

Nordea Sector Guidelines

Introduction

Contents

1	Introduction to Nordea’s Thematic and Sector Framework	2
1.1	Definitions	2
1.2	Nordea’s Group strategy embeds sustainability	2
1.2.1	Integration into business and investment decisions	2
1.2.2	Climate and nature priorities	3
1.2.3	Human rights and value chains	3
1.2.4	External commitments	3
2	Nordea sector guidelines	3
2.1	Purpose	3
2.2	Scope	4
2.2.1	Binding application threshold	4
2.2.2	Geography	4
2.2.3	Exemptions	4
2.3	Implementation	4
2.3.1	Decision outcomes	5
2.4	General expectations	5
2.5	Engagement after onboarding	6

1 Introduction to Nordea's Thematic and Sector Framework

Nordea ensures financial resilience by navigating the transition to a sustainable economy through risk management that protects our business while capturing emerging opportunities. Nordea considers environmental, social and governance (ESG) factors consistently in our internal processes and in decisions concerning customers and other business relationships.

Nordea recognises that, through lending, investments, capital markets facilitation and procurement, we may be linked to environmental, social and governance impacts or risks arising from activities of our business relationships. To maintain adequate resilience to the negative impacts of ESG factors, Nordea systematically identifies, measures and manages material ESG risks that may have, among others, a negative financial, operational and/or reputational impact.

Nordea's Sustainability and ESG Policy Framework sets out the principles that guide our approach towards ESG risks. The group level policies listed below are guiding documents are overseen by the Group Board of Directors and cascaded throughout the organisation. Our broader **Thematic and Sector Framework** translates Nordea Group-level sustainability strategic priorities and risk appetite into practical guidance for employees and for business partners active in sectors with elevated vulnerability to ESG risks. The Thematic and Sector Framework should be read within Nordea's policy hierarchy in which:

- the [Nordea Code of Conduct](#) establishes ethical principles for Nordea employees and guides us in our business relationships
- the Sustainability Policy sets the overall direction and the double materiality approach
- the Human Rights Policy and Diversity & Inclusion Policy clarify expectations towards workers, communities and value chains, and
- Financial Crime governance (including sanctions and AML/CTF) ensures adherence to law.

Nordea is dedicated to adhering to all applicable rules and regulations in the markets where we operate. We are committed to complying 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 comply with sanctions standards that are applicable within their jurisdiction.

1.1 Definitions

[Find all general definitions in our online glossary here.](#)

1.2 Nordea's Group strategy embeds sustainability

Nordea aims to be the preferred financial partner enabling the Nordic transition. This means to support customers transitioning to a more sustainable future and to contribute to safe and inclusive societies. Nordea's Group strategy where sustainability is embedded, is operationalised through targets, engagement and integration into risk management. To ensure comparability with leading international banking practice, Nordea applies the following principles when using sector guidelines:

1.2.1 Integration into business and investment decisions

Nordea embeds ESG factors in existing decision-making and control processes.

For corporate customers in our lending process, ESG assessments are performed according to the size and type of transaction and customer segmentation. Material ESG risks inform credit risk assessments and are reflected in decision-making; where ESG risk is elevated, decisions are escalated to higher-level credit committees.

1.2.2 Climate and nature priorities

Nordea supports the objectives of the Paris Agreement, and the objectives of the Kunming-Montreal Global Biodiversity Framework.

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.

We recognize that both physical and transitional climate impacts and biodiversity and ecosystem impacts and dependencies are material to several sectors.

1.2.3 Human rights and value chains

Nordea's Human Rights Policy commits the bank to respecting human rights in line with the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Sector guidelines are used to address sectors where the risk of adverse impacts on own workforce, workers in the value chain, local communities, indigenous peoples, consumers and end users is elevated. Nordea requires suppliers to identify, assess and address the salient human rights risks of their own activities and as a result of their business relationships, and if applicable to engage constructively on remediation.

1.2.4 External commitments

Nordea reinforces its strategy through participation in international frameworks relevant to lending and investments, including the UN Global Compact, Principles for Responsible Banking, and Principles for Responsible Investment. Nordea follows international standards for climate target setting.

These commitments inform the design of restrictions, requirements and expectations in sector guidelines.

2 Nordea sector guidelines

Nordea's thematic and sector framework translates our sustainability priorities, risk management and double materiality assessment into consistent minimum standards and engagement expectations for ESG vulnerable sectors. The sector guidelines are considered across the business relationship lifecycle and embedded in existing governance, credit, investment and procurement processes.

2.1 Purpose

The purpose of the sector guidelines is to describe our ambition and governance relating to ESG vulnerable sectors with focus on how material ESG risks are mitigated and managed in our business relationships. The sector guidelines serve two complementary objectives:

- **Mitigate Nordea’s ESG-related risks and limit the negative impacts** by establishing restrictions and requirements for activities with elevated environmental or social risks, thereby protecting Nordea’s financial position, reputation and operations.
- **Provide guidance and structure for business relationship engagement** by outlining Nordea’s expectations on ESG governance, transition strategies and transparency, enabling business relationships to mitigate ESG-related risks and progress towards best practices over time.

2.2 Scope

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:

- Lending
- Investments (asset management and asset ownership)
- Facilitation in capital markets
- Procurement of products and services as defined in this guideline¹.

2.2.1 Binding application threshold

ESG factors are considered for all business relationships. For sectors defined by NACE codes, restrictions and requirements are binding for lending exposures of EUR 5 million or above unless otherwise specified in the relevant sector guideline.

For investments, exception rules are specified in or decided as part of the implementation in Nordea Asset Management’s Responsible Investment Policy, Nordea Life & Pension’s Responsible Investment Policy, and Nordea’s Responsible Investment Product Distribution Policy.

Compliance is monitored throughout the lending, investments and procurement life cycles using a risk-based approach.

2.2.2 Geography

Group-wide, subject to applicable local laws and regulations.

2.2.3 Exemptions

Exemptions may be applied following approval by Nordea’s Sustainability and Ethics Committee (SEC), provided this does not prevent Nordea from reaching overarching portfolio or sector targets and that there is no conflict with applicable regulation.

2.3 Implementation

Nordea treats ESG factors as drivers of existing risk types and applies screening at onboarding, pre-approval assessment and ongoing monitoring. Nordea’s sector guidelines are implemented through existing processes in lending, investments and procurement.

The sector guidelines inform:

- Onboarding and Know Your Customer review – identification of ESG triggers and scope classification;

¹ 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.

- Pre-approval assessments, e.g., screening, risk assessment management systems, impacts and mitigants; and
- Ongoing engagement assessments of conditions, incidents and progress.

Nordea will not proceed with the onboarding of new business relationships in lending, facilitation and/or procurement where (a) non-compliance with restrictions has been identified, or (b) there is a history of systematic breaches of Nordea's requirements.

For existing business relationships, Nordea applies a proportional engagement approach aimed at remediation and alignment. Non-compliance with Nordea's restrictions or persistent non-compliance with Nordea's requirements after engagement may lead to preparation for an orderly exit as an ultimate resort.

2.3.1 Decision outcomes

ESG screening results lead to one of three outcomes, mirroring Nordea process logic:

- Proceed – ESG risks and impacts are adequately managed.
- Proceed with conditions – covenants or engagement milestones are set.
- Do not proceed – ESG risks remain unmitigated or there is non-compliance with Nordea's restrictions.

2.4 General expectations

Nordea expects all business partners covered by sector guidelines to identify, assess, manage and report material ESG-related impacts, risks and opportunities in a manner proportionate to the nature, scale and time horizon of their business activities. These expectations are rooted in Nordea's Sustainability Policy, Code of Conduct and Supplier Code of Conduct, and are used to guide onboarding decisions, set conditions where relevant, and structure engagement and follow-up with existing business relationships.

Business partners are expected to:

- maintain Board-approved ESG-related policies and assign clear internal accountability for ESG risk management;
- ensure that remuneration, tax practices, anti-corruption and whistleblowing arrangements support responsible conduct;
- respect the integrity of sustainability-related regulation and refrain from advocacy aimed at weakening climate or environmental policy;
- demonstrate openness to dialogue with Nordea on ESG impact and risk assessments and progress;
- maintain risk-appropriate management systems (including environmental, health and safety) aligned with recognised standards;
- conduct human rights due diligence across own operations and value chains, and implement mechanisms to prevent and remediate negative impacts on people and the environment;
- manage contractors and suppliers consistently with the international conventions referenced by Nordea;
- disclose material sustainability matters using an internationally recognised standard (preferably ESRS, VSME or ISSB);

- engage with Nordea throughout the business relationship lifecycle, including the implementation of agreed ESG conditions/milestones, participation in relevant periodic reviews, and cooperation when ESG risks are escalated to specialists or committees;

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

International conventions and standards:

- The United Nations Global Compact²,
- The United Nations Guiding Principles on Business and Human Rights³.
- OECD Guidelines for Multinational Enterprises⁴,
- The United Nations Sustainable Development Goals⁵,
- Paris Agreement on climate change⁶, EU and Nordic climate laws
- Kunming-Montreal Global Biodiversity Framework⁷, EU Biodiversity Strategy⁸ and Nordic national biodiversity strategy and action plans.

2.5 Engagement after onboarding

Nordea follows up through existing lifecycle processes:

- implement any agreed ESG conditions or engagement milestones;
- participate in periodic reviews connected to AML/KYC, credit and investment processes; and
- be responsive and cooperate when ESG risks are escalated to specialists or relevant committees.

Persistent failure to engage, provide transparency, or implement remediation may trigger escalation and reconsideration of the business relationship in line with Nordea's governance.

² <https://unglobalcompact.org/>

³ <https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>

⁴ 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

⁵ <https://sdgs.un.org/goals>

⁶ <https://unfccc.int/process-and-meetings/the-paris-agreement>

⁷ <https://www.cbd.int/gbf>

⁸ https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en