

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Asset Pool

Nordea Bank Abp
09 November 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Covered Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles as administered by ICMA• Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex Delegated Act (June 2021)
Scope of verification	<ul style="list-style-type: none">• Nordea Green Bond Framework (as of November 2021)• Nordea Green Covered Bond portfolio (as of October 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• This SPO is valid for Nordea's outstanding Green Covered Bond issuances and as long as the asset portfolio does not change, until the first to occur of (a) the release of ISS ESG' next annual verification of these issuances (expected in 2021) or (b) December 31, 2022.

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Overall Evaluation of the Green Bond

Nordea Bank Abp (“Nordea”) commissioned ISS ESG to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the Bond:

1. Green Finance Instruments’ link to Nordea’s sustainability strategy – drawing on Nordea’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Nordea’s Green Bond framework as of October 2021 – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) (June 2021 version).
3. The eligible project categories – whether the projects financed contribute positively to the UN SDGs and align with the Technical Expert Group Final Report on EU Taxonomy and associated Technical Annex¹ (EU Taxonomy Delegated Act) on a best effort basis.

¹ Delegated Acts: Technical Annex https://eur-lex.europa.eu/resource.html?uri=cellar:d84ec73c-c773-11eb-a925-01aa75ed71a1.0021.02/DOC_2&format=PDF

ISS ESG reviewed the alignment of the due diligence processes of Nordea for each project category to be (re-)financed under this instrument against the Delegated Act (June 2021) version of the Taxonomy Report.

The EU Commission released an official version of the EU Taxonomy - Climate Delegated Act in June 2021.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Green Bond's link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 18.10.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks & Capital Market sector. The issuer is rated 27th out of 300 companies within its sector.</p> <p>ISS ESG finds that the Use of Proceeds financed through this Green Bond Framework are broadly consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing a Green Bond is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs</p>	<p>The issuer has defined a formal concept for its Green Bond regarding Use of Proceeds, Processes for Project Evaluation and Selection, Management of Proceeds and Reporting. This concept is in line with the Green Bond Principles.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Alignment of the asset pool with the EU Taxonomy</p>	<p>This SPO covers exclusively Nordea's Green Covered Bond asset portfolio.</p> <p>The Green Bond will (re-)finance residential Green Buildings in Nordic countries. This use of proceed category has a positive contribution to SDG 11 'Sustainable cities and communities' and SDG 13 'Climate Action'.</p> <p>ISS ESG assessed the alignment of Nordea's due diligence processes against the requirements of the EU Taxonomy (Delegated Act version of June 2021), on a best effort basis.</p> <p>Based on robust processes for selection, the green eligible projects are aligned with the relevant activity specific EU Taxonomy Technical Screening Criteria and Minimum Social Safeguards requirements on a best effort basis. However, some Do No Significant Harm Criteria have not been met due to a lack of available information.</p>	<p>Positive</p>

² ISS ESG's evaluation is based on de Nordea's Green Bond Framework (November 2021 version), on the eligible green covered bond pool as received on the 21.10.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 18.10.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND'S LINK TO NORDEA'S ESG SUSTAINABILITY STRATEGY

A. ASSESSMENT OF NORDEA'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
NORDEA BANK Abp	COMMERCIAL BANKS & CAPITAL MARKETS	1	VERY HIGH

This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance



As of 08.11.2021, this rating places Nordea 27th out of 300 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Sustainability Opportunities

In the financial sector, the main sustainability opportunities arise in the provision of financial services with high social and environmental benefits as well as equal access to financial services. The Nordea Star Fund range undertakes detailed positive screenings to identify companies that adhere to ESG criteria and have a future positive impact. Furthermore, Nordea provides accessible banking services for clients with disabilities and banking activities in remote regions. The company also underwrites green bonds. Nordea does not show further significant financial services with high social or environmental benefits.

Sustainability Risks

In order to integrate the assessment of ESG risks into lending decisions, Nordea has developed its Environmental Risk Assessment tool (ERAT) and its Social and Political Risk Assessment tool (SPRAT). Sector specific lending guidelines for forestry, nuclear power and oil services are provided, expecting its customers to undertake environmental baseline studies and environmental impact assessments. In addition, the company's membership with the Equator Principles reinforces its commitment to observe environmental and social minimum standards in project finance. Nordea's general responsible investment approach covers its actively managed funds and is applied using an integration approach and exclusion criteria covering e.g. human and labor rights, business ethics, and environmental protection. For actively managed assets, it excludes companies that have a large and sustained exposure to thermal mining and generate more than 30% of revenue from coal products. In the social dimension, customer and product responsibility as well as employee relations are important challenges. The company has taken some steps to ensure responsible marketing and sales practices. However, there is no clear strategy regarding offshore banking activities and tax compliance as well as regarding the responsible treatment of customers with debt repayment problems. With regard to employees, Nordea has cut more than 2,500 jobs in recent years. Affected employees are offered to join Nordea's internal people matching process to find a new position within Nordea. In certain cases, country-specific voluntary redundancy package, retirement offerings or outplacement support are offered. As the company mostly operates in countries where high legal and factual standards are implemented, risks on health and safety, and work-life balance are limited. Finally, Nordea has established a group-wide code of conduct covering almost all important compliance issues as well as relevant compliance measures such as anonymous and confidential reporting channels are provided for employees. Nevertheless, in May 2018 the company was accused of enabling organized crime to launder roughly EUR 134 million through privately owned exchange offices in Copenhagen, and in October 2018 it was involved in further money laundering allegations.

Governance opinion

Regarding its governance structure, the majority of Nordea's board members are independent (as at April 1, 2020). The company's board chair, Torbjorn Magnusson is not independent as he is the CEO of If P&C Insurance Holding Ltd, a subsidiary of Sampo Oyj. Committees in charge of audit and remuneration are established with half of the board members being independent, yet a committee in charge of nomination seems to be missing. Moreover, Nordea discloses the remuneration of some of its executive management members, which includes long-term incentive components. Regarding the company's sustainability governance, Nordea has a fully independent sustainability committee in place (as at April 1, 2020). Some sustainability performance objectives are integrated into the variable remuneration of the executives although no details were provided. The company has established a group-wide code of conduct covering almost all important issues, such as corruption, antitrust violations, insider dealings and conflicts of interest. Compliance training is provided to employees as well as anonymous and confidential reporting channels. Nevertheless, in May 2018 the company was accused of enabling organized crime to launder roughly EUR 134 million through privately owned exchange offices in Copenhagen, and in October 2018 it was involved in further money laundering allegations.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Nordea's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Nordea's operation process. ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

The bank is not facing any severe controversy.

B. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH NORDEA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

In January 2021, Nordea launched an updated plan to fully integrate sustainability into its business strategy and set a long-term objective to become a net zero emissions bank by 2050 at the latest. To reach this goal, Nordea set a mid-term objective to reduce carbon emissions from its lending and investment portfolios by 40-50% by 2030.

Nordea has committed to aligning its business strategy to be consistent with the goals listed in the Sustainable Development Goals and the Paris Climate Agreement. Furthermore, Nordea is equally committed to supporting its customers to reach these goals.

Nordea's sustainability integration is grouped into four strategic pillars: financial strength, climate action, social responsibility and governance and culture. Each of the four areas is linked to targets for 2023. The climate action pillar also has two long-term objectives for 2030. Nordea aims at having a significant impact in all these four areas by reducing the negative impact and increasing the positive impact from its business activities and internal operations.

The Nordea Group 2023 targets include the following:

- At least 25% of the savings inflow should be in our sustainable offering.
- Nordea Life & Pensions will reduce its carbon emissions intensity for listed equities, corporate bonds and real estate by at least 25% by the end of 2024.
- To grow the share of EU Taxonomy-aligned assets and income and to meet disclosure requirements.
- Work together with our large corporate customers in carbon-intensive industries to set low-carbon transition plans.
- Reduce carbon emissions from our internal operations by 30% compared to 2019.

Rationale for issuance

The categories Nordea has chosen as eligible for use of proceeds from its Green Bonds are presented in section 2 of the Green Bond Framework. The categories have been chosen based on Nordea’s overall goal of enabling the transition to a sustainable society in general and combating climate change specifically. It is in these categories that Nordea sees it has the greatest potential to make an impact by generating environmental benefits through their financing efforts. The alignment is further enhanced through their materiality analysis, where climate action was defined as Nordea’s top priority for their strategic direction and sustainability focus, as well as the contents of the Sustainable Banking Strategy published in February 2021 referenced above.

The Green Bond Framework is intended to accommodate transactions in any format (for example covered, unsecured, subordinated debt), size (for example benchmark, public transactions, private placement) and currencies. Further details will be provided in the applicable announcements and transaction documentation. Where the Green Bond process for Green Covered Bond issuances diverges from Nordea’s regular Green Bond process, it is described in the applicable section of the framework.

As of the October 2021 update of this Green Bond Framework, Nordea includes specific Green Covered Bond considerations within the various sections of the framework where applicable. They want to enable Green Covered Bond issuances, as the real estate sector represents a domain where a large portion of the energy consumption and emissions arises in the EU, including the Nordics. Nordea’s current share of the mortgage market in the Nordic region offers an important opportunity to make a positive environmental impact. With a focus on residential mortgages, they aim at strengthening their role as an intermediary to help improve the energy efficiency and lower the energy consumption of Nordic households while also increasing the awareness about cleaner sources of energy.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Covered Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks & Capital Markets sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this Green Finance Framework are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

1. Use of Proceeds

The amount equal to the net proceeds of the Green Bonds issued by Nordea is intended to be used, directly or indirectly, to finance or refinance Green Bond Assets that have been evaluated and selected by Nordea pursuant to this Green Bond Framework. The Green Bond Assets comprise financing within the Green Bond Asset Categories which are, or have been, originated by the various business units of Nordea mostly in the Nordic countries.

Importantly, however, the net proceeds of any Nordea Green Bond will not be used towards financing nuclear or fossil fuel energy operations or operations that are deemed by Nordea to be in the sectors “Weapons and Defence”, “Coal Mining” or “Tobacco”. Additionally, any existing financing of customers which are deemed not to be eligible in reference to Nordea’s corporate customer Environment, Social and Governance (“ESG”) assessment process will not be selected for financing or refinancing by the net proceeds of any Green Bond issued by Nordea.

It should be noted that Green Bonds, like any other notes issued by Nordea, will be fully subject to the application of the eligibility criteria of the Capital Requirements Regulation and the requirements of the Bank Recovery and Resolution Directive for own funds and eligible liabilities instruments and, as such, any net proceeds of the Green Bonds qualifying as own funds or eligible liabilities will be fully available to cover any and all losses arising on the balance sheet of the relevant issuer (in the same way as any other instrument not classified as Green Bonds) regardless of their “green” or other similar label.

The Nordea ESG assessment process includes an assessment of all large corporate customers with respect to:

- governance
- environmental, health and safety management processes
- social aspects including human and labour rights
- potential controversies.

The net proceeds of the Green Covered Bonds issued by Nordea’s mortgage credit institutions (MCIs) that are wholly owned subsidiaries (Nordea Kredit Realkreditaktieselskab, Nordea Mortgage Bank Plc, Nordea Eiendomskreditt AS and Nordea Hypotek AB (publ), collectively, the “Nordea MCIs”) are intended to be used, directly or indirectly, to finance or refinance assets that:

- are eligible for being included in the general cover pool of the respective Nordea MCI, and
- satisfy certain eligibility requirements that promote climate-friendly and other environmental purposes.

These assets are evaluated and selected by Nordea pursuant to this Green Bond Framework (“Green Assets”).

Green covered bond asset categories and green covered bond asset portfolio

The categories of Green Assets listed in the table below (“Green Covered Bond Asset Categories”) have been identified by Nordea as aiming to increase the positive or reduce the negative impact of residential buildings on the environment while encouraging especially energy efficiency in buildings

and reducing energy consumption by households. Although this framework is based on the GBP, the project types and criteria stated under project types make reference to the Technical Screening Criteria as defined by the EU Taxonomy Delegated Acts of the EU Commission and the associated Annexes.

Assets that have been assessed by Nordea to be in accordance with the criteria stated below, and are eligible for being included in cover pools, will be recorded as assets that qualify for financing or refinancing, whether directly or indirectly, by the net proceeds from issues of Green Covered Bonds (“Green Asset Portfolio”). Green Asset Portfolios will be included in the general cover pool of the respective Nordea MCI. Hence, no separate cover pools with Green Portfolio Assets only will be created. However, all issuers utilise this framework including the process descriptions, Green Asset Categories and subsequent criteria. We aim to optimise portfolio selection locally amongst the four different pools. Local variations in identifying eligible Green Assets exist.

Green Covered Bonds can also rely on the definitions for additional Green Asset Categories as set out in section 2.1 of this framework. However, for Green Buildings and buildings related to Energy Efficiency measures, the Green Asset categories are stated as below.

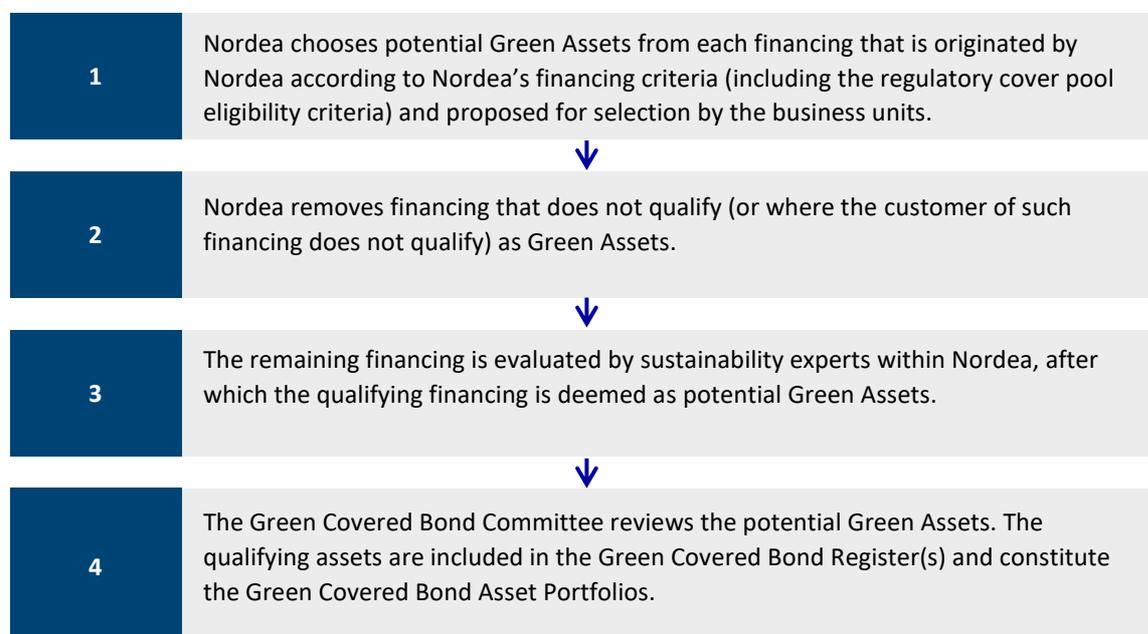
GBP CATEGORY	PROJECT TYPES
Green Residential Buildings	<p>Construction of new buildings</p> <ul style="list-style-type: none"> • The primary energy demand, defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC). <p>Acquisition and ownership of buildings</p> <ul style="list-style-type: none"> • For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock (relevant type) expressed as operational primary energy demand (PED) and demonstrated by adequate evidence. • For buildings built after 31 December 2020, the building meets the criteria specified under “Construction of new buildings”.
Energy Efficiency	<p>Renovation of existing buildings</p> <ul style="list-style-type: none"> • The building renovation complies with the applicable requirements for major renovations OR

	<ul style="list-style-type: none"> • The renovation leads to a reduction of primary energy demand (PED) of at least 30%. <p>Investments, installation and repair of equipment leading to energy efficiency improvements</p> <ul style="list-style-type: none"> • Investments in renewable energy sources, energy efficiency improvements and/or overall quality improvement, such as (but not limited to): • geothermal heating, water meters, windows, doors, light sources etc.
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Opinion: ISS ESG considers the Use of Proceeds description provided by the Nordea Green Bond Framework as aligned with the GBPs. The prescribed categories are all within the GBPs and the exclusions ensure further adherence to the standard. A detailed analysis of the Green Covered Bond asset pool is available in Part III of this SPO.

2. Process for Project Evaluation and Selection

The Nordea MCIs will complete the following specific process when selecting and evaluating financing within the Green Covered Bond Asset Categories that qualify as Green Assets to be included in the Green Asset Portfolios.



The Green Covered Bond Committee meets and reviews potential Green Assets on a quarterly basis. Allocation of the proceeds of any Green Covered Bond issuances to the Green Covered Bond Assets is done on a portfolio level, where the proceeds of a Green Covered Bond issuance are intended to be allocated, directly or indirectly, to all assets in the Green Covered Bond Asset Portfolio in equal shares. The Green Covered Bond Committee has representatives from:

- Nordea MCIs
- Group Treasury
- Group Sustainability
- Relevant unit within the business risk organisation [Business Risk Implementation and Support unit within the relevant Business Area]
- Relevant unit within the Legal functions

As Nordea Kredit complies with the strict balance principle utilizing match funding in Denmark, additions to the selection and evaluation process, as well as to the management of proceeds, are needed. The approval of assets for Nordea Kredit's separate Green Bond Asset Portfolio needs to be continuous.

Nordea Kredit follows a modified process when selecting and evaluating financing within the Green Bond Asset Categories that qualify as assets to be included in Nordea Kredit's Green Bond Asset Portfolio. The process is described below.

The confirmation process is thereafter undertaken by Nordea Kredit's Green Bond Committee in respect of the assessments made by other staff in relation to the Green Bond Asset Categories. The Green Bond Committee will also review Nordea Kredit's Green Bond Asset Portfolio and confirm the allocation of the proceeds of Green Bond issuances to Green Bond Assets. Nordea Kredit's Green Bond Committee will further confirm any replacement of repaid Green Bond Assets with assets from the Green Bond Asset Portfolio or, if such are not available, to liquidity funding accounts.

For Nordea Kredit, an initial verification of the framework for selection of assets took place in 2020. During upcoming Second Party Opinion updates, the provider will provide Nordea Kredit with a re-verification including a detailed screening of the sustainability quality of the Nordea Kredit mortgages financed through the bond(s) and of their underlying assets.

Opinion: *ISS ESG finds that the process for Project Evaluation and Selection aligns with the GBPs, including the functioning of the Green Bond Committee. The different steps around the decision making process are well described, and inclusion of assets based on systematic external (re-) verification exceeds best market practices.*

3. Management of Proceeds

Nordea will establish a register in relation to Green Covered Bonds issued by the Nordea MCIs for the purpose of recording the Green Asset Portfolios and the intended allocation of the net proceeds from Green Covered Bonds to Green Assets ("Green Covered Bond Register").³ However, Nordea will not create any separate cover pool with Green Assets only.

The net proceeds of the Green Covered Bonds issued by the Nordea MCIs will be deposited in the general funding accounts, but can be identified in the Green Covered Bond Register. It is the intention of the issuer to allocate, directly or indirectly, an amount equal to the net proceeds in accordance with the principles set out in this Green Bond Framework. Any portion of the net proceeds of Green Covered Bonds not allocated to Green Covered Bond Assets in the Green Bond Register will be held in accordance with Nordea's normal liquidity management policy.

³ The Green Covered Bond Register is separate from any other register kept by the Nordea MCIs for regulatory, governance, monitoring and other purposes in relation to the covered bonds and specifically the cover pools.

The composition and amount of Green Assets will be reviewed quarterly by the Nordea MCIs.

The Green Covered Bond Register will contain relevant information to identify each Green Covered Bond and the Green Covered Bond Assets relating to it, including the country, category, volume and nature of the Green Assets. The Green Covered Bond Register will form the basis for the impact reporting.

Opinion: *ISS ESG finds that the Management of Proceeds according to Nordea's Green Bond Framework is aligned with the GBPs. This particularly involves the application of the Green Bond Register.*

4. Reporting

Nordea will annually publish on its website a Green Bond Report that provides:

- the amount of net proceeds allocated within each Green Bond Asset Category and, when possible and relevant, further information related to the type, number and location of the Green Bond Assets included in each Green Bond Asset Category
- the remaining balance of net proceeds not yet allocated to Green Bond Assets
- where appropriate and subject to confidentiality arrangements, examples of Green Bond Assets that have been financed or refinanced by the net proceeds of Green Bonds.

In each annual Green Bond Report, Nordea will also include information on the environmental impacts of the Green Bond Assets or Green Bond Portfolio for each Green Bond Asset Category. Nordea aims to include in the reporting the indicators outlined in the table below, subject to the availability of information and baseline data. The impact reporting will include a description of the applied methodology. Nordea will publish an annual Green Bond report if it has Green Bonds outstanding. Starting 2022 (reporting year 2021), Nordea aims at aligning the timing of Green Bond Reporting with other investor-directed publications of the bank such as the Annual Reports and Sustainability Reports.

Nordea will provide information on its Green Covered Bonds and the Green Covered Bond Assets in the yearly Green Bond Report. Allocation and impact reporting will be presented on individual issuer level.

Opinion: *ISS ESG finds that the reporting is fully aligned to the requirements of the GBPs. This includes publishing on a regular basis and disclosure of the type of content that will be reported.*

External review

Nordea has engaged ISS ESG to act as an external verifier of this Green Bond Framework and the Green Bond Assets. As described in section 3 of this framework, the Green Assets of Nordea Bank Abp are reviewed on asset level before inclusion in the Green Bond Asset Portfolio. The Green Assets included in the Green Covered Bond Register, and the Green Covered Bond process, follow a separate track in terms of verification. The Second Party Opinion is publicly available on Nordea's website.

Assets that have been verified by the external verifier to be consistent with the GBP, this Green Bond Framework and the verifier's own criteria, as evidenced by a "**Second Party Opinion**" published on Nordea's website, will be included in the Green Bond Asset Portfolio.

PART III: SUSTAINABILITY QUALITY OF THE GREEN COVERED BOND ASSET PORTFOLIO

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

Methodology of assessment of the sustainability of the assets

Using a proprietary methodology, ISS ESG assessed the contribution of Nordea’s Green Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainable Bond Framework and the issuer’s specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 1 for methodology):



Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Residential green buildings	Significant contribution⁴	
	Limited contribution	

⁴ This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer’s product and service portfolio on the SDGs.

The insight on the project level in the scope of the current SPO allows to take into account more granular information on the project level, in particular with regard to EU Taxonomy Technical Annex (Delegated Act) for the activities related to Green Buildings. As the projects to be financed under the Use of Proceeds category “Residential Green Buildings” have been found to comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation by the projects is attested.

B. ALIGNMENT OF THE GREEN COVERED BOND ASSET PORTFOLIO WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Nordea’s project selection process and company policies for the Green Covered Bond asset portfolio, with the relevant Technical Screening Criteria (Climate Change Mitigation), Do Not Significant Harm Criteria and Minimum Social Safeguards requirements of the EU Taxonomy Delegated Act (June 2021), based on information provided by Nordea.

Nordea’s nominated project categories correspond to the following economic activities in the EU Taxonomy.

- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.7 Acquisition and ownership

The majority of Nordea’s Green Covered Bond asset portfolio corresponds to activity 7.7 Acquisition and ownership.

Note: In order to avoid repetition, the evaluation of the alignment of Nordea’s assets to the Do No Significant Harm Criteria (DNSH) to Climate Change Adaptation is given in Section B.1.

7.1 Construction of new buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>Constructions of new buildings for which:</p> <ol style="list-style-type: none"> 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are 	<p>Nordea follows case 1:</p> <ul style="list-style-type: none"> ▪ The primary energy demand, defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built 	

<p>in place during the construction process this is acceptable as an alternative to thermal integrity testing. f</p> <p>3. For buildings larger than 5000 m2, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>Energy Performance Certificate (EPC).</p>	
<p>2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Reducing material physical climate risks</p>	<p>See B.1</p>	<p>✓</p>
<p>3. WATER – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Use and protection of water and marine resources</p>	<p>No information available on residential households.</p>	<p>○</p>
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Transition to a circular economy</p>	<p>No information available on residential households.</p>	<p>○</p>
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Pollution prevention and control</p>	<p>No information available on residential households.</p>	<p>○</p>
<p>6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>		
<p>Protection and restoration of biodiversity and ecosystems</p>	<p>The construction of buildings is strictly regulated by local legislation and are therefore excluded from protected and natural areas.</p> <p>Both legislation and internal policies by the issuer ensure compliance with Environmental Impact Assessment regulations.</p>	<p>✓</p>
<p>CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN</p>		
<p>Nordea has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Covered Bond asset portfolio.</p>		

7.2 Renovation of existing buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
According to the EU Taxonomy, the building(s) has/have to fulfill the following criteria: 1. The building renovation complies with the applicable requirements for major renovations 2. Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%	Nordea confirms to using both criteria in their project selection process.	✓
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
Reducing material physical climate risks	See B.1	✓
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
Use and protection of water and marine resources	No information available on residential households.	○
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
Transition to a circular economy	No information available on residential households.	○
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		
Pollution prevention and control	No information available on residential households.	○
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Protection and restoration of biodiversity and ecosystems	Not applicable	–
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Nordea has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Covered Bond asset portfolio.		

7.7 Acquisition and ownership

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
1. CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>According to the EU Taxonomy, the building(s) has/have to fulfill the following criteria:</p> <p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	<p>Nordea confirms to using both criteria in their project selection process.</p>	<p style="text-align: center;">✓</p>
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>Reducing material physical climate risks</p>	<p>See B.1</p>	<p style="text-align: center;">✓</p>
3. WATER – DO NO SIGNIFICANT HARM CRITERIA		
<p>Use and protection of water and marine resources</p>	<p>Not applicable</p>	<p style="text-align: center;">–</p>
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA		
<p>Transition to a circular economy</p>	<p>Not applicable</p>	<p style="text-align: center;">–</p>
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA		

Pollution prevention and control	Not applicable	—
6. ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
Protection and restoration of biodiversity and ecosystems	Not applicable	—
CONTROVERSY ASSESSMENT AND MITIGATION ACTION PLAN		
Nordea has mitigation action plans in place in case of potential controversies that can ultimately lead to the removal of the assets from the Green Covered Bond asset portfolio.		

B.1 Generic Criteria for DNSH to Climate Change Adaptation

EU TAXONOMY TECHNICAL SCREENING CRITERIA	GREEN PROJECTS PERFORMANCE AND SELECTION PROCESSES	OWN ANALYSIS AGAINST REQUIREMENT
2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA		
<p>The physical climate risks that are material to the activity have been identified from those listed in the table in Section II of Appendix A of the delegated acts by performing a robust climate risk and vulnerability assessment with the following steps:</p> <p>(a) screening of the activity to identify which physical climate risks from the list in Section II of Appendix A of the delegated acts may affect the performance of the economic activity during its expected lifetime;</p> <p>(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of Appendix A of the delegated acts, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;</p> <p>(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.</p> <p>The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:</p>	<p>Climate risk assessment are done on a portfolio level for selected parts of the Nordic countries in order to identify climate and physical risks.</p> <p>Before financing new home's for household clients or hypothetically, if offering Taxonomy aligned renovation financing for household clients, this is embedded in the credit process to acquire required documentation, building permits from the borrowers. This ensures that authorities have deemed potential new constructions as ok from an environmental perspective, to the extent necessary. Nordea also has a real estate sector guideline in place:</p> <p>https://www.nordea.com/en/doc/nordea-sector-guideline-for-the-real-estate-industry.pdf</p>	

<p>(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;</p> <p>(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.</p> <p>The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.</p> <p>For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p>	<p>The Green Projects do not increase the risks of adverse climate impact on other stakeholders and align with national and international adaptation efforts.</p>	
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Minimum Social Safeguards

ISS ESG assessed the alignment of Nordea's due diligence and processes with the EU Taxonomy Minimum Social Safeguards. The results of this assessment are applicable for every project financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ISS ESG ANALYSIS AGAINST REQUIREMENTS
OECD Guidelines on Multinational Enterprises	Nordea have endorsed a number of international treaties that help guide them and live up to their overarching commitments. Nordea follows the United Nations' Universal Declaration of Human Rights, ILO conventions and the OECD Guidelines for Multinational Enterprises.	✓

<p>UN Guiding Principles on Business and Human Rights</p>	<p>Nordea have endorsed a number of international treaties that help guide them and live up to their overarching commitments. Nordea follows the United Nations’ Universal Declaration of Human Rights, ILO conventions and the OECD Guidelines for Multinational Enterprises.</p>	<p>✓</p>
<p>ILO Core Labour Conventions</p>	<p>Nordea have endorsed a number of international treaties that help guide them and live up to their overarching commitments. Nordea follows the United Nations’ Universal Declaration of Human Rights, ILO conventions and the OECD Guidelines for Multinational Enterprises.</p>	<p>✓</p>

DISCLAIMER

1. Validity of the SPO: This SPO is valid for Nordea's outstanding Green Covered Bond issuances and as long as the asset portfolio does not change, until the first to occur of (a) the release of ISS ESG' next annual verification of these issuances (expected in 2021) or (b) December 31, 2022.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: Methodology

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Nordea's Green Bonds contributes to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

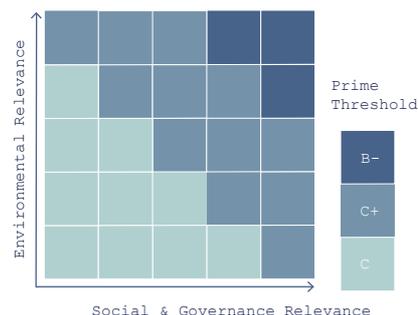
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Nordea commissioned ISS ESG to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (June 2021) and the EU Taxonomy Climate Delegated Act (June 2021) and to assess the sustainability credentials of its Green Covered Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- EU Taxonomy Climate Delegated Act (June 2021)

ISSUER'S RESPONSIBILITY

Nordea's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Bonds to be issued by Nordea based on ISS ESG methodology and in line with the ICMA Green Bond Principles (June 2021) and EU Taxonomy Climate Delegated Act (June 2021).

The engagement with Nordea took place in October 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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