

# **Nordea Sector Guideline for the Defence Industries**

**Approved by Nordea Bank's Sustainability and Ethics Committee  
January 2025**

# Contents

1	Introduction .....	2
1.1	Definitions.....	2
1.2	Nordea’s sustainability strategy .....	3
2	Nordea thematic and sector framework.....	4
2.1	Purpose .....	4
2.2	Scope.....	5
2.3	Implementation .....	5
2.4	Due diligence and sanctions controls.....	6
3	General expectations.....	6
4	Defence sector guidelines.....	7
4.1	The defence industry and its risks in relation to sustainability.....	7
4.2	Nordea position .....	9
4.3	Sector specific scope and definitions.....	9
4.3.1	Scope .....	9
4.3.2	Definitions .....	9
4.4	Investments.....	10
4.4.1	Requirements.....	10
4.4.2	Expectations .....	10
4.5	Financing.....	11
4.5.1	Requirements.....	11
4.5.2	Expectations .....	12

# 1 Introduction

Nordea is committed to conduct business responsibly and to integrate environmental, social and governance (ESG) factors into all internal processes. Our business is governed by a set of policies and guiding documents approved by the Group Board of Directors and cascaded throughout the organisation.

In relation to all our stakeholders, customers and other business relationships, Nordea's [Code of Conduct](#)<sup>1</sup> is the central document governing our operations, together with the ESG factors outlined in our [Sustainability Policy](#).

Our conduct in relation to employees, workers in the value chain, communities and end users is further supported by the following overarching documents:

- [Nordea Human Rights Policy](#)
- [Nordea Diversity & Inclusion Policy](#)

Nordea is dedicated to adhering to all applicable rules and regulations we are obliged to follow in the markets where we operate and we are committed to ensuring compliance with all applicable sanctions laws and regulations globally and following 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.

## 1.1 Definitions

### General Definitions

<b>Business relationship</b>	A contractual commercial relationship with a legal person covering the following services: facilitation, investments, lending or procurement.
<b>ESG Factors</b>	Environmental, social or governance matters that, as opportunity and risk drivers: <ul style="list-style-type: none"><li>• have an actual or potential, positive or negative impact on the environment and/or people, through Nordea's own activities or its business relationships (contractual and non-contractual), and/or</li><li>• are internal or external to Nordea's activities and generate or may generate risks or opportunities that influence or are likely to influence the financial performance of Nordea, its customers, counterparts and service providers in the short, medium, long or very long terms.'</li></ul>
<b>Facilitation</b>	Capital market activities where Nordea acts as a sole or joint arranger of primary debt or equity issuance in the public capital market.
<b>Investment</b>	All investments, excluding the trading book held by Nordea Markets and exceptions specified in or decided as part of the implementation in Nordea's Responsible Investment Policy, Life & Pension's Responsible Investment Policy, and Nordea's Responsible Investment Distribution Policy

---

<sup>1</sup> <https://www.nordea.com/en/doc/code-of-conduct.pdf>

<b>Lending</b>	Contractual agreements resulting in credit risk exposure for Nordea through on- balance sheet exposure, including any amount of principal, accrued interest and yield fees owed by the obligor to Nordea.
<b>Nordea</b>	Nordea Group, including Nordea Bank Abp and all its subsidiaries.
<b>Procurement</b>	The full lifecycle of the procurement process including; sourcing, contracting, use of purchasing channels, invoicing and payment and the operations of the procurement object.
<b>Value chain impacts</b>	The impacts caused by Nordea indirectly through the operations of our business relationships.

### Sector and thematic framework definitions

<b>Thematic guidelines/Position Statements</b>	Documents describing Nordea’s view and position on different sustainability themes, taking the outset in our strategic direction and supported by our view on the business environment where we operate and our material impacts and risk as described in our double materiality assessment.
<b>Value chain</b>	In the context of the Sector and Thematic framework, the value chain consists of Nordea’s direct business relationships as defined above.
<b>Sector guidelines</b>	Documents describing Nordea’s view on sectors identified as strategically important from an environmental, social and governance perspective, outlining how we address the related risks and impacts relevant for our business relationships in these sectors.
<b>Requirements</b>	The mandatory boundaries for Nordea’s business relationships specifying, as relevant and applicable from a proportionality and materiality perspective, exclusion criteria, materiality thresholds or other restrictions relating to harmful activities in scope of each sector.
<b>Expectations</b>	Non-binding statements outlining best practices for Nordea’s business relationships intended to support constructive engagement dialogues, striving for alignment with long-term risk mitigating behaviour in line with Nordea’s strategy.

## **1.2 Nordea’s sustainability strategy**

Nordea wants to make a difference for a greater good - not only for ourselves, but for the future and for generations to come. We aim to provide the best possible support for customers transitioning to a more sustainable future, and actively contribute to society to benefit the greater good. To fulfil this aim, the Group Board has decided upon sustainability strategic priorities, integrated in the Nordea strategy. The sector guidelines cascade and implement these strategic priorities of Nordea, where sustainability is at the core, as requirements and expectation for specific sectors.

As a bank, we play a key role in facilitating the achievement of societies’ sustainability goals through redirecting investments and financing towards more sustainable technologies, business models and to businesses contributing to a just transition towards a sustainable and net zero economy. To Nordea, a just transition is a socially and financially inclusive transition towards sustainable and net zero economy leaving no-one behind, and enhancing adherence to human rights.

We work closely with the stakeholders in our value chain to influence and support them in making sustainable choices to accelerate their transition. We support companies in all stages of the transition and strive for alignment on our long-term ambition to achieve net-zero by 2050 at the

latest and respect human rights. To demonstrate our ambition, Nordea has pledged adherence with global alliances and frameworks such as:

- UN Global Compact<sup>2</sup>,
- Principles for Responsible Investments (PRI)<sup>3</sup>,
- UNEP-FI Principles for Responsible Banking (PRB)<sup>4</sup>,
- Investor Alliance for Human Rights<sup>5</sup>, and
- Equator Principles<sup>6</sup>.
- Net Zero Banking Alliance<sup>7</sup>,
- Net Zero Asset Owner Alliance<sup>8</sup>,
- Net Zero Asset Manager Initiative<sup>9</sup>

With regards to climate, Nordea is committed to become a bank with net-zero emissions by 2050 at the latest. As part of this commitment, we have set ambitious interim targets across our own operations, lending and investment activities, with an overarching portfolio target to reduce emissions across lending and investment portfolios with 40-50% by 2030, compared to a 2019 baseline. In the lending portfolio, this is supported by sector-specific targets in prioritised carbon-intensive sectors. To read more about Nordea's sustainability targets, please visit [Nordea.com/sustainability](https://www.nordea.com/sustainability).

## 2 Nordea thematic and sector framework

The thematic and sector framework is an important part of Nordea's sustainability governance. It is a framework consisting of thematic guidelines, position statements and sector guidelines, as further defined under section 1.1.

The following sections are applicable only to sector guidelines. To learn more about our sustainability governance and our sector and thematic framework, please refer to <https://www.nordea.com/en/sustainability/> and our [Sustainability Policy](#).

### 2.1 Purpose

The purpose of the sector guidelines is twofold:

- to mitigate Nordea's ESG related risks and limit the negative impacts stemming from Nordea's business relationships in scope of the guidelines, by setting requirements for exposure to the most harmful activities.
- to provide guidance to our business relationships for risk mitigating behaviour in sectors vulnerable to environmental, social or governance factors, e.g. by outlining references to best practice standards and relevant international conventions serving to support progress.

---

<sup>2</sup> <https://unglobalcompact.org/>

<sup>3</sup> <https://www.unpri.org/>

<sup>4</sup> <https://www.unepfi.org/banking/bankingprinciples/>

<sup>5</sup> <https://investorsforhumanrights.org/>

<sup>6</sup> <https://equator-principles.com/>

<sup>7</sup> <https://www.unepfi.org/net-zero-banking/>

<sup>8</sup> <https://www.unepfi.org/net-zero-alliance/>

<sup>9</sup> <https://www.netzeroassetmanagers.org/>

Nordea's sector guidelines also aim to address interdependencies and conflicts relating to different ESG factors, such as climate change mitigation and biodiversity or climate change mitigation and human rights, or the fact that certain sectors, such as the energy sector, are important for the transition of other sectors in the same value chain. These interdependencies and conflicts may affect Nordea's position and sector outlook.

## 2.2 Scope

The sector guidelines cover all ESG factors that are material to Nordea according to our analysis of the business environment and our Double Materiality Assessment and specifically address harmful activities, key risks and impacts in the sectors most vulnerable to climate, nature and social risks.

Nordea's sector guidelines apply to Nordea's new and existing business relationships within the following areas of operations, unless otherwise outlined in each sector guideline:

- Procurement
- Financing
- Investment
- Facilitation<sup>10</sup>

Requirements in scope of the sector guidelines, where sectors are defined by NACE codes are binding for credit exposures of EUR 1 million or more, but are to be considered for all existing business relationships. Alternative thresholds may apply for individual sectors, as stated in each sector guideline.

The sector guideline requirements are only relevant for Procurement, when the product or service procured by Nordea relates to the specific industry covered in the guideline.

## 2.3 Implementation

The sector guidelines set out a number of requirements and expectations to support Nordea's progress in line with sector targets and overarching objectives, further described at [Nordea.com/sustainability](https://www.nordea.com/sustainability).

Requirements are set to limit Nordea's exposure to unmitigated transitional and physical climate risks, nature related risks and impacts, and risks for human rights violations in the value chain and communities.

Expectations are set to encourage customers, portfolio companies and suppliers to aim for best practice and take concrete remediating actions to improve performance.

Nordea will restrict new financing, facilitation, investments and procurement activities to companies verified to not comply with the requirements in the sector guidelines.

Existing business relationships' compliance with the requirements is verified through ongoing activities such as screening and engagement. Controls are implemented based on a risk proportionality approach. If an existing business relationship is found not to comply with the

---

<sup>10</sup> Phased implementation during 2025-2027.

requirements, Nordea will engage in a dialogue to ensure concrete remediating actions are initiated. If non-compliance persists, preparation for an orderly exit may be considered as an ultimate resort.

Exemptions to sector guideline requirements may be applied to existing business relationships as long as the exposure does not prevent Nordea from reaching its overarching objectives and sector targets and is not in conflict with other applicable regulation for Nordea nor for the business relationship. Exemptions for business relationships are granted by Nordea's Sustainability and Ethics committee after careful consideration of the ESG related risks and benefits associated with the business relationship<sup>11</sup>. Process for exemptions for business relationships in subsidiaries are further described in local governance documents.

## 2.4 Due diligence and sanctions controls

In addition to the controls related to the requirements of the sector guidelines, Nordea has an onboarding and periodic review process designed to help identify and mitigate Financial Crime, including sanctions risks. This process includes the application of an enhanced due diligence (EDD) for customers and other business relationships deemed to carry higher risk or being active in an industry with a higher inherent risk. For further reading, please see [Nordea.com](https://www.nordea.com/en/doc/nordea-sanctions-risk-management-policy-statement-0.pdf) for Nordea Sanctions Risk Management Policy Statement<sup>12</sup> and Nordea AML/CTF/ATE Policy Statement<sup>13</sup>.

Nordea recognizes the significance of and challenges associated with respecting human rights and mitigating environmental impacts. In order to address these challenges, and enable mitigation of potential adverse impacts from our business operations, we are adhering to the human rights due diligence process as defined by the UN Guiding Principles on Business Human Rights and the due diligence requirements outlined in the Corporate Sustainability Reporting Directive (CSRD). This includes identifying and assessing potential adverse human rights impacts in our value chain and taking measures to address them.

## 3 General expectations

The principles in Nordea's Code of Conduct guide the daily work and our business decisions. We take them and all other relevant environmental, social and governance aspects into consideration when evaluating business impacts, risks and opportunities. We also expect our business relationships to align with these principles. Reflecting our own ambition, we expect all business relationships in scope of the guidelines to:

- have a Code of Conduct and compliance function in place, a Supplier Code of Conduct and include clauses on compliance with ESG criteria in their contracts with subcontractors and suppliers, ensuring ethical business practices including whistle blower and grievance mechanisms
- analyse and report material sustainability matters in line with established standards, such as the Corporate Sustainability Reporting Directive (CSRD) (applied to EU companies from Jan 1<sup>st</sup> 2024 and onwards), as applicable.

---

<sup>11</sup> For credit, the escalation goes first to the executive credit committee, as per the internal credit process.

<sup>12</sup> <https://www.nordea.com/en/doc/nordea-sanctions-risk-management-policy-statement-0.pdf>

<sup>13</sup> <https://www.nordea.com/en/doc/nordea-aml-ctf-ate-policy-statement-0.pdf>

- support a just and orderly transition to a low-carbon economy when engaging with policy makers and refrain from participating in any direct or indirect advocacy activities aimed at weakening climate policy
- have environment, health, and safety (EHS) management systems that meet standards such as the ISO 14001 and OHSAS 18001 where relevant

Commitment to the following international conventions and standards is encouraged for all Nordea's business relationships in line with our own ambitions and commitments:

- The United Nations Global Compact<sup>14</sup>,
- The United Nations Guiding Principles on Business and Human Rights<sup>15</sup>.
- OECD guidelines for multinational enterprises<sup>16</sup>,
- The United Nations Sustainable Development Goals<sup>17</sup>,
- Paris Agreement on climate change<sup>18</sup>,
- Kunming-Montreal Global Biodiversity Framework<sup>19</sup>

Nordea's business relationships are expected to identify, assess and manage their ESG related impacts, risks and opportunities and to develop transition plans to support their progress. Nordea expects all business relationships to be open to engagement and constructive dialogue on the contents of the transition plan, with the ambition to align targets and actions with the Paris Agreement and other applicable international goals on sustainability. Nordea engages with customers across sectors to decrease dependency on fossil fuels through energy efficiency measures and increased use of low carbon energy sources.

## 4 Defence sector guidelines

### 4.1 The defence industry and its risks in relation to sustainability

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 production, trade, export and use of military technology and equipment, including arms, have different sustainability impacts. In general, military technology is used for security reasons, to defend countries and their citizens, infrastructure and democracy. But weapons and other military technology and equipment can be misused for aggression in armed conflicts, terrorism and organised crime, often breaching international humanitarian law. Arms are used to increase security and defend democracy, but also to decrease security, violate human rights and erode democracy. Besides fatalities, wars and armed conflicts have large environmental impacts such as GHG emissions, water pollution and emissions of carcinogenic pollutants. The aftermath of wars and

---

<sup>14</sup> <https://unglobalcompact.org/>

<sup>15</sup> <https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>

<sup>16</sup> [https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct\\_a0b49990/81f92357-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990/81f92357-en.pdf)

<sup>17</sup> <https://sdgs.un.org/goals>

<sup>18</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement>

<sup>19</sup> <https://www.cbd.int/gbf>

armed conflicts between or within countries require large amounts of natural resources to rebuild infrastructure and societies.

Both individual states and the international community recognize the inherent complexity and challenging issues related to production, trade, export and use of military technology and equipment, including arms. Thus, they have sought to regulate the area through 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 controversial weapons and nuclear weapons. Based on these laws and treaties, companies involved in export of defence equipment must hold an export license issued by a competent authority in the relevant jurisdiction. In the Nordic countries, such licenses are issued based on national legislation and policies on control of arms export established in accordance with the:

- United Nations Arms Trade Treaty (ATT)<sup>20</sup>
- EU Common Position on control of arms export<sup>21</sup>
- United Nations Convention against Transnational Organised Crime (UN Firearms Protocol)<sup>22</sup>
- Treaty on Non-Proliferation of Nuclear Weapons (NPT)<sup>23</sup>
- Australia Group (AG)<sup>24</sup>
- Missile Technology Control Regime (MTCR)<sup>25</sup>
- Nuclear Suppliers Group (NSG)<sup>26</sup>
- Wassenaar Arrangement (WA) on Export Controls for Conventional Arms and Dual-Use Goods and Technologies<sup>27</sup>
- UN Geneva Conventions on international humanitarian law<sup>28</sup>

While AG, MTCR, NSG and WA are voluntary agreements between member states, ATT, UN Firearms Protocol, NPT and the EU Common Position provides legally binding provisions for State Parties and EU member states respectively to comply with on controlling international arms trade and proliferation of nuclear weapons. According to the ATT, arms export shall not be authorised if the arms or items would be used in commissioning genocide, crimes against humanity, grave breaches of international humanitarian laws, attacks directed against civilians, or other war crimes as defined by international agreements. ATT encourages states to continuously monitor how arms trading partners use weapons in practice and to review extant licenses if new information comes to light. If the information indicates a clear or substantial risk of international humanitarian law violations, the transfers must be stopped and the authorization amended, suspended or cancelled. The EU Common Position states that an export license shall not be approved if there is a risk that the military technology or equipment to be exported might be used for (i) internal repression, (ii) provoking or prolonging armed conflicts or aggravating existing tensions or conflicts, and (iii) the intended recipient would use the military technology or equipment to be exported aggressively against another country. State competent authorities shall also account for the risk that the military

---

<sup>20</sup> [https://thearmstradetreaty.org/hyper-images/file/ATT\\_English/ATT\\_English.pdf?templateId=137253](https://thearmstradetreaty.org/hyper-images/file/ATT_English/ATT_English.pdf?templateId=137253)

<sup>21</sup> Original text adopted 2008: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008E0944>. Amendments adopted 2019: <https://www.consilium.europa.eu/media/40658/st10707-en19.pdf>

<sup>22</sup> <https://www.unodc.org/unodc/en/firearms-protocol/the-firearms-protocol.html>

<sup>23</sup> <https://www.iaea.org/sites/default/files/publications/documents/infcircs/1970/infcirc140.pdf>

<sup>24</sup> <https://www.dfat.gov.au/publications/minisite/theaustraliagroupnet/site/en/index.html>

<sup>25</sup> <https://www.mtcr.info/>

<sup>26</sup> <https://nuclearsuppliersgroup.org/en/>

<sup>27</sup> <https://www.wassenaar.org/>

<sup>28</sup> <https://www.icrc.org/sites/default/files/external/doc/en/assets/files/publications/icrc-002-0173.pdf>

technology or equipment will be diverted within the buyer country or re-exported under illicit conditions, and whether the proposed export would seriously hamper the sustainable development of the recipient country.

The above-mentioned treaties and agreements are directed towards nation states, not to companies in the defence industry. National legislation and policies on arms trade and export in Denmark, Finland, Norway and Sweden differ. In general, arms exports licenses should not be granted if a recipient country is involved in, or at risk of being drawn into, an armed conflict or if there are serious human rights violations in the country. Serious deficiencies in the democratic status of the recipient country can also constitute an obstacle to arms export authorization. However, export licences have been granted if a country deems there are security or defence policy reasons for doing so, or for reasons of foreign policy.

## 4.2 Nordea position

Nordea is committed to (i) respect internationally recognised human rights legislation and standards, (ii) meet our corporate responsibility to respect human rights as defined in the UN Guiding Principles on Business and Human Rights<sup>29</sup>, and (iii) independently assess risks related to companies engaged in arms trade and exports. We expect the same from companies in our investment portfolios and our lending customers.

Nordea acknowledges (i) every nation's right to self-defence, (ii) the membership of Denmark, Finland, Norway and Sweden in NATO, (iii) the geopolitical situation as per autumn 2024 prevailing in Europe and the Middle East, (iv) the global nuclear weapon balance, (v) the increasing number of armed conflicts in the world, and considers that government approval of arms export can reduce the legal risk involved but does not eliminate companies' own independent responsibility to respect human rights.

## 4.3 Sector specific scope and definitions

### 4.3.1 Scope

Companies developing, manufacturing, repairing and selling arms and defence equipment, such as weapons, ammunition, explosives, military vehicles and other military equipment<sup>30</sup>, following NACE codes C.25.30, C.30.13, C.30.32, C.30.40, C.33.18, G.46.14, N.71.12 and O.84.22, according to the second revision as detailed in the Commission delegated regulation (EU) 2023/137, as guidance.<sup>31</sup>

### 4.3.2 Definitions

- Controversial weapons:**
- Anti-personnel mines, regulated by the 1997 UN Anti-Personnel Mine Ban Convention<sup>32</sup>.
  - Biological (and toxin) weapons, regulated by the 1972 UN Convention on the Prohibition of Biological Weapons<sup>33</sup>.

---

<sup>29</sup> [https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>30</sup> See Commission Delegated Directive (EU) 2021/1047 on defence-related products for a full list of military equipment. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021L1047>

<sup>31</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023R0137#tit\\_1](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023R0137#tit_1). The new NACE codes are more granular and will exist in parallel with the old NACE codes (C.25.4, C.30.3, C.30.4 and O.84.224) for some time.

<sup>32</sup> <https://www.apminebanconvention.org/en/>

<sup>33</sup> [https://www.icrc.org/sites/default/files/document/file\\_list/dp\\_consult\\_6\\_1972\\_biological\\_weapons.pdf](https://www.icrc.org/sites/default/files/document/file_list/dp_consult_6_1972_biological_weapons.pdf)

- Chemical weapons, regulated by the 1993 UN Chemical Weapons Convention<sup>34</sup>.
- Cluster munitions, regulated by the 2008 Convention on Cluster Munitions<sup>35</sup>.
- Non-Detectable Fragments, Incendiary Weapons and Blinding Laser Weapons, regulated by the 1980 UN Convention on Certain Conventional Weapons<sup>36</sup>.
- Depleted uranium ammunition, as defined by the UN Office for Disarmament Affairs<sup>37</sup>. No current international convention exists, but Nordea recognises the concerns with depleted uranium munitions.

**Heightened human rights due diligence**

Assessment to strengthen understanding of the context where businesses operate to ensure that their activities do not cause, contribute or being directly linked to armed conflict and other situations of widespread violence, thus human rights abuses

**Internal repression**

Torture and other cruel, inhuman and degrading treatment or punishment, summary or arbitrary executions, disappearances, arbitrary detentions and other major violations of human rights and fundamental freedoms

## 4.4 Investments

### 4.4.1 Requirements

Nordea requires compliance with national legislation and policies aligning with provisions of international conventions and treaties on controversial weapons, the UN Firearms Protocol, NPT and ATT, and for EU member states the EU Common Position on control of arms export.

#### 4.4.1.1 Controversial weapons

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

#### 4.4.1.2 Nuclear weapons

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%.

### 4.4.2 Expectations

Nordea expects portfolio companies to have a Code of Conduct and a human rights policy in line with the UN Global Compact and the UN Guiding Principles on Business and Human Rights. This includes, but is not limited to:

---

<sup>34</sup> <https://www.opcw.org/chemical-weapons-convention>

<sup>35</sup> <https://www.clusterconvention.org/>

<sup>36</sup> <https://disarmament.unoda.org/the-convention-on-certain-conventional-weapons>

<sup>37</sup> <https://disarmament.unoda.org/convarms/depleted-uranium/>

- a process for conducting human rights due diligence according to requirements of CSDDD or similar non-EU legislation and, as relevant an applicable, adherence to the UN Guidelines for Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts.<sup>38</sup>
- reporting in line with corporate sustainability reporting legislation and standards (e.g. CSRD or the Global Reporting Initiative), and
- transparency on the company's political risk and impact assessment, including the potential human rights impact in the country of final destination.

#### **4.4.2.1 Arms trade and export**

Nordea expects portfolio companies not to trade or export weapons and military equipment to individuals, organisations, corporations or countries that are subject to relevant sanction regimes (embargoes or restrictions) imposed by EU, UK, UN or USA, subject to applicable local laws and regulations.

Nordea expects portfolio companies involved in trade and export of weapons and military equipment to have processes and competence in place to enable verification that they do not trade or export weapons or military equipment to:

1. Countries where the government is verified to be involved as aggressor in armed conflicts, and there is a substantial risk that the weapon is used
  - a. to commit or facilitate a serious violation of international humanitarian and human rights law, or
  - b. for internal repression.
2. Countries where there is a substantial risk that the weapon will be illegally re-exported to countries under relevant sanction regimes.

## **4.5 Financing**

### **4.5.1 Requirements**

Nordea requires compliance with national legislation and policies aligning with provisions of international conventions and treaties on controversial weapons, the UN Firearms Protocol, NPT and ATT, and for EU member states the EU Common Position on control of arms export.

#### **4.5.1.1 Controversial weapons**

Nordea does not finance companies that are verified to be involved in production or development of controversial weapons or equipment having "no practical use other than the imposition of death penalty, torture or other cruel, inhuman or degrading treatment or punishment", as defined by Regulation (EU) 2019/125 of the European Parliament and of the Council of the European Union<sup>39</sup>.

#### **4.5.1.2 Nuclear weapons**

Nordea does not finance companies that are verified to be involved in production and development of nuclear weapons. Nordea may, however, conduct business with a company that is a part of a group involved in production and development of nuclear weapons, provided that such business is appropriately ringfenced and thus limited to a company not involved in nuclear weapons.

---

<sup>38</sup> <https://www.undp.org/publications/heightened-human-rights-due-diligence-business-conflict-affected-contexts-guide>

<sup>39</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0125>

#### **4.5.1.3 Arms trade and export**

Nordea does not finance companies involved in trade or export of weapons and military equipment to individuals, organisations, corporations or countries that are subject to relevant sanction regimes (embargoes or restrictions) imposed by EU, UK, UN or USA, subject to applicable local laws and regulations.

#### **4.5.2 Expectations**

Nordea expects customers to have a Code of Conduct and a human rights policy in line with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for multinational enterprises. This includes, but is not limited to:

- a process for conducting human rights due diligence according to requirements of CSDDD or similar non-EU legislation and, as relevant an applicable, adherence to the UN Guidelines for Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts.<sup>40</sup>
- reporting in line with corporate sustainability reporting legislation and standards (e.g. CSRD or the Global Reporting Initiative), and
- transparency on the company's political risk and impact assessment, including the potential human rights impact in the country of final destination.

##### **4.5.2.1 Arms trade and export**

Nordea expects customers involved in trade and export of weapons and military equipment to have processes and competence in place to enable verification that they do not trade or export weapons or military equipment to:

1. Countries where the government is verified to be involved as aggressor in armed conflicts, and there is a substantial risk that the weapon is used
  - a. to commit or facilitate a serious violation of international humanitarian and human rights law, or
  - b. for internal repression.
2. Countries where there is a substantial risk that the weapon will be illegally re-exported to countries under relevant sanction regimes.

---

<sup>40</sup> <https://www.undp.org/publications/heightened-human-rights-due-diligence-business-conflict-affected-contexts-guide>