Responsible Investment Policy

Nordea Asset Management
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 Purpose

The purpose of the Responsible Investment Policy (the “Policy”) is to describe the framework governing the approach of Nordea Asset Management (“NAM”) to responsible investments and ESG/sustainability. The Policy is approved by the Nordea Asset Management Holding AB (“NAM Holding”) board and by the NAM Responsible Investment Committee (the “RIC”). The RIC includes members from the Senior Executive Management team and is chaired by the head of NAM, who is also the CEO of Nordea Asset Management Holding AB. The RIC is responsible for securing compliance with the policy, decide on exclusions and engagements as well as monitor engagements. NAM’s Responsible Investment team (the “RI team”) is responsible for the maintenance and implementation of this Policy.

Nordea Asset Management’s mission is to create returns with responsibility by

• being ESG-proactive
• delivering excess returns
• offering access to the right assets
• demonstrating operational excellence and transparency
• maintaining industry-leading risk and performance management.

By ESG-proactive we mean

• integrating environmental, social and governance factors into our investment processes, observing both sides of the “double materiality”
• actively engaging with our investee companies to ensure that they meet our expectations of sound ESG performance and compliance with international norms
• offering a wide range of ESG solutions across all asset classes
• accepting the responsibility to act as an industry leader within ESG/sustainability.

1 The concept of double materiality refers to, on the one hand, those ESG/sustainability risks that are material to the financial performance of an investee company or other entity, and, on the other, to the environmental and social impact of the activities of the same company or entity. The two will typically be closely linked, but should not be conflated.

 Scope

NAM, or NAM Holding, which is the asset management subsidiary of Nordea Bank Abp, includes Nordea Investment Management AB (“NIM”) and Nordea Investment Funds S.A. (“NIFSA”). NIM is a Swedish investment firm authorised to, inter alia, provide discretionary portfolio management services, and NIFSA is a management company authorised by the CSSF (the Luxembourg FSA) to manage UCITS and alternative investment funds.

This Policy applies to all Nordea-branded investment strategies, with the exception of any holdings by such strategies in external funds and index derivatives and selected discretionary mandates on clients’ request.

This Policy is reviewed and updated as required and at least annually.

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Advocacy and memberships

NAM became a signatory to the Principles for Responsible Investments (the “PRI”) in 2007 and has offered products with sectoral screening since 1988.

Since 2020, we are a founding member of the Net Zero Asset Managers initiative. In 2019, NAM publicly committed to aligning our investment strategies with the objectives of the Paris Agreement. This means that we have a long-term strategic objective to reduce the greenhouse gas emissions impact of our investments in line with the “well below 2°C” ambition, increase our investments based on climate-related opportunities and ensure that our investment portfolios are resilient to climate-related risks.

Our Responsible Investment Policy aims for the companies we invest in to support the United Nations Sustainable Development Goals (SDG’s) and comply with international conventions and norms, including, but not limited to:

- United Nations Global Compact
- OECD Principles of Corporate Governance
- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- Children’s Rights and Business Principles
- ILO conventions on labour standards
- Rio Declaration on Environment and Development
- UN Convention on Corruption
- Convention on Cluster Munitions

Further, we support standardised and integrated reporting which incorporates material sustainability information with financial information and provides consistent and comparable ESG data, preferably using the SASB framework or similar. We also support and promote the adoption of the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD).

In this context, we actively engage with various standard-setters and stakeholders locally and internationally. We are active members of the PRI, SASB, IIGCC, CDP, TPI and the Investor Alliance for Human Rights.

Nordea Asset Management adhere to the ESG4Real standard for a select number of funds and comply with the certification criteria through the integration of exclusion, norm based screening and active ownership into the investment process.
Our responsible investment approach

We believe that it is our fiduciary duty to deliver returns with responsibility.

NAM’s responsible investment framework builds on the PRI and spans four main areas:

- general ESG integration
- specific ESG products
- active ownership and engagement
- exclusion.

NAM has developed policies and procedures to ensure that the companies we invest in meet our expectations of ESG performance and that ESG risk/sustainability risk is managed in all our investment processes. This is supported by a robust norm-based screening process and the integration of principal adverse impact (PAI) analysis\(^2\). In addition, we consider and take a stance on an ongoing basis, across all our portfolios, on issues relating to climate change, controversial weapons, human rights etc. All of the above inform our active ownership and engagement policy and our exclusion list at the firm level – our “firm-level overlay”.

For a substantial part of our assets under management, we employ additional ESG tools. These include the deeper ESG integration and hands-on involvement of the Responsible Investments team in our STARS-strategies and thematic strategies (including climate, social empowerment and gender diversity portfolios) and our internally developed ESG scoring of investee companies. Many individual products also have sector-based or other exclusion criteria beyond those implemented at the firm level.

Given the size of NAM’s investment universe across its various investment boutiques and strategies, we use a range of external providers of ESG data as well as internal research and our proprietary ESG scoring platform. These data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes.

As for all ESG-oriented asset managers and asset owners, the dilemma of choosing between engagement and exclusion is a central one for NAM. The argument for exclusion rests on the need to clearly mark the limits of which corporate activity and/or behaviours are deemed acceptable and which are not. The argument for engagement, on the other hand, recognises that the real-world effect of exclusion can be negligible, at least in the short run. Whenever one market participant sells off a security, another, presumably with lower standards of propriety, is buying it. Thus, it can be argued that retaining a security, engaging with the company and – where applicable – voting at its AGMs, is preferable. Added complexity is introduced by the likelihood that exclusion by some investors may make a company with substandard practices more open to the engagement efforts of the remaining owners and thus to improving its practices over a longer timeframe.

At NAM we believe that there are activities and types of behaviour that cannot be reconciled with our mission of delivering returns with responsibility. Companies exhibiting these on an ongoing basis are excluded from all NAM products. At the same time, there is a large category of economic activities that exist in a grey zone, contributing profitably to one or more of the SDGs, while potentially being negative with regard to others. Activities and companies in this category may be excluded from many NAM products (see below for NAM’s product-specific approaches and our Paris-aligned Fossil Fuel Policy), while still being investible for more traditional strategies.

Assuming that engagement is most effective when it is supported by an implicit but clearly understood threat of ultimate exclusion, we believe that this allows NAM to be more effective in its engagement, up to the point where the decision is taken to exclude a company at the NAM firm level.

\(^2\) Beginning in Q2 2021, PAI is integrated across all NAM products with the exception of cases where data is not available, e.g. in the case of some funds-of-funds. Principal adverse impact indicators, as defined by the EU SFDR, capture the environmental and social or “outward” part of the “double materiality”, as opposed to sustainability risk, which captures the financial materiality of ESG issues to the valuation of a security.
3.1 NAM-level overlay

NAM’s responsible investment framework comprises the availability of ESG data to all portfolio managers as well as a baseline integration of ESG safeguards, such as norm-based screening, PAI integration and a common exclusion list, governed by our Responsible Investments Committee (RIC) and implemented across the entire NAM product range. In addition, all NAM’s internal investment boutiques take into account sustainability risk as part of their portfolio management processes.

The RIC includes members from the Senior Executive Management team and is chaired by the head of NAM. The decisions taken in the RIC ensure that all our portfolios live up to NAM’s minimum ESG level, independent of the individual strategies’ specific ESG profiles, and that regulatory requirements regarding the integration of sustainability risk etc are respected.

Our disclosure statement on sustainability risk can be found here.

3.1.1 Norm-based screening

NAM’s investment products are subject to norm-based screening, which identifies companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption. If a company is identified in this screening process, an internal assessment of the company and the incident is initiated. The assessment is conducted by the RI team, which provides a recommendation to the RIC, upon which the RIC decides on actions to be taken. Typical actions include engagement, quarantine or exclusion. A quarantine implies that the holdings of NAM portfolios in the company concerned may not be increased and a quarantine will in nearly all cases be accompanied by direct engagement with the company. The RIC may also conclude that the issue raised does not merit immediate action, either because it has already been resolved or because it is judged to be minor/immaterial.

3.1.2 NAM-level PAI integration

The environmental and social impact of the activities of all NAM investee companies is assessed on an ongoing basis through our firm-level PAI integration. Companies identified as outliers on one or more PAI indicators are analysed further by the RI team and a recommendation for action is made to the RIC, in a process similar to the one described above for norm breaches. Additional PAI integration can take place at the individual investment strategy level. Our disclosure statement on the integration of principal adverse impact indicators can be found here.

3.1.3 NAM-level exclusion list

Recognising that some types of economic activity or corporate behaviour are not compatible with our vision of returns with responsibility, NAM maintains a firm-level exclusion list that applies to all Nordea-branded investment strategies, with the exception of any holdings by such strategies in external funds and index derivatives and selected discretionary mandates on clients’ request. Any addition to – or removal from – the list is decided by the RIC.

NAM excludes companies involved in serious breaches of international norms where engagement is deemed not to be possible or effective, as discussed above. For example, we ban investment in companies active in the production of controversial weapons, including – but not limited to – cluster munitions and anti-personnel mines as well as nuclear weapons. NAM also does not invest in companies deriving more than 10% of their revenues from thermal coal and excludes companies involved in the production of fossil fuels from oil sands (10% revenue threshold) or through arctic drilling (5% revenue threshold).

In addition to the firm-wide exclusion list, a substantial and growing part of NAM’s strategies is also subject to our Paris-Aligned Fossil Fuel Policy (PAFF), which excludes companies involved in fossil fuel production, distribution or services if they do not have a recognised strategy to achieve an emissions path that is consistent with the Paris Agreement’s goal.

For strategies where the PAFF is not implemented as a hard exclusion criterion, the PAFF acts as guidance for engagement. The PAFF criteria also inform the prioritisation of our top-down thematic engagements.

The NAM-level exclusion list can be found here.

Details on the NAM Paris-Aligned Fossil Fuel Policy (PAFF) can be found here.

3 This analysis builds on data from the Transition Pathway Initiative (TPI), among other sources. Information on the TPI can be found here.
3.1.4. Active ownership and engagement

On behalf of its clients, NAM undertakes a range of engagement activities with investee companies in order to affect and influence them to improve their environmental, social and governance practices, including promoting a long-term approach to decision-making. Our active ownership tools include voting, attending AGMs, standard setting, engagement with companies, and filing resolutions. NAM’s engagement with investee companies falls into three main categories, which can overlap and be applied to a given company simultaneously:

**Thematic engagements** may be undertaken either by NAM alone or in collaboration with other asset managers and asset owners. Collaborative engagements can take place within the framework of industry initiatives such as Climate Action 100+, SASB, PRI, CDP or the Investor Alliance for Human Rights or through ad hoc initiatives. NAM will in some cases initiate and lead such ad hoc investor alliances. NAM’s thematic engagements will typically concern issues under one of the core areas of interest identified in NAM’s ESG strategy:

- climate
- human rights
- good corporate governance
- biodiversity/water

**Norms engagements** are triggered by observed norm breaches, PAI red flags or other serious negative news flows as described above.

**Investment-led engagements** are initiated and executed at the individual strategy and investment boutique level and are described further below under product-specific approaches.

NAM’s engagement process:

- **Top-down “Thematic” engagement** - Linked to the NAM ESG strategy
- **Bottom-up “Investment-led” Engagements** - Proposed by investment boutiques or RI analysts
- **Top-down “Norms” Engagements** - Triggered by external incidens or “Red Flags”

Co-ordination and prioritisation by RI Active Ownership

Tracking and reporting by RI Active Ownership

Proxy voting by Corporate Governance/Active Ownership

Concrete company dialogue managed co-operatively between RI and botiques

For more information, please refer to our Engagement Policy [link] and Corporate Governance Principles [link].

The quality of the engagement process is audited by internal audit on a regular basis. NAM complies with a number of national corporate governance codes.

3.1.5. ESG Integration

RIC has implemented several initiatives to enhance ESG integration throughout the whole firm. Every investment boutique has access to NAM’s proprietary ESG Model and ESG analysis from the RI team, as well as ESG data from external data providers. RI team conducts workshops on ESG topics and provides walkthroughs of new developments to the ESG Model, in which different use-case-scenarios of the data are presented. NAM’s Risk & Performance team has also integrated portfolio ESG risks in their daily report to the analysts and portfolio managers.
3.2 Product-specific approaches

For a substantial part of NAM's product range the application of ESG tools goes beyond the requirements of the firm-level policies described above. These products are specifically made available to clients as products promoted with ESG characteristics or, as appropriate, sustainable investment products as defined by the EU Regulation on sustainability related disclosures in the financial services sector (SFDR).

For specific information on which additional ESG features are integrated in the investment decisions of a specific strategy and the likely impact on the returns of the relevant strategy reference is made to our product-specific disclosures.

3.2.1 The STARS strategies: proven leadership within responsible investment

Our STARS product range, which was launched with the Swedish Stars Equity strategy in 2010 and Emerging Stars Equity strategy in 2011, today covers a wide variety of asset classes across equities, fixed income and more. The STARS range features the deepest ESG integration and offers direct, hands-on cooperation between portfolio managers and the Responsible Investments team. Using NAM's proprietary ESG scoring system and bespoke analysis carried out by the RI team and financial analysts, the STARS portfolios aim to outperform standard benchmarks. Through product-specific, investment-led engagement with investee companies, the portfolio managers and the RI team proactively leverage NAM's entire asset base to create positive ESG impact, while seeking improved valuation and excess return.

More broadly, the management teams behind the STARS strategies focus on selecting companies not only with sound fundamentals, but also with high ESG scores. Using the SASB materiality map, the company analysis includes enhanced due diligence on environmental, social and governance risks material to the investee company and considers how companies manage the identified ESG risks. Furthermore, each company's business model alignment with the SDGs is taken into consideration as the strategies’ exposure aims to skew towards companies whose activities are net supportive or neutral, rather than detracting, with respect to the SDGs. ESG scores are recalibrated regularly and at least annually or if triggered by relevant negative or positive engagement results or news flows.

In addition to the positive selection described above, the STARS strategies are also subject to a number of formal exclusion criteria (see here) and adhere to the PAFF. These will, however, rarely – if ever – be triggered as companies subject to exclusion would typically not be selected as potentially investible in the first place.

Investment-led engagement is a key and distinctive part of our investment approach for the STARS product range. Portfolio managers and the RI team engage proactively with companies in the STARS portfolios when we see material ESG risks that may not be adequately managed or opportunities that may not be fully capitalised on. We also engage with them to advance certain themes related to the UN-backed Sustainable Development Goals (SDGs), eg human rights and climate change. Our engagement activities in the STARS strategies are detailed in quarterly reports available to our clients.

3.2.2 NAM’s thematic ESG strategies

Besides the STARS strategies, which invest across a broad range of companies within their given asset class, NAM offers a series of thematic ESG strategies. These range from the seminal Global Climate and Environment strategy launched in 2008 over the Global Gender Diversity strategy to the Global Social Empowerment strategy launched in 2021.

NAM’s thematic ESG strategies all apply proprietary methods to identify companies that can be expected to contribute to, or benefit from, the ESG theme in question. Often, in-depth research will reveal potential investee companies with activities in areas that are not reflexively associated with the theme of the strategy. For example, the holdings of the NAM climate strategy cover far broader ground than just the traditional renewable energy industry and related sectors usually associated with combating or adapting to climate change. As is the case for the STARS strategies, our thematic ESG strategies benefit from hands-on involvement from the RI team and are subject to an enhanced ESG exclusion regime including the PAFF.

3.2.3 Other ESG products with enhanced exclusion filters

We understand and sympathise with the fact that while many of our clients may not choose to invest in a STARS or thematic strategy, they still do not wish to be exposed to certain companies, sectors or practices even where there may be potential for improving these companies’ behaviour through engagement and/or the scope for asset allocation in a portfolio is materially limited. For this purpose, many of our other products, including our multi-asset strategies, are available with specific exclusion filters, including the NAM Paris-Aligned Fossil Fuel Policy (PAFF), the so-called “NBIM list” of the Norwegian Government Pension Fund Global and ethical filters targeting tobacco, alcohol, gaming, pornography etc. In addition, some products also feature targets for or limits on the carbon footprint/ intensity relative to benchmark, a targeted minimum ESG score, a targeted level of EU taxonomy compliance etc.

4 Taxonomy reporting and integration of taxonomy data into selected investment processes are expected to be implemented during 2021.
ESG positions

NAM’s ESG positions describe our expectations of the companies we invest in, beyond the international norms and conventions. Depending on the nature and gravity of individual cases, breaches can trigger engagement or exclusion.

Human Rights
While protecting and fulfilling human rights is a legal obligation and the responsibility of governments, it is widely recognised that all businesses have the potential to impact human rights.

Poor management conflicts with the long-term interest in promoting a responsible and sustainable development and may impact companies’ license to operate.

We expect companies to comply with internationally recognised human rights principles and to prevent and manage their impact on human rights. Human rights-related issues include human rights abuses, modern slavery, fair living wage, 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. Our expectations in these areas apply both to the investee companies themselves and to their supply chains.

Conflict areas
Business operations in areas affected by conflict are exposed to higher risk due to unstable political conditions, weak regulatory frameworks and pervasive violence. Companies may, knowingly or unknowingly, have business operations and products with a high potential impact on the conflict or human rights violations.

As a responsible investor we expect companies to conduct due diligence as defined by the UN Guiding Principles on Business Human Rights, become more transparent and report on their political risk and impact analysis, including their human rights impact. Companies also need to assess and report on how their business operations or products may directly or indirectly impact an ongoing conflict or human rights violation and how this may have a material impact on the company as well as its stakeholders. Companies should also enable stakeholders to safely report any human rights violations.

Illegal and nuclear weapons
NAM considers a range of weapon types, including nuclear weapons, and their potential use to be controversial, given their indiscriminate effect on human populations.

NAM does not invest in companies that are involved in the production or development of:
• cluster munitions
• anti-personnel mines
• biological weapons
• chemical weapons
• weapons with non-detectable fragments, incendiary and blinding laser weapons
• depleted uranium munitions.

NAM does not invest in companies that are verified to be involved in the production or development of nuclear weapons. NAM also excludes companies involved in the maintenance of nuclear weapons, with a military revenue threshold of 5%.

Soft commodities
Since 2012, NAM has not offered investment products where basic food commodities such as wheat, coffee or sugar are included in the underlying assets. This position is due to conclusions from international studies indicating that excessive financial speculation contributes to increasing the volatility of food prices and driving prices to record highs.

Climate change
Climate change is one of the single largest threats to the global economy and in general to the conditions of all life on earth. In addition, it implies specific risks to the companies and other entities we invest in. NAM is working on an ongoing basis to assess climate change risks and the impact of the low-carbon transition on sectors and companies.

Climate change presents a challenge to our investments – in terms of its physical impact as well as through the prospect of radical policy measures and changing consumer behaviour with the aim of reducing GHG emissions globally (transition risk).

We expect companies exposed to climate risk:
• to have a strong climate governance and demonstrate how they integrate climate change challenges into their business strategies, investment decisions and risk management
• to be able to disclose how their long-term business strategy and profitability will be impacted by a different regulatory and physical environment
• to show how they identify and capitalise on opportunities related to climate change
• to be transparent in regards to their position on climate change regulation and interaction with regulators and policy makers
• to report in line with TCFD recommendations and act to reduce greenhouse gas (GHG) emissions across their value chains in accordance with the Paris Agreement.

Coal
NAM excludes all companies with substantial and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal).

NAM is phasing out investments in coal-based electricity utilities that lack meaningful commitment to a transition to clean energy.

Oil sand
NAM excludes companies with substantial and sustained exposure to oil sand with a 10% revenue threshold. The extraction of oil from oil sand is the highest cost and most carbon intense hydro-carbon. We believe that with current methods and technology, no company can extract oil from oil sand in a way that is consistent with a sustainable development.

Arctic drilling
NAM excludes companies with exposure to oil and gas extraction through arctic drilling with a 5% revenue threshold.

5 Military revenue is based on a company’s overall revenue from military equipment and not only revenue from nuclear weapons.

6 The threshold on metallurgical coal is higher as there are currently no widely available alternatives. Nevertheless, NAM has chosen to apply a threshold and expects to adjust it downwards as applicable coal-free technologies appear, eg in the area of steel production.
We expect companies affected by these risks to ensure that they report on how they manage the related risks and impacts adequately.

**Deforestation**

Agricultural expansion is one of the main drivers of deforestation and the associated loss of biodiversity and soft commodity-driven deforestation presents both sustainability and financial risks for companies in a number of industries including food products, household products, textiles and apparel.

We recognise the vital role forests play in climate change mitigation, biodiversity protection and in supporting livelihoods. Therefore, we expect all relevant companies in our portfolio that are involved in the production, trade, use or financing of forest-risk commodities, particularly palm oil, soya, timber and cattle products, to commit to eliminating deforestation and the loss of other valuable ecosystems from their operations and supply chains. Sufficient measures include, but should not be limited to, implementing a strong governance framework which clearly articulates the board's accountability for and oversight of deforestation risks and ensures traceability of forest-risk commodities.

**Water**

Water crises have been identified as the global risk that can be the most impactful in the next 10 years. By 2025 two thirds of the world’s population will be subject to water stress. Economic growth and climate change are putting extreme pressure on groundwater and renewable surface water resources. Water scarcity is an issue for a number of companies that we are invested in. Certain industry sectors have in some geographical areas of operations a particularly high exposure to water risk. We expect companies in the high-risk sectors to ensure that they address and manage their water risk adequately.

**Good governance**

NAM’s ownership activities are aimed at promoting sustainable profitability and sound management of ESG risks and other risk types in portfolio companies, in order to protect shareholder value and enhance long-term returns. Our active ownership tools include voting, attending Annual General Meetings, representation on nomination committees and engagement with companies.

We believe a sound corporate governance structure is essential for creating long-term shareholder value. The board of directors and senior management are accountable to investors for protecting and generating value over the long term. We expect the board of directors of investee companies to oversee and monitor the effectiveness of the company’s governance of environmental, social and industry sectors have in some geographical areas of operations a particularly high exposure to water risk. We expect companies in the high-risk sectors to ensure that they address and manage their water risk adequately.

**Sanctions**

NAM does not invest in sovereign bonds issued by governments that are subject to broad sanctions.

**Corruption**

The evidence of a correlation between corrupt business practices and negative effects on long-term financial returns is growing. Corruption leads to significant business-related costs and market inefficiency and hinders economic, political and social development. We expect companies to take a proactive approach towards corruption and responsible payments and ensure that adequate measures are implemented and transparency is being elevated.

**Tax**

We recognise the importance of companies being accountable for and transparent about their tax practices. We expect our portfolio companies to have a tax policy that outlines the company’s approach to taxation and how it aligns with the overall business strategy. We also expect companies to have a robust tax governance and management framework in place, to pay taxes where economic value is created and to provide country-by-country reporting.

**Diversity**

We expect a board to include a strong presence of independent non-executives members and to be diversified on gender, experience, age and other factors. A board should preferably have at least 40% of either gender.

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1. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)
For the Nordea Group, sustainability means taking responsibility for the impact Nordea has on its surroundings. It encompasses the ability to be a credible and reliable partner that acts in the best interest of customers as well as ethically and responsibly towards society. Human rights, employee rights, environmental responsibility and anti-corruption are among the factors included in the decision-making processes in order to contribute to sound financial markets. Sustainability is at the core of the business development and way of creating value. Nordea is committed to integrating sustainability into relevant processes in all business areas. NAM’s principles for sustainability are based on Nordea’s Code of Conduct and guide our behaviour, our daily work and our business decisions. We take these principles and other relevant environmental, social and governance principles into consideration when evaluating business risks and opportunities. Nordea expects business partners and suppliers to adhere to the below principles:

- We are committed to good corporate citizenship.
- We are committed to human rights, labour rights and freedom.
- We are committed to equal opportunities and diversity.
- We are committed to caring for the wellbeing of our employees.
- We are committed to ethics, honesty and sincerity.
- We are committed to caring for the environment.
- We reject bribery and corruption.
Conflicts of interest

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