

Nordea

Nordea Sector Guideline for the Real estate Industry

November 2019



1. Introduction

The Board of Directors of Nordea Bank has adopted a Code of Conduct for Nordea Bank Abp and its subsidiaries, including branches and representative offices. It applies to all people working for Nordea. The Code of Conduct is primarily based on the ten principles of the UN Global Compact and sets out the general principles for how we aspire to work at Nordea and guides us in our business relationships. The Code of Conduct is supplemented by more detailed internal rules, standard operating procedures, policies and guidelines.

This is Nordea's Sector Guideline for the Real Estate Industry approved by the Business Ethics and Values Committee, November 2019.

2. Commitment

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into our decision-making process. Nordea is a signatory to the UN Global Compact, the Principles for Responsible Investments (PRI), the Principles for Responsible Banking (PRB) and the UN Net-Zero Asset Owner Alliance.

Nordea performs ongoing due diligence (ODD) on all customers and enhanced due diligence (EDD) with regards to customers that are assessed to have a higher risk.

Nordea's Policy for Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risk management sets the framework and minimum standards for Anti-Money Laundering and Counter Terrorist Financing risk management. According

to the policy the Know-Your-Customer process is a key element in all AML/CTF activities.

Nordea does not facilitate business with individuals, corporations or countries that are subject to relevant sanctions. Nordea has detailed processes for capturing potential violations of sanctions to ensure that transactions do not breach relevant sanctions imposed by UN, EU, USA and applicable local regulators. Nordea has dedicated task groups and regular training in place.

3. Climate change and real estate

The Paris Agreement commits signatories to 'holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'¹. The Paris Agreement has served as a catalyst for numerous initiatives including the EU Action Plan for Financing Sustainable Growth and all the Nordic countries have adopted climate laws and national targets with the aim to have competitive low-carbon sustainable economies.

The Intergovernmental Panel on Climate Change (IPCC), the United Nations body responsible for assessing the science related to climate change, has in its 2019 Special Report - Global Warming of 1.5 °C² – set out the context for strengthening the global response to the threat of climate change. Emission pathways need to lead to net zero by 2050. Limiting global warming to 1.5°C require rapid and far-reaching transitions in energy, transport, buildings and industry. The transition requires

emissions reductions in all sectors and an upscaling of investments in renewable energy and energy efficiency. Buildings and real estate as a sector have a large environmental footprint both during construction, with the use of resource intense materials such as steel and concrete, and in the operational phase through energy and water consumption. The sector is also subject to physical climate risks such as fires, flooding and ground water shortage.

The real estate sector is responsible for around 40% of energy consumption in the European Union. Three-quarters of the European building stock is considered inefficient. Renovation rates remain low and new construction resulting in buildings with higher performance levels varies across EU Member States but are generally estimated to be around 1-2%, which is inadequate to set the real estate sector on a zero-emissions pathway³.

Energy efficiency and real estate are integral parts of the European Union's environmental policy objectives of a climate-neutral economy by 2050 and the EU Action Plan for Financing Sustainable Growth. The forthcoming EU taxonomy for sustainable activities⁴ aspires to include also such actions in the real estate sector that can contribute to climate change mitigation and other environmental objectives.

4. Expectations on the real estate industry

Nordea recognises the responsibility to work towards a just transition to a low-carbon economy and a sustainable society. Nordea expects clients and

portfolio companies to acknowledge the IPCC scientific consensus on the influence of human activities on inducing climate change and commit to the fulfilment of the objectives of the Paris Agreement. Companies in the real estate industry should invest in and work towards developing sustainable buildings.

Commercial and residential buildings that qualify as Green Buildings⁵ includes buildings with at least any of the following certifications:

- the LEED "gold" certification
- the BREEAM "very good" certification
- the Miljöbyggnad "Silver" certification (Sweden)
- the Nordic Swan Ecolabel
- the RTS "2 stars" certification, or
- renovations and refurbishments of commercial or residential buildings leading to reduced 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%.

For private residential properties we also provide Green Loans⁶ for properties with energy efficiency classification A or B. Nordea expects clients and portfolio companies to align their business strategy with the objectives of the Paris Agreement, UN Sustainable Development Goals and regional and national frameworks, such as the EU Action Plan for Financing Sustainable Growth and the national climate laws setting out the pathway to carbon neutral societies.

¹ Article 2.1. (a) Paris Agreement, UN 2015.

² Global Warming of 1.5 °C, IPCC Special Report 2018 (revised 2019)

³ EU Taxonomy

⁴ https://ec.europa.eu/info/publications/180524-proposal-sustainable-finance_en#investment
https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

⁵ Nordea Green Bond Framework November 2019 www.nordea.com

⁶ Available in Finland, Norway and Sweden

For the real estate industry this includes;

- Having a Code of Conduct, Supplier Code of Conduct, Grievance mechanisms and whistle blower functions in place, ensuring ethical business practices
- Having environmental, health, and safety (EHS) management systems meeting standards such as the ISO 14001
- Efficient use of energy, water and other resources and use renewable energy
- Measures to reduce pollution and waste and enabling re-use and recycling
- Sourcing sustainable, ethical, non-toxic materials

Nordea expects clients and portfolio companies to adhere to national laws and regulations, follow and respect internationally recognized norms and standards in their operations and refrain from any involvement in operations in areas protected by international conventions, and respect the objectives and rights with regards to children, indigenous people, workers, modern slavery, environment, biological diversity and wildlife as inter alia expressed in;

Environmental

- the UN Convention on Biological Diversity (CBD)
- the International Union for Conservation of Nature and Natural Resources (IUCN) with regards to protected areas defined therein
- the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Convention with regards to sites listed therein
- the Ramsar Convention on Wetlands of International Importance especially as Waterfowl Habitat (RAMSAR)

Human rights

- the principle of Free, Prior and informed Consent (FPIC), as defined by the United Nations Permanent Forum on Indigenous Issues, in their operations with respect to the fair and equal use of forests and acquisition of land and land use
- the United Nations "Protect, Respect and Remedy" framework set out in the UN Guiding Principles for Business and Human Rights
- the United Nations Convention on the Rights of the Child
- the Children's Rights and Business Principles

Labour rights

- the ILO Minimum Age Convention (no 138)
- the ILO Worst Forms of Child Labour Convention (no 182)
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Nordea is committed to review, engage and dialogue with our stakeholders, clients and portfolio companies to fulfil the objectives of this sector guideline. The purpose of our sector guidelines is to establish a common framework for a dialogue with the clients and portfolio companies we work with. This includes both business opportunities and risk reduction.

Sector guidelines provide direction on best practice as well as on the international conventions and standards that we encourage and expect companies to follow. We are committed to engage and work with our clients and portfolio companies towards improved business practices.

