

Nordea

**Responsible Investment Product  
Distribution Policy**

Nordea Bank Abp  
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## Responsible Investment Product Distribution Policy

### Table of contents

1. Definitions .....	3
2. Purpose and scope .....	4
2.1 Purpose .....	4
2.2 Scope .....	4
3. ESG positions.....	4
3.1 Product provider specific ESG positions.....	4
3.1.1 Responsible investment foundation - the UN PRI.....	4
3.1.1 Climate commitment .....	5
3.2 Product specific ESG positions .....	5
3.2.1 Sustainability risk integration .....	5
3.2.2 Illegal weapons .....	5
3.2.3 Nuclear weapons .....	5
3.2.4 Climate change .....	6
4. Assessment and documentation .....	6
4.1 Product provider assessment.....	6
4.2 Product assessment .....	6
5. Conflict of interest .....	7



## 1. Definitions

- **A&WM** – Asset & Wealth Management
- **Discretionary portfolio management** – means managing portfolios in accordance with mandates given by a customer on a discretionary customer-by-customer basis where such portfolios include one or more products.
- **ESG** – Environmental, Social and Governance
- **Financial products** – Products in scope of the SFDR, including portfolio management, AIF, IBIP, pension product, pension scheme, UCITS and PEPP
- **IC** – Investment Center
- **ICPC** – Investment Center Product Committee
- **NAM** – Nordea Asset Management
- **Nordea** – Nordea Bank Abp
- **Preferred partners** – Global external managers that Nordea has a strategic partnership with
- **Product provider** – Product managers, such as asset managers and asset owners
- **SFDR** – The Sustainable Finance Disclosure Regulation
- **Strategic partners** – Nordea Asset Management, preferred partners and asset owners
- **Sustainability risk** – An environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment
- **Sustainable Choice (SC)** – Nordea’s concept for products with enhanced sustainability criteria, which can be labelled sustainable or similar (green, impact etc.)
- **the Policy** – The Responsible Investment Fund Distribution Policy
- **UN PRI** – The United Nations Principles for Responsible Investment

## 2. Purpose and scope

### 2.1 Purpose

Over the last couple of years, we have seen heightened expectations on banks from customers, investors, regulators and other stakeholders to take responsibility and play their part in addressing the world's growing social and environmental challenges. As the leading bank in the Nordic region, Nordea Bank Abp ("Nordea") acknowledges the importance of the financial sector in the ongoing transition and is ready to take a leading role.

Nordea's position statements and sector guidelines aim at explaining Nordea's view on different themes and specific industry sectors. The guidelines specify Nordea's requirements as well as recommendations. Our principles guide us in our daily work and when we make business decisions. We recognise potential negative environmental and social impacts and expect our product providers to meet high standards in managing such risks.

The Nordea Responsible Investment Product Distribution Policy ("the Policy") constitutes the baseline of responsible investment requirements for the Nordea advisory universe. For customers expressing a preference for sustainability, we have an investment product universe with enhanced sustainability criteria. These criteria are described in the Nordea Sustainable Choice framework.

This document provides the overall framework for the Policy. The Policy has been drafted by the Sustainable Investments Team within the Investment Center (IC).

The Policy has been adopted by the Investment Center Product Committee (ICPC) in Asset and Wealth Management (A&WM).

All changes to the Policy are subject to approval by the ICPC and all decisions related to the Policy are taken by the ICPC.

### 2.2 Scope

The Policy applies to product providers, products and discretionary portfolio management solutions (products and discretionary portfolio management solutions are hereinafter jointly called "products") in the Nordea advisory universe. In addition, the UN PRI signatory criteria, outlined in section 3.1.1 of this Policy, are also applicable to fund managers of mutual funds in the execution only offering. The Policy does not cover short positions and derivatives within the products in scope of this Policy.

## 3. ESG positions

Product providers and individual products must adhere to the Policy's ESG positions. The product provider specific ESG positions are stated in section 3.1 and the product specific ESG positions are stated in section 3.2. Compliance with the requirements is enabled through our manager and product assessment processes.

### 3.1 Product provider specific ESG positions

#### 3.1.1 Responsible investment foundation – the UN PRI

The UN Principles for Responsible Investment (UN PRI) is the world's leading proponent of responsible investment. The UN PRI outlines six principles on how to incorporate ESG issues into investment practices. In implementing them, signatories contribute to developing a more sustainable global financial system.

All product providers included in Nordea's product universe, advisory and execution

only<sup>1</sup>, are required to be signatories to the UN PRI. As signatories, they should commit to integrating ESG factors into their investment analysis, decision-making processes and active ownership practices.

At Nordea, we require all product providers in the advisory universe to have a clear process for complying with the principles set out in the UN PRI.

Furthermore, product providers in the advisory universe should have a process on how to identify and act towards companies involved in controversies, such as breach of international laws, norms on environmental protection, human rights, labour standards and anti-corruption laws.

### 3.1.1 Climate commitment

Climate change is one of the largest threats to the global economy and in general to the conditions for all life on earth. In addition, it implies specific risks to companies and other entities subject to investment. It presents challenges in terms of its physical impact as well as through the prospect of radical policy measures and changing consumer behaviour to reduce greenhouse gas (GHG) emissions globally (transition risk).

In alignment with the Paris Agreement Nordea has committed to becoming a net zero bank by 2050. In line with this commitment, we require our strategic partners in the advisory product universe to commit to having net zero investment portfolios by 2050 (at the latest). Our strategic partners should join a global initiative such as the Net Zero Asset Managers Initiative or similar no later than at the end of 2024. This includes setting up a transition plan with clear targets on how to become net zero by 2050. An official commitment to be net zero by 2050 will also be a requirement for new strategic

partners entering our advisory product universe.

## 3.2 Product specific ESG positions

### 3.2.1 Sustainability risk integration

Nordea sees integration of sustainability risks in investment decision-making processes as an important component of product risk mitigation and believes that it can enhance the risk-adjusted return. 'Sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Financial products in the advisory universe are required to have proper integration of sustainability risks in investment decision-making processes. Product providers' sustainability risk integration approach, for the products in scope, is assessed in the selection phase and is reviewed annually.

### 3.2.2 Illegal weapons

Nordea sees illegal weapons and their potential use as controversial, given their indiscriminate effect on human populations. Products in the advisory universe are not allowed to invest in companies that are involved in the production or development of:

- cluster munitions
- anti-personnel mines
- biological weapons
- chemical weapons
- weapons with non-detectable fragments, incendiary and blinding weapons
- depleted uranium munitions.

### 3.2.3 Nuclear weapons

Nordea sees nuclear weapons and their potential use as controversial, given

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<sup>1</sup> This applies to all mutual funds in the execution only product universe

their potential indiscriminate effect on human populations.

Products are not allowed to be invested in:

- companies that are verified to be involved in the production or development of nuclear weapons
- companies involved in the maintenance of nuclear weapons, with a military revenue threshold of 5% (note that military revenue is based on a company's overall revenue from military equipment and is not the same as revenue from nuclear weapons).

### 3.2.4 Climate change

Climate change is one of the largest threats to the global economy and to the conditions for life on earth. It also implies specific risks for investments. Products in the advisory universe are therefore not allowed to invest in the following:

#### 3.2.4.1 Coal mining

Companies with substantial and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal).

#### 3.2.4.2 Oil sand

Companies with substantial and sustained exposure to oil sand, with a 10% revenue threshold.

#### 3.2.4.3 Arctic drilling

Companies with exposure to oil and gas extraction through arctic drilling ("winter ice" definition), with a 5% revenue threshold.

## 4. Assessment

### 4.1 Product provider assessment

Product providers in scope to be added to the Nordea advisory product universe are assessed in relation to the ESG positions in

section 3.1. Assessments are performed in the selection phase and are reviewed annually.

In the selection phase, all product providers are required to be UN PRI signatories and are assessed against their adherence to the six principles of the UN PRI. Strategic partners are in addition assessed against their net zero 2050 commitments. They are required to have officially committed to becoming net zero by 2050 and to have joined an industry collaboration with the ambition of reaching that target. Furthermore, their targets and reporting related to this commitment are also assessed.

In the annual review, product providers' adherence to the six UN PRI principles is re-assessed. Strategic partners are also reassessed in regards to their net zero 2050 targets and reporting.

The outcome of the assessments is presented to the ICPC where the final decisions are taken.

### 4.2 Product assessment

Products in scope to be added to the Nordea advisory universe are assessed in relation to the ESG positions in section 3.2. Assessments are performed in the selection phase and are reviewed annually. Screening of holdings in liquid funds is conducted semi-annually.

In the selection phase, the sustainability risk integration approach for all products is assessed. Furthermore, assessments of product policies and exposure are performed for the purpose of evaluating the risk of any breach of the ESG positions in sections 3.2.2, 3.2.3 and 3.2.4.

In the annual review, reassessments of the steps in the selection process are conducted.

The outcome of the assessments is presented to the ICPC where the final decisions are taken.

Only liquid funds are subject to holdings screening by Nordea. Therefore, the policies of other products need to be well aligned with the ESG positions in sections 3.2.2, 3.2.3 and 3.2.4. Furthermore, product providers are obliged to monitor the products themselves on an ongoing basis and have a process for handling possible holdings identified to be in

breach of their policy. This is assessed in the selection process and reviewed annually.

## **5. Conflict of interest**

Nordea is aware that potential or actual conflicts of interests may arise as part of Nordea's engagement activities. Consequently, Nordea has policies in place for the purpose of taking all reasonable steps to prevent conflicts of interests. Where such conflicts cannot be avoided, Nordea will identify, manage and monitor the conflicts and, where appropriate, disclose them to clients to prevent them from adversely affect the interests of the clients.

This policy is owned by the Sustainable Investments team of Nordea Bank Abp. It was adopted by the Investment Center Product Committee in Asset and Wealth Management on 23 February 2022.

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