

Nordea
ASSET MANAGEMENT



Responsible Investments Report 2021

Contents

RI Annual Report 2021 Foreword	3
2021 at a glance	4
• The year in review	
ESG highlights of the year	5
Regulation, a force for change	7
Active in the global RI community	8
New investor initiatives in 2021	9
Sustainability in our Nordic DNA	10
• Our Responsible Investment approach	
ESG Governance and Teams	11
Responsible Investment Framework	13
ESG research approach – how we assess an ESG investment	14
• Our Responsible Investment overlays	
Norms-based- and PAI screening	15
Active Ownership	16
Exclusions	33
ESG Integration across asset classes	34
Responsible Investment strategies at NAM	35
Stepping into impact investing	38
Outlook 2022	39
Appendixes	41



Nordea

Nordea is the largest financial services group in the Nordic region (approx. 9 million personal customers and 500,000 corporate customers) and one of the biggest banks in Europe. We want to make a real difference – for our customers and for the communities in which we operate – by sharing our extensive expertise based on 200 years in the banking business.

About Nordea Asset Management¹

Nordea Asset Management (NAM) is part of the Nordea Group. We are an active asset manager with a global business model, offering services to institutional clients in Europe, the Americas and Asia. We manage investments across the full spectrum of asset classes. Our third-party distribution franchise services a wide range of international fund distributors, including many of the leading global wealth managers. We distribute our products through banks, asset managers, independent financial advisors, insurance companies and family offices. Our client base is equally split between Nordea Group-related and external clients. With EUR 292 bn (31 December 2021) in assets under management, we have been experiencing strong growth over the past decade.

1) Nordea Asset Management it is the functional name of the asset management business conducted by the legal entities Nordea Investment Funds S.A. and Nordea Investment Management AB and their branches and subsidiaries. Nordea Investment Funds S.A. is the management company and Nordea Investment Management AB is the investment manager of all funds belonging to NAM.

Signs of the times

Sustainable investing is the new normal – what's next?

Our planet is on track to surpass a 1.5° C temperature increase and investors are concerned. As more investment dollars flow toward the net zero transition, companies play an increasingly important role in decarbonizing the global economy. New innovations and solutions present myriad opportunities for investors – and with those opportunities, comes responsibility.

ESG isn't just mainstream, it's driving the market

2021 was a watershed year for ESG. A record USD650 billion poured into ESG-focused funds globally, and ESG funds now account for 10% of worldwide fund assets.² ESG AUM is expected to reach USD50 tn by 2025.³ It's clear that when it comes to sustainable investment, the market is clearly moving from the "why" to the "why not?"

As I look back on 2021, I am encouraged by the gains Nordea Asset Management made in deepening our active ownership activities and ongoing commitment to Responsible Investment. Specifically, we expanded our ESG reach as well as our geographic reach with a new ESG hub in Singapore and raised €900 mn in commitments for the first fund of our private equity venture Trill Impact. This was one of the largest first-time funds raised by an independent investment firm during the global pandemic.

Decarbonizing portfolios is a vital component of driving the necessary transition toward a lower carbon future. To that end we set Net Zero targets for all of our ESG STARS equity products. Moreover, with a handful of exceptions, all of our Article 8 and 9 funds adhere to our Paris-Aligned Fossil Fuel Policy.

We also stepped up our engagement efforts, even amid social distancing restrictions, and joined the Finance for Biodiversity Pledge initiative.

To create real-world impact, we engage

NAM doesn't take the easy way out. To effectuate meaningful change through our investment activities, we must reach beyond exclusion. It's not enough to cherry-pick sustainable companies, we have to influence the behaviour of those with poorer sustainability performance, such as heavy carbon emitters. Active ownership – using both engagement and voting to influence companies – is paramount. [The ShareAction Voting Matters 2021](#) report ranked us shared first in voting for climate resolutions among members of Climate Action 100+ and the Net Zero Asset Managers initiative and first in the Nordics in terms of overall voting activity.

We're ready for the new regulations

As our industry shifts toward ESG integration, there is an increasing need for consistent, high quality data and disclosures. As more asset managers jump on the ESG bandwagon,

greenwashing is creating challenges – however, ongoing regulatory change will mitigate this. Beginning in August 2022, regulators in Europe will require distributors and financial advisors to offer MiFID-eligible ESG portfolios to clients with sustainability preferences. We are fully ready to embrace this new regulation with a strong track record in responsible investing, and the scale and the experience investors need.

Last year, we concentrated a great deal of effort into classifying our funds according to SFDR (Sustainable Finance Disclosure Regulation). We closed out the year with 224 Article 8 funds, of which 12 are ESG STARS funds, and 5 Article 9 funds, including our Nordea 1 – Global Climate and Environment Fund, which is the largest Article 9 fund in Europe (and thus globally). All of our Article 8 and 9 funds, which represent 66% of our total AUM, will be eligible to be distributed under the MiFID II regulation.

We're fit for the future

The accelerating climate crisis is concerning, but there are many reasons for optimism in 2022. Our world is waking up, and investors are getting active. NAM's 2021 ESG Survey of 1200 European individual investors revealed 73% want advisors to offer them more ESG products. 76% increased their ESG investment in the past year, and 71% plan to increase their ESG allocation over the next 12 months.⁴

2022 will likely see a sustainable investment boom that favours the agile and the prepared. As always, we are working hard to stay at the forefront of ESG through engagement, regulatory expertise and development of new solutions.

Since 2020 the pandemic has shone a light on ESG issues, driving interest and investment in sustainable solutions. The momentum continues to increase in 2022, and we're ready. I invite you to read our RI Annual Report to find out more about our ongoing commitment to Responsible Investment.



Nils Bolmstrand, Chair of the Responsible Investments Committee and Head of Nordea Asset Management

2) [Reuters](#). How 2021 became the year of ESG investing, 23 Dec 2021.

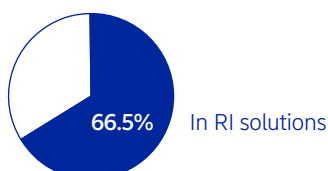
3) [Bloomberg](#). ESG by the Numbers, 3 Feb 2022.

4) Data from July/Aug 2021.

2021 at a glance

Assets under Management

€ 292 bn total AuM



ESG Offering

Products

224 Art. 8 funds⁵

6 Art. 9 funds⁵

New reports in 2021



ESG Capabilities

Resources

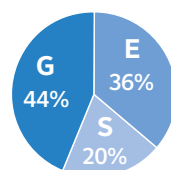


25 Dedicated ESG analysts⁶

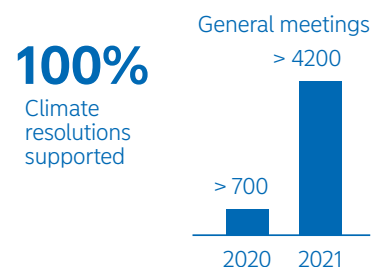
+2 Corporate Governance Specialists

Engaged

1033 engagements



Voted



ESG Leadership

Initiatives

36 International investor initiatives



Awards⁷



Labels⁸

3 European ESG labels



Net Zero Targets

By 2025

80% of Top 200 contributors to financed emissions to be Paris-aligned or engaged to become so

Phase out investments in coal-related companies without plans to achieve a full exit from coal by 2040

By 2030

100% of Top 200 contributors to financed emissions to be Paris-aligned or engaged to become so

50% reduction of WACI across listed equity and corporate bonds

By 2050

Net zero emissions across all assets under management

5) According to European SFDR classification.
6) Data as of 31.03.2022.

7) More information on ESG awards on pages 5 – 6.
8) More information on labels on page 37.

ESG highlights of the year

2021 was yet another year heavily impacted by the COVID-19 pandemic, but also a year highlighting the importance of addressing global social and environmental issues. While the world has been witnessing record flows into ESG funds, we at NAM have continued building on our long experience in Responsible Investment (RI) by further strengthening our ESG framework and offering.

A lot has happened in the world of ESG, and it has had an industry wide impact – affecting all asset managers including NAM. We see that our long experience in this space has given us a head start to tackle many of the ESG related issues, and as ESG remains as our strategic area of expertise and focus, our year has been filled with developments and recognition in this field.

Regulation around ESG has been a hot topic during 2021, especially for us in Europe who witnessed the Sustainable Finance Disclosure Regulation (SFDR) coming into force, bringing new disclosure requirements requiring asset managers to classify funds according to their ESG status. At NAM, we've taken a careful approach to the fund classification, building it on our long-standing RI Policy and Framework. Today we have around 230 funds that are classified as either Article 8 or 9 as per SFDR.

While we soft closed our pioneering Global Climate and Environment Strategy due to its great success (largest Article 9 fund in Europe)⁹, we enhanced our ESG Thematic range with two new strategies; The Global Climate and Social Impact Strategy which aims to provide meaningful solutions to meet pressing social and environmental needs, and the Global Green Bond Strategy, becoming the first fixed income strategy within our ESG Thematic universe.

Active ownership continues being a strong focus point for us. In early 2021 we launched an internal cross-departmental project to massively increase voting, with the goal to reach close to full coverage within a few years. Already at the closing of 2021 voting season, we reached above 90% coverage on all votable meetings, voting on more than 4200 General Meetings. Our focus on climate topics is also visible in our voting activities. In the ShareAction's Voting Matters 2021 report, NAM was in shared first place on supporting climate resolutions, among Asset Managers that were members of NZAM and Climate Action 100+ initiatives¹⁰. Naturally, another important aspect of our active ownership activities is engagement with companies. Last year we had over one thousand engagements, covering wide array of topics across Environmental, Social and Governance matters.

Besides being an active owner, another way for us to create real world change and promote the best practices is to take

actively part in investor initiatives. We are currently participating in 36 initiatives, including some of new additions such as the Finance for Biodiversity Pledge. Biodiversity is one of the key focus themes for us, and being part of this initiative, will enable us to work together with other investors and financial industry participants to set standards for this increasingly important topic. Participation to initiatives is also a way for us to enhance, develop, and benchmark our approach to ESG topics. We've been a founding member of the Net Zero Asset Managers (NZAM) initiative since 2020, when we also published our first Net Zero commitments. In 2021, one of the biggest climate related efforts was to set detailed portfolio level decarbonisation targets that were published in the NZAM progress report. Significant efforts were put into defining the right methods and metrics in order to present credible and robust targets, and currently portfolios corresponding to just under 60% of our equity AuM are specifically managed in line with net-zero in 2050. This work will continue during 2022, and we have committed to doubling the AuM covered by fund level targets by 2025.



Our dedication and expertise in ESG has not gone unnoticed. In 2021, NAM was recognised by multiple international awards, both for our product specific ESG approaches as well as for our general ESG work. We were honoured to be named among the finalists in the prestigious PRI Awards with our Vung Ang 2 engagement initiative, as well as for being recognised for the same engagement by the Asset Management Awards as the best ESG initiative of the year. The collaborative engagement against the construction of Vung Ang 2 coal power plant was initiated and led by NAM's own inhouse Responsible Investments team, the team which was also awarded with the title of Best ESG Team in Europe by CFI.co. We are pleased to see that our work is recognised internationally, and we hope it inspires investors and companies into sustainable decision making.

9) Source: [Morningstar Manager Research](#), 4 February 2022: SFDR Article 8 and Article 9 Funds: 2021 in Review.

10) Source: [ShareAction Voting Matters 2021](#): Are asset managers using their proxy votes for action on environmental and social issues?

Nordea 1 – Emerging Stars Equity Fund

CDP's Climetrics Fund Awards recognized the top five actively managed funds for each equity category, based on their underlying Climetrics score. The Nordea 1 – Emerging Stars Equity Fund was one of the top 5 winners in category Emerging market equity.



Nordea 1 – North American Stars Equity Fund

International Investment Awards 2021 chose the Nordea 1 – North American Stars Equity Fund as the Best ESG/Sustainability Fund. The fund was also selected as one of the three winners of Mountain View Fund Awards in category "Equity Funds Sustainability North America".



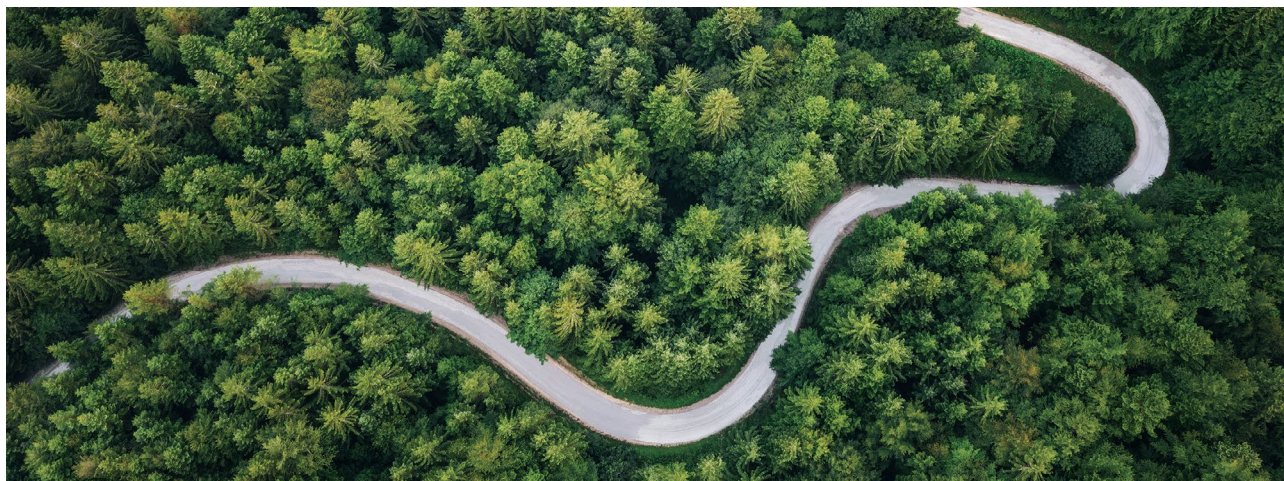
Nordea 1 – Emerging Stars Bond Fund

Nordea 1 – Emerging Stars Bond Fund was chosen as the winner of Environmental Finance Sustainable Investment Awards 2021 in the category of ESG fixed income fund of the year (global).

The judges' comments included statements such as "Nordea has an innovative solution to integrating ESG into sovereign bonds with positive engagement success" and "Nordea's engagement deserves a special mention and the firm's tools also are above market average".



Regulation, a force for change



The EU's ESG regulation passed significant milestones in 2021 and there are more coming. How is NAM helping clients navigate these?

The EU's ESG regulation passed a significant milestone in 2021 with the Sustainable Finance Disclosure Regulation (SFDR) coming into force in March. Since then we've seen ongoing development of next-level details around the Taxonomy and the SFDR, and we are moving towards forthcoming changes to MiFID II. These regulatory changes have had various implications for all financial market participants, and asset managers – including NAM – are no exception.

The SFDR brought new disclosure requirements and required asset managers to classify funds according to their ESG status. At NAM, our fund classification has been built on our longstanding RI Policy and Framework. These include both corporate-level approaches that apply to all NAM funds (including our Article 6 funds) and product-specific approaches, which, combined with the corporate-level overlays, represent the binding commitment to ESG that Article 8 classification requires. The RI policy and RI framework were already in place long before the SFDR demanded formal disclosures, and the work carried out by our award-winning RI team over the past years meant we were able to live up to both the letter and the spirit of the SFDR without consequential changes to our investment processes.

The SFDR's primary aim is to give investors transparency in order to minimize greenwashing. With this in mind, we have developed further our ESG reporting to ensure our clients have the information they need about our ESG activities. We have introduced detailed ESG reports for most of our flagship ESG STARS funds, and we also offer impact reports for some of our impact-oriented (Article 9) funds.

The next major regulatory changes will be the changes to MiFID II, which will affect the way distributors and advisers interact with their clients. After August 2nd, 2022, distributors and advisers must offer clients products which meet their sustainability preferences as well as their financial objective – or explain why they can't. It is therefore vital that distributors and

advisors are able to identify which products are eligible under MiFID rules ('MiFID-eligible') to be recommended to clients with sustainability preferences.

MiFID II offers three methods – which can be used individually or in combination – of assessing a fund for its suitability for clients with sustainability preferences. These will be products:

- 1 ...with a minimum proportion of Sustainable Investments
 - 2 ...with a minimum proportion of Taxonomy-aligned investments
 - 3 ...with an investment strategy that considers PAI elements
- and/or and/or

One of the tools our RI team has developed to ensure our ESG products will be MiFID-eligible is the PAI engine, an add-on to our proprietary ESG database. This add-on allows both our RI team and our portfolio managers to manage and analyse specific ESG metrics, including PAI (Principle Adverse Impact) indicators, a new set of ESG data points introduced by the SFDR. As well as enabling the team to consider PAI elements within our funds, the PAI engine plays an important role in identifying a portfolio's proportion of so-called Sustainable Investments. These are two of the three methods of classifying funds as eligible for sale to clients with sustainable preferences.

Need to build a MiFID-eligible portfolio?

Take a look at Nordea's ESG STARS funds, your building blocks to a MiFID-eligible ESG portfolio. Nordea's ESG STARS solutions span different regions and asset classes. We bring the track record, the scale, and the experience your portfolio needs. Take a look at our solutions on page 35.

Active in the global RI community

Taking active part in the industry wide discussion around responsible investment and promoting best practices across the investment community are key components to our ESG work.

Participating in investor initiatives is one way for us to share our knowledge as well as to develop and benchmark our own ESG approach and framework. During 2021, we were active in 36 investor initiatives across several ESG topics as well as in several Sustainable Investment Forums (SIFs) around Europe, and we participated in numerous engagements in collaboration with other investors.

While these initiatives and collaborative actions are extremely important part of our work, we see that our role and responsibility in the RI community goes beyond these initiatives. We wish to engage with our stakeholders, in order to educate them as well as to receive valuable feedback and information. We do this by participating in events and discussions, contributing to publications, engaging with our clients, and through academic collaboration. Below we share some of the highlights and examples of our actions in the Responsible Investment community.

EFPA Luxembourg, Green Ethica publication

As a recognised leader in Active Ownership, we were honoured to contribute to the EFPA Luxembourg's 1st edition of Green Ethica publication with two chapters taking a view on importance of active ownership and especially engagement activities. The publication was a result of a cooperation of more than 50 co-authors and more than 30 corporates, aiming to share the best practices and insights to Green Finance.

SASB Integration Insight

At NAM, the SASB Materiality Map is an important foundation of both our proprietary ESG scoring and our engagement process. However, the case study about our engagement with Samsung SDI, illustrates how important it is for users of SASB Standards and the SASB Materiality Map to combine the comparable industry-based aspects of the Map with their own knowledge of company-specifics. The case study has been published [here](#).

Annual ESG survey

Our [annual ESG survey](#) highlighted to us that there is great investor appetite for sustainable investment products in the European markets, but that advisers' ability to sell them may be held back by a lack of knowledge. We have therefore developed a series of three training presentations suitable for distributors and advisers about ESG and the implications of the regulatory changes in Europe, and have now started to offer this to clients. We are currently updating our ESG e-learning to include the relevant regulatory aspects and we expect this to be available in the first part of 2022.

Academic collaboration

During 2021, our ESG experts have been contributing to the Copenhagen Business School lectures for students with a minor in ESG by sharing their knowhow and educating the students.

Our head of Responsible Investments, Eric Pedersen, sits in the advisory board of the Boston University Impact Measurement & Allocation Program. We believe that this collaboration and IMAP's research can create positive change in how ESG data can be utilized by asset managers and other investors.

Collaborative engagements

We believe that joining forces with other investors in engaging with companies is a great tool that enforces the message we wish to bring. While we engage also individually, collaborative engagements are an important part of our active ownership work. This allows us to share views with other industry players, and scale up the impact of our engagements. In 2021, we participated in 724 collaborative engagements, leading 77 of those. The most common collaborations were related to SASB, Climate Action 100+ and the Corporate Human Rights Benchmark, besides our own Vung Ang 2 initiative and the Investor Policy Dialogue on Deforestation, in which we also play a leading role.

New investor initiatives in 2021

As a responsible investor, we are actively participating in investor initiatives around various ESG topics. We are currently part of 36 initiatives, including the 7 new initiatives that we joined during 2021.

Finance for Biodiversity Pledge

In 2021, we took the next step on the journey of addressing biodiversity-related risks and opportunities by becoming a member of the [Finance for Biodiversity Pledge initiative](#). As a Pledge signatory we commit to collaborate, engage, assess our portfolio's biodiversity impact, set targets and report on significant positive and negative biodiversity impacts linked to our investments by at latest 2024.

We expect biodiversity disclosures to follow the same pattern as climate risk, where investors are inclined to publish information so that, in turn, they demand more granular and material data from portfolio companies. These insights will be key to embed natural capital risk into the decision-making and strategies.

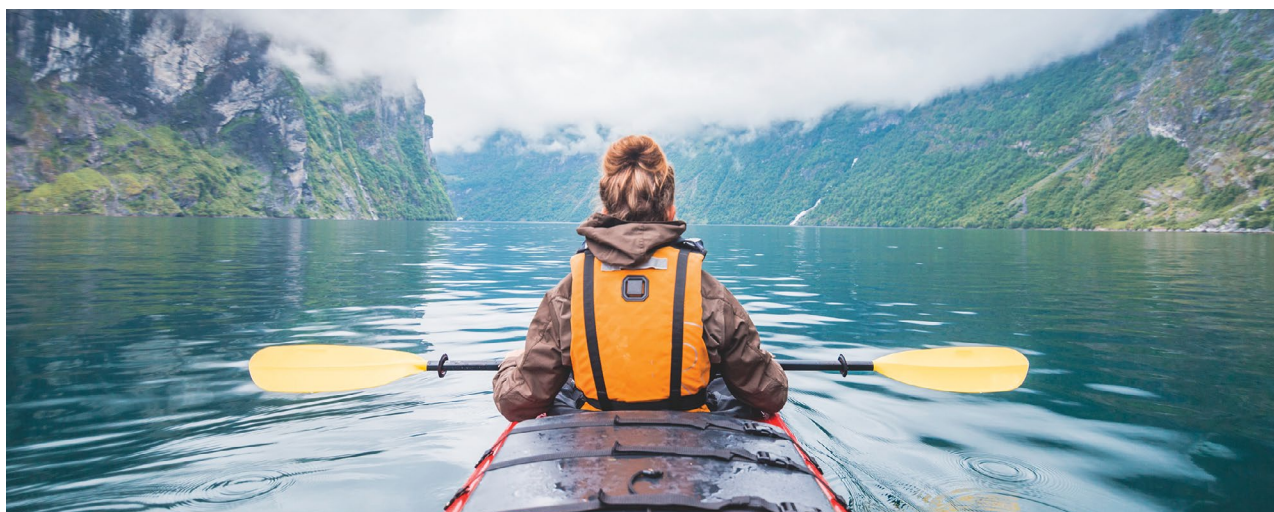
Investor statements signed during 2021:

- **IIGCC Investor Position Statement "Vote on Transition Planning"**: A group of 55 leading investors, managing more than USD 14 trillion of assets, are calling for the implementation of new corporate governance measures to ensure shareholders can hold companies to account in achieving 'net zero emissions commitments'. Investors are calling on companies to disclose a net zero transition plan, identify the director responsible for the plan and provide a means for investors to vote annually on progress against the plan
- **Investor Statement for Stronger Biodiversity policies ahead of COP15**: Representing 78 financial institutions, the initiative urges world governments to halt and reverse biodiversity loss, and calling for a realignment to a nature-based economy that could generate USD 10 trillion of annual business opportunities and nearly 400 million jobs by 2030
- **Investor Statement on Human Rights and Business Activities In Myanmar**: A global partnership between 86 investors, with more than USD 4 trillion in combined assets under management, calling on companies to uphold their corporate responsibility to respect human rights by undertaking enhanced due diligence to identify and address human rights harms and in so doing, mitigate legal, financial, and reputational risks associated with such violations

- **Investor Statement to Governments on the Climate Crisis**: Signed by 587 investors with USD 46 trillion in assets, the investor statement urges governments to rapidly improve their climate policies and warns that laggards will miss out on trillions of dollars in investment if rapid and sufficient actions are not taken. The statement sets out five climate-related actions governments need to urgently undertake
- **Investor Statement in Support of Mandated Human Rights and Environmental Due Diligence in the European Union**: As one of the 94 investors with more than USD 6 trillion in assets, we signed a public statement calling on the European Commission to make sure that the new directive on corporate due diligence ensures corporate accountability for human rights and environmental impacts through administrative and civil liability, and access to remedy for affected people
- **Investor Statement on Corporate Accountability for Digital Rights**: We were one of the 77 investors representing over USD 5.9 trillion in assets, signing an investor statement expressing investors' concern about the weak governance of digital rights risks and the lack of transparency and accountability in the information and communications technology sector, affecting people's rights to privacy and freedom of expression, including a lack of users' control over their own information and how it is used. The statement requests companies to consider: 1) Commit to and implement robust human rights governance, 2) Maximize transparency on how policies are implemented, 3) Give users meaningful control over their data and data inferred about them, 4) Account for harms that stem from algorithms and targeted advertising

You can find a full list of the investor initiatives we are currently participating, in the appendix, page 45.

Sustainability in our Nordic DNA



Being part of Nordea Group, the Nordic values are an essential part of Nordea Asset Management's business culture guiding us in everything we do.

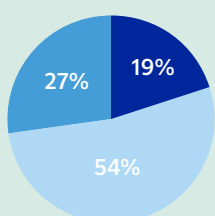
Sustainability is embedded across Nordea's business strategy, backed by measurable targets, strong governance, and a broad sustainability offering. Nordea Group has a long and solid experience within Sustainable Finance, and we are fully committed to – and actively working on – making the financial sector more sustainable. In 2021, Nordea's President and CEO Frank Vang-Jensen was invited to join the United Nations Environment Programme Finance Initiative (UNEP FI) Leadership Council, which is a partnership between the UN and the global financial sector to mobilise private sector finance for sustainable development. The council provides vision and strategic direction to UNEP FI in orienting its role and that of the UN in shaping, mainstreaming and deepening sustainability integration across the industry. It will further mobilise the financial community to support sustainable, resilient and inclusive economies.

Nordea Group's sustainability work is led by the Group Sustainability team. This includes everything from setting and meeting our internal sustainability targets, from resource-usage to diversity, and also integrating sustainable considerations into the products and services across the Group. At NAM level, the Responsible Investments (RI) team, carries out the research and integration of environmental, social, and governance (ESG) aspects into our investments.

The two boxes below summarize some of our key sustainability measures. More information about the work carried out by Group Sustainability can be found in Nordea's [Annual Report 2021](#).

Diversity and inclusion

Age distribution in the total workforce



- below 30 years old
- 30–50 years old
- above 50 years old

Gender balance



Board of directors	40%	60%
Group Leadership Team	33%	67%
People leaders	42%	58%
Total workforce	51%	49%
Nordea Asset Management	33%	67%

Carbon footprint

Nordea has committed to achieving net-zero carbon emissions by 2050 across investment portfolios and internal operations



CO₂e emission intensity:

1.18

tonnes/EURm of total operating income



Total CO₂e emissions:

11,327

tonnes

Our Responsible Investment approach

ESG Governance and Teams

Responsible Investments team

Our award-winning Responsible Investments (RI) team was established in 2009, and at the time of writing comprises 25 dedicated ESG analysts¹¹ with a wide range of experience from academia, independent RI organisations and investment.

Besides being fully integrated with the investment boutiques managing ESG products and setting the framework for the development of new quantitative tools and data sources, the team carries out ESG research, active ownership activities, and represents NAM in international RI initiatives. The team is continuously developing our RI approach in line with the increasing complexity, depth and scope of application of ESG methods, and to maintain NAM's leadership in the area.

The team maintains both a broad RI coverage and a particular focus on our ESG STARS and thematic strategies, working closely with their respective portfolio management teams. The RI team often participates in client meetings and ESG conferences to share their latest insights and findings. It also leads ESG training (e.g. climate workshops) both internally and for clients. For example, in 2021 the team offered training across the company around the new EU regulations on sustainable finance.

The RI team's various functions and main responsibilities can be divided into five areas:

- **Active Ownership** team is responsible for NAM's engagement activities, as well as for driving the Responsible Investment Committee agenda and the RI Policy development. This group also works with the Corporate Governance team on proxy voting
- **Climate** team maintains focused expertise and analysis on climate change factors and policies, implementation and reporting on TCFD recommendations
- **ESG Private Equity** team supports NAM's private equity collaboration with Trill Impact
- **ESG Products & Research** team carries out company specific ESG research and engagement for NAM's ESG funds, as well as ESG product development
- **ESG Quant** team develops and maintains NAM's proprietary ESG scoring model, as well as other advanced applications of ESG data



¹¹) Data as of 31.03.2022. This number includes only full-time RI professionals in the RI team. Corporate governance and proxy voting professionals, Portfolio managers managing ESG funds and financial analysts and other employees with ESG as part of their responsibility are additional to this.

Corporate Governance team

Our Corporate Governance team actively engages with companies in which the funds have significant ownership by voting at annual general meetings in accordance with the Corporate Governance Principles. The Corporate Governance team works in close collaboration with the Responsible Investments (RI) team and our Portfolio Managers (PM) to align the stewardship work especially on important ESG resolutions.



Eric Durhan
Head Corporate
Governance



Jan Särilvik
Corporate Governance
Specialist

Responsible Investment Committee (RIC)

While the day-to-day management of ESG topics is handled by the RI and investment teams, NAM's RI approach is governed by the RI Committee (RIC), chaired by NAM's CEO Nils Bolmstrand and comprised of senior management representing various departments in the organisation. NAM's internal RI Committee serves as the highest decision-making body of Responsible Investment within NAM, acting on behalf of all actively managed funds.

The RIC keeps an overview of NAM's RI strategy, engagements and exclusions and determines NAM's overall ESG investment guidelines, ensuring that NAM follows the intention of the RI policy and always acts in the best interest of clients. It also decides the appropriate reaction when a company is found to breach our guidelines. The RIC may decide to exclude, quarantine and/or engage with the company, depending on the type of violation and our ability to influence the company. To support the ESG investment guidelines, the RIC approves and is the owner of NAM's Responsible Investment Policy, which also details the international conventions we subscribe to and what we require of the companies we invest in.

Responsible Investments Committee



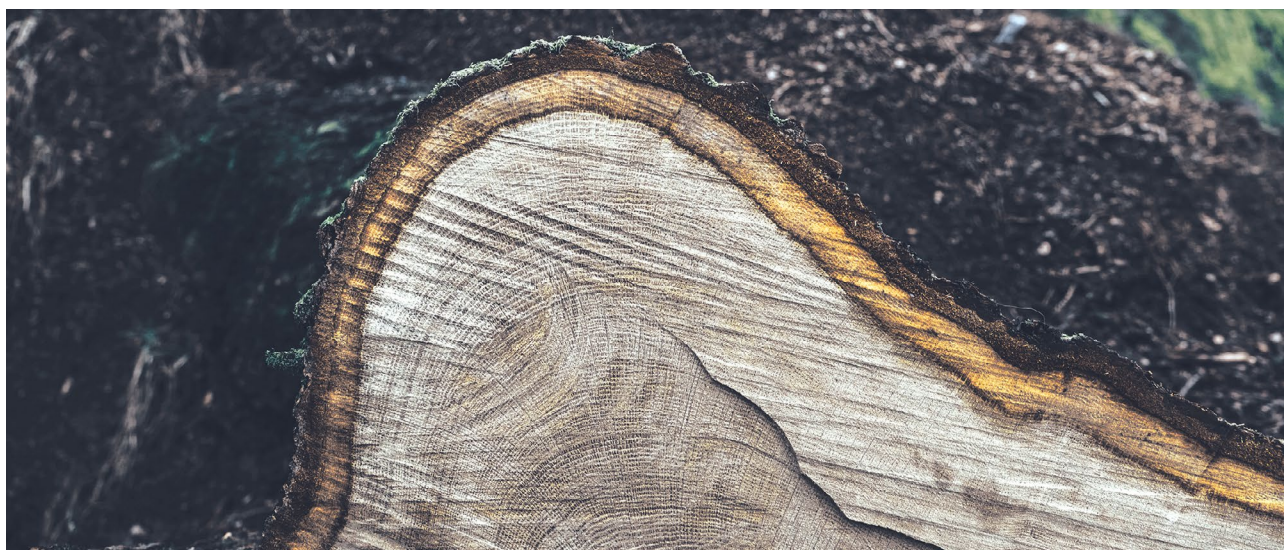
Chair
Asset Management CEO
Nils Bolmstrand

- Quarterly meetings
- Urgent decisions (reacting to incidents and/or breaches) can be taken on same-day basis

Nordea Group
Representatives



Responsible Investment Framework



At NAM, we believe it is our fiduciary duty to deliver returns with responsibility. Our commitment to be a responsible asset manager is not new. We launched our first sector-screened fund in 1988 and we were an early adopter of Responsible Investment (RI), signing the UN Principles for Responsible Investment (PRI) back in 2007. Responsible Investment Solutions now comprise over 66% of NAM's AUM.

NAM has developed policies and procedures to ensure that the companies we invest in meet our expectations of ESG performance, and that ESG and sustainability risks are managed in all our investment processes. These include both corporate-level RI approaches ("overlays") and product-specific approaches.

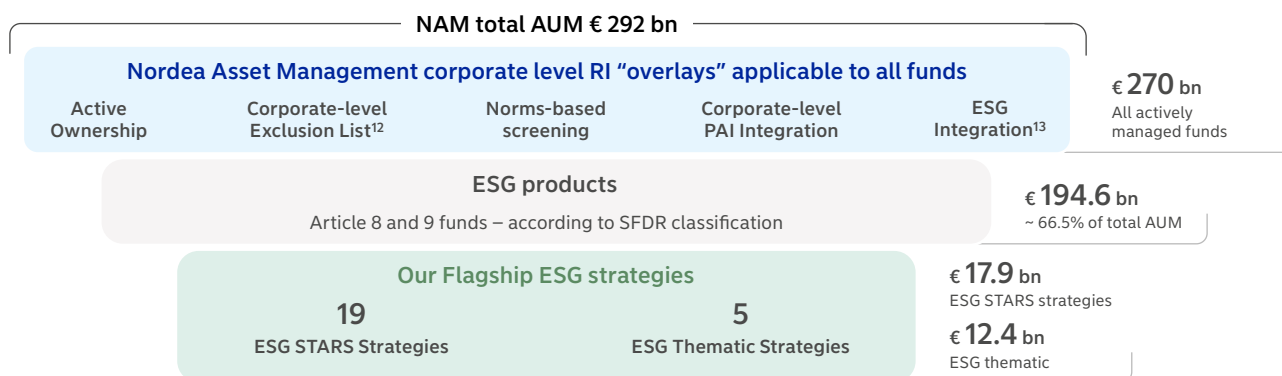
NAM's RI Policy defines our position on sectors that are linked to material ESG issues, going beyond the international norms and conventions. This helps to ensure that the companies we are invested in meet our expectations of sound ESG performance. The policy describes the stance we take on a number of areas within human rights, climate change, biodiversity and good governance. Depending on the nature and gravity of in-

dividual cases, breaches can trigger engagement or exclusion. The RI Policy applies to all NAM funds and is publicly available on our [website](#).

Our corporate-level RI overlays include norms-based screening and PAI integration, active ownership activities, NAM-wide exclusions, as well as ESG integration. In the following sections we will discuss in more detail how these activities are carried throughout all our investments.

We also have product specific RI approaches that take a step further into enhancing ESG integration. You can read more about these solutions on pages 35–37 in this report.

A comprehensive RI Framework including various forms of RI



Source: Nordea Investment Management AB. Data as at 31.12.2021.

12) Over 260 companies. NAM's Exclusion List available [here](#).

13) Every investment boutique has access to NAM's proprietary ESG Model and ESG analysis from the RI team and ESG data from external data providers via our proprietary ESG data platform.

ESG research approach – how we assess an ESG investment



Our strategy is to find the most sustainable investment: those who make money by creating long-term value. Our analysis approach is augmented by a materiality-focused review of ESG risk, governance, environmental footprint and social impacts.

Materiality led

A key part of our process is identification of financially material ESG issues – those which are likely to influence the financial performance of the company or a country. We weigh these issues flexibly, according to their materiality for the specific sector and geographical location. We use the materiality map of SASB as a guideline to determine materiality, but we supplement it with our own insight into the workings of the company. Both which issues we consider material and the weight we assign to them will vary by sector. A software company, for example, will have a relatively low environmental footprint, be dependent on skilled labour and intellectual property (social), and be vulnerable to data privacy regulation such as the GDPR (business ethics). A mining company, on the other hand, will have a high environmental footprint and will also need solid relations with its labour force (social). And exposure to universal risks such as climate change will also be different.

Company specific

Part of our ESG analysis is to interact and engage with companies, through management meetings and systematic engagement. The outcome and knowledge of these activities flows into our assessment of the companies. Reputational risk and exposure to controversy is also something we consider at the company or country-specific level. Responsiveness to investor concern, tone from the top, and company culture are important

parts of final evaluation. This allows us to produce forward-looking ESG scores that include the direction a company is moving in, dimensions that are not found in traditional external ESG ratings.

Business model alignment with the UN Sustainable Development Goals (SDG's)

We consider how a company's business aligns with the SDG's, whether the service or product the company offers contributes positively to society, how significant aligned activities are as a proportion of revenue, how much capex is directed into them, and whether they are a visible driver of growth. This is relevant both because the SDG's present large and durable business opportunities, and because SDG alignment – or the lack thereof – is an indicator of a company's material impact on the world around it. This way, our research takes into account both sides of the so-called "double materiality". Our assessment of the business model is weighted at 30% in our internal scoring process. (Governance is also fixed – at 10%.) In other words, both how a company makes money and how it is run always matter.



Norms and PAI screening

Norms-based screening

NAM's investment products are subject to an ongoing norms-based screening process, which identifies companies allegedly involved in breaches of international laws and norms on environmental protection, human rights, labour standards and anti-corruption standards. Examples of such norms and standards include the UN Global Compact and the OECD Guidelines for Multinationals. If a company is identified in this screening process, an internal assessment of the norms breach is initiated. The assessment is conducted by the RI team, which provides a recommendation to the RIC. Typical actions which the RIC decides on include engagement, quarantine or exclusion. For more information please refer to the [NAM RI Policy](#).

PAI Screening

Principal Adverse Impact (PAI) on sustainability factors is used as a tool to assess investee companies' environmental and social impact. All NAM investee companies are assessed through our entity-level PAI integration due diligence process. NAM's RI team has developed a proprietary quantitative "PAI Engine" that assesses the performance of NAM's full invest-

ment universe across multiple, mandatory and optional, PAI indicators. The engine utilises a diverse set of data across numerous ESG thematic areas in order to ensure that investee companies' performance is accurately analysed and outliers are identified. In this way, the PAI engine produces suggestions as to which investee companies are likely to perform outside NAM's acceptance criteria for ESG performance.

Investee companies which are considered outliers on one or more PAI indicators are analysed further by NAM's RI team and a recommendation for action is made to our RIC in a process similar to the one applied for Norms-based breaches. The RI team analysts are able to review the suggested output and manually adjust, confirm or override the PAI engine's suggested output as needed. NAM's Entity-level PAI statement can be found [here](#).

PAI statement on product level will be published in 2022, as required by the SFDR.



Active Ownership

Being an active owner is central to our understanding of ESG and Responsible Investment. Therefore, our active ownership activities span across all of our products.

We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. We are convinced that ensuring good ESG practices in our funds' holdings is an important part of safeguarding the long-term interests of shareholders and society. When we want to improve a company's management of its ESG risks, we exercise our ownership right to support and influence the company.

While we fully are fully prepared to exclude companies when we deem it necessary, our experience proves that active ownership can often be an effective tool to improve ESG performance, manage risk and identify opportunities. Our active Ownership takes place in two streams – engagement and voting – both equally important and reinforcing one another.

Engagement

We believe that improved management of sustainability risks and opportunities is vital to creating returns with responsibility, and that engagement can result in competitive advantage, increasing the likelihood of companies being successful in the long run – benefitting companies, clients and society at large.

Engaging with our investee companies enables us to address material sustainability risks and opportunities.

Our engagement activities combine the perspectives of portfolio managers, financial analysts and ESG specialists to form a holistic opinion and establish coherent engagement objectives. Portfolio managers actively participate in engagement activities together with our ESG analysts. Engagements often run over several years and are carried out either by NAM alone or in collaboration with other institutional investors.

During the engagement period, we conduct regular meetings with the company and track progress against pre-defined engagement objectives. Engagement may entail a dialogue with the companies' executive bodies, influence on board composition, cooperation with other investors on joint voting at annual general meetings, and generally keeping a strict eye on the company. The dialogue allows us to put forward our expectations on corporate behaviour and to support companies in enhancing their sustainability performance. Progress reports and outcomes of the engagement are communicated to portfolio managers and financial analysts, allowing the information to be considered in investment decisions. In cases where an engagement relates to critical issues for the specific investment case or the general investability of a company, failure to meet expectations will entail escalation of the issue through other stewardship activities, such as voting, and ultimately the consideration of quarantine or divestment.

Our engagement activities typically fall into one or more of three different categories:

1. Investment-led engagement

This relates to material ESG-related risks or opportunities identified by portfolio managers, financial analysts and ESG analysts via our company assessments.

2. Norms- and incident based engagement (including PAI):

Addresses companies that are in breach of international norms or conventions or those involved in ESG-related incidents. Significant deviation from the relevant peer universe on PAI metrics may also trigger engagement.

3. Thematic engagement

This type of engagement is initiated for investee companies with the most material exposure to one or several of our four focus areas:

- Biodiversity
- Climate
- Good governance
- Human rights

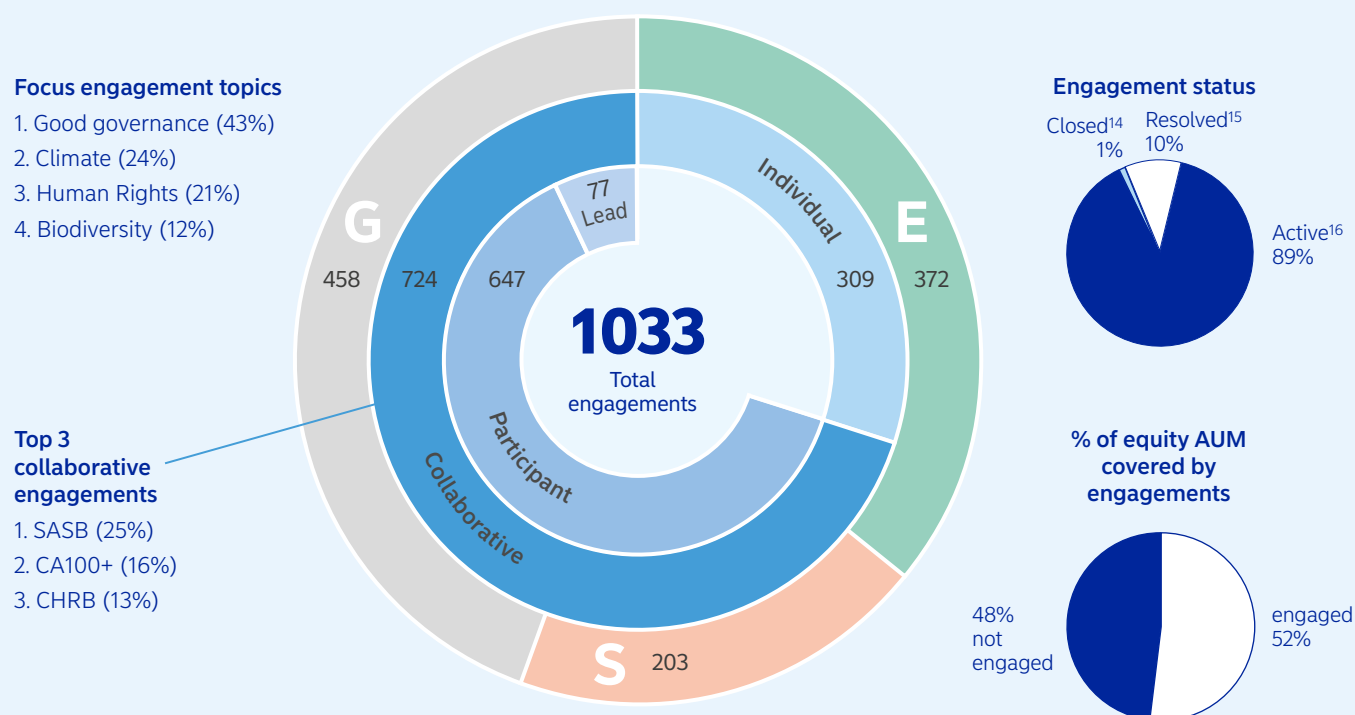
Each theme is closely aligned with the SDGs and relevant ESG risks, and has been selected and defined through close collaboration between ESG specialists, portfolio managers, financial analysts and clients. All of our engagements are tracked in our in-house database and reviewed by the RI team to monitor progress.

We will elaborate and showcase these engagement types in the coming chapters.

NAM's engagement activities are carried out on behalf of all our funds, and follow this process:



Engagement overview 2021

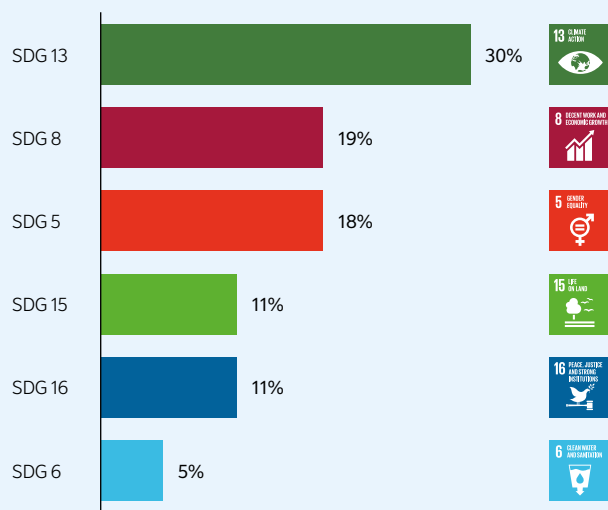


14) Engagements that have come to an end, but the engagement objectives have not been achieved. This is primary the case when NAM does not longer have exposure to the company. When relevant, engagement cases that have been closed can be escalated to our Responsible Investment Committee for potential exclusion decision.

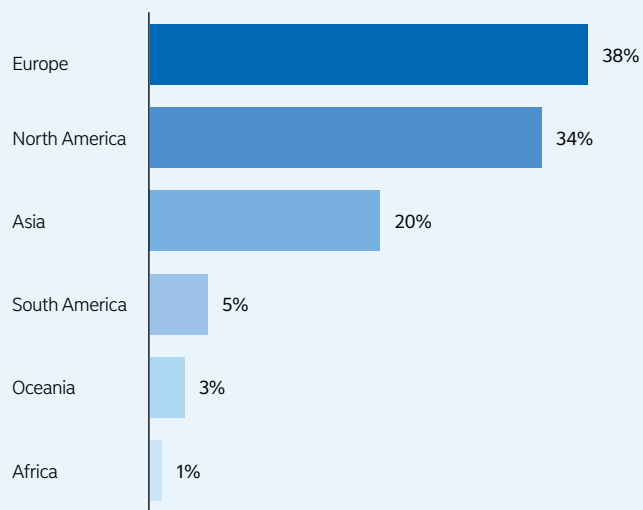
15) Engagements that have come to an end since the engagement objectives have been achieved.

16) Ongoing engagements.

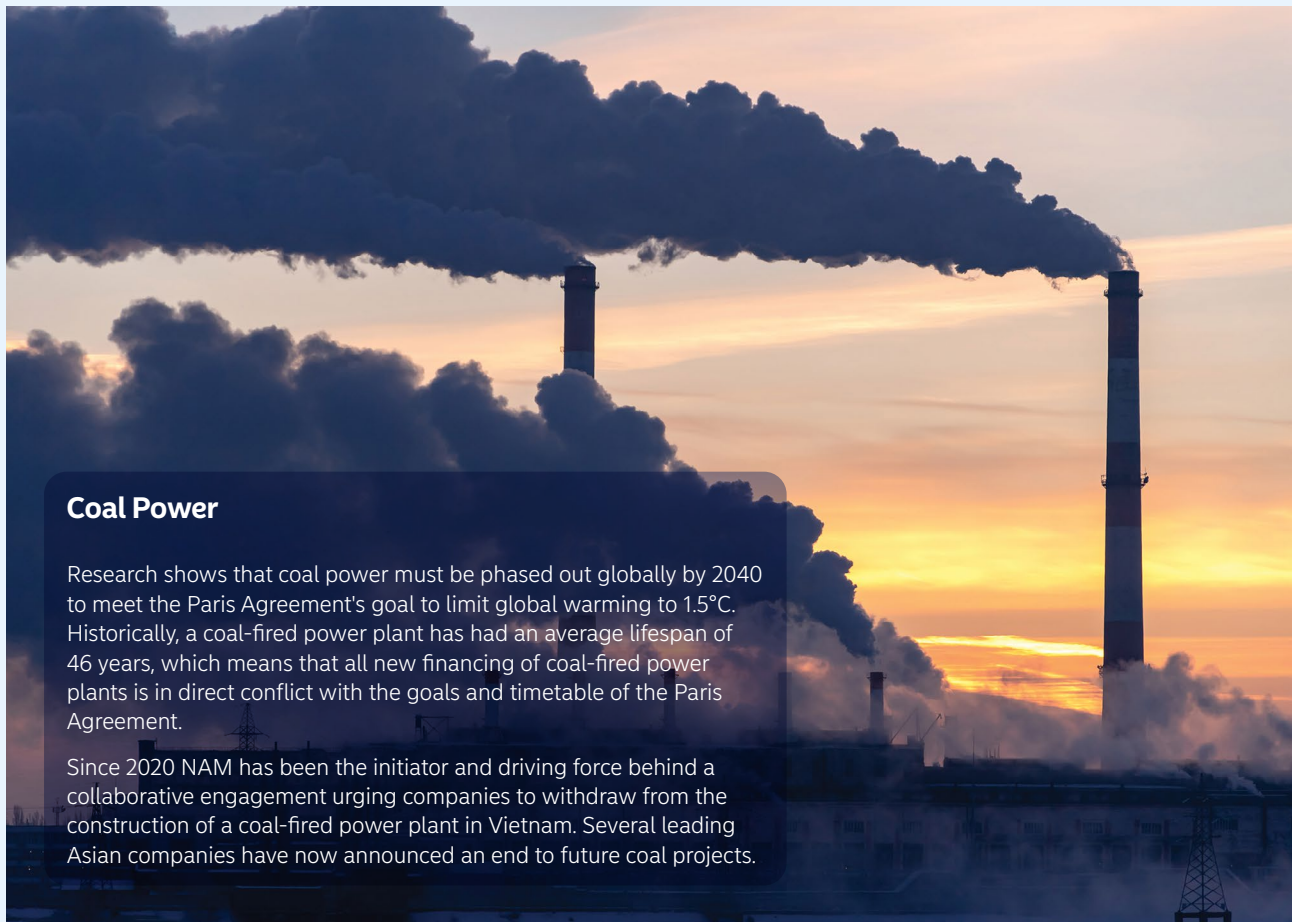
Top 6 SDGs



Geographical breakdown



Source: [United Nations, Sustainable Development Goals](#).



Coal Power

Research shows that coal power must be phased out globally by 2040 to meet the Paris Agreement's goal to limit global warming to 1.5°C. Historically, a coal-fired power plant has had an average lifespan of 46 years, which means that all new financing of coal-fired power plants is in direct conflict with the goals and timetable of the Paris Agreement.

Since 2020 NAM has been the initiator and driving force behind a collaborative engagement urging companies to withdraw from the construction of a coal-fired power plant in Vietnam. Several leading Asian companies have now announced an end to future coal projects.

Engagement case: Vung Ang 2

We at NAM are critical towards any of our investee companies being involved in the construction of new coal-fired power plant projects, as this is inherently inconsistent with limiting global warming to below 2°C.

In 2020, we initiated a collaborative engagement with the financiers, owners and contractors of a new coal-fired power plant in Vietnam, the Vung Ang 2, with the aim of having the companies withdraw from the construction as well as to commit not to contribute to further coal-fired power expansion. This was due to our having identified the project as having high climate-related, financial and reputational risks and being inconsistent with the goals and timelines of the Paris Agreement.

NAM is the leading investor of the consortium consisting of 25 investors and representing approximately EUR 4.8 trillion in AUM.

The media interest for this engagement has been extensive and has contributed to an increased public opinion against Vung Ang 2 and coal in general. Several of the companies linked to the project have taken steps to reduce their involvement in the coal industry (see box), and our engagement also informed the climate debate in the parliament of the Republic of Korea, which ultimately led the government to set new net zero goals.

Companies that have responded

Companies that have reacted to the letter from the consortium includes the owners Korea Electric Power Corporation and Mitsubishi Corporation as well as the contractor Samsung C&T, all announcing an end to future coal projects.

In addition the financiers MUFG, SMFG and Mizuho have all introduced targets to reduce their financing of coal-fired plants to zero by 2040.

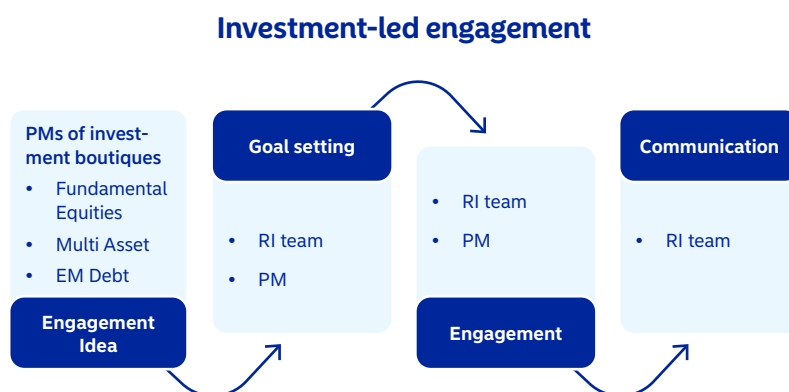
The project is an example of how we're actively working with companies to ensure that they transition at the pace required to achieve a net-zero emission world by 2050. Phasing out coal from the energy sector is one of the most important steps to reach the goals set out in the Paris Agreement.

Investment-led engagement

Investment-led engagement is a key and distinctive part of our investment approach for our most ESG focused products.

Investment-led engagement relates to ESG-related risks or opportunities identified by Portfolio Managers (PMs), financial analysts or the RI team via our company assessments. These

engagements are done in close collaboration between the PM and the RI team.



PMs and the RI team engage proactively with companies in the most ESG focused portfolios when we see material ESG risks that may not be adequately managed or opportunities that may not be fully capitalised on. Together the PMs and RI team identify risks and opportunities within the our holdings, and set engagement goals and milestones to track the engagement. The engagement goals vary, depending on the investment process and level of ESG integration of an individual investment product.

The characteristics of the engagement goals may differ between different investment boutiques. For example, in fundamental equity products, the engagement focus may be on ESG topics that could impact the the company's financial performance or valuation metrics.

Our quant based and fixed income investment products, on the other hand, can target ESG topics where a holding is underperforming and aim to improve the company's ESG score in order to retain it in the investable universe.

In addition, investment-led engagements in fixed income products may target companies that are currently un-investable for a strategy due to their insufficient ESG performance, and aim to improve it in order to be able to include them.

Finally, our thematic products will naturally primarily focus their engagements to addressing topics and performance connected with the theme of the product.

Examples of engagement topics



Incident and norms-based engagement (including PAI)



Our incident and norms-based engagements address companies suspected of breaches of international norms or conventions or those involved in ESG-related incidents. Outliers in terms of PAI metrics may also be engaged with.

Engagements with companies identified as involved in a verified violation of international norms or those involved in ESG-related incidents are initiated based upon decision from the RIC.

The objective of engaging a company in breach of international norms or conventions or those involved in ESG-related incidents is to ensure that the company is taking sufficient measures to address the issues and to strengthen relevant policies and practices, to reduce the risk of future norms-breaches or incidents.

For each incident- or norms-based engagement an engagement plan with clearly defined targets is created. The engagement targets are measurable and are used to monitor and evaluate progress. The RI team presents the RIC with an overview of the companies in breach with international norms or conventions on a quarterly basis, and provides a recommendation of

the preferred action at the end of the pre-defined engagement period. Actions include closing the engagement due to sufficient evidence that the company has addressed the norms-breach or incident, or escalating through voting, collaborative engagement or divestment, if the company has failed to display adequate measures to address the issue and to strengthen relevant policies and practices.

Incident- and norms-based engagements are inherently backward-looking, in that it is triggered only after the event. During 2021, these engagements were supplemented by engagement on issues identified using our firm-level PAI process. Here, companies that are outliers on specific PAI issues are identified and engaged in a forward-looking way, with the aim to pre-empt the issues identified from later reaching the level of an incident or norms breach.

Thematic engagement



Our thematic engagements address selected sustainability areas, helping us to focus our engagement efforts into issues most crucial on a global scale.

NAM's thematic engagements will typically concern one or more of the core focus areas of interest identified in NAM's ESG strategy and ESG positions.

NAM'S thematic engagement focus areas

Biodiversity

Good governance

Climate

Human rights

These thematic focus areas are related to major systemic and sustainability risks and opportunities, covering the double materiality perspective, which means that we can engage both on financially material ESG topics as well as topics that have material impact on the climate, nature and society at large. By engaging on our focus themes, we contribute to the UN Sustainable Development goals. Thematic engagements are selected and defined through close collaboration between our ESG

specialists, portfolio managers, financial analysts and clients, based on material exposure. In 2021, we engaged across all our thematic focus areas.

Typically, our thematic engagements run for several years, and as for all engagements where the engagement is not successful, we can use escalation tools such as voting and filing shareholder resolutions. Thematic engagements can be done either individually or in collaboration with other asset managers and asset owners. Often collaborative engagements take place within the framework of investor initiatives such as Climate Action 100+, SASB, PRI, CDP or the Investor Alliance for Human Rights or through ad hoc initiatives. In some cases we can be the initiator and lead of such ad hoc investor alliances.

In the next chapters, we will explain each of our focus themes in more detail.

Focus theme: Biodiversity

Example case of a biodiversity engagement: Brazilian Government



Background: Citing the negative financial materiality of the rainforest destruction, in 2019 we decided we would no longer buy Brazilian government bonds for any of our internally managed Emerging Market debt strategies, including Nordea's Emerging STARS Bond strategy.

Engagement and outcome: Our suspension of Brazilian government bond purchases won the attention of both government agencies and the media. Nordea is one of many investors that have urged the government of Brazil to take a tougher stance on deforestation and environmental protection. The wide ranging regulations on ESG that the Central Bank of Brazil announced in September 2021 is therefore a good step. The new regulation includes the requirement that all environmental, social and climate impact is taken into consideration for all financial services and products. In August, the Central Bank of Brazil also announced that it is preparing to require banks to account for potential losses from climate change-related phenomena such as droughts, floods and forest fires. In addition, the Central Bank has outlined rules to forbid rural loans to projects in indigenous or deforested land and has demanded more disclosure on how banks deal with social and environmental risks, including deforestation.

In October we were invited to a conference on sustainable agriculture in Brazil organized by The Embassy of Brazil in Denmark, with institutional support from the Danish Agricultural & Food Council, Food Nation, DAKOFO and the Brazilian Trade and Investment Promotion Agency. In connection with the conference we attended a separate meeting with government representatives from the Brazilian delegation and discussed investor expectations regarding deforestation and also the financing gap to stop deforestation in Brazil and sustainable agriculture.

Biodiversity loss is a systemic risk and one of the biggest global challenges of our time. Nature is being eroded at rates unprecedented in human history and we are facing the irreversible loss of plant and animal species, habitats and vital crops.

Research by the World Economic Forum (WEF) finds that USD 44 trillion of economic value generation – more than half of the world's total GDP – is moderately or highly dependent on nature and its services¹⁷. At the same time, WEF estimates that nature-positive transitions could generate up to USD 10.1 trillion in annual business value and create 395 million jobs by 2030¹⁸.

As the single largest asset manager in the Nordics, we acknowledge our role in preventing biodiversity loss and channelling capital flows towards nature-positive solutions. We have been actively working with our portfolio companies to address sustainability risks and seizing opportunities ever since the signing of the UN Principles for Responsible Investment in 2007. As part of our sustainability focus we are closely working with our portfolio companies to address biodiversity risks and to capitalize on opportunities.



Did you know?

WEF Global Risks Report 2021, identified biodiversity loss as 5th biggest global risk by likelihood, and 4th biggest global risk by impact.¹⁹

The latest WEF Global Risks Report, published in 2022, identifies biodiversity loss as the 3rd most severe risk on a global scale over the next 10 years.²⁰

Biodiversity engagements

In 2021, NAM had 123 engagements on topics related to Biodiversity, representing 12% of our total engagements.

17) <https://www.weforum.org/reports/new-nature-economy-report-ii-the-future-of-nature-and-business>.

18) https://ec.europa.eu/environment/nature/biodiversity/economics/index_en.htm.

19) [WEF Global Risks Report 2021](#).

20) [WEF Global Risks Report 2022](#).

Collaborative engagement initiative: IPDD

Nordea is a founding and advisory member of the Investors Policy Dialogue on Deforestation (IPDD), a collaborative engagement aimed at initiating and coordinating a public policy dialogue on halting deforestation in selected countries, established in 2020. The IPDD engages with public agencies and industry associations on this issue – initially in Brazil. IPDD investors want to continue to invest in Brazil and contribute to its economic development and protection of the environment and are urging the government to demonstrate clear commitment to eliminating deforestation and protecting the rights of indigenous peoples. The engagement group has set out a series of demands for the Brazilian government to sufficiently address deforestation-related issues. The IPDD engagement group is expecting the following five outcomes from the Brazilian government:

- Significant reduction in deforestation rates
- Enforcement of Brazil's Forest Code
- Reinforcement of Brazil's agencies tasked with implementing environmental and human rights legislation, and avoidance of any legislative developments that may negatively impact forest protection
- Prevention of fires in or near forest areas, in order to avoid a repetition of fires like in 2019
- Public access to data on deforestation, forest cover, tenure and traceability of commodity supply chains

During 2021 the IPDD Brazil workstream has met with federal representatives, state representatives, congressmembers, and civil society in Brazil. They have also held educational and knowledge sharing sessions, both in and outside of Brazil, and conducted outreach with investor coalitions, foreign representatives, and other relevant stakeholders.

The IPDD's engagement work has also been extended to Indonesia. NAM is also an active participant in the Indonesia working group, which aims to work constructively with, among others, relevant government authorities and financial market regulators to promote good social and environmental governance and to reduce financial risks arising from deforestation and land degradation.

Focus theme: Climate

Example case of a climate engagement: Antofagasta

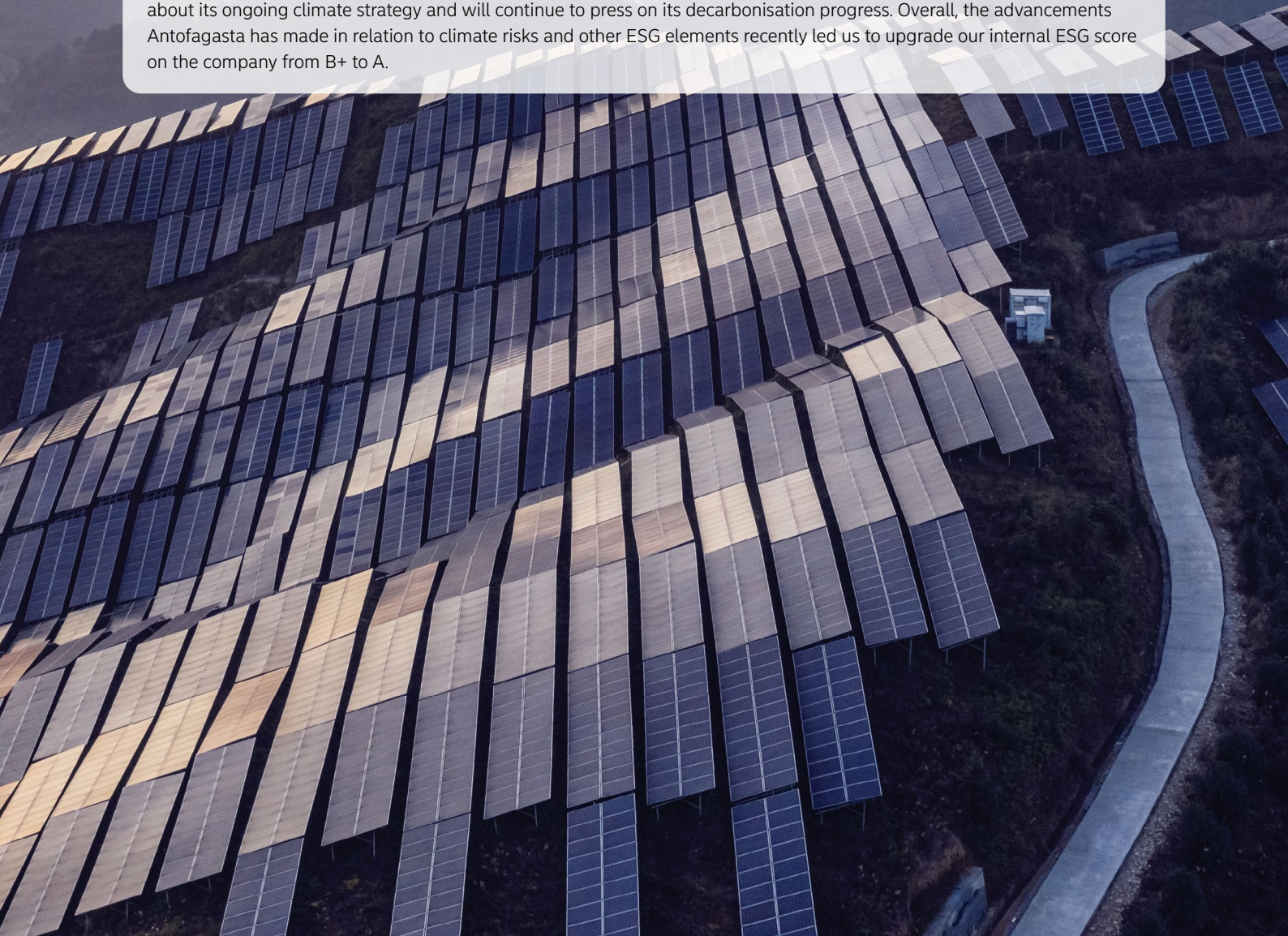


Background: We have repeatedly engaged with Chilean mining company Antofagasta in recent years on topics related to labour rights and worker safety, water management, and climate risk. Over the course of these engagements, we have seen Antofagasta implement numerous positive initiatives.

Engagement: We recently followed up with Antofagasta to continue the dialogue on its efforts to reduce greenhouse gas emissions – particularly as the company has announced it is adopting new, longer-term carbon reduction targets and strategies. As Antofagasta has recently entered the bond market, we also had an exploratory dialogue around the relevance of green or sustainability-linked bond structures for future issuances.

While positive dialogue is constructive, ultimately all engagement efforts must result in more ambitious commitments and action. Encouragingly, Antofagasta continues to take positive steps forward, such as recently announcing its goal to be carbon neutral by 2050. Importantly, the company is aiming to reduce total emissions by 30% by 2025. We sought to clarify how Antofagasta will be able to deliver on these ambitions. The company's greatest challenge is in the ability to report on its indirect – 'Scope 3' – value chain emissions, but it is actively building its capability to report on these.

Outcome: In response to our efforts, Antofagasta informed us it will shortly be releasing reporting in line with TCFD recommendations, which will highlight how its operations are aligned with various climate scenarios. We also remain in dialogue about its ongoing climate strategy and will continue to press on its decarbonisation progress. Overall, the advancements Antofagasta has made in relation to climate risks and other ESG elements recently led us to upgrade our internal ESG score on the company from B+ to A.



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.

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
- be able to disclose how their long-term business strategy and profitability will be impacted by a different regulatory and physical environment
- show how they identify and capitalise on opportunities related to climate change
- be transparent in regards to their position on climate change regulation and interaction with regulators and policy makers
- report in line with TCFD recommendations and act to reduce greenhouse gas (GHG) emissions across their value chains in accordance with the Paris Agreement

Collaborative engagement initiative: Climate Action 100+

We participate in multiple international investor initiatives and collaborative engagements around climate topics. One such example is our participation in CA100+ collaborative engagements with the world's most carbon-intensive public companies.

We feel encouraged by some positive developments we have seen related to CA100+:

- 52% of the companies have set a clear ambition to reach net-zero GHG emissions by 2050
- 87% of the companies have board-level oversight of climate change
- 72% of companies have disclosure aligned with TCFD recommendations.

Example of climate engagement escalation

We firmly believe that corporate lobbying and public affairs efforts should refrain from providing direct or indirect support to regulatory initiatives that risk slowing down the energy transition. This is a topic we have been trying to engage on with Exxon Mobil.

Due to the slow progress towards meeting our engagement expectations, we decided to escalate engagement by co-filing a shareholder resolution demanding reporting on climate lobbying aligned with Paris Agreement. We were happy to see that the resolution received the majority support in Exxon Mobil's meeting in May 2021.

Focus theme: Good Governance

Example case of a good governance engagement: Checkpoint Software



Background: Since 2020, we have engaged with companies on diversity and inclusion (D&I), and especially focused on companies that have only a small minority or no females on their board. For diverse companies, the likelihood of outperforming industry peers on profitability has increased over time, while the penalties are getting steeper for those lagging behind. For example, diverse teams have proven to be more likely to radically innovate and anticipate shifts in consumer needs and consumption patterns— enabling the companies to gain a competitive edge.

Our engagement with Check Point was focused on D&I topics, and our goal was to get them to increase female ratio of their Board members.

Engagement: In 2020, we sent a letter to the company encouraging it to review its approach to D&I. The company informed us that it is working on increasing their D&I disclosures, and expect the gender diversity of the Board to increase in the future.

Outcome: During our engagement with the company, the Board gender ratio improved from 10% up to 20% in 2021. While this is already very positive development, we will continue our engagement dialogue until the company meets our expectation of minimum 40% representation of the underrepresented gender in the Board.



In our good governance focused active ownership activities, we aim to promote 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. 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 business ethics-related issues and risks and to protect shareholder rights. We engage with investee companies and use our vote on numerous issues, including shareholder rights, board composition, remuneration and risk management.

As stated in our RI Policy, we expect companies affected by these governance-related risks to ensure that they report on how they manage the risks and impacts adequately:

- 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:** Diversity and inclusion has been a focus area in our active ownership activities for several years and we address these issues in a number of ways. 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. Being a member of a company's nomination committee has proven to be an efficient way to engage our largest Nordic holdings on diversity and inclusion. On top of that, we engage with companies outside of the Nordic area, both independently as well as together with other investors. We've also pushed for better board and management diversity as well as other ESG topics related to initial public offerings (IPOs)

Engaging on reporting aligned with SASB recommendations

We have been part of SASB Investor Advisory Group (IAG) since 2016, in order to engage and encourage companies to report in line with SASB recommendations and take steps towards a global sustainability reporting standard. We support SASB standards and believe that industry-specific standards, that are framed upon financial materiality, can improve investors' understanding of company performance on most material ESG issues.

The SASB IAG has set a target that 75% of S&P1200 should report in line with SASB by 2025.

Focus theme: Human Rights

Example case of a human rights engagement: Starbucks



E

S

G

Background: Starbucks is one of the companies that have been assessed by the Corporate Human Rights Benchmark (CHRB) since 2017, scoring low on human rights due diligence in particular. We have engaged with the company on human rights and transparency already for a number of years.

Engagement: At the 2020 Annual General Meeting (AGM) of Starbucks, we voted against the chair of the Nomination and Corporate Governance Committee due to the lack of progress and transparency on how Starbucks addresses human rights. Ahead of the company's AGM in 2021, we wrote to the board of directors, informing them that based on their 2020 CHRB assessment results and continued low scores – as well as their limited disclosure – we were again considering to vote against the chair of their Nomination and Corporate Governance Committee.

Outcome: In response, the company informed us that Starbucks has published a new Global Human Rights policy which is applicable to all their partners, extending the expectations to comply with the policy to their suppliers throughout the supply chain. We also had a meeting ahead of the AGM, where we received more relevant information, leading us to the decision to not cast an against vote. We continue our dialogue, pushing for better human rights performance and disclosure. Following the CHRB's decision to assess companies every two years instead of annually, CHRB's next ranking will be published in the fall of 2022. We expect to see improved scores for Starbucks, particularly on human rights due diligence.

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. Our expectations apply both to the investee companies themselves and to their supply chains. At NAM, we screen all of our holdings for breaches of international norms, identifying companies that are allegedly involved in breaches of international laws and norms on human rights and labour standards. In addition, our target for 2023 is that all investee companies in funds managed by NAM will be assessed against the minimum safeguards in the area of human rights, in line with the EU taxonomy.

We engage companies we are invested in on different human rights-related topics – such as digital rights protection in ICT companies, pharma pollution related to drug manufacturing and the right to clean water, labour and workers' rights abuses at industrial cobalt mines in the DRC, and on the Corporate Human Rights Benchmark (CHRB) assessments. We engage with companies either independently or through collaborations and initiatives such as the Investor Alliance for Human Rights.

We also engage on policy level. One example of this is the Investor Statement in Support of Mandated Human Rights and Environmental Due Diligence in the European Union, which issued recommendations for robust legislation on mandatory human rights and environmental due diligence.

Engaging on Corporate Human Rights Benchmark (CHRB)

The CHRB measures the human rights performance of the world's largest publicly listed companies in sectors with high human rights risk. At NAM, we integrate the CHRB assessment results into our ESG analysis and ownership activities. This information enables us to assess the effectiveness of a company's human rights risk management and track progress. Against the background of new regulatory initiatives requiring investors to demonstrate that their investments do no significant harm this, becomes even more important.

In 2021, the Investor Alliance, CHRB's founding investors – APG, Aviva, and Nordea and 208 other investors representing \$5.8 trillion in AUM shared an investor statement with 106 companies who had scored zero on their Human Rights Due Diligence processes, some of them having done so for four years in a row. Of the 106 companies, 34 responded (representing a 32% response rate). Of those responses, 2 came from automotive companies, 5 from ICT companies, 8 from the apparel sector, 10 from agricultural product companies, and 10 from extractive companies.

In addition to engaging collaboratively with other investors, we also engage with a smaller number of companies independently on CHRB. We identified a number of companies where we saw a need to escalate our engagement efforts. We sent notices to five companies informing them that unless they could provide us with new information about their human rights performance, we would consider voting against relevant board directors. We will follow up on these companies during 2022.

Voting



Voting is an effective tool to influence companies and to support and escalate our engagements. We believe that sound corporate governance is essential to creating value in companies, adding value for unitholders.

NAM's Corporate Governance Principles focus on increasing transparency and openness in contacts between the company and its shareholders. Our 2021 principles document also defines how we view transparency and what level of openness we expect from the companies we invest in. An important factor in the funds' ownership responsibility is to promote sound administration and to safeguard the common interests of unitholders. A healthy, long-term development in the administration of the investee companies' benefits shareholders, employees and other stakeholders alike. The goal is to increase the return on fund investments and ensure smoothly functioning, reliable capital markets.

The Corporate Governance team cooperates closely with NAM's RI Team, which oversees our work on responsible investment together with the investment organisation. The teams maintain an ongoing ESG dialogue with companies - pre and post-AGM - to get a better understanding and push for continued improvements. Besides good governance, we place particular emphasis on our other focus areas, climate, human

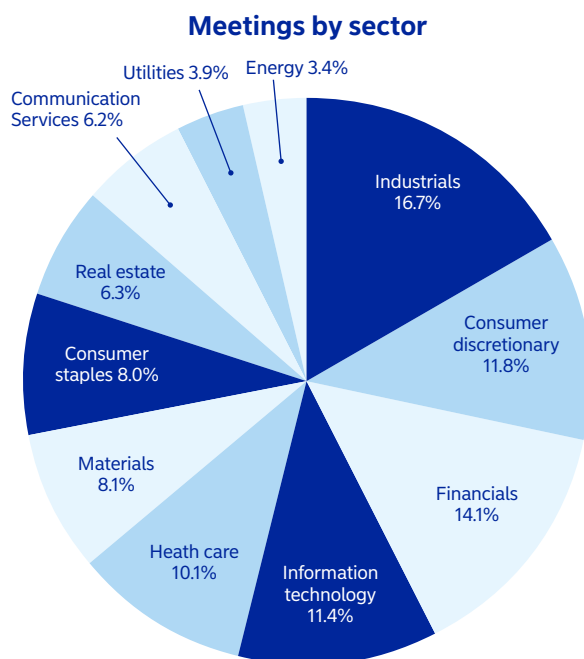
rights and biodiversity. We see more and more shareholder proposals relating to e.g. environmental issues and climate reporting, and the support for these type of resolutions is also increasing. We welcome that interest in these issues is growing each year and that an increasing numbers of companies are supporting shareholder proposals around these questions.

As we saw already in 2020, the ongoing pandemic has had a significant impact also on Corporate Governance in general and on Annual General Meeting (AGM) voting in particular. Unfortunately, we have not been able to physically attend as many AGMs over the last two seasons as we normally would, but instead focused on providing support to companies on, for example dividend policies and remuneration implications. There had been multiple stories in the media on changed remuneration schemes due to the weak markets seen in 2020 and into 2021. NAM tries to hold a pragmatic view and listen to the rationale given in the individual case in deciding whether to support such changes or not.

Voting overview 2021

This year we have voted at over 4,200 General Meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure. In 2021, our voting covered around 95% of all meetings, which is a big upward shift from 2020, and reflects our ambition to vote in the majority of all general meetings in our portfolio companies. We also voted on 100% of the environmental resolutions and supported all the climate-related votes. Our focus on climate is clear also in our voting activities, and based on a recent report from ShareAction, we are one of the top Asset Managers in supporting climate resolutions²¹.

Increasingly we are being invited by companies in the Nordics to join their nomination committees. Membership of nomination committees is a very efficient way to engage with the companies we have large holdings in, and it enables us to drive real change – for instance on the Board gender ratio. During the 2021, we joined 42 Nomination Committees.



Meetings by country



USA	23.1%	Sweden	6.3%
China	10.5%	UK	3.7%
Japan	8.9%	Other	47.5%

Voted on more than

4,200 General Meetings

representing around

95% of all votable meetings

Voted in

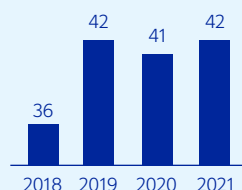
100% of the climate proposals

Alignment with management

11% against

89% for

Nomination committees



Examples of important votes are made available in the appendix of this report.
More information on our voting is available on our [voting portal](#).

21) ShareAction, Voting Matters 2021 report, available [here](#).

Exclusions



While our experience proves that active ownership can often be an effective tool to improve ESG performance, manage risk and identify opportunities, some types of economic activity or corporate behaviour are not compatible with our vision of returns with responsibility. Such companies are excluded as a matter of firm-wide policy. In addition, specific strategies have further screening criteria, corresponding to their level of ESG focus.

NAM excludes companies involved in serious breaches of international norms where engagement is deemed not to be possible or effective. 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). For this purpose, we maintain a firm-level exclusion list that

applies to all Nordea-branded investment strategies²². Any addition to – or removal from – the list is decided by the RIC. Our exclusion list is publicly available [here](#).

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 (PAFF) Policy, 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. More details on our PAFF Policy can be found [here](#).

NAM's corporate wide ESG positions

Exclusions:



Controversial weapons



Thermal coal mining

(10%²³)



Coal mining

(30%²³)



Oil Sands (10%²³)



Arctic drilling (5%²³)

Enhanced due diligence on:



Biodiversity



Board diversity



Climate change



Conflict areas



Corruption



Deforestation



Good governance



Government sanctions



Human Rights



Soft commodities



Tax transparency



Water

²²) With the exception of any holdings by such strategies in external funds and index derivatives and selected discretionary mandates on clients' request.

²³) Revenue threshold.

ESG Integration across asset classes

ESG issues are an increasingly important source of risk and opportunity, and therefore we seek to integrate ESG considerations into all our investment solutions with firm-level elements applicable to all our holdings. The strength of our ESG approach is that our fund managers are involved throughout the ESG research process and are able to tie our results directly into their investment decisions. Both research and integration methods vary between asset classes and strategies.

ESG integration across NAM

We integrate ESG considerations into all our investment solutions, with certain firm-level elements applicable to all our holdings. These include voting and engagement, our company-wide ESG limits and exclusion list, individual ESG analyses of businesses, and the provision of ESG data and research to all portfolio managers. This means that 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 – all via our proprietary ESG data platform, which covers more than 13,000 companies (totalling over 36,000 securities), aggregates information from multiple sources and supports both our investment- and ESG analysts.

ESG risk exposure is included in our regular portfolio performance reviews, alongside financial data. At the same time, sustainability risks are integrated in our investment decisions, but is also a natural part of our companywide [approach to remuneration](#). All employees participating in our variable pay scheme are measured against both qualitative and quantitative targets suitable for their positions and role: these include sustainability risks where relevant. Going a step further in ESG integration we have developed the ESG STARS concept, which implements enhanced ESG integration.

ESG integration in Equity STARS

Within our equity ESG research, portfolio managers (PMs) work closely with the RI team as we perform our ESG analysis and engagement dialogues. The resulting ESG scores that we assign to companies define the investment universe, in that our ESG STARS products cannot invest in C-scored companies. The ESG score can affect both the discount rate a PM uses when valuing future cash flows, and how long the PM expects the company to generate above-average returns. Thus, the ESG score affects how we value both the risks and the opportunities a company is facing.

ESG integration in Fixed Income STARS

The fixed income universe needs ESG outputs that translate easily into trading rules, so that PMs can react quickly when new issues come to the market. While ESG integration for equities can affect both the discount rate and the “fade” rate of excess returns, for bonds it is focused on the risk of default, giving a binary set of outcomes.

Corporate bonds allow us to leverage work done for equities, although at the lower end of the credit scale there are many unlisted issuers with low data coverage. In those cases, the credit analysts can make an initial assessment of the issuers' ESG profile which the RI team then verifies, conducting in-depth analysis where necessary.

For sovereign debt, we have built an ESG assessment model tailored to country risks. It makes a detailed assessment of ESG factors that contribute to economic development and has a grounding in academic research. This model was developed in close co-operation with the EMD credit analysis team, ensuring that it not only produces robust results but also meets their investment needs. During 2021, methodology to screen sovereign issuers for Good Governance was developed and implemented for our Article 8 Emerging Markets Debt products.

Responsible Investment strategies at NAM

NAM's Responsible Investment flagship solutions include both our ESG STARS family and our ESG Thematic range. The ESG STARS strategies are about positive selection of quality companies with well managed ESG profiles that generate long-term financial value, while the ESG Thematic strategies offer investors a focus on specific aspects of sustainability.

Integrating ESG issues forms part of our fiduciary duty to clients and as such, all of our funds are subject to baseline ESG criteria via corporate-level overlays, to avoid companies that do not meet Nordea's sustainability standards.

Today we have around 230 funds that have additional ESG filters and policies that go beyond our corporate overlays. These funds are classified as either Article 8 or 9 as per European Sustainable Finance Disclosure Regulation (SFDR), and since they all consider PAI elements within their investment processes, all of NAM's Article 8 and 9 funds will be eligible under MiFID II regulation to be offered to clients with sustainability preferences.

Going a step further, we have special ESG flagship strategies in the ESG STARS family and our ESG Thematic range. The ESG STARS funds follow an approach of full ESG integration and positive selection, while the ESG Thematic strategies seek solutions to specific sustainability challenges. Our credentials extend to international ESG-labels such as LuxFLAG ESG label²⁴, Label ISR²⁵ and the Towards Sustainability label²⁶.

ESG STARS strategies – Tomorrow's winners

Our ESG STARS range is built on the belief that companies and issuers that integrate both ESG and financial metrics into their strategic decisions will be tomorrow's winners. In these strategies, we aim to beat the benchmark through investing in companies or bonds that meet NAM's ESG standards²⁷.

Every investment in our ESG STARS strategies is examined through an ESG lens as well as on financial grounds. Our ESG analysts work closely with the investment teams to identify material sustainability risks and opportunities relating to the companies' medium- to long-term operational performance and market positioning, and the results of their analysis feed into proprietary ESG models that are integrated into the investment process.

Active ownership and engagement are an important part of the ESG STARS' investment approach. Our RI team and invest-

ment boutiques operate in close collaboration to engage in productive dialogues with many of our ESG STARS holdings. Additionally, the ESG STARS range covers a wide scope of regions and asset classes. In 2021, we've extended the ESG STARS range with the North American High Yield Stars Bond and the US Corporate Stars Bond strategies.

ESG Thematic strategies – Building a better future

In addition to our ESG STARS family, we also offer investors strategies that focus on specific sustainability themes and align with the UN's Sustainable Development Goals (SDGs).

The Global Climate and Environment Strategy has been at the forefront of climate investing since 2008. The strategy seeks companies which use their talent and innovation to identify solutions to climate and environmental challenges, addressing topics such as resource efficiency, environmental protection and alternative energy solutions.

NAM's Global Gender Diversity Strategy builds on our belief that gender diversity is not only key for an equal society but often goes hand in hand with other drivers of business success.

Nordea's Global Social Empowerment Strategy targets the "S" in ESG. The ongoing health crisis and social inequality demonstrations are a strong reminder of the opportunities within the social pillar of ESG, which can be supported by investing in businesses that offer social solutions.

In 2021, Nordea's ESG Thematic range was enhanced with two new strategies. Building on the expertise of team behind our successful Global Climate and Environment Strategy, our new Global Climate and Social Impact Strategy aims to provide meaningful solutions to meet pressing social and environmental needs. By addressing the interconnection between environmental and social challenges, investors in the strategy can be active players of the transition towards an inclusive green economy. The Global Green Bond Strategy, the first fixed income strategy within our ESG Thematic universe, was

24) 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.

25) 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.llelabelisr.fr/en/what-sri-label/>.

26) 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.

27) The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money.



formally launched on Earth Day 2021 (22 April). The strategy's goal is to create positive impact and contribute to a low carbon economy by investing in green bonds, social bonds and sustainability-linked bonds, as well as conventional bonds from green companies.

Sustainability reporting – Keeping our clients informed

We understand that investing your assets responsibly is not enough: transparent reporting on how we do this is essential. Therefore, in addition to the traditional financial reporting, we offer ESG reporting for a number of our strategies, both monthly and quarterly. In the more extensive quarterly ESG Reports, we report on the portfolio's ESG metrics and sustainability exposure in comparison to a benchmark, both in aggregate and with specific factors. We also provide an overview of the key active ownership activities over the quarter.

Furthermore, we have recently introduced Impact reports for two of our thematic funds, the Nordea 1 – Global Social Empowerment Fund and the Nordea 1 – Global Climate and Social Impact Fund to bring out the positive contribution to one or more of the 17 UN Sustainable Investment Goals (SDGs) of each of our funds' positions.



ESG STARS equity funds

Nordea 1 – Asian Stars Equity Fund

LU2152927971 (BP-USD) / LU2152928607 (BI-USD)

Towards
Sustainability Label²⁸

LuxFLAG
ESG Label²⁸

Label ISR²⁸

Nordea 1 – Emerging Stars Equity Fund

LU0602539602 (BP-USD) / LU0602539354 (BI-USD)



Nordea 1 – European Stars Equity Fund

LU1706106447 (BP-EUR) / LU1706108732 (BI-EUR)



Nordea 1 – Global Stars Equity Fund

LU0985320562 (BP-USD) / LU0985319804 (BI-USD)



Nordea 1 – Nordic Stars Equity Fund

LU1079987720 (BP-EUR) / LU1079987134 (BI-EUR)

Nordea 1 – North American Stars Equity Fund

LU0772958525 (BP-USD) / LU0772957808 (BI-USD)



ESG STARS fixed income funds

Nordea 1 – Emerging Stars Bond Fund

LU1915689316 (BP-USD) / LU1915689829 (BI-USD)



Nordea 1 – Emerging Stars Local Bond Fund

LU1160612526 (BP-USD) / LU1160610405 (BI-USD)

Nordea 1 – European Corporate Stars Bond Fund

LU1927797156 (BP-EUR) / LU1927797586 (BI-EUR)



Nordea 1 – European High Yield Stars Bond Fund

LU1927798717 (BP-EUR) / LU1927799012 (BI-EUR)



Nordea 1 – North American High Yield Stars Bond Fund²⁹

LU1937720214 (BP-USD) / LU1937720487 (BI-USD)

Nordea 1 – US Corporate Stars Bond Fund³⁰

LU1933824283 (BP-USD) / LU1933824366 (BI-USD)

ESG Thematic funds

Nordea 1 – Global Climate and Environment Fund³¹

LU0348926287 (BP-EUR) / LU0348927095 (BI-EUR)



Nordea 1 – Global Climate and Social Impact Fund

LU2355687059 (BP-USD) / LU2355687216 (BI-USD)

Nordea 1 – Global Gender Diversity Fund

LU1939214778 (BP-USD) / LU1939215403 (BI-USD)

Nordea 1 – Global Green Bond Fund

LU2327920356 (BP-EUR) / LU2327921321 (BI-EUR)

Nordea 1 – Global Social Empowerment Fund

LU2257592514 (BP-USD) / LU 2257592787 (BI-USD)



28) Data as of 01.01.2022

29) The Nordea 2 – US High Yield ESG Bond Fund was merged into the Nordea 1 – North American High Yield Stars Bond Fund on 17.11.2021.

30) The Nordea 2 – US Corporate ESG Bond Fund was merged into the Nordea 1 – US Corporate Stars Bond Fund on 10.11.2021.

31) Please note that the Nordea 1 – Global Climate and Environment Fund is soft closed since 26 February 2021.



Stepping into impact and impact-oriented investing

Impact investing focuses specifically on driving change through investment. NAM is bringing to a wider range of investors new ways to make an impact.

Inequalities around the world have been recognized far more widely since the Covid-19 pandemic, and the rise in popular protests shows that people are desperate to bring about change. Investing with impact is one way to do this, and NAM has been developing its activities across this area.

Recognising that impact investing is largely carried out by private market investors, in 2019 NAM opened up a new means to deliver a better future by partnering up with private markets industry veteran Jan Ståhlberg to create Trill Impact. Since then, Trill Impact has grown into one of the largest dedicated impact investing houses in Europe with over EUR 1 billion in assets under management across its private equity and microfinance investment advisory strategies. This partnership, combining NAM's ESG & impact analysis expertise with the extensive PE experience of Trill Impact, is enabling the kind of change we wish to see in this world.

One key way that we as an organisation can make a difference is by widening access to impact-focused strategies to a new group of investors. For us, this means bringing out new funds that invest in listed markets, enabling more traditional investors (such as advisory and retail clients) to participate in investments with impact. In 2021, building on the expertise we have developed through both the Global Climate and Environment Strategy and the Global Social Empowerment Strategy, we launched the **Nordea 1 – Global Climate and Social Impact**

Fund. This fund embraces the concept of an inclusive green economy by recognizing that a sustainable future cannot be achieved without solutions to both social and environmental issues. Our other new impact-oriented fund is the **Nordea 1 – Global Green Bond Fund**, which gives bond investors the opportunity to greenify their investment portfolios without jeopardizing their investment goals.

Alongside the widening of our impact-oriented offering, we have started reporting the positive outcomes that our investments generate. We now offer Impact reports for two of our ESG thematic funds, the **Nordea 1 – Global Social Empowerment Fund** and the **Nordea 1 – Global Climate and Social Impact Fund**. These reports highlight how each company in our portfolio, through its products and services, makes a positive contribution to one or more of the 17 UN Sustainable Investment Goals (SDGs). To do this, we measure the percentage of revenues generated by activities that make a direct and significant contribution to the SDGs tied to the business model, and we quantify elements of positive change generated by the product or service offered.

These steps to bring the ability to invest with impact to a wider range of investors, especially to the traditional fund investor, are all part of bringing more options to clients as they seek ways to make the world a better place.



Outlook 2022 – Cross-currents ahead

With only a few months to go until the implementation of the MiFID sustainability update in August 2022, investors have been abruptly and brutally reminded that geopolitical and governance risks are real and must be taken into account. At the same time, questions about uneven implementation of the EU's Sustainable Finance Disclosure Regulation and the upcoming MiFID sustainability update have already been raised. As always, NAM will stay true to our long history as an ESG investors and will serve clients across Europe and Globally with solutions that are fit for purpose.



Eric Pedersen
Head of Responsible Investments

Within the world of ESG investing, 2022 was in any case going to be a year of change. Gliding on a path of success and following several years of explosive growth, the industry was working at full throttle to implement the concepts that will be key to the new MiFID regime.

Beginning in August, European retail investors can expect their financial adviser to ask them questions about their sustainability preferences. These questions, according to the European regulator, should be centred around three issues: The Principal Adverse Impacts (PAI) of their investments on environmental and social issues, and the proportion of "Sustainable Investments", and of EU Taxonomy-aligned investments, in a given investment product. How this will be implemented in practice in each country remains unsettled, as distributors are still determining their approaches, and national regulators are in some cases adding so-called "gold-plating" (i.e. added requirements) to the EU regulation.

// We will continue to give our investors and distributors a full range of choices in ESG investing, providing the data and disclosure needed to fulfil the requirements of SFDR and MiFID.

At the same time, the demands on institutional investors regarding ESG continue to increase in both number and complexity. In the near term, this is especially topical in the area of portfolio decarbonisation and net-zero commitments, but social issues and biodiversity are important themes on the horizon, which will require attention.

At the time of writing, the invasion of Ukraine by Russian forces, and the knock-on effects of sanctions on energy markets have raising questions about the nature of ESG and the ability of ESG strategies to outperform in different market scenarios. At NAM, we believe this is the time to reiterate that ESG, broadly defined, is not in itself a guarantee of higher – nor of lower – returns over a given period. In situations characterized by tightness in the market for fossil fuels, strategies that do not own oil and gas assets will be challenged to keep pace. When defence budgets surge, strategies that avoid defence stocks must find other avenues for investment. On the other hand, investors that for ESG reasons had low or no exposure to Russia have reaped financial as well as moral benefits.

However, while not all ESG risk is financially material in the short term, the trend is for regulation and policy goals to change this: Only recently, the EU introduced regulation on supply chain due diligence, which will make the environment for companies ignoring biodiversity and human rights risk increasingly difficult. In the same way, the fact that higher carbon prices and direct regulation of emissions are coming is beyond debate. And finally, higher fossil fuel prices in themselves will, together with the underlying geopolitical considerations, support the decisions now taken by national governments to dramatically increase the pace of renewables coming online.

All in all, we remain convinced that prudent management of financially material sustainability risk improves the risk/return relationship in the long term – and we know from experience that our disciplined analysis and security selection has the ability to deliver strong performance, even in challenging times. We also know that in some cases, even things that one cannot put a price tag on are important – and that this is exactly what the SFDR concept of “double materiality” asks us to address.

It is on this basis that we will continue to give our investors and distributors a full range of choices in ESG investing, providing the data and disclosure needed to fulfil the requirements of SFDR and MiFID, and addressing the need to decarbonize investment portfolios in a way that creates real-world impact – all while striving to deliver superior investment performance. That is what being an ESG leader means to us at NAM.

Appendixes

A decorative graphic consisting of several yellow rounded rectangles of various sizes and orientations, scattered across the lower half of the page. Some are vertical, some are horizontal, and some are tilted. They are arranged in a way that they appear to be floating or scattered, with some overlapping.

Implementation of Principles for Responsible Investment (PRI)

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

- We have a RI policy that is applicable to all our products³²
- We have a dedicated ESG research function whose analytical process is subject to constant development. We run and maintain an internal ESG scoring platform
- We source ESG research from brokers and specialist research providers
- We collaborate with academic and other researchers to further knowledge on ESG
- We run a series of workshops internally on ESG issues, and we teach investment professionals how to integrate them in their analysis
- We work closely with PMs running ESG-enhanced products to enhance the integration of ESG into their investment processes

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

- We publish a RI policy which extensively covers active ownership and has the Principles at its core
- We vote our holdings and frequently use the vote as an engagement tool
- We have a track record of filing, co-filing or supporting shareholder resolutions with a long-term ESG focus
- We have extensive engagement capabilities and an award-winning engagement program
- We are active participants in policy development, regulation and standard setting through bodies such as the SASB Investor Advisory Group, TCFD pilot group, and Swedish nomination committees
- We participate in numerous collaborative engagement initiatives, such as Climate Action 100+ and the Corporate Human Rights Benchmark (CHRB)
- Investment managers are encouraged to include ESG engagement in their reporting

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

- We advocate for standardised reporting on ESG issues and are active and prominent supporters of SASB
- We consistently encourage companies to include ESG issues in their annual reports
- We are a part of the TCFD pilot group, and systematically promote better climate disclosure across industries

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

- We include indicators related to the Principles in performance evaluation and incentives
- We extensively collaborate with service providers to help them meet our ESG requirements
- We support regulatory and policy developments that promote the Principles

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

- We collaborate with selected fellow investors to enhance our practices
- We participate and lead various collaborative initiatives, see list under Principle 2

Principle 6: We will each report on our activities and progress towards implementing the Principles.

- Our RI annual report contains a section that explains how ESG issues are integrated in investment practices
- Our RI annual report contains a section that details active ownership activities
- We report on achievements related to the Principles in our RI annual report
- We seek to determine the impact of integration activities throughout our portfolios, for example by benchmarking carbon footprint and SDG exposure

³²) The RI 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.

Additional information

How we handle conflict of interest

In all our activities, we act in the best interests of our clients and we act honestly, fairly and professionally. We have a documented Conflict of Interest policy, covering situations that may arise in the normal course of business, to which all employees are expected to adhere, on which they receive training and which is reviewed annually. The policy sets forth the organizational and administrative procedures to identify, prevent and manage Conflicts of Interest in order to ensure that the clients' best interest is always considered and to prevent that clients' interests are damaged by Conflict of Interest. A review of all identified potential Conflicts of Interests are conducted, at least, on a yearly basis to ensure that preventative measures are deemed sufficient to ensure clients' best interest is not damaged. Where a conflict of interest is identified, it is recorded in writing. Nordea also has internal rules and controls that prohibit employees from having external engagements that interfere with their ability to perform their duties and functions or undermine trust and confidence in Nordea.

Third-party providers

NIM provides proxy voting to clients who have authorized NIM to vote on their behalf as part of NIM's portfolio management services subject to individually negotiated agreements with the clients.

Corporate Governance: Use of proxy advisor

For Nordea's products we receive proxy-advisor research from both the Nordic Investor Service and the ISS for upcoming general meetings. This is, however, only one component of our voting decisions. We will also be informed by company reporting, company engagements, engagements with stakeholders and the views of portfolio managers and analysts. It is important to stress that our own research is also integral to our final voting decision; this will be conducted by both our financial and ESG analysts. All voting decisions are made by Nordea; our external advisors only provide input and second opinions, when prompted. The ISS technical platform is used for execution of proxy votes. We continually monitor our voting and make sure our voting record is updated on the [Voting Portal](#).

RI Team: External data providers

The RI Team uses external providers for a number of purposes. All of Nordea's products undergo annual portfolio screenings by ISS-ESG to identify companies that are in violation of international norms regarding environmental protection, human rights, labour standards and business ethics. The RI team veri-

fies and evaluates all screening data provided by ISS-ESG. For market data and ESG ratings, we use Bloomberg, MSCI ESG/Carbon Delta, ISS ESG and Truevalue Labs. We source data from the following providers into our ESG platform: CDP, Impact-cubed, Verisk Maplecroft, RepRisk, as well as the SASB's Industry Classification System. All of these sources provide complementary additional information for our ESG research process.

Asset Management: Third-party managers

All third-party asset managers who manage Nordea products must be PRI Signatories. In addition, the products they manage for Nordea must adhere to Nordea's exclusion list. ESG-related questions are incorporated within the Request for Information (RFI) which is sent to all short-listed candidates as part of an external manager search. Our selection managers comment on ESG aspects for all short-listed candidates, and finally send a dedicated ESG questionnaire to the preferred candidate. We evaluate the completed questionnaire and give the candidates an ESG score (on a scale A-E). This score is reviewed annually as part of our standard process, but can also be done on an adhoc basis if we see a need for it.

Review and assurance of policies and procedures

The RI policy and procedures are reviewed at least annually.

The regulatory requirements and the compliance risk related to "active ownership" are included in the compliance risk assessment performed annually and updated continuously. The outcome of the risk assessment forms the basis for the risk-based compliance monitoring program. Activities in the monitoring program are prioritized to ensure comprehensive monitoring of the compliance risk.

Internal Audit prepares a risk-based audit plan that covers all activities and functions of NAM over a multi-year period (typically three years), taking into account both the risks of a given activity or function of NAM, including its Branches and Subsidiaries, and the effectiveness of the organisation and internal control in place for that activity or function. In addition, PRI are performing an annual assessment on our fulfilment of the six principles of responsible investing.

During 2021 our ESG STARS fund process was audited to receive the ESG4Real certification by the external organisation "RICERT International". RICERT International will perform periodic audit on the processes and products to ensure compliance with the certification.

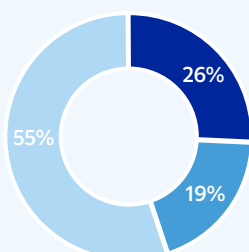
Asset breakdown

Nordea Asset Management is active asset manager with a global business model, offering services to clients in Europe, the Americas and Asia. We manage investments across the full spectrum of asset classes. Our client base is equally split between Nordea Group-related and external clients.

Business split

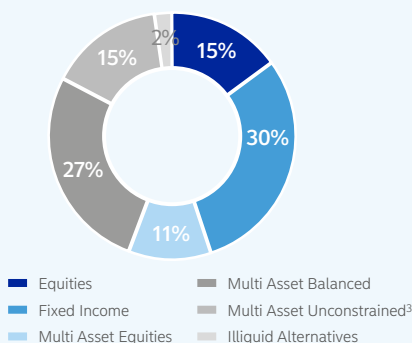
Assets under Management € 292bn¹

Client base



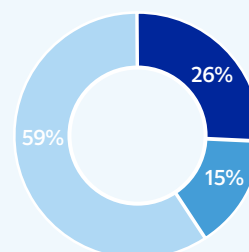
■ Institutional²
■ Wholesale²
■ Nordea Bank's Nordic sales channels incl. Life

Asset mix



■ Equities
■ Fixed Income
■ Multi Asset Equities
■ Multi Asset Balanced
■ Multi Asset Unconstrained³
■ Illiquid Alternatives

AuM by benchmark



■ Nordic
■ European
■ Rest of the world

1) Source: Nordea Investment Management AB as of 31.12.2021. 2) External clients (Institutions and 3rd party distributors). 3) Consist of Flexible Income, Stable Return, Stable Equities and Hedge Funds.

ESG Assets

NAM's corporate-level overlays are applicable to all products³³ managed by NAM. This represents EUR 270bn, or 92% of NAM's total AUM of EUR 292bn³⁴. These overlays include ESG Integration and ESG Screening. Product specific ESG approaches may be added on top of the overlays, such

that all assets with product-specific approaches, including the sustainability themed strategies, also incorporate ESG integration and screening as well as other corporate-level overlays. For more information on the corporate overlays and product-specific approaches please see "Responsible Investment Framework", p 13.

33) NAM provides proxy voting to clients who have authorized NAM to vote on their behalf as part of NAM's portfolio management services subject to individually negotiated agreements with the clients.

34) Source: Nordea Investment Management AB as of 31.12.2021.

RI Initiatives

NAM is a member and signatory in several RI initiatives and forums.

Investor Statements and Letters

- IIGCC Investor Position Statement “Vote on Transition Planning”**
 NAM joined the IIGCC Investor Position Statement “Vote on Transition Planning”, in which 55 leading investors, managing more than USD 14 trillion of assets, are calling for the implementation of new corporate governance measures to ensure shareholders can hold companies to account in achieving ‘net zero emissions commitments’. Investors are calling on companies to disclose a net zero transition plan, identify the director responsible for the plan and provide a means for investors to vote annually on progress against the plan.
- Investor Statement for Stronger Biodiversity policies ahead of COP15**
 Nordea joined the Financial Institutions Call For Stronger Biodiversity Policies Ahead Of Cop15, representing 78 financial institutions managing more than \$10 trillion in assets. The initiative urges world governments to halt and reverse biodiversity loss, and calling for a realignment to a nature-based economy that could generate \$10 trillion of annual business opportunities and nearly 400 million jobs by 2030.
- Investor Statement on Coronavirus Response**
 Nordea has signed the investor statement on Coronavirus response covering 5 recommended measures for companies to consider during the crisis, and for investors to use as basis for company engagement dialogues. The recommendations address: paid leave, additional health and safety measures, maintaining employment, maintaining supplier and customer relationships, and exercising fiscal prudence, ref. e.g. stock buy-backs and executive compensation.
- Investor statement on deforestation and forest fires in the Amazon**
 Initiative where 251 investors together urged companies to assess their operations and supply chain for deforestation risks.
- Investor Statement on Human Rights and Business Activities In Myanmar**
 Nordea joined the Investor Statement on Human Rights and Business Activities in Myanmar, a global partnership between 86 investors, with more than 4 trillion USD in combined assets under management, calling on companies to uphold their corporate responsibility to respect human rights by undertaking enhanced due diligence to identify and address human rights harms and in so doing, mitigate legal, financial, and reputational risks associated with such violations.
- Investor Statement to Governments on the Climate Crisis**
 Nordea signed the 2021 Global Investor Statement to Governments on the Climate Crisis, in which 587 investors with USD 46 trillion in assets under management are urging governments to rapidly implement five priority policy actions that will allow them to invest the trillions needed to respond to the climate crisis.
- G7 Finance Track – Response Letter from the Investor Action on AMR Coalition**
 Together with 12 other investors, NAM signed a response letter to welcome the G7 Finance Ministers’ Statement on Actions to Support Antibiotic Development and to highlight our support of the G7 Finance Track in addressing antimicrobial resistance (AMR). The letter also highlighted the actions that we consider essential for investors to play an impactful role.

- Investor Statement in Support of Mandated Human Rights and Environmental Due Diligence in the European Union**

As one of the 94 investors with more than USD 6T in assets, we signed a public statement calling on the European Commission to make sure that the new directive on corporate due diligence ensures corporate accountability for human rights and environmental impacts through administrative and civil liability, and access to remedy for affected people.

- Investor Statement on Corporate Accountability for Digital Rights**

We were one of the 77 investors representing over USD 5.9 trillion in assets, signing an investor statement expressing investors’ concern about the weak governance of digital rights risks and the lack of transparency and accountability in the information and communications technology sector, affecting people’s rights to privacy and freedom of expression, including a lack of users’ control over their own information and how it is used. The statement requests companies to consider: 1) Commit to and implement robust human rights governance, 2) Maximize transparency on how policies are implemented, 3) Give users meaningful control over their data and data inferred about them, 4) Account for harms that stem from algorithms and targeted advertising.

Investor Initiatives

- Access to Medicine Index**
 The benchmark analyses the top 20 research-based pharmaceutical companies on how they make medicines, vaccines and diagnostics more accessible in low- and middle-income countries. It highlights best and innovative practices, and areas where progress has been made and where action is still required.
- AMR Cross Industry Expert Group, Business Council for the UN**
 Nordea is a member of this expert group first convened in May 2020. A cross-industry group to advance governance and collective action around anti-microbial resistance (AMR) and share insights and best practices.
- Antimicrobial Resistance (AMR) Benchmark**
 The AMR Benchmark tracks how pharmaceutical companies are responding to heightened drug resistance. We were a member of the expert committee between 2017 and 2019.
- Carbon Disclosure Project (CDP)**
 We are a signatory to the CDP, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies. We are also represented on the CDP Water Advisory Council.
- Climate Action 100+**
 We are 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.
- Corporate Human Rights Benchmark (CHRB)**
 The first ever ranking of the world’s largest publicly listed companies on their human rights performance. The 2020 CHRB ranks the top 230 globally listed companies on their human rights policy, process and performance. Between 2016 and 2020, we were a funding and steering committee member of the CHRB which has now been integrated with the World Benchmarking Alliance (WBA).

- **Extractive Industries Transparency Initiative (EITI)**
EITI's aim is to promote the transparent and accountable management of oil, gas and mineral resources. Nordea has been a member since 2016.
- **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.
- **Finance for Biodiversity Pledge**
The Finance for Biodiversity Pledge is a commitment of 84 financial institution, representing € 12.6 trillion in AuM, to protect and restore biodiversity through their finance activities and investments. The Pledge consists of five steps financial institutions promise to take:
 1. Collaborating and sharing knowledge,
 2. Engaging with companies,
 3. Assessing impact,
 4. Setting targets, and
 5. Reporting publicly on the above before 2025.
- **Institutional Investor Group on Climate Change (IIGCC)**
IIGCC provides investors with a collaborative platform to encourage public policies, investment practices and corporate conduct that address long-term risks and opportunities associated with climate change.
- **International Corporate Governance Network (ICGN)**
ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.
- **Investor Alliance for Human Rights (IAHR)**
We are a member of this investor initiative focusing on the investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard-setting activities that push for robust business and human rights policies.
- **Investor Initiative on Sustainable Forests (IISF)**
IISF works to foster investor collaboration and engagement to eliminate deforestation from soy and cattle supply chains in South America.
- **Investor Mining and Tailings Safety Initiative**
We've joined this investor led engagement which advocates for increased tailings dam safety and transparency in the mining industry.
- **Investor Policy Dialogue on Deforestation (IPDD)**
We are a founding and advisory committee member of the IPDD initiative, which was formally established in July 2020. The objective of the IPDD initiative is to ensure long-term financial sustainability of investments by promoting sustainable land use and forest management and respect for human rights.
- **Montreal Carbon Pledge**
We 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.
- **Net Zero Asset Managers Initiative**
In December 2020, we became an early joiner, 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.
- **Partnership for Carbon Accounting Financials (PCAF)**
In 2020, we joined this global partnership of financial institutions launched in 2015 aiming develop a harmonised approach to measure and disclose GHG emissions associated with loans and investments. A harmonised accounting approach provides financial institutions with guidance in developing risk management and regulatory compliance as well as a starting point required to align their portfolio with the Paris Agreement.
- **Pharmaceutical Supply Chain Initiative Advisory Panel**
Since 2018 we are on the Advisory Panel of this industry-led organization aimed at establishing and promoting responsible practices for pharma supply chains. The dialogue and relationship with PSCI is part of our engagement with the world's largest pharma companies to address pharma water pollution in India, one of the largest drug manufacturing hubs in the world.
- **Principles for Responsible Investment (PRI)**
PRI is an investor initiative to incorporate ESG in investment processes. We were an early adopter of RI and signed the PRI in 2007.
- **Sustainability Accounting Standards Board**
We are founding member of 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.
- **Swedish Investors for Sustainable Development**
Partnership comprising 20 of the largest financial actors on the Swedish market and the Sweden's government agency for development cooperation (Sida) formed in 2016 and works to explore the role of investors, risks and opportunities related to the 2030 Agenda. Nordea joined in 2020.
- **Task Force on Climate-related Financial Disclosures**
We are an official supporter of TCFD. The recommendations provide a foundation for climate-related financial disclosures for all companies, aimed at encouraging companies to report on the climate-related risks and opportunities that are most relevant to their business activities.
- **Transition Pathway Initiative**
We are a supporter of the Transition Pathway Initiative (TPI), which is a global, asset-owner led initiative assessing companies' preparedness for the transition to a low carbon economy.
- **UN Environmental Programme Finance Initiative (UNEPFI)**
We signed the UNEP FI in 1994. It is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. We also became a member of the UNEP FI Banking Committee in 2018 and now since August 2020 hold the Scandinavian seat on the UNEP FI Banking Board. In 2021, Nordea Group's CEO Frank Vang-Jensen was invited to join the UNEP FI Leadership Council.
- **UN Global Compact**
Initiated by the UN to encourage businesses to align their strategies and operations with ten universal principles building on UN conventions in the fields of human rights, labour standards, environment and anticorruption. We became a signatory to the UN Global Compact in 2002, first through Nordea Bank Finland. From December 2004 the coverage was extended to the whole Group.
- **World Benchmarking Alliance (WBA)**
Since 2017, we have been part of WBA Allies representing organisations working at global, regional, and local levels to shape the private sector's contributions to achieving the SDGs.

Examples of important votes 2021

COMPANY	DATE OF VOTE	SUMMARY	OUR VOTE	RATIONALE FOR THE VOTING DECISION	OUTCOME
Facebook	26-May-21	Require independent director nominee with human and/or civil rights experience (shareholder proposal)	FOR	Significant risks to shareholders stemming from severe and material ESG controversies have been identified at the company, which reflects poor board oversight of ESG risks, including human rights risk as well as concerns regarding the effectiveness of the company's content governance. In addition several of board members are being questioned on the basis of poor company ESG risk oversight by the board.	AGAINST
Royal Dutch Shell	18-May-21	Request Shell to set and publish targets for greenhouse gas emissions (shareholder proposal)	FOR	We voted for both the Energy Transition Strategy and the "Follow This"-resolution on Paris-aligned targets since it was the best way to both 1) indicate that their strategy and targets are not sufficient, and also 2) not halting the very, very significant progress that the company has made and is making.	AGAINST
Equinor	11-May-21	Instruct Company to set short, medium, and long-term targets for greenhouse gas emissions of the company's operations and the use of energy products (shareholder proposal)	FOR	We support this to signal the importance to include these type of targets in the energy transition plan that they will submit at the AGM 2022.	AGAINST
Amazon	26-May-21	Oversee and report on a civil rights, equity, diversity and inclusion audit (shareholder proposal)	FOR	An independent racial equity audit would help shareholders better assess the effectiveness of Amazon's efforts to address the issue of racial inequality and its management of related risks, particularly in light of recent discrimination lawsuits.	AGAINST
Twitter	24-Jun-21	Require independent director nominee with human and/or civil rights experience (shareholder proposal)	FOR	A director with human and/or civil rights expertise as a core part of their previous professional experience, training, or education, would be of value to Twitter given the human rights risks of its current general operations. Such a director could enhance the board's oversight of human rights-related risks.	AGAINST

COMPANY	DATE OF VOTE	SUMMARY	OUR VOTE	RATIONALE FOR THE VOTING DECISION	OUTCOME
ExxonMobil	26-May-21	Report on Climate Lobbying (shareholder proposal)	FOR	Nordea co-filed this precatory proposal requesting that ExxonMobil reports on how the company's direct and indirect lobbying aligns with the Paris Climate Agreement goals. The company and its shareholders are likely to benefit from such a review, especially in light of the increasing risks to the company related to climate change.	FOR
Netflix	03-Jun-21	Advisory vote to ratify named executive officers' compensation	AGAINST	Following low support for this proposal for consecutive years, the compensation committee engaged with shareholders but did not make any material changes to the pay program, indicating poor responsiveness. We think that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders.	FOR
Alphabet	02-Jun-21	Report on risks related to anticompetitive practices (shareholder proposal)	FOR	At the Alphabet AGM we supported a number of shareholder proposals, besides Report on risks related to anticompetitive practices, such as Require Independent director nominee with human and/or civil rights experience, report on takedown requests and report on whistle-blower policies and practices. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	AGAINST
LUKOIL	24-Jun-21	Elect Sergei Shatalov as Director	AGAINST	Sergei Shatalov is Chair of Strategy, Investment and Sustainability and we have , together with other Investors, engaged with the company since 2017 due to poor human rights performance but with little progress.	FOR
Topdanmark	21-Mar-21	For Topdanmark to join the International Investor coalition Net Zero Asset Owner (shareholder proposal)	FOR	We supported this proposal since it is consistent with our focus on climate change and aim to achieve net zero by 2050.	AGAINST

Glossary

Active Ownership

On behalf of its clients, NAM undertakes a range of engagement activities with companies, in order to affect and influence these 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, filing resolutions etc. A detailed description of NAM's engagement processes can be found in the [NAM RI Policy](#).

Engagement

A form of active ownership. The practice of shareholders entering into a dialogue with the management of companies to change or influence the way in which the companies are run. Read more about our engagements on page 17–30 in this report.

Enhanced exclusion filters and limits

Exclusions aim at limiting the investment exposure to certain sectors or activities that may be considered to be damaging for the environment and/or the society at large. Sector screenings assess a company's involvement in a specific activity measured by the revenue derived from this activity. Sector exclusions are the result of screenings based on the data and methodology of NAM's selected data vendors. Strategies are available with different exclusion filters including ethical filters targeting tobacco, alcohol, gaming, pornography etc. In addition, some products also feature targets or limits on carbon footprint/intensity relative to benchmark, targeted minimum ESG score or other exclusion lists like the so-called "NBIM list" of the Norwegian Government Pension Fund Global or the Carbon Underground 200 list.

Environmental, Social and Governance (ESG)

Environmental (E), Social (S), and Governance (G) refer to the three main areas of analysis in modern responsible investment. ESG risks and opportunities are identified through careful analysis of a company's operations. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine for instance how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

ESG integration

The explicit inclusion of ESG risks and opportunities into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This considers 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.

ESG STARS strategies

The ESG STARS product range uses NAM's proprietary ESG scoring system and bespoke analysis carried out by the Responsible Investments team and financial analysts. The strategies focus on selecting companies, not only with sound fundamentals, but also with high ESG scores. Using the SASB materiality map, company analysis includes enhanced due diligence on environmental, social and governance risks material to the company, and considers how companies manage their 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 towards the SDGs. ESG scores are recalibrated regularly and at least annually, or if triggered by relevant negative or positive events. The ESG model sources data from several external data providers as input for the ESG score.

Exclusion list

NAM excludes companies involved in serious breaches of international norms, where engagement is deemed not to be possible or effective. 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 fossil fuels with thresholds for revenues coming from oil sands (10%) or arctic drilling (5%). The NAM level exclusion list can be found [here](#).

Integration of Principal Adverse Impact (PAI)

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 which may result in a recommendation for action. NAM's disclosure statement on the integration of Principal Adverse Impact indicators can be found [here](#).

Norms-based screening

NAM's investment products are subject to norms-based screening, which identifies companies that are allegedly involved in breaches of international laws 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. Typical actions can consist of engagement, quarantine or exclusion. For more information please refer to the [NAM RI Policy](#).

Paris Aligned Fossil Fuel Policy (PAFF)

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 sets thresholds for companies' exposure to fossil fuel production, distribution and services and excludes companies that are involved beyond these thresholds if they do not have a documented transition strategy that aligns with the Paris agreement. Funds for which the PAFF is not implemented as a hard exclusion criterion, the PAFF acts as guidance for engagement. PAFF criteria also inform the prioritisation of our top-down thematic engagements. The PAFF policy and list of Paris-aligned issuers can be found [here](#).

Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015. The SDGs are part of Resolution 70/1 of the United Nations General "Transforming our World: the 2030 Agenda for Sustainable Development". The goals are an urgent call for action by all countries – developed and emerging – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all the while tackling climate change and working to preserve our oceans and forests.

Thematic ESG strategies

NAM's thematic ESG funds all apply proprietary methods to identify companies that can be expected to contribute to, or benefit from, the ESG theme in question. Often, indepth 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 climate strategy are far broader than the traditional renewable energy and related sectors usually associated with combating or adapting to climate change. Methods are optimised according to the specific theme and may differ from product to product.

Reporting and transparency

DOCUMENT
RI Policy
Paris-Aligned Fossil Fuel Policy
Corporate Exclusion List
Nordea Group Annual Report 2021 (integrated Sustainability Report)
Corporate Governance Principles
Voting Report 2021
Voting portal
Engagement policy
Sustainability Risk Integration in the Investment Decision-making Process
PAI Statement
Integration of sustainability risks in remuneration
Article 10 Sustainability Disclosures (Nordea 1 SICAV)
TCFD aligned climate report
Fund specific quarterly ESG Reports
Fund specific monthly (ESG) factsheets
More information about Responsible Investments at NAM
More information about our ESG offering
Our ESG Learning centre

For more information:



Nordea
ASSET MANAGEMENT

The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. **This document is advertising material and does not disclose all relevant information concerning the presented sub-funds.** Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors as well as on www.nordea.lu. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. **Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** The investment promoted concerns the acquisition of units or shares in a sub-fund, not in any given underlying asset such as shares of a company, as these are only the underlying assets owned by the fund. Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. A summary of investor rights is available in English through the following link: https://www.nordea.lu/documents/engagement-policy/EP_eng_INT.pdf/. Nordea Investment Funds S.A. may decide to terminate the arrangements made for the marketing of its sub-funds in any respective EU-country of distribution in accordance with Article 93a of Directive 2009/65/EC. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. **Please note that all sub funds and share classes might not be available in your country of jurisdiction.**

Additional information for investors in Switzerland: The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnastrasse 16, 8002 Zurich, Switzerland. **Additional information for investors in Germany:** The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, 60311 Frankfurt am Main, Germany. A hard copy of the above-mentioned fund documentation is also available here. **Additional information for investors in Austria:** The Facility Agent in Austria is Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, 1100 Vienna, Austria. **Additional information for investors in the Netherlands:** Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via www.afm.nl/register. **Additional information for investors in France:** With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75206 Paris cedex 13, France. **Investors are advised to conduct thorough research before making any investment decision.** **Additional information for investors in Belgium:** The Financial Service Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels Branch, Rue de Loxum, 25, 1000-Brussels, Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depositary of the SICAV's assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U., C/ de los Padres Dominicos, 7, 28050 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV's webpage (www.cnmv.es). **Additional information for investors in Portugal:** The Management Company of the SICAV, Nordea Investment Funds S.A., and the Depositary of the SICAV's assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. The Paying Agent 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. 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. 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, Grønlandsvej 10, Postbox 850 0900 Copenhagen C, Denmark. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Nordea 1, SICAV is registered in Norway. **Additional information for investors in Finland:** The Nordea 1, SICAV is registered in Finland. **Additional information for investors in Latvia:** The Representative Agent is Luminor Bank AS, 62 Skanstes iela 12, 1013 Riga, Latvia. **Additional information for investors in Estonia:** The Representative Agent in Estonia is Luminor Bank AS, Liivalaia 45, 10145 Tallinn, Estonia. **Additional information for investors in Lithuania:** The Representative Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21 A, 03601 Vilnius, Lithuania. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. **Additional information for investors in Brazil:** This is a strictly privileged and confidential document for the purposes of a potential investment in foreign securities on a one-on-one basis with potential investors with a pre-existing relationship with Nordea Investment Funds S.A. This document contains information addressed only to a specific individual and is not intended for distribution to, or use by, any other person. This document (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any securities or any related financial instruments, (iii) should not be construed in any manner as a public offer of any securities or any related financial instruments, and (iv) and will be addressed to a potential investor with restrict access of information. Neither Nordea Investment Funds S.A. nor Nordea 1, SICAV have been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM). Nordea 1, SICAV must not be offered or sold in Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. Any public offering, placement or distribution, as defined under Brazilian laws and regulations, of securities in Brazil, is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended. Documents relating to the offering of the Nordea 1, SICAV, as well as information contained therein, must not be supplied to the general public in Brazil (as the offering of the Nordea 1, SICAV is not a public offering of securities in Brazil) or used in connection with any offer for subscription or sale of the Nordea 1, SICAV to the general public in Brazil. Investors within Brazil should consult with their own counsel as to the applicability of these laws and regulations or any exemption there from. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. **Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.** The level of tax benefits and liabilities will depend on individual circumstances and may be subject to change in the future.



Nordea
ASSET MANAGEMENT