

Nordea

**Sustainability-Linked Loan funding
framework**

2024



1. Introduction

Nordea Bank Abp (collectively with each member of its group, "**Nordea**", "**we**" or "**us**") is the largest financial services group in the Nordic region and one of the biggest banks in Europe. It is a cornerstone of Nordea's business to be a responsible member of the society. We use our reach to increase awareness of sustainable investment and financing alternatives to facilitate the transformation towards a low carbon and resilient economy. We are committed to use our leading capital markets platform to arrange financing, loans and bonds, to our customers for purposes that generate positive environmental benefits. Nordea believes that SLL financing offers a way to create transparency around funds targeted to certain SLL related objectives, such as climate change mitigation and other beneficial uses.

With this Sustainability-Linked Loan (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 'use-of-proceeds' bond market through Green Bond Principles by the International Capital Market Association ("**ICMA**"), whilst also considering the developments seen in the 'sustainability-linked' loan market through Sustainability-Linked Loan Principles (LMA, APLMA, LSTA) but is not seeking alignment with either of them. This Framework is inspired by the ICMA Sustainability-Linked Loans Financing Bonds Guidelines (published June 2024) and the work done by the ICMA Refinancing Instruments Taskforce on the topic but for the avoidance of doubt, the external reviewer has not conducted a benchmarking of the Framework against the recently published Guidelines. Long term, Nordea's objective is to fully align the framework with the ICMA guidelines including a new external review subject to market developments.

For more information about the main pillars of these principles please refer to the Appendix.

2. Use of proceeds

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 sustainability-linked loans ("**SLL funding assets**"), that have been evaluated and selected by Nordea, and reviewed by ISS Corporate Solutions to meet the criteria outlined in this Framework. SLL funding assets are a subset of the entire set of sustainability-linked loans signed by Nordea. For the avoidance of doubt, SLL funding may cover, but is not limited to, bonds, deposits and other financial instruments.

An amount equal to the net proceeds of any Nordea SLL funding shall not be used towards financing of nuclear or fossil fuel energy generation or operations that are deemed by Nordea to be in the sectors "**Weapons and Defence**", "**Coal Mining**" or "**Tobacco**".

Additionally, any existing or new financing of clients which are deemed not to be eligible in reference to Nordea's corporate customer Environment, Social and Governance ("**ESG**") assessment process will not be selected for financing or refinancing by the net proceeds of any SLL funding issued by Nordea.

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

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

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

2.1 SLL funding assets

The pool of sustainability-linked loans considered eligible as SLL funding assets have been identified by Nordea as having a positive contribution on at least one of the impact objectives listed in the table below. Through these loans Nordea has identified a number of key performance indicators (“KPIs”) and corresponding sustainability performance targets (“SPTs”) intended to incentivise companies to place even stronger commitments on their sustainability ambitions.

Criteria for inclusion in SLL funding asset portfolio:

To be eligible for inclusion in the pool of SLL funding assets, a loan must meet each of the below criteria. Only the portion of drawn amounts will be eligible for inclusion in the pool. This includes both term loans and revolving credit facilities, the latter which may give rise to seasonal variations of the volumes.

For the avoidance of doubt, eligible sustainability-linked loans might have more than one set of KPIs and SPTs but the selection criterium 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.

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 (i.e. compliant) it may be added back to the SLL funding asset portfolio as an eligible SLL.

Criteria for inclusion:

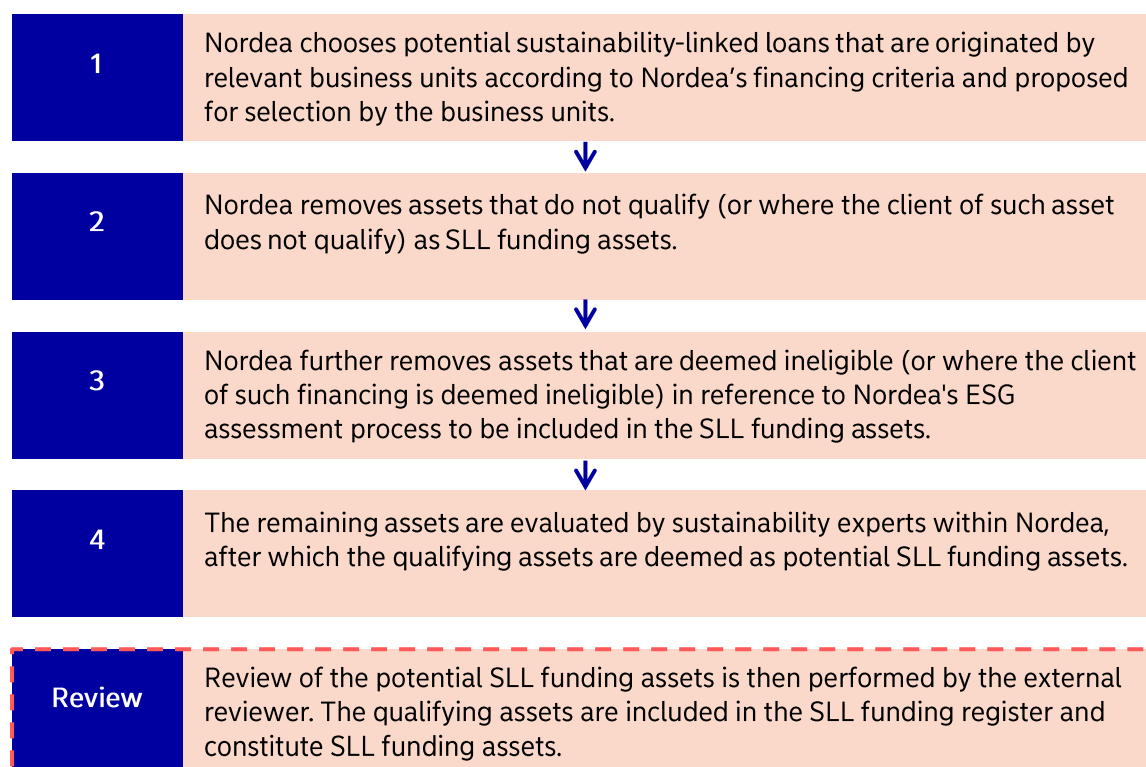
- alignment with the edition of the Sustainability-Linked Loan Principles (LMA, APLMA, LSTA) that was last published when the facility was signed.
- positive contribution to the Climate Change Mitigation Impact Objectives highlighted in Table 1.
- materiality of KPIs and ambitiousness of SPTs validated by an external reviewer.

Table 1 – KPI criteria for Nordea SLL funding

Impact Objectives	Description of KPIs included
Climate Change Mitigation	<p>Climate Change Mitigation covers activities focused on actions 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 emissions▪ reduction of energy consumption▪ reduction of activities with significant indirect GHG emissions <p>increase in products or services with significant substitution effects</p> <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

3. Selection and evaluation of SLL funding assets

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. The committee will also review the pool of SLL funding assets on a semi-annual basis.

The SLL funding assets that fail to meet the stated SPTs or do not provide the necessary documentation for the annual compliance test related to the designated KPIs that contribute to the Impact Objectives will be considered non-compliant. Consequently, these assets will be excluded from the SLL funding register. Assets that previously have been removed from the register may later be added again if they in subsequent periods deliver a positive compliance certificate for the designated KPI and the pre-defined target for the given year.

The SFC currently has representatives from the following:

- relevant Treasury functions
- relevant unit within Group Sustainability
- relevant units within Business Banking and Large Corporates & Institutions
- relevant unit within the Business Risk organisation
- relevant unit within Group Legal
- relevant unit from Group Compliance
- relevant units within Investor Relations
- relevant unit within Group Risk

4. Management of proceeds

Nordea will establish a register in relation to SLL funding by Nordea for the purpose of recording the SLL funding assets and the allocation of the net proceeds from SLL funding to SLL funding assets ("SLL funding register").

An amount equal to the net proceeds of the SLL funding by Nordea will be deposited in the general funding accounts but can be identified in the SLL funding register. We intend to allocate, directly or indirectly, an amount equal to such proceeds in accordance with this Framework. Nordea follows a portfolio approach in allocating an amount equal to the net proceeds from any SLL funding towards eligible SLL funding assets.

The composition and amount of SLL funding assets will be reviewed quarterly to account for any repayments and drawings and compare those records with the allocations detailed in the SLL funding register.

It is Nordea's intention to maintain an aggregate amount of assets in the SLL funding register that is at least equal to the aggregate net proceeds of all Nordea SLL funding that are concurrently outstanding. In practice this means that, whenever Nordea issues new SLL funding, our aim is to allocate the proceeds of that specific SLL funding to the SLL funding assets in the SLL funding register at the time of issuance.

There may be periods when a sufficient aggregate amount of SLL funding assets have not yet been allocated to the SLL funding register to fully cover the proceeds of all SLL funding, either as a result of changes in the composition of SLL funding assets or the issuance of additional SLL funding. Any portion of the net proceeds of SLL funding that have not been allocated to SLL funding assets in the SLL funding register will be held in accordance with Nordea's normal liquidity management policy.

The SLL funding register will contain relevant information to identify SLL funding and the SLL funding assets relating to it, including the country, category and nature of the SLL funding assets. The SLL funding register will form the basis for the reporting.

5. Reporting

Nordea will annually, provided that we have SLL funding outstanding, publish on its website a SLL funding report that provides:

- the amount of net proceeds that have been allocated and, when possible and relevant, further information related to the type, number and location of the SLL funding assets
- the remaining balance, if any, of net proceeds which have not yet been allocated to SLL funding assets
- 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

The report can be either published as a standalone document or integrated with other sustainable funding reports. In each annual report, Nordea will also include information on the compliance of each of the SLL funding assets. When feasible, Nordea aims to include reporting indicators on the performance of the respective underlying companies and KPIs, on an aggregated basis

6. External review

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](#).

7. Appendix

The [2021 Green Bond Principles](#) (ICMA) include the following components;

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

The [2023 Sustainability-Linked Loan Principles](#) (LMA, APLMA, LSTA) include the following components;

- Selection of Key Performance Indicators
- Calibration of Sustainability Performance Targets
- Loan Characteristics
- Reporting
- Verification

The [2024 Guidelines for Sustainability-Linked Loans financing Bond Guidelines](#) (ICMA, LMA) include the following components;

- Use of Proceeds
- Process for SLL and Selection
- Management of Proceeds
- Reporting

Nordea has signed and, as applicable, publicly stated its adherence and commitment to the;

- UN Environmental Program Finance Initiative (signed 2001)
- UN Global Compact (signed 2002)
- United Nations' Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- ILO-conventions
- OECD Guidelines for Multinational Enterprises
- Equator Principles (signed 2007)
- Paris Pledge for Action in support of COP 21 (signed 2015)
- UN Convention against Corruption
- Rio Declaration on Environment and Development
- UN Principles for Responsible Investments (signed 2007)
- Responsible Ship Recycling Standards (RSRS)
- The Montreal Carbon Pledge (signed 2014)
- Collective Commitment to Climate Action (signed 2019)
- Principles for Responsible Banking (PRB) (signed 2019)

In addition, Nordea follows the following guidelines:

- Nordea Code of Conduct
- Nordea Sustainability Policy
- Nordea Responsible Investment Policy
- Nordea Supplier Code of Conduct policy
- Nordea Position Statements and sector guidelines

For more information and guideline & policy documents, visit <https://www.nordea.com/en/sustainability/commitments-and-policies/>

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 is 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.