



## EXTERNAL REVIEW

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### Sustainability Quality of the Issuer and Sustainability-Linked Loan Funding Framework

Nordea Bank Abp  
26 October 2023

## VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>▪ SLL Financing Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>▪ General market standards for Sustainable Finance</li><li>▪ Nordea Sustainability-Linked Loan Funding Framework (as of November 9, 2023)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>▪ Nordea Sustainability-Linked Loans pool (as of October 26, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>▪ Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>▪ Valid as long as the cited Framework and Sustainability-Linked Loans pool remain unchanged</li></ul>

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## SCOPE OF WORK

Nordea Bank Abp (“the Issuer” or “Nordea”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainability-Linked Loan (SLL) Funding Framework by assessing three core elements to determine the sustainability quality of the instruments:

1. Nordea’s SLL Funding Framework (as of November 9, 2023) – reviewed against market practices and guidelines<sup>1</sup> that enable capital and loan markets to contribute to environmental and social sustainability (see Annex 1).
2. Assessment of the sustainability credentials of the Sustainability-Linked Loans (SLLs) identified by Nordea as eligible against the Nordea SLL Funding Framework; and assessment of the sustainability credibility and materiality of the Key Performance Indicators (KPIs) selected and the ambitiousness of Sustainability Performance Target (SPTs) calibrated for the loans.
3. Assessment of the link of the transaction(s)<sup>2</sup> to Nordea’s overall Environmental, Social, and Governance (ESG) profile and strategy.

## NORDEA BUSINESS OVERVIEW

Nordea Bank Abp engages in the provision of banking and financial services (Commercial Banks & Capital Markets, according to the ISS ESG sector classification).

Nordea operates through the following segments: Personal Banking, Business Banking, Large Corporates and Institutions, and Asset and Wealth Management. The Personal Banking segment offers household customers financial services and solutions through internet and mobile banking, over the phone, online meetings, and branch offices. The Business Banking segment serves, advises, and partners with corporate customers, and provides payments, cash management, cards, working capital management, and finance solutions. The Large Corporates and Institution segment provides financial solutions to large Nordic and international corporate and institutional customers. The Asset and Wealth Management segment offers investment, savings, and risk management solutions for individuals and institutional investors. The Company was founded in 1820 and is headquartered in Helsinki, Finland.

<sup>1</sup> The assessment is based on current market practices for sustainable capital and loan markets referring to different market standards and voluntary guidelines including but not limited to the Loan Market Association’s (LMA)/ Loan Syndications and Trading Association (LSTA)/Asia Pacific Loan Market Association (APLMA) Green Loan Principles, Social Loan Principles, Sustainability-Linked Loan Principles.

<sup>2</sup> ‘Transactions’ refers to the Instruments to be issued by Nordea under the Framework evaluated in this External Review.

## ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>3</sup>
<p><b>Part 1:</b> <b>Assessment of Nordea's SLL Funding Framework against relevant market standards for Sustainable Finance</b></p>	<p><b>Nordea's SLL Funding Framework reflects markets practices. The eligible Sustainability-Linked Loans are not considered 'Green' UoP categories and Nordea does not have a specific process in place that seeks to track if the Use of Proceeds are allocated to 'Green' projects at the ultimate borrower level.</b></p> <p>Nordea's SLL Funding Framework aims at refinancing General Corporate Purpose (i.e. not Use of Proceeds) SLLs through bonds following a Use of Proceeds structure (i.e. all proceeds being allocated to refinancing drawn amounts of SLLs based on eligibility criteria). The SLL Funding Framework has therefore neither a Sustainability-Linked Bond structure nor a traditional Use of Proceeds structure on both framework and asset level. Concretely, Nordea does not claim alignment with the ICMA Sustainability-Linked Bond Principles or the ICMA Green and Social Bond Principles.</p> <p>Nordea has defined a formal concept for its SLL Bonds under its SLL Funding Framework. The framework defines a clear sustainability strategy for the group, eligible loans in line with market practices (i.e. Nordea defines clear eligibility criteria to select the SLL to be refinanced, each SLL must align with the SLLP), clear processes for the evaluation and selection of loans, management of proceeds, and reporting. The underlying assets financed are general purpose loans and therefore do not qualify as 'Green' UoP instruments (nor is the issuer making such claims). For the avoidance of doubt: the Issuer's selection and evaluation process does not track if the proceeds are allocated to 'Green' projects by the ultimate borrower.</p>
<p><b>Part 2:</b> <b>Assessment of the loans' and borrowers' sustainability quality on the basis of Nordea's eligibility criteria</b></p>	<p><b>The Sustainability-Linked Loans pool aligns with Nordea's eligibility criteria.</b></p> <p>Nordea has defined 3 sets of eligibility criteria for its SLLs:</p> <ul style="list-style-type: none"> <li>▪ <b><u>Alignment with the SLLP:</u></b> Each loan in the SLL pool is aligned with the LMA SLLP. However, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach proves the level of ambition of SLLs the these borrowers: <ul style="list-style-type: none"> <li>• NACE code C: Borrower 1, Borrower 2, and Borrower 7</li> <li>• NACE code G: Borrower 1</li> <li>• NACE code H: Borrower 4</li> </ul> </li> <li>▪ <b><u>Positive contribution to Climate Change Mitigation:</u></b> The KPIs considered in each of the SLLs included in the pool have a positive contribution to 'Climate Change Mitigation' as the relevant Impact Objective.</li> <li>▪ <b><u>KPIs are considered 'material' and SPTs 'ambitious':</u></b> The KPIs and SPTs considered in each of the SLLs are considered aligned with overall assessments of the SLLs ranging from Limited to Robust. A comprehensive</li> </ul>

<sup>3</sup> The evaluation is based on the Nordea's Sustainability-Linked Loan Funding Framework (November 9, 2023 version), on the Sustainability-Linked Loans pool as received on October 26, 2023, and on the ISS ESG Corporate Rating updated on October 3, 2022.

	assessment of the sustainability quality of the SLL pool defined under the Framework can be found in Part 2.	
<b>Part 3: Linking the transaction(s) to Nordea's ESG profile</b>	<p>The key sustainability objectives and the rationale for issuing the SLL Funding Framework are clearly described by the Issuer.</p> <p>At the date of publication of this report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<b>Consistent with the Issuer's sustainability strategy</b>

## FRAMEWORK EXTERNAL REVIEW ASSESSMENT

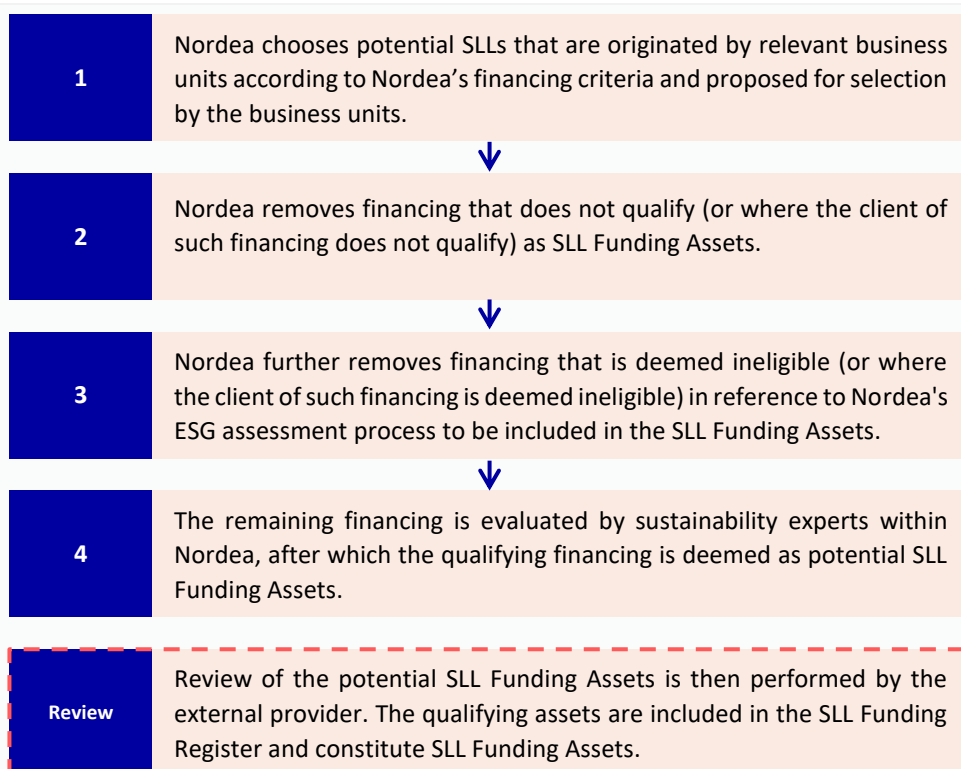
### PART I: REVIEW OF NORDEA'S SUSTAINABLE FINANCE FRAMEWORK

The SLL Funding Framework of Nordea aims at refinancing General Corporate Purpose SLLs following a Use of Proceeds structure (i.e. all proceeds being allocated to refinancing drawn amounts of SLLs based on eligibility criteria). The underlying assets financed are general purpose loans and therefore do not qualify as 'Green' UoP category (nor is the issuer making such claims), and the issuer's selection and evaluation process in place does not seek to track if the Use of Proceeds will be allocated to 'Green' Projects at the ultimate borrower level. As such this Framework is not specifically aligned with the ICMA Green and Social Bond Principles (nor is the issuer making such claims). For the avoidance of doubt, the assessment below is not a review against ICMA's Green and Social Bond Principles.

We developed a bespoke assessment methodology to provide an opinion on the robustness of the Framework based on broadly accepted market concepts, such as transparency standards in sustainable finance and relevance for climate change mitigation (e.g. SLL Funding the LMA/LSTA/APLMA Sustainability-Linked Loans Principles, the ICMA Green and Social Bond Principles).

CRITERIA	SUMMARY AND OPINION
<p><b>1. Sustainability Strategy and Objectives</b></p>	<p>Nordea has integrated sustainability into its Code of Conduct, emphasizing environmental &amp; social responsibility, and supports eco-friendly technologies and services and undertakes efforts to reduce their environmental impact. Nordea has set an ambitious target to reduce carbon emissions from their lending and investment portfolios by 40%-50% by 2030. The Issuer is a signatory of the Principles for Responsible Banking (PRB) and has joined the Net-Zero Banking Alliance. The SLL Funding Framework, developed in 2022, supports loans designed to incentivize companies to improve their sustainability performance. Eligibility criteria for loans are based on their contribution to defined impact objectives, such as climate change mitigation. In 2022, Nordea issued its first SLL Financing Instruments.</p> <p><b>Opinion:</b> <i>The sustainability commitments defined by Nordea are relevant to its sector and business model. The sustainability objectives that the SLL Funding Framework pursues are aligned with key market guidelines.</i></p>
<p><b>2. Definition of Eligibility Criteria for the Sustainability-Linked Loans Pool</b></p>	<ul style="list-style-type: none"> <li>▪ An amount equal to net proceeds of the SLL Funding issued by Nordea will be used, in whole or in part, to finance or refinance a pool of SLLs (SLL Funding Assets);</li> <li>▪ The SLL Funding Assets are evaluated and selected by Nordea.</li> <li>▪ The SLL Funding Assets are assessed by an external reviewer against the criteria and thresholds outlined in this Framework.</li> </ul> <p>The SLL Funding shall not be used for financing of nuclear or fossil fuel energy generation, or operations assessed by Nordea to be in linked to "Weapons and Defence", "Coal Mining" or "Tobacco". Additionally, loans will not be granted if deemed not eligible according to Nordea's corporate customer Environment, Social and Governance ("ESG") assessment process.</p>

	<p>To be eligible for inclusion in the pool of SLL Funding Assets, a loan must meet all of the below criteria. Only the portion of drawn amounts will be eligible for inclusion in the pool of eligible instruments, including term loans and revolving credit facilities.</p> <p>For the avoidance of doubt, SLLs might apply more than one set of KPIs and SPTs, but the selection criteria remain focused on the KPIs specifically associated with at least one of the criteria listed below.</p> <p><i>Criteria for inclusion:</i></p> <ul style="list-style-type: none"> <li>▪ Alignment with the edition of the Sustainability-Linked Loan Principles (LMA, APLMA, LSTA) that was last published when the facility was signed.</li> <li>▪ Positive contribution to the Climate Change Mitigation Impact Objectives highlighted in Table 1 of the Framework.</li> <li>▪ Materiality of KPIs and ambitiousness of SPTs validated by an external reviewer.</li> </ul> <p><b>Opinion:</b> <i>The eligibility criteria for SLL Funding Assets selection are aligned with the inclusion criteria defined by the Issuer. The criteria (alignment with SLLP, contribution to Climate Change Mitigation Impact Objective, material KPIs and ambitious SPTs) are clearly defined and consider positive impacts of the loans towards climate change mitigation. At Nordea, an ESG assessment is carried out during the credit approval process. The Sustainable Funding Committee (SFC) evaluates whether the SLL Funding Assets identified within the pool can be included in the SLL Funding Register. There is no process in place that seeks to track if the Use of Proceeds are allocated to Green projects by the ultimate borrower. The SLL Funding Framework defines exclusion criteria for borrowers, including Weapons and Defence, Coal Mining and Tobacco. Where feasible, the eligibility criteria could be further improved by only considering alignment with the most relevant principles version</i></p>
<p><b>3. Evaluation &amp; Selection Process</b></p>	<p>Nordea will complete the following process when selecting and evaluating financing that qualifies as SLL Funding Assets.</p>



The confirmation process is thereafter undertaken by the Sustainable Funding Committee (SFC) within Nordea in respect of the assessments made by other staff in relation to the SLL Funding Assets. The committee will also review the pool of SLL Funding Assets on a semi-annual basis. If an allocated SLL Funding Asset is non-compliant with the criteria set out above it will be removed from the SLL Funding Register. The portfolio will be managed on an aggregated basis. The Framework defines the responsibilities within the SFC which includes various stakeholders.

**Opinion:** *The process for Evaluation and Selection is transparently outlined. The bodies in charge of this process are identified and combine relevant expertise. The steps of the decision-making process are well documented.*

**4. Governance & Monitoring**

Nordea has established a register to track SLL Funding Assets and the allocation of net proceeds. The aim is to maintain an amount of assets in the register equal to the net proceeds of all outstanding SLL Funding. Unallocated proceeds will be managed according to Nordea's liquidity policy. While the tracking of proceeds is addressed, the monitoring of ESG performance and its relation to the loans at borrower’s level is not specified.

Nordea commits to review the composition and amount of the SLL Funding Assets quarterly. In addition, it will run annual compliance tests. SLL Funding Assets that fail to meet the stated SPTs or are not supported by the documentation required for the annual compliance test related to the designated KPIs that contribute to the Impact Objectives will be considered non-compliant. If an allocated SLL Funding Asset is non-compliant with the criteria set out above it will be removed from the SLL Funding Register. However, this will only apply to the identified KPIs. An SLL might fail to meet the stated SPTs for some or all of the other KPIs in the



	<p>given loan agreement but still be eligible for inclusion if it meets the SPTs associated with the SLL relevant KPIs.</p> <p><b>Opinion:</b> <i>The proceeds of the bond(s) will be appropriately tracked. The Issuer provides transparent information on the allocation period, intended temporary or permanent investment of unallocated proceeds. However, as the loans are for General Corporate Purposes (as opposed to Green projects) the Framework does not cover the monitoring of ESG performance of the companies in question and how the SLLs relate to this. Nordea describes its re/de-classification system transparently.</i></p>
<p><b>5. Reporting</b></p>	<p>Nordea will annually publish on its website an SLL Funding Report that provides:</p> <ul style="list-style-type: none"> <li>▪ the amount of net proceeds that have been allocated to the Impact Objectives and, when possible and relevant, further information related to the type, number, and location of the SLL Funding Assets</li> <li>▪ the remaining balance of net proceeds which have not yet been allocated to SLL Funding Assets</li> <li>▪ where appropriate and subject to confidentiality arrangements, examples of SLL Funding Assets that have been financed or refinanced by the net proceeds of SLL Funding</li> <li>▪ formation on the compliance of each of the SLL Funding Assets. If an allocated SLL Funding Asset is non-compliant with the criteria set out above it will be removed from the SLL Funding Asset Portfolio.</li> <li>▪ When feasible, Nordea aims to include reporting indicators on the performance of the respective underlying companies and KPIs, on an aggregated basis.</li> </ul> <p><b>Opinion:</b> <i>The Issuer has set a clear concept for reporting after issuance. The level, frequency, scope, and duration of the reporting are transparently defined in the framework. The Issuer will include information on the allocation of the proceeds to eligible loans, as well as some impact figures by reporting the performance of some underlying companies on the KPIs selected for their loans. In 2023, Nordea will provide the first report on its 2022 SLL Funding issuance. The compliance of the SLLs at the observation date will be the outcome indicator used</i></p>
<p><b>6. External Review</b></p>	<p>Nordea has engaged ISS Corporate Solutions to act as an external reviewer of this SLL Funding Framework and the SLL Funding Assets. The External Review report is publicly available on Nordea's website.</p> <p>Assets that have been reviewed by the external reviewer to be consistent with this SLL Funding Framework and the reviewer's own criteria, as evidenced by an "External Review" published on Nordea's website, will be included in the SLL Funding Asset Register.</p>

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**Opinion:** *Nordea has sought an external review of the SLL Funding Framework at its launch, in line with best market practices. The SLL Funding Framework will be publicly available here:*

<https://www.nordea.com/en/investors/debt-and-rating/sustainable-funding>.

*A new external review will be sought upon any subsequent update.*

## PART II: ELIGIBILITY OF THE SUSTAINABILITY-LINKED LOANS AND CONTRIBUTION TO THE IMPACT OBJECTIVES

### A. INTRODUCTION TO THE ASSESSMENT METHODOLOGY

To provide an opinion on the sustainability credibility of each of the three key criteria defined by Nordea in its SLL Funding Framework, and thus of the quality of the Sustainability-Linked Loans complying with those, we have followed the approach below:

- Each set of criteria is firstly assessed independently but for the overall evaluation, the three sets of criteria have been assessed jointly.
  - Be aligned with the vintage of the Sustainability Linked Loan Principles (LMA, APLMA, LSTA) corresponding to the year of signing of the facility
  - Have a positive contribution to at least one of the Impact Objectives highlighted in Table 1 of the Framework (Climate Change Mitigation)
  - Have KPIs that are considered ‘material’ and SPTs that are ‘ambitious’ as assessed by an external reviewer
- In order to be deemed eligible, a lending product needs to fulfil all of those three key criteria.
- Please note that for the SPT assessment conducted by the analyst, Nordea Bank Abp has clearly defined each SPT associated with each SLL. However, for confidentiality reasons, the associated borrowers’ names, KPI’s and SPTs assessed in this section will not be disclosed in the External Review.

#### 1. Assessment methodology for the “material KPI and ambitious SPT” criteria

Building on our methodology to assess SLLs KPI selection, the KPI quality assessment is divided into 4 factors:

- Relevant
- Core
- Material
- Benchmarkable

Based on these 4 factors, the KPI materiality assessment is classified on a 4-level scale:

KPI materiality	
4 factors	Robust
2-3 factors	Good
1 factor	Limited
0 factor	Absence

The 4 different level can be broken down as such:

- **Robust**, in case the KPI is relevant, core, material and benchmarkable.

- **Good**, in case the KPI is
  - relevant, moderately core, material and/or presents limitations to its ability to be benchmarked
  - relevant, core, moderately/partially material and/or presents limitations to its ability to be benchmarked
  - relevant, moderately core, moderately/partially material and benchmarkable
  - relevant, core, material and presents limitations to its ability to be benchmarked
- **Limited**, in case the KPI is relevant, moderately core, moderately/partially material and presents limitations to its ability to be benchmarked
- **Absence**, in case one (or more) of the relevant, core, and material dimensions is (are) not fulfilled, or if the KPI is not benchmarkable.

For the LMA Sustainability-Linked Loans alignment, the KPI quality criterion should address the 4 criteria above.

Building on our methodology to assess sustainability-linked loan SPT calibration, the SPT calibration assessment has been divided into 3 dimension:

- Ambition against past performance
- Ambition against sectorial peers
- Ambition against international targets

Based on these 3 factors, the SPT ambition assessment is classified on a 4-level scale:

SPT ambition	
3 dimension	Robust
2 dimension	Good
1 dimension	Limited
0 dimension	Absence

For the LMA Sustainability-Linked Loans alignment, the SPT ambition criterion should address at least one of the 3 factors. Based on the above, the two dimensions of the evaluation, the KPI materiality assessment, and the SPT ambition assessment, are combined as per the table below:

<b>KPI materiality</b>	4 factors - Robust	Absence	Good	Robust	Robust
	2/3 factors - Good	Absence	Limited	Good	Good
	1 factor - Limited	Absence	Limited	Limited	Limited
	0 factor - Absence	Absence	Absence	Absence	Absence
	0 dimension - Absence	1 dimension - Limited	2 dimensions - Good	3 dimensions - Robust	
	<b>SPT ambition</b>				

**2. Assessment methodology of the “Impact Objective contribution” criteria.**

In each SLLs evaluation, the KPI contribution of each loan to the Climate Change Mitigation Impact objective has been assessed.

**3. Assessment methodology for the alignment with Sustainability-Linked Loan Principles criteria**

Sustainability-Linked Loans included in the pool is benchmarked against the LMA/APLMA/LSTA Sustainability-Linked Loan Principles. We assess if the Issuer has defined a formal concept for its SLLs regarding the selection of the KPI, calibration of the SPT, financial characteristics, reporting, and verification.

Although this is not an eligibility criterion, a synthetic overall risk assessment opinion is disclosed in the summary of SLLs Assessment and SLL Pool Eligibility table.

**B. SUMMARY OF SLLs ASSESSMENT AND SLL POOL ELIGIBILITY**

**NACE Code: C – Manufacturing**

SLLs	Borrower 1 <sup>4</sup>	Borrower 2 <sup>5</sup>	Borrower 3 <sup>6</sup>	
KPIs	Good	Robust	KPI 1	KPI 2
			Robust	Robust
SPTs	Limited	Limited	SPT 1	SPT 2
			Robust	Robust
Overall Assessment (KPI and SPT)	Limited	Good	Robust	Robust
Alignment with LMA SLLP	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available.	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available.	Aligned	
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	
Overall evaluation	The SLL meets the eligibility criteria. However, ISS ESG notes that the SPT calibration is limited.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria.	

<sup>4</sup> The assessment of this loan was carried out as part of the External Review dated June 28, 2022 (<https://www.isscorporatesolutions.com/file/documents/spo/External%20Review-20220629-Nordea.pdf>) and has since left unchanged.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

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<b>Loan contribution to Impact Objectives</b>	Climate Change Mitigation
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Sustainability Quality of the Issuer  
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SLLs	Borrower 4	Borrower 5	Borrower 6		Borrower 7	
KPIs	Good	Good	KPI 1	KPI 2	KPI 1	KPI 2
			Good	Limited	Good	Good
SPTs	Good	Good	SPT 1	SPT 2	SPT 1	SPT 2
			Robust	Good	Limited	Limited
Overall Assessment (KPI and SPT)	Good	Good	Good	Limited	Limited	Limited
Alignment with LMA SLLP	Aligned	Aligned	Aligned		Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available.	
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.		The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	
Overall evaluation	The SLL meets the eligibility criteria.	The SLL meets the eligibility criteria.	The SLL meets the eligibility criteria.		The SLL meets the eligibility criteria.	
Loan contribution to Impact Objectives	Climate Change Mitigation					



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Sustainability Quality of the Issuer  
and Sustainability-Linked Loan Funding Framework

SLLs	Borrower 8	Borrower 9	Borrower 10	Borrower 11 <sup>7</sup>
KPIs	Good	Good	Good	Good
SPTs	Good	Robust	Robust	Robust
Overall Assessment (KPI and SPT)	Good	Good	Good	Good
Alignment with LMA SLLP	Aligned	Aligned	Aligned	Aligned
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered Medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered Poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered Medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered Poor based upon ISS ESG assessment.
Overall evaluation	The SLL meets the eligibility criteria.	The SLL meets the eligibility criteria.	The SLL meets the eligibility criteria.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.
Loan contribution to Impact Objectives	Climate Change Mitigation			

<sup>7</sup> Please note that this borrower's loan facility also includes a KPI that has a contribution to the Climate Change mitigation Impact Objective but has not been included in this review since the SPT is not ambitious and therefore not aligned with the LMA principles

**NACE Code: D - Electricity, Gas, Steam and Air Conditioning Supply**

<b>SLLs</b>	<b>Borrower 1</b>
<b>KPIs</b>	Good
<b>SPTs</b>	Good
<b>Overall Assessment (KPI and SPT)</b>	Good
<b>Alignment with LMA SLLP</b>	Aligned
<b>Risk</b>	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.
<b>Overall evaluation</b>	The SLL meets the eligibility criteria.
<b>Loan contribution to Impact Objectives</b>	Climate Change Mitigation

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NACE Code: G - Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles

SLLs	Borrower 1 <sup>8</sup>	
KPIs	KPI 1	KPI 2
	Robust	Robust
SPTs	SPT 1	SPT 2
	Limited	Limited
Overall Assessment (KPI and SPT)	Good	Good
Alignment with LMA SLLP	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available	
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	
Overall evaluation	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	
Loan contribution to Impact Objectives	Climate Change Mitigation	

<sup>8</sup> Ibid.

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### NACE Code: H Transportation and Storage

SLLs	Borrower 1 <sup>9</sup>	Borrower 2	Borrower 3	Borrower 4	Borrower 5
KPIs	Robust	Good	Good	Good	Good
SPTs	Good	Good	Good	Limited	Good
Overall Assessment (KPI and SPT)	Robust	Good	Good	Limited	Good
Alignment with LMA SLLP	Aligned	Aligned	Aligned	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available	Aligned
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.
Overall evaluation	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria.
Loan contribution to Impact Objectives	Climate Change Mitigation				

<sup>9</sup> Ibid.



## PART III: LINKING THE TRANSACTION(S) TO NORDEA'S ESG PROFILE

### A. CONSISTENCY OF SLL FUNDING FRAMEWORK 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, governance, and culture. Each of the four areas is linked to targets for 2023-2025. 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 2023-2025 targets include the following:

- Risk management framework for ESG risks in place by the end of 2023.
- Risk assessments in place for the sectors and customers most vulnerable to climate risk by the end of 2023.
- Ensure that 90% of exposure to larger corporate customers in climate-vulnerable sectors is covered by transition plans by the end of 2025.
- By 2025 ensure that 80% of the top200 finance emissions contributors in Nordea Asset Management portfolios are either aligned with the Paris Agreement or subject to active engagement to become aligned.
- Double the share of net-zero-committed AuM by 2025
- Reduce the carbon footprint from Nordea Life & Pension's listed equity, corporate bond, and real estate portfolio by at least 25% by the end of 2024.
- All asset managers managing assets on behalf of Nordea Life & Pension must commit, no later than 2024, to transitioning their assets under management to net zero by 2050.
- Facilitate more than EUR 200bn in sustainable financing by the end of 2025
- Grow gross inflows from Sustainable Choice universe to account for 33% of total fund gross inflows by the end of 2025.

- 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.

Nordea aims to achieving net zero GHG emissions by 2050 including i) financed emissions: GHG emissions from loans and investments attributable to Nordea); (ii) assets under management: GHG emissions associated with the Bank's discretionarily managed assets); and (iii) operational value chain GHG emissions from the upstream and downstream activities associated with the Bank's operations. It has also committed to deliver shorter-term targets for the most carbon intensive portions of the investment portfolio. Including a total carbon reduction from internal operations of 30% compared with 2019 by the end of 2023.

Nordea has designed short-term financial goals to achieve its targets of carbon emissions across lending and investment portfolios. Nordea will aim to facilitate more than EUR 200bn in sustainable financing by 2025 and to double the share of net-zero-committed AuM by 2025.

Nordea is a signatory to the Principles for Responsible Banking (PRB) and has joined the Net-Zero Banking Alliance, initiatives supported by the UNEP FI. Nordea has been reporting on its ESG performance since 2002 according to the GRI Standard.

Nordea's has a diversity targeted recruitment/retention programmes. Due to this Nordea has achieved gender balance among its board of directors, whilst it is striving to have at least 40% representation at the top three leadership levels combined by 2025.

Nordea has set both short and long-term targets for reducing emissions. Nordea aims to reduce carbon emissions from their internal operations by more than 50% compared with 2019 and to achieve a net positive carbon contribution, through offsetting. To reach its 2030 ambitions, Nordea has offset its emissions and supported renewable energy generation through the purchasing of carbon credits. For its supply chain, Nordea is engaging with its suppliers, to ensure that at least 70% of them are aligned with the Paris Agreement or will be subject to engagement to become aligned by 2023. Nordea aims to have completed its engagement with such suppliers by 2023.

To guide the Company's net zero transition, Nordea's Board Operations and Sustainability Committee (BOSC) assists the Group Board in fulfilling its oversight responsibilities concerning sustainability. Moreover, in 2021 a Group Accountable Executive for ESG-related risks and a group wide executive level committee, the Sustainability and Ethics Committee (SEC) was appointed. The SEC consists of representatives from the business areas and Group functions, including Group Risk, Group Credit Management and Group Finance, and supports the Group CEO, the GLT, the BOSC and the Group Board in their oversight responsibilities concerning sustainability.

In line with its environmental commitments, as of the end of 2022, Nordea's raised USD 2.75 billion in green bonds. The Green Bond Principles that will be targeted are renewable energy, energy efficiency, green buildings, pollution prevention and control, clean transportation and sustainable management of living and natural resources. Additionally, in September 2022, Nordea issued its first SLL Financing Instruments.

### *Rationale for issuance*

Nordea is committed to use its capital markets platform to arrange financing, loans, and bonds, for its customers for purposes that generate positive environmental benefits. Nordea believes that SLL

Funding financing offers a way to create transparency around funds targeted to certain SLL-related objectives, such as climate change mitigation and other environmentally beneficial uses.

With this SLL Funding Framework (“Framework”) Nordea looks to advance the market for sustainable finance by providing an opportunity for investors to support companies that have set material and ambitious sustainability goals. An amount equal to the net proceed issued under this Framework will be earmarked specifically for sustainability-linked loans, as defined by the Sustainability Linked Loan Principles as published by the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and Loan Syndications and Trading Association (“LSTA”), that are considered to meet certain criteria around materiality and ambitiousness and with a positive contribution on at least one of the Impact Objectives defined in this Framework further below (“SLL Funding”).

This Framework builds on the successful development of the ‘use-of-proceeds’ bond market, such as green bonds, whilst also recognizing the considerable developments seen in the ‘sustainability-linked’ loan market. As such, this Framework is inspired by the 2021 Green Bond Principles (ICMA) and the 2023 Sustainability Linked Loan Principles (LMA, APLMA, LSTA) although not claiming direct alignment with either of them.

**Opinion:** *The key sustainability objectives and the rationale for financing SLLs are clearly described by the Issuer*

## B. NORDEA'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Sustainability impacts of lending and other financial services/products
Customer and product responsibility
Sustainable investment criteria
Labour standards and working conditions
Business ethics

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

### *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 the company's production 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*

#### At Issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Issuer would be involved has been identified.

#### At industry level



Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Commercial Banks & Capital Markets industry are as follows: Failure to mitigate climate change impacts, Failure to prevent money laundering, Anti-competitive behaviour, and Failure to pay fair share of taxes.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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## ANNEX 1: ISS ESG Corporate Rating Methodology

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

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 2: Quality management processes

### SCOPE

Nordea commissioned ICS to compile a SLL Funding Framework SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Loan Funding Framework aligns with the general market standards for Sustainable Finance and to assess the sustainability credentials of its Sustainability-Linked Loans' pool, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this External Review stem from key principles for transparency and non-contamination of sustainable labelled products, including:

- Loan Market Association's (LMA), Sustainability Linked Loan Principles

### ISSUER'S RESPONSIBILITY

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

- Framework
- Sustainability-Linked Loans pool
- 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.

This independent External Review of the SLL Funding Framework to be issued by Nordea has been conducted based on a proprietary methodology.

The engagement with Nordea took place in April to October 2023.

### ISS' 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 behavior 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 this 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.

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/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific SLL Funding Framework SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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