

# **Sustainability Policy**

**Approved by Nordea Board of Directors October 2024**

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# **1 Purpose and scope**

## **1.1 Purpose**

Nordea Group ("Nordea" or the "Group") recognizes the importance of sustainability in our business operations and in the wider community. We believe that sustainable practices not only benefit the environment and the society but also contribute to the long-term success of our business, built on trust and confidence.

This policy, based on the Group Board Directive on Sustainability, sets the baseline for how Nordea defines sustainability and how we manage and implement sustainability practices to ensure that we fulfil our strategic priorities, long-term objectives and targets. The Group Board shall see to the appropriate organisation of Nordea's operations with expertise and care in accordance with the requirements set out in the directive and applicable rules and regulations.

## **1.2 Scope**

This directive applies to the Group and covers Nordea's business activities in all countries where Nordea has its operations. All employees of Nordea, and non-permanent staff working on behalf of the Group, are subject to this directive.

It is the responsibility of the Group CEO to make certain that each head of a Business Area ("BA") and Group Function ("GF") ensures that this directive is, where relevant, known and conformed to within their respective area of responsibility.

The more detailed rules are, or will be as deemed necessary, described in subordinate internal rules, such as guidelines and standard operating procedures as relevant for each respective BA and GF.

## **1.3 Subsidiaries and branches**

The directive applies to Nordea Bank Abp and to all subsidiaries within the Nordea Group unless legal or supervisory requirements determine otherwise.

# **2 Sustainability in Nordea**

## **2.1 Definition of Sustainability**

Sustainability for Nordea means the continuous work to improve the business model and its operationalization through products, services, business relationships and internal operations whilst seeking to materially contribute to the achievement of strong, balanced and inclusive long-term growth that reduces adverse impacts on environment, societies and people.

To achieve this, sustainable banking is about inspiring our stakeholders to become more sustainable and providing solutions that meet our customer's sustainable preferences, contributing to societal goals through climate action, social impact and strong governance – while reducing the adverse impacts of our internal operations on the environment, societies and people, hereby enhancing both our and our customers' resilience.

## **2.2 How we manage Sustainability**

The sustainability management in Nordea is built on the double materiality approach. The concept of double materiality in sustainability refers to the idea that a company's sustainability performance should be evaluated based on two interrelated aspects;

- how sustainability issues impact Nordea and its financial health and outlook, both directly and indirectly, via Nordea's counterparties and third-parties, referred to as *financial materiality*.
- how Nordea impacts the larger world i.e. people and environment both directly and indirectly via Nordea's counterparties' and third-parties', referred to as *impact materiality*.

This directive covers *impact materiality* including development, decision and oversight of the strategic priorities and related targets and objectives. The *financial materiality* and related Environmental, Social and Governance ("ESG") risk management requirements, including for those risks associated with Nordea seeking to take action on material impacts to sustainable development, for people and the natural environment, are handled according to the *Group CEO Instructions on ESG factors*.

### **2.2.1 Integration of sustainability in the strategic priorities and business plan**

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 Group Board cascades, via the Group CEO, guidance to the management and employees to actively work towards implementing the strategic priorities of Nordea, where sustainability is at the core, and making sure that they regularly report on their progress towards achieving these priorities, including key sustainability targets.

To implement the strategy in the business plan, the strategic priorities must be further cascaded to the BAs and GFs. The BAs and GFs must establish, monitor and disclose specific strategic targets relating to sustainability, in accordance with the Group's strategic priorities. The responsibility for development and coordination of these Group sustainability strategic priorities and associated target setting, including follow-up on these and commence of escalation processes, if the priorities are not followed, shall be cascaded to Group Sustainability ("GS").

### **2.2.2 Sustainability guiding principles**

Nordea shall conduct sustainable business and development by combining financial performance with environmental and social responsibility as well as sound governance practises. At Nordea, we believe that sustainability and financial performance are closely connected, and that sustainable practices contribute to a long-term financial success. To guide us towards reaching financial growth in a sustainable way, the below principles shall be used in our daily work and when making business decisions. Nordea shall use these principles as its main guiding principles when evaluating business risks, impacts and opportunities in connection with advice, investments, financing, internal operations and the supply chain.

In particular, the Group Board has agreed on the following principles:

#### **2.2.2.1 Advice**

- We shall continuously enhance our competence and knowledge regarding environmental, social and governance aspects relevant for advice in relation to our products and services.
- We shall continuously improve our advice and be transparent on environmental, social and governance aspects relevant to our products and services in a way that supports our customers' preferences and enables them to make informed decisions on sustainability aspects and impacts.

- We shall, for our advisory investment product offering, ensure that our products adhere to a baseline of responsible investment requirements for the Nordea advisory product universe, and we shall continuously ensure that products that adhere to more strict sustainability requirements are also part of the product offering.
- We shall, when giving investment advice, do it in line with applicable legislation and,
  - ensure that we, as a part of the suitability assessment of the individual customer, assess suitability against the customer's sustainability preferences, and only recommend suitable products. This shall be done in a sufficiently granular way to allow for a matching of the customers' sustainability preferences with the sustainability-related features of investment products.
  - ensure that employees, when acting in their roles as investment advisors, have the necessary knowledge and competence to understand the key characteristics, including the sustainability implications, of investment products being offered or recommended.

#### 2.2.2.2 Investment

- We shall include and consider environmental, social and governance aspects through a risk-based approach in our research and relevant analysis processes and have an understanding of the challenges and opportunities companies have in their respective businesses and industries.
- We shall strive towards being an active long-term shareholder which means that we use the rights to vote, to have representation in nomination committees and engage with companies to influence their environmental, social and governance performance, thus, if a portfolio company does not fulfil our sustainability criteria, even after engagement from our side, divestment shall be an option.
- We shall develop and supply investment products that support sustainable development. By having proper product governance processes for investment products based on environmental, social and governance product insights, we strive to offer customers investment products that match their sustainability preferences.
- We shall review sustainability aspects in the product governance process to ensure our products live up to the sustainability related claims that are made. This means that, when we manufacture and distribute investment products and insurance based investment products we shall, as a part of a product governance process, identify the target market of a product, including the sustainability-related objectives target market customers have, in order for a product to be eligible for them.
- We shall be transparent by disclosing information about our products with sustainability-related objectives.
- We shall engage with relevant stakeholders in order to ensure continuous development of our activities.

### 2.2.2.3 Financing

- We shall engage with our customers on environmental, social and governance matters and have an understanding of the challenges and opportunities customers have in their respective businesses and industries. This includes careful consideration when selecting funded initiatives and companies.
- We shall engage with stakeholders on environmental, social and governance matters in order to ensure their consistent development and performance in financing activities.
- We shall include and integrate environmental, social and governance-related risk assessments in the risk management and due diligence processes.
- We shall develop and supply financial products that support sustainable development.
- We shall analyse the potential reputational risk elements in connection with financing. We expect that customers and stakeholders manage their reputational risk and we shall, where necessary, liaise with customers and stakeholders to minimize such risk.
- We shall act in accordance with high standards and best practices with regards to tax compliance and reporting and do not finance or facilitate tax schemes that are regarded as tax evasion or finance tax schemes that may be legal but perceived as either aggressive tax planning or not in line with Nordea's code of conduct.

Nordea's position on tax is further elaborated in The Nordea Tax Policy, published at <https://www.nordea.com/en/sustainability/policies-sector-guidelines>.

### 2.2.2.4 Internal operations and supply chain

As the largest bank in the Nordics we recognise that we have an important role to play in driving society towards a sustainable future. This responsibility also cover our practises in our internal operations and the supply chain.

- Sustainability must be embedded in the Due Diligence process as part of the supplier selection and included as a contractual requirement towards suppliers, as defined in the *Group Board Directive on Procurement*.
- Environmental, social and governance aspects must be considered, through a risk-based approach, when making decisions related to internal operations and the supply chain.
- Stakeholder engagement across the value chain and where relevant must be considered to support the stakeholders sustainability transition and to help mitigate the potential adverse impacts on people and the environment.
- To drive sustainable decisions across the value chain, Nordea must continuously advance competences and knowledge regarding environmental, social and governance aspects to drive sustainable decisions across the value chain.

### 2.2.2.5 External commitments and positions

Nordea shall strive towards taking a leading role in global and local collaborations to drive change towards a more sustainable economy. As a means to reach this, Nordea shall participate in and support external voluntary commitments and initiatives that enable businesses to operate in a more sustainable way. Nordea shall, as an essential part of its/our work to implement our strategy and commitments, participate in and support public advocacy initiatives, globally and locally. Besides influencing Nordea's own practices, external voluntary commitments and initiatives are joined with the aim of influencing other companies, sectors and/or states to improve their sustainability practices.

Nordea's participation in external voluntary commitments, initiatives and public advocacies are listed at Nordea's website, <https://www.nordea.com/en/sustainability/joining-forces>.

Nordea shall have thematic and sector guidelines to support our strategy and these shall be implemented in all Nordea's business operations. These guidelines shall be owned and developed by GS. The aim of the thematic guidelines is to clarify Nordea's position regarding a specific topic within sustainability. The aim of the sector guidelines is to explain Nordea's position, requirements and expectations on a specific sector and guide business decisions.

Nordea's thematic and sector guidelines are published at Nordea's website, <https://www.nordea.com/en/sustainability/policies-sector-guidelines>.

Nordea shall have a human rights policy to support our strategy concerning commitments and efforts to respect human rights in all our business activities and relationships. Nordea shall make sure that any strategic decision is taken in line with a just transition, as defined in *Nordea's thematic guideline on social responsibility*.

Nordea's human rights policy is included in appendix C and is also published at Nordea's website, together with the thematic guideline on social responsibility, <https://www.nordea.com/en/sustainability/policies-sector-guidelines>.

### 2.2.2.6 Sustainability in branding, communication and reporting

We shall work with sustainability in a responsible manner to avoid greenwashing risks.

In Nordea we define greenwashing as any ESG-related claim, action or communication which make Nordea and its operations, policies, products and services appear more sustainable than they actually are.

To avoid greenwashing risks in relation to branding, communication and reporting, we adhere to the following principles:

- Nordea's marketing and communications related to sustainability, including the strategic priorities and related targets, must be legal, decent, honest and truthful.
- We must communicate in a way that makes sustainability understandable for our customers and is fair, clear, and not misleading.
- Our sustainability-related statements must be transparent and verifiable with reliable scientific evidence.

## 3 Roles and Responsibilities

### 3.1 Governance for Sustainability

Nordea's sustainability governance shall follow the double materiality approach. It consists of Group Board Committees recommending the Group Board decisions, both on the financial materiality (ESG-related risk management) and impact materiality. The governance bodies for sustainability are presented below and further described in their respective charter.

### 3.2 Group Board

The Group Board is responsible for approving Nordea's strategy, including the purposes and values on which the Group's sustainability strategic priorities are based. By approving the Group Board Directive on Sustainability, the Group Board has set out its requirements for how sustainability should be strategically driven and implemented in Nordea.

The Group Board is responsible for overseeing the integration of sustainability into Nordea's strategic priorities and business plan as well as ensuring that the implementation is compatible with the transition to a sustainable and net zero economy.

### 3.3 Group Board Committees

The Board Operations and Sustainability Committee ("BOSC") assists the Group Board in overseeing the sustainability impacts, including development, decision and oversight of the strategic priorities and related targets and objectives that is presented for review and input. On the recommendation of BOSC, the Group Board approves the strategic sustainability priorities.

The Group Board is also responsible for overseeing that the Group Leadership Team's ("GLT") remuneration is consistent with these strategic priorities and Nordea's long-term interest. The Board Remuneration and People Committee ("BRPC") prepares and presents proposals to the Group Board regarding inclusion of ESG KPIs in remuneration schemes. Input on relevant KPIs is provided by BOSC. The BOSC also oversees the sustainability reporting as part of the Annual Report in cooperation with the Board Audit Committee ("BAC"), which reviews the external auditor's oversight of the Sustainability Statement in the Annual Report and associated disclosures in the Annual Report. The BOSC also reviews the sustainability related business initiatives and provides recommendations on the sustainability reporting to the Group Board for approval.

The Board Risk Committee ("BRIC") oversees the financial impacts of ESG factors on Nordea and reviews the Group's risk profile and key risk issues including significant development with regards to environmental, social and governance risks.

### 3.4 Group CEO

The Group CEO in the GLT is responsible for

- deciding on the strategic sustainability priorities and on the related targets and objectives on a Group level, after first consulting BOSC.
- approving the sustainability disclosures in the annual reporting together with the Group Board, and
- approving the participation in, and exit from, external voluntary commitments, after first consulting BOSC.

The Group CEO is assisted by the Group-wide committees and Group Accountable Executive. The responsibilities of these parties are further described in the *Group CEO Instructions on ESG factors* as well as in each committee's respective charter.



### **3.5 The Second line of defence**

Second line of defence consists of Group Risk and Group Compliance, comprising the independent risk and compliance functions. Their responsibilities and mandates are described in more detail in the *Group Board Directive for Group Compliance* and the *Group Board Directive for the second line of defence risk function*.

### **3.6 The Third line of defence**

Third line of defence consists of Group Internal Audit, an independent unit mandated by the Group Board. Their responsibilities and mandates are described in more detail in the *Group Board Directive for Group Internal Audit*.

## **4 Reporting and Disclosures**

The sustainability disclosures, as primarily provided through the Sustainability Statement in the Annual Report, shall be prepared in accordance with applicable regulations.

The Sustainability Statement in the Annual Report is subject to assurance by our auditor, with a limited scope of assurance for the first four years of reporting in accordance with the CSRD. The scope of the assurance engagement is agreed with the auditor.

In addition, Nordea reports on other mandatory and voluntary commitments such as the Modern Slavery Act, Norwegian Transparency Act, Principles for Responsible Banking Reporting and Self-Assessment Template as well as participates in a number of surveys from e.g. rating institutes, NGOs and research agencies.