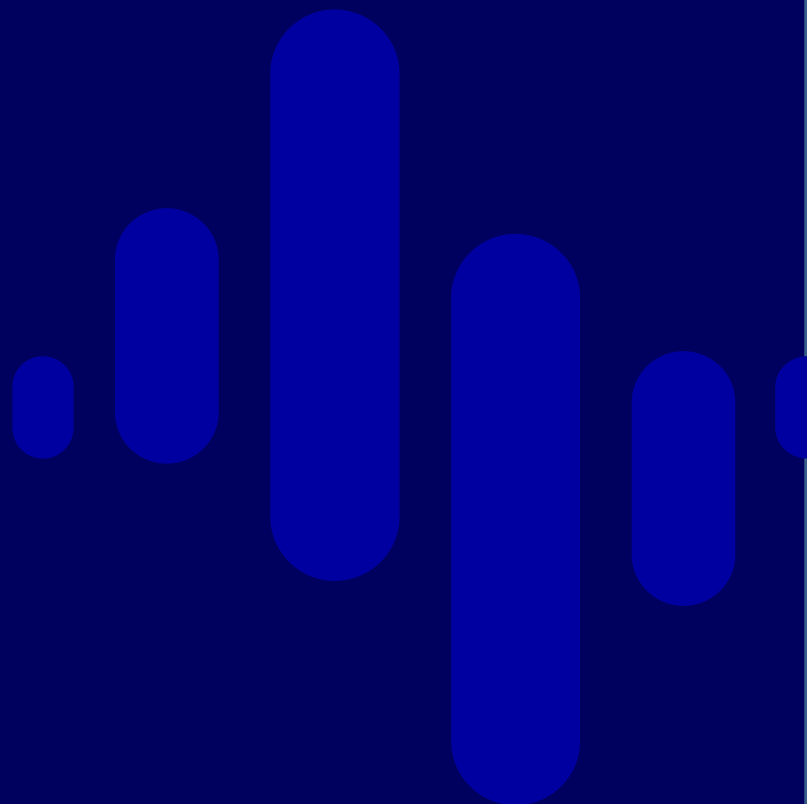


Nordea

Sustainability-linked loan bond report

November 2023



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Introduction

The role of financial institutions in the society today is increasingly shaped by the societal developments relating to climate change and sustainability challenges more broadly. In particular, one theme stands out as the main focus; namely 'Transition Finance', sometimes more specifically 'Climate Transition Finance'.

To help address these challenges, there is a need to ensure a fine balance between global harmonisation of standards whilst still allowing for innovation to ensure that as much capital flows to the right projects and companies. Recent years' developments around green bonds and sustainability-linked loans (SLLs) are both strong cases for such balanced harmonisation and innovation. Last year, Nordea took a step further down that path in combining these two concepts into a structure referred to as 'sustainability-linked loan bonds' (SLLB). Now, one year later, we are excited to publish the first of our SLLB report.

The deal from last year was the first of its kind. In a combined SEK/NOK deal Nordea raised around EUR400m equivalent. Investor reception was positive with several of the leading Nordic accounts putting orders into the deal. One investor noted: *"Through Nordea's sustainability-linked loans, companies get the opportunity to carry out a sustainable transition with the help of the financial markets"*.

Since the first issue, we have continued to develop the concept together with ISS Corporate Solutions (ISS), who also provided the external review to the inaugural Framework. Although the core concept of 'use-of-proceeds' at the Framework level and 'sustainability-linked' at the asset level has been preserved we have taken steps to increase the strength of the overall assessment provided by ISS as well as governance mechanisms surrounding the pool of assets. As of now the sustainability-linked loan (SLL) funding framework ("Framework") still does not provide a detailed list of the exact definitions required, which would certainly strengthen the overall quality of the Framework. However, we note that we are seeing a strong tendency for loans to broadly align around the same metrics and targets. Further underlying developments in the market for sustainability commitments and reporting should additionally support this trend. One notable example would be the 'Science Based Target initiative (SBTi)' that companies increasingly are aligning with.

Looking ahead we hope for more issuers to adopt the SLLB structure and help bring attention to the format. Through increased attention and harmonisation we believe it will become market practice for financial institutions and provide a strong connection between market standard on the asset side (i.e. the sustainability-linked loan market) and the funding side. Guidance from publicly recognised institutions, such as the International Capital Market Association (ICMA) and Loan Market Association (LMA) would be further welcomed.

With this inaugural SLLB report we seek to align with broader market standards from the green bond market. In the report, readers will find an outline of Nordea's commitments to a sustainable future, a description of the issuance activity and portfolio development, reporting on allocations and confirmation of impact as well as selected case studies to highlight relevant loans in the asset pool.

We hope it will be well received and would welcome constructive feedback from the market.

Transitioning to a sustainable future

Decarbonisation will create one of the greatest opportunities of our century if managed responsibly. For Nordea, sustainability means inspiring and enabling our customers to make sustainable choices. It also means contributing to societal goals through financing, investments and our internal operations. At Nordea, we have a long-term perspective and believe that companies with sustainable business models carry lower financial and reputational risk.

We have made sustainability an integrated part of our business strategy and introduced measurable medium and long-term objectives and 2023–2025 targets to help drive a greener and more sustainable future. The objectives and targets were approved by the Group Leadership Team and the Board in 2020.

Our work rests on four strategic pillars: financial strength, climate action, social responsibility, and governance and culture. For each pillar, we have identified the relevant United Nations' Sustainable Development Goals (UN SDGs) and sustainability topics that impact us or that we can have a significant impact on – by reducing the negative impact or increasing the positive impact of our financing and investment activities and internal operations.

Supporting our customers' sustainable transition is central to our strategy. We engage with our customers to understand their challenges and opportunities and provide the right sustainable financing solutions and advice. Our leading sustainable finance franchise allows us to offer and capital markets financing such as green, social, sustainable and sustainability-linked bonds and loans. These offerings allow us to connect our financing to our customers' ESG objectives and align with relevant sustainable financing criteria. We believe that sustainable bond financing creates transparency regarding the funds allocated to climate change mitigation and other environmentally beneficial uses. This in turn creates a positive benchmark for all investments.

To become a net-zero emissions bank by 2050 at the latest, we are supporting our customers and portfolio companies in reducing their climate impact while reducing our own.

During 2022 we set the following 2023–2025 targets to achieve net-zero emissions by the end of 2050 and reduce carbon emissions across our lending and investment portfolios by 40–50% by the end of 2030:

- Ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors is covered by transition plans by the end of 2025
- By 2025, ensure that 80% of the top 200 financed emissions contributors in Nordea Asset Management's portfolios are either aligned with the Paris Agreement or subject to active engagement to become aligned
- Double the share of net-zero-committed assets under management (AuM) by 2025
- Reduce the carbon footprint from Nordea Life & Pensions' listed equity, corporate bond and real estate portfolios by at least 25% by the end of 2024
- Ensure that by 2024, all asset managers managing assets on behalf of Nordea Life & Pension commit to transitioning their AuM to net zero by 2050
- Facilitate more than EUR 200bn in sustainable financing by the end of 2025

For more information on our sustainability work, please see our 2022 Annual Report and particularly the Sustainability notes.

Issuance activity and portfolio development

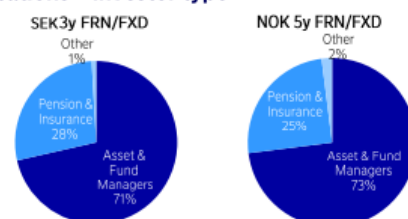
Issuance activity

The inaugural SLL funding framework was published as part of the Q2 2022 results. Following engagement with key Nordic investors the first-ever SLL bond was issued on September 6th on the back of strong feedback. A total of EUR 400m equivalent was issued across four tranches in two currencies.

Final sizes for the SEK transactions were SEK 700m for the FRN tranche and SEK 2.1bn for the FXD tranche, both priced at Stibor +70bps. For the NOK tranches, the final sizes were set at NOK 800m for the FRN tranche and NOK 500m for the FXD tranche, both priced at Nibor +110bps.

Investors include Storebrand AM, AMF, Carnegie Fonder, Danske Invest, If Skadeförsäkring AB, Handelsbanken Fonder, Nordea AM, SEB IM and Simplicity. Figure 1 shows the breakdown of allocations by investor type and geography.

Allocations – investor type



Allocations – geography

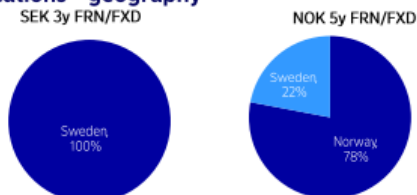


Figure 1 – Allocation distribution

The deal was recognized by CMDPortal with the 'Top Deal Winner' award noting that it aimed "to underscore the execution achievement of a financing that pushes boundaries of debt capital markets by being new or highly successful."

Portfolio development

At the time of issuance of the first transaction the total portfolio of externally verified assets consisted of five loans with a total volume of EUR 600m equivalent, representing a 50% buffer to the amount issued.

Following the transaction the attention has been turned towards increasing the underlying asset pool in conjunction with aligning such pool with the revised governance processes and external assessment by ISS Corporate Solutions. By 30 September 2023 the SLL asset portfolio had increased to a total EUR 1.6bn equivalent, split across 18 loans across 32 tranches. Figure 2 below highlights the development by quarter split into the stable (i.e. term loans) and variable (i.e. revolving credit facilities) portion.

Total SLL asset portfolio size (EURm)

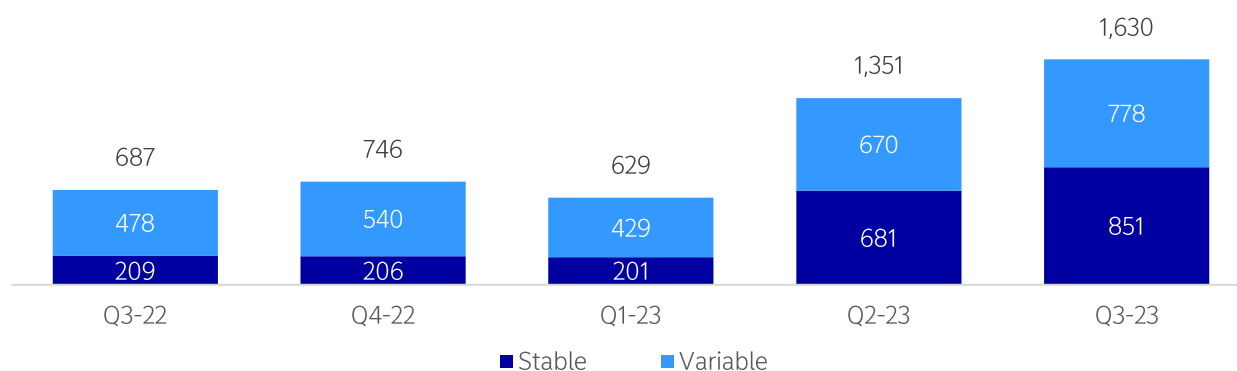


Figure 2 – Total SLL asset portfolio size development per quarters (EURm)

As the asset pool develops over time we expect the sector composition to closer resemble the overall composition of Nordea's lending and represent a broad Nordic and diversified selection of companies. Due to the nascent stage of the underlying SLL market and different stages of readiness by different sectors it should be expected that this will take time. Initially, we note that particularly the manufacturing (NACE section C) and transportation and storage (NACE section H) are better positioned than the broader market and hence represent the majority of eligible assets at this stage. Figure 3 below highlights the portfolio development by sector.

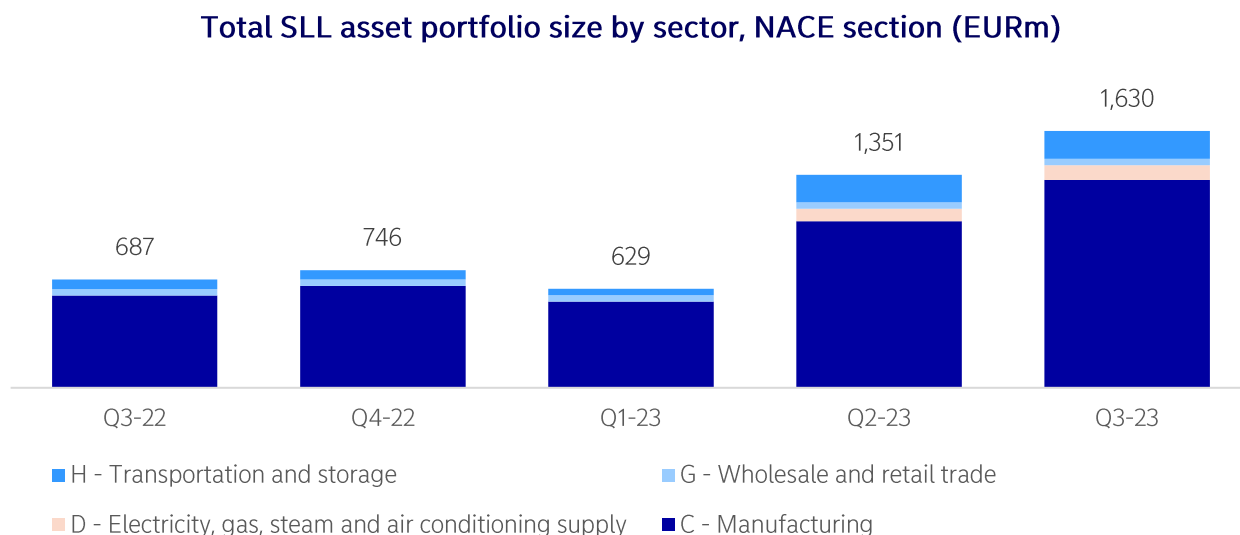


Figure 3 – Total SLL asset portfolio size development by sector, NACE section (EURm)

Reporting

Reporting is a crucial element of sustainable funding, and in particular in the use-of-proceeds format that this report, and underlying Framework, is built on. As such we are committed to align with this principle to the extent possible in this new SLL bond structure. With this being the first report we intend to continue working with the format and explore where further detail and clarity can be added.

SLLs that are assessed to be eligible for inclusion in the pool of SLL funding assets must each year confirm performance in alignment with the stated SPTs for the given KPIs in order to remain eligible. If they do not meet the SPT for a given year (i.e. non-compliant) they will be temporarily excluded from the SLL funding asset portfolio, but still tracked as part of the total SLL asset portfolio. If a given non-compliant SLL manages to meet the targets set for subsequent years it may be added back to the SLL funding asset portfolio as an eligible SLL.

We note that by the date of this SLL bond report, five companies in the portfolio have been non-compliant with the SPTs related to the relevant KPI. As such these loans have been removed from the SLL funding asset portfolio from the date that the non-compliance was confirmed but still form part of the total asset portfolio.

Allocation and impact

Traditionally for the use-of-proceeds format allocation are provided on a category level and in certain instances on a project level. As the underlying asset pool of this Framework is not based on use-of-proceeds but rather sustainability-linked assets such reporting is not feasible. Instead we have provided a breakdown of the allocation to sectors and KPI theme and type below in Table 1.

Sector (NACE section)	KPI theme and type	# of companies	EURm allocation	Total (EURm)
Compliant loans				
C - Manufacturing	Scope 1 and 2 (Absolute)	7	861	1,317
	Scope 1, 2 and 3 (Absolute)	1	171	
	Scope 1 and 2 (Absolute) and 3 (Supplier engagement)	1	185	
	Scope 1 and 2 (Absolute) and 3 (Intensity)	1	50	
	Scope 1, 2 and 3 (Intensity)	1	50	
H – Transportation and storage	Scope 1 and 2 (Absolute)	1	10	10
D - Electricity, etc. supply	Greenhouse gas indicator (Intensity)	1	94,5	94,5
Subtotal		13		1,422
Non-compliant loans				
G - Wholesale and retail trade	Scope 1, 2 and 3 (Absolute)	1	40	40
H - Transportation and storage	Greenhouse gas indicator (Intensity)	4	167	167
Subtotal		5		207
Total		18		1,630

Table 1 – Allocation by sector and KPI theme and type of compliant and non-compliant loans, 30 June 2023

Detailed impact reporting represent the pinnacle of transparency within sustainable finance. At Nordea we are committed to align with this principle and strive to apply it as rigorously and detailed as possible. In the traditional green bond space we note that the focus is on aggregation of impact, to the extent relevant across categories (i.e. greenhouse gases [GHG] metrics are relevant for some but not all categories, such as water management or biodiversity). At this point in time we do not consider aggregation feasible for SLL bonds as the underlying SLLs and KPI metrics in many cases do not directly compare with other SLLs and KPIs across, but also within, sectors. As the market for SLLs continues to grow and standards within company sustainability target setting increases (e.g. through the further adoption of Science-Based Targets) we expect such aggregation to become increasingly relevant.

For this inaugural SLL bond report we include a table overview of all the SLLs part of underlying portfolio and the confirmation of compliance with the relevant test dates in Table 2. As per alignment with the Sustainability-Linked Loan Principles each underlying SLL will have their targets verified annually by an external verifier (typically the financial auditor). For clarity, the underlying compliance certificates are not subject to further external verification as it relates to this Framework and report.

Portfolio inclusion	#	Sector (NACE section)	Compliance checks 20212022		Total (EURm)
Compliant loans					
Sep-22	1	C – Manufacturing	OK	OK	1,422
	2	C – Manufacturing	OK	OK	
	3	C – Manufacturing	OK	OK	
June-23	4	D – Electricity, etc. supply	OK	OK	
	5	H - Transportation and storage	OK	OK	
	6	C – Manufacturing	OK	OK	
	7	C – Manufacturing	OK	OK	
	8	C – Manufacturing	OK	OK	
	9	C – Manufacturing	OK	OK	
Sep-23	10	C – Manufacturing	OK	OK	
	11	C – Manufacturing	OK	OK	
	12	C – Manufacturing	OK	OK	
	13	C - Manufacturing	OK	OK	
Non-compliant loans					
Sep-22	14	G - Wholesale and retail trade	OK	NC	207
	15	H - Transportation and storage	NC	NC	
June-23	16	H - Transportation and storage	NC	NC	
	17	H - Transportation and storage	OK	NC	
	18	H - Transportation and storage	OK	NC	
Total	18				1,630

Table 2 – Overview of compliant and non-compliant loans, 30 June 2023

OK – Loans that have achieved the agreed annual sustainability performance target or do not have active SPTs for the given financial year

Non-compliant (NC) – Loans that have not achieved the agreed annual sustainability performance target

Case studies

Case 1: Pandora

Case details

Company name	Pandora
Signing date	20 April 2021
Facility maturity	2026, 2 years extension
Total debt quantum	EUR 950m ¹
Key sustainability element	<ul style="list-style-type: none">• Becoming carbon neutral in own operations by 2025• Using only recycled silver and gold by 2025

For more information: <https://pandoragroup.com/investor/news-and-reports/newsdetail?id=24166>

SLL funding asset eligibility

Key Performance Indicator (KPI)	Sustainability Performance Target (SPT)	Baseline	Metric
Becoming carbon neutral in own operations - reduction in absolute CO ₂ e emissions for Scope 1 and 2	Carbon neutral by 2025	49.198 (2019)	tCO ₂ e

“Pandora has set out to become a low-carbon and circular business. This type of loan connects the company’s capital structure to our sustainability agenda and creates a very clear incentive for us to reach our targets. It also confirms the financial community’s appreciation of our sustainability strategy,”

Anders Boyer, Chief Financial Officer

About Pandora

Pandora is the world’s largest jewellery brand. The company designs, manufactures and markets hand-finished jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries through more than 6.500 points of sale, including more than 2.500 concept stores.

Headquartered in Copenhagen, Denmark, Pandora employs 32.000 people worldwide and crafts its jewellery at two LEED-certified facilities in Thailand. Pandora is committed to leadership in sustainability and will purchase only recycled silver and gold for crafting its jewellery by 2025 and halve greenhouse gas emissions across its value chain by 2030 in line with its validated science-based target. Pandora is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 26.5 billion (EUR 3.6 billion) in 2022.

¹ Note: total debt quantum is different from Nordea’s share of the drawn amount

Case 2: Hempel

Case details

Company name	Hempel
Signing date	22 April 2022
Facility maturity	2024
Total debt quantum	EUR 1.5bn ²
Key sustainability element	<ul style="list-style-type: none">• Reduce scope 1 and 2 CO2e emissions• Reduce scope 3 CO2e emissions• Reduce waste to landfill at production sites• Reduce and phase out hazardous (red) raw materials (RRM)

For more information: <https://www.hempel.com/news/2022/sustainability-linked-financing>

SLL funding asset eligibility

Key Performance Indicator (KPI)	Sustainability Performance Target (SPT)	Baseline	Metric
1. Reduction in absolute CO2e emissions for Scope 1 and 2	-90% from baseline by end of 2025	42,361 (2019)	tCO2e
2. Spend on suppliers screened through Hempel Procurement Sustainability Screening	70% of spend by 2025	0 (2019)	%

“Linking our credit facilities to our ESG KPIs is a further commitment to reaching our CO2 emissions reduction targets. We are proud to have received the support of our banks to rewrite the terms of this facility, incentivising us to achieve our sustainability ambitions,”

Lars Joenstrup Dollerup, former Executive Vice President and Chief Finance Officer

About Hempel

Hempel develops and manufactures a wide range of coating solutions for the maritime, industrial, decorative and yacht segments. Headquartered in Copenhagen, Hempel is among the largest producers of coating solutions in Europe and the Nordics.

In line with its commitment to sustainability, Hempel has committed to the Science Based Targets initiative. The company's validated science-based targets (SBTs) are to achieve 90% absolute reduction in CO2e emissions in scope 1 and 2 by end of 2026, as well as a 50% absolute reduction in scope 3 by 2030. To support these ambitious climate targets, Hempel is implementing several initiatives across its operations. These include transitioning to renewable energy source in its production sites, acquiring an electric fleet and prioritizing suppliers with strong sustainability credentials (e.g. SBTs) during commercial evaluations. Hempel is owned by the Hempel foundation and reported sales of EUR 2.15 billion in 2022.

² Note: total debt quantum is different from Nordea's share of the drawn amount

Case 3: Wallenius Wilhelmsen Group

Case details

Company name	Wallenius Wilhelmsen Group
Signing date	30 June 2022
Facility maturity	2028 and 2029
Total debt quantum	USD 800m ³
Key sustainability element	Reduce fleet weighted average carbon intensity, measured by the Carbon Intensity Indicator (CII)

For more information: <https://www.walleniuswilhelmsen.com/stock-exchange-notice/wallenius-wilhelmsen-secures-usd-800-million-of-sustainability-linked-vessel-loans>

SLL funding asset eligibility

Key Performance Indicator (KPI)	Sustainability Performance Target (SPT)	Baseline	Metric
Reduce fleet weighted average carbon intensity, measured by CII	-27,5% from baseline by end of 2030, which means achieving a CII of 4,19	5,78 (2019)	grams of CO2 per gross ton-miles (gCO2/GT-nm)

“We are working to cut emissions systematically through a wide range of operational, technical and asset replacement initiatives. Some of these produce an effect on the shorter term, while the benefit of others will be realized over the 30-year lifetime of vessels. In short, we need to drive energy efficiency both day-to-day and over the long term”

Torbjørn Wist, Chief Financial Officer

About Wallenius Wilhelmsen Group

Headquartered in Oslo, Norway, the Wallenius Wilhelmsen group is a global market leader in roll-on/roll-off (RoRo) shipping and vehicle logistics. The company serves customers all over the world operating more than 129 vessels servicing 16 trade routes to six continents, a global inland distribution network, 66 processing centres and eight marine terminals.

The Wallenius Wilhelmsen group is committed to leading the transformation of the shipping and logistics segments towards the goal of zero emissions. As part of their progressive efforts, the group has set an ambitious target to reduce their carbon intensity in shipping by 27,5% by 2030. Going forward, the group will focus on several initiatives to further reduce their carbon footprint. These initiatives include enhancing energy efficiency, exploring alternative fuel options and optimizing routes and operations. To support these sustainability efforts, the group has also launched a Sustainability-Linked Financing Framework that will link new financing with sustainability objectives. The Wallenius Wilhelmsen group is listed on the Norwegian Stock Exchange (OSE: WAWI) and reported a revenue of USD 5.045 billion in 2022.

³ Note: total debt quantum is different from Nordea's share of the drawn amount

Selection processes and criteria

Process for selecting

Nordea will complete the following process when selecting and evaluating financing that qualifies as SLL funding assets.



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 SFC has representatives of the following:

- relevant Treasury functions
- relevant units within Group Sustainability
- relevant units within Business Banking and Large Corporates & Institutions
- relevant units within Personal Banking
- relevant units within the business risk organisation
- relevant units within the legal functions
- relevant units within Investor Relations
- relevant unit within Group Risk (non-voting member)

Selection criteria

An amount equal to the net proceeds issued under the Framework will be earmarked specifically for SLLs selected for the SLL funding asset pool. To be eligible for selection, a loan must meet each of the below criteria:

- alignment with the edition of the Sustainability-Linked Loan Principles (LMA, APLMA, LSTA) that was last published when the facility was signed.
- positive contribution to the Climate Change Mitigation Impact Objectives highlighted in Table 3.
- materiality of KPIs and ambitiousness of SPTs validated by an external reviewer.

For the avoidance of doubt, eligible sustainability-linked loans might have more than one set of KPIs and SPTs but the selection criteria remains focused on the KPIs specifically associated with at least one of the Impact Objectives listed below. Further, the annual test of compliance will only apply to the identified KPI(s). As such, a sustainability-linked loan might not meet the stated SPTs for some or all of the other KPIs in the given loan agreement but still be eligible for inclusion if it meets the SPTs associated with the relevant KPIs.

Impact Objectives	Description of KPIs included
Climate Change Mitigation	<p>Climate Change Mitigation covers activities focused on action to combat climate change and its impacts. KPIs considered may include, but are not limited to:</p> <ul style="list-style-type: none">▪ reduction of GHG Scope emissions▪ reduction of energy consumption▪ reduction of direct or use-phase GHG emissions▪ reduction of activities with significant indirect GHG emissions▪ increase in products or services with significant substitution effects <p>To the extent feasible, preference will be given to KPIs defined in absolute terms, but intensity measures may also be considered. Similarly, 'internal' KPIs (that is, measured by the companies themselves) will be given priority over 'external' KPIs (such as ESG ratings or assessments) unless where the external KPI is considered material.</p> <p>Standards and methodologies considered may include, but are not limited to:</p> <ul style="list-style-type: none">▪ Science Based Targets initiative▪ Transition Pathway Initiative▪ International Maritime Organisation

Table 3 - KPI criteria for Nordea SLL funding

Nordea will complete the following process when selecting and evaluating financing that qualifies as SLL funding assets.

Contacts

Petra Mellor
Group Treasury, Long-Term Funding
+46 70 277 83 72
petra.mellor@nordea.com

Maria Caneman
Investor Relations
+46 76 824 92 18
maria.caneman@nordea.com

Casimir von Frenckell
Group Sustainability
+358 40 727 727 1
casimir.vonfrenckell@nordea.com

Disclaimer

Any decision to purchase a SLL bond should be made solely on the basis of the information contained in the offering document produced in connection with the offering of the bond. Prospective investors are required to make their own independent investment decisions and seek advice from an independent financial adviser or other professional adviser before deciding to invest. They should carefully consider and review the terms and conditions applicable to the bond.

No assurance is or can be given by Nordea that any SLL bond will meet investor expectations or requirements regarding such "green" or similar labels. These include requirements under Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the EU Taxonomy) and Regulation (EU) 2020/852. Moreover, no assurance is or can be given by Nordea that adverse environmental and/or other impacts will not occur through the implementation of the projects or uses related to any SLL bond or asset.

No assurance or representation is given by Nordea or any other person as to the suitability or reliability for any purpose whatsoever of any third party's opinion or certification (whether or not solicited by Nordea) made available in connection with the issue of any SLL bond. This applies in particular to the ability of any SLL asset to fulfil any environmental and/or other criteria. Any such opinion or certification is not a recommendation by Nordea or any other person to buy, sell or hold any SLL bond.

While Nordea's intention is to allocate, directly or indirectly, SLL bond proceeds to SLL assets as set out in its SLL funding framework, there can be no assurance that this will be done within a certain time frame or at all. Any failure to apply SLL bond proceeds for the intended purpose or to adhere to the SLL funding framework will not constitute an event of default or a breach of any other contractual obligation under the terms and conditions applicable to the relevant bond.

No assurance is given by Nordea that the use of proceeds of any SLL bond will satisfy any present or future investor expectations or requirements regarding investment criteria or guidelines with which the investor or their investments are required to comply – in particular with regard to the direct or indirect environmental impact of the uses of the SLL assets. Such criteria or guidelines may correspond to any present or future applicable law or regulations, or to the investor's own bylaws or other governing rules or investment portfolio mandates.

This SLL funding framework is subject to change and is not intended nor can be relied on to create any legal rights or contractual obligations. Any SLL bond issued is subject to the terms and conditions of that bond only. It does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to buy or acquire, any SLL bond. The Framework and report are not intended to be distributed to, or used by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Nordea does not assume any duty or liability whatsoever, whether arising in tort, contract or otherwise, as a result of any failure to adhere to or comply with the Framework or report.