

Nordea sector guideline for the shipping industry

**Approved by Nordea Bank's Sustainability and Ethics Committee
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1 Introduction

The Board of Directors of Nordea Bank has adopted a Code of Conduct for Nordea Bank Abp and its subsidiaries, including branches and representative offices. It applies to all people working for Nordea.

The Code of Conduct is primarily based on the ten principles of the UN Global Compact and sets out the general principles for how we aspire to work at Nordea and guides us in our business relationships. The Code of Conduct is supplemented by more detailed internal rules, policies and guidelines.

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into credit and investment decision-making processes. Nordea is a signatory to the:

- UN Global Compact,
- the Principles for Responsible Investments (PRI),
- the Principles for Responsible Banking (PRB),
- the Glasgow Financial Alliance for Net Zero,
- the Equator Principles,
- the Poseidon Principles (PP) and
- the Responsible Ship Recycling Standards (RSRS).

Nordea signed the Poseidon Principles in 2019, providing a global framework to quantitatively assess and disclose whether financial institutions' shipping lending portfolios are in line with the climate goals set by the UN International and Maritime Organisation (IMO). Climate risk factors are mandatory to consider in connection with the credit risk assessments for relevant customers within the shipping industry. Furthermore, the Poseidon Principles are included in Nordea's business selection process in connection with financing customers within the shipping industry.

Nordea joined the Responsible Ship Recycling Standards (RSRS) initiative in 2017. These are voluntary principles for financial institutions active in ship financing and form guiding principles in the dialogue between the financial sector and the stakeholders in the shipping industry. RSRS are voluntary industry principles that aim to minimise the dangers associated with dismantling of vessels including labour conditions and environmental impact. The participating financial institutions seek an active dialogue with shipowners and encourage them to prepare and maintain an Inventory of Hazardous Materials (IHM) onboard their vessels. Having an IHM onboard contributes to the safety of crew members and workers during the ship's working life and recycling process and minimises the adverse effect on the environment. Nordea has integrated RSRS in the credit assessment process and lending agreements.

1.1 Nordea's sustainability targets

Sustainability is at the core of our strategy. We have an important responsibility in the transition towards net zero. Sustainability is an integrated part of our value proposition to customers, how we run the bank, organise our internal operations and manage our risks. We want to make a difference together with our customers and support them in making sustainable choices, contributing to a sustainable society.

To reach this goal Nordea has set the objective to become a bank with net-zero emissions by 2050 at the latest. Nordea was also the first Nordic bank with a tangible mid-term target by 2030 to reduce GHG emissions from our lending and investment portfolios by 40-50%, based on the 1,5 C pathway as set out in the IPCC SR15.

Nordea will ensure that 90% of our lending exposure to large corporates in climate-vulnerable sectors is covered by transition plans by the end of 2025. To read more about these sustainability targets, including more detailed 2025 targets, please visit [Nordea.com](https://www.nordea.com).

2 Scope of the sector guideline

This sector guideline apply to Nordea's procurement and financing and is applicable to all companies within the shipping sector, including shipbuilding and maritime transportation. Nordea does not have any procurement from companies in the scope of this guideline.

Exempted from this sector guideline are companies where Nordea's lending amounts to less than 1 MEUR.¹

2.1 Definitions

Requirement: Nordea restricts financial services to customers that are in breach of these requirements.

Expectation: Nordea expects customers within the scope of this guideline to adhere to the expectations and engages to encourage customers to take concrete remediating actions.

3 Governance

Sector guidelines are approved by Nordea's Sustainability and Ethics Committee and shared with Nordea's Group Leadership Team and Board Operations and Sustainability Committee. The relevant 1st line of defence is responsible for implementing the guidelines into their processes, such as risk and credit decisions. The control function in the 2nd line of defence is responsible for the oversight of the application of the guidelines.

This guideline apply to all new financing activities. Existing customers' adherence to the requirements is verified through ongoing active engagement and may require the collection of documents such as policies, permits or certificates. Controls of adherence are implemented according to a risk proportionality approach.

3.1 Due Diligence and sanctions

Nordea is committed to ensuring that it complies with all applicable sanctions laws and regulations globally. Nordea follows the sanctions regimes of the EU, UN, US, and the UK on a group-wide basis, subject to applicable local laws and regulations. In addition to the sanctions that are applied on a Group-wide basis, all Nordea entities are required to comply with sanctions that are applicable within their jurisdiction.

Nordea has an onboarding and periodic refresh process which is designed to help identify and manage Financial Crime, including sanctions, risks. This process also includes the application of enhanced due diligence (EDD) with regards to customers which are deemed to have a higher risk or

¹ The limit captures the absolute majority of loans from Nordea to corporates with shipping activities as well as associated emissions and risks associated in the sectors concerned.

active in an industry with a higher risk. For further reading please see Nordea.com for Nordea Sanctions Risk Management Policy Statement² and Nordea AML/CTF/ATE Policy Statement³.

4 Maritime transport and its risks in relation to sustainability

Maritime transport is the backbone of international trade and an integral part of the global supply chain. Raw materials are transported to refineries, refined goods are transported to factories and manufactured goods are transported to consumers. Shipping is the most CO₂ efficient mode of transport to move large amounts of goods over long distances, when compared to rail, road or air transport. Existing and emerging technologies – such as low-carbon fuels, efficient ships and operations – are making zero emissions shipping possible in the future.

The International Maritime Organization (IMO), United Nations specialized agency for shipping, estimates that over 90% of the world's trade is carried out by sea and it is the most cost-efficient way to move large amount of goods and raw materials around the world. Carbon intensity has improved between 2012 and 2018 for international shipping as a whole, as well as for most ship types. The overall carbon intensity, as an average across international shipping, was 21% and 29% better than in 2008, measured in AER and EEOI respectively in the voyage-based allocation. International shipping emits around 3% of global greenhouse gas (GHG) emissions.⁴

In 2023, IMO approved updated targets for the global shipping industry; the ambition in the 2023 IMO GHG strategy⁵ is;

- to reach net-zero GHG emissions by or around, i.e. close to 2050;
- to reduce the total annual GHG emissions from international shipping by at least 20%, striving for 30%, by 2030, compared to 2008;
- to reduce the total annual GHG emissions from international shipping by at least 70%, striving for 80%, by 2040, compared to 2008.

The ambition is also a decline in the carbon intensity of international shipping by reducing CO₂ emissions per transport work, as an average across international shipping, by at least 40% by 2030, compared to 2008; and to increase in the uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to represent at least 5%, striving for 10%, of the energy used by international shipping by 2030.

In the time ahead, it is communicated that IMO will develop further regulations and mechanisms to support the approved targets and ambitions.

² <https://www.nordea.com/en/doc/nordea-sanctions-risk-management-policy-statement-0.pdf>

³ <https://www.nordea.com/en/doc/nordea-aml-ctf-ate-policy-statement-0.pdf>

⁴ [Source 4th IMO GHG study](#)

⁵ [IMO - Revised GHG reduction strategy for global shipping adopted](#)

4.1 Nordea position

Nordea recognises the responsibility to work towards a just transition to a low-carbon economy and a sustainable society. Nordea's objective is to become a bank with net zero emissions by 2050 at the latest. To reach this goal, Nordea has set a mid-term objective to reduce financed GHG emissions (value chain emission, Scope 3) from its lending and investment portfolios by 40-50% by 2030 (base line 2019⁶).

In addition to Nordea sustainability target on group level in chapter 1.1., Nordea has set sector targets for the lending portfolio. These sector targets will guide Nordea's work to support its customers' journeys to reduce emissions and accelerate the transition of the economy and to help Nordea steer towards its 2030 objective.

For shipping, Nordea aims to reduce the emission intensity of the shipping lending portfolio by 30 % by 2030 (from 2019 levels). The intensity is measured by the Annual Efficiency Ratio (AER) following the methodology of the Poseidon Principles (PP). The weighted portfolio AER was 8.3 for 2019.

In order to support further alignment with the goal of the Poseidon Principles, Nordea as a signatory is expected to disclose the climate alignment (the carbon intensity relative to established decarbonization trajectories) of shipping lending portfolios. To fulfil the commitment the shipowners are expected to annually collect and report the specified GHG data for ships with a gross tonnage of 5,000 or more that are engaged in international trade.

Nordea's target is to ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors are covered by transition plans by the end of 2025. This target will apply to our shipping customers, and Nordea is committed to engaging with customers to reach this target.

In 2022, Nordea decided to reduce offshore lending and set the target to exit the offshore subsegment of the oil and gas and shipping sectors by 2025. "Offshore" refers to the offshore drilling rig segment and the offshore service vessel segment of the oil and gas and shipping industries.

Further, Nordea has a long term objective for its Shipping portfolio to have at least 25% lower emissions compared to the global fleet by 2050.

4.2 Nordea expectations and recommendations

Recognising the ESG concerns pertinent to the shipping industry, including the safety of life at sea, the protection of the marine environment and the provision of decent working and living conditions for seafarers, Nordea expects its customers to operate in accordance with international conventions, standards and norms, adhere to laws, regulations and rules set by classification societies, and to have policies established in support of this.

In addition, Nordea recommends companies, in all areas of their operations, to have a Code of Conduct, a Supplier Code of Conduct and include clauses on compliance with ESG criteria in their contracts with subcontractors and suppliers, ensuring ethical business practices as well as a compliance function including whistle-blower and grievance mechanisms.

⁶ <https://www.nordea.com/en/sustainability/our-sustainability-targets>