

# **Nordea sector guideline for the defence industry**

**Approved by Nordea Bank's Sustainability and Ethics Committee  
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## 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, policies and guidelines.

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

- UN Global Compact,
- the Principles for Responsible Investments (PRI),
- the Principles for Responsible Banking (PRB) and
- the Glasgow Financial Alliance for Net Zero.

### 1.1 Nordea's sustainability targets

Sustainability is at the core of our strategy. We have an important responsibility in the transition towards net zero emissions. Sustainability is an integrated part of our value proposition to customers, how we run the bank, organise our internal operations and manage our risks. We want to make a difference together with our customers and support them in making sustainable choices, contributing to a sustainable society.

To reach this goal Nordea has set the objective to become a bank with net-zero emissions by 2050 at the latest. To read more about our sustainability targets, including more detailed 2025 targets, please visit [Nordea.com](https://www.nordea.com).

## 2 Scope of the sector guideline

This sector guideline apply to Nordea's procurement, investments<sup>1</sup> and financing and are applicable to companies within the defence industry. Nordea does not have any procurement from companies in the scope of this guideline.

### 2.1 Definitions

**Requirement:** Nordea restricts financial services to customers and investments in companies that are in breach of these requirements.

**Expectation:** Nordea expects customers within the scope of this guideline to adhere to the expectations and engages to encourage customers to take concrete remediating actions.

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<sup>1</sup> Includes all investments, excluding the trading book held by Nordea Markets and exceptions specified in Nordea's [Responsible Investment Policy](#), [Life & Pension's Responsible Investment Policy](#), and [Responsible Investment Distribution Policy](#).

### **3 Governance**

Sector guidelines are approved by Nordea's Sustainability and Ethics Committee and shared with Nordea's Group Leadership Team and Board Operations and Sustainability Committee. The relevant 1st line of defence is responsible for implementing the guidelines into their processes, such as risk, credit and investment decisions. The control function in the 2nd line of defence is responsible for the oversight of the application of the guidelines.

This guideline apply to all new financing and investment activities. Existing customers' adherence to the requirements is verified through ongoing active engagement and may require the collection of documents such as policies, permits or certificates. Controls of adherence are implemented according to a risk proportionality approach.

#### **3.1 Due Diligence and sanctions**

Nordea is committed to ensuring that it complies with all applicable sanctions laws and regulations globally. Nordea follows the sanctions regimes of the EU, UN, US, and the UK on a group-wide basis, subject to applicable local laws and regulations. In addition to the sanctions that are applied on a Group-wide basis, all Nordea entities are required to comply with sanctions that are applicable within their jurisdiction.

Nordea has an onboarding and periodic refresh process which is designed to help identify and manage Financial Crime, including sanctions, risks. This process also includes the application of enhanced due diligence (EDD) with regards to customers which are deemed to have a higher risk or active in an industry with a higher risk. For further reading please see Nordea.com for Nordea Sanctions Risk Management Policy Statement<sup>2</sup> and Nordea AML/CTF/ATE Policy Statement<sup>3</sup>.

### **4 Nordea position**

Nordea does not facilitate trade, including any trade of weapons (or dual-use goods for military purposes), to individuals, corporations or countries that are subject to relevant sanctions.

According to Article 51 of the United Nations Charter each nation has the right to self-defence. From this follows that a nation has a legitimate right to develop a defence and produce, purchase and possess arms for its own security as well as for participating in international peace keeping missions.

The European Union is based on a strong commitment to promoting and protecting human rights, democracy and the rule of law worldwide. The EU Global Strategy on Foreign and Security Policy supports enhanced cooperation between member states' armed forces and management of crises. This is supported by an implementation plan based on three strategic priorities; responding to external conflicts and crises; building the capacities of partners; protecting the EU and its citizens.

Defence equipment is produced by state owned companies, multi-national companies listed on stock exchanges and small and medium sized companies. All these categories use various financial services such as financing, advice, accounts, and trade finance.

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<sup>2</sup> <https://www.nordea.com/en/doc/nordea-sanctions-risk-management-policy-statement-0.pdf>

<sup>3</sup> <https://www.nordea.com/en/doc/nordea-aml-ctf-ate-policy-statement-0.pdf>

Recognizing the inherent complexity and challenging issues involving the production and use of arms, both individual states and the international community have sought to regulate the area through a multitude of laws, treaties and conventions both with regards to conventional weapons (generally referred to as weapons that are in relatively wide use) and with regards to weapons of mass destruction (which generally are referred to as controversial weapons)

## 4.1 Nordea requirements

### 4.1.1 Controversial Weapons

There is no official and comprehensive definition of Controversial Weapons. It is a concept subject to change over time but it commonly includes weapons that are illegal and banned by international legal instruments or deemed controversial due to the disproportionate and indiscriminate harm they cause. Nordea considers the following to be Controversial Weapons:

- **Anti-personnel mines:** regulated by the 1999 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (the Ottawa Convention), that bans the use of anti-personnel mines;
- **Cluster Munitions:** regulated by the 2008 Convention on Cluster Munitions (the Oslo Convention) that prohibits the use, stockpiling, production and transfer of cluster munitions;
- **Biological Weapons:** regulated by the 1975 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction;
- **Chemical Weapons:** regulated by the 1997 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
- **Non-Detectable Fragments, Incendiary Weapons and Blinding Laser Weapons:** regulated by the 1983 Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects, Protocol I, III and IV.
- **Depleted uranium munitions:** no current international convention exists, but Nordea recognises the concerns with depleted uranium munitions

Nordea does not invest in companies that are verified to be involved in the production or development of controversial weapons. Nordea does not finance companies that are verified to be involved in controversial weapons.

### 4.1.2 Nuclear Weapons

Nuclear Weapons are regulated by the 1970 Treaty on the Non-Proliferation of Nuclear Weapons (NPT). The objective of the treaty is to prevent the spread of nuclear weapons and technology and promote the peaceful use of nuclear energy. The treaty recognizes the five permanent members of the United Nations Security Council; China, Russia, France, United Kingdom and the United States as lawful nuclear-weapons states. Israel, India and Pakistan are non-signatories. North Korea has withdrawn from the NPT.

Nordea does not invest in companies that are verified to be directly involved in the production or development of nuclear weapons. Nordea may, however, invest in companies involved in the maintenance of Nuclear Weapons provided that the total military revenue of the company does not exceed 5%.

Nordea does not finance companies that are verified to be directly involved in nuclear weapons. Nordea may, however, conduct business with a company that is a part of a group involved in nuclear

weapons provided that such business is appropriately ringfenced and thus limited to a company not involved in nuclear weapons.

In respect of legacy commitments where Nordea has contractual obligations to retain a business relationship, Nordea is committed to engagement and dialogue to ensure that Nordea's business relationship adhere to this sector guideline. If adherence cannot be achieved Nordea shall, to the extent legally possible, exit the relevant relationship in an orderly manner.

## **4.2 Nordea expectations**

For companies involved in the defence industry that Nordea invests in, or has a business relationship with, Nordea expects them not just to be compliant with national law (including export licenses in relevant jurisdictions), national policies established by the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, international humanitarian law, treaties, and conventions, but also to follow the UN Global Compact and the UN Guiding Principles on Business and Human Rights.