

Nordea

Responsible Investment Policy

Nordea Life & Pension



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**Being a
responsible
investor is
a central
part of our
investment
philosophy**

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1/ Our principles and approach

Our responsible investment approach rests on 4 overarching principles

Our objective is to maximise long-term returns in a responsible manner and offer compelling products with an enhanced focus on sustainability. We believe that integrating ESG aspects in our investment analysis and decision-making improves our ability to meet this objective.

Our ambition is to be perceived as being in the forefront of responsible investing in our industry and in the markets where we operate and being recognised for our thought leadership in the field. We set quantitative targets which require us to continuously improve our ESG and sustainability practices and inspires the industry to elevate their ambitions.

We have made important commitments related to sustainability that we implement in our investment processes and active ownership practices. We are a co-founder of the UN-convened Net-Zero Asset Owner Alliance (AOA) and have committed to transition our investment portfolios, across all asset classes, to net-zero emissions by 2050, at the latest. We are a signatory to the UN Principles for Responsible Investments (UN PRI) and are thus committed to integrate ESG issues in our investment decision processes and active ownership practices.

Our responsible investment approach rests on four overarching principles which enable us to incorporate a broad range of sustainability aspects into our investment decisions. These principles support us in reducing ESG and climate related risks, increasing return prospects and managing ethical considerations.

We exclude the worst

We have established a set of minimum standards, based on both investment risk and ethical considerations, for what we demand from both asset managers and companies in terms of ESG performance, as described in section 2.3. We don't invest with managers or in companies that don't meet these standards.

We prefer the best

We strive to invest in companies, and use asset managers, that are at the forefront when it comes to integrating ESG issues in their operations and transitioning their business models to meet the requirements of a sustainable future. When selecting asset managers, we focus on their ability to integrate ESG in their processes and when selecting specific investment products we evaluate the specific ESG approach and performance.

We make a difference

To enable the transition towards a sustainable future we engage in important global issues with the companies and asset managers to which we allocate money. Being an active owner is an important tool to contribute to positive change in the real economy, and is an essential part of our investment strategy.

We also strive to contribute to the transition by increasing our investments into solutions and activities that are creating positive, measurable and sustainable impacts on society while simultaneously delivering attractive returns.

We are transparent

We communicate in an open and transparent way with regards to our responsible investment practices and targets. We strive to make it easy for customers and other stakeholders to understand how we integrate sustainability in our products and offerings and how these impact our environment and society.



2/ ESG integration

2.1 Pre-investment process

We incorporate ESG issues/aspects into the investment decision process in all new investments. As a first step, all managers undergo a comprehensive ESG due-diligence process where their organisational-wide ESG capabilities and practices are assessed and rated. We assess managers with focus on the following criteria:

- ESG philosophy and integration into strategy and business model
- Own ESG research
- Existing policies, targets and commitments related to ESG and sustainability
- Dedicated ESG resources
- ESG integration approach
- ESG reporting capabilities
- Voting and engagement practices

All managers shall be rated, based on the above criteria, according to an internal rating scale.

To supplement the manager assessment, each investment product also undergoes an in-depth ESG due-diligence process and assessment. The assessment is based on the same areas as for the manager assessment but focus on the ESG integration and strategy on product level. Investment products and segregated mandates must meet Nordea Life & Pension's minimum standards as outlined in section 2.3.

When investing directly into equities or fixed income instruments the same philosophy applies with focus on companies with strong ESG performance. Each company is assessed on a combination of environmental, social and governance related issues. Monitoring for potential violations to international conventions and global norms is also conducted. The initial assessment might lead to further evaluation and in-depth assessments where needed.

For our real estate portfolios we apply a separate ESG process in each local Nordea Life & Pension entity to assess environmental, social and governance standards. These are monitored and assessed on a regular basis. All portfolios have strategies and targets related to energy performance and carbon emissions incorporated in our net-zero commitment.

All ESG assessments are documented and included in the decision material to the local Nordea Life & Pension entity body deciding on the investment.

2.2 Monitoring and follow up

We monitor our selected managers regularly, through screening, inhouse analysis or through follow-up meetings to understand their ESG integration capabilities and processes, both organisational-wide and on product-level.

If a manager's ESG-standard is deemed as not satisfactory, or has deteriorated significantly, Nordea Life & Pension shall initiate engagement actions with the explicit objective to improve the ESG-standards. This covers both organisational-wide and product-level standards.

Our Responsible Investment team (RI-team) is responsible for initiating, leading and coordinating the engagements in collaboration with our investment teams. Where engagement efforts are unsuccessful and further actions deemed unproductive, the final step could, depending on the severity of the issue, lead to divestment.

ESG reports are delivered on a quarterly basis to Nordea Life & Pension's Sustainability Committee (L&P Sustainability Committee), the Nordea Life Holding Board, the Board of Directors of the local Nordea Life & Pension entities, the Life Executive Management Group and across the investment organisation. These reports include, but are not limited to, ESG performance, climate risk exposures, status on targets and engagement activities.

2.3 Our minimum standards

Our selected managers shall have policies or processes in place to ensure that we avoid investing in companies that do not meet our minimum standards. Our underlying holdings are monitored regularly by the managers managing assets on our behalf.

The RI-team conducts own monitoring on a regular basis and present, on a quarterly basis, an update to the L&P Sustainability Committee. Breaches to the minimum standards are escalated, with recommended actions, by the RI-team to the L&P Sustainability Committee for information and discussion, and to the local Nordea Life & Pension entity organisation for decision.

2.3.1 Social and governance standards

Our assets shall be covered by responsible investment policies based on international conventions and norms¹ covering human rights, labour rights, environment and anti-corruption.

¹ Such as UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and The ILO conventions on labour standards.

2/ ESG integration

We do not invest in sovereign bonds issued by governments subject to broad sanctions or if they are systematically failing to respect human rights.

We do not invest in investment products with basic food commodities, such as wheat, coffee or sugar, as the underlying assets.

2.3.2 Sectorial restrictions and exclusions

We do not invest in, or finance, companies involved in the production or development of illegal weapons¹ or companies involved in the production, development or maintenance of nuclear weapons.

Regarding companies involved in the maintenance of nuclear weapons, we do not invest in companies which derive more than 5 percent of their revenues from military contracts.

We do not invest in, or finance, companies that derive more than 5 percent of their revenue from production of tobacco products.

2.3.3 Climate related exclusions and restrictions

We do not invest in, or finance, companies with large and sustained exposure to coal mining, with a 5 percent revenue threshold on thermal coal and a 30 percent revenue threshold on total coal (including metallurgical coal).

We do not invest in, or finance, companies involved in unconventional fossil fuel extraction (arctic drilling, oil sands, shale oil, shale gas).

Companies in the conventional oil and gas, coal mining and power generation sectors shall have a credible transition plan aligned with at most a 2°C trajectory in order for us to invest. These plans should as a minimum include long- and short-term emission reduction targets (incl. scope 3 where relevant).

2.4 Positions and expectations

In addition to our commitments and minimum standards, we have defined certain areas where we set clear expectations on our investee companies and asset managers.

These expectations may not be subject to regular monitoring, but is a part of our active ownership practices, due diligence process and manager selection procedure.

The [Nordea Life & Pension Climate Change Policy](#) outlines our positions and expectations with specific relevance to climate change. We also follow and adhere to the requirements on investee companies set out in Nordea Group's Position Statements and Sector Guidelines which are available on nordea.com.

We expect companies to:

- obey internationally recognised human rights principles, and to prevent and manage its impact on human rights issues such as modern slavery and child labour, occupational safety and health, the rights of indigenous people and displacement of local communities, freedom of association and collective bargaining and international humanitarian law.
- conduct due diligence, as defined by the UN Guiding Principles on Business Human Rights, with business operations in conflict-affected and high risk areas to become more transparent and report on their political risk and impact analysis.
- take a proactive approach towards corruption, implement adequate anti-corruption measures and improve transparency. This as corruption induces business-related costs and market inefficiency and hinders economic, political and social development.
- disclose material biodiversity and nature-related impacts, dependencies and risks and how these are integrated into business strategy and risk management.
- prevent biodiversity loss and aim to be nature-positive.

¹ Cluster munitions, anti-personal mines, biological weapons, chemical weapons, non-detectable fragments, incendiary and blinding weapons, depleted uranium munitions.

3/ Active ownership

We use our voice to drive positive change in the real economy

Active ownership is an important tool to drive change in the real economy and to manage and mitigate ESG risks in our investment portfolios. We are committed to be active owners and incorporate ESG issues in our policies and practices.

We define our role as an active owner to include both exercising our shareholder rights as well as driving active engagement with companies, asset managers and other relevant stakeholders.

The L&P Sustainability Committee approves the active ownership strategy, and monitors its development on a regular basis. The RI-team is responsible for leading, coordinating and following-up on Nordea Life & Pension's engagement and voting activities. Where engagement efforts are unsuccessful and further actions are deemed unproductive the L&P Sustainability Committee shall advise, in cooperation with the RI-team, on relevant actions to the local Nordea Life & Pension entity organisation for decision.

Our objective is to engage proactively and maximise our engagement impact taking into account our internal capabilities, constraints and portfolio structures. In order to achieve this, we have developed a clear prioritisation and execution structure.

3.1 Prioritisation

We prioritise our active ownership efforts according to the following principles;

- Areas where we deem the ESG-risk to be high or elevated.
- Our thematic focus areas (e.g. climate change).
- Our largest holdings.

This means that we take a risk-based approach which aligns with the overall thematic prioritisation in our responsible investment strategy. Our reactive engagement is based on specific ESG-related issues that are identified. These are always assessed and prioritised according to their severity. Our voting practices follow the principles outlined in the [Nordea Life & Pension Engagement Policy](#) and is performed in favour of ESG and climate related issues and disclosure.

3.2 Engagement

We execute our engagement efforts and strategy in three different ways;

- Engagements with companies and asset managers in own capacity.
- Engagements together with the Nordea Group internal asset manager.
- Collective engagements with other investors.

Engagement with companies is mainly executed together with the Nordea Group internal asset manager and together with investor coalitions. Engagement with asset managers is primarily executed in own capacity or together with other asset owners in the UN Net-Zero Asset Owner Alliance.



4/ External reporting

We shall be open and transparent towards customers, authorities and other external stakeholders with regards to how we work with and incorporate ESG and sustainability factors in our investment decisions, how these impact our portfolios and how our portfolios impact our society and environment.

We report and disclose on ESG and sustainability in accordance with current regulatory requirements and other commitments we have made.



5/ Scope and applicability

This policy applies to all insurance- and pension-based investment products, where Nordea Life & Pension makes decisions as to which internally or externally managed instruments, such as funds, mandates, structured investment products or single securities, to invest in¹.

All asset managers managing assets on behalf of Nordea Life & Pension, shall have policies or processes in place to meet the criteria and requirements outlined in this policy.

Exemptions to comply with this policy could be made as a last resort in certain cases, e.g. if applying this policy would have significant negative impacts and where such actions would be deemed as not acting in the best interest of the beneficiaries.

All exemptions shall be decided upon by the relevant local Nordea Life & Pension entity. The relevant local Nordea Life & Pension entity shall first consult the Nordea Life & Pension Sustainability Committee (L&P Sustainability Committee) regarding the proposed exemption. The advice from the L&P Sustainability Committee shall be a part of the decision on whether or not to grant an exemption. This decision shall be well documented by the local Nordea Life & Pension entity.

In certain circumstances, where applying this policy would interfere with local regulations or other mandatory requirements, such requirements will overrule this policy.

This policy is reviewed and updated as required.



¹ For remaining assets, [Nordea's Responsible Investment Product Distribution Policy](#) applies. Exception applies to single equities, single bonds and unlisted holdings where the customer makes the selection.