



# **Green bond report 2020**

**Nordea**



# Executive summary

The year 2020 was extraordinary in many ways, mainly due to the outbreak of the COVID-19 pandemic, which posed significant challenges to individuals, businesses and societies. The green finance market – and the sustainable finance market in general – managed to perform relatively well despite the pandemic-related slowdown during the spring. While the pandemic continued to impact the world in 2021, the market for sustainable finance continued its positive development.

In the three years since we established our Green Bond Asset Portfolio and issued our inaugural green bond, the portfolio has experienced steady growth. Its volume has more than trebled, from EUR 807m in June 2017 to EUR 2.85bn at the end of the third quarter of 2020. The growth was driven by increased market demand for green loans and an increased focus on green lending within Nordea.

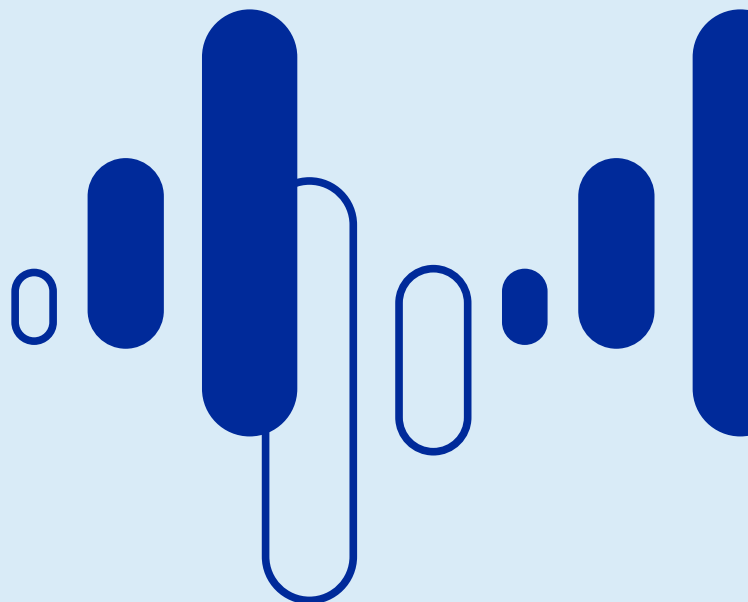
We did not issue any new green bonds in 2020. However, we carried out internal development work. This included increasing our focus on green lending and closely monitoring European Union (EU) Taxonomy developments and assessing the implications for our green bond operations.

During 2020 we updated our Green Bond Framework with regard to Green Asset categories and specific criteria, as seen relevant. As part of this work, we commissioned ISS ESG to carry out the annual external verification of our Green Bond Framework, selection process and Green Bond Asset Portfolio in the third quarter.

In 2020 our reporting changed from a bond-level allocation of proceeds to a portfolio-level allocation of proceeds. The change is reflected in this report, where the Green Bond Asset category shares and impact are presented at the portfolio level. The impact is also presented per million euro invested in one of our outstanding bonds, enabling our bond investors to easily understand the impact of their investments.

In early 2021 we published new, ambitious climate targets. We set high expectations for 2021 and continued our internal development work on several fronts. For more information, see page 5 of this report.

In June 2021 the EU adopted the final Taxonomy delegated acts, including the technical screening criteria. We are now analysing the potential effects on our current green bond setup.

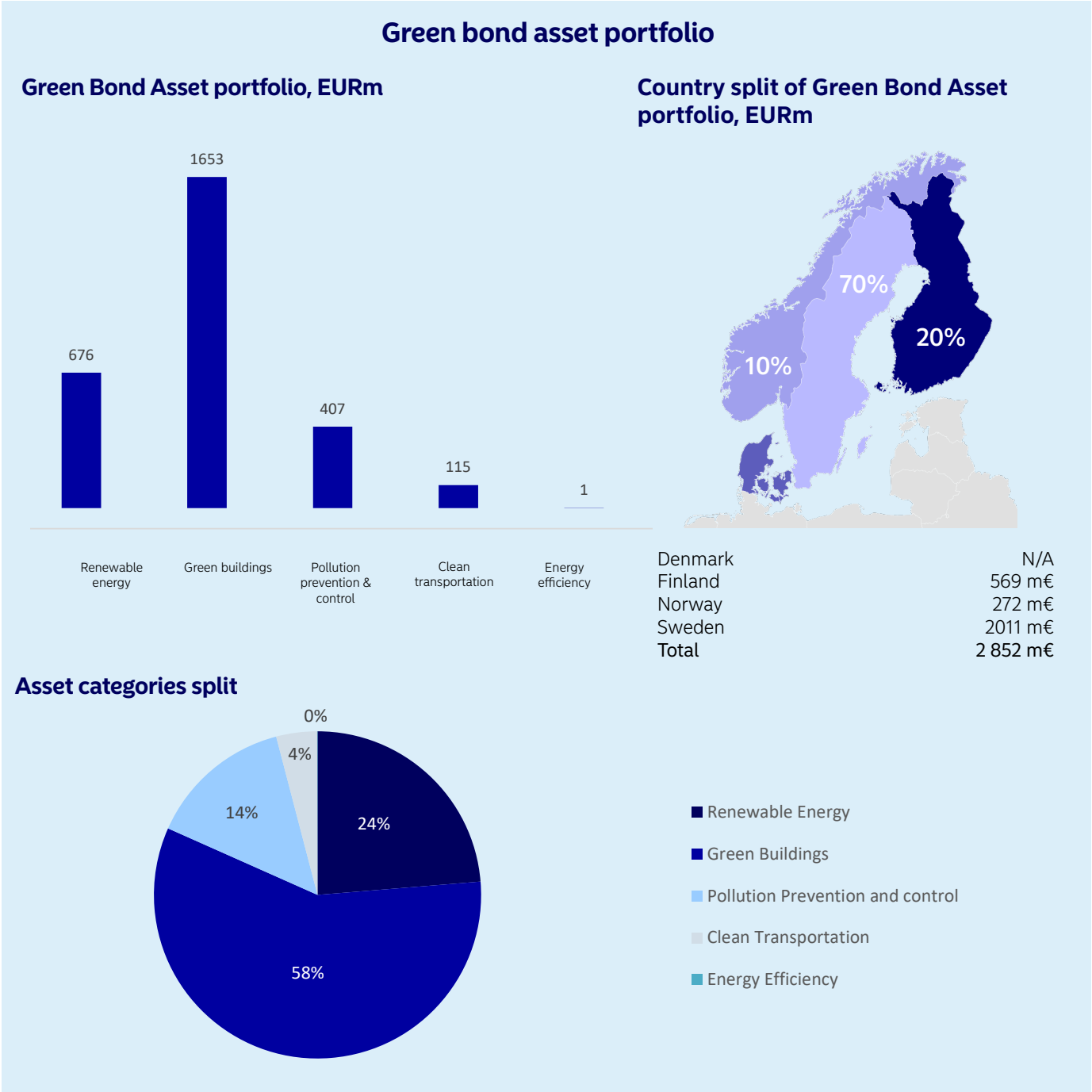


This report covers Nordea Bank Abp's bonds and reflects the latest externally verified Green Bond Asset portfolio figures and calculations, which were the basis for the impact calculations. Nordea Kredit's impact is presented in the appendix.

# Table of contents

Executive summary	2
Summary: Impact, allocated proceeds	4
Sustainability at Nordea	5
Development of the Green Bond Asset portfolio	6
Impact of Green Asset Portfolio	8
Outstanding green bonds	9
Nordea Green Bond Framework	10
Nordea process for Project Evaluation and Selection	11
Methodology notes	12
Contacts	13
 <b>Appendix</b>	
Nordea Kredit Green bond allocation and impact 2020	14

# Summary: impact of allocated proceeds



# Sustainability at Nordea

## Nordea sets target to become a net-zero emissions bank by 2050

In the beginning of 2021 we updated our plan to fully integrate sustainability into our business strategy with a long-term objective to become a net-zero emissions bank by 2050 at the latest.

As a leading Nordic universal bank, we play a vital role in encouraging and inspiring the transition to a climate-neutral economy. We achieve a major impact through our lending and investment activities in particular. Sustainability is embedded across our business strategy and backed by measurable targets, strong governance and one of the broadest sustainability-linked customer offerings in the market.

Our ambition is to become a net-zero emissions bank by 2050 at the latest. To reach this goal, we have set an objective to reduce carbon emissions from our lending and investment portfolios by 40–50% by 2030. We will also reduce our internal carbon emissions by at least 50% and achieve a net-positive carbon contribution by 2030. The baseline measurement for the objectives is 2019.

We have committed to aligning our business strategy with the United Nations' Sustainable Development Goals and the Paris Climate Agreement, and are equally committed to supporting our customers in reaching these goals.

### Long-term objectives and mid-term 2023 targets



Financial strength

Climate action

Social responsibility

Governance &amp; culture

2023 targets and annual actions plans for all pillars

\*with baseline year 2019

# Development of the Green Bond Asset portfolio

## A year of internal development work

We did not issue any new green bonds in 2020. However, we carried out internal development work. This included increasing our focus on green lending and closely monitoring European Union (EU) Taxonomy developments and assessing the implications for our green bond operations.

During 2020 we updated our Green Bond Framework with regard to Green Asset Categories and specific criteria, as relevant. As part of this work, we commissioned ISS ESG to carry out the annual external verification of our Green Bond Framework, selection process and Green Bond Asset Portfolio in the third quarter.

The increased focus on green lending enabled us to grow our Green Bond Asset Portfolio to around EUR 2.85bn by the end of the third quarter of 2020.

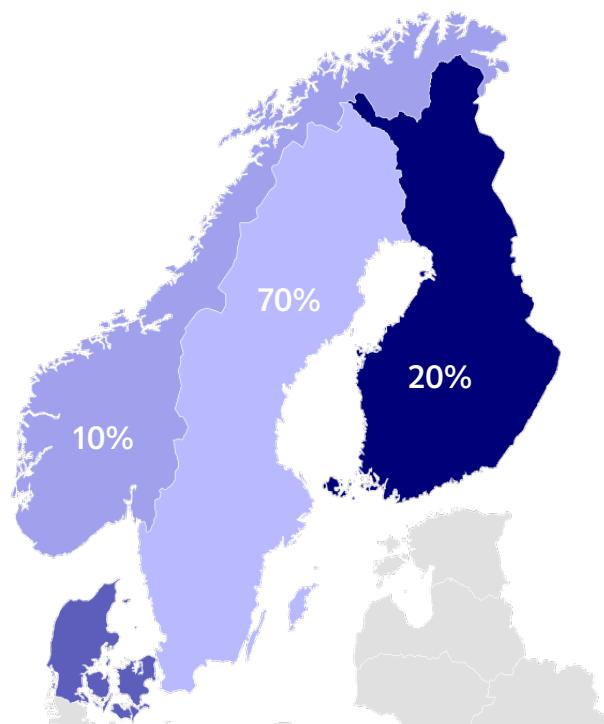
**During 2020 our  
Green Asset Portfolio  
increased by**

# 11%

In 2020 our reporting changed from a bond-level allocation of proceeds to a portfolio-level allocation of proceeds. The change is reflected in this report, where the green bond asset category shares and impact are presented at the portfolio level. The impact is also presented per million euro invested in one of our outstanding bonds, enabling our bond investors to easily understand the impact of their investments.

In June 2021 the EU adopted the final Taxonomy delegated acts, including the technical screening criteria. We are now analysing the potential effects on our current green bond setup.

This report reflects the latest externally verified figures, which were the basis for the impact calculations.\*



### Country split of Green Bond Asset Portfolio

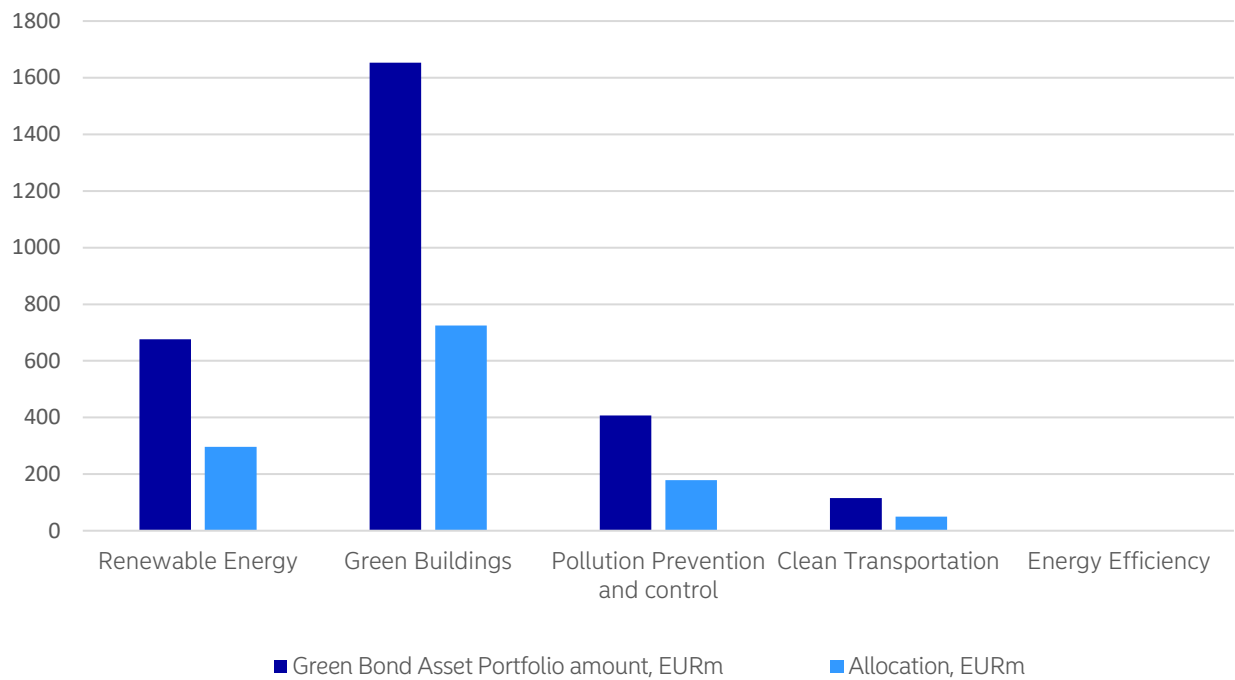
Denmark	N/A
Finland	569 m€
Norway	272 m€
Sweden	2011 m€
Total	2 852 m€

### Eligible Green Bond Asset categories

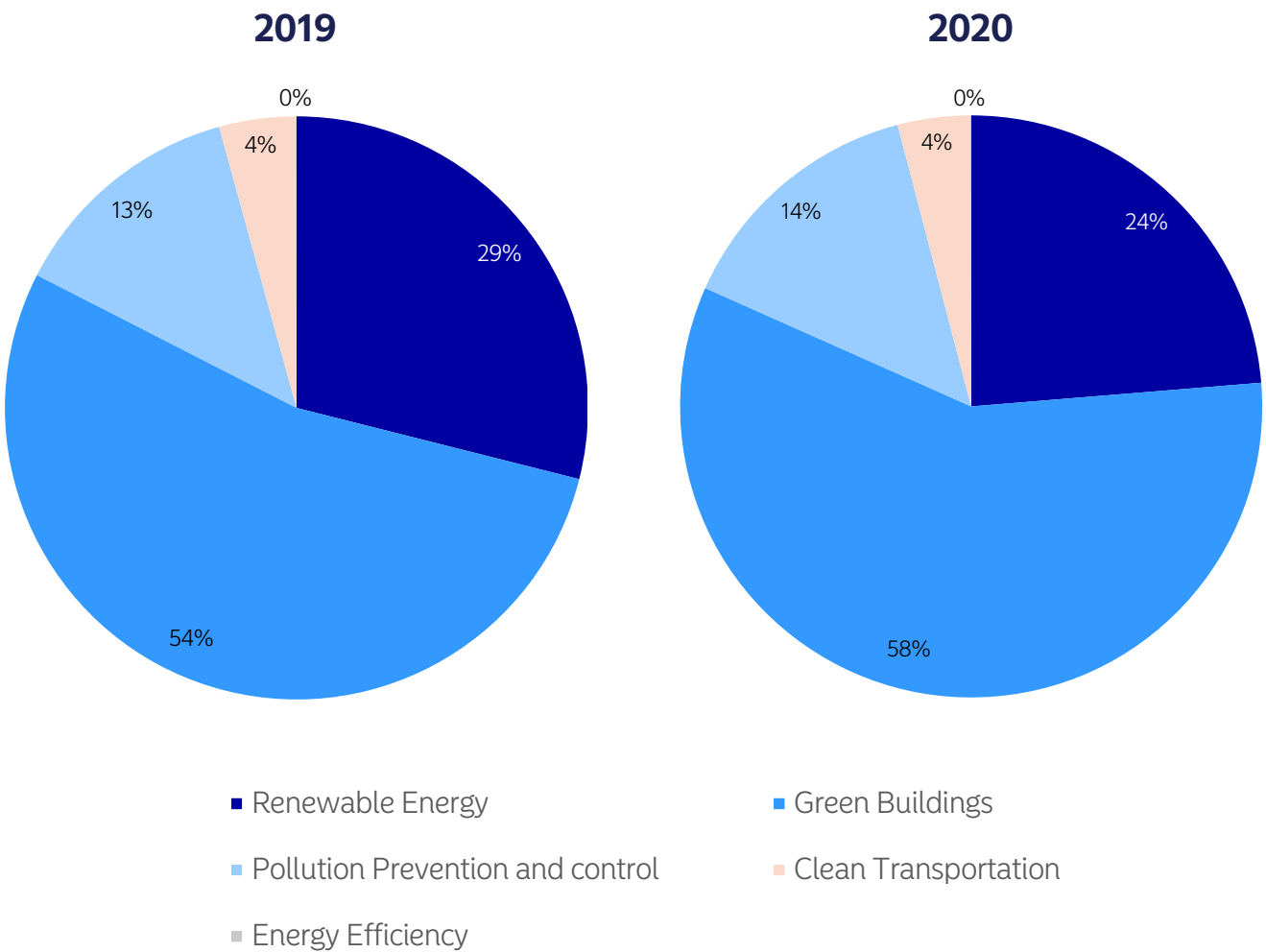
- Renewable energy
- Energy efficiency
- Green buildings
- Pollution prevention and control
- Clean transportation
- Sustainable management of living natural resources

\*The figures in this report cover Nordea Bank Abp's bonds. Nordea Kredit's impact is presented in the appendix.

## Green Bond Asset portfolio amount and allocation of proceeds

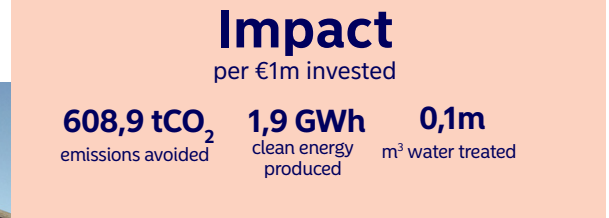


## Green Bond Asset portfolio development



# Impact of Green Asset Bond portfolio

## Impact, total portfolio



Category	Sub-category	Green Bond Asset portfolio amount, EURm	Annual emissions avoided, tCO <sub>2</sub> e	Annual energy production, GWh	Annual energy savings, MWh/people transported	Annual water withdrawn or treated, m <sup>3</sup>	SDGs
<b>Clean transportation</b>	Electric cars	38			822 301		
	Electric ferries	2			482 681		
	Electric trains	75			6 414 291		
	<b>Subtotal</b>	<b>115</b>			<b>7 719 273</b>		<b>11</b>
<b>Energy efficiency</b>	Energy efficiency	1	40	0			
	<b>Subtotal</b>	<b>1</b>	<b>40</b>	<b>0</b>			<b>7, 8, 9</b>
<b>Green buildings</b>	Green buildings	1 653	3 001		9 528		
	<b>Subtotal</b>	<b>1 653</b>	<b>3 001</b>		<b>9 528</b>		<b>11</b>
<b>Renewable energy</b>	Hydro	243	444 686	1 412			
	Solar	49	254 440	808			
	Wind	384	748 140	2 375			
	<b>Subtotal</b>	<b>676</b>	<b>1 447 266</b>	<b>4 594</b>			<b>3, 7-9, 11-13</b>
<b>Pollution prevention and control</b>	Waste to energy	303	286 326	733			
	Water and Waste water treatment	103				224	
	<b>Subtotal</b>	<b>407</b>	<b>286 326</b>	<b>733</b>		<b>224</b>	<b>3, 11-12</b>
<b>Grand total</b>		<b>2 852</b>	<b>1 736 634</b>	<b>5 328</b>	<b>9528 / 7 719 272</b>	<b>224</b>	



# Outstanding green bonds

## 1<sup>st</sup> green bond

<b>Bond</b>	Nordea inaugural green bond EUR 500m, senior unsecured, 5 year
<b>Issuer</b>	Nordea Bank AB (publ)
<b>Type</b>	Direct, unsecured and unsubordinated
<b>Rating</b>	Standard & Poor's: AA-; Moody's: Aa3; Fitch: AA-
<b>Nominal amount</b>	EUR 500m
<b>Issue date</b>	30 June 2017
<b>Maturity date</b>	30 June 2022
<b>Listing</b>	Luxembourg Stock Exchange, under the category Luxembourg Green Exchange Platform (LGX)
<b>ISIN</b>	XS1640493372

## 2<sup>nd</sup> green bond

<b>Bond</b>	Nordea green bond EUR 750m, senior preferred, 7 year
<b>Issuer</b>	Nordea Bank Abp
<b>Type</b>	Senior preferred
<b>Rating</b>	Standard & Poor's: AA-; Moody's: Aa3; Fitch: AA-
<b>Nominal amount</b>	EUR 750m
<b>Issue date</b>	28 May 2019
<b>Maturity date</b>	28 May 2026
<b>Listing</b>	Luxembourg Stock Exchange, under the category Luxembourg Green Exchange Platform (LGX)
<b>ISIN</b>	XS2003499386

# Nordea Green Bond Framework

## Eligible activities

GBP category	Project types
<b>Renewable Energy</b>	<p>"Renewable Energy" means generation and transmission of energy from renewable sources and manufacturing of the related equipment for:</p> <ul style="list-style-type: none"> <li>• wind power</li> <li>• solar power</li> <li>• hydro power: <ul style="list-style-type: none"> <li>- small scale plants, run of river plants or refurbishments of existing larger hydro power plants in the Nordic countries without any increase in the size of its impoundment facility</li> </ul> </li> <li>• integrating renewable energy sources into the transmission network</li> </ul>
<b>Energy Efficiency</b>	<p>"Energy Efficiency" means infrastructure, equipment, technology and processes related to smart grids, energy storage and district heating including:</p> <ul style="list-style-type: none"> <li>• Automation and intelligence in the power transmission network, distribution and related systems</li> </ul>
<b>Green Buildings</b>	<p>"Green Buildings" means; Commercial or residential buildings with at least any of the following certifications:</p> <ul style="list-style-type: none"> <li>• the LEED "gold" certification</li> <li>• the BREEAM "very good" certification</li> <li>• the Miljöbyggnad "Silver" certification (Sweden)</li> <li>• Nordic Swan Ecolabel</li> <li>• the RTS "2 stars" certification, or</li> <li>• Renovations and refurbishments of commercial or residential buildings leading to reduced, or existing buildings having an annual energy use on a m<sup>2</sup> basis that is at least 25% lower than the applicable national regulations in the relevant Nordic country, or that lead to an annual reduction of energy use on a m<sup>2</sup> basis of at least 25 %.</li> </ul>
<b>Pollution Prevention and Control</b>	<p>"Pollution Prevention and Control" means projects or activities and any related infrastructure, equipment, technology and processes towards</p> <ul style="list-style-type: none"> <li>• water and waste water management</li> <li>• waste-to-energy</li> </ul>
<b>Clean Transportation</b>	<p>"Clean Transportation" means projects or activities and related equipment, technology and processes towards clean transportation infrastructure, including expansion and improvements of train and metro networks, stations and rolling stock for passenger or freight transportation, such as:</p> <ul style="list-style-type: none"> <li>• electric vehicles, e.g. trains, busses, cars and ferries</li> </ul>
<b>Sustainable Management of Living Natural Resources</b>	<p>"Sustainable Management of Living Natural Resources" means Projects or activities related to sustainable forestry or agriculture in the Nordic countries, including acquisition, maintenance and management of:</p> <ul style="list-style-type: none"> <li>• forests certified by Forest Stewardship Council ("FSC") or Programme for the Endorsement of Forest Certification ("PEFC") (Sweden)</li> <li>• sustainable agriculture in the Nordic countries comprised of: <ul style="list-style-type: none"> <li>- organic farming as certified in compliance with the EU and national regulation</li> </ul> </li> </ul>

# Nordea process for Project Evaluation and Selection

Nordea completes the following process when selecting and evaluating financing within the Green Bond Asset Categories that qualify as assets to be included in the Green Bond Asset Portfolio, and specifically, the Green Bond Assets in relation to Green Bond issuances.

After the selection process a confirmation process is thereafter undertaken by a Green Bond Committee within Nordea in respect of the assessments made by other staff in relation to the Green Bond Asset Categories. The Green Bond Committee will also review the Green Bond Asset Portfolio and confirm the allocation to Green Bond Assets of the proceeds of Green Bond issuances on a semi-annual basis. The 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.

## The selection process

1. Nordea chooses potential Green Assets from each financing that is originated by relevant business units according to Nordea's financing criteria and proposed for selection by the business units.
2. Nordea removes financing that does not qualify (or where the client of such financing does not qualify) as Green Bond Assets.
3. Nordea further removes financing that is deemed ineligible (or where the client of such financing is deemed ineligible) in reference to Nordea's ESG assessment process to be included in the Green Bond Assets.
4. The remaining financing is evaluated by sustainability experts within Nordea, after which the qualifying financing is deemed as potential Green Bond Assets.
5. Verification of the potential Green Bond Assets is then performed by the external second party opinion provider (i.e. the external verifier). The qualifying assets are included in the Green Bond Register and constitute the Green Bond Asset Portfolio.



## Methodology notes

We report the estimated impact of the assets financed by our green bonds at an aggregate level per category. The 2020 calculations cover the period from 1 January to 31 December (inclusive). To the extent possible, the reporting is based on real data reported by the project teams, companies or other organisations. Where real data is not available, estimates of the relevant asset type and location are used.

Estimates are based on the average of similar assets (in terms of size and location) within the Green Bond Asset Portfolio. The avoided CO<sub>2</sub> emissions and other impacts are reported in accordance with Nordea's debt financing share. It is assumed that new energy capacity crowds out fossil fuel-based generation. Hence, wind, solar and hydropower are assumed to crowd out CO<sub>2</sub> emissions in line with the defined emission factor.

We have opted to use the emission factor of 315g CO<sub>2</sub>/kWh presented in the Nordic Public Sector Issuers (NPSI) Position Paper on Green Bonds Impact Reporting<sup>2</sup>. The position paper and emission factor was updated in 2020, hence leading to less avoided emissions per kWh. This baseline represents a European mainland mix, including Norway. The emission factor is calculated as a combined margin in line with the International Financial Institution harmonised frame-

work methodology, comprising a build margin and an operating margin. The same combination of build margin (50%) and operating margin (50%) is used for all energy projects. We will continue updating this baseline in accordance with any updates to the NPSI Position Paper or other relevant guidelines.

For Green Buildings, we use national building standards as a baseline for measuring impacts. As the NPSI Position Paper suggests, we disclose the energy savings from green buildings as a net value in relation to national building requirements. We have both commercial and residential buildings in the Green Bond Asset Portfolio, and respective national building requirements are used based on the building year. For buildings where we are not able to obtain actual energy consumption figures, we estimate the energy savings based on the building certificate requirements, national building requirements, the building year and the floor area.

It should be noted that, in general, when we have to estimate annual energy output instead of using actual generation figures, the results are less accurate and provide an order of magnitude estimate of electricity produced and, therefore, of CO<sub>2</sub> emissions avoided. The same applies to estimates in relation to the other Green Bond Asset Categories as well.



# Contacts

## **Petra Mellor**

Group Treasury, Long-Term Funding

+46 70 277 83 72

[petra.mellor@nordea.com](mailto:petra.mellor@nordea.com)

## **Maria Caneman**

Investor Relations

+46 76 824 92 18

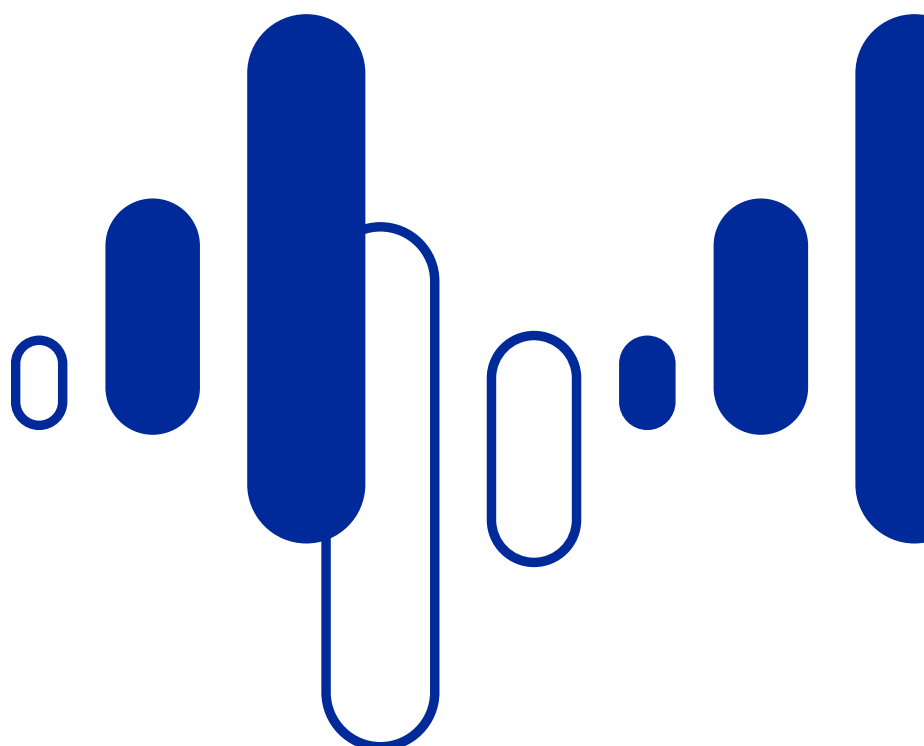
[maria.caneman@nordea.com](mailto:maria.caneman@nordea.com)

## **Casimir von Frenckell**

Group Sustainability

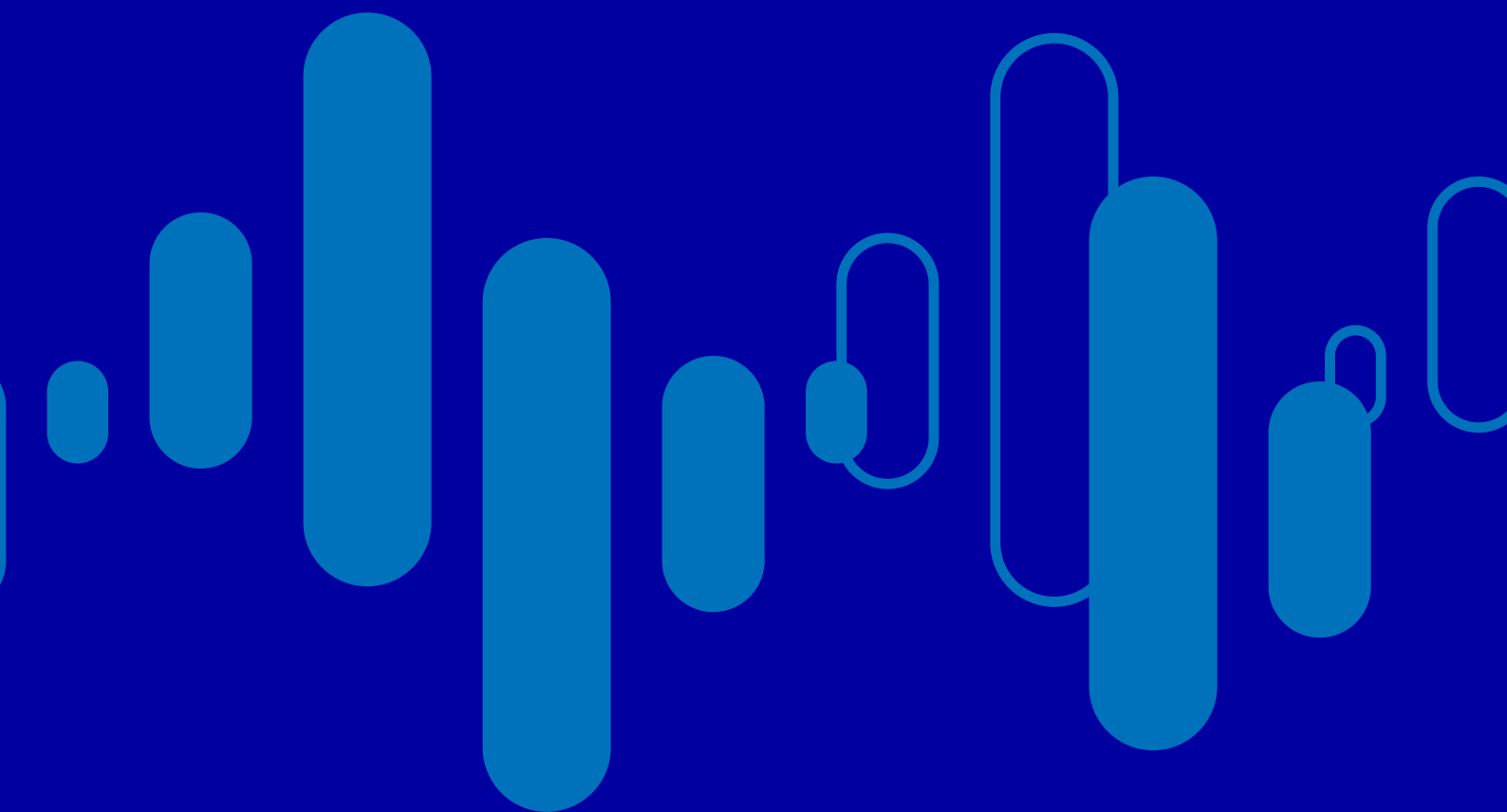
+358 40 727 727 1

[casimir.vonfrenckell@nordea.com](mailto:casimir.vonfrenckell@nordea.com)



## Appendix

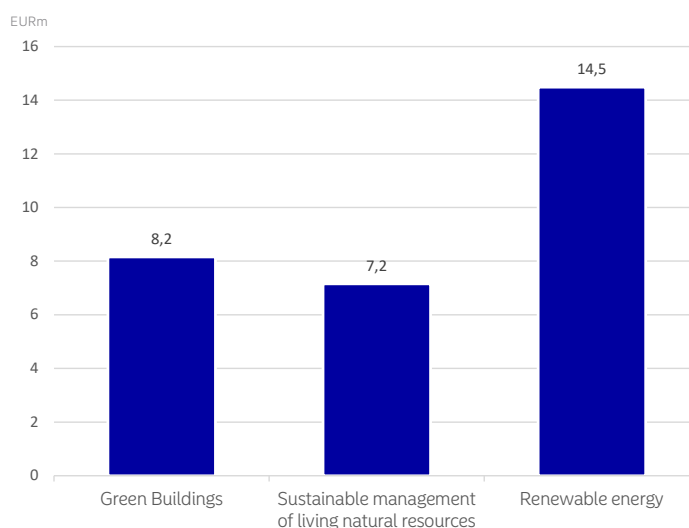
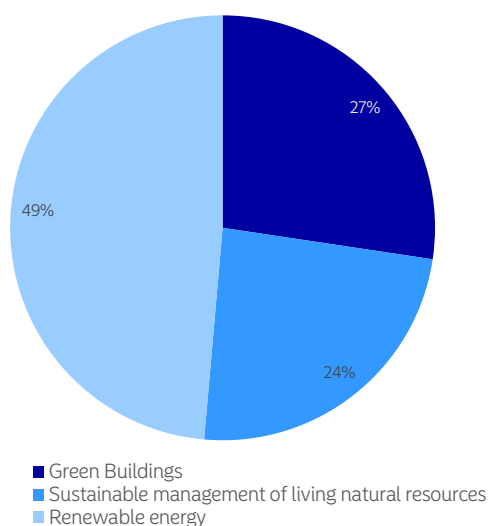
# Nordea Kredit Green bond allocation and impact 2020



# Green bond reporting for Nordea Kredit

Nordea Kredit is a fully owned subsidiary to Nordea Abp. We operate as a mortgage credit institution with the main purpose of granting mortgage credit loans funded by issuing covered bonds. 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. This is described in detail in the [Nordea green bond framework](#).

## Asset categories split



## Impact, allocated proceeds

Category	Green Bond Asset portfolio amount, EURm	Annual emissions avoided, tCO2e	Annual energy production, MWh	Sum of Land Area certified, ha
Green Buildings	6,8	65		
Sustainable Agriculture	7,2			2 805
Wind	14,5	17 735	56 300	
Grand Total	28,5	17 799	56 300	2 805