

## EXTERNAL REVIEW

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Sustainability Quality of the Issuer and Nordea SLL Funding Framework

Nordea Bank Abp  
28<sup>th</sup> June 2022

## VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• SLL Financing Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• General market standards for Sustainable Finance</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Nordea SLL Funding Framework (as of 27.06.2022)</li><li>• Nordea Sustainability-Linked Loans pool (as of 27.06.2022)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as there is no material change to the Nordea SLL Funding Framework and SLL Asset pool</li></ul>

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## Scope of work

Nordea Bank Abp (“the issuer” or “Nordea”) commissioned ISS ESG to review its SLL Funding Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Assessment of Nordea’s sustainability performance drawing on the bank’s overall ESG profile and strategy
2. Nordea SLL Funding Framework (27.06.2022 version) is benchmarked against broadly accepted market concepts, relevant to Sustainable Finance inspired by the Loan Market Association (LMA)/Loan Syndications and Trading Association (LSTA)/Asia Pacific Loan Market Association (APLMA) Sustainability-Linked Loans Principles, ICMA Green and Social Bond Principles.
3. Assessment of the sustainability credentials of the Sustainability-Linked Loans (SLLs) identified by Nordea as eligible against the Nordea’s SLL Funding Framework and the sustainability credibility of the Key Performance Indicators (KPI) selected and Sustainability Performance Target (SPT) calibrated for those loans – whether the KPIs are material and SPTs ambitious.

## ISS ESG ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Link to Nordea's sustainability strategy</b></p>	<p><b>Consistent with the issuer's sustainability strategy</b></p> <p>According to the ISS ESG Corporate Rating published on 21.04.2022, Nordea shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks &amp; Capital Market sector. The issuer is rated 24<sup>th</sup> out of 300 companies within its sector.</p> <p>ISS ESG finds that the Nordea SLL Funding Framework is consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing SLL financing instruments is clearly described by the issuer.</p>
<p><b>Part 2:</b></p> <p><b>Assessment of Nordea SLL Funding Framework against relevant market standards for Sustainable Finance</b></p>	<p><b>ISS ESG finds that Nordea's SLL framework is robust and aligned with key sustainable finance concepts. ISS ESG notes that the eligible Sustainability-Linked Loans are not considered 'Green' UoP categories and that Nordea does not have a specific process in place that seeks to track if the Use of Proceeds are allocated to 'Green' projects at the ultimate borrower level.</b></p> <p>Nordea's SLL Funding Framework aims at refinancing General Corporate Purpose (i.e. not use-of-proceeds) Sustainability-Linked Loans through bonds following a "Use of Proceeds" structure (i.e. all proceeds being allocated to refinancing drawn amounts of Sustainability-Linked Loans following eligibility criteria). To clarify, the SLL Funding Framework is therefore not a Sustainability-Linked Bond structure nor a Use of Proceeds structure and is not seeking alignment with the ICMA Sustainability-Linked Bond Principles and ICMA Green and Social Bond Principles.</p> <p>Nordea has defined a formal concept for its SLL Bonds under its SLL Funding Framework. ISS ESG assesses this concept as robust and aligned with the key sustainable finance concepts of 'transparency' since the framework defines a clear sustainability strategy for the group, eligible loans in line with market practices (i.e. Nordea defines clear eligibility criteria to select the SLL to be refinanced, each SLL must align with the SLLP), clear processes for loans evaluation and selection, management of proceeds, and reporting.</p> <p>However, ISS ESG notes that the underlying assets financed are general purpose loans thus they are specifically not considered 'Green' UoP category (nor is the issuer making such claims), and the issuer's selection and evaluation process in place does not track if the Use of Proceeds are allocated to 'Green' Projects at the ultimate borrower level.</p>
<p><b>Part 3:</b></p> <p><b>Assessment of the loans' and borrowers' sustainability quality on the</b></p>	<p><b>ISS ESG finds that the Sustainability-Linked loans pool is overall aligned with Nordea's eligibility criteria</b></p> <p>Nordea has put forth 3 sets of eligibility criteria for its Sustainability-Linked loans to be eligible:</p> <ol style="list-style-type: none"> <li><b>Alignment with the SLLP:</b> ISS ESG finds that the SLL pool is aligned with the ICMA SLLP – However, while the LMA recommends a combination of benchmarking approaches, ISS ESG notes that only one benchmarking approach enables to prove the level of ambition of SPT 2, 3 and 5.</li> </ol>

<sup>1</sup> ISS ESG's evaluation is based on the engagement conducted from November 2021 to February 2022, Nordea SLL Funding Framework (27.06.2022 version), and on the ISS ESG Corporate Rating applicable at the delivery date (updated on 18.10.2021).

**basis of  
Nordea's  
eligibility  
criteria**

2. **Have a positive contribution to Climate Change Mitigation Impact objective:** ISS ESG finds that the KPIs considered in each of the Sustainability-Linked Loans included in the pool have a positive contribution to 'Climate Change Mitigation<sup>2</sup>' impact objective
3. **KPIs and SPTs considered 'material and ambitious':** ISS ESG finds that overall KPIs are robust and at least one benchmarking approach shows that SPTs are ambitious.

<sup>2</sup> Please note that each Sustainability-Linked Loans included in the pool can have more than the KPI(s) analyzed in this External Review.

## ISS ESG EXTERNAL REVIEW ASSESSMENT

### PART I: LINK TO NORDEA'S SUSTAINABILITY STRATEGY

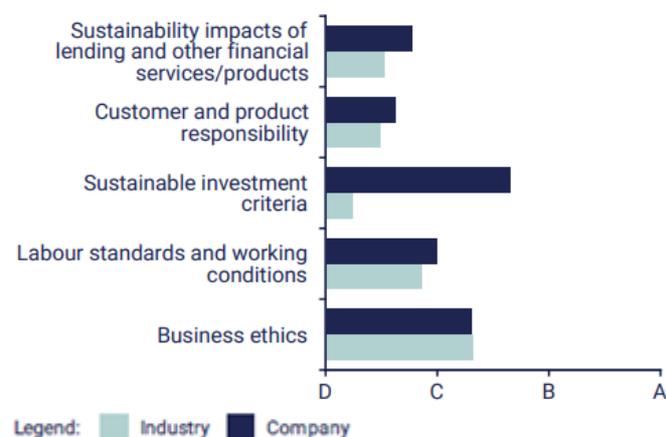
#### A. ASSESSMENT OF NORDEA'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material environmental, social, and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
NORDEA BANK ABP	COMMERCIAL BANKS & CAPITAL MARKETS	1	VERY HIGH

This means that the company currently shows a moderate sustainability performance against peers on key ESG issues faced by the Commercial Banks & Capital Markets sector and obtains a Decile Rank relative to the industry group of 1, given that a decile rank of 1 indicates the highest relative ESG performance out of 10.

#### ESG performance



As of 21.04.2022, this rating places Nordea 24<sup>th</sup> out of 300 companies rated by ISS ESG in the Commercial Banks & Capital Markets sector.

Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Sustainability Opportunities

In the financial sector, the main sustainability opportunities arise in the provision of financial services with high social and environmental benefits as well as equal access to financial services. The Nordea Star Fund range undertakes detailed positive screenings to identify companies that adhere to ESG criteria and have a future positive impact. Furthermore, Nordea provides accessible banking services for clients with disabilities and banking activities in remote regions. The company also underwrites green bonds and provides green mortgages. These products, however, do not constitute the majority of business for Nordea.

#### Sustainability Risks

In order to integrate the assessment of ESG risks into lending decisions, Nordea has developed its Environmental Risk Assessment tool (ERAT) and its Social and Political Risk Assessment Tool (SPRAT).

Sector-specific lending guidelines for agriculture and fishery, mining, forestry, nuclear power, and oil services are provided, expecting its customers to undertake environmental baseline studies and environmental impact assessments. In addition, the company's membership with the Equator Principles reinforces its commitment to observing environmental and social minimum standards in project finance. Nordea's general responsible investment approach covers its actively managed funds and is applied using an integration approach and exclusion criteria covering e.g. human and labor rights, business ethics, and environmental protection. For actively managed assets, it excludes companies that have a large and sustained exposure to thermal mining and generate more than 30% of revenue from coal products. In the social dimension, customer and product responsibility as well as employee relations are important challenges. The company has taken some steps to ensure responsible marketing and sales practices. However, there is no clear strategy regarding offshore banking activities and tax compliance as well as regarding the responsible treatment of customers with debt repayment problems. With regard to employees, Nordea has cut more than 2,500 jobs in recent years. Affected employees are offered to join Nordea's internal people matching process to find a new position within Nordea. In certain cases, country-specific voluntary redundancy packages, retirement offerings, or outplacement support are offered. As the company mostly operates in countries where high legal and factual standards are implemented, risks to health and safety, and work-life balance are limited. Finally, Nordea has established a group-wide code of conduct covering almost all important compliance issues as well as relevant compliance measures such as anonymous and confidential reporting channels that are provided for employees. Nevertheless, in May 2018 the company was accused of enabling organized crime to launder roughly EUR 134 million through privately owned exchange offices in Copenhagen, and in October 2018 it was involved in further money laundering allegations.

### *Governance opinion*

Regarding its governance structure, the majority of Nordea's board members are independent (as of March 08, 2022). The company's board chair, Torbjörn Magnusson is considered independent. Also, fully independent committees in charge of audit, remuneration, and nomination have been established. Moreover, Nordea discloses the remuneration of some of its executive management members, including long-term incentive components which can positively impact sustainable value creation.

Regarding the company's sustainability governance, Nordea has a fully independent sustainability committee in place (as of April 21, 2022). Some sustainability performance objectives are integrated into the variable remuneration of the executives although no details were provided. The company has established a group-wide code of conduct covering almost all important issues, such as corruption, antitrust violations, insider dealings and conflicts of interest. Compliance training is provided to employees as well as anonymous and confidential reporting channels. Nevertheless, in May 2018 the company was accused of enabling organized crime to launder roughly EUR 134 million through privately owned exchange offices in Copenhagen, and in October 2018 it was involved in further money laundering allegations.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Nordea's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along Nordea's operation process. ISS ESG determined that, based on the information provided by the

company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

### *Breaches of international norms and ESG controversies*

The bank is not facing any severe controversy.

**Opinion:** ISS ESG finds that Nordea is performing well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the company's operations therefore all meet the basic requirements for sustainable investments

## B. CONTRIBUTION TO NORDEA'S SUSTAINABILITY OBJECTIVES AND KEY ESG INDUSTRY CHALLENGES

### *Key sustainability objectives and priorities defined by the bank*

In January 2021, Nordea launched an updated plan to fully integrate sustainability into its business strategy and set a long-term objective to become a net-zero emissions bank by 2050 at the latest. To reach this goal, Nordea set a mid-term objective to reduce carbon emissions from its lending and investment portfolios by 40-50% by 2030.

Nordea has committed to aligning its business strategy to be consistent with the goals listed in the Sustainable Development Goals and the Paris Climate Agreement. Furthermore, Nordea is equally committed to supporting its customers to reach these goals.

Nordea's sustainability integration is grouped into four strategic pillars: financial strength, climate action, social responsibility, governance, and culture. Each of the four areas is linked to targets for 2023. The climate action pillar also has two long-term objectives for 2030. Nordea aims at having a significant impact in all these four areas by reducing the negative impact and increasing the positive impact from its business activities and internal operations.

The Nordea Group 2023 targets include the following:

- At least 25% of the savings inflow should be in our sustainable offering.
- Nordea Life & Pensions will reduce its carbon emissions intensity for listed equities, corporate bonds and real estate by at least 25% by the end of 2024.
- To grow the share of EU Taxonomy-aligned assets and income and to meet disclosure requirements.
- Work together with our large corporate customers in carbon-intensive industries to set low-carbon transition plans.
- Reduce carbon emissions from our internal operations by 30% compared to 2019.

### *Rationale for SLL Funding Framework*

Nordea is committed to use its capital markets platform to arrange financing, loans, and bonds, for its customers for purposes that generate positive environmental benefits. Nordea believes that SLL Funding financing offers a way to create transparency around funds targeted to certain SLL-related objectives, such as climate change mitigation and other environmentally beneficial uses.

With this 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 the ‘use-of-proceeds’ bond market, such as green bonds, whilst also recognizing the considerable developments seen in the ‘sustainability-linked’ loan market. As such, this Framework is inspired by the 2021 Green Bond Principles (ICMA) and the 2021 Sustainability Linked Loan Principles (LMA, APLMA, LSTA) although not claiming direct alignment with either of them.

*Contribution of sustainable lending activities to Nordea’s sustainability objectives and priorities*

ISS ESG considered Nordea’s Sustainable Funding Framework in the context of the Bank’s overall sustainability objectives, and with the key ESG industry challenges as defined by ISS ESG Corporate Rating for the Commercial Banks and Capital Markets industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Sustainability-Linked Loans	✓	✓	Contribution to a material objective

## PART II: ALIGNMENT WITH MARKET STANDARDS FOR SUSTAINABLE FINANCE

### ISS ESG assessment methodology against relevant market standards

The SLL Funding Framework of Nordea aims at refinancing General Corporate Purpose Sustainability-Linked Loans through Funding following a “Use of Proceeds” structure (i.e. all proceeds being allocated to refinancing drawn amounts of Sustainability-Linked Loans following eligibility criteria). However, as the underlying assets financed are general purpose loans, they are specifically not considered ‘Green’ UoP category (nor is the issuer making such claims), and the issuer’s selection and evaluation process in place does not seek to track if the Use of Proceeds will be allocated to ‘Green’ Projects at the ultimate borrower level. As such this framework is not specifically aligned with the ICMA Green and Social Bond Principles (nor is the issuer making such claims). For the avoidance of doubt, the assessment below is not a review against the ‘Use of Proceeds’ principles.

ISS ESG developed a tailor-made assessment methodology to provide an opinion on the robustness of this framework referring to broadly accepted market concepts, namely ‘transparency’ relevant for Sustainable Finance and aims at mitigating climate change (e.g. SLL Funding the LMA/LSTA/APLMA Sustainability-Linked Loans Principles, the ICMA Green and Social Bond Principles).

### 1. Sustainability strategy and objectives of Nordea Bank

#### FROM ISSUER’S FRAMEWORK AND SUSTAINABILITY REPORTING

Sustainability and the underlying sustainability principles are part of Nordea’s Code of Conduct. The following sustainability principles are stated as being at the core of Nordea and outline the bank’s commitment to environmental and social responsibility:

- Nordea supports and encourages the use and development of environmentally friendly technologies, products, and services, looking to contribute to sustainable development.
- Nordea agrees with the global consensus on the threat of climate change and works to reduce the environmental footprint of its operations and in its value chain.

Furthermore, Nordea has demonstrated its strong commitment to sustainability by setting an ambitious target of reducing carbon emissions from their lending and investment portfolios by 40%-50% by the end of 2030 compared to 2019.

In its SLL Funding Framework, loans are intended to incentivize borrowing companies to transition into becoming more sustainable and criteria for eligibility of loans (based on the KPI selected for the transaction) are defined based on its level of contribution to at least one of the Impact Objectives defined in the Framework (i.e. Climate Change Mitigation).

**Opinion:** ISS ESG finds that the sustainability commitments defined by Nordea are relevant to its sector and business model. The sustainability objectives that the SLL Funding Framework pursues are clearly stated in line with key market guidelines such as the UN SDGs and Science-Based Targets.

### 2. Definition of eligibility criteria for Sustainability-Linked Loans

#### FROM ISSUER’S FRAMEWORK

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 assessed by ISS ESG to meet the thresholds outlined in this Framework. The 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 the 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 any other notes issued 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.

**SLL Funding Assets:**

The pool of Sustainability-Linked Loans considered eligible as SLL Funding Assets has been identified by Nordea as having a positive contribution on at least one of the Impact Objectives defined in the below table. Through these loans, Nordea has identified several Key Performance Indicators (KPIs) and corresponding Sustainability Performance Targets (SPTs) intended to incentivize 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, loans must meet each of the following criteria. Only the portion of drawn amounts will be eligible for inclusion in the pool.

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

*Criteria for inclusion:*

- Be aligned with the vintage of the Sustainability Linked Loan Principles (LMA, APLMA, LSTA) corresponding to the year of the signing of the facility.
- Have a positive contribution to at least one of the Impact Objectives highlighted in Table 1
- Have KPIs and SPTs that are considered ‘material’ and ‘ambitious’ as assessed by an external reviewer

*Table 1 – KPI criteria for Nordea SLL Fundings*

Impact Objectives	Description of KPIs included
Climate Change Mitigation	Climate Change Mitigation covers activities focused on action to combat climate change and its impacts. KPIs considered may include, but are not limited to: <ul style="list-style-type: none"> <li>▪ Reduction of GHG Scope emissions</li> </ul>

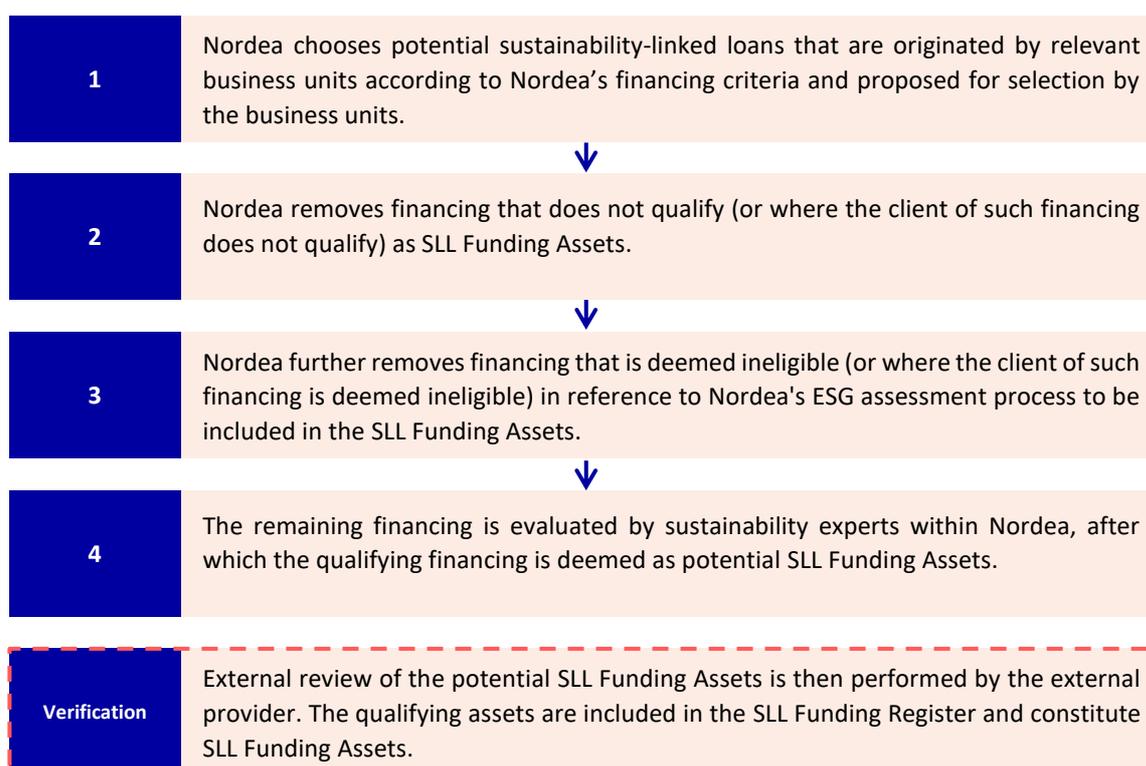
	<ul style="list-style-type: none"> <li>▪ Reduction of energy consumption</li> <li>▪ Reduction of direct or use-phase GHG emissions</li> <li>▪ Reduction of activities with significant indirect GHG emissions</li> <li>▪ Increase in products or services with significant substitution effects</li> </ul> <p>To 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"> <li>▪ Science Based Targets initiative</li> <li>▪ Transition Pathway Initiative</li> <li>▪ International Maritime Organisation</li> </ul>
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**Opinion:** ISS ESG finds that the eligibility criteria for SLL Funding Assets selection are in line with the sustainability objectives defined by the issuer. Those criteria are clearly defined and consider positive impacts of the loans towards climate change mitigation and adaptation. While a dedicated ESG team runs ESG assessments that impact the credit approval process of each Sustainability-Linked Loan granted by Nordea, there is no process in place that seeks to track if the Use of Proceeds are allocated to ‘Green’ projects at the ultimate borrower level.

### 3. Process for Sustainability-Linked Loans Evaluation and Selection

#### FROM ISSUER’S FRAMEWORK

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



The confirmation process is thereafter undertaken by a committee 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 committee comprises representatives of:

- Relevant unit within the Group Sustainability functions [Group Sustainability]
- Relevant treasury functions [Group Treasury & Asset Liability Management]
- Relevant business units within the wholesale or commercial banking business areas [Large corporations & Institutions 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
- Relevant unit within the Investor Relations function

**Opinion:** ISS ESG finds that the process for Sustainability-Linked Loans Evaluation and Selection is transparently outlined. The bodies in charge of this process are identified and combine relevant expertise. The steps of the decision-making process are well documented.

#### 4. Management of proceeds during the investment period

##### FROM ISSUER'S FRAMEWORK

Nordea will establish a register in relation to SLL Funding issued by Nordea to record the SLL Funding Assets and the allocation of the net proceeds from SLL Funding to SLL Funding Asset ('SLL Funding Register').

An amount equal to the net proceeds of the SLL Funding issued by Nordea will be deposited in the general funding accounts and earmarked for allocation in the SLL Funding Register in accordance with this SLL Funding Framework. Nordea follows a portfolio approach in allocating an amount equal to the net proceeds from any SLL Funding issuance towards eligible SLL Funding Assets.

The composition and amount of SLL Funding Assets will be reviewed quarterly by the Capital & Balance Sheet Analytics unit 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, it aims to allocate the proceeds of that specific SLL Funding to the SLL Funding Assets in the SLL Funding Register at the time of issuance. If an allocated SLL Funding Asset is non-compliant with the criteria set out above it will be removed from the SLL Funding Register.

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 each SLL Funding, either as the result of changes in the composition of SLL Funding Assets or the issuance of additional SLL Fundings.

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 each SLL Funding and the SLL 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.

**Opinion:** ISS ESG finds that the proceeds of this bond will be appropriately tracked. The issuer provides transparent information on the allocation period, intended temporary or permanent investment of unallocated proceeds. However, due to the nature of the loans being for General Corporate Purposes (as opposed to a 'Green' use) we note that there is nothing specified as to the monitoring of ESG performance of the companies in question and how the SLLs relate to this.

## 5. Reporting

### FROM ISSUER'S FRAMEWORK

Nordea will annually publish on its website an SLL Funding Report that provides:

- the amount of net proceeds that have been allocated to the Impact Objectives and, when possible and relevant, further information related to the type, number, and location of the SLL Funding Assets
- the remaining balance 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

In each annual SLL Funding Report, Nordea will also include information on the compliance of each of the SLL Funding Assets. If an allocated SLL Funding Asset is non-compliant with the criteria set out above it will be removed from the SLL Funding Asset Portfolio. When feasible, Nordea aims to include reporting indicators on the performance of the respective underlying companies and KPIs, on an aggregated basis.

Nordea will publish an annual SLL Funding report if it has SLL Funding outstanding. Nordea aims at aligning the timing of SLL Funding Reporting with other investor-directed publications of the bank such as the Annual and Sustainability Reports.

Nordea may choose to publish separate reports for the different funding sources of SLL Funding activity (e.g. SLL Bond Report).

**Opinion:** ISS ESG finds that issuer has set a clear concept for reporting after issuance. The level, frequency, scope, and duration of the reporting are transparently defined in the framework. The issuer will include information on the allocation of the proceeds to eligible loans, as well as some impact figures by reporting the performance of some underlying companies on the KPIs selected for their loans.

## External review

### FROM ISSUER'S FRAMEWORK

Nordea has engaged ISS ESG 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. The external reviewer will also separately review the SLL Funding Report.

Assets that have been reviewed by the external reviewer to be consistent with this SLL Funding Framework and the reviewer's own criteria, as evidenced by an "External Review" published on Nordea's website, will be included in the SLL Funding Asset Register.

## PART III: ELIGIBILITY OF THE SUSTAINABILITY-LINKED LOANS AND CONTRIBUTION TO THE IMPACT OBJECTIVES

### Introduction to ISS ESG assessment methodology

To provide an opinion on the sustainability credibility of each of the three key criteria defined by Nordea in its SLL Funding Framework, and thus of the sustainability quality of the Sustainability-Linked Loans complying with those, ISS ESG has followed the approach below:

- Each set of criteria is firstly assessed independently but for the overall evaluation, the three sets of criteria have been assessed jointly by ISS ESG.
  - Have KPIs and SPTs that are considered ‘material’ and ‘ambitious’ as assessed by an external reviewer (covered in section A)
  - Have a positive contribution to at least one of the Impact Objectives highlighted in Table 1 (Climate Change Mitigation) (covered in section A)
  - Be aligned with the vintage of the Sustainability Linked Loan Principles (LMA, APLMA, LSTA) corresponding to the year of signing of the facility (covered in section B)
- In order to be deemed eligible, a lending product needs to fulfil all of those three key criteria.
- Please note that for the SPT assessment conducted by the ISS ESG analyst, Nordea Bank Abp has clearly defined each SPT associated with each SLL. However, for confidentiality reasons, the associated SPTs assessed in this section will not be disclosed in the External Review.

#### 1. ISS ESG assessment methodology for the “material KPI and ambitious SPT” criteria

Building on ISS ESG methodology to assess sustainability-linked loan KPI selection, ISS ESG has divided the KPI quality assessment into 4 factors:

- Relevant and core
- Material
- Consistent with borrower ESG’s sustainability
- Measurable

Based on these 4 factors, the KPI materiality assessment is classified on a 4-level scale:

KPI materiality	
4 factors	Robust
2-3 factors	Satisfactory
1 factor	Limited
Absence	Not aligned

For the LMA Sustainability-Linked Loans alignment, the KPI quality criterion should address the 4 criteria above.

Building on ISS ESG methodology to assess sustainability-linked loan SPT calibration, ISS ESG has divided the SPT calibration assessment into 3 factors:

- Ambition against past performance
- Ambition against sectorial peers
- Ambition against international targets

Based on these 3 factors, the SPT ambition assessment is classified on a 4-level scale:

SPT ambition	
3 factors	Robust
2 factors	Moderate
1 factor	Limited
Absence	Absence

For the LMA Sustainability-Linked Loans alignment, the SPT ambition criterion should address at least one of the 3 factors.

For each factor (for the KPI materiality and the SPT ambition), the assessment could be either:

✓ if the assessment is positive

○ if the assessment is negative or if we do not have sufficient information to fulfill the assessment

Based on the above, the two dimensions of the evaluation, the KPI materiality assessment, and the SPT ambition assessment, are combined as per the table below:

KPI materiality	4 factors - Robust	Absence	Moderate	Robust	Robust
	Moderate	Absence	Limited	Limited	Limited
	1 factor - Limited	Absence	Limited	Limited	Limited
	0 factor - Absence	Absence	Absence	Absence	Absence
		0 factor - Absence	1 factor - Limited	2 factors - Moderate	3 factors - Robust
		SPT Ambition			

## 2. ISS ESG assessment methodology of the “Impact Objective contribution” criteria.

In each SLL evaluation under section A. contribution to the Climate Change Mitigation Impact objective drawing on KPIs materiality and SPT ambition, ISS ESG assessed the KPI contribution of each Sustainability-Linked Loans to the Climate Change Mitigation Impact objective.

## 3. ISS ESG assessment methodology for the alignment with Sustainability-Linked Loan Principles criteria

ISS ESG has benchmarked the Sustainability-Linked Loans included in the pool against the Sustainability-Linked Loan Principles. ISS ESG assessed if the issuer has defined a formal concept for its SLL regarding the selection of the KPI, calibration of the SPT, financial characteristics, reporting, and verification.

Although this is not an eligibility criterion, ISS ESG provided a synthetic overall risk assessment opinion that is disclosed in the summary of SLLs Assessment and SLL Pool Eligibility table.

## Summary of SLLs Assessment and SLL Pool Eligibility

SLLs (Industry by NACE level 2)	Borrower 1 – Fishing and aquaculture		Borrower 2 – Manufacture of basic Pharmaceutical	Borrower 3 –Other Manufacturing	Borrower 4 – Water Transport	Borrower 5 – Retail trade	
	KPI 1	KPI 2	Robust	Robust	KPI 1	KPI 1	KPI 2
KPIs	Robust	Robust					Robust
SPTs	SPT 1	SPT 2	Limited	Limited	SPT 1	SPT 1	SPT 2
	Robust	Robust			Moderate	Limited	Limited
Overall Assessment (KPI and SPT)	Robust		Moderate	Moderate	Robust	Moderate	
Alignment with LMA SLLP	Aligned		Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available	Aligned	Aligned – however, while the LMA recommends a combination of benchmarking approaches, only one benchmarking approach is available	
Risk	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.		The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered medium based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment.	The identification and management of the environmental and social risks associated with the eligible SLL are considered poor based upon ISS ESG assessment	
Overall evaluation	The SLL meets the eligibility criteria		The SLL meets the eligibility criteria. However, ISS ESG notes that the SPT calibration is limited	The SLL meets the eligibility criteria. However, ISS ESG notes that the SPT calibration is limited.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	The SLL meets the eligibility criteria. However, ISS ESG notes that the risk management is considered poor.	

## Individual SLL evaluations

### Loan 1: Fishing and aquaculture company

Borrower 1 is a global seafood company active in both the production and distribution of seafood products. Key challenges faced by companies in terms of sustainability management in this sector are listed below:

1. Labour standards and working conditions
2. Customer health and safety
3. Impacts on soil and biodiversity along the value chain
4. Mitigation of direct and indirect climate impacts
5. Conservation of aquatic ecosystems and water along the value chain

#### A. Contribution to Climate Change Mitigation Impact Objective, drawing on KPIs materiality and SPT ambition

Overview	KPIs Overall assessment	Scope 1 & 2 GHG emissions	Scope 3 GHG emissions
		Robust	Robust
Loan contribution to UN SDGs	Relevant Impact objective	Climate Change Mitigation	Climate Change Mitigation
KPIs materiality assessment	<b>Evaluation</b>	<b>Robust</b>	<b>Robust</b>
	Relevant and Core	✓	✓
	Consistent with strategy	✓	✓
	Measurable	✓	✓
	Scope (Material)	✓ <sup>3</sup>	✓ <sup>4</sup>
SPTs ambition assessment	<b>Evaluation</b>	<b>Robust</b>	<b>Robust</b>
	Against past performance	✓	✓
	Against peer group <sup>5</sup>	✓	✓
	Against international targets	✓	✓

<sup>3</sup> The Scope of the KPI is moderately material if considered as standalone KPI as its Scope 1 & 2 accounts for less than 60% of the total Greenhouse Gas emissions of the borrower, which is less than the relevant threshold for emissions target setting, as laid out in SBTi criteria. However, when considered in combination with the second KPI on Scope 3 emissions reduction, ISS ESG find the KPI fully material.

<sup>4</sup> Scope 3 emissions account for more than 40% of the total GHG emissions of the borrower. Thus, ISS ESG finds the scope of this KPI fully material to the Scope 3 GHG emissions.

<sup>5</sup> ISS ESG conducted a benchmarking of the SPT against the seafood peer group, which includes 15 companies.

B. Alignment with the Sustainability-Linked Loan Principles

SLLP CORE COMPONENTS	ISS ESG ASSESSMENT	EVALUATION
<b>1. Selection of the KPIs</b>	Cf. KPIs materiality assessment in the previous table	<b>Robust</b>
<b>2. Calibration of the SPTs</b>	Cf. SPT ambition assessment in the previous table	<b>Robust</b>
<b>3. Loan Characteristics</b>	A detailed description of the potential variation of the financial characteristics, while clearly defining the KPI and SPT and its calculation methodologies	✓
<b>4. Reporting</b>	Reporting will be made publicly available annually and include valuable information	✓
<b>5. Verification</b>	All annual values of the SPT will be published and verified. This will outline the performance against the SPT, the related impact, and the timing of such impact on the loan financial characteristics	✓

## Loan 2: Manufacture of basic pharmaceutical company

Borrower 2 is an integrated pharmaceutical company. Key challenges faced by companies in terms of sustainability management in this sector are listed below:

1. Business ethics, lobbying, and ethical marketing
2. Ethics in research and development
3. Water management and pharmaceutical residues
4. Access to medicine in underserved regions
5. Health benefits of products and drug safety

### A. Contribution to Climate Change Mitigation Impact Objective, drawing on KPIs materiality and SPT ambition

Overview	KPIs	Scope 1 & 2 GHG emissions <sup>6</sup>
	<b>Overall assessment</b>	<b>Moderate</b>
<b>Loan contribution to Impact objectives</b>	<b>Impact Objective</b>	<b>Climate Change Mitigation</b>
<b>KPIs materiality assessment</b>	<b>Evaluation</b>	<b>Robust</b>
	Relevant and core	✓
	Consistent with strategy	✓
	Measurable	✓
	Scope (Material)	✓ <sup>7</sup>
<b>SPTs ambition assessment</b>	<b>Evaluation</b>	<b>Limited</b>
	Against past performance	○
	Against peer group <sup>8</sup>	✓ <sup>9</sup>
	Against international targets	○ <sup>10</sup>

<sup>6</sup> ISS ESG notes that Scope 3 GHG emissions KPI will be included in 2022 as mentioned in the loan agreement. When KPI 1 and KPI 2 will be combined in the same financial instrument, then together, both KPI 1 and 2 will be material to the issuer's business model and sustainability profile.

<sup>7</sup> The scope of the KPI is moderately material if considered as standalone as it does not take into account the whole corporate value chain but only focuses on the borrower's direct operations. Scope 1 & 2 accounts for less than 40% of the total Greenhouse Gas emissions of the borrower, which is less than the relevant threshold for emissions target setting, as laid out in SBTi criteria.

<sup>8</sup> ISS ESG conducted a benchmarking of the SPT against the Pharmaceuticals & Biotechnology industry peer group, which includes 369 companies.

<sup>9</sup> The company belongs to the Top 5 in terms of Scope 1 and 2 GHG emission yearly reduction rate.

## B. Alignment with the Sustainability-Linked Loan Principles

SLLP CORE COMPONENTS	ISS ESG ASSESSMENT	EVALUATION
<b>1. Selection of the KPIs</b>	Cf. KPIs materiality assessment in the previous table	<b>Robust</b>
<b>2. Calibration of the SPTs</b>	Cf. SPT ambition assessment in the previous table	<b>Limited</b>
<b>3. Loan Characteristics</b>	A detailed description of the potential variation of the financial characteristics, while clearly defining the KPI and SPT and its calculation methodologies – except for KPI 2 (Scope 3 GHG emissions) for which the STP needs to be determined.	✓
<b>4. Reporting</b>	Reporting will be made publicly available annually and include valuable information	✓
<b>5. Verification</b>	All annual values of the SPT will be published and verified. This will outline the performance against the SPT, the related impact, and the timing of such impact on the loan financial characteristics	✓

### Loan 3: Other manufacturing company

Borrower 3 produces consumer discretionary products

Key challenges faced by companies in terms of sustainability management in this sector are listed below:

1. Labour standards and working conditions
2. Substances of concern
3. Sustainable water use
4. Responsible sourcing of raw materials
5. Circular Economy

#### A. Contribution to Climate Change Mitigation Impact Objective, drawing on KPIs materiality and SPT ambition

Overview	KPIs	Scope 1 & 2 GHG emissions
	<b>Overall assessment</b>	<b>Moderate</b>
<b>Loan contribution to Impact Objectives</b>	<b>Impact Objective</b>	<b>Climate Change Mitigation</b>
	<b>Evaluation</b>	<b>Robust</b>
<b>KPI materiality assessment</b>	Relevant & Core	✓ <sup>11</sup>
	Consistent with strategy	✓
	Measurable	✓
	Scope (Material)	✓ <sup>12</sup>
	<b>Evaluation</b>	<b>Limited</b>
<b>SPT ambition assessment</b>	Against past performance	○
	Against peer group <sup>13</sup>	✓
	Against international targets	○ <sup>14</sup>

<sup>11</sup> ISS ESG notes that limited information is available to understand the offsetting strategy of the borrower and therefore to fully understand how it would affect the core processes of the company.

<sup>12</sup> As the SBTi requires companies to include Scope 3 in their target if Scope 1 and 2 emissions accounts for less than 60% of the total GHG footprint, the KPI is moderately material as it does not take into account the whole corporate value chain but only focuses on the borrower's direct operations and its Scope 1 & 2 accounts for less than 60% of the total Greenhouse Gas emissions of the borrower.

<sup>13</sup> ISS ESG conducted a benchmarking of the SPT against the Textiles & Apparel peer group, which includes 139 companies.

<sup>14</sup> The company has committed to the SBTi on its Net-Zero Scope 1 and 2 GHG emissions target, and hence the company is committed to being in line with the Paris Agreement. However, ISS ESG notes that the target has not been science-based verified since the Net-Zero Standard is still under development.

## B. Alignment with the Sustainability-Linked Loan Principles

SLLP COMPONENTS	CORE	ISS ESG ASSESSMENT	EVALUATION
<b>1. Selection of the KPIs</b>		Cf. KPI materiality assessment in the previous table	<b>Robust</b>
<b>2. Calibration of the SPTs</b>		Cf. SPT ambition assessment in the previous table	<b>Limited</b>
<b>3. Loan Characteristics</b>		A detailed description of the potential variation of the financial characteristics, while clearly defining the KPI and SPT	✓
<b>4. Reporting</b>		Reporting will be made publicly available annually and include valuable information	✓
<b>5. Verification</b>		All annual values of the SPT will be published and verified. This will outline the performance against the SPT, the related impact, and the timing of such impact on the loan financial characteristics	✓

### Loan 4: Water transport company<sup>15</sup>

Borrower 4 is engaged in the seaborne transportation of dry bulk, chemicals, and petroleum products. Key challenges faced by companies in terms of sustainability management in this sector are listed below:

1. Pollution prevention
2. Transport safety
3. Climate protection
4. Labour standards and working conditions

#### A. Contribution to Climate Change Mitigation Impact Objective, drawing on KPIs materiality and SPT ambition

Overview	KPIs	Energy	Efficiency
		Operational Index	
	Overall assessment	Robust	
Loan contribution to Impact Objectives	Impact Objective	Climate Change Mitigation	
KPIs materiality assessment	Evaluation	Robust	
	Relevant and core	✓	
	Consistent with strategy	✓	
	Measurable	✓	
	Scope (Material)	✓ <sup>16</sup>	
SPTs ambition assessment	Evaluation	Moderate	
	Against past performance	✓ <sup>17</sup>	
	Against peer group <sup>18</sup>	✓ <sup>19</sup>	
	Against international targets	○ <sup>20</sup>	

<sup>15</sup> ISS ESG will assess the parent company of the wholly-owned subsidiary since the SLL is guaranteed by the parent company

<sup>16</sup> Please note that this assessment is based on information provided by Nordea. As the SBTi requires companies to include Scope 3 in their target if Scope 1 and 2 emissions accounts for less than 60% of the total GHG footprint, the KPI is moderately material as it does not take into account the whole corporate value chain but only focuses on the borrower's direct operations and its Scope 1 accounts for 99% of Scope 1 and 2 GHG emissions.

<sup>17</sup> The SPT is ambitious against past performance since future annualized reductions are faster than previous annual reductions, however, there are limitations to this assessment as the baseline and further years have not been externally verified

<sup>18</sup> ISS ESG conducted a benchmarking of the SPT against the Marine Transportation peer group, which includes 10 companies

<sup>19</sup> The SPT is not quantitatively comparable to its sectorial peers since the intensity targets from one peer to another used different units.

<sup>20</sup> ISS is not able to conclude on the level of ambition of the target against international standards since although the SPT is in line with the IMO GHG objective, this strategy has been scrutinized for not aligning with the Paris Agreement.

## B. Alignment with the Sustainability-Linked Loan Principles

SLLP CORE COMPONENTS	ISS ESG ASSESSMENT	EVALUATION
<b>1. Selection of the KPIs</b>	Cf. KPIs materiality assessment in the previous table	<b>Robust</b>
<b>2. Calibration of the SPTs</b>	Cf. SPT ambition assessment in the previous table	<b>Moderate</b>
<b>3. Loan Characteristics</b>	A detailed description of the potential variation of the financial characteristics, while clearly defining the KPI and SPT and its calculation methodologies	✓
<b>4. Reporting</b>	Reporting will be made publicly available annually and include valuable information	✓
<b>5. Verification</b>	All annual values of the SPT will be published and verified. This will outline the performance against the SPT, the related impact, and the timing of such impact on the loan financial characteristics	✓

## Loan 5: Retail trade company

Borrower 5, together with its subsidiaries, operates a chain of retail stores that sells both consumer stable and discretionary. Key challenges faced by companies in terms of sustainability management in this sector are listed below:

1. Labour standards and working conditions
2. Minimisation of environmental impacts across the lifecycle of products
3. Mitigation of direct and indirect climate impacts
4. Products with environmental or social benefits
5. Customer information and protection

### A. Contribution to Climate Change Mitigation Impact Objective, drawing on KPIs materiality and SPT ambition

Overview	KPIs	Scope 1 & 2 GHG emissions	Scope 3 GHG emissions - owned-and branded products, purchases of services and goods as well as outbound transportation.
		Overall assessment	Moderate
Loan contribution to Impact Objectives	Impact Objectives	Climate Change Mitigation	Climate Change Mitigation
KPIs materiality assessment	Evaluation	Robust	Robust
	Relevant and core	✓	✓
	Consistent with strategy	✓	✓
	Measurable	✓	✓
	Scope (Material)	✓ <sup>21</sup>	✓ <sup>22</sup>
SPTs ambition assessment	Evaluation	Limited	Limited
	Against past performance	○	○
	Against peer group <sup>23</sup>	✓ <sup>24</sup>	✓ <sup>25</sup>
	Against international targets	○ <sup>26</sup>	○ <sup>27</sup>

<sup>21</sup> The Scope of the KPI is moderately material as it does not take into account the whole corporate value chain but only focuses on the borrower's direct operations. Its Scope 1 & 2 accounts for less than 60% of the total Greenhouse Gas emissions of the borrower, which is less than the relevant threshold for emissions target setting, as laid out in SBTi criteria.

<sup>22</sup> The Scope of the KPI is partially material as Scope 3 emissions considered in the KPI accounts for less than 40% of total Scope 3 GHG emissions.

<sup>23</sup> ISS ESG conducted a benchmarking of the SPTs against the Retail peer group including 356 companies

<sup>24</sup> The borrower belongs to the top 20% in terms of defining Scope 1 and GHG emissions reduction target. Please note that the KPI is benchmarkable with limitations due to the fact that there is currently no widespread standard for carbon offset.

<sup>25</sup> The SPT is not quantitatively comparable to its sectorial peers since the scope of the SPT is different from one peer to another. Yet, by establishing a scope 3 target, the borrower is as ambitious as its peer group. Please note that the KPI is benchmarkable with limitations due to the fact that there is currently no widespread standard for carbon offset.

<sup>26</sup> ISS is not able to conclude on the level of ambition of the target against international standards since the target is not science-based verified and the company did not commit to the SBTi

<sup>27</sup> ISS is not able to conclude on the level of ambition of the target against international standards since the target is not science-based verified and the company did not commit to the SBTi

## B. Alignment with the Sustainability-Linked Loan Principles

SLLP CORE COMPONENTS	ISS ESG ASSESSMENT	EVALUATION
<b>1. Selection of the KPI</b>	Cf. KPIs materiality assessment in the previous table	<b>Robust</b>
<b>2. Calibration of the SPT</b>	Cf. SPT 1 ambition assessment in the previous table	<b>Limited</b>
	Cf. SPT 2 ambition assessment in the previous table	<b>Limited</b>
<b>3. Loan Characteristics</b>	A detailed description of the potential variation of the financial characteristics, while clearly defining the KPI and SPT and its calculation methodologies	✓
<b>4. Reporting</b>	Reporting will be made publicly available annually and include valuable information	✓
<b>5. Verification</b>	All annual values of the SPT will be published and verified. This will outline the performance against the SPT, the related impact, and the timing of such impact on the loan financial characteristics	✓

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1. Validity of the SPO: As long as there is no material change to the Nordea SLL Funding Framework and SLL asset pool
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the External Review is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

### Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Norm-Based Research - Severity Indicator** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

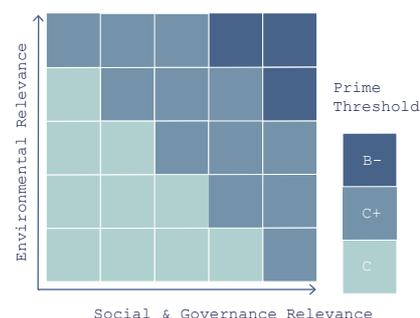
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

**Performance Score** - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

**Transparency Level** - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

## ANNEX 3: Quality management processes

### SCOPE

Nordea Bank Abp commissioned ISS ESG to compile an SLL Funding External Review. The External Review process includes verifying whether the SLL Funding Framework aligns with broadly accepted market concepts relevant for Sustainable Finance and to assess the sustainability credentials of its Sustainability-Linked Loans pool, as well as the Borrower's sustainability strategy.

### CRITERIA

Relevant Standards for this External Review

- ICMA Green/Social Bond Principles
- LMA/LSTA/APLMA Sustainability-Linked Loans Principles

### ISSUER'S RESPONSIBILITY

Nordea Bank Abp's responsibility was to provide information and documentation on:

- Framework
- Sustainability-Linked Loans pool
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social, and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

ISS ESG has conducted this independent External Review of the SLL Funding to be issued by Nordea Bank Abp based on ISS ESG methodology.

The engagement with Nordea Bank Abp took place in January 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence, and due care, professional behavior, and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets, and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about External Review services, please contact:  
[SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

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