

Interview with **Nordea**

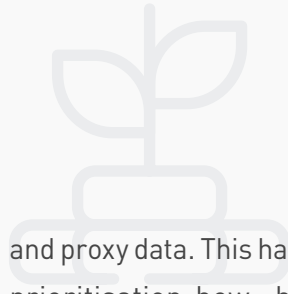


What are the opportunities and challenges met by Nordea in pursuing its sustainable ambitions?

As the leading bank in the Nordic region, Nordea sees the ongoing transition towards net zero as an opportunity to support our clients on the path towards a more sustainable society. It is primarily through our business – which represents the majority of our total carbon emissions – that we can make the most impact.

We embed our sustainability targets in practice across the organisation and within our business strategy. Nordea's long-term sustainability objective to become a net-zero emissions bank by 2050 is supported by our 2030 mid-term objectives to reduce emissions across lending and investment portfolio by 40-50% and to reduce emissions from internal operations by 50%.

The key challenge in pursuing our sustainable ambitions is sourcing relevant and timely data. Nordea operates across four different countries with a well-diversified lending portfolio. To support our target-setting and deliver on our long-term objectives, we joined the Partnership for Carbon Accounting Financials (PCAF) in December 2020. We have expanded our carbon accounting to cover our financed emissions. In accordance with PCAF, we estimate our financed emissions based on data from our customers when available, or we use third-party



and proxy data. This has helped us in our internal prioritisation how best to reduce targeted emissions. We focus our efforts on sourcing customer data as real data tends to be more accurate and generally has lower emissions versus industry assumptions.

Generally, Nordea does not work on an exclusion basis. Rather, we try to actively work with our clients to align their operations with our sustainable targets. By 2025, 90% of our exposure to large corporations in climate-vulnerable sectors will be covered by transition plans. We find that our clients engage with us in this work as it also supports their own path towards net zero.

Another challenge is the ongoing changes to regulations and guidelines, to which we adapt on an ongoing basis. Nordea welcomes clear regulations and guidelines as they aim to harmonise and set standards to allow for more comparable information and a level playing field.

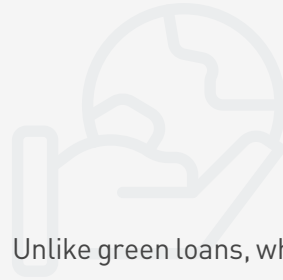


However, too stringent definitions and requirements can limit the scope of green assets, potentially reducing eligible assets.

The introduction of our Sustainable Linked Loan Funding Framework (SLLFF) was enabled as a result of the successful development of the green bond market while also recognising the increased interest in other sustainable assets together with the constraints on issuing Sustainability Linked Bonds for banks given current MREL regulation and the EBA guidance.

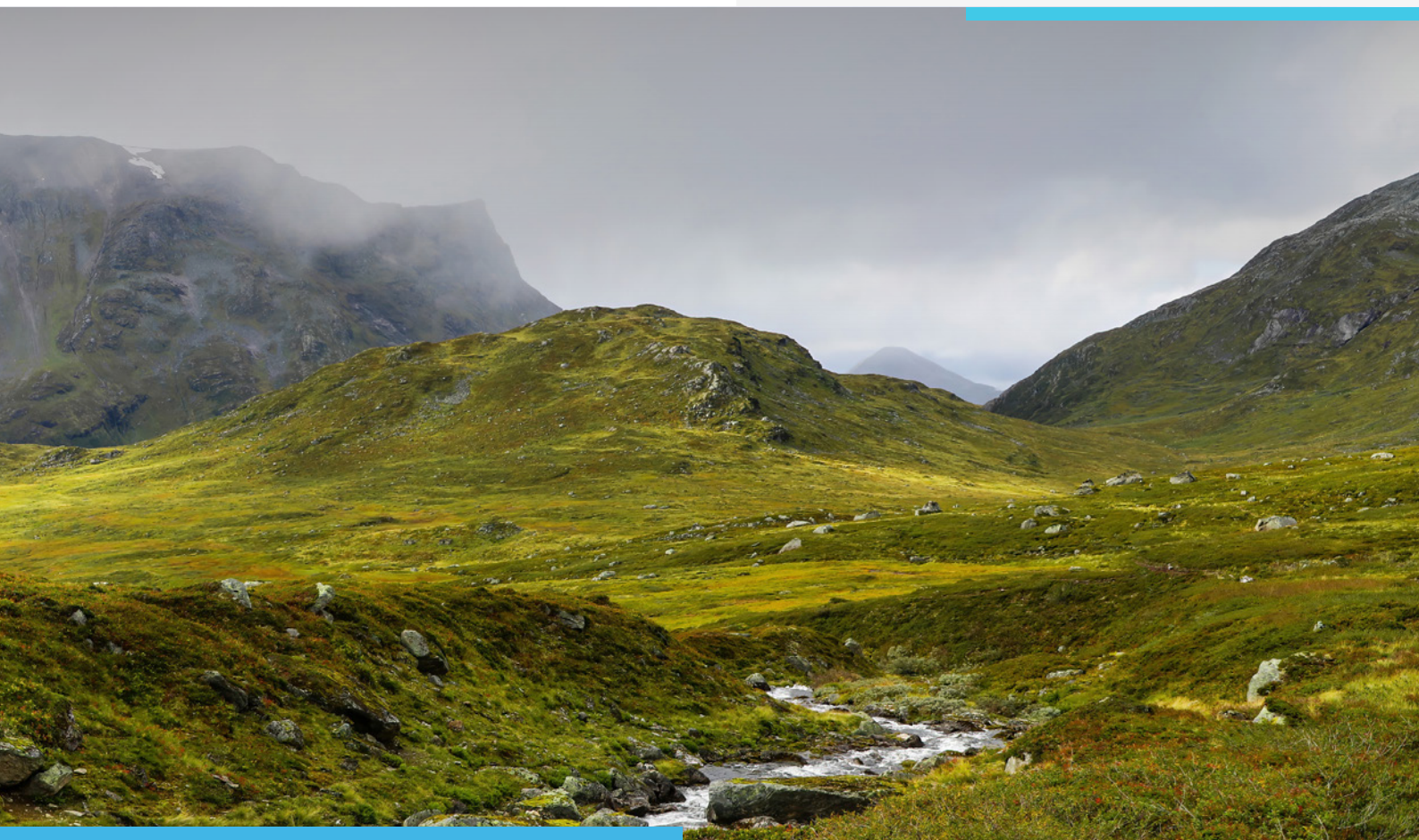
You recently released a new Sustainability-Linked Loan Funding Framework: how will it stir your customers in the right direction?

Corporate interest in sustainability-linked loans has surged in recent years. This growth led us to develop this new framework, which promotes change where it has the biggest impact going forward in terms of reducing emissions. With this framework, we can support customers in the sustainable transition and at the same time offer a new ESG friendly bond to investors.



Unlike green loans, where the financing must be used for specific green projects, the proceeds from sustainability-linked loans can be used for general corporate purposes. The interest terms of these loans give the borrower an incentive to meet certain pre-defined KPIs and sustainability performance targets (SPT). The SLL funding framework is supported by a third-party review on an asset-by-asset basis to also ensure that the KPIs and SPTs are robust and ambitious, which further ensure that the referenced assets will have meaningful impact on the climate.

Similar to a green bond, we use a “use-of-proceeds” structure where the proceeds from the bond is earmarked for the bank’s sustainability-linked loans. Nordea has received positive feedback from investors that appreciate that they get more visibility on use of proceeds while at the same time support climate change mitigations.



Nordea is prompting its corporate clients to set transition plans by 2025. A recent report from Climate Action 100+ shows that companies' climate commitments are rarely matched by concrete measures: how do you intend to spur action?

Nordea has a strategic objective to work with our clients to support them on the transition to net zero. Our target to reduce emissions by 40-50% across lending and investments by 2030 is tangible and ambitious. Most clients willingly engage with us and we have an ongoing dialogue with those who are less engaged. Over time, we will likely leave relationships that fail to commit to a sustainable transition. Furthermore, we are conducting deep-dive analyses on all our climate-vulnerable exposures, which will result in sector-specific pathways.

Having joined the Net Zero Banking Alliance in 2021, Nordea committed to setting sector targets. We have now set four sector targets to reduce emissions covering Shipping, Residential Real estate, Oil and Gas, and Mining. Since the end of 2019, Nordea has decreased its financing to the whole oil, gas and offshore sector by more than 70%. The target of exiting the offshore sector by 2025 has previously been communicated to the market.

We understand that more concrete short-term measures may be called for, but as the largest Nordic bank, we believe the most impact we can achieve is with long term strategic objectives supported by our medium and short-term targets.



How do you assess the ESG performance of your customers? How does this assessment impact your investment and funding choices?

ESG analysis is a part of the credit process for all our corporate customers. Depending on customer size, lending exposure and previous ESG risks, the customer is evaluated manually or through a data-driven process. The manual ESG analysis process is an in-depth qualitative evaluation performed by a specialised ESG analyst.

The ESG risk rating scale spans from low to high risk. If a customer is identified to be operating in a “climate vulnerable industry”, an additional climate risk assessment is performed in addition to the ESG evaluation. Information used is based on public information such as annual and sustainability reports, website, policies, etc. In cases where information is not publicly available, customers are requested to provide relevant information to us.

Our investment teams have access to a proprietary ESG data platform allowing them to integrate climate-related analyses into the investment research process.

Nordea is committed to finance green residential buildings in the Nordics: which levers can be used to encourage households in this endeavour?

As a step in working towards our sustainable objectives, Nordea offers green mortgages in Sweden. These mortgages are designed to encourage both new buildings and financing renovations to improve energy efficiency. Nordea offers a discount of up to

10bps for mortgages where buildings that have been assigned an Energy Performance Certificate A or B as collateral.

Nordea’s focus on digitisation has enabled customers not only to apply for a mortgage directly in the Nordea mobile app, but also to check online whether their mortgage qualifies as green or not. The app is open 24/7 and Nordea can confirm if the mortgage is eligible for the green discount without any human interaction.

Besides rewarding customers in more energy-efficient buildings with an easily accessible and more cost-efficient product, green mortgages support Nordea’s targets to reduce emissions in our lending portfolio by 40-50% by 2030 and to be a net-zero emissions bank by 2050.

