Nordea

Statement on the integration of sustainability risks in investment decisions and advice

Published March 2021. Updated October 2026

Approved by Nordea Bank Investment Product Committee.

Information about policies on the integration of sustainability risks in Nordea Bank Abp

1. Purpose

This document describes how Nordea Bank Abp ("Nordea") integrates sustainability risks in investment decisions and in investment and insurance advice with respect to financial products. The EU Sustainable Finance Disclosure Regulation ("SFDR") defines sustainability risk as an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause a negative material impact on the value of the investment. In short, ESG risks that can negatively impact the value of an investment.

SFDR focuses on double materiality on entity and product level. The concept of double materiality covers how companies are affected by sustainability issues and, conversely, how their activities impact society and the environment. We measure the exposure to sustainability risks of the investments and the principal adverse impacts ("PAI") on the environment and society. Find the statements on PAI here*.

Examples of sustainability risks and how they relate to financial risks

Environmental risks	Social risks	Governance risks
• Climate change: Climate-related risks are financial risks posed by the exposure to an investment that may potentially contribute to, or be affected by, climate change. The value of the investment can be negatively affected by physical risks (e.g. flooding, storms) as well as by transition risks (e.g. new regulation, disruptive technologies and changing consumer behaviour to reduce greenhouse gas emissions globally). • Biodiversity, natural capital and ecosystem services: When ecosystems collapse or diminish it could have cascading effects along supply chains, that could then lead to inflationary pressures and even systemic financial risks.	• Human and labour rights and conditions: Labour practice related risks are financial risks posed by the exposure to an investment that may fail to adhere to adequate labour practices. For example, a company's issues related to working conditions or worker pay may lead to lower productivity and reputational damage. Consequently, this may negatively impact the value of investment in the company.	• Corruption: Corruption affects both the companies' reputation and profits, which damages also the shareholders. Monitoring the corruption risks protects investment portfolios from value depreciation. • Board composition: Risks related to board composition are financial risks posed by the exposure to an investment that may fail in e.g., the lack of board diversity or independent directors. The value of the investment may be negatively affected by, for example, strategic decisions that benefit management but not shareholders.

*Under Sustainability-related disclosures (SFDR)

2. Sustainability risk integration in Nordea

We consider relevant ESG factors when evaluating risks and opportunities. Nordea's principles and policies guide our decisions, work and behaviour. This includes situations that might negatively impact the value of our customers' investments. We integrate sustainability risks, alongside other financial risks, in our decision-making processes and our investment and insurance advice. We execute this through our assessment processes which includes requirements on products and product providers ("providers").

The table on page 1 shows examples of sustainability risks and how they relate to financial risk i.e. potential negative impact on the value of the investments. These are risks that may be relevant for our financial products in advice as well as our discretionary portfolio management.

3. Investment decision-making

At Nordea, we offer discretionary portfolio management. This service adheres to policies for investment and insurance advice as described below. Nordea has outsourced the management of discretionary portfolio management solutions to Nordea Investment Management AB ("NIM"). We evaluate NIM's sustainability capacity and practices on a regular basis. We assess that NIM has processes for integration of sustainability risks in the investment decision-making processes. This is for example based on the quality in NIM's methods for identifying material sustainability risks, and NIM's integration of external and in-house ESG research to its investment analysis and decisions.

You can find information on how NIM integrates sustainability risks in the document Sustainability Risk Integration in the Investment Decision-making Process and in its Responsible Investment Policy. Nordea is responsible for the customer relationship for the outsourced service, and we therefore monitor NIM's management of the portfolios regularly.

4. Investment and insurance advice

At Nordea, we integrate sustainability risks in our investment and insurance advice through our assessment processes and requirements on providers and their products. Financial products in the advisory universe are required to integrate sustainability risks in investment decision-making processes. Both providers and products need to pass through our processes and meet our specific requirements to qualify for distribution to Nordea's customers, as described in the following sections.

Nordea believes that the integration of sustainability risks can contribute to a more comprehensive assessment of investment risks and opportunities. Sustainability risks can be financially material and information on sustainability risks may contribute to investors' assessment of the risk exposure in their holdings and the investment opportunities arising from different sustainability factors such as climate change, biodiversity, human rights and gender diversity. We monitor the products' exposures to key sustainability risks on a regular basis.

More details about these processes and requirements are included in the Nordea Framework for Responsible Investment Distribution ("FRID") and below.

Requirements on providers

- PRI

As a starting point, we consider commitment to the Principles for Responsible Investments (PRI) to be a foundation for committing to integration of ESG factors into investment analysis, decision-making processes, and active ownership practices. This includes the integration of sustainability risks, which forms part of the process for identifying and assessing sustainability risks in products. In Nordea, we require that all providers are signatories of the PRI and have clear processes that ensure compliance with the principles.

- Climate commitment

Climate change poses specific sustainability risks to companies and other assets subject to investment. Climate change presents challenges in terms of its physical impact, also called physical risk, as well as through the prospect of radical policy measures and changing consumer behaviour to reduce greenhouse gas (GHG) emissions globally, which is called transition risk.

We require that managers of liquid funds and pension solutions, to be eligible for advice in Nordea, commit to transform their investment portfolios in line with the objectives of the Paris Agreement. This includes setting up a transition plan with near-term climate targets consistent with the global goal of net-zero greenhouse gas emissions. Such commitments may support the management of sustainability risks related to climate change. We follow up on providers' progress regularly.

- Human rights

Nordea is committed to respecting internationally recognised human rights standards and meeting the corporate responsibility to respect human rights as defined in the UN Guiding Principles on Business and Human Rights. We expect the same from our providers and their investee companies. Providers in the advisory universe should have a process on how to identify and act towards companies that breach international laws and norms regarding human rights and labour standards

Requirements on products

- Integration of sustainability risks

Financial products eligible for advice in Nordea must have sustainability risks integrated in investment decision-processes and have adequate methods for doing so. This is to assess that each product integrates material sustainability risks that are relevant for the specific product. The exposure to relevant material sustainability risks is assessed when selecting financial products for advice and reviewed regularly. Through this process, we assess whether providers have processes in place for integrating sustainability risks that may be relevant to the specific products offered through our advice.

- Exclusion of activities with high sustainability risk

In addition, financial products selected for advice must adhere to the exclusion criteria of the FRID. The criteria cover baseline exclusion requirements of selected businesses that are exposed to high sustainability risk, and which we do not want to include in advice, for example:

- controversial weapons, such as illegal (chemical and biological) weapons – which are linked to severe human rights harms, violations of international norms and conventions, and involvement

may expose investees to reputational risks and financial risk through e.g., legal, regulatory and market-related consequences.

- selected fossil fuel activities, such as coal mining and oil sand extraction – which expose investees to financial risk through e.g., unsustainable business models with high level of direct greenhouse gas emissions produced from their business, and therefore exposure to climate change related transition risk.

Compliance with the FRID baseline exclusion criteria is based on assessment of product strategies and policies, and screening of product holdings in the selection process and in ongoing monitoring.

Appendix

Amendments

	Review type	Amendment	Date of version
1	First version	First version of statement published	March 2021
2	Annual review	This statement has been reviewed with the following amendments: • Clarifying adjustments • Change of the layout	June 2021
3	Annual review	This statement has been reviewed with the following amendments: • Updates of our policies and processes related to sustainability risks which are included in our Responsible Investment Product Distribution Policy have been reflected in the text. • Our sustainability assessments and view on Nordea Investment Management AB have been elaborated. • Texts enhanced to better explain the link to financial risks. • Examples with concrete sustainability risks and how they link to financial risks added.	July 2022
4	Annual review	This statement has been reviewed with the following amendments: • Examples of sustainability risks added • Further describing how sustainability risks are integrated in our investment and insurance advice through our assessment processes and requirements on providers and their products specified	August 2023
5	Annual review	This statement has been reviewed with the following amendments: • More precise language describing sustainability risk integration • The text in the example on "Human and labour rights and conditions" has been adjusted	September 2024

6	Annual review	• Clarifying that human rights is considered as a sustainability risk by listing it in this disclosure under Provider requirements in line with our Responsible Investment Product Distribution Policy. • Clarifying adjustments and updates in hyperlinks where needed. • Including an amendments log in the published version.	October 2025
7	Annual review	• Refining the wording to enhance precision and clarity • Clarifying adjustments and updates in hyperlinks where needed • Adding references to Nordea Framework for Responsible Investment Distribution (previously "Nordea Responsible Investment Product Distribution Policy	October 2026