

29.01.2021

**European SRI Transparency Code**

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: [www.eurosif.org](http://www.eurosif.org). The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in **February 2018**.

**REVISION OF THE CODE**

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

**TWO KEY MOTIVATIONS UNDERPIN THIS CODE**

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

**GUIDING PRINCIPLE**

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

**COMMITMENTS BY SIGNATORIES**

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions and should state this in their response.

**Statement of Commitment**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Nordea Asset Management. We have been involved in SRI since 2007 and welcome the European SRI Transparency Code.

This is our fourth statement of commitment and covers the period 29.01.2021 to 29.01.2022. Our full response to the European SRI Transparency Code can be accessed below and is publicly available on the EUROSIF website ([www.eurosif.org](http://www.eurosif.org)).

### **Compliance with the Transparency Code**

Nordea Asset management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Nordea Asset Management meets the full recommendations of the European SRI Transparency Code *without exceptions*.

**DATE: 29.01.2022**

### **Eurosif classification of Sustainable and Responsible Investment<sup>1</sup> strategies**

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries.

This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary but are not sufficient in themselves for inclusion in this category.

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<sup>1</sup> Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances<sup>2</sup>. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

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<sup>2</sup> Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgi-bin/iowa/investing/index.html>, 2012

## 1. List of funds covered by the Code

### Name of the fund(s):

- **Nordea 1 –Emerging Stars Equity Fund** – Global emerging markets  
ISIN codes: LU0602539354 (BI USD), LU0602539602 (BP USD)  
Fund launch date: 15/04/2011
- **Nordea 1 – Nordic Stars Equity Fund** – Nordic countries  
ISIN codes: LU1079987134 (BI EUR), LU1079987720 (BP EUR)  
Fund launch date: 19/08/2014
- **Nordea 1 – Global Stars Equity Fund** – Global developed markets  
ISIN codes: LU0985319804 (BI USD), LU0985320562 (BP USD)  
Fund launch date: 17/05/2016
- **Nordea 1 – European Stars Equity Fund** – European developed markets  
ISIN codes: LU1706108732 (BI EUR), LU1706106447 (BP EUR)  
Fund launch date: 14/11/2017
- **Nordea 1 - North American Stars Equity Fund** – North American markets  
ISIN codes: LU0772957808 (BI USD), LU0772958525 (BP USD)  
Fund launch date: 19/11/2018
- **Nordea 1 - Asian Stars Equity Fund** – Asian markets (ex Japan)  
ISIN codes: LU2152928607 (BI USD), LU2152927971 (BP USD)  
Fund launch date: 28/04/2020
- **Nordea 1 – Global Climate and Environment Fund** – Global developed markets  
ISIN codes: LU0348927095 (BI EUR), LU0348926287 (BP EUR)  
Fund launch date: 13/03/2008
- **Nordea 1 – Global Gender Diversity Fund** – Global developed markets  
ISIN codes: LU1939215403 (BI USD), LU1939214778 (BP USD)  
Fund launch date: 21/02/2019
- **Nordea 1 – Global Impact Fund** – Global developed markets (invested according to **Nordea’s Global Social Empowerment Strategy**)  
ISIN codes: LU2257592787 (BI USD), LU2257592514 (BP USD)  
Fund launch date: 3/12/2020

Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 30 June 2020 as per unaudited Semi-annual Report	Other labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> <b>ESG Integration for ESG STARS funds</b> <input type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <ul style="list-style-type: none"> <li>✓ Leading to exclusions</li> <li>✓ Leading to risk management analysis/engagement</li> </ul> <input checked="" type="checkbox"/> <b>Sustainability Themed</b> <b>For Nordea 1 – Global Climate and Environment Fund</b>	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking  <b>Actively managed</b> <input checked="" type="checkbox"/> <b>Shares in a euro area country</b> <input checked="" type="checkbox"/> <b>Shares in an EU country</b> <input checked="" type="checkbox"/> <b>International shares</b> <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> <b>Controversial weapons</b> <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> <b>Tobacco</b> 5% of revenue <input checked="" type="checkbox"/> <b>Arms</b> 5% of revenue from weapons or tailor-made components. <input checked="" type="checkbox"/> <b>Nuclear power</b> We aim to limit the exposure to utilities companies with the majority of energy production from nuclear due to the high ESG risks. <input checked="" type="checkbox"/> <b>Human rights</b> <input checked="" type="checkbox"/> <b>Labour rights</b> <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> <b>UN Global Compact</b> <input checked="" type="checkbox"/> <b>OECD Guidelines for MNCs</b> <input checked="" type="checkbox"/> <b>OECD Principles for Corporate Governance</b> <input checked="" type="checkbox"/> <b>ILO Conventions</b> <input checked="" type="checkbox"/> <b>The Universal Declaration for Human Rights</b> <input checked="" type="checkbox"/> <b>The Children’s Rights and Business Principles</b> <input checked="" type="checkbox"/> <b>The Rio Declaration on</b>	<ul style="list-style-type: none"> <li>• <b>Nordea 1 –Emerging Stars Equity Fund: USD 3,201,513,566.00</b></li> <li>• <b>Nordea 1 – Nordic Stars Equity Fund: EUR 58,430,778.68</b></li> <li>• <b>Nordea 1 – Global Stars Equity Fund: USD 1,165,568,369.57</b></li> <li>• <b>Nordea 1 – European Stars Equity Fund: EUR 106,103,949.94</b></li> <li>• <b>Nordea 1 - North American Stars Equity Fund: USD 505,347,829.69</b></li> <li>• <b>Nordea 1 – Asian Stars Equity Fund: USD 6,212,909.50</b></li> <li>• <b>Nordea 1 - Global Climate and Environment Fund EUR 3,061,795,288.67</b></li> <li>• <b>Nordea 1 - Global Gender Diversity Fund EUR 13,442,824.12</b></li> <li>• <b>Nordea 1 - Global Impact Fund : AUM n/a – fund launched since semi-annual report was published.</b></li> </ul>	<input checked="" type="checkbox"/> <b>French SRI label</b> <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input checked="" type="checkbox"/> <b>LuxFLAG Label</b> <input checked="" type="checkbox"/> <b>FNG Label</b> <input type="checkbox"/> Austrian Ecolabel <input checked="" type="checkbox"/> Other (please specify) <b>Towards Sustainability Label</b>	- KIID - Prospectus -Management report -Financial and non-financial reporting  -  <b>All of the above listed documents can be accessed via the below link:</b> <a href="https://www.nordea.lu/en/professional/funds/">https://www.nordea.lu/en/professional/funds/</a>

		<b>Environment and Development</b> <input checked="" type="checkbox"/> The UN Convention on Corruption <input checked="" type="checkbox"/> The Convention on Cluster Munitions			
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## 2. General information about the fund management company

### 2.1. Name of the fund management company that manages the applicant fund(s)

Nordea Asset Management (“NAM”) is an organisational division of Nordea Bank AB and consists of two legal companies including Nordea Investment Management AB (“NIM AB”) and Nordea Investment Funds S.A. (“NIF SA”, the Management Company of the Nordea 1, SICAV). NIF SA has appointed NIM AB as Investment Manager of the Nordea 1, SICAV sub-funds

Website:

<https://www.nordea.lu/en/professional/>

Contact email:

[clientservice.benelux@nordea.com](mailto:clientservice.benelux@nordea.com)

Address:

[Nordea Investment Funds S.A.](#)

[562, rue de Neudorf](#)

[P.O. Box 782](#)

[L-2017 Luxembourg](#)

### 2.2. What are the company’s track record and principles when it comes to integrating SRI into its processes?

In 2011, Nordea Asset Management launched the first ESG STARS product, focussing on Emerging Markets. Since then NAM has expanded this product range to include investment solutions targeting Global, European, North American, Asian and Nordic equity markets, as well as European and Emerging bond markets.

The ESG STARS range is a product category with a distinct investment concept combining in-depth ESG integration with Nordea’s approach to best-in-class and extensive engagement with companies.

The concept not only aims at delivering sustainable alpha, therefore beating the benchmark, but it also enables investors to effect positive ESG change. The extensive engagement activities conducted within the ESG STARS products, covering various ESG topics, are a way to create impact.



We engage with companies and other stakeholders including policymakers on different themes individually or through collaborative initiatives with global reach and supported by a large number of investors. This can take the form of field trips or dialogues with companies.

On a general note, we attended more than 100 annual general meetings in the Nordics during 2019 and voted on over 500 AGM/EGMs (Annual General Meetings/Extraordinary General Meetings) on thousands of proposals. As before, we engage with companies on a range of topics, including ESG issues,

remuneration programmes and capital structure. We continue to strive for transparency in our voting activities and publish our voting record online. Our Voting Portal contains our voting activities since 2017.

We aim to vote on 100% of the holdings in the ESG STARS portfolios. We engage with all ESG STARS holdings as it is part of our investment philosophy. We report on the outcome of those engagements in our quarterly reports.

The Luxembourg domiciled ESG STARS products have been labelled as ESG funds by LuxFLAG and have also variously received ESG labels from German FNG label, French Label ISR, and Belgian Towards Sustainability label. The Nordea 1 - Global Climate and Environment Fund has received Towards Sustainability label. Please see this in more detail from the below table:

	LuxFlag ESG Label <sup>1</sup>	FNG ESG Label 2021 <sup>2</sup>	Towards Sustainability Label <sup>3</sup>	Label ISR <sup>4</sup>
Nordea 1 – Emerging Stars Equity Fund	✓		✓	✓
Nordea 1 – Global Stars Equity Fund	✓		✓	✓
Nordea 1 – European Stars Equity Fund	✓		✓	
Nordea 1 – Nordic Stars Equity Fund	✓			
Nordea 1 – North American Stars Equity Fund	✓		✓	✓
Nordea 1 – Global Climate and Environment Fund			✓	

1) LuxFLAG is an international and independent non-profit association and labelling agency. To promote sustainable investing in the financial industry, LuxFLAG awards an independent and transparent label to eligible investment vehicles in Microfinance, Environment, ESG (Environment, Social, Governance), Climate Finance and Green Bonds. The objective is to reassure investors that the labelled investment vehicle invests in a responsible manner. The LuxFLAG ESG Label is valid for one year. Investors must not rely on LuxFLAG or the LuxFLAG Label with regard to investor protection issues and LuxFLAG cannot incur any liability related to financial performance or default. 2) Forum Nachhaltige Geldanlagen (FNG), founded in 2001, is the industry association promoting sustainable investment in Germany, Austria and Switzerland. FNG's goal is to improve quality standards for sustainable investment products, to secure the adherence to internationally recognized minimum norms. The FNG ESG label (1 to 3 stars) is awarded on an annual basis. 3) We have received recognition from the Belgian Central Labelling Agency in the form of "Towards Sustainability" label. The label was launched in 2019 and it aims to install trust and reassure potential investors that the financial product is managed with sustainability in mind and is not exposed to very unsustainable practices, without requiring of investors to do a detailed analysis themselves. For more information on the "Towards Sustainability" label, visit [www.towardsustainability.be](http://www.towardsustainability.be) 4) Label ISR is created and supported by the French Finance Ministry. The label's goal is to increase the visibility of SRI products among savers in France and Europe. For more information on the Label ISR, visit <https://www.lalabelisr.fr/en/what-sri-label/>.

Nordea has a large RI Team that carries our ESG research and analysis. Through a proprietary internal ESG database, ESG analytics and data are shared across all internal investment teams. In addition, all our internal investment boutiques were granted access to the MSCI ESG data and their scoring system (since 2013), which serves as an additional resource in the idea generation phase. By having access to this extra source of information, portfolio managers have the possibility to better evaluate ESG risks, hence avoiding unwanted risks in their portfolios.

NAM's Responsible Investment site can be found here:

<https://www.nordea.lu/en/professional/responsible-investing/>

Additional information about our ESG STARS fund offering can be found under:

<https://www.nordea.lu/en/professional/funds/nordea-stars-offering/>

Additional information about Nordea 1 – Global Climate and Environment Fund can be found under:

<https://www.nordea.lu/en/professional/funds/global-climate-environment-fund/>

### **2.3. How does the company formalise its sustainable investment process?**

Nordea Asset Management's (NAM) mission is to create returns with responsibility through operational excellence, risk-adjusted returns and by being ESG-proactive. By ESG-proactive we mean the integration of environmental, social and governance (ESG) issues into our investment processes and product development.

NAM has developed its policies, procedures and investment products to ensure that the companies we are invested in meet our expectations of sound ESG performance.

The Responsible Investment strategy and activities are overseen by the Responsible Investment Committee (RIC). The RIC includes members from the Senior Executive Management team and is chaired by NAM's CEO.

Link to NAM's Responsible Investments policy:

[https://www.nordea.lu/documents/responsible-investments---policy/RI-PL\\_eng\\_INT.pdf/](https://www.nordea.lu/documents/responsible-investments---policy/RI-PL_eng_INT.pdf/)

Read more about our commitments and policies:

<https://www.nordea.com/en/sustainability/commitments-and-policies/>

Link to the voting rights policy:

[https://www.nordea.lu/documents/corporate-governance-principles/CGP\\_eng\\_INT.pdf/](https://www.nordea.lu/documents/corporate-governance-principles/CGP_eng_INT.pdf/)

Link to our voting portal:

<https://vds.issgovernance.com/vds/#/NzIONw==/>

Link to the engagement policy<sup>3</sup>:

[https://www.nordea.lu/en/professional/documents/engagement-policy/EP\\_eng\\_INT.pdf/](https://www.nordea.lu/en/professional/documents/engagement-policy/EP_eng_INT.pdf/)

Read more about our engagements:

<https://www.nordea.com/en/sustainability/sustainable-business/investments/active-ownership-and-engagements/#tab=Engagement-updates>

### **2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>4</sup>**

#### **Investing sustainably: active ownership and engagement**

As shareholders, we can choose to help companies improve the management of their environmental, social and governance risks. We believe that clearly informing the companies in which we invest of what we expect of their ESG performance is the best way to help them improve. The two main ways we achieve this is through active ownership and engagement.

#### **Proprietary research**

Environmental, social and governance issues are an increasing source of risk and opportunity, which is the main reason for integrating ESG into our investment analysis methodology. Our proprietary research seeks to identify stakeholder risks at company level, which can be related both to the business model and to

<sup>3</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES

<sup>4</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)



how the company manages its material ESG risks and opportunities. ESG data is used to support and to understand how companies are positioned to manage longer-term risks and opportunities.

### **Integration**

We recognise that integration of material ESG issues is a part of our fiduciary duty towards clients and beneficiaries. By integrating ESG issues, we ensure that investment decisions are based on comprehensive information and, by combining financial performance with ESG insight, we strive to offer clients sustainable solutions. ESG data is made available to portfolio managers and analysts and we continuously work to develop ways to ensure that ESG analysis adds value in the investment decision-making process.

### **International collaboration**

We seek to encourage best practices through participation in international initiatives and collaborate with other investors to achieve our goals. Nordea is a signatory to the PRI as well as CDP. We are also members of IIGCC. Read more about our commitments [here](#).

### **Positioning**

We set clear expectations on corporate ESG management and performance in our investments and ownership activities and communicate these expectations to the companies we are invested in and to other stakeholders. As a responsible investor we expect that invested companies operate in line with our commitment to the PRI and in observance of laws and regulations, international humanitarian law and international conventions, as well as standards for sound environmental, social and governance performance. We have clearly defined positions that are important for us in terms of fulfilling our own requirements for being a responsible investor. The positions are related to both exclusions and focus areas, which we see as important to support the development of a sustainable economy and future.

### **Climate Change**

In 2017, Nordea launched its position statement on climate change. This position statement sets out the scope and principles of Nordea's climate change agenda. Therein, we take into account the nature of our business, whereby investments, credits and purchases can have both a local and global impact.

This can be accessed here:

[https://www.nordea.com/Images/33-235388/Nordea\\_Position\\_Statement\\_Climate\\_Change.pdf](https://www.nordea.com/Images/33-235388/Nordea_Position_Statement_Climate_Change.pdf)

In 2019, we made a public commitment to align our investment portfolios with the objectives of the Paris Agreement. In 2020, we published our Fossil Fuel Policy for Sustainable Funds, which applies to all of our RI-enhanced strategies.

Nordea's Fossil Fuel Policy for Sustainable Funds requires all fossil fuel companies to demonstrate that they have a decarbonization strategy that is consistent with 2°C of global warming or less. These companies are put on the Paris-Aligned Fossil Fuel list. Companies that are not on the list will be excluded from funds adhering to the policy. The policy is available here:

<https://www.nordea.com/Images/33-381562/NAM-fossil-fuel-policy.pdf>

## **2.5. How many employees are directly involved in the company's sustainable investment activity?**

Nordea Asset Management’s Responsible Investment team (ESG analysis and other ESG activities): 19 members.

Nordea Asset Management’s Corporate Governance & Voting team: 2 members.

Nordea Asset Management Fundamental Equities team (Portfolio management and analysis of STARS and Global Climate and Environment Climate Funds): 25 members.

Nordea Group Sustainable Finance team (developing policies and collaborating in engagements and other initiatives together with NAM RI team): 21 members.

In addition, our Responsible Investment Committee includes members from the Senior Executive Management team and is chaired by Nordea AMs CEO.

**2.6. Is the company involved in any RI initiatives?**

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> <b>PRI - Principles For Responsible Investment</b> <input checked="" type="checkbox"/> <b>SIFs - Sustainable Investment Fora</b> <input checked="" type="checkbox"/> Other (please specify) <b>-ICGN Global Stewardship Principles</b> <b>- Sustainable Stock Exchanges’ Initiative</b>	<input checked="" type="checkbox"/> <b>CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.)</b> <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> <b>IIGCC – Institutional Investors Group on Climate Change</b> <input checked="" type="checkbox"/> <b>Montreal Carbon pledge</b> <input checked="" type="checkbox"/> <b>Paris Pledge for Action</b> <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) <b>- SASB</b> <b>- TCFD</b> <b>- CA100+</b> <b>- Transition Pathway Initiative</b> <b>- FAIRR</b> <b>- Extractive Industries Transparency Initiative</b>	<input checked="" type="checkbox"/> <b>Access to Medicine Foundation</b> <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other (please specify) <b>-Corporate Human Rights Benchmark</b> <b>- Investor Mining and Tailings Safety Initiative</b> <b>-Antimicrobial Resistance Benchmark</b>	<input checked="" type="checkbox"/> <b>ICGN – International Corporate Governance Network</b> <input checked="" type="checkbox"/> Other (please specify) <ul style="list-style-type: none"> <li>- <b>United Nations Environment Programme Finance Initiative (UNEP FI)</b></li> <li>- <b>Principles for Responsible Banking</b></li> <li>- <b>Emerging Markets Investor Alliance</b></li> </ul>

As a responsible asset manager, we want to invest in companies that operate in line with our commitment to the UNPRI and deliver long-term value. Acting responsibly is a prerequisite for a company to achieve long-term good returns. We define responsibly as observance of existing laws and regulations, relevant rules and international conventions.

Furthermore, a responsible company addresses environmental, social and governance risks, as well as identifies and capitalizes on opportunities within these areas. As the largest asset manager in the Nordic region we seek to encourage best practice through constructive and credible dialogue with companies.

Nordea has joined many investor initiatives, please see below a few examples:

**United Nations Environment Programme Finance Initiative (UNEP FI) – Principles for Responsible Banking**

In November 2018, Nordea became one of the founding organizations of the UNEP FI Principles for Responsible Banking. Together with the co-founders, we believe that the future of banking will be shaped with 6 principles; Alignment, Impact, Clients & Customers, Stakeholders, Governance & Target Setting, and Transparency & Accountability. These principles create a framework for sustainable banking and help the industry to demonstrate its positive contribution to the society.

<https://www.unepfi.org/banking/bankingprinciples/>

### **The Corporate Human Rights Benchmark (CHRB)**

The Corporate Human Rights Benchmark (CHRB) is the first ever ranking of the world's largest publicly listed companies on their human rights performance. The 2020 Corporate Human Rights Benchmark ranks the top 230 globally listed companies on their human rights policy, process and performance. Between 2016 and 2020, Nordea was a funding and steering committee member of the Corporate Human Rights Benchmark (CHRB). The benchmark has now been integrated with the World Benchmarking Alliance (WBA), but the work continues. <https://www.corporatebenchmark.org/>

### **Institutional Investors Group on Climate Change (IIGCC)**

We continued to be part of the IIGCC investor initiative on corporate lobbying in an EU climate and energy policy context during 2020. We continued our participation in the collaborative investor engagement on Climate Lobbying with more than 275 members (mainly investors) coordinated by the PRI. The initiative calls for improvements in practice and transparency from investee companies on their climate change lobbying practices.

<https://www.iigcc.org/>

### **Sustainability Accounting Standards Board's Investor Advisory Group (SASB)**

SASB develops sustainability accounting standards that help public corporations disclose material ESG information. We are founding member and current chair of the SASB's Investor Advisory Group (IAG). As part of this work we lead disclosure engagements with companies, and demonstrate how SASB standards are used by investors in different fora.

<https://www.sasb.org/>

### **UN Principles for Responsible Investments (PRI)**

As one of the first major banks in the Nordic countries, Nordea Asset Management signed PRI in 2007. The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

<https://www.unpri.org>

### **PRI-coordinated Investor Working Group on Sustainable Palm Oil**

We are part of the PRI-coordinated Investor Working Group on Sustainable Palm Oil working with companies across the palm oil value chain, including producers, refiners, traders, consumer goods manufacturers, retailers and banks, to adopt and implement a publicly available No Deforestation, No Peat and No Exploitation (NDPE) policy.

<https://www.unpri.org/news-and-press/fifty-six-investors-sign-statement-on-sustainable-palm-oil/4266.article>

### **Montreal Carbon Pledge**

Nordea signed the Montreal Pledge in 2014 as one of the first signatories. By signing this pledge, we commit to measuring and publicly disclosing the carbon footprint of our investment portfolios on an annual basis.

<https://montrealpledge.org/>

### **The Net Zero Asset Managers Initiative**

The Net Zero Asset Managers initiative was launched in December 2020 and Nordea Asset Management was among the first to join, committing to support the goal of net zero emissions by 2050, in line with the global efforts to limit warming to 1.5 degrees through our investments.

[www.netzeroassetmanagers.org](http://www.netzeroassetmanagers.org)

### **Emerging Markets Investor Alliance**

We are part of this group, whose purpose is to enable Emerging Markets investors to support good governance and promote sustainable development through engaging together with Sovereign issuers. Within this group, we are part of the Debt and Fiscal Governance working group.

<https://www.eminvestorsalliance.org/>

### **Climate Action 100+**

Nordea Asset Management is a signatory of the Climate Action 100+, a collaborative five-year global initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

<http://www.climateaction100.org/>

### **FAIRR**

We've joined the FAIRR's collaborative investor engagement on sustainable proteins which asked a number of global food companies to diversify their protein sources to drive growth, increase profitability, reduce risk exposure, and improve their ability to compete and innovate in a resource-constrained world.

<https://www.fairr.org/>

### **ICGN's Global Stewardship Principles**

The International Corporate Governance Network's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.

<https://www.icgn.org/>

### **Task Force on Climate-related Financial Disclosures (TCFD)**

We are supporters of the TCFD, whose recommendations provide a foundation for climate-related financial disclosures for all companies. They aim at encouraging companies to report on the climate-related risks and opportunities that are most relevant to their business activities.

<https://www.fsb-tcfid.org/>

Find more about our initiatives on our website:

<https://www.nordea.com/en/sustainability/commitments-and-policies/>

## **2.7. What is the total number of SRI assets under the company's management?**

As at 30.09.2020, NAM had **€ 69.4 bn** of SRI assets under management, composed of:

- Nordea's ESG STARS/ Best in class strategies (Fixed Income and Equities) € 9.7 bn
- Thematic Strategies € 4.2 bn
  - Funds with additional exclusion filters (excl. ESG STARS and thematic) € 27.4 bn
- Institutional mandates with best in class ratings or exclusion filters € 28.1 bn

The corporate RI "overlays" for all **actively managed funds** cover € 136.7 bn of our Assets. (Total NAM AUM € 233 bn end of September 2020.)

## **3. General information about the SRI fund(s) that come under the scope of the Code**

### **3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?**

#### **Distinctive features - the ESG STARS funds:**

##### ***Beat the benchmark***

- By integrating ESG analysis with bottom-up fundamental research, we aim to select tomorrow's winners

##### ***Invest in companies living up to ESG standards***

- Our award-winning Responsible Investment team conducts in-depth ESG analysis
- We ensure the funds only invest in companies able to meet our ESG standards (positive screening)

##### ***Create lasting impact***

- We influence and foster change with our companies by engaging in dialogues around specific ESG topics

For further details on the Nordea ESG STARS Funds, please visit the below link:

<https://www.nordea.lu/en/professional/funds/nordea-stars-offering/>

#### **Distinctive features - the Global Climate and Environment Fund:**

- The Nordea 1 – Global Climate and Environment Fund was launched in 2008 to invest in innovative companies that advance an environmentally sustainable society and generate attractive returns.

- The Fund Invests in companies which, through their climate solutions, are changing the world for the better - because saving electricity is as important as generating clean electricity.
- Focuses on businesses operating in resource efficiency, environmental protection and alternative energy

For further details on the Nordea 1 – Global Climate and Environment Fund, please visit the below link:  
<https://www.nordea.lu/en/professional/funds/global-climate-environment-fund/>

**Distinctive features - the Global Gender Diversity Fund:**

- The Nordea 1 – Global Gender Diversity Fund invests in sustainable and attractive businesses which have a gender-diverse management and implement concrete measures to support gender diversity.
- We believe gender diversity is not only key for an equal society but often goes hand in hand with other drivers of business success. Research shows that companies with greater gender diversity deliver better financial performance and better value creation.

For further details on the Nordea 1 – Global Climate and Environment Fund, please visit the below link:  
<https://www.nordea.lu/en/professional/funds/global-gender-diversity-fund/>

**Distinctive features - the Global Social Empowerment Strategy, accessed through the Global Impact Fund:**

- The Nordea 1 – Global Impact Fund turns its attention to the “S” in ESG, investing in companies that offer solutions to the world’s social challenges.
- Our dedicated strategy allocates capital in three central thematic areas:
  - Vital Needs (e.g. nutrition and sanitation)
  - Inclusion (e.g. learning and education)
  - Empowerment (e.g. health and wellness)

For further details on Nordea’s Global Social Empowerment Strategy please visit the below link:  
<https://www.nordea.lu/en/professional/funds/global-impact-fund/>

**3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?**

In order to facilitate the implementation of Nordea’s RI Policy, there is a dedicated Responsible Investments (RI) team which is comprised of 19 experienced professionals (complemented by the Corporate Governance & Voting Team, 2 members). The team works together from offices in Stockholm and Copenhagen. Each member of the team has a specific area of responsibility. The team carries out its various functions in five clusters:

- **Active Ownership:** The active ownership cluster is responsible for NAM’s norm-based and thematic engagement, as well as for the implementation of RI policies through all of NAM’s funds.
- **Climate:** Focused expertise and analysis on climate change factors and policies, implementation and reporting on TCFD recommendations.
- **ESG Products & Research:** The research cluster carries out ESG research and engagement for NAM’s ESG STARS funds.

- **ESG Quant:** The ESG models cluster develops and maintains NAM's proprietary ESG scoring model.
- **ESG Private Equity:** The private equity cluster supports NAM's private equity collaboration with Trill Impact.

The proprietary ESG research methodology on company level is conducted from two perspectives. First, companies are assessed based on whether they mitigate risks and capture opportunities in relation to their stakeholders. Second, we assess whether companies position their products or services well in relation to broader sustainability megatrends such as climate change or changing demographics. . Here, we continuously assess and evaluate transformative themes and areas which we believe shape the future landscape of investments. Social and technological change as well as climate change and other environmental issues are impacting business models and creating opportunities. Such opportunities can include, but are not limited to; clean tech, green buildings, renewable energy, nutrition and health, and access to communication, healthcare and finance.

We supplement our internal ESG research with externally sourced ESG research and ratings. This provides coverage of over 6,000 companies globally both in terms of their practices and tracking controversial issues.

Nordea's Responsible Investments team uses ESG research providers, brokers with specialized sustainability services and non-governmental organizations for its desktop research.

The team is not dependent on any sole provider and any of our partners can be replaced if we feel a better service can be achieved elsewhere. All our investment boutiques have been introduced to the MSCI ESG data and their scoring system.

[MSCI ESG Research](#) uses a best-in-class (AAA), worst-in-class (CCC) approach when they rate companies, i.e. only appropriate when comparing companies within a specific industry. However, they also have an absolute approach called the weighted average score (0-10), which can be used to compare companies across sectors.

All Portfolio Managers and analysts have access to both our own proprietary research and the MSCI ESG research via both in our own internal research platform and the MSCI ESG Manager platform.

Some of the other most used partners are:

- [ISS-ESG](#)
- [RepRisk](#)
- [Maplecroft](#)
- [TruValue Labs](#)
- [Bloomberg](#)

By having access to these multiple sources of information, portfolio managers have the possibility to better evaluate ESG risks, hence avoiding unwanted risks in their portfolios. Material ESG events may occur with low frequency, but they usually have a high impact associated with them from a regulatory, operational and reputational perspective.

In summary, we are combining the traditional financial analysis with an ESG lens in order to make more informed investment decisions. We do not narrow down our investment universe but utilise this additional source of data as a risk evaluation measure.

### 3.3. What ESG criteria are taken into account by the fund(s)?

As part of the proprietary ESG analysis we identify the relevant sustainability challenges and ESG implications affecting companies within the investment universe. These include the following:

Environment	Social	Governance
Energy Efficiency	Human Rights	Independence and effectiveness of Board
Resource Efficiency	Health & Safety	Voting Rights/ Ownership
Sustainable sourcing	Freedom of Association	Executive Remuneration
Greenhouse Gases	Human Capital Management	Bribery & Corruption
Waste	Community Relations	Tax Practices
Water Abstraction	Responsible Supply Chain	Regulatory Compliance
Air emissions	Data security	
Effluents		

Find out more from our [RI Policy](#), [Fossil Fuel Policy for Sustainable Funds](#) and [Sensitive Industries Guidelines for our Equity ESG STARS Funds](#).

### 3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>5</sup>

For the funds we conduct an internal ESG analysis, where we assess climate risks for companies with material climate exposure.

The most important pillar in our ESG analysis and scoring is Business Model, where we analyse a company's exposure to sustainability-related risks and opportunities including climate change. Here we focus primarily on the revenues and geographical exposure. Companies with business models that create environmental solutions such as renewable energy and green technologies will be assessed as having positive contribution to climate change mitigation. On the other side of the spectrum will be companies in coal mining and oil & gas sectors which will be assessed as negative for environment. We have developed internal guidelines for sectors with high climate change impact, and companies with business models with negative environmental contribution have virtually zero chance of being selected and allowed to the ESG STARS funds. Our [Fossil Fuel Policy for Sustainable Funds](#) identifies companies which are aligning their business model to meet the requirements of the Paris Agreement, which our sustainable funds may invest in.

Moreover, Nordea Asset Management (NAM) applies an exclusion list that includes companies with 30% of revenues derived from sales of coal products that do not have a meaningful opportunity to diversify from coal. NAM excludes also companies with large and sustained exposure to thermal coal or oil sand with a 10% revenue threshold.

In addition, we analyse climate change impact in the operations of the company under the Environmental pillar. Exposure to risks and opportunities differs across the sectors and can be divided between the company's operations and their supply chain.

For example, for energy intensive sectors, we pay attention to the carbon footprint of their operations and track their progress in reducing energy intensity over time and versus their competitors as well as their commitment to purchase renewable energy. For companies relying on raw materials, we will assess the

<sup>5</sup> Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>



exposure of these raw materials to climate change risks such as droughts, floods. We expect the companies to work with their suppliers proactively to manage these risks and in the long-run ensure supply chain sustainability. For insurance companies, we assess whether they have risks management tools to manage their exposure to climate change-induced extreme events and natural disasters.

**3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

***NAM's proprietary ESG research process focuses on risks but also opportunities, ensuring that companies live up to Nordea's minimum ESG standards***

The RI team is responsible for conducting the ESG analysis and for providing relevant information to the investment teams. The core elements of the ESG research and analysis are constructed to provide insight and understanding regarding:

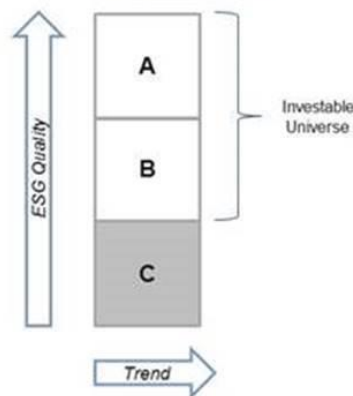
- Overall governance structure regarding management of relevant ESG aspects
- How companies address and manage the most material ESG risks and opportunities with respect to their key stakeholders
- How companies position their products or services in relation to broader sustainability megatrends, including climate change

A company's ESG score is based on the company's governance structure, management of key issues and level of transparency. Within these three areas the company's policies and practices are analysed taking group commitment, strategies, organisation, actions, performance over time and transparency into consideration.

The ESG score is based on the performance of the company in relation to the identified key issues. Each company is ranked as an A, B or C company. A-rated companies are considered mature companies; these have a solid governance structure in place and are addressing key issues with good policies and practices.

A-rated companies are transparent about risks and opportunities and also how these are being managed. B-rated companies have a top management commitment and are developing their governance structure. Key issues are identified and to some extent addressed. Information is provided annually. C-rated companies are considered laggards: no top management commitment to ESG exists, and the company has not made a full ESG risk assessment nor are identified issues addressed. The inherent ESG risk profile of the company is also considered in scoring it. Depending on the activity level the company will also get a trend; positive, stable or negative. Analysts and Portfolio Managers will be provided with the company ESG scores and models, enabling them to systematically incorporate this information into their investment process.

### Proprietary Nordea ESG Rating System



The internal ESG Company Report is used for in-depth analysis. Information presented in the company report is more comprehensive and includes relevant data and information for the rating.

The report typically includes a summary of the score, any associated financial and reputational impact, as well as the underlying research, including key company facts, overall governance structure for ESG management, management of key ESG issues and a summary of the assessment.

The analysis can also be summarised in an internal ESG Scorecard. The scorecard includes the overall rating and identifies the key issues analysed in the context of ESG pillars (Business model, Governance quality, Business Ethics, Environment and Social), where each pillar is scored and assigned a weighting.

#### **3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

In the ESG STARS and our ESG-themed funds we only allow companies that meet the specific threshold for the fund. If a company does not meet the criteria it will not be allowed in the funds. We can change our ESG view and ESG score for a company when we conduct our planned update of the analysis or - more commonly - due to an incident. We constantly monitor our ESG STARS holdings in the news with regards to ESG performance – we use Bloomberg and alerts functions on MSCI, RepRisk and ISS-ESG as well as global and local newspapers and NGOs. Once we find out about an incident, we assess its materiality (scale and severity) and can decide to either (a) engage in a dialogue with the company; (b) quarantine the stock until we receive more information, e.g. due to an ongoing investigation; (c) downgrade and divest the stock, where portfolio managers will have 30 calendar days to sell the stock from the portfolio.

## **4. Investment process**

#### **4.1. How are the results of the ESG research integrated into portfolio construction?**

**The ESG STARS portfolios** carry out full ESG integration, in both the Strategic Assessment the team makes and the valuations of holdings.

##### **Incorporating ESG factors in Strategic Assessment (ESG STARS portfolios)**

The Strategic Assessment considers multiple factors to rate the strength of a company's sustainable competitive advantage. In assessing a company's competitive advantage, the portfolio managers fully incorporate the findings of the ESG analysis, including both sector level and company-specific ESG results. In this way, the portfolio manager gets a 360-degree understanding of the company and its ability to maintain its competitive advantages.

## **Quantifying ESG impact on valuation (ESG STARS portfolios)**

The Strategic Assessment forms the basis for growth and profitability projections and is therefore an integral part of the valuation of the company.

When valuing a company, the managers look at a company's projected growth rate and ability to generate excess return on its invested capital. Companies with strong ESG profiles and the ability to conduct their business responsibly in relation to their stakeholders (employees, suppliers, customers, investors and society at large) are likely to have more sustainable business models. Thus, the team build into their models greater sustainability of excess returns for companies with a higher ESG rating.

The ESG score represents the minimum expectations we have for the companies included in the ESG STARS funds. Portfolio managers of the ESG STARS funds are able to select only companies with a minimum score of B and are not able to invest in lower scored companies. We apply certain ESG standards to all our actively-managed funds at Nordea: the scoring approach used by the ESG STARS funds significantly raises the bar for a company to become eligible for investment.

## **How ESG STARS funds create impact**

We foster change with our companies by engaging with them around specific ESG topics. We do this both individually and in collaboration with other investors.

Engagement is a key part of the ESG STARS concept. Engagement means having a constructive dialogue with the companies we invest in or are considering for investment. Such dialogue enables us to understand how a company is thinking about and addressing ESG risks or opportunities that are relevant for its business. Engagement can take various formats, from conference calls to face-to-face meetings and field visits: the RI Team holds upwards of 150 meetings a year. We see engagement as a way to preserve or enhance the long-term shareholder value, as well as creating a positive impact for the broader society.

For ESG STARS products, the portfolio managers and our RI team together build an engagement roadmap, identifying the most relevant and material ESG topics for each company. While the RI team typically takes the lead in engagement activities, our portfolio managers also participate. Our teams regularly assess the impact of our engagement activities.

We break down our ESG engagement into three categories – Traditional engagement, ESG-driven risk engagement and Thematic engagement.

## Active Ownership Engagement takes a new dimension



Risk engagement can include both reactive incident-driven ESG engagement (if a company breaches international norms<sup>6</sup>) and proactive ESG-driven engagement around material ESG risks<sup>7</sup>.

Thematic engagement focuses on companies' exposure to certain themes which might represent a significant material risk for the company. In particular the team looks at issues related to the UN Sustainable Development Goals (SDGs)<sup>8</sup>. We believe that companies aligning their business models and practices with the SDGs will be successful in the long-term, because they are adjusting to global society's future needs. As an illustration, since 2015 we have been engaging with 25 pharmaceutical companies in India to discuss waste water management (their own and their suppliers'), because pharmaceutical water pollution is a significant issue in India.

Following our goal to increase reporting and transparency we have introduced quarterly Sustainability & Engagement reports for our ESG STARS equity funds. These allow investors to inform themselves about the progress and outcome of our company engagements.

**Our thematic portfolios** integrate ESG factors in different ways, reflecting their various focuses.

### **Global Climate and Environment Fund addresses climate change**

The Nordea 1 – Global Climate and Environment Fund was launched in 2008 to invest in innovative companies that advance an environmentally sustainable society and generate attractive returns by recognising the research gap in this area.

<sup>6</sup> In 2017 NAM had 7 incident-driven engagement cases. Example: BHP Billiton and Vale, as part of an ongoing engagement following the 2015 collapse of the Samarco Dam.

<sup>7</sup> In 2017 NAM engaged with 134 companies to ensure material ESG risks were being adequately managed or that ESG opportunities were being fully capitalised on. Example: Samsung Electronics.

<sup>8</sup> The UN's Sustainability and Development Goals are a series of thematic targets the UN identified in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

The fund focuses on companies that can offer innovative solutions in the areas of resource efficiency and environmental protection. The portfolio managers cooperate with Nordea's Responsible Investment team which provides company specific and general input regarding Environmental, Social and Governance risks and opportunities. We analyse the quality of management, corporate strategy, processes, risks, shareholder focus and integrate the company's ESG profile into our valuation analysis

By investing in companies that will be tomorrow's winners and simultaneously contribute to a more sustainable society, we provide an investment solution that can deliver positive returns while addressing climate change.

#### **Global Gender Diversity Fund selects gender diverse businesses**

The Nordea 1 – Global Gender Diversity Fund invests in sustainable and attractive businesses which have a gender-diverse management and implement concrete measures to support gender diversity.

Gender Diversity is a question of enabling people to perform at their best, develop their full potential and have access to the same opportunities. Achieving Gender Diversity is a UN Sustainable Development Goal and it will contribute to a more fair and equal society. But even though this is a sustainable topic, it is also correlated with business success. Several studies, including Nordea's, show that a diverse team contributes to a company's bottom line and growth. We have created a proprietary score to support a structured approach in assessing the level of diversity throughout a company, based on gender equality both at top management level and throughout the company.

#### **Global Social Empowerment Strategy focuses on the "S" of ESG**

The **Nordea's Global Social Empowerment Strategy** invests in companies that offer solutions to the world's social challenges. Our dedicated strategy allocates capital in three central thematic areas:

- Vital Needs (e.g. nutrition and sanitation)
- Inclusion (e.g. learning and education)
- Empowerment (e.g. health and wellness)

#### **4.2. How are the criteria specific to climate change integrated into portfolio construction?**

Climate change is one of the single largest threat to our economy and Nordea Asset Management is working on an ongoing basis to assess climate change risk and the impact of the low-carbon transition on sectors and companies. We support the TCFD recommendations and we want to continue to promote increased transparency, development of tools and methods to manage climate-related risks and opportunities and contribute to best practice in the industry. We will also aim to align our portfolios with the Paris agreement in the long term as well as further reduce the financial risk related to climate change in our portfolios.

Climate Change presents a challenge to our investments – in terms of its physical impact as well as against the prospect of the implementation of radical policy measures in order to reduce GHG emissions globally. There are a number of sectors that are particularly exposed to climate change.

Companies in these sectors

- need to demonstrate how they integrate climate change challenges into their business strategies, investment decisions and risk management,
- should be able to disclose how their long-term business strategy and profitability will be impacted by a different regulatory and physical environment,

- need to show how they identify and capitalize on opportunities related to climate change, and
- should also be transparent in regard to their position on climate change regulation and interaction with regulators and policy makers.

NAM updates fund carbon footprint data on a monthly basis and makes this information public via our fund company web-pages in the Nordic region. Our proprietary ESG assessment model and our engagement activities in the ESG STARS funds consider climate change risks (among others) and align well with SDGs including SDG 13 “Climate Action”. While there is no formal process for integrating this data into portfolio construction, the portfolio managers have access to the detailed data on carbon footprint results of their funds and respective benchmarks, which they can use to reduce their exposure to the most carbon- intensive companies.

Our proprietary ESG assessment methodology looks at any material E, S and G factors for a given sector/company. As such, many elements pertaining to the above SDGs would be an integral part of our assessment. Our ESG company score card includes 5 overall assessment areas, of which environment, social, business ethics and business model. The latter is a way for us to understand how a company is adapting its business model and value chain to address sustainability challenges that are material to them, as well as creating opportunities (such as new products or services) to leverage the changes these challenges bring. For instance, climate change, resource depletion, demographics, corruption, etc. are typical factors that are assessed by the RI team.

Please find our group level position statement on climate change here:

[https://www.nordea.com/Images/33-235388/Nordea\\_Position\\_Statement\\_Climate\\_Change.pdf](https://www.nordea.com/Images/33-235388/Nordea_Position_Statement_Climate_Change.pdf)

In 2020, we published our Fossil Fuel Policy for Sustainable Funds, which applies to all of our RI-enhanced strategies. Nordea’s Fossil Fuel Policy for Sustainable Funds requires all fossil fuel companies to demonstrate that they have a decarbonization strategy that is consistent with 2°C of global warming or less. These companies are put on the Paris-Aligned Fossil Fuel list. Companies that are not on the list will be excluded from funds adhering to the policy. The policy is available here:

<https://www.nordea.com/Images/33-381562/NAM-fossil-fuel-policy.pdf>

**4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?**

For the ESG STARS funds, all portfolio holdings are subject to ESG analysis and receive an internal ESG rating.

**4.4. Has the ESG evaluation or investment process changed in the last 12 months?**

There have been no changes in the ESG investment process over the last 12 months.

**4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**

The **Nordea 1 – Global Gender Diversity Fund** invests in sustainable and attractive businesses which have a gender-diverse management and implement concrete measures to support gender diversity.

We believe gender diversity is not only key for an equal society but often goes hand in hand with other drivers of business success. Research shows that companies with greater gender diversity deliver better financial performance and better value creation.

For further details on the Nordea 1 – Global Gender Diversity Fund, please visit the below link: <https://www.nordea.lu/en/professional/funds/global-gender-diversity-fund/>

The **Nordea 1 – Global Impact Fund** turns its attention to the “S” in ESG, investing in companies that offer solutions to the world’s social challenges. Our dedicated strategy allocates capital in three central thematic areas:

- Vital Needs (e.g. nutrition and sanitation)
- Inclusion (e.g. learning and education)
- Empowerment (e.g. health and wellness)

For further details on Nordea’s Global Social Empowerment Strategy please visit the below link: <https://www.nordea.lu/en/professional/funds/global-impact-fund/>

#### **4.6. Does (do) the fund(s) engage in securities lending activities?**

The funds can engage in securities lending activities. The Corporate Governance Principles cover securities lending “At the time of the creation of these principles, there were no securities lending program in action. Nordea’s funds shall strive to vote for as large proportion of its holding as possible. However, if it is in the best interest of our unitholders that securities remain in a securities lending program – Nordea’s funds are not obliged to remove them from any potential lending program.” The counterparty selection process does not integrate ESG criteria.

For details on collateral management, please refer to the Nordea 1, SICAV [Prospectus](#).

#### **Does (do) the fund(s) use derivative instruments?**

No, the funds do not use derivative instruments.

#### **4.7. Does (do) the fund(s) invest in mutual funds?**

No, the funds do not invest in mutual funds as part of their investment policy. However, please note that as per the Nordea 1, SICAV prospectus (applicable for all UCITS funds), the funds can invest up to 10% of their AuM in other undertakings for collective investments (UCIs).

## **5. ESG controls**

### **5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>9</sup>**

<sup>9</sup> Reference to Article 173 of the French TECV Act

The controls are performed by Nordea Asset Management's Middle Office Risk Management Team and ensures adherence to:

- a. Norm-based exclusion
- b. Ensure no investments in C rated companies from our internal ESG ratings.
- c. 0% revenue threshold for: Controversial weapons.
- d. 30% revenue threshold for coal including 10% threshold for thermal coal.
- e. 10% revenue threshold for oil sands.

The RI team in cooperation with our internal Middle Office Risk Management Team, which monitors all holdings, are ensuring compliance with our ESG process and policy. This is done on the back of and in close cooperation with our external service partner ISS-ESG and the information they provide us regarding updated assessments of companies in breach of international norms.

## **6. Impact measures and ESG reporting**

### **6.1. How is the ESG quality of the fund(s) assessed?**

The internal ESG analysis is performed "bottom-up" and focuses on how the company operates with stakeholders, particularly on potential conflict areas. For each sector we have identified the material issues which are included in our evaluation. As a result, we assign a score (A/B/C). All companies considered for investment are analysed by our dedicated ESG professionals, involved from the early-stage of the investment process. A company must have a minimum rating of B to be eligible for investment.

The ESG quality of the funds is also routinely monitored by comparing the weighted average ESG rating of the portfolio with the weighted average ESG rating of the fund's benchmark after eliminating the worst 20% ratings. This demonstrates that our funds exhibit significantly higher ESG scores than their respective index, even when compared with only the best 80% ratings of the benchmark. To demonstrate the fund's outperformance on ESG, we have chosen to use the ESG rating data from ISS-ESG which has a wide coverage with regards to the investment universe and is an independent ESG data provider. Our portfolios are constructed based on fundamental, bottom-up analysis where we search for companies with a strong or improving ESG profile. The overall portfolio ESG rating is therefore a result of our fundamental analysis, which incorporates ESG information. We regularly monitor the overall ESG rating to determine how we perform against the benchmark.

In addition, our teams build structured Engagement roadmaps and regularly assess the impact of its Engagement activities.

We publish Sustainability & Engagement Reports that highlight how portfolio companies – through their products and services - have positive and negative impact on a total of 15 sustainability objectives which are closely aligned with the United Nation Sustainable Development Goals. They are used to assess companies' product portfolios in terms of their contribution towards sustainable development based on their revenue weight. For each individual objective, a qualitative analysis is conducted to determine whether a product or service category contributes to or detracts from attaining the objective. In Q1 2021 we will be introducing ESG factsheets for our ESG funds.

We also report on our funds' carbon footprint publicly.

### **6.2. What ESG indicators are used by the fund(s)?<sup>10</sup>**

<sup>10</sup> Reference to Article 173 of the French TECV Act



Sustainability & Engagement Reports are available for a selection of ESG STARS funds and Sustainability Report for the Global Climate and Environment Fund. The Sustainability Report highlights how portfolio companies - through their products and services - have positive and negative impact on a total of 15 sustainability objectives which are closely aligned with the United Nation Sustainable Development Goals. The results are then compared with the benchmark. On the same report we also calculate the Carbon Footprint of the fund.

The aim of the quarterly Sustainability & Engagement reports is to describe some of the activities that NAM's Responsible Investment (RI) team has done over the last quarter for each specific fund. The report allows investors to follow-up on the fund's relevant ESG-related issues and the main activities that the RI team has been involved in. The main highlights of the ESG activities over the quarter have been selected to share with investors some of the highlights of the period.

The quarterly Sustainability & Engagement reports can be found in our website under each RI Product tab: <https://www.nordea.lu/en/professional/responsible-investing/>

### **6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?**

Further information about responsible investments at Nordea and our ESG Funds can be found under:

#### **Responsible Investments at Nordea:**

<https://www.nordea.com/en/sustainability/sustainable-business/investments/>

<https://www.nordea.lu/en/professional/responsible-investing/>

#### **Nordea ESG STARS Fund Offering:**

<https://www.nordea.lu/en/professional/funds/nordea-stars-offering/>

#### **Nordea 1 – Global Climate and Environment Fund:**

<https://www.nordea.lu/en/professional/funds/global-climate-environment-fund/>

#### **Nordea 1 – Global Gender Diversity Fund:**

<https://www.nordea.lu/en/professional/funds/global-gender-diversity-fund/>

#### **Nordea 1 – Global Impact Fund, invested according to Nordea's Global Social Empowerment Strategy**

<https://www.nordea.lu/en/professional/funds/global-impact-fund/>

### **6.4. Does the fund management company publish the results of its voting and engagement policies?<sup>11</sup>**

Yes, Nordea Asset Management has Voting portal to showcase our voting. It includes information on all Annual General Meetings (AGMs) we attended, proxy voting statistics and voting details on each company. The portal is updated continuously and contains our historical voting since the 2017 season:

<https://www.nordea.com/en/responsibility/sustainable-finance/engagement/voting-portal/>

Further information on active ownership and engagement at Nordea, can be found under:

<https://www.nordea.com/en/sustainability/sustainable-business/investments/active-ownership-and-engagements/>

<sup>11</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

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Our distributor in Portugal is BEST - Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website [www.nordea.it](http://www.nordea.it). The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves or from the Paying Agents: State Street Bank International GmbH – Succursale Italia, Allfunds Bank S.A.U. – Succursale di Milano, Société Générale Securities Services S.p.A., Banca Sella Holding S.p.A., Banca Monte dei Paschi di Siena S.p.A., CACEIS Bank S.A., Italian Branch and on the website [www.nordea.it](http://www.nordea.it). Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. **The prospectus and KIID for the sub-funds have been published with Consob.** For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** The Facilities Agent is FE Fundinfo (UK) Limited, 3rd Floor, Hollywood House, Church Street East, Woking GU21 6HJ, United Kingdom. **Additional information for investors in Ireland:** The Facilities Agent is Maples Fund Services (Ireland) Limited, 32 Molesworth Street, D02 Y512 Dublin 2, Ireland. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank Abp, Swedish Branch, Smålandsgatan 17, 105 71 Stockholm, Sweden. **Additional information for investors in Denmark:** The Representative Agent is Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønørdsvej 10, Postbox 850 0900 Copenhagen C, Denmark. 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