



Nordea

NORDEA SECTOR GUIDELINE FOR DEFENCE

Approved by Nordea Bank's Sustainability and Ethics Committee May 2026

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Introduction

Find the full introduction to all our Thematic and Sector frameworks [here](#)
And the full online glossary with our definitions [here](#)

1 Defence sector guidelines

1.1 The defence industry and its risks in relation to sustainability

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 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, 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)¹
- EU Common Position on control of arms export²
- United Nations Convention against Transnational Organised Crime (UN Firearms Protocol)³
- Treaty on Non-Proliferation of Nuclear Weapons (NPT)⁴
- Australia Group (AG)⁵
- Missile Technology Control Regime (MTCR)⁶
- Nuclear Suppliers Group (NSG)⁷
- Wassenaar Arrangement (WA) on Export Controls for Conventional Arms and Dual-Use Goods and Technologies⁸

¹ https://thearmstradetreaty.org/hyper-images/file/ATT_English/ATT_English.pdf?templateId=137253

² 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>

³ <https://www.unodc.org/unodc/en/firearms-protocol/the-firearms-protocol.html>

⁴ <https://www.iaea.org/sites/default/files/publications/documents/infcircs/1970/infcirc140.pdf>

⁵ <https://www.dfat.gov.au/publications/minisite/theaustraliagroupnet/site/en/index.html>

⁶ <https://www.mtcr.info/>

⁷ <https://nuclearsuppliersgroup.org/en/>

⁸ <https://www.wassenaar.org/>

- UN Geneva Conventions on international humanitarian law⁹

1.2 Nordea position

Nordea acknowledges the inherent right of each nation to self-defence as enshrined in Article 51 of the United Nations Charter. This includes the legitimate right to develop, produce, purchase and possess weapons and military equipment necessary to ensure national security and to contribute to internationally sanctioned peacekeeping operations.

In the light of the membership of Denmark, Finland, Norway and Sweden in NATO, the current geopolitical environment, and the increasing importance of safeguarding European and Nordic stability and security, Nordea recognizes the essential role of the defence industry in maintaining peace and stability. Accordingly, Nordea is committed to providing financial services to and supporting the responsible development of the defence and security industry, including developing areas such as drones and surveillance technology.

Given the complexity of the defence industry, and the risk of misuse of weapons and military equipment, Nordea acts with due diligence to ensure compliance with internationally recognised human rights standards. In line with the UN Guiding Principles on Business and Human Rights¹⁰, Nordea independently assesses and manages the risks associated with companies involved in the arms trade and exports to contribute to a safer and more secure global environment.

1.3 Sector specific scope

Nordea applies the Commission Delegated Regulation (EU) 2023/137 as guidance for the classification and assessment of relevant activities.

1.3.1 Scope

Companies developing, manufacturing, repairing and selling arms and defence equipment, such as weapons, ammunition, explosives, military vehicles and other military equipment¹¹, 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.¹²

1.3.2 Definitions

Nuclear weapons

- Weapons whose explosive force derives from fission or nuclear reactions. This includes key components and systems, which are not dual use technologies and components, used to produce or deliver such weapons.

Companies with nuclear weapons involvement

- Companies that manufacture nuclear weapons or key components and systems used to produce or deliver them.

Controversial weapons:

- Anti-personnel mines, regulated by the 1997 UN Anti-Personnel Mine Ban Convention¹³.

⁹ <https://www.icrc.org/sites/default/files/external/doc/en/assets/files/publications/icrc-002-0173.pdf>

¹⁰ https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

¹¹ 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>

¹² 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.

¹³ <https://www.apminebanconvention.org/en/>

- Biological (and toxin) weapons, regulated by the 1972 UN Convention on the Prohibition of Biological Weapons¹⁴.
 - Chemical weapons, regulated by the 1993 UN Chemical Weapons Convention¹⁵.
 - Cluster munitions, regulated by the 2008 Convention on Cluster Munitions¹⁶.
 - Non-Detectable Fragments, Incendiary Weapons and Blinding Laser Weapons, regulated by the 1980 UN Convention on Certain Conventional Weapons¹⁷.
 - Depleted uranium ammunition, as defined by the UN Office for Disarmament Affairs¹⁸. 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.

2 Investments

2.1 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.

2.1.1 Controversial weapons

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

2.1.2 Nuclear weapons

Nordea does not invest in companies with direct nuclear weapons involvement. Nordea does not invest in companies involved in the maintenance of nuclear weapons, if the total military revenue of the company exceeds 5%. Exemptions can be made for companies involved in nuclear weapons systems used by European NATO member states.

¹⁴ https://www.icrc.org/sites/default/files/document/file_list/dp_consult_6_1972_biological_weapons.pdf

¹⁵ <https://www.opcw.org/chemical-weapons-convention>

¹⁶ <https://www.clusterconvention.org/>

¹⁷ <https://disarmament.unoda.org/the-convention-on-certain-conventional-weapons>

¹⁸ <https://disarmament.unoda.org/convarms/depleted-uranium/>

2.2 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:

- 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.¹⁹
- 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.

2.2.1 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.

3 Financing and facilitation

3.1 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.

3.1.1 Controversial weapons

Nordea does not provide or facilitate financing to 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

¹⁹ <https://www.undp.org/publications/heightened-human-rights-due-diligence-business-conflict-affected-contexts-guide>

punishment", as defined by Regulation (EU) 2019/125 of the European Parliament and of the Council of the European Union²⁰.

3.1.2 Nuclear weapons

Nordea does not provide or facilitate financing to companies that are verified to be involved in production and development of nuclear weapons. However, Nordea may, conduct business with subsidiaries or affiliates of such a company provided that such business is appropriately ringfenced and demonstrably unrelated to nuclear weapons development and production.

3.1.3 Arms trade and export

Nordea does not provide or facilitate financing to 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.

3.2 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.²¹
- 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.

3.2.1 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.

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0125>

²¹ <https://www.undp.org/publications/heightened-human-rights-due-diligence-business-conflict-affected-contexts-guide>