

Nordea



Green Bond Framework

September 2019

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 Green Bond financing offers a way to create transparency around funds targeted to climate change mitigation and other environmentally beneficial uses, which in turn create a positive benchmark to all investments.

The categories Nordea has chosen as eligible for use of proceeds from our Green Bonds are presented in section 2 of this Green Bond Framework. The categories have been chosen based on Nordea’s overall goal of enabling the transition to a sustainable society in general and combating climate change specifically. It is in these categories, that Nordea sees it has the greatest potential to make an impact by generating environmental benefits through our financing efforts. The alignment is further enhanced through our recently (2018) updated materiality analysis, where climate action was defined as Nordea’s top priority for our strategic direction and sustainability focus.

This Green Bond Framework sets the basis for the identification, selection, verification and reporting of the sustainable financing that is eligible for being directly or indirectly financed by proceeds of the Green Bonds issued by Nordea, and the management of such proceeds.

This Green Bond Framework is based on the Green Bond Principles (“**GBP**”) published by the International Capital Markets Association (“**ICMA**”). The Green Bond Framework may be further updated and expanded as the GBP and market practices evolve. We are committed to support the growth and integrity of the market for Sustainable Financing.

2. Use of proceeds

The amount equal to net proceeds of the Green Bonds issued by Nordea will be used to finance or refinance Green Bond Assets that have been evaluated and selected by Nordea pursuant to this Green Bond Framework¹. The Green Bond Assets comprise financing within the Green Bond Asset Categories which are, or have been, originated by the various business units of Nordea mostly in the Nordic countries.

Importantly, however, the net proceeds of any Nordea Green Bond shall not be used towards financing of nuclear or fossil fuel energy operations or that is deemed by Nordea to be in the sectors "**Weapons and Defence**", "**Coal Mining**" or "**Tobacco**". Additionally, any existing 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 Green Bond 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

¹ The final terms of an issue of Green Bonds will specify the use of proceeds of that issue.

2.1 Green Bond asset categories and portfolio

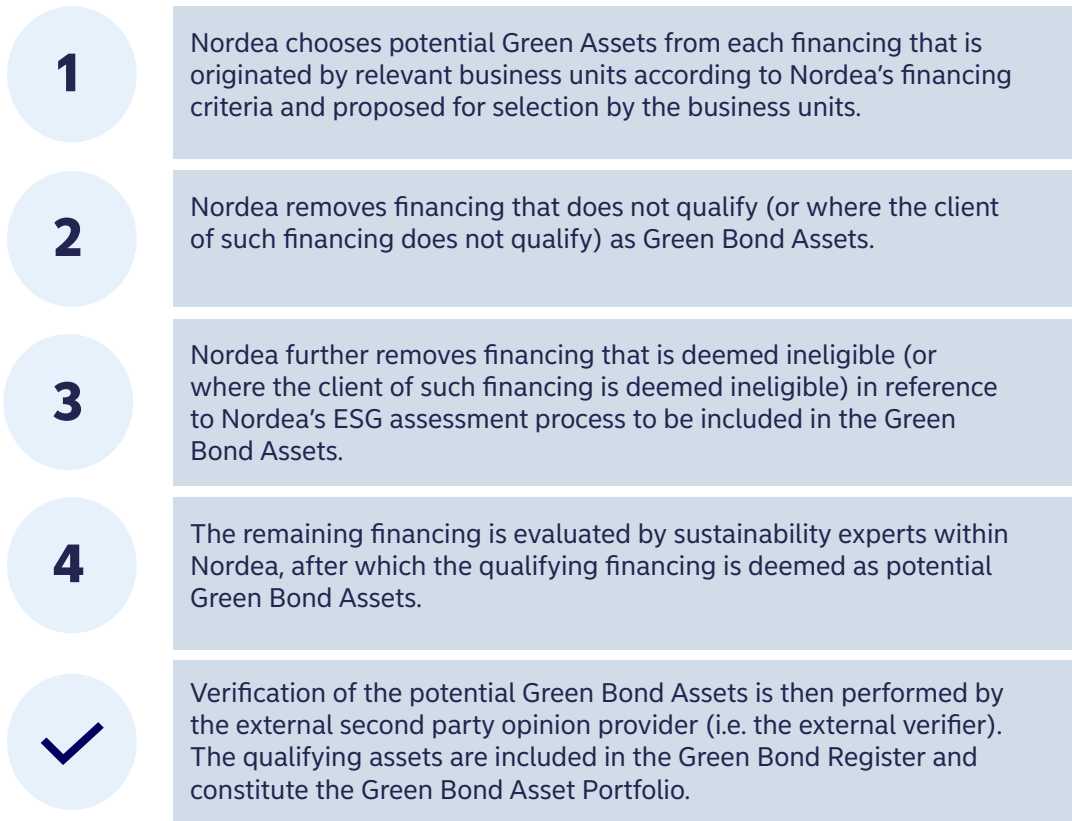
The Green Bond Asset Categories in the list below have been identified by Nordea as aiming to increase positive or reduce negative impact on the environment. The list includes examples of each category.

Any addition to the Green Bond Asset Portfolio is subject to the verification by the external verifier.

GBP ² category	Project types
Renewable Energy	<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"> • wind power • solar power • hydro power: <ul style="list-style-type: none"> - 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 • integrating renewable energy sources into the transmission network
Energy Efficiency	<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"> • Automation and intelligence in the power transmission network, distribution and related systems
Green Buildings	<p>“Green Buildings” means; Commercial or residential buildings with at least any of the following certifications:</p> <ul style="list-style-type: none"> • the LEED “gold” certification • the BREEAM “very good” certification • the Miljöbyggnad “Silver” certification (Sweden) • Nordic Swan Ecolabel • the RTS “2 stars” certification, or • Renovations and refurbishments of commercial or residential buildings leading to reduced, or existing buildings having an annual energy use on a m² 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 m² basis of at least 25 %.
Pollution Prevention and Control	<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"> • water and waste water management • waste-to-energy
Clean Transportation	<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"> • electric vehicles, e.g. trains, busses, cars and ferries
Sustainable Management of Living Natural Resources	<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"> • forests certified by Forest Stewardship Council (“FSC”) or Programme for the Endorsement of Forest Certification (“PEFC”) (Sweden) • sustainable agriculture in the Nordic countries comprised of: <ul style="list-style-type: none"> - organic farming as certified in compliance with the EU and national regulation

² Green Bond Principles

3. Selection and evaluation of Green Bond assets



Nordea will complete this 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.

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 Green Bond Committee comprise representatives of:

- Relevant unit within the Group Sustainability functions [*Group Sustainable Finance*]
- Relevant treasury functions [*Group Treasury & Asset Liability Management*]
- Relevant business units within the wholesale or commercial banking business areas [*Wholesale Banking and/or Commercial and Business Banking Business Areas (for example relevant Industry teams)*]
- Relevant unit within the business risk organisation [*Business Risk Implementation and Support unit within the relevant Business Area*]
- Relevant unit within the Legal functions

4. Management of proceeds

Nordea will establish a Green Bond Register in relation to Green Bonds issued by Nordea for the purpose of recording the Green Bond Asset Portfolio and the allocation of the net proceeds from Green Bonds to Green Bond Assets.

The amount equal to net proceeds of the Green Bonds issued by Nordea will be deposited in the general funding accounts and earmarked for allocation in the Green Bond Register in accordance with this Green Bond Framework.

The composition and amount of Green Bond Assets will be reviewed quarterly by the Capital & Balance Sheet Analytics unit within Group Treasury & Asset Liability Management to account for any repayments and drawings and compare those records with the allocations detailed in the Green Bond Register.

It is Nordea's intention to maintain an aggregate amount of assets in the Green Bond Asset Portfolio that is at least equal to the aggregate net proceeds of all Nordea Green Bonds that are concurrently outstanding. In practice this means that, whenever Nordea issues a new Green Bond, our aim is to allocate the proceeds of that specific bond at the time of issuance. However, there may be periods when a sufficient aggregate amount of Green Bond Assets has not yet been allocated to the Green Bond Register to fully cover the proceeds of each Green Bonds, either as the result of changes in the composition of Green Bond Assets or the issue of additional Green Bonds. Any portion of the net proceeds of Green Bonds that have not been allocated to Green Bond Assets in the Green Bond Register will be held in accordance with Nordea's normal liquidity management policy.

The Green Bond Register will contain relevant information to identify each Green Bond and the Green Bond Assets relating to it, including the country, category and nature of the Green Bond Assets. The Green Bond Register will form the basis for the impact reporting.

5. Reporting

Nordea will annually publish on its website a Green Bond Report that provides:

- the amount of net proceeds that have been allocated within each Green Bond Asset Category and, when possible and relevant, further information related to the type, number and location of the Green Bond Assets included in each Green Bond Asset Category
- the remaining balance of net proceeds which have not yet been allocated to Green Bond Assets
- where appropriate and subject to confidentiality arrangements, examples of Green Bond Assets that have been financed or refinanced by the net proceeds of Green Bonds
- In each annual Green Bond Report, Nordea will also include information on the environmental impacts of the Green Bond Assets or Green Bond Portfolio as per each Green Bond Asset Category. Nordea aims to include in the reporting the indicators outlined in the table below, subject to the availability of information and baseline data. The impact reporting will include a description of the applied methodology. Nordea will publish an annual Green Bond report if it has Green Bonds outstanding.

GBP category	Nordea subcategory	Impact measurement indicators	
Renewable Energy	Wind, Hydro and Solar	Installed renewable energy production capacity (MW)	Estimation of avoided CO ₂ e emissions compared to baseline
Energy Efficiency	Smart grids, Energy storage, District heating	Amount of energy saved (MW)	Estimation of avoided CO ₂ e emissions
Green Buildings	Green buildings	Amount of energy saved (MW)	Estimation of avoided CO ₂ e emissions
Pollution Prevention and Control	Water and waste water management	Water withdrawals or treatment capacity (m ³ /day)	Number of people impacted
	Waste to energy	Production capacity (MW)	
Clean transportation	Public transportation / Freight transportation	No. of passengers or amount of freight	
Sustainable Management of Living Natural Resources	Sustainable Forestry and Agriculture	Land area certified	

6. Additions to sections 3-5 regarding Nordea Kredit

Nordea Kredit Realkreditaktieselskab ("Nordea Kredit"), a fully owned subsidiary of Nordea Bank Abp, aims at offering green mortgage financing to its customers. As Nordea Kredit complies with the strict balance principle utilizing match funding in Denmark, and hence issues its own Green Bonds, some additions to the selection and evaluation process, as well as the management of proceeds, are needed. The approval of assets to Nordea Kredit's separate Green Bond Asset Portfolio needs to be continuous.

Nordea Kredit will follow a modified process (as compared to Nordea Bank Abp) 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 (See table to the right.).

Confirmation process is thereafter undertaken by Nordea Kredit's Green Bond Committee in respect of the assessments made by other staff in relation to the Green Bond Asset Categories. The Green Bond Committee will also review Nordea Kredit's Green Bond Asset Portfolio and confirm the allocation to Green Bond Assets of the proceeds of Green Bond issuances.

Nordea Kredit will establish a separate Green Bond Register in relation to Green Bonds issued by Nordea Kredit for the purpose of recording the Green Bond Asset Portfolio and the allocation of the net proceeds from Green Bonds to Green Bond Assets. Nordea Kredit will annually publish a Green Bond Report on its website. The management of proceeds as well as reporting follows the same basic rules as set out in sections 4 and 5 of this Green Bond Framework.

Modified selection and evaluation process

Nordea Kredit chooses potential Green Assets from each financing that is originated according to Nordea Kredit's financing criteria and proposed for selection by the business units.

Nordea Kredit removes financing that does not qualify (or where the client of such financing does not qualify) as Green Bond Assets.

Nordea Kredit 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.

The remaining financing is evaluated by sustainability experts within Nordea, after which the qualifying financing is deemed as potential Green Bond Assets.

For Nordea Kredit, an initial verification of the frame of selection of assets will take place. During the next Second Party Opinion update, the provider will provide Nordea Kredit with a re-verification including a detailed screening of the sustainability quality of the Nordea Kredit mortgages financed through the bond(s) and of their underlying assets.

7. External review

Nordea has engaged ISS-oekom to act as an external verifier of this Green Bond Framework and the Green Bond Assets. Its Second Party Opinion is publicly available on Nordea's website. The external verifier will also separately verify the Green Bond Report.

Assets that have been verified by the external verifier to be consistent with the GBP, this GBF and the verifier's own criteria, as evidenced by a "**Second Party Opinion**" published on Nordea's website, will be included in the Green Bond Asset Portfolio.

7. Appendix

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)

In addition, Nordea follows the following guidelines:

- Code of Conduct
- Nordea Sustainability Policy
- Nordea Responsible Investment Policy
- Nordea Supplier Code of Conduct
- Position Statements and Internal Industry Guidelines (Energy, Shipping, Real Estate and Financial Institutions)

For more information, guideline & policy documents, please visit

<https://www.nordea.com/en/sustainability/sustainability-in-nordea/commitments-and-policies/>