

# Nordea

## Nordea Sector Guideline The Shipping Industry

June 2022



## 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, policies and guidelines.

This is Nordea's Sector Guideline for the Shipping Industry that outlines our commitment, positioning as well as recommendations. This guideline was approved by the Risk Committee, in June 2022.

This Sector Guideline applies to all customers within the shipping sector, including shipbuilding and maritime transportation. Exempted from this Sector Guideline are companies where Nordea's lending amounts to less than EUR 1 million<sup>1</sup>.

## Due Diligence and sanctions

Nordea performs ongoing due diligence (ODD) on all customers and enhanced due diligence (EDD) with regard to customers that are deemed to have a higher risk or active in an industry with a higher risk. Nordea is committed to ensuring that it complies with all applicable sanctions laws and regulations globally. Therefore Nordea applies the EU Sanctions Regime, UN Sanctions Regime and adheres to UK and US Sanctions Regimes on a Group-wide basis. In addition to the sanctions applied on a Group-wide basis, all Nordea entities are required to comply with sanctions that are applicable within their

jurisdiction. The Group may also consider the application of such local sanctions regimes on a Group-wide basis where needed for Nordea's risk management objectives. The Group may also set requirements for sanctions compliance and risk management that exceed the regulatory or legislative obligations set forth by [sanctions](#).

## Maritime transport

Maritime transport is the backbone of international trade and an integral part of the global supply chain. Raw materials are transported to refineries, refined goods are transported to factories and manufactured goods are transported to consumers. Shipping is the most CO2 efficient mode of transport to move large amounts of goods over longer distances, when compared to rail, road or air transport. Existing and emerging technologies – such as low-carbon fuels, efficient ships and operations – are making zero emissions shipping possible in the future.

The International Maritime Organization (IMO), United Nations' specialised agency for shipping, estimates that over 90% of the world's trade is carried out by sea and it is the most cost-efficient way to move large amount of goods and raw materials around the world<sup>2</sup>. Carbon intensity has improved between 2012 and 2018 for international shipping as a whole, as well as for most ship types. The overall carbon intensity, as an average across international shipping, was 21% and 29% better than in 2008, measured in AER and EEOI respectively in the voyage-based allocation.

International shipping emits around 3% of global Greenhouse Gas protocol ("GHG") emissions<sup>3</sup>. Almost 90% of the global economy<sup>4</sup> is already committed to reaching net zero emissions by 2050 via pledges made by countries.

1. The limit captures the absolute majority of loans from Nordea to corporates with shipping activities as well as associated emissions and risks associated in the sectors concerned.

2. [Source 4th IMO GHG study](#)

3. [Source 4th IMO GHG study](#)

4. <https://zerotracker.net/>

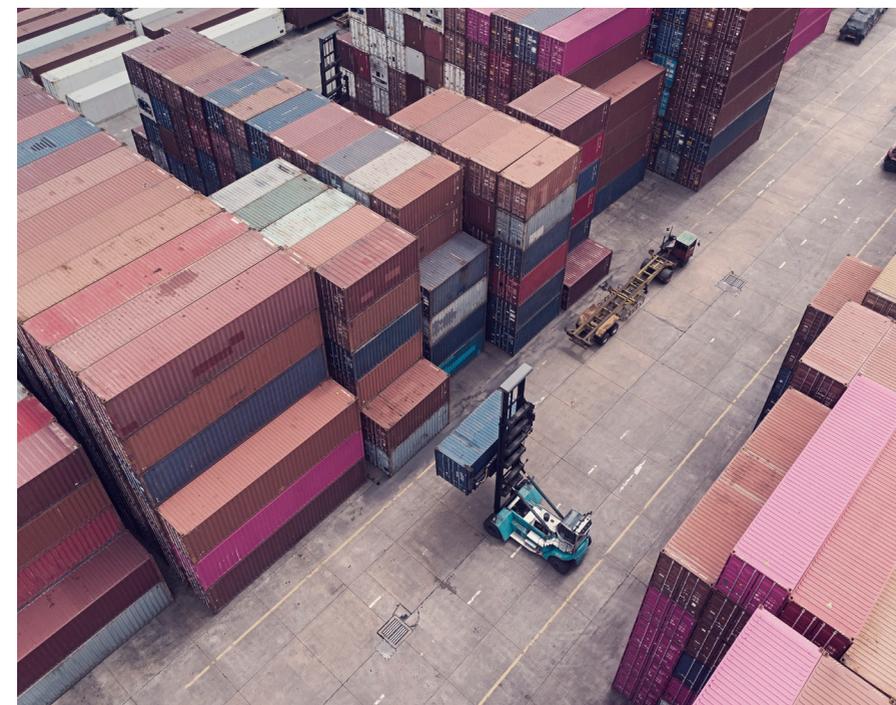
The existing GHG strategy from the IMO envisages, in particular, a reduction in carbon intensity of international shipping (to reduce CO2 emissions generated by transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008); and that total annual GHG emissions from international shipping should be reduced by at least 50% by 2050 compared to 2008. The strategy includes a specific reference to "a pathway of CO2 emissions reduction consistent with the Paris Agreement temperature goals"<sup>5</sup>. The IMO's Initial Strategy on the reduction of GHG emissions will be revised by 2023.

## Commitment

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into credit and investment decision-making processes.

Nordea signed the Poseidon Principles in 2019, which provide a global framework to quantitatively assess and disclose whether financial institutions' lending portfolios are in line with the climate goals set by the IMO. Climate risk factors are mandatory to consider in connection with the credit risk assessments for relevant customers within the

5. IMO Initial GHG strategy 2018: <https://www.imo.org/en/MediaCentre/HotTopics/Pages/Reducing-greenhouse-gas-emissions-from-ships.aspx>



shipping industry. Furthermore, the Poseidon Principles are included in Nordea's business selection process in connection with financing customers within the shipping, offshore, cruise and ferries industries.

Nordea joined the Responsible Ship Recycling Standards (RSRS) initiative in 2017. These are voluntary principles for financial institutions active in ship financing and form guiding principles in the dialogue between the financial sector and the stakeholders in the shipping industry. RSRS are voluntary industry principles that aim to minimise the dangers associated with dismantling of vessels including labour conditions and environmental impact. The participating financial institutions seek an active dialogue with shipowners and encourage them to prepare and maintain an Inventory of Hazardous Materials (IHM) onboard their vessels. Having an IHM onboard contributes to the safety of crew members and workers during the ship's working life and recycling process, and minimises the adverse effect on the environment. Nordea has integrated RSRS in the credit assessment process and lending agreements.

The Equator Principles is a risk management framework for financial institutions to assess and manage environmental and social risk in projects. Nordea signed the Equator Principles (EP) in 2007, and applies the new rules, which came into force in 2020, in the assessment of environmental and social risks in project finance cases.

## Our position

Nordea recognises the responsibility to work towards a just transition to a low-carbon economy and a sustainable society. Nordea's objective is to become a bank with net zero emissions by 2050 at the latest. To reach this [goal](#), Nordea has set a mid-term objective to reduce financed GHG emissions (value chain emission, Scope 3) from its lending and

investment portfolios by 40-50% by 2030 (baseline 2019). Nordea will also reduce its internal carbon emissions (direct, Scope 1 and indirect, 2) by at least 50% and achieve net positive carbon contribution by 2030<sup>6</sup>.

In addition to the IMO target, Nordea has an objective for its Shipping portfolio to have at least 25% lower emissions compared to the global fleet by 2050. In order to support further alignment with the goal of the Poseidon Principles, Nordea as a signatory is expected to disclose the climate alignment (the carbon intensity relative to established decarbonization trajectories) of shipping portfolios. To fulfil the commitment shipowners are also expected to annually collect and report the GHG specified data for ships with a gross tonnage of 5,000 or more, that are engaged in international trade.

Nordea's target to ensure that 90% of our exposure to large corporate customers in climate-vulnerable sectors be covered by credible transition plans by the end of 2025 will apply to our shipping customers, and Nordea is committed to engaging with customers to reach this target.

## Recommendations

Recognising the ESG concerns pertinent to the shipping industry, including the safety of life at sea, the protection of the marine environment and the provision of decent working and living conditions for seafarers, Nordea expects its customers to operate in accordance with international conventions, standards and norms, adhere to laws, regulations and rules set by classification societies, and to have policies established in support of this.

In addition, Nordea recommends companies, in all areas of their operations, to:

- have a Code of Conduct, a Supplier Code of Conduct and include clauses on compliance with ESG criteria in their

contracts with subcontractors and suppliers, ensuring ethical business practices as well as a compliance function including whistle blower and grievance mechanisms.

- be a part of the shipping industry pledge for a net zero target by 2050.



6. GHG Protocol. PCAF Financed Emissions standard on portfolios