of human rights-related norms, including norms violation of the rights of indigenous peoples. From a financing perspective, identified adverse human rights violations might affect a customer's credit assessment.

The Corporate Human Rights Benchmark (CHRB) measures, on an annual basis, the human rights performance of the world's largest publicly listed companies in sectors with high human rights risk. The CHRB results are integrated into our ESG analysis and ownership activities when needed, and annual CHRB assessments enable tracking progress of investee companies' performance in terms of human rights.

### Monitoring customer transactions for human right breaches

Human rights is one perspective taken into account when monitoring customer transactions for a wide range of behaviours that can be indicative of potential financial crime risk. Individual transaction behaviour and monitoring scenarios such as transactions with certain high-risk jurisdictions or indications of funnel account behaviour can relate to many types of financial and predicate crime including modern slavery and human trafficking.

Human trafficking creates tremendous harm and, as such, we consider human trafficking risk a priority in crime detection and prevention efforts. We have undertaken an extensive intelligence gathering exercise on human trafficking typologies in the Nordics, drawing on our investigative experience of the crime. We have begun to apply this to our data analytics capabilities and expect these efforts to improve our ability to identify potential human trafficking activity proactively.

### Human rights in our supply chain

From a sourcing perspective, in 2020 we performed a preliminary assessment of the human rights-risk picture of our supply chain based on country, sector and actual spend. The assessment revealed that 92% of our spend is placed in countries at low risk of human rights breaches.

In 2021 and onwards, we will deep-dive into high-risk areas like modern slavery and conflict minerals, via engagement and collaboration with stakeholders. We have set a target that, by 2023, we will have a human rights impact assessment of our supply chain in place, whereby high-risk areas are identified and actions have been taken to mitigate and manage these.

### Children's rights

In 2019, Save the Children performed an assessment on how Nordea could address the Children's Rights Business Principles in our operations. Children's rights now form part of our focus on human rights and we have systems and processes in place to ensure they are secured in internal operations. In 2020, we continued to be involved in the Financial Coalition against Commercial Sexual Exploitation of Children – a collaboration between Swedish banks, other financial companies in Sweden and the Swedish Police that is now coordinated by ECPAT Sweden – working to stop payments for child sexual abuse material online.

## Human trafficking in brief

**Human trafficking is** a crime which, according to the International Labour Organisation, deprives millions of people worldwide of their rights and freedoms. The criminal activity takes many forms but most victims are forced into labour or sexual exploitation. Both adults and children fall victim to human trafficking, with women and girls disproportionately affected.

The Nordics, in terms of instances of human trafficking, tend to be a destination for victims trafficked from other countries. However, recruitment, transportation and exploitation of a person can also happen within a Nordic country. Financial products and services can be abused by organised criminal networks as well as individual perpetrators to finance crime, receive revenue from criminal activities, or launder criminal proceeds.

Criminal networks often set up legal entities that are used to manage and finance operations involving forced labour or sexual exploitation. Companies can also be set up solely for the purpose of laundering criminal proceeds. While organised crime groups are highly likely to be involved in other types of criminality, there are criminals who are not connected to organised networks and who are hence much more difficult to detect. Examples of the latter include exploitation of a trafficked victim at home or within a close circle of violators (for example in forced domestic servitude).

# Helping start-ups create growth and employment in the Nordics

**Entrepreneurs are a** cornerstone of much of the progress of society. Helping entrepreneurs to sustainably build successful businesses is one of the best ways for a bank to engage in society.

Each year, thousands of start-ups and investors typically flock to Helsinki in late November to attend Slush, the world's leading start-up and tech event. This year, a virtual platform replaced the physical event, and our partnership with Slush called for new ways to create an impact for Nordic start-ups.

## Virtual speed dates for start-ups and investors

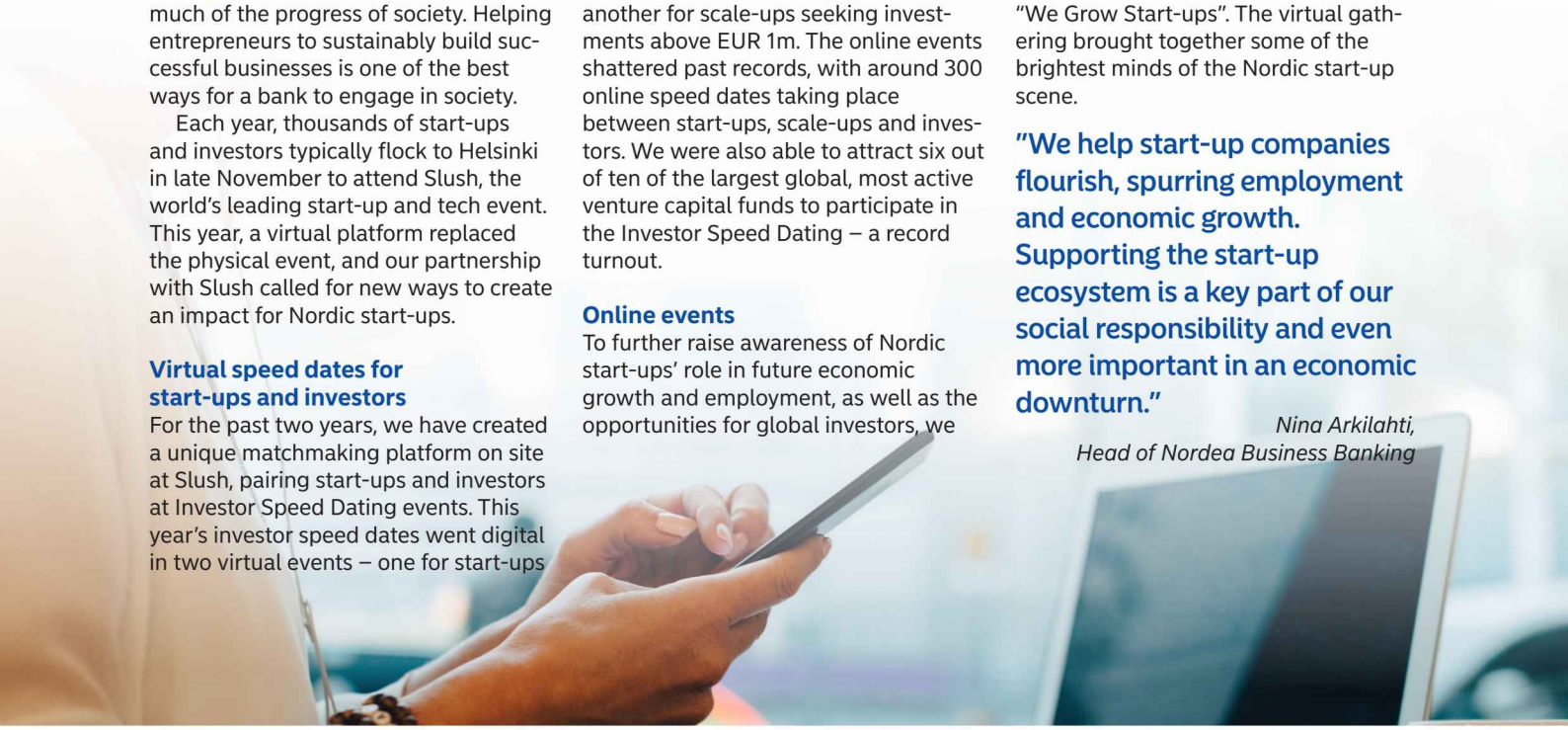
For the past two years, we have created a unique matchmaking platform on site at Slush, pairing start-ups and investors at Investor Speed Dating events. This year's investor speed dates went digital in two virtual events – one for start-ups seeking financing below EUR 1m and another for scale-ups seeking investments above EUR 1m. The online events shattered past records, with around 300 online speed dates taking place between start-ups, scale-ups and investors. We were also able to attract six out of ten of the largest global, most active venture capital funds to participate in the Investor Speed Dating – a record turnout.

## Online events

To further raise awareness of Nordic start-ups' role in future economic growth and employment, as well as the opportunities for global investors, we organised a successful online event, "We Grow Start-ups". The virtual gathering brought together some of the brightest minds of the Nordic start-up scene.

**"We help start-up companies flourish, spurring employment and economic growth. Supporting the start-up ecosystem is a key part of our social responsibility and even more important in an economic downturn."**

*Nina Arkilahti,*
*Head of Nordea Business Banking*



## Community engagement

Community engagement at Nordea is about creating positive change through our employees. In over 20 programmes and partnerships, we focus on building financial skills and fostering entrepreneurship, thus enabling our core competencies to have a positive impact in society. Between 2017 and 2019, volunteering at Nordea grew almost 250% to a participation rate (share of engaged employees) of 18%. For 2020, the ambition was to continue with a high level of engagement. However, after societies started to close down in March, the number of volunteering opportunities fell significantly. Despite this, close to 1,500 Nordea employees delivered 6,000 hours of volunteering in 2020, corresponding to a little more than 25% of 2019 levels.

In Finland we turned our physical financial skills workshops at schools into online workshops. During the year, more than 4,500 pupils and teachers took part in our virtual workshops about financial skills, entrepreneurship and investing. We also piloted successfully online advice sessions for seniors on how to use digital services safely. To support entrepreneurship, we have, together with our partnership network, held online workshops for young entrepreneurs and organised virtual sparring sessions and roundtable discussions for growth companies. In addition, Nordea's community engagement received the prestigious "Sponsorship of the Year" award in Finland.

In Sweden, despite most schools being open during the pandemic, our own programme on financial skills, "Ekonomipejl", was turned from primarily a classroom exercise into an online training programme, allowing us to also support students in geographical locations we do not normally reach. Going forward, we will continue to deliver the programme online where appropriate. In addition, we created a series of "Get more digital" films and classes that were launched on nordea.se in the spring. The aim of the films is to help the elderly become more digital and aware in their day-to-day banking – a much needed and appreciated initiative.

In Norway we launched our own financial education programme for school classes called "Økonomipeil", inspired by "Ekonomipejl" in Sweden. The concept can be delivered throughout Norway both physically and digitally. Furthermore, when the COVID-19 restrictions were eased in Norway after the summer, we had in September approximately 45 employees volunteering in person in the activity "Nordea i skolen" in cooperation with Young Entrepreneurship Oslo.

In Denmark, the lockdown of society coincided with European Money Week and approximately 100 training sessions on financial skills and creating awareness on financial wellbeing with Nordea volunteers had to be cancelled. As a replacement, an online session was offered through the Facebook site of Danish Money Week. The Nordea-hosted training session had more than 10,000 views in 2020 indicating that online sessions will be a focus area also in 2021.

In Poland we have been redefining our approach to community engagement and managed to support our local community online in the field of both financial skills and entrepreneurship. As a result of a Hackathon for IT experts, we offered space to create solutions for disabled people to integrate into the community.

Being there for our customers and society has never been more important than during the pandemic. We are the main sponsor of Slush, a Nordic initiative and one of the world's biggest start-up events, which went from physical to online this year (see the separate story above). In Sweden we supported "Action Against Corona" – an initiative created by our partner Norrsken, in which employees can volunteer to support initiatives focused on alleviating the impact of COVID-19.

## Web links

Sustainability Policy
Sector Guidelines
Code of Conduct
Supplier Code of Conduct
Responsible Investment Policy
Exclusion list

# Governance and culture

**Targets 2023**

- Sustainable banking implemented as part of Nordea's culture with sustainability targets integrated into people processes, including employee branding and benefit programmes.
- Sustainability targets integrated into remuneration programmes (starting 2022).

**Sound corporate** governance means ensuring that companies are run sustainably, responsibly and as efficiently as possible on behalf of their shareholders. Confidence of legislators and the public in companies acting sustainably and responsibly is crucial if companies are to have the freedom to realise their strategies to create value. At the core of everything we do at Nordea are our purpose and values. They define our behaviour and help us make the right decisions. By strengthening a purpose-led culture with a sound and strong operating model, we can enable speed and scale in the transition to a resilient economy and at the same time reduce sustainability-related risks.

## Living our values

Our purpose – together, we lead the way, enabling dreams and everyday aspirations for a greater good – gives our everyday work direction and meaning. It establishes a clear link between our daily efforts to help our customers fulfil their dreams and aspirations, our commitment to working for a greater good and to be a sustainable part of the societies in which we operate. Our values – collaboration, ownership, passion and courage – are a clear expression of the culture we want to build, whereby people can be passionate about customers, collaborate closely across the organisation, maintain a true sense of ownership in our work and have the courage to speak up and challenge each other.

Our employee survey, People Pulse, facilitates a better understanding of current challenges, for both leaders and employees, especially in an increasingly virtual work environment. The People Pulse enables us to measure the engagement levels and wellbeing of our people and also to monitor signs of changing trends to enable taking swift action. The response rate to People Pulse increased to 81% in 2020 compared to 78% in 2019 with a positive trend in all questions. During the pandemic, we have observed an improvement in engagement levels, and also that communication and information have been instrumental in managing the organisation; 90% (80%) often or always experienced clear and truthful leadership communication. 85% (82%) of our people feel valued as employees and the likelihood of recommending Nordea as a workplace has improved significantly compared to 2019, obtaining a 80 (75) employee Net Promoter Score.

We encourage our people to be physically active and take care of their health and our leaders to take a genuine interest in the wellbeing of our people. This is particularly important in times of working from home and social distancing, as we know that the situation can be both physically and mentally challenging. Monitored quarterly, the sick leave rate, 3.02% (3.49%), shows a slight downward trend and 91% (91%) of our people feel they are always or often in good shape to carry out their work, with 80% (79%) feeling that they have a good balance between work and other aspects of life. It is too soon to draw any conclusions as to whether working from home during the COVID-19 pandemic is what has affected the downward trend in the sick leave rate and the upward trend in engagement numbers, but this will be analysed going forward.

## Performing at our best

Talent management has become even more relevant during the pandemic, especially with the renewed focus on our internal job market and lower attrition (6.7% compared to 9.9% in 2019). Data-driven talent assessments and dedicated development plans ensure relevant talent pools and succession pipelines and enable us to build a strong, diverse and inclusive workforce. To further support our employees' development, we are currently working towards a more modern learning offering via enhanced digital delivery channels, built as learning journeys for developing individual career paths.

Positively, the evaluation data shows high satisfaction scores compared with physical classes.





The average total consumed learning hours decreased to 8.9 (12.3) hours per employee in 2020 due to the pandemic but also positively impacted by the optimised training facilitation.

To prevent time-consuming remuneration processes, for both employees and people leaders, we are working on simplifying reward structures and processes. Greater focus will be put on performance, growth and engagement achieved through meaningful goal-setting, ongoing dialogues and a fact-based performance evaluation within the Performance and Learning Dialogues (PLD). In 2020, 90% of our people had a PLD.

As communicated in 2019, income development, digitalisation and automation will most likely drive a need for adjustments and changes in how we organise and how we work. In cases where this could lead to certain jobs changing, we will play a key role in securing the right strategic approach for engaging our people during times of change, while respecting labour market conditions. Together with the trade unions and through constructive discussions, we are committed to treating our people with respect and care, and we aim to support anyone affected with developing the right skills and finding new job opportunities inside and outside Nordea.

For data on employment contracts, employee turnover and collective bargaining agreements, see note S5c. on page 38.

### Transforming our sustainability governance model

Nordea's sustainability governance structure dates from a couple of years back. In June 2020, a group-wide task force was appointed with the purpose of identifying improvements in terms of managing sustainability in general and ESG and climate-related risks in particular following heightened expectations from supervisors and regulators. The outcome of the task force's work was a five-year action plan. The first step is to revise the ESG risk definitions in our risk taxonomy to consider ESG factors as drivers of the existing risk categories – including credit risk, market risk, liquidity risk and operational risk – and to further incorporate them into the existing risk management framework. To support this approach, we decided to transform our sustainability governance model to tie sustainability and risk closer together.

At Board level, the Board Operations and Sustainability Committee assists the Board in fulfilling its oversight responsibilities concerning sustainability, which includes strategy, operational model, reporting and frameworks. The Board is also assisted by the Board Risk Committee in the fulfilment of its oversight responsibilities concerning the management of risks, related frameworks, controls and processes (including ESG factors as drivers of existing risk).

At an executive level, in 2020 our governance structure included a group-wide Business Ethics and Values Committee (BEVC) as a sub-committee of the CEO's Group Leadership Team. BEVC consisted of representatives from the business areas and group functions including Group Risk and Compliance, and acted as an executive preparatory body for the CEO and the Board. BEVC monitored and reviewed relevant group policies related to sustainability. It was also responsible for recommending to the CEO participation in and exit from commitments to sustainability as well as approving external position statements and sector guidelines. The BEVC also had a role in preparing the sustainability strategy, targets and the Sustainability Report for the CEO and the Board. Our Risk Committee (RC) also provided input for our sustainability agenda from the risk perspective. The role of the RC in relation to sustainability will remain in place in 2021, but BEVC will be replaced by the Sustainability and Ethics Committee (SEC) in January 2021. The SEC will have a stronger mandate to facilitate the forth-

## COVID-19 action

### Adapting to flexible ways of working

The COVID-19 pandemic proved to be a fast-track for us to try new practices for flexible work, with many of our colleagues finding new ways to collaborate and communicate both internally and with customers. While there are several positive indications, we will need to monitor and assess the long-term impact of flexible working on wellbeing, performance, culture, innovation and productivity. All these aspects are taken into consideration as part of the flexible working initiatives started at the end of 2020, aiming to support Nordea in becoming an even more sustainable employer for the future.

coming overall integration of sustainability into our business strategy and to support the integration of ESG factors in risk management.

The new sustainability governance model is illustrated below.

## Compliance

Group Compliance is the guardian of our licence, reputation and trust and helps us to be a good citizen by ensuring that compliance risks are addressed as a natural element of our business. Being compliant means conducting business in accordance with applicable laws, regulations, standards, supervisory requirements and related internal rules, and respecting the principles of integrity and fair dealing at all times. Compliance starts at the top and must be embedded in the culture of an organisation.

Group Compliance is an independent function responsible for creating a common internal control framework that ensures our compliance with applicable laws, regulations, standards, supervisory requirements and related internal rules, as well as providing training, advice, monitoring and ensuring compliance matters are adequately communicated and adhered to by management. In addition, Group Compliance is responsible for promoting a solid risk and compliance culture. We believe that compliance concerns everyone at Nordea and it is viewed as an integral part of our business activities.

## Code of Conduct

Our Code of Conduct, together with our Sustainability Policy, defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. They underpin our culture and set the parameters for our conduct in areas such as care for the environment, labour rights, how we treat our customers, human rights, the right to privacy, fair competition, anti-bribery and anti-corruption. Ensuring that we do the right thing is the essence of our Code of Conduct. This means asking ourselves not only "can we do it?", but also "should we do it?". When we ask these questions, we consider the impact of our decision on our stakeholders. The Code of Conduct is reviewed annually, and was last updated in June 2020. Compliance with the Code of Conduct is monitored by way of regular reporting to the Chief Compliance Officer, Chief Risk Officer, the CEO and the Board.

All our employees are required to complete annual training on the Code of Conduct as part of their Licence to Work to ensure proper awareness and knowledge of the ethical principles. Additionally in 2020, all employees were trained on information security and financial crime as part of the Licence to Work. 93.9% (98.5%) of all employees (excluding those on long-term leave) completed their Licence to Work during the year.

## Preventing financial crime

We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activities and do our utmost to ensure that our resources, products and services are not used to facilitate financial crime. Tracking down and stopping the money flows from these activities is a key way to disrupt the criminals involved. This is why financial institutions such as Nordea are uniquely positioned to be part of the solution.

We commit to complying with the laws and regulations relevant to anti-money laundering (AML), counter terrorist financing (CTF), sanctions and bribery and corruption in the jurisdictions in which we operate. In addition, we have maintained and increased our continuous engagement with the regulators throughout the year, demonstrating progress made towards increasing our defences.

Over the years, we have significantly increased our focus to ensure we have the right people and effective tools in place to help combat financial crime, and have established strong risk management policies and practices to support our commitment to protect our customers and society from financial crime. With over EUR 850m invested since 2015, we have strengthened our risk and compliance platforms, providing vital support to our financial crime prevention efforts, and today we have more than 1,600 employees working on combating money laundering and other types of financial crime. In addition, across the organisation, the culture of risk management has been accelerated in the past few years through compulsory training for all employees and consultants. The objective is to create awareness regarding financial crime risks and applicable regulations so all employees understand their responsibility, are vigilant, and act appropriately to ensure that Nordea is not abused by criminals to launder money, fund terrorism, facilitate the payment or reception of bribes, or breach applicable sanctions.

## Nordea's sustainability governance



### Knowing our customers

Each year, approximately 2.5 billion transactions pass through Nordea, which are monitored through our systems and processes. To handle these volumes, we have strengthened our monitoring capabilities through investments in technology, more sophisticated assessment techniques, and additional employees. From this monitoring, we investigate any concern identified, and in cases where we detect suspicious activity, we report it to the authorities for them to take it forward.

We continuously strengthen our sanctions screening capabilities on both our customer and their transactions, each year expanding our coverage of sanctions lists and strengthening our automated controls.

We also continuously develop our Know Your Customer (KYC) tools and processes to secure an understanding of our customers' behaviour and improve efficiency, all the while enhancing our customers' experience.

Additionally, through increasingly sophisticated investigations and analytical capabilities, in 2020 we have conducted investigations on matters such as complex cross-border money laundering schemes, human trafficking and terrorist financing-related cases, and on suspicious transactions related to COVID-19.

### Joining forces for the common good

Money laundering is a serious issue for society, and increased cooperation between banks and authorities is needed to combat it. To accelerate this cooperation, in 2019 we partnered with five other leading Nordic banks to create Invidem (then referred to as KYC Utility) – a joint venture for the common good, which offers a compliant KYC information service in the Nordics with the aim of preventing financial crime and making KYC handling easier and more cost-efficient. The commercial launch of Invidem is expected during the course of 2021.

### Paying taxes responsibly

Taxes play an important role for society's ability to fulfil its goals, such as the SDGs and the Paris Agreement, through financing public services in areas such as healthcare, infrastructure, social security, education the judiciary, rescue services and defence.



We are a substantial corporate income tax payer in our main countries of operation – Denmark, Finland, Norway and Sweden – paying corporate income tax, social security contributions and bank levies in all our countries of operation as required by law. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of our business operations in each country. In any given year, the total amount of tax paid in each country is determined by a combination of these variables. We are also a net payer of VAT, since VAT is generally not recoverable for banks.

Our Tax Policy is the Group CEO Instructions on Tax with the purpose of ensuring that we manage tax efficiently and compliantly. The policy is to pay taxes in accordance with local regulations in all the countries in which we operate and, in so doing, to make an appropriate contribution to each society. We manage tax costs and risks prudently and, by paying taxes and reporting them in a timely manner, we aim to maintain a good local tax reputation. The CEO Instructions on Tax define the overall tax governance including roles and responsibilities within Nordea in relation to any tax charges and related reporting to the tax authorities.

As part of our advice and product information, we provide our customers with general information about the tax consequences of their decisions. To guide us in our advice to customers in the matter of tax, we have – in addition to the Tax Policy – a tax policy with regard to customers. The Tax Policy on Customer Advice states that we do not accept being used as a platform for tax evasion or facilitate aggressive tax planning. It also states that we comply with international standards such as the US FATCA and OECD Common Reporting Standard as implemented in national laws as well as national requirements on customer tax reporting.

For details about our tax payments, see sustainability note S5f. on page 40. We also report tax on a country-by-country basis. That report can be found together with other regulatory disclosures at nordea.com.

## Money laundering and terrorist financing in brief

**Money laundering is** actions taken to hide the fact that money, property or profits originate from criminal activity. One method of money laundering is to channel money through a myriad of accounts and banks, but it can also take place through simple money transfers. Along the way, the money may for instance be exchanged into another currency, lent to companies or spent on buying real property. When the money is ultimately deposited into an ordinary bank account, its criminal origin is so difficult to trace that the money appears to have been legitimately earned.

Terrorist financing is the process by which terrorists fund their operations. It includes the collection or provision of funds with the intention of using them for terrorist acts or to support terrorist organisations. An important difference between terrorist financing and money laundering is that funds used for terrorist financing may stem from both legitimate and criminal sources, whereas in money laundering funds are always the proceeds of crime.

### Strengthening data privacy processes

Data privacy remains an integral part of our business and operations and an important element of our digital strategy. In 2020, we strengthened the personal data breach process by centralising the breach notification process into a unit with enhanced capabilities to assess internal breach notifications. Incidents that may include a personal data breach are reported to the incident management processes unit for individual assessment. If a personal data breach is identified and considered likely to cause a risk to the affected individual, the breach will be reported to the relevant supervisory authority and to the data subjects in accordance with the General Data Protection Regulation (GDPR).

### Investing in cyber security

Introducing new technologies and exploring new ways of doing business and connecting with customers enlarges the bank's attack surface. At the same time, entities that pose cyber threats are becoming better organised, resourced and experienced. Adding to this is the asymmetry of banks having to protect all assets appropriately, while entities engaged in cyber threats merely need to find one weak spot. This poses an unprecedented risk to the banking industry.

We are not just focusing on the adequacy of the basics of information security controls, but also enhancing cyber capabilities with security detection and response defences. We are investing in our cyber defence with new tools and functions, and we continue to focus on ensuring that our basic controls are operating effectively. Innovative security practices are developed to encompass new business demands such as robust mobile banking applications and proactive customer support for fraud detection and prevention.

### Whistleblowing

Our whistleblowing function RYC ensures that all our stakeholders, including customers, partners, affected communities as well as our own employees, have the right to speak up and always feel safe in doing so if they have concerns about suspected misconduct such as breaches of human rights, or irregularities such as fraudulent, inappropriate, dishonest, illegal or negligent activity or behaviour in our operations, products or services. This includes any action that constitutes a violation of laws or regulations, or of our internal policies, instructions or guidelines.

We offer the possibility to report openly, by providing name and contact details, as all reports are handled with strict confidentiality. However, we also provide an electronic reporting channel, WhistleB, which is managed by an external party. The system is separate from our IT systems and does not track IP addresses or other data that could identify the sender of a message. Reports can be in Danish, English, Finnish, Norwegian and Swedish.

Cases reported through RYC form part of the monitoring of compliance with the Code of Conduct but are also reported to the Chief People Officer in addition to being included in the aforementioned management reports and reports to the Board.

### Fines and legal actions

Compliance with applicable laws and regulations, market standards and business ethics is a fundamental aspect of our corporate culture. We strive for transparency, take accountability and learn from past mistakes.

Within the framework of normal business operations, Nordea faces a number of claims in civil lawsuits and disputes, most of which involve relatively limited amounts, as well as possible fines due to for example weak AML processes and procedures in the past. Presently, none of the current disputes are considered likely to have any significant adverse effect on us or our financial position. As previously stated, we expect to be fined in Denmark for weak AML processes and procedures in the past and has made a provision for ongoing AML-related matters. We cannot exclude the possibility of fines, which could impact the bank's financial performance. In addition, some of these proceedings could lead to litigation.

For more information about claims in civil lawsuits and possible fines, see the Board of Directors' report in Nordea's Annual Report 2020.

## COVID-19 action

### Maintaining high cyber resilience to protect customer data and services

The COVID-19 pandemic resulted in a number of employees working remotely, in order to continue servicing customers. In this situation, we have continuously been assessing the risks and introduced remediation activities. This includes technical and organisational controls, as well as an increased focus on security awareness and training for all staff. While we noticed many COVID-19-related cyber-attacks across the industry, we have maintained the high resilience level in protecting customer data and services.

## Web links

Code of Conduct

Nordea's Position Statement on Tax



# Sustainability notes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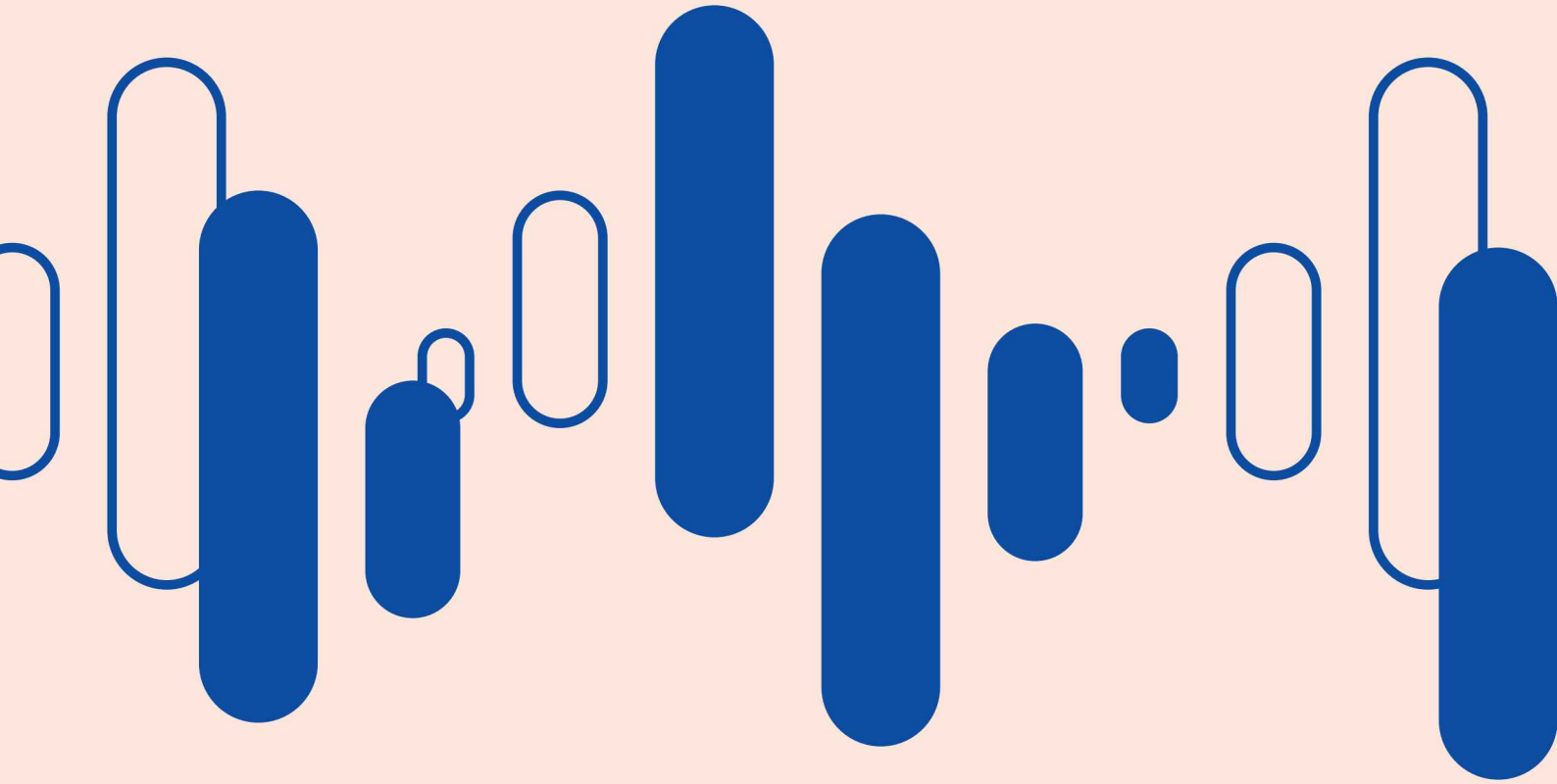

# S1. About this report

Nordea on sustainability performance on an annual basis. Nordea's Sustainability Report 2020 refers to the period 1 January to 31 December 2020, i.e. Nordea's financial year. The previous report covered our 2019 financial year and was published in February 2020.

An independent third party, PricewaterhouseCoopers Oy, has provided assurance on the sustainability information provided in this report. The scope of the assured information is indicated in the Independent Practitioner's Assurance Report on page 55.

## Scope of the report

Similar to the financial statements, this report covers the Nordea Group. Data in the report has been gathered from all business areas and group functions in our four Nordic countries, Poland, Estonia and Luxembourg, unless otherwise stated. This is indicated in conjunction with presented data where we also present restatements.

In July 2018, Nordea entered into an agreement to acquire all shares in Gjensidige Bank ASA. The acquisition was completed on 1 March 2019 and Gjensidige is now included in the sustainability reporting. In December 2019, Nordea entered into an agreement with Société Générale to acquire all shares in SG Finans AS. We finalised the acquisition of SG Finans in October and rebranded the company Nordea Finance Equipment (NFE). NFE will be included in the sustainability reporting in 2021.

## Disclosure in relation to commitments and initiatives

This sustainability report is our disclosure in relation to several of the commitments and initiatives we participate in.

- This report is where we report on the implementation of the PRB. See the PRB Reporting and Self-Assessment Template on pages 43–47 for references.
- We report climate-related information in line with TCFD. See the TCFD Index on page 48 for references.
- It is our Communication on Progress (COP) submission to the UN Global Compact (UNGC). See references to the UNGC Principles in the GRI Content Index on pages 49–53 for references.
- The report serves as a description of our actions to mitigate climate change in accordance with the commitment made by Finance Finland to promote actions aimed at limiting global warming to below 2°C in our work. For a list of our association memberships, see sustainability note S7. on pages 41–42.
- The report consider Finance Denmark's best practice in disclosures relating to the AML area.
- It partly fulfils the reporting requirements of the Equator Principles (EP). For full EP reporting, see Nordea Equator Principles Reporting at nordea.com.

## Reasons for omissions from the GRI Standards

We claim to report in accordance with GRI Standards: Core option but have a few omissions as specified in the table below.

| GRI Standard | Reason for omission | Explanation |
|---|---|---|
| 102–8 | Not applicable | We do not report total number of employees by employment contract (permanent or temporary) by region as we do not collect that information for any purpose. We do not therefore expect to align our reporting by contract by region in the future. |
| 205–2 | Not applicable | Data regarding the mandatory training Licence to Work, provided on page 25, is our disclosure for GRI 205-2 regarding training about anti-corruption. Anti-corruption policies and procedures are included in our Code of Conduct which is part of the Licence to Work training. The Licence to Work training is mandatory for all employees and consultants working for Nordea. Our suppliers are covered by the Nordea Supplier Code of Conduct in which adherence to anti-corruption as stated in the UNGC is a requirement. We report only the number of employees who have completed their Licence to Work training as a percentage of the total workforce, which includes all employees (excluding those on long-term leave) regardless of region and employee category. The completion rate is excluding consultants. The Code of Conduct is published on Nordea's Intra and at nordea.com, i.e. communicated to all, both employees and external parties. |
| 302–1 | Not applicable | Fuel consumption and total energy consumption are not reported in joules as we receive it in litres or MWh from our suppliers of data. We do not have any steam consumption. We do not sell any electricity, heating, cooling or steam. We therefore do not report on GRI 302-1 c. iv) or 302-1 d). |
| 303–5 | Not applicable | We do not have any water consumption in water stress areas or any own water storage. We only use water in our kitchens and for sanitary purposes, hence the only relevant measure for us is our water consumption in cubic metres and not megalitres. We therefore only report on GRI 303-5 a). |
| 401–1 | Information unavailable | We do not report new employee hires but only employee turnover rate. Employee turnover rate is reported according to the following definition: Number of permanent FTEs who have left Nordea at their own request divided by average number of FTEs within a chosen period. We can only obtain data on Group level, which is sufficient for our purpose of tracking this measure and we do not plan to report it by age group, gender or region. |
| 404–1 | Not applicable | Reporting training hours as a total and per employee is sufficient for our purposes of tracking this measure and we do not plan to report this indicator by gender or employee category in the future. |
| 404–3 | Not applicable | Reporting employees receiving regular performance and career development reviews is sufficient for our purposes of tracking this measure and we do not plan to report this indicator by gender or employee category in the future. |
| 406–1 | Confidentiality constraints | We report general actions taken as a result of reported cases. However, in order to protect the integrity of the reporters, we do not disclose status of specific incidents or actions taken. |
| 418–1 | Confidentiality constraints | We describe our process for ensuring compliance with GDPR but cannot disclose the number of complaints concerning breaches of customer privacy due to confidentiality constraints. |

# S2. Materiality and impact analysis

As a member of the core group of founding banks and a signatory to the PRB, we are committed to the objectives of the SDGs and the Paris Agreement. In 2020, we have ramped up our efforts and conducted a combined materiality and impact analysis of our activities, fulfilling the requirements set out in the GRI Standards and in the PRB. The purpose was to identify our most significant sustainability impacts to use as input for our new long-term plan for how to integrate sustainability into our business strategy. The combined analysis was undertaken at two levels in parallel:

- Strategic level looking at the SDGs, the Paris Agreement as well as international, regional and national regulations and frameworks to identify material sustainability topics.
- Impact level using the UNEP FI Portfolio Impact Analysis Tool to identify specific targets to drive alignment with and contribution to the sustainability areas identified as significant at the strategic level.

## Materiality analysis at a strategic level

At the strategic level, we used the SDGs as a basis for identifying potentially relevant material sustainability topics since the Paris Agreement and most of the other relevant regulations and frameworks relate to topics that are accommodated in the SDGs.

The whole of Nordea was considered in the analysis, which means all business areas, all products and services as well as internal operations. In order to identify the SDGs most material to us, we assessed which topics could have an impact on us as well as those that we can impact. This resulted in the identification of topics relating to eight SDGs that are of significance for us from either a direct or indirect impact perspective; quality education, gender equality, affordable and clean energy, decent work and economic growth, and industry, innovation and infrastructure, reduced inequalities, responsible consumption and production, and climate action.

## Impact analysis

The impact analysis conducted in parallel with the strategic analysis focused on lending, our balance sheet, and took specific country needs and scale of exposure into consideration. It covered three of our four business areas. Asset & Wealth Management was excluded from the analysis as the impact analysis methodology did not yet cover investments/asset management when the analysis was conducted. Since we are a Nordic bank with most of our lending – 99% of our credit portfolio – in four of the Nordic countries, the impact analysis covered Denmark, Finland, Norway and Sweden.

We populated the UNEP FI Portfolio Impact Identification Tool with exposure at default (EAD) in Q2 2020. For consumer banking (Personal Banking) the data covered mortgages. For corporate banking (Large Corporates & Institutions) and business banking (Business Banking) the data covered our top ten sectors (according to the tool guidance).

At an overall level, we have our largest lending to households (55%) followed by corporates (43%) and the public sector (2%). In our corporate lending, our largest exposure is to Real estate (34%), Industrials (25%) and Financial institutions (12%). In addition, we have some country-specific lending to Agriculture in Denmark (16%), to Utilities and public service in Finland (10%), to Maritime in Norway (15%) and to Consumer discretionary and services in Sweden (7%). For a full list of exact exposure per sector and country, see note G2. Risk and Liquidity Management in Nordea's Annual Report 2020.

When populating the impact tool with our data, we could conclude that the same SDGs we had identified at a strategic level were also relevant from a portfolio perspective. In addition, the tool helped us identify that our financing also has an impact on biodiversity and resource efficiency. As a result, we identified two more SDGs of significance for us – life below water and life on land.

## Feeding analysis results into the strategy

All in all, the combined materiality and impact analysis identified ten SDGs that are of significance for Nordea from an impact perspective – either negative or positive. The ten SDGs were grouped into three strategic pillars: financial strength, climate action and social responsibility. We also work with upholding peace, justice and strong institutions as part of a strong foundation and we work in partnerships to achieve the goals. These make up our fourth strategic pillar: governance and culture. In the table on the next page we describe the rationale and impact per significant SDG and map it towards a strategic pillar.

All four pillars are connected to targets for 2023 and climate action also to long-term objectives as presented in the relevant sections of the report: financial strength on page 13, climate action on page 15, social responsibility on page 19 and governance and culture on page 23.

## Stakeholder interaction

When conducting the materiality and impact analysis, we worked closely with internal stakeholders from all levels and parts of the organisation and we also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, NGOs, investors and customers. The purpose was to obtain their input and to put our suggested strategy into a holistic context to challenge it and put us to the test, ensuring we had taken all relevant impacts into consideration.

## UNEP FI Portfolio Impact Analysis Tool in brief

The impact analysis was undertaken using the UNEP FI Portfolio Impact Analysis Tool for Banks, which covers the four requirements for undertaking impact analysis – scope; scale of exposure; context & relevance; and scale & intensity/salience – as they are described in the Reporting and Self-Assessment Template on pages 43–47.

## S2. Materiality and impact analysis, cont.

# Our significant SDGs

| Significant SDG | Rationale and impact | Strategic pillar |
|---|---|---|
|  | Our community engagement activities contribute to increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.<br>Furthermore, we have a possibility, and an obligation, to increase awareness among our customers to ensure that they acquire the skills needed to promote sustainable development through offering and training our customers in our sustainability-enhanced funds and other products that will contribute to sustainability. | Social responsibility |
|  | Our diversity efforts have gender balance as a starting point. We work to ensure equal access to job opportunities for women and men, we support women in leadership, we are committed to ensuring equal remuneration for all employees and we have zero tolerance of violence and harassment in the workplace. | Social responsibility |
|  | Together with all other players in the financial sector, we have a key role to play in the creation of a low-carbon and climate-resilient economy by redirecting capital flows towards more sustainable technologies and businesses through both financing and investments.<br>Our green bonds help ensure access to affordable and clean energy for all, as proceeds are allocated to, for example, renewable energy. | Climate action |
|  | We are a large employer primarily in the Nordic countries and Poland. We employ young people, both temporarily during the summer and new graduates. However, the digital transformation is leading to redundancy for certain jobs, which has a negative impact on employment.<br>Both within our own operations, but primarily through our financing and investments, we work to abolish forced labour, human trafficking and modern slavery, and child labour with policies, guidelines, assessments and through transaction monitoring.<br>Ensuring access to financial services for everyone is part of our banking licence. | Social responsibility |
|  | Helping entrepreneurs to build sustainably successful businesses is one of the best ways for a bank to engage in society. We support entrepreneurs on their entire journey, from start-up to large company, with the aim of providing them with financing, networks and the requisite skills. | Social responsibility |
|  | Our ability to grow sustainably depends on the people we employ, the environment we provide and how well we succeed in including diversity of thought. We aim to attract and retain talent irrespective of not only gender, but also of age, ethnicity, sexual orientation, religion or any other aspect. | Social responsibility |
|  | In the four Nordic countries where we have the majority of our business, living standards are high, which results in unsustainable consumption patterns with a large amount of waste. Here, we have a role to play, working primarily with our corporate customers towards a circular economy. We also have an impact on the circular economy through our own operations, mainly through procurement and also our own facility management.<br>Furthermore, we create awareness about sustainable development and responsible consumption with our retail customers in meetings and through offering them products and services. | Climate action |
|  | Through our significant exposure to sectors with high greenhouse gas emissions such as real estate, shipping and agriculture, we have a negative impact on climate change.<br>Although we have the greatest impact on climate through financing and investments, we also work to reduce climate impact from our internal operations, such as business travel and energy consumption. | Financial strength<br>Climate action |
|  | Through our exposure to the shipping industry, we have a negative impact on the marine environment through for example ballast water and noise pollution. | Climate action |
|  | Through our exposure to the agricultural sector, we have an impact on biodiversity loss with expanding impacts due to changing consumption patterns and growing populations. | Climate action |
|  | We fully recognise the threat that societies face from human trafficking, terrorism, corruption, drug smuggling, tax evasion and other forms of illegal activities. Tracking down and stopping the money flows from these activities is a key way to disrupt the criminals involved. We, like any other financial institution, are uniquely positioned to be part of the solution. | Governance and culture |
|  | We recognise the importance of participating in and supporting international commitments that enable businesses to collectively address the global sustainability challenges and work towards the objectives of the SDGs and the Paris Agreement. | Governance and culture |

# S3. Stakeholder engagements

In 2016, we performed a thorough stakeholder analysis identifying nine stakeholder groups – employees, management, the Board of Directors, customers, owners, suppliers, regulators, NGOs and media. We have revisited the analysis every year since then.

As part of our work in 2020 with the long-term plan on how to integrate sustainability into our business strategy, we were in close dialogue with academia to ensure we take a scientific approach to sustainability. We therefore decided to add academia as a stakeholder group. We also added investors in combination with owners. Furthermore, we added supervisors as a stakeholder in combination with regulators, as it is they that ensure our compliance with laws and regulations, and their role in relation to sustainability has become more prominent during the year.

The table below provides an overview of the dialogues we have held in 2020.

| Stakeholder | Type of dialogue/channel | Main aspects |
|---|---|---|
| Employees | People Pulse<br>Digital live meetings | Wellbeing<br>Gender equality<br>Harassment<br>COVID-19 pandemic effects |
| Management | Group Leadership Team<br>Business Area Management<br>Business Ethics and Values Committee | Climate risk management<br>Sustainable banking<br>Sector guidelines for the mining and agricultural industries<br>Position Statement on Tax<br>Sustainability Report<br>Gender equality |
| Board of Directors | Board meetings<br>Board committee meetings | Non-Financial Statement<br>Modern Slavery and Human Trafficking Statement<br>Sustainability Report<br>Sustainable banking<br>Sustainability updates |
| Customers | Customer satisfaction surveys<br>Individual customer meetings<br>Customer contact centre | Climate risk<br>General sustainability<br>COVID-19 pandemic effects |
| Owners and investors | Annual General Meeting<br>Individual investor meetings<br>Investor questionnaires | Climate risk management<br>Sustainability performance<br>COVID-19 pandemic effects |
| Suppliers | Qualifying questionnaires<br>In-depth reviews<br>Individual meetings | Human rights<br>Climate impact<br>COVID-19 pandemic effects<br>Adherence to Nordea Supplier Code of Conduct |
| Regulators and supervisors | European Central Bank<br>EU Commission<br>Financial Supervisory Authority | Climate risk management<br>ESG disclosures<br>Sustainability reporting<br>EU Taxonomy |
| NGOs | Fair Finance Guide<br>ShareAction<br>BankTrack | Sustainable finance<br>Policies and guidelines<br>Sustainable banking |
| Media | Interviews<br>Press releases | AML<br>Sustainable finance<br>COVID-19 pandemic effects |
| Academia | Meetings | Sustainable banking |

# S4. Sustainability targets and objectives

In 2019 and 2020, we set short-term sustainability targets to be addressed in the respective years. See the below table for progress and status in relation to each target.

The targets that were not fulfilled have been integrated with the new targets and objectives, presented on the next page.

## Follow-up on targets for 2019

✔ Fulfilled ✓ Partly fulfilled

| Target | Comment | Status |
|---|---|---|
| Integrate sustainability into our savings advisory process. | Integration into the central savings advisory tool was completed in 2019. In 2020, we continued to integrate sustainability into our savings advisory process in all countries, except for Denmark due to an incomplete product offering. | ✓ |
| Measure investment portfolio alignment and set a strategy to work towards the Paris Agreement. | In 2019, NAM adopted a climate strategy to achieve long-term alignment with the Paris Agreement's objectives. In 2020, concrete near-, mid- and long-term targets were formulated for the achievement of these objectives. NAM also started to measure asset-level alignment with the Paris Agreement for investments in critical sectors, and set investment criteria based on this for our Sustainable Choice portfolios as well as developed alignment methods for entire portfolios, which are still being refined. | ✔ |
| New vendor agreements aligned with the Supplier Code of Conduct. | We have a 99% compliance ratio for the Supplier Code of Conduct in all new vendor agreements signed in 2020. | ✔ |
| 80% completion rate group-wide of sustainable finance e-learning for all staff. | In 2020, the e-learning course was completed by a little more than 5,000 employees, in addition to almost 2,900 who completed the training in 2019. In 2021 we will refocus our training efforts towards training in sustainable banking. | ✓ |

## Follow-up on targets for 2020

| Target | Comment | Status |
|---|---|---|
| Perform an impact analysis in accordance with the Principles for Responsible Banking. | We conducted a combined materiality and impact analysis fulfilling the requirements set out in the GRI Standards and in the PRB. | ✔ |
| Significantly increase AuM in Sustainable Selection. | Sustainable Selection has been rebranded as Sustainable Choice and total AuM at year-end 2020 was EUR 36,302m – a significant increase from EUR 9,945m in 2019. | ✔ |
| Decide on a climate strategy for the fund offering. | In 2020, NAM updated the climate strategy adopted in 2019 to include concrete near-, mid- and long-term targets. NAM also published a policy relating to fossil fuel for the sustainability-enhanced funds, requiring all fossil fuel companies to demonstrate that they have a decarbonisation strategy that is consistent with 2°C global warming or lower. These companies are put on the Paris-Aligned Fossil Fuel list and are eligible for inclusion in any of our sustainability-enhanced funds. Furthermore, NAM became a founding signatory of the Net Zero Asset Managers Initiative. | ✔ |
| Develop and launch targeted sustainability training to establish stronger local expertise amongst advisors. | In 2020 we trained all advisors in Personal Banking in Norway in sustainability and this training will be rolled out in Personal Banking in Sweden during 2021. In addition, all Private Banking advisors was assigned sustainability e-learning/training during the year. We have also trained our advisors in Business Banking in sustainability and will enhance the focus on ESG guidance for customers and also green financing in 2021. Furthermore, training on the EU Taxonomy and on sustainability products was provided to customer facing staff in Large Corporates & Institutions (LC&I) throughout the Nordic region in 2020. During 2021, there will be further and more in-depth training on the EU Taxonomy and ESG including climate topics on sectoral level to LC&I customer units. | ✔ |
| Develop ESG risk data in the Group, taking account of industry data availability and the materiality of lending portfolios. | Initiating carbon accounting for material lending portfolios and development of physical risk heat mapping for the corporate loans portfolio were steps building towards regulatory and voluntary disclosure requirements. Further development and improved data quality are needed and will be a priority going forward. | ✓ |
| Analyse climate risk in the large corporate lending portfolio as part of the UNEP FI TCFD Phase 2 Banking Pilot. | Leveraging our participation in Phase 2 of the UNEP FI TCFD banking pilot, Nordea developed bespoke methods to classify corporate loans according to their impact on the climate as well as their vulnerability to climate hazards. | ✓ |
| Identify and assess climate risk exposure in the mortgage portfolio. | In 2020, we piloted physical risk identification for our Norwegian mortgage portfolio. | ✓ |
| Launch a Position Statement on Tax and sector guidelines for the Extractive Industries and for Agriculture. | We published a Position Statement on Tax as well as Sector Guidelines for the Mining Industry and the Agricultural Industry. | ✔ |
| For each recruitment for leadership positions, there should be at least one female and one male candidate shortlisted. | In 2020, we have shown improvements in gender representation in recruitment shortlists. However, due to the COVID-19 pandemic and the higher focus on the internal job market, the 2020 target was only partially fulfilled. We continue our focused work on introducing inclusive recruitment practices including inclusive job adds, unbiased hiring tools, etc. | ✓ |
| Introduce diversity and inclusion, as well as unconscious bias training for people leaders. | We have embedded bias awareness in leadership programmes to counter potential biases in people-related decisions and training activities that will continue to support our D&I effort. | ✔ |
| Reduce air travel for internal meetings by 30% compared to 2019. | In 2020, business travel for internal meetings decreased by 89% due to the pandemic. | ✔ |
| Revise the company car policy to reduce our carbon footprint. | In December we decided on a new company car policy effective from 1 January 2021, lowering the environmental cap to 95 g $CO_2$/km. | ✔ |

# S4. Sustainability targets and objectives, cont.

## Financial strength

| 2023 targets |
|---|
| Risk management framework for ESG risks in place. |
| Risk assessments in place for the sectors and customers most vulnerable to climate risk. |

## Climate action

| 2030 objectives |
|---|
| Reduce carbon emissions from our lending and investment portfolios by 40–50% by the end of 2030 compared to 2019 and achieve net zero emissions by the end of 2050 at the latest. |
| Reduce carbon emissions from internal operations by more than 50% by the end of 2030 compared to 2019 and achieve net positive carbon contribution (through offsetting). |
| Shipping portfolio to have at least 25% lower emissions than the global fleet by the end of 2050. |

| 2023 targets |
|---|
| 25% of gross inflow for savings in sustainable products. |
| Nordea Life & Pension will reduce its carbon emission intensity for listed equities, corporate bonds and real estate by at least 25% by the end of 2024 compared to 2019. |
| All savings advisory sessions contain the topic of a sustainable choice for our customers to invest in. |
| Increase in green and transitioning financing and being the leading provider of sustainability products for large corporates in our home markets. |
| Large corporate customers in carbon-intensive industries shall increasingly have low-carbon transition plans that align with EU and local climate targets. |
| Growing the share of EU Taxonomy-aligned assets and income and meet disclosure requirements. |
| Total carbon reduction from internal operations of 30% compared to 2019. |
| All relevant requests for proposal among suppliers to have requirements that are aligned with Paris Agreement to achieve a reduction in the supply chain. |

## Social responsibility

| 2023 targets |
|---|
| Deliver a new diversity and inclusion strategy, targets and a milestone plan by the end of 2021. |
| All investee companies in funds managed by Nordea Asset Management assessed against the minimum safeguards in the area of human rights (in line with the EU Taxonomy). |
| Human rights impact assessment of the supply chain in place. |
| 100% of new suppliers screened for sustainability issues. |

## Governance and culture

| 2023 targets |
|---|
| Sustainable banking implemented as part of Nordea's culture with sustainability targets integrated into people processes, including employee branding and benefit programmes. |
| Sustainability targets integrated into remuneration programmes (starting 2022). |

# S5. Fact book

## S5a. Sustainability offering

We have taken into use several sustainable finance products and solutions over the last few years to support our customers in addressing climate change and other sustainability issues in their financing. We are developing our product offering and our reporting as the market matures. Some of the products are targeted at our household customers and others at our corporate and institutional customers.

| Financing | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Green, social and sustainability bonds** | | | |
| Number of bonds we arranged | 87 | 68 | 23 |
| Total apportioned deal value bonds in USDbn | 5.19 | 3.88 | 1.40 |
| Share in relation to total market value (%) | 1.16 | 1.48 | 1.03 |
| **Sustainability-linked loans** | | | |
| Number of sustainability-linked loans we structured | 22 | 10 | 0 |
| Total transaction volume in EURm | 21,578 | 6,053[1] | 0 |
| **Green corporate loans** | | | |
| Number of customers granted green loans | 358 | 178 | 15 |
| Volume of green loans in EURm | 2,277 | 1,083 | [2] |
| **Green mortgages** | | | |
| Number of green mortgages | 3,232 | 1,465[3] | 340 |
| Volume of green mortgages in EURm | 352 | 145[3] | [2] |
| **Green car loans** | | | |
| Number of green car loan transactions | 214 | 20 | [4] |
| Volume of green car loans in EURm | 8.78 | 0.85 | [4] |
| **Green car financing** | | | |
| Number of green car leasing agreements[5] | 78 | 36 | [4] |
| Volume of green car leasing agreements in EURm[5] | 2.02 | 1.44 | [4] |

1) Restated due to developments in the reporting system. Now stated as transaction volume instead of debt raised.
2) Product only available in Sweden in 2018. Volume of green loans was SEK 1,505m and volume of green mortgages was SEK 304m.
3) Restated due to developments in the reporting system.
4) Product launched in 2019.
5) Includes single contracts, frame agreements, etc.

Also on the investment side, we have a variety of products with additional sustainability criteria. The scope of investments with additional sustainability criteria is continuously developing over the years as the market matures and new funds, or converted funds, are added. 12% of assets have been subject to positive ESG screening. The Stars Funds and the Global Climate and Environment Fund stand for the majority at 7.9%.

| Investments | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Sustainability-enhanced investment products[1]** | | | |
| AuM in EURm | 73,710 | 60,565 | 39,044 |
| Share of AuM in relation to total portfolio (%)[2] | 29.0 | 25.8 | 19.1 |
| **Sustainable Choice[3]** | | | |
| AuM in EURm | 36,302 | 9,945 | 5,332 |
| Share of AuM in relation to total portfolio (%)[2] | 14.3 | 4.2[4] | 2.6[4] |
| **Stars Funds** | | | |
| AuM in EURm | 14,318 | 6,051 | 4,080 |
| Share of AuM in relation to total portfolio (%)[2] | 5.6 | 2.6[4] | 2.0[4] |
| **The Global Climate and Environment Fund** | | | |
| AuM in EURm | 5,875 | 2,567 | 1,012 |
| Share of AuM in relation to total portfolio (%)[2] | 2.3 | 1.1[4] | 0.5[4] |
| **Other** | | | |
| Share of equity funds with carbon footprint (%) | 100 | 100 | 100 |
| Number of companies we have engaged with on environmental and social issues[5] | 452 | 387 | 126 |
| Share of companies with which we have engaged on environmental and social issues (%)[5] | 10.4 | 6.3 | [6] |

1) Includes sustainability-enhanced funds and institutional mandates with additional sustainability criteria.
2) Total AuM for Asset Management in Asset & Wealth Management amount to EUR 253.8bn for 2020.
3) Sustainable Selection has been rebranded as Sustainable Choice.
4) AuM for 2018 and 2019 have been restated to include mandates. This affect the share in relation to total portfolio. AuM for 2019 were EUR 235.1bn and for 2018 EUR 204.8 bn.
5) More than one engagement may have been conducted with a company.
6) Not reported for 2018.

## S5b. Carbon emissions

Our carbon footprint includes carbon emissions from our operations in Denmark, Finland, Norway, Sweden, Poland, Estonia and Luxembourg because this is where we have our main operations and where we have operational control. This covers 99% of our employees. Data for fuel and energy consumption includes headquarters, head offices and data centres, unless otherwise stated. Branch offices are not included because we have some challenges in retrieving correct data for those. Our ambition is to include them as soon as we have reliable data. For some data points we had to extrapolate emissions data as input data was not available yet. This is the case for Poland (heating, cooling), Estonia (air travel, taxi, own car, hotels) and Luxembourg (electricity, taxi, own car, hotels, paper).

The greenhouse gas (GHG) accounting is performed according to the GHG Protocol, including scope 1–3 and the following sources: Scope 1 is mobile combustion of leased cars and stationary combustion from diesel generators. Scope 2 is purchased electricity, heating and cooling. Scope 3 is production of energy carriers and business travel. In 2019, our scope 3 was extended to include postal services, paper and water consumption. In 2020 we added waste as well as energy use and business travel for our Luxembourg operations. Still excluded from the scope are train, ferry travel and rental cars as well as purchased goods and services, IT equipment, etc. The base year for our carbon footprint is 2019.

Carbon emissions from electricity in the table below are disclosed as market-based, i.e. after buying 100% renewable electricity through Guarantees of Origin. Renewable energy equals our electricity consumption of 62,356 MWh and 1,800 litres of EcoPar in our fuel consumption. All emissions are stated in tonnes of $CO_2$-equivalent ($CO_2e$). The calculations cover the relevant GHGs, namely $CO_2$, CH4 and $N_2O$. We disclose the emissions factors that we have used as a basis for our calculations in relation to each source of emission in a separate table below. Applied Global Warming Potentials (GWP) based on IPCC Fourth Assessment Report (AR4) (2007) are: $CO_2$ – 1, CH4 – 25 and $N_2O$ – 298.

| Climate impact | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Fuel and energy consumption** | | | |
| -fuel consumption for diesel generators (litres)[1] | 27,480 | 25,855 | 24,835 |
| -fuel consumption for leased cars (litres)[2] | 674,547[3] | 653,103 | 662,469 |
| -electricity (MWh)[4] | 62,356 | 67,431[5] | 71,716 |
| -district heating (MWh) | 29,128 | 32,362 | 42,256 |
| -district cooling (MWh) | 5,893 | 6,269 | 9,750 |
| Energy intensity (MWh/EURm of total operating income)[6] | 11.50 | 12.28[5] | 13.74 |
| **$CO_2e$ emissions from fuel and energy consumption (tonnes)** | | | |
| -diesel generators (scope 1) | 73 | 66 | 67 |
| -leased cars (scope 1)[2,7] | 1,382 | 1,572 | 1,724 |
| -electricity (scope 1 and 2) | 0 | 0 | 0 |
| -district heating (scope 2) | 3,904 | 4,512 | 5,509 |
| -district cooling (scope 2)[8] | 889 | 882 | 1,030 |
| -fuel- and energy-related activities not included in scope 1 and 2 (scope 3) | 3,336 | 3,872[5] | 3,357 |
| **$CO_2e$ emissions from business travel (tonnes)** | | | |
| -air travel (scope 3) | 2,553 | 20,864 | 23,424 |
| -own car (scope 3) | 909 | 2,047 | 2,759 |
| -taxi (scope 3) | 73 | 485 | 534 |
| -hotels (scope 3) | 357 | 1,618 | 1,890 |
| **Other $CO_2e$ emissions (tonnes)** | | | |
| -postal services (scope 3)[9] | 1,892 | 4,994[10] | [11] |
| -paper (scope 3) | 377 | 668 | [11] |
| -water (scope 3) | 116 | 163 | [11] |
| -waste (scope 3)[9] | 37 | 42 | [11] |
| **Total $CO_2e$ emissions (tonnes)** | **15,898** | **41,785[12]** | **40,294** |
| $CO_2e$ emission intensity (Total tonnes $CO_2e$ emissions/EURm of total operating income) | 1.88 | 4.84[12] | 4.47 |

1) Includes EcoPar A with 1,800 litres in 2020, 1,800 litres in 2019 and 1,440 litres in 2018.
2) Covers all employees in Denmark, Finland, Norway, Sweden, Poland and Estonia regardless of location/office corresponding to approximately 99% of the total number of employees.
3) Input data for CNG consumption corresponds to 680 kg, not litres.
4) 234 (157) MWh of electricity consumption in 2020 (2019) originates from own rooftop solar energy production.
5) Restated due to a delay in final electricity data for 2019.
6) Calculated based on reported consumption of electricity, district heating and district cooling.
7) Biogenic emissions from E85 corresponds to 0.02 tonnes $CO_2e$ in 2020, 0.04 tonnes $CO_2e$ in 2019 and 0.03 tonnes $CO_2e$ in 2018.
8) District cooling consumption decreased overall from 2019 to 2020, while an increase in cooling in Poland led to a slight overall increase in GHG emissions.
9) Excluding Poland, Estonia and Luxembourg.
10) Restated due to incorrect input data in 2019.
11) Not reported for 2018.
12) Restated to accommodate the above-mentioned changes in consumption, emissions and scope.

## S5b. Carbon emissions, cont.

| Source of emission | Emission factor used |
|---|---|
| Diesel generators | 2020: Swedish EPA, 2019.<br>2019: Swedish EPA, 2018.<br>2018: DBEIS, 2018. |
| Leased cars | 2020: BEIS, 2020; Swedish EPA, 2019.<br>2019: Swedish EPA, 2018; Swedish Petroleum and Biofuels Institute, 2018; DEFRA, 2019.<br>2018: DBEIS, 2018; Värmeforsk, 2011. |
| Electricity | 2020: Vattenfall, 2015; IPCC, Technology-specific Cost and Performance Parameters; IEA, 2019.<br>2019: Vattenfall, 2015; IPCC, Technology-specific Cost and Performance Parameters; IEA, 2019.<br>2018: IPCC, 2014; "European Residual Mixes 2017" by Association of Issuing Bodies; The Swedish Energy Markets Inspectorate, 2018; DBEIS, 2018. |
| District heating | 2020: Dansk Fjernvarme, 2017; IEA, 2017; NYLAND; Finnish Energy, 2017; Average of collected Norwegian Efs; Euroheat & Power, 2015; Energiföretagen, 2020; Euroheat & Power, 2013; Vuositaulukot_19_ENG.<br>2019: Dansk Fjernvarme, 2017; IEA, 2017; Euroheat & Power, 2013; Finnish Energy, 2017; Average of collected Norwegian Efs; Euroheat & Power, 2015; Energiföretagen, 2019; Energiföretagen 2020; Energiföretagen, 2021.<br>2018: Swedenergy, 2018; Danish Energy Agency, 2017; Finnish Energy, 2018; Statistics Norway, 2015; Euroheat & Power, 2017. |
| District cooling | 2020: See District Heating; Multiple, Swedish average.<br>2019: Euroheat & Power, 2013; Finnish Energy, 2017; IEA, 2017; Euroheat & Power, 2015; Multiple, Swedish average.<br>2018: Helen AB, 2018; Stockholm Exergi, 2018; Göteborgs Energi, 2018; "2017 Country by Country" by Euroheat & Power. |
| Air travel and taxi | 2020: BEIS, 2020.<br>2019: DEFRA, 2019.<br>2018: DBEIS, 2018. |
| Own car | 2020: BEIS 2020; Swedish Transport Administration, 2020.<br>2019: Swedish Transport Administration, 2019; DEFRA, 2019.<br>2018: DBEIS, 2018. |
| Hotel | 2020: CHSB Index 2019; Cornell Hotel Sustainability Benchmarking 2019.<br>2019: CHSB Index 2019; Cornell Hotel Sustainability Benchmarking 2019.<br>2018: DBEIS, 2018. |
| Postal service | 2020: Post Nord's environmental calculator.<br>2019: Post Nord's environmental calculator. |
| Paper and water | 2020: BEIS, 2020.<br>2019: DEFRA, 2019. |
| Waste | 2020: BEIS, 2020.<br>2019: BEIS, 2020. |

## S5c. People

All employee-related data in this Sustainability Report, except for employee turnover rate, is disclosed as headcounts. This is different from Nordea's Annual Report in which employee-related data is disclosed as FTE (full-time equivalents).

The majority of our people are employed by Nordea. Our employee turnover rate for 2020 was 6.7%, which is a decrease from 9.9% in 2019. In 2020, 89.2% (88.7%) of all our employees were covered by collective bargaining agreements.

| Number of employees | 2020 | | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Nordea Group | 14,829 | 15,605 | 30,434 | 15,434 | 16,214 | 31,648 | 15,190 | 16,338 | 31,528 |
| Permanent contract | 14,646 | 15,437 | 30,083 | 14,632 | 15,346 | 29,978 | 14,764 | 15,939 | 30,703 |
| -full-time | 14,169 | 13,955 | 28,124 | 14,083 | 13,725 | 27,808 | 14,293 | 14,494 | 28,787 |
| -part-time | 477 | 1,482 | 1,959 | 549 | 1,621 | 2,170 | 471 | 1,445 | 1,916 |
| Temporary contract | 183 | 168 | 351 | 802 | 868 | 1,670 | 426 | 399 | 825 |
| **Employee training** | | | | | | | | | |
| Number of hours | | | 282,321 | | | 409,218 | | | 424,465 |
| Average number of hours/employee | | | 8.9 | | | 12.3 | | | 13.5 |
| **Number of employees by country of operation** | | | | | | | | | |
| Nordea Group | 14,829 | 15,605 | 30,434 | 15,434 | 16,214 | 31,648 | 15,190 | 16,338 | 31,528 |
| Denmark | 4,409 | 3,456 | 7,865 | 4,797 | 3,776 | 8,573 | 4,888 | 3,953 | 8,841 |
| Finland | 2,433 | 3,994 | 6,427 | 2,536 | 4,269 | 6,805 | 2,552 | 4,531 | 7,083 |
| Norway | 1,648 | 1,537 | 3,185 | 1,644 | 1,465 | 3,109 | 1,617 | 1,459 | 3,076 |
| Sweden | 3,208 | 3,562 | 6,770 | 3,402 | 3,787 | 7,189 | 3,560 | 3,925 | 7,485 |
| Poland | 2,594 | 2,251 | 4,845 | 2,495 | 2,079 | 4,574 | 1,953 | 1,644 | 3,597 |
| Estonia | 220 | 446 | 666 | 183 | 362 | 545 | 120 | 248 | 368 |
| Russia | 51 | 112 | 163 | 100 | 219 | 319 | 142 | 240 | 382 |
| International offices | 266 | 247 | 513 | 277 | 257 | 534 | 358 | 338 | 696 |

| Composition of governance bodies | 2020 | | | | | 2019 | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Age <30 | Age 30–50 | Age >50 | Men | Women | Age <30 | Age 30–50 | Age >50 | Men | Women | Age <30 | Age 30–50 | Age >50 |
| Board of Directors | 6 | 4 | 0 | 1 | 9 | 5 | 5 | 0 | 1 | 9 | 5 | 5 | 0 | 2 | 8 |
| Group Leadership Team | 7 | 4 | 0 | 4 | 7 | 7 | 2 | 0 | 6[1] | 3[1] | 9 | 2 | 0 | 6 | 5 |
| People leaders | 1,937 | 1,317 | 90 | 2,184 | 980 | 2,037 | 1,329 | 109 | 2,250[1] | 1,007[1] | 2,118 | 1,354 | 125 | 2,304 | 1,043 |
| Employees | 12,885 | 14,284 | 5,906 | 13,923 | 7,340 | 13,390 | 14,883 | 6,537 | 14,139 | 7,597 | 13,063 | 14,982 | 6,243 | 13,813 | 7,989 |

1) Restated due to a minor calculation error in 2019.

## S5d. Suppliers

Supply chain data for 2020 includes Denmark, Finland, Norway, Sweden, Poland, Luxembourg and Estonia. For 2018 and 2019, the data only includes the four Nordic countries.

In 2020 there have been no significant changes to the supply chain.

| Supply chain[1] | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total spend in EURm | 2,056 | 2,148 | 2,143 |
| Total number of suppliers | 11,159 | 13,654 | 14,101 |
| Estimated number of active contracted suppliers | 1,533 | 1,535 | 1,322 |
| One-time suppliers | 4,779 | 6,438 | 6,735 |
| Suppliers with multiple interaction | 6,380 | 7,216 | 7,366 |
| Number of new suppliers | 92 | 127 | 68 |
| **Spend by supplier category (%)[1]** | | | |
| IT | 31.4 | 32.9 | 33.4 |
| People, Insurance, Legal | 17.4 | 16.1 | 18.1 |
| Out of scope[2] | 16.3 | 16.4 | 12.5 |
| Premises & Facility Management | 12.9 | 12.3 | 13.4 |
| Transaction Banking | 8.2 | 7.3 | 6.8 |
| Data | 5.9 | 5.1 | 5.2 |
| Marketing and Representation | 2.5 | 2.4 | 2.4 |
| Distribution | 2.0 | 2.0 | 2.2 |
| Technology | 1.0 | 1.0 | 1.1 |
| ATM and Cash Handling | 0.8 | 1.0 | 1.1 |
| Travel | 0.5 | 2.5 | 2.5 |
| Trading | 0.5 | 0.4 | 0.6 |
| Debt Collection | 0.3 | 0.2 | 0.3 |
| Other[3] | 0.2 | 0.3 | 0.5 |
| **Environmental assessments** | | | |
| New suppliers screened for environmental issues (%) | 98 | 95 | 91 |
| Number of suppliers assessed for environmental impacts | 80 | 42 | 20 |
| Number of suppliers identified as having significant actual and potential negative environmental impact | 0 | 0 | 0 |
| Suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment (%) | n/a | n/a | n/a |
| Suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment (%) | n/a | n/a | n/a |
| **Social assessments** | | | |
| New suppliers screened for social issues (%) | 98 | 95 | 91 |
| Number of suppliers assessed for social impacts | 80 | 42 | 20 |
| Number of suppliers identified as having significant actual and potential negative social impact | 0 | 0 | 1[4] |
| Suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment (%) | n/a | n/a | 100 |
| Suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment (%) | n/a | n/a | 0 |

1) Data for 2019 and 2018 has been restated due to a change in methodology of spend categorisation.
2) Non-negotiable spend such as government fees or regulatory expenses.
3) Non-categorised spend such as other administrative expenses.
4) Supplier convicted for bribery. The evidence on mitigating actions taken resulted in a decision to continue the relationship with the supplier.

## S5e. Human rights

In 2019, we conducted an independent human rights assessment, based on the CHRB methodology. The assessment covered public information and documentation of: governance; policies; human rights risk and impact management and remedies; grievance mechanisms relating to Nordea's internal operations; all employees; financing and investments; and supply chain management. The assessment also included country risk profiles in all countries in which Nordea is established. The assessment covered 100% of Nordea's own operations in all operating countries, bud did not evaluate risks and impacts for individual suppliers, customers and investee companies as such.

## S5f. Tax

We are a substantial corporate income tax payer in our main countries of operation – Denmark, Finland, Norway and Sweden – and we also pay social security contributions and bank levies in our countries of operation. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of our business operations in each country. The total amount of tax paid in each country is determined by a combination of these variables.

| Tax payments (EURm) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total | 1,290 | 1,226 | 1,481 |
| **By country** | | | |
| Denmark | 271 | 205 | 333 |
| Finland | 319 | 283 | 137 |
| Norway | 241 | 260 | 290 |
| Sweden | 381 | 359 | 600 |
| Others | 78 | 119 | 121 |
| **By tax type** | | | |
| Corporate income tax[1] | 698 | 571 | 890 |
| Social security fees | 390 | 443 | 424 |
| Bank levy | 202 | 211 | 167 |

1) Includes all expensed taxes during the year, both current and deferred tax.

# S6. Participation in commitments and initiatives

As the largest financial services group in the Nordic region, we seek to encourage best practice through active participation in commitments and initiatives. Below are some examples.

**The Access to Medicine Index** analyses the top 20 research-based pharmaceutical companies on how they make medicines, vaccines and diagnostics more accessible in low- and middle-income countries. It highlights best and innovative practices, and areas where progress has been made and where action is still required.

**The Antimicrobial Resistance (AMR) Benchmark:** The AMR Benchmark tracks how pharmaceutical companies are responding to heightened drug resistance. Nordea was a member of the expert committee between 2017 and 2019.

**CDP:** Nordea is a signatory to the CDP, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies. Nordea responds to CDP as a company but we also use the database information in our ESG analysis. We are also represented on the CDP Water Advisory Council.

**Climate Action 100+:** NAM is a signatory of the Climate Action 100+, a collaborative five-year global initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

**Collective Commitment to Climate Action:** Nordea has, together with the 32 other signatories, announced a Collective Commitment to Climate Action. The commitment sets out concrete and time-bound actions the banks will take to scale up their contribution to and align their lending with the objectives of the Paris Agreement.

**The Corporate Human Rights Benchmark (CHRB)** is the first ever ranking of the world's largest publicly listed companies on their human rights performance. The CHRB looks at the policies, processes and practices the companies have in place to address their human rights efforts, and how they respond to serious allegations of human rights violations. The 2020 CHRB ranks the top 230 globally listed companies on their human rights policy, process and performance. Between 2016 and 2020, Nordea was a funding and steering committee member of the CHRB. The benchmark has now been integrated with the World Benchmarking Alliance (WBA), but the work continues.

**The Equator Principles:** Nordea was the first Nordic bank to adopt the Equator Principles, endorsing them in 2007. It is a set of guidelines on how to prevent, manage and mitigate environmental and social risks in project financing. The Equator Principles apply globally to projects across all sectors that have total project capital costs in excess of USD 10m and when the project is assessed to have a potential adverse social or environmental impact.

**Institutional Investors Group on Climate Change (IIGCC)** provides investors with a collaborative platform to encourage public policies, investment practices and corporate conduct that address long-term risks and opportunities associated with climate change.

**The Investors Policy Dialogue on Deforestation initiative (IPDD):** Nordea is a founding and advisory committee member of the IPDD initiative, which was formally established in July 2020. The initiative was developed in response to the increasing rates of deforestation in Brazil as well as other countries. The objective of the IPDD initiative is to ensure long-term financial sustainability of investments by promoting sustainable land use and forest management and respect for human rights.

**The Montreal Carbon Pledge:** Nordea signed the Montreal Pledge in 2014 as one of the first signatories. By signing this pledge, we commit to measuring and publicly disclosing the carbon footprint of our investment portfolios on an annual basis.

**Net-Zero Asset Owner Alliance:** NLP is a signatory of the UN-convened initiative Net-Zero Asset Owner Alliance, committing to transitioning the investment portfolio to net-zero emissions by 2050. The alliance develops models and frameworks to use as industry standards for measuring alignment with the target of keeping global warming below the maximum 1.5°C increase.

**Net Zero Asset Manager Initiative** was launched in December 2020 and NAM was among the first to join, committing to support the goal of net zero emissions by 2050, in line with the global efforts to limit warming to 1.5°C through our investments.

**The Poseidon Principles** provide a framework for integrating climate considerations into lending decisions to promote international shipping's decarbonisation. Nordea, together with 17 other leading banks, have come together to commit to the Poseidon Principles.

**The Principles for Responsible Banking (PRB):** Nordea is a co-founder and member of the PRB which were launched in 2019 by a group of banks together with the UN Environmental Programme's Finance Initiative (UNEP FI). The principles create a better and easier way for banks and financial institutions to align with society's goals. This, in turn, helps the industry to demonstrate how it can a trusted change-maker in society.

**The Responsible Ship Recycling Standards (RSRS):** Nordea joined the RSRS initiative in 2017. The RSRS are voluntary principles for financial institutions active in ship financing. The RSRS aim to promote responsible ship recycling and to minimise the dangers associated with hazardous materials on board. The standards form guiding principles in the dialogue about responsible ship recycling between the financial sector and stakeholders in the shipping industry.

**Task Force on Climate-related Financial Disclosures (TCFD):** Both Nordea Bank Abp and NAM support TCFD. The recommendations provide a foundation for climate-related financial disclosures for all companies, aimed at encouraging companies to report on the climate-related risks and opportunities that are most relevant to their business activities.

**UN Environmental Programme Finance Initiative (UNEP FI):** Nordea signed the UNEP FI in 1994. It is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. The UNEP FI

## S6. Participation in commitments and initiatives, cont.

works with more than 300 members – banks, insurers, and investors – and over 100 supporting institutions to help create a financial sector that serves people and planet while delivering positive impacts. Since August 2020, Nordea has held the Scandinavian seat on the UNEP FI Banking Board.

**UN Global Compact (UNGC)** was initiated by the UN to encourage businesses to align their strategies and operations with ten universal principles building on UN conventions in the fields of human rights, labour standards, environment and anti-corruption. Nordea became a signatory to the UN Global Compact in 2002, first through Nordea Bank Finland. From December 2004 the coverage was extended to the whole Group. In order to better engage with local actors, Nordea Norway chose to become a subsidiary signatory to the UN Global Compact in August 2020.

**The Partnership for Carbon Accounting Financials (PCAF):** Nordea joined PCAF in 2020, a global partnership of financial institutions launched in 2015 to develop a harmonised approach to measure and disclose GHG emissions associated with loans and investments. A harmonised accounting approach provides financial institutions with guidance in developing risk management and regulatory compliance as well as a starting point required to align their portfolio with the Paris Agreement.

**UN Guiding Principles on Business and Human Rights (UNGP)** launched in 2011 is the first global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. The standard continues to provide the internationally accepted framework for enhancing standards and practice in terms of business and human rights.

# S7. Association memberships

Nordea is a member of a number of associations, see examples in the table below. Besides holding a position on the board, we also often participate in working groups and committees.

| Association/Forum | Type of engagement |
|---|---|
| Swedish Bankers' Association | Board member |
| Finance Denmark | Board member |
| Finance Finland | Board member |
| Finance Norway | Board member |
| European Banking Federation | Nordea is represented via the local bankers' associations that are members |
| AFME – Association for Financial Markets in Europe | Member |
| Swedish Securities Dealers Association | Board member |
| FEAM – Forum of European Asset Managers | Member |
| EFAMA – European Fund and Asset Management Association | Board member |
| ICMA – International Capital Markets Association | Member |
| ISDA – International Swaps and Derivatives Association | Member |

# Principles for Responsible Banking Reporting and Self-Assessment Template

The table below sets out the reporting and self-assessment requirements for signatories of the Principles for Responsible Banking (PRB). It is where we provide our response and self-assessment in relation to the principles and provide references and links to where in our existing reporting and at public domains the required information can be found. The highlighted text indicates responses where limited assurance is specifically required. For details about the third-party assurance performed by PricewaterhouseCoopers Oy, see their assurance report on page 55.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank's full response/ relevant information |
|---|---|---|
| **Principle 1: Alignment**<br>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Agreement and relevant national and regional frameworks. | | |
| 1.1 **Describe** (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services. | Ranked by market capitalisation, Nordea was one of the ten largest financial services companies in Europe in 2020. We serve customers through our presence in 22 countries, including our four home markets: Denmark, Finland, Norway and Sweden. Our four business areas – Personal Banking, Business Banking, Large Corporates & Institutions and Asset & Wealth Management – are designed to support the relationship strategy for each specific customer segment.<br><br>99% of our credit portfolio is in the Nordic countries. | See page 6 in this Sustainability Report.<br><br>For details about our loans to the public by sector and country, see note G2. Liquidity and Risk management in Nordea's Annual Report 2020. |
| 1.2 **Describe** how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals, The Paris Agreement, and relevant national and regional frameworks. | Our new long-term plan for how to integrate sustainability into our business strategy is based on a combined materiality and impact analysis, based on the GRI Standards and the PRB framework, that takes into account the SDGs and the Paris Agreement. The plan identified four strategic pillars – financial strength, climate action, social responsibility and governance and culture – which are now connected to targets for 2023 and the pillar climate action also to long-term objectives in order to support society's goals. | Page 12 and note S2. on pages 30–31 in this Sustainability Report. |
| **Principle 2: Impact and Target Setting**<br>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts. | | |
| **2.1 Impact analysis**<br><br>**Show** that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:<br>a) Scope: The bank's core business areas, products/ services across the main geographies that the bank operates in as described under 1.1 have been considered in the scope of the analysis.<br>b) Scale of Exposure: In identifying its areas of most significant impact, the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.<br>c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.<br>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.<br>(Your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d).) | a) Scope: We performed a combined materiality and impact analysis. The analysis focused on lending – our balance sheet – and covered three of our four business areas, Personal Banking, Business Banking and Large Corporates & Institutions. Asset & Wealth Management was excluded from the analysis as the impact analysis methodology did not yet cover investments/asset management when the analysis was conducted. Since we are a Nordic bank with 99% of our lending in four of the Nordic countries, the impact analysis covered Denmark, Finland, Norway and Sweden.<br>b) Scale of Exposure: For consumer banking (Personal Banking), the impact analysis covered mortgages. For corporate banking (Large Corporates & Institutions) and business banking (Business Banking), the impact analysis covered our top ten sectors (according to the tool guidance for the UNEP FI Portfolio Impact Identification Tool which was used when conducting the impact analysis). At an overall level, we have our largest lending to households (55%) followed by corporates (43%) and the public sector (2%). 99% of our lending is in the Nordics. In our corporate lending, our largest exposure is to Real estate (34%), Industrials (25%) and Financial institutions (12%). In addition, we have some country-specific lending to Agriculture in Denmark (16%), to Utilities and public service in Finland (10%), to Maritime in Norway (15%) and to Consumer discretionary and services in Sweden (7%). For a full list of exact exposure per sector and country, see note G2. Risk and Liquidity Management in Nordea´s Annual Report 2020.<br>c) Context & Relevance: By using the UNEP FI Portfolio Impact Identification Tool, where country needs scores is included, the most relevant challenges and priorities related to sustainable development in the four Nordic countries were taken into account in the impact analysis. | See page 12 and note S2. on pages 30–31 in this Sustainability Report for details about the combined materiality and impact analysis. |

cont. »

| Reporting and Self-Assessment Requirements | High-level summary of bank's response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank's full response/ relevant information |
|---|---|---|
| **2.1 Impact analysis, cont.**<br><br>**Show** that building on this analysis, the bank has<br>*Identified and disclosed its areas of most significant (potential) positive and negative impact.<br>*Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts. | d) Scale and intensity/salience of impact: All in all, the combined materiality and impact analysis helped us identify ten SDGs that are of significance for Nordea from an impact perspective – either negative or positive. The ten SDGs were grouped into three strategic pillars: financial strength, climate action and social responsibility. In scrutinising the result of the analysis, we identified that we also work with upholding peace, justice and strong institutions and we work in partnerships to achieve the goals. These make up our fourth strategic pillar: governance and culture. All our strategic pillars are connected to targets for 2023 and climate action also to long-term objectives.<br><br>When conducting the combined materiality and impact analysis, we worked closely with internal stakeholders from all levels and parts of the organisation and we also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, NGOs, investors and customers. The purpose was to obtain their input and to put our suggested strategy into a holistic context to challenge it and put us to the test, ensuring we had taken all relevant impacts into consideration. | See pages 13, 15, 19 and 23 in this Sustainability Report for more information about identified SDGs, our strategic pillars and corresponding targets. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis**.<br>We have undertaken an impact analysis and identified the significant impacts that are associated with our consumer and corporate banking portfolios. The next step in our process will be to revisit the analysis in 2021 to see if our investment portfolios can be included and if we shall perform any deep dives to investigate our impact further. | | |
| **2.2 Target setting**<br><br>**Show** that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.<br><br>**Show** that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.<br><br>**Show** that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that is has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets. | In 2020, we worked intensively with a new long-term plan for how to integrate sustainability into our business strategy. As the PRB provides the framework and tools needed by banks to collectively address the global sustainability challenges and work towards the objectives of the SDGs and the Paris Agreement, it was the beacon guiding our work. Our significant sustainability topics were identified through a combined materiality and impact analysis and then grouped into the four strategic pillars financial strength, climate action, social responsibility and governance and culture. These are now connected to targets for 2023 and the pillar climate action also to long-term objectives. Targets and objectives were approved by the GLT in November 2020 and presented to the Board in December 2020. | See targets for each strategic pillar – financial strength (page 13), climate action (page 15), social responsibility (page 19), and governance and culture (page 23) – in this Sustainability Report. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.**<br>We have set targets corresponding to our identified areas of significant impact, divided into our four strategic pillars. | | |
| **2.3 Plan or Target Implementation and Monitoring**<br><br>**Show** that your bank has defined actions and milestones to meet the set targets.<br><br>**Show** that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent. | The long-term plan for how to integrate sustainability into our business strategy includes a commitment to achieving net zero emissions by 2050 backed-up by long-term objectives for climate action (2030) and targets for 2023 for all strategic pillars. An implementation structure with five tracks – offering and risk management; competence, education and awareness; narrative, brand and communication; people and culture; internal carbon reduction plan – has been developed to ensure that the long-term plan is integrated into all business areas and group functions. Progress of the tracks will be monitored by our new Sustainability & Ethics Committee (SEC). | See page 12 in this Sustainability Report. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.**<br>The implementation structure with the five tracks will ensure that the long-term plan is integrated into all business areas and group functions. SEC will monitor implementation of the targets. | | |

| Reporting and Self-Assessment Requirements | High-level summary of bank's response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank's full response/ relevant information |
|---|---|---|
| **2.4 Progress on Implementing Targets**<br><br>For each target separately:<br><br>**Show** that your bank has implemented the actions it had previously defined to meet the set targets.<br><br>**Or explain** why actions could not be implemented/ needed to be changed an how your bank is adapting its plans to meet its set target.<br><br>**Report** on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (Where feasible and appropriate, banks should include quantitative disclosures.) | Since we became a signatory in September 2019, we have conducted a combined materiality and impact analysis, launched a long-term plan for how to integrate sustainability even further into our business strategy, and set publicly disclosed targets that are based on the impact analysis. | See targets for each strategic pillar – financial strength (page 13), climate action (page 15), social responsibility (page 19), and governance and culture (page 23) – in this Sustainability Report. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.**<br>2021 will be the first year of implementing the new targets and we will report on progress for these in our sustainability reporting for 2021. | | |
| **Principle 3: Clients and customers**<br>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. | | |
| 3.1 **Provide an overview** of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof. | Our Code of Conduct, together with our Sustainability Policy, defines the high-level principles that guide our business, how we treat our customers and the conduct expected from our employees. How we meet our customers is also defined in standard operating procedures, processes, guidelines and tools designed to ensure our compliance with all legal obligations in relation to our customers.<br><br>The Nordea Sustainability Policy sets out the principles for how we ensure the long-term sustainability of our operations and, in so doing, strengthens long-term customer relationships and our contribution to a greater good. Besides the policy, we have position statements and sector guidelines that provide guidance and principles regarding various themes or sectors for dealing with both business opportunities and risk mitigation. To ensure that we communicate our expectations and that companies comply with our requirements and thresholds, each business area is to implement relevant efforts depending on the nature of the business, credit exposure and size of the company. Examples of such efforts include screening our portfolio to identify companies that are relevant to engage with, and integrating ESG considerations into our customer dialogue.<br><br>We signed the UN Principles for Responsible Investment (UNPRI) already in 2007 and are thus committed to integrating ESG factors into our investment analysis, decision-making processes and active ownership practices. All our funds are managed according to our Responsible Investment Policy. | In this Sustainability Report, see page 25 for information about our Code of Conduct, page 7 for customer practices, page 8 for our offerings, pages 15–22 for information about our policies, position statements and sector guidelines.<br><br>Code of Conduct<br>Sustainability Policy<br>Position Statements & Sector Guidelines<br>Responsible Investment Policy |

| Reporting and Self-Assessment Requirements | High-level summary of bank's response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank's full response/ relevant information |
|---|---|---|
| 3.2 **Describe** how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved. | We have incorporated sustainability in our products and in our advice to customers.<br><br>We have piloted tailored training for customer-facing employees with good results.<br><br>We have launched Sustainable Choice, which is our new symbol for sustainability offerings so it is easy for the customer to make a sustainable choice.<br><br>We were one of the first banks to include a question on sustainability in our savings advisory tool and we have also launched the question in our digital advice (through Nora).<br><br>In 2019 we launched Carbon Tracker. It is embedded in our digital banking service Nordea Wallet and enables our customers to see their approximate $CO_2$ impact from the goods and services purchased with all their credit and debit cards worldwide. Information in the Carbon Tracker is based on the Åland Index.<br><br>We have teamed up with Nasdaq to create a tool – The Sustainability Footprint – that enables both customers and advisors to compare the environmental footprint of our investment portfolios. | See pages 8–10 in this Sustainability Report. |
| **Principle 4: Stakeholders**<br>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals. | | |
| 4.1 **Describe** which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged or partnered with for the purpose of implementing these Principles and improving your bank's impact. This should include high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved. | When conducting the combined materiality and impact analysis, we worked closely with internal stakeholders from all levels and parts of the organisation and we also had a dedicated group of Board members as an advisory board who were consulted on several occasions. In addition, we sought input from external stakeholders such as academia, NGOs, investors and customers. The purpose was to obtain their input and to put our suggested strategy into a holistic context to challenge it and put us to the test, ensuring we had taken all relevant impacts into consideration. | See page 12 and note S3. Stakeholder engagements on page 32 in this Sustainability Report. |
| **Principle 5: Governance and Culture**<br>We will implement our commitment to these Principles through effective governance and a culture of responsible banking. | | |
| 5.1 **Describe** the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles. | As part of our decision to strengthen sustainability in our business strategy and to ensure oversight of the four strategic pillars, we established the SEC in December 2020.<br><br>The new committee will have a strong mandate to facilitate the forthcoming overall integration of sustainability and to support the integration of ESG factors in risk management.<br><br>An implementation structure with five tracks – offering and risk management; competence, education and awareness; narrative, brand and communication; people and culture; internal carbon reduction plan – has been developed and will ensure that sustainability is integrated into all business areas and group functions. Progress of the tracks will be monitored by SEC. | In this Sustainability Report, see page 12 for information about governance in relation to the PRB specifically and then page 25 for details about our overall sustainability governance structure. |

| Reporting and Self-Assessment Requirements | High-level summary of bank's response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank's full response/ relevant information |
|---|---|---|
| 5.2 **Describe** the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity-building, inclusion in remuneration structures and performance management and leadership communication, amongst others. | One of our new strategic pillars is governance and culture, which focuses on strengthening a purpose-led culture with a sound and strong operating model to enable speed and scale in the transition to a resilient economy and at the same time reduce sustainability-related risks.<br><br>Furthermore, one of our implementation tracks is focusing specifically on people and culture. As part of the implementation, training in sustainable banking will be developed and supplement the e-learning course on sustainable finance that was rolled out in 2019. | See pages 23–27 in this Sustainability Report for details about the strategic pillar governance and culture. |
| **5.3 Governance Structure for Implementation of the Principles**<br><br>**Show** that your bank has a governance structure in place for the implementation of the PRB, including:<br>a) target-setting and actions to achieve targets set<br>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. | The new SEC is the governance forum for the implementation of the long-term plan for how to integrate sustainability into our business strategy, hence relating to the PRB. | In this Sustainability Report, see page 12 for information on SEC in relation to the PRB and page 25 for our overall governance structure. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**<br>The new SEC is the governance forum for the implementation of the long-term plan for how to integrate sustainability into our business strategy, hence relating to the PRB. | | |
| **Principle 6: Transparency and accountability**<br>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals. | | |
| **6.1 Progress on Implementing the Principles for Responsible Banking**<br><br>**Show** that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in a minimum of two areas (see 2.1–2.4).<br><br>**Show** that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.<br><br>**Show** that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on the implementation of these Principles. | In 2020, we have completed our first impact assessment and set targets that we will start to implement in 2021. We have also launched a long-term plan for how to integrate sustainability into our business strategy which is one of the requirements of being a signatory.<br><br>We are an active participant in several working groups within the PRB initiative to further develop the impact tool, reporting and assurance. Nordea is also a Banking Board representative for the Nordic Region.<br><br>In addition to the PRB, we participate actively in various commitments and initiatives to ensure we consider, contribute to develop and also encourage the use of international/regional best practice. | Please see this self-assessment and reporting template and the references herein.<br><br>See pages 41–42 in this Sustainability Report for examples of the various commitments and initiatives we participate in. |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.**<br>Nordea has made good progress over the first 18 month of implementing the principles. With our long-term plan for the further integration of sustainability into our business strategy and the four strategic pillars and their related targets, we have a solid foundation going forward in our endeavour to become a truly sustainable bank. | | |

# TCFD Index

This year we have further progressed climate-related financial disclosures in line with TCFD. Below is a cross-reference to where the recommended disclosures can be found in our external public reporting for 2020.

| Disclosure | | Page[1] |
|---|---|---|
| **Governance** | | |
| a) | Describe the board's oversight of climate-related risks and opportunities. | 12, 24–25, AR: NFS, P3 |
| b) | Describe management's role in assessing and managing climate-related risks and opportunities. | 12, 13–14, 24–25, AR: NFS, P3 |
| **Strategy** | | |
| a) | Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. | 12, 13–16, 30–31, AR: NFS, P3 |
| b) | Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning. | 11–12, 13–14, 30–31, AR: NFS, P3 |
| c) | Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 12, 13–16, 30–31, AR: NFS, P3 |
| **Risk Management** | | |
| a) | Describe the organisation's processes for identifying and assessing climate-related risks. | 12, 13–16, 30–31, AR: Note G2. and NFS, P3 |
| b) | Describe the organisation's processes for managing climate-related risks. | 13–16, 30–31, AR: Note G2. and NFS, P3 |
| c) | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management | 13–16, 30–31, AR: NFS, P3 |
| **Metrics and Targets** | | |
| a) | Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | 12, 13, 15, 34 |
| b) | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. | 13–14, 17, 36 |
| c) | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | 13, 15, 33–34, 36 |

1) Only page numbers refer to where the information can be found in this Sustainability Report. Other references are the below.
AR: NFS = Non-Financial Statement in Nordea's Annual Report 2020
AR: Note G2. = Note G2. Risk and Liquidity Management in Nordea's Annual Report 2020
P3 = Pillar 3, i.e. Nordea Group Capital and Risk Management Report 2020
All reports can be found at nordea.com

# GRI Content Index

Nordea's Sustainability Report 2020 has been prepared in accordance with the GRI Standards: Core option, and with relevant parts of GRI G4 Financial Services Sector Disclosures.

| GRI Standard | Disclosure | Page | UNGC principle | Reason for omission disclosed on page 29 |
|---|---|---|---|---|
| **GRI 101: Foundation 2016** | | | | |
| **General disclosures** | | | | |
| **GRI 102: General Disclosures 2016** | | | | |
| 102–1 | Name of the organisation | 6, Back cover | | |
| 102–2 | Activities, brands, products and services | 5–10 | | |
| 102–3 | Location of headquarters | 6 | | |
| 102–4 | Location of operations | 6 | | |
| 102–5 | Ownership and legal form | 6 | | |
| 102–6 | Markets served | 5–6 | | |
| 102–7 | Scale of the organisation | 5–6 | | |
| 102–8 | Information on employees and other workers | 20, 38 | 6 | X |
| 102–9 | Supply chain | 39 | | |
| 102–10 | Significant changes to the organisation and its supply chain | 20, 29, 39 | | |
| 102–11 | Precautionary Principle or approach | 17 | 7 | |
| 102–12 | External initiatives | 41–42 | | |
| 102–13 | Memberships of associations | 42 | | |
| 102–14 | Statement from most senior decision–maker | 3–4 | | |
| 102–16 | Values, principles, standards, and norms of behavior | 23 | 10 | |
| 102–17*) | Mechanisms for advice and concerns about ethics | 25–27 | | |
| 102–18 | Governance structure | 12, 23–25 | | |
| 102–20*) | Executive–level responsibility for economic, environmental and social topics | 12, 24–25 | | |
| 102–26*) | Role of highest governance body in setting purpose, values, and strategy | 12, 24–25 | | |
| 102–30*) | Effectiveness of risk management processes | 24–25 | | |
| 102–32*) | Highest governance body's role in sustainability reporting | 24–25 | | |
| 102–40 | List of stakeholder groups | 32 | | |
| 102–41 | Collective bargaining agreements | 38 | 3 | |
| 102–42 | Identifying and selecting stakeholders | 30–32 | | |
| 102–43 | Approach to stakeholder engagement | 30–32 | | |
| 102–44 | Key topics and concerns raised | 30–32 | | |
| 102–45 | Entities included in the consolidated financial statements | 29 | | |
| 102–46 | Defining report content and topic Boundries | 29 | | |
| 102–47 | List of material topics | 30–32 | | |
| 102–48 | Restatements of information | 9, 35, 36, 38, 39 | | |
| 102–49 | Changes in reporting | 29 | | |
| 102–50 | Reporting period | 29 | | |
| 102–51 | Date of most recent report | 29 | | |
| 102–52 | Reporting cycle | 29 | | |
| 102–53 | Contact point for questions regarding the report | 2 | | |
| 102–54 | Claims of reporting in accordance with the GRI Standards | 2, 29 | | |
| 102–55 | GRI content index | 49–53 | | |
| 102–56 | External assurance | 55 | | |

*) Not required for Core option.

| GRI Standard | Disclosure | Page | UNGC principle | Reason for omission disclosed on page 29 |
|---|---|---|---|---|
| **Material topics** | | | | |
| **ANTI–CORRUPTION** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 20, 25–26, 31–32 | 10 | |
| 103–2 | The management approach and its components | 20, 25–27, 31–32 | 10 | |
| 103–3 | Evaluation of the management approach | 25–27 | 10 | |
| **GRI 205: Anti–corruption 2016** | | | | |
| 205–2 | Communication and traning about anti–corruption policies and procedures | 25 | 10 | X |
| **ANTI COMPETITIVE BEHAVIOUR** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 25–26, 30–32 | | |
| 103–2 | The management approach and its components | 25–27, 30–32 | | |
| 103–3 | Evaluation of the management approach | 25–27 | | |
| **GRI 206: Anti–competitive behavior 2016** | | | | |
| 206–1 | Legal actions for anti–competitive behavior, anti–trust, and monopoly practices | 27 | | |
| **ENERGY** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 8–9, 11, 14–18, 30–32, 36 | 7, 8 | |
| 103–2 | The management approach and its components | 8–9, 11, 14–18, 30–32, 36 | 7, 8 | |
| 103–3 | Evaluation of the management approach | 8–9, 14–18, 36 | 7, 8 | |
| **GRI 302: Energy 2016** | | | | |
| 302–1 | Energy consumption within the organisation | 17–18, 36 | 7, 8 | X |
| 302–3 | Energy intensity | 17–18, 36 | 8 | |
| **WATER AND EFFLUENTS** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 17–18, 30–31, 36 | | |
| 103–2 | The management approach and its components | 17–18, 30–31, 36 | | |
| 103–3 | Evaluation of the management approach | 17–18, 36 | | |
| **GRI 303: Water and Effluents 2018** | | | | |
| 303–5 | Water consumption | 17–18, 36 | | X |
| **EMISSIONS** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 15–18, 30–32, 36 | 7, 8 | |
| 103–2 | The management approach and its components | 15–18, 30–32, 36 | 7, 8 | |
| 103–3 | Evaluation of the management approach | 15–18, 36 | 7, 8 | |
| **GRI 305: Emissions 2016** | | | | |
| 305–1 | Direct (Scope 1) GHG emissions | 17, 36 | 7, 8 | |
| 305–2 | Energy indirect (Scope 2) GHG emissions | 17, 36 | 7, 8 | |
| 305–3 | Other indirect (Scope 3) GHG emissions | 17, 36 | 7, 8 | |
| 305–4 | GHG emissions intensity | 17, 36 | 8 | |

| GRI Standard | Disclosure | Page | UNGC principle | Reason for omission disclosed on page 29 |
|---|---|---|---|---|
| **SUPPLIER ENVIRONMENTAL ASSESSMENT** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 18, 20, 30–31 | 8 | |
| 103–2 | The management approach and its components | 18, 20, 30–32, 39 | 8 | |
| 103–3 | Evaluation of the management approach | 18, 20, 30–32, 39 | 8 | |
| **GRI 308: Supplier Environmental Assessment 2016** | | | | |
| 308–1 | New suppliers that were screened using environmental criteria | 39 | 8 | |
| 308–2 | Negative environmental impacts in the supply chain and actions taken | 39 | 8 | |
| **EMPLOYMENT** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 19–20, 23–24, 30–32 | 6 | |
| 103–2 | The management approach and its components | 19–20, 23–24, 30–32 | 6 | |
| 103–3 | Evaluation of the management approach | 20, 38 | 6 | |
| **GRI 401: Employment 2016** | | | | |
| 401–1 | New employee hires and employee turnover | 38 | 6 | X |
| **TRAINING AND EDUCATION** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 12, 23–24, 30–32 | 6 | |
| 103–2 | The management approach and its components | 12, 23–24, 30–32 | 6 | |
| 103–3 | Evaluation of the management approach | 12, 23–24, 38 | 6 | |
| **GRI 404: Training and Education 2016** | | | | |
| 404–1 | Average hours of training per year per employee | 38 | 6 | X |
| 404–2 | Programs for upgrading employee skills and transition assistance programs | 23–24 | | |
| 404–3 | Percentage of employees receiving regular performance and career development reviews | 24 | | X |
| **DIVERSITY AND EQUAL OPPORTUNITY** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 19–20, 30–32 | 6 | |
| 103–2 | The management approach and its components | 19–20, 30–32 | 6 | |
| 103–3 | Evaluation of the management approach | 19–20, 38 | 6 | |
| **GRI 405: Diversity and Equal Opportunity 2016** | | | | |
| 405–1 | Diversity of governance bodies and employees | 19–20, 38 | 6 | |

| GRI Standard | Disclosure | Page | UNGC principle | Reason for omission disclosed on page 29 |
|---|---|---|---|---|
| **NON–DISCRIMINATION** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 19–20, 30–32 | 6 | |
| 103–2 | The management approach and its components | 19–20, 27, 30–32 | 6 | |
| 103–3 | Evaluation of the management approach | 19–20 | 6 | |
| **GRI 406: Non–discrimination 2016** | | | | |
| 406–1 | Incidents of discrimination and corrective actions taken | 20 | 6 | X |
| **HUMAN RIGHTS ASSESSMENT** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 20–21, 25–27, 30–32 | 1, 2 | |
| 103–2 | The management approach and its components | 20–21, 25–27, 30–32 | 1, 2 | |
| 103–3 | Evaluation of the management approach | 20–21 | 1, 2 | |
| **GRI 412: Human Rights Assessment 2016** | | | | |
| 412–1 | Operations that have been subject to human rights reviews or impact assessments | 40 | 1, 2 | |
| **SUPPLIER SOCIAL ASSESSMENT** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 20–21, 30–32 | 1, 2, 4, 5 | |
| 103–2 | The management approach and its components | 20–21, 30–32, 39 | 1, 2, 4, 5 | |
| 103–3 | Evaluation of the management approach | 20–21, 39 | 1, 2, 4, 5 | |
| **GRI 414: Supplier Social Assessment 2016** | | | | |
| 414–1 | New suppliers that were screened using social criteria | 39 | 2, 4, 5 | |
| 414–2 | Negative social impacts in the supply chain and actions taken | 39 | 2, 4, 5 | |
| **CUSTOMER PRIVACY** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 25–27 | | |
| 103–2 | The management approach and its components | 25–27 | | |
| 103–3 | Evaluation of the management approach | 25–27 | | |
| **GRI 418: Customer Privacy 2016** | | | | |
| 418–1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 27 | | X |
| **PRODUCT PORTFOLIO** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 8–10, 30–32, 35 | 1, 4, 5, 6 | |
| 103–2 | The management approach and its components | 8–10, 30–32, 35 | 1, 4, 5, 6 | |
| 103–3 | Evaluation of the management approach | 8–10, 30–33, 35 | 1, 4, 5, 6 | |
| **GRI G4: Financial Services Sector Disclosures** | | | | |
| FS8 | Monetary value of products and services designed to deliver a specifict environmental benefit for each business line broken down by purpose | 35 | 9 | |

| GRI Standard | Disclosure | Page | UNGC principle | Reason for omission disclosed on page 29 |
|---|---|---|---|---|
| **ACTIVE OWNERSHIP** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 8–9, 30–32 | | |
| 103–2 | The management approach and its components | 8–9, 30–32 | | |
| 103–3 | Evaluation of the management approach | 8–9, 30–32, 35 | | |
| **GRI G4: Financial Services Sector Disclosures** | | | | |
| FS10 | Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on social and environmental issues | 35 | | |
| FS11 | Percentage of assets subject to positive and negative environmental or social screening | 8, 35 | | |
| **CUSTOMER EXPERIENCE** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 7 | | |
| 103–2 | The management approach and its components | 7, 32 | | |
| 103–3 | Evaluation of the management approach | 7 | | |
| Own indicator | Customer satisfaction surveys | 7 | | |
| **TAX PAYMENTS** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 25–26, 30–32 | | |
| 103–2 | The management approach and its components | 25–26, 30–32 | | |
| 103–3 | Evaluation of the management approach | 25–26, 40 | | |
| **GRI 207: Tax 2019** | | | | |
| 207–1 | Approach to tax | 40 | | |
| **FINANCIAL CRIME** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 25–26, 30–32 | | |
| 103–2 | The management approach and its components | 25–26, 30–32 | | |
| 103–3 | Evaluation of the management approach | 25–26 | | |
| Own indicator | Financial crime training | 25–26 | | |
| **COMMUNITY ENGAGEMENT** | | | | |
| **GRI 103: Management Approach 2016** | | | | |
| 103–1 | Explanation of the material topic and its boundary | 22, 30–32 | | |
| 103–2 | The management approach and its components | 22, 30–32 | | |
| 103–3 | Evaluation of the management approach | 22 | | |
| Own indicator | Engagement in volunteering activities | 22 | | |
| Own indicator | Volunteering hours | 22 | | |

# Glossary

B **BREEAM –** BREEAM (Building Research Establishment Environmental Assessment Method) is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Assessment and certification can take place at a number of stages in the built environment life cycle, from design and construction through to operation and refurbishment.

C **CVaR –** CVaR (Climate Value at Risk) is a methodology designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio.

**COP –** COP (Communication on Progress) is the report that all signatories to the UN Global Compact have to submit every year.

E **ECPAT –** ECPAT (End Child Prostitution and Trafficking) is a worldwide network of organisations working to end the sexual exploitation of children.

**EPSI –** EPSI ratings are a recognised European system for measuring customer satisfaction.

**ESG –** The term ESG refers to how environmental, social, and governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time). ESG screenings are used in evaluations of partners and suppliers.

G **GHG Protocol –** GHG Protocol (The Greenhouse Gas Protocol) establishes global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. It is the most widely used greenhouse gas accounting standard in the world.

**GDPR –** GDPR (The General Data Protection Regulation) is a regulation in EU law on data protection and privacy for all individual citizens of the EU and the European Economic Area (EEA). The GDPR aims primarily to provide individuals with control over their personal data and to simplify the regulatory environment for international business by unifying regulation within the EU.

**GRI Standards –** GRI Standards (GRI Sustainability Reporting Standards) are provided by the GRI (Global Reporting Initiative) and used for sustainability disclosures. The GRI Standards create a common language for organisations and stakeholders, with which the economic, environmental, and social impacts of organisations can be communicated and understood. The GRI Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organisations.

I **IPCC –** IPCC (The Intergovernmental Panel on Climate Change) is the United Nations body for assessing the science related to climate change. In October 2019 IPCC released a special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.

L **LEED –** LEED (Leadership in Energy and Environmental Design) is an internationally recognised green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, $CO_2$ emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

M **MiFID II –** MiFID II (the Markets in Financial Instruments Directive) is the foundation of financial legislation for the EU, designed to assist traders, investors, and other participants in the financial sector. The primary goal of MiFID II is to keep financial markets strong, fair, effective, and transparent. MiFID II is the revision of the original MiFID published in 2004.

**MSCI –** Morgan Stanley Capital International (MSCI) is an investment research firm that provides stock indexes, portfolio risk and performance analytics, and governance tools to institutional investors and hedge funds.

P **Paris Agreement –** At COP 21 in Paris, on 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low-carbon future. The Paris Agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so.

S **SDGs –** SDGs (The Sustainable Development Goals) are a collection of 17 global goals set by the United Nations General Assembly in 2015. The goals are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all the while tackling climate change and working to preserve oceans and forests.

# Independent Practitioner's Assurance Report

## To the Management of Nordea Bank Abp

We have been engaged by the Management of Nordea Bank Abp (hereinafter also the Company) to perform a limited assurance engagement on consolidated sustainability disclosures of Nordea Group disclosed in Nordea Sustainability Report 2020 for the year ended 31 December 2020 (hereinafter Sustainability Information), and for the self-assessments/assertions of Nordea's fulfilment of its commitments as a signatory of the Principles for Responsible Banking for the following areas:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Plans for Target Implementation and Monitoring
- 2.4 Progress on Implementing Targets
- 5.3 Governance Structure for Implementation of the Principles
- 6.1 Progress on Implementing the Principles for Responsible Banking.

### Management's responsibility

The Management of Nordea Bank Abp is responsible for preparing the Sustainability Information in accordance with the Reporting criteria as set out in the Company's reporting instructions, the GRI Sustainability Reporting Standards of the Global Reporting Initiative and in Principles for Responsible Banking. The Management of Nordea Bank Abp is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

### Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Nordea Bank Abp for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Information.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Information, and other limited assurance procedures. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees responsible for collecting and reporting the Sustainability Information at the Group level.
- Assessing how Group employees apply the Company's reporting instructions and procedures.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Nordea Group's consolidated Sustainability Information for the reporting period that ended 31 December 2020 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Helsinki, 26 February 2021

**PricewaterhouseCoopers Oy**

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For more information about sustainability at Nordea, please visit our website, **nordea.com/sustainability.** For feedback, contact us at **sustainability@nordea.com**