



Responsible Investments Report 2023

Advertising for professional investors only

Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Information Document (KID) or the Key Investor Information Document (KIID) for UK investors.

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Nordea

Nordea is the largest financial services group in the Nordic region (approx. 10 million personal customers and 600,000 corporate customers¹⁾ 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 Management²

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 251bn (31 December 2023) in assets under management, we have been experiencing strong growth over the past decade.

1) As at 31.12.2023. 2) 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. Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

Facing forward

The time is always right for responsible investment



2023 was a complicated year for asset managers. Global markets were subjected to persistent inflation, political turmoil and the effects of climate change. Many investors retreated into defensive positions and cash alternatives. However, as we begin a new year, I'm encouraged by what I see.

The integration of ESG/sustainability into investment decisions is gaining momentum, driven both by regulatory activity and real-world concerns. Morningstar's annual Voice of the Asset Owner Survey 2023 reported that "more than two thirds of asset owners (67%) believe ESG has become more material to investment policy in the past five years, with environmental factors driving materiality."³

Responsible Investment is a long game. With issues such as climate, biodiversity and human rights at the top of the agenda for authorities and conscientious investors, companies unable to live up to the rising level of due diligence required will be increasingly locked out of the world's largest markets. While 2023 saw a handful of investors backtracking on their climate commitments, these were overwhelmingly dwarfed by the number of entities seeking to strengthen sustainability pledges.⁴

That is why in 2023 we remained focused on decarbonization, ramped up our engagement activities, expanded our diversity horizons and gained critical recognition for fighting the good fight.

We put decarbonization into practice

In keeping with our commitment to RI and investors' preferences, we have continued our efforts to help clients decarbonize their portfolios. In an effort to achieve real-world change, our Global Climate Engagement Strategy is taking a unique contrarian approach by engaging with companies often excluded by ESG enthusiasts. Many currently high emitting sectors will remain central to the world economy after the energy transition is completed. We therefore strive to push them towards green transition through firm and consistent engagement already now.

Many investors are looking for broader-based portfolios that could help them achieve their decarbonisation goals. To meet this need, we have worked side-by-side with clients to innovate bespoke beta plus, credit and fundamental equity solutions that fulfil their carbon commitments. Decarbonising portfolios are high priority for many clients as they will need to make good on emissions reduction pledges – hence, we will continue this type of collaboration over the coming years.

3) Nearly 70% of Asset owners say ESG has grown more relevant to Investment process, Morningstar.com, 4 Oct 2023. 4) ESG trends in 2023, PwC.com.au.

Our engagement efforts paid off

Active ownership continues to be a strong focal point for us and last year, we saw the fruit of one particularly important engagement. After several months of engagement, Brazilian state-owned oil and gas giant Petrobras and US group EOG Resources joined the Oil and Gas Methane Partnership (OGMP) 2.0 in January 2023 – OGMP 2.0 is the gold standard in methane measurement, reporting and target setting.

Our collaborative engagement focused on encouraging 15 companies in the oil and gas industry to join OGMP 2.0, identify actions being taken to reduce methane emissions and to share the cost/benefit analysis of those actions. Many of the companies are now taking action to reduce methane emissions and are in dialogue with the OGMP 2.0 about membership. Our engagement was noticed by the industry and Environmental Finance Awards recognized us with the Global pollution reduction initiative of the year.

Last year, we conducted 1179 engagements on topics ranging from climate action to better sustainability reporting practices. At the end of the year, we considered more than 13.5% of these engagements to be resolved as companies met our expectations. We also voted in 3700 general meetings.

We were recognized by the industry

Our commitment to ESG and the UN Sustainable Development Goals has brought recognition from across the industry. Funds Europe gave us the esteemed European [ESG Manager of the Year](#) award, Pensions Age recognized us as [Active Manager of the Year](#), and ESG Investment Leader Awards gave us [ESG Fund Manager of the Year](#), to name just a few.

We expanded our diversity parameters

In 2023, we decided to expand the scope of our Global Diversity Engagement Strategy to reflect evolving changes in D & I (diversity and inclusion) that go beyond gender representation. Enhancing the investment focus translates into broader impact and allows us to place stronger emphasis on engagement with the aim of driving both alpha and social change.

In 2023, NAM also committed to a new chapter of Diversity Project Europe (DPE), covering a larger geographical scope which will enable cross-border collaboration to help promote a diverse and inclusive European asset management industry. Kasper Elmgreen, CIO of Fixed Income & Equities, has taken a seat in the advisory council, a group responsible for defining the DPE's strategy.

We're moving forward

As the climate crisis continues, investors are hearing more buzzwords like climate metrics, temperature footprints, adaptation, Paris-alignment, etc. But it comes down to one thing: reducing emissions. Governments, the private sector and us as investors must reduce emissions. As an active manager, we set serious net zero targets to do that. We are committed to investing in companies with similar net zero targets and strive to provide solutions that investors are looking for. I invite you to read our RI Annual Report to find out more about our ongoing developments in Responsible Investment.



Nils Bolmstrand,
CEO of Nordea Asset Management

2023 at a glance

ESG Offering

Assets under Management

€ 251 bn
total AuM

59%
In RI solutions

Products

249
Art. 8 funds⁵

11
Art. 9 funds⁵

New reports in 2023

2
Impact Reports

17
ESG Reports

ESG Capabilities

RIT & CGT resources

21
Dedicated ESG analysts⁶

2
Corporate Governance
Specialists

Engaged

1179
Engagements

49% E
23% S
28% G

Voted

~3700
General meetings in 2023

ESG Leadership

Initiatives

37
International investor
initiatives

Awards⁷

15
ESG Awards won

24
ESG Awards shortlisted⁸

Labels⁹

2
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 WACI¹⁰ 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) Nominated in 24 categories, excluding categories won. 9) More information on labels on page 19. 10) Weighted Average Carbon Intensity (tCO₂e/USD million) measures a portfolio's exposure to carbon intensive companies.



ESG highlights of the year

In 2023, we remained focused on reinforcing our ESG credentials and capabilities. We ramped up our engagement activities by adhering to new collaborative initiatives and starting new campaigns. We continued to push forward real-world decarbonisation with our Global Climate Engagement Strategy and by developing new tools to support our research.

Playing our part in real world decarbonisation

Investors are increasingly recognising that climate change is a global crisis that threatens the environment, and with it the future of our society and economy. In this sense, the last few years have seen important steps towards adopting climate policies that have a positive impact, with a view to achieving net zero emissions targets by 2050.

At Nordea Asset Management, we do not believe we can achieve net zero purely by avoidance and exclusion. Climate change has been a strategic focus for us since becoming a signatory to the UN-supported Principles for Responsible Investment (PRI) in 2007. 2022 was a landmark year for us, with the launch of the Nordea Global Climate Engagement Strategy, and in 2023, we continued our decarbonisation efforts.

Expanding our capabilities

The challenges of ESG did not deter our Responsible Investment team, and in 2023, we worked to expand and develop our ESG tools for three asset classes: covered bonds, government bonds and labelled bonds. Our new methodology to assess sustainability among covered bonds allows us to bridge a gap in our clients' needs, covered bonds being NAM's largest asset pool, but also in the industry, as the sustainability assessment of these instruments is still at its early stages.

Our Responsible Investment Team has also worked on methodologies to assess the sustainability of government bonds and labelled bonds.

Beyond this, in 2023, we made extensive progress in developing a Forward Decarbonization tool that provides our investment boutiques with a forward-looking view of the potential decarbonisation trajectory of any company in our investment universe. The aim of the tool is to inform the portfolio manager's decision on whether further engagement or allocation actions need to be taken to meet the decarbonisation objectives of the strategy.

Maintaining our ESG credentials

We have over 35 years of experience in sustainable investing, and our expertise does not go unnoticed. In 2023 we renewed the PRI bi-annual assessment, and we are proud that we received the highest possible score of 5 stars in the Policy, Governance and Strategy (PGS) module. We are also proud to share that Nordea Asset Management is ranked 2nd among European brands in Social Responsibility and Sustainability¹¹ and our Fundamental Equities Team has been awarded the highest possible overall rating of AAA by Scope Analysis. Our Responsible Investment Team and ESG products also received numerous awards, further highlighting our dedication to sustainability in our solutions¹².

11) Broadridge, Fund Brand 50 2023, March 2023. 12) For more information, please refer ESG Awards.

ESG Awards

Nordea Asset Management Awards

Active Manager of the Year in the Pensions Age Awards 2023. **ESG Complete Product Range** in the Scope Award 2023. **ESG Fund Manager of the Year** in the ESG Investment Leader Awards 2023. **Best ESG Team Europe 2021 – 2023** in the Cfi.co Awards for our RI Team. **Global pollution reduction initiative of the year** in the Environmental Finance Sustainable Company Awards 2023 for our Methane Engagement Campaign.



ESG Products Awards

ESG STARS Funds

For the Nordea 1 – Emerging Stars Bond Fund, **Best ESG Investment Fund: Emerging Markets Debt** in the ESG Investing Awards 2023 and **Best ESG Investment Fund: Fixed Income** in the ESG Investment Leader Awards 2023. In the Mountain View Fund Awards 2023, **Equity Funds Sustainability Europe** for the Nordea 1 – European Stars Equity Fund and **Equity Funds Sustainability North America** for the Nordea 1 – North American Stars Equity Fund.



Sustainable Thematic Funds

For the Nordea 1 – Global Climate and Environment Fund, **Equity Funds Sustainability Climate** in the Mountain View Fund Awards 2023 and **Best Impact Fund** in the ESG Clarity Awards 2023. **Best Sustainable Fund Launch** in the Investment Week Sustainable Investment Awards 2023 for the Nordea 1 – Global Climate Engagement Fund. **Best ESG Investment Fund: Green, Social & Sustainability Bonds** in the ESG Investing Awards 2023 for the Nordea 1 – Global Green Bond Fund. In the Environmental Finance Sustainable Investment Awards 2023, **Social Fund of the Year** for the Nordea 1 – Global Impact Fund and **Infrastructure Fund of the Year** for the Nordea 1 – Global Sustainable Listed Real Assets Fund.



Active in the global RI community

Contributing actively to industry-wide responsible investment discussions and promoting best practices across the investment community are key components of our ESG work.

Participating in investor initiatives is a way for us to exchange knowledge, shape the sustainable finance industry and to benchmark and develop our own ESG approach and framework. During 2023, we were active in 35 investor initiatives across a broad range of ESG topics. We were also active in several Sustainable Investment Forums (SIFs) around Europe, and participated in numerous engagements in collaboration with other investors.

While these initiatives and collaborative actions are an extremely important part of our work, we see that our role and responsibility in the RI community extends beyond these initiatives. We wish to engage with our stakeholders, to educate and to learn. We do this by participating in events and discussions, contributing to publications, engaging with our clients, and through academic collaboration.

Academic Collaboration

During 2023, the RI team has collaborated with Copenhagen Business School. Together with students of sustainability, our ESG experts worked on research within sustainable aviation fuel, CCUS technologies as well as debt-for-nature swaps. The work is part of an ongoing partnership with the university and includes guest lectures hosted held by selected RI team members.

Policy support

ESG regulations were a hot topic in 2023 and Nordea Asset Management contributed to several consultations. At the European level, we participated in the EU Commission's discussion on the ban of Per- and Polyfluorinated Substances (PFAS) and the discussions surrounding the latest developments of the Taskforce on Nature-related Financial Disclosures (TNFD).

Collaborative engagements

We believe that joining forces with other investors in engaging with companies is an effective way to achieve successful engagement outcomes. While we also engage individually, we see collaborative engagements as an important part of our active ownership work. Engaging in this way allows us to share views with other industry players, and to scale up the impact of our engagements. In 2023, we participated in 588 collaborative engagements, leading 88 of those. The most common collaborations were related to Climate Action 100+, Corporate Human Rights Benchmark, and Oil & Gas Methane Partnership 2.0 (OGMP). 2023 was a good year for our collaborative engagements.

We continued our Methane Engagement campaign, which we launched in 2022 and have been leading since then, have joined the steering committee of the Investor Initiative on Hazardous Chemicals (IIHC), and are leading three engagements related to PFAS use¹³.

13) For more information on our Methane and PFAS engagements, please see our section on Engagements.

New investor initiatives 2023

As a responsible investor, we actively participate in investor initiatives on various ESG topics. We are currently part of 37 initiatives, including 5 new initiatives that we joined during 2023.

New RI Initiatives
Canada Climate Engagement (CEC)
CDP Green Finance Accelerator (GFA)
Diversity Project Europe
Investor Initiative on Hazardous Chemicals (IIHC)
Nature Action 100
Investor Statements
Global Financial Institutions Statement to Governments on Deep Seabed Mining
Comment letter to the United States Environmental Protection Authority
Letter to the UK Prime Minister from the CEOs of IIGCC, PRI and UKSIF

Canada Climate Engagement (CEC)

Climate Engagement Canada (CEC) is a collaborative engagement initiative targeting the country's heaviest emitters. It is co-ordinated by Canada's Responsible Investment Association, the Shareholder Association for Research and Education (Share) and Ceres. Nordea Asset Management joined CEC in 2023 as the first international supporter.

CDP Green Finance Accelerator (GFA)

NAM is a signatory for the CDP Green Finance Accelerator, an initiative designed to drive greater climate and environment-related data reporting from companies. The greater transparency that results will assist investors in focusing their investments and meeting the reporting requirements of the EU's ESG regulations, which are ultimately aimed at directing capital towards greener investment.

Diversity Project Europe

Since 2021 NAM has been a part of Diversity Project UK which is a cross-company initiative championing a truly diverse, equitable and inclusive UK investment and savings industry. In 2023, NAM has committed to a new chapter of the project, Diversity Project Europe, which has a larger geographical scope to enable cross-border collaboration and to help promote a diverse and inclusive European asset management industry. The project is a non-profit organisation structured

with a board, advisory council and steering group. Kasper Elmgreen, CIO of Fixed Income & Equities, has taken a seat in the advisory council, the group responsible for defining and setting out the strategy of the project.

Investor Initiative on Hazardous Chemicals (IIHC)

In 2023 NAM joined the Investor Initiative on Hazardous Chemicals (IIHC), an investor-led initiative that encourages chemical companies to increase transparency and stop the production of persistent chemicals. The aim of the IIHC is to reduce adverse impacts from hazardous chemicals and thereby exposure to the financial risks to which they are linked. Cecilia Fryklöf, our Active Ownership head, is member of the Steering Committee of the Investor Initiative on Hazardous Chemicals (IIHC – supported by ChemSec).

Nature Action 100

In 2023, NAM joined more than 200 institutional investors – representing USD 26.6 trillion in assets under management – in Nature Action 100, a-n investor group focusing on companies "systematically important" to reverse nature and biodiversity loss. The initiative has entered its engagement phase, and we participated in the letter that was sent to 100 companies that have been identified as critical for biodiversity protection and restoration.

A few investor statements signed in 2023

Global Financial Institutions Statement to Governments on Deep Seabed Mining

This letter, signed by 36 signatories of the Finance for Biodiversity Pledge representing over EUR 3.3 trillion of combined assets, urges governments to halt negotiations underway at the International Seabed Authority that could lead to a potential start of deep seabed mining (DSM) in international waters.

Comment letter to the United States Environmental Protection Authority

The letter supported the Environmental Protection Agency's (EPA's) updated methane regulation for the oil and gas industry, the largest source of industrial methane emissions in the United States. The letter called for expanded leak monitoring, a phase out of polluting pneumatic devices, and additional restrictions on routine flaring. The final, strengthened regulation was published in December 2023.

Letter to the UK Prime Minister from the CEOs of IIGCC, PRI and UKSIF

CEOs of IIGCC, Principles for Responsible Investment, and UK Sustainable Investment and Finance Association, sent a letter to UK Prime Minister, Rishi Sunak, following his announcement that the British government would water down key net zero policies. The letter signals deep concern with the recent proposals to 'backtrack on vital policy measures that support the UK's transition to net zero'. The letter was supported by 32 investors and financial institutions.

Sustainability at Nordea



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.

As a leading Nordic bank, we have the capacity to support the transition to net zero – via our customer offerings, through our lending and investment decisions and by reducing the emissions from our internal operations and supply chain. Therefore our business objective is to achieve net-zero emissions across our value chain in terms of scope 1, 2 and 3 emissions by the end of 2050 at the latest. In addition to our net-zero commitment for 2050, we see interim targets as essential components of the global effort to limit warming to 1.5°C. We have therefore

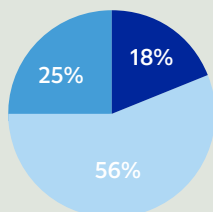
established objectives to reduce emissions across both our lending and investment portfolios as well as our internal operations by the end of 2030.

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 Investment (RI) team carries out research on the integration of environmental, social, and governance (ESG) aspects into our investments.

The two boxes below summarise some of our key sustainability metrics. More information about Nordea Group's sustainability efforts can be found in [Nordea's Annual Report 2023](#).

Diversity and inclusion

Age distribution in the total workforce



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

Gender balance



Category	Female (%)	Male (%)
Board of directors	40%	60%
Group Leadership Team	40%	60%
People leaders	44%	56%
Total workforce	52%	48%
Nordea Asset Management	33%	67%

Carbon footprint from internal operations (2023)

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



CO₂e emission intensity:

1.73

tonnes/EURm of total operating income



Total CO₂e emissions:

20372

tonnes

Our Responsible Investment approach

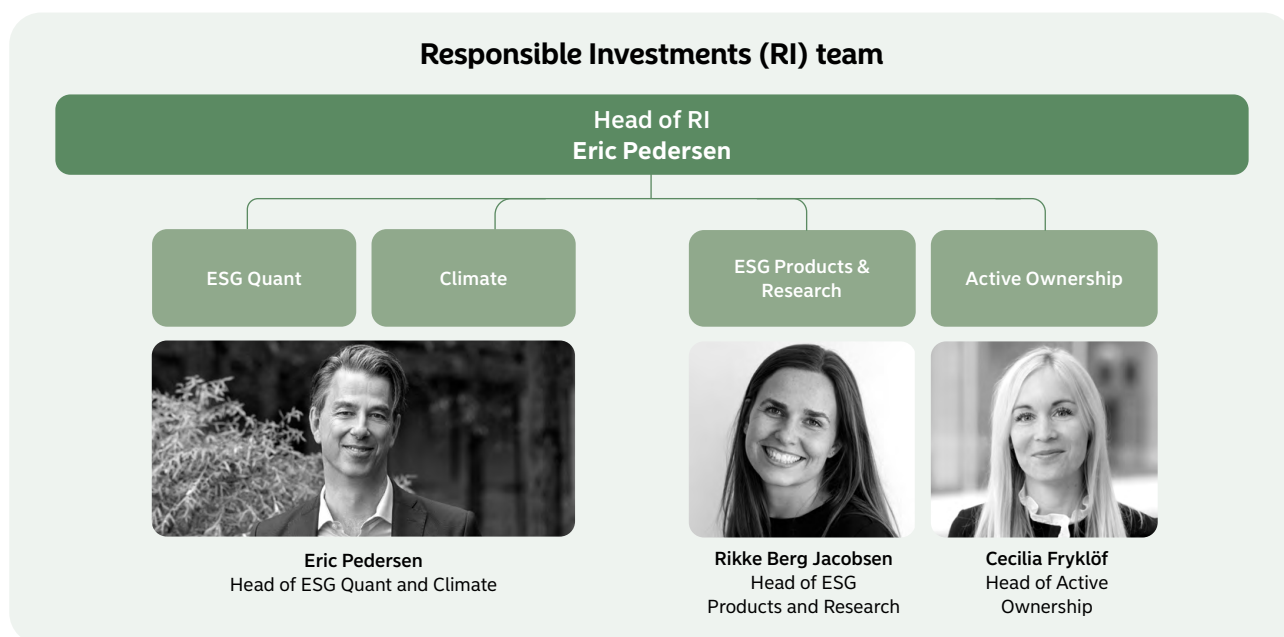
ESG Governance and Teams

Responsible Investments team

Our award-winning Responsible Investments (RI) team was established in 2009, and comprises 21 dedicated ESG analysts with a wide range of experience from academia, independent RI organisations and investment management. Besides working closely 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. We are continuously developing our RI approach in line with the increasing complexity, depth and scope of application of ESG methods, in order to maintain NAM's leadership in the area. The team provides a broad RI coverage with 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 its latest insights and findings. It also leads ESG training (e.g. climate workshops) both internally and for clients.

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

- **The Active Ownership cluster** 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
- **The Climate cluster** maintains focused expertise and analysis on climate change factors and policies, implementation and reporting on TCFD recommendations
- **The ESG Products & Research cluster** carries out company specific ESG research and engagement for NAM's ESG funds, as well as ESG product development
- **The ESG Quant cluster** develops and maintains NAM's proprietary ESG scoring tool, as well as other advanced applications of ESG data



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 RI team and our portfolio managers to align the stewardship work especially on important ESG resolutions.



Katarina Hammar
Head of Corporate Governance



Richard Torgerson
Director of Corporate Governance

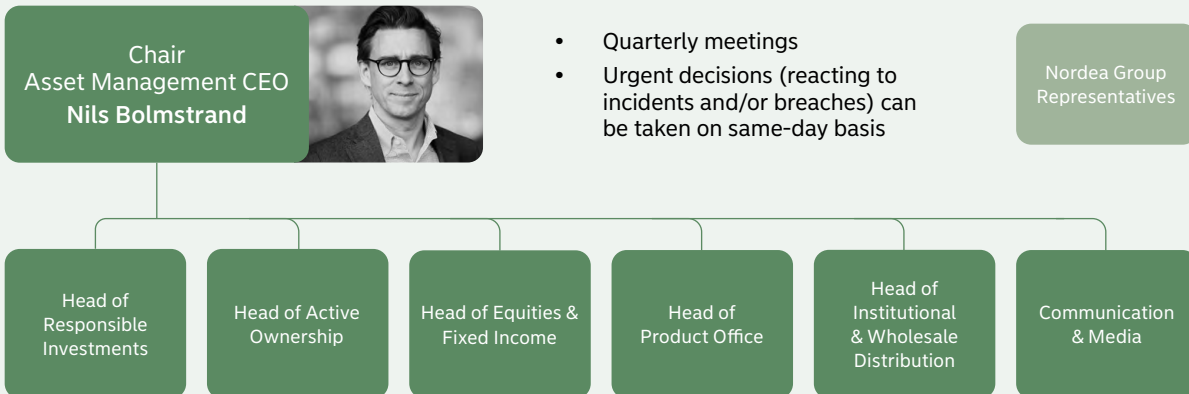
ESG and Responsible Investment Committees

Under the guidance of our ESG and Responsible Investment Committees, both chaired by NAM’s CEO, we have developed policies, procedures and investment products based on our RI beliefs.

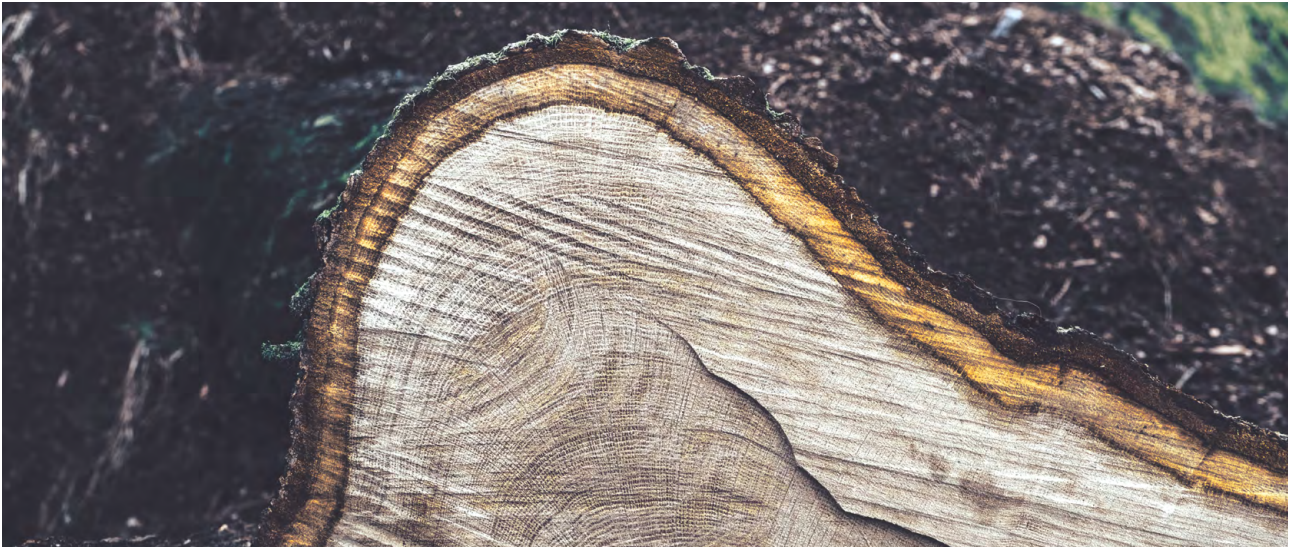
To support ESG investment guidelines, the ESG Committee owns and approves NAM’s Responsible Investment Policy (RI Policy), which also details the international conventions we subscribe to and what we require of the companies we invest in.

The Responsible Investment Committee decides the appropriate action when a company is found to be in breach of our guidelines, which may be to exclude, quarantine and/or engage with the company, depending on the type of violation and our ability to influence the company.

Responsible Investments Committee



Responsible Investment framework

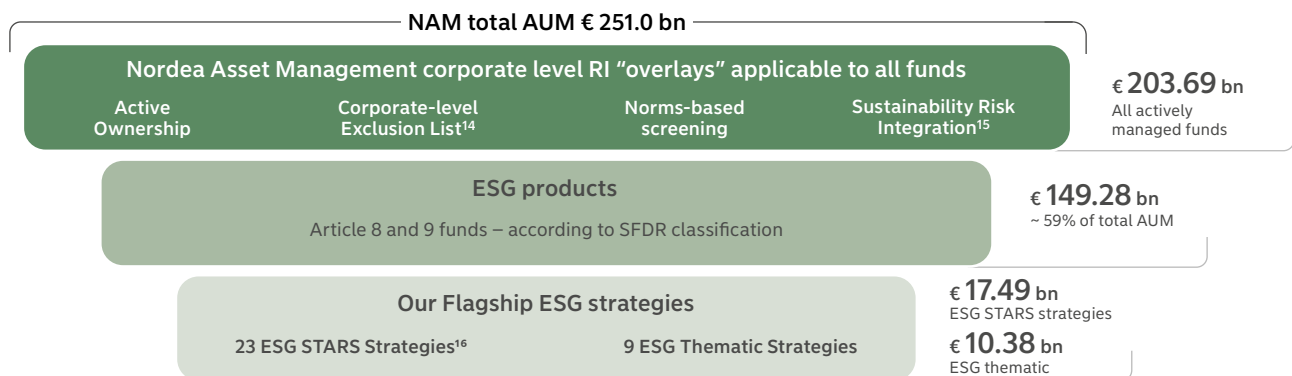


At NAM, we believe it is our fiduciary duty to deliver returns with responsibility. Our commitment to be a responsible asset manager is not new. We launched our first sector-screened fund in 1988 and we were an early adopter of Responsible Investment (RI), signing the UN Principles for Responsible Investment (PRI) back in 2007. Responsible Investment Solutions now comprise over 70% of NAM's AUM.

NAM has developed policies and procedures to ensure that the companies we invest in meet our expectations related to 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 individual cases, breaches can trigger engagement or exclusion. The RI Policy is publicly available on our website. Our corporate-level RI overlays include norms-based screening, active ownership activities and NAM-wide exclusions, as well as Sustainability Risk Integration. We also have product specific RI approaches that take a step further into enhancing ESG integration.

A comprehensive RI Framework including various forms of RI



Source: Nordea Investment Management AB. Data as at 29.12.2023. 14) Over 260 companies. NAM's Exclusion List available [here](#). 15) Integration of Sustainability Risks in the respective funds decision-making process. Every investment boutique has access to NAM's proprietary ESG Model and ESG analysis from the RI team and ESG data from external providers via our proprietary ESG data platform. 16) As of 10.10.2023.

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 could generate long-term financial value, while the ESG Thematic strategies offer investors a focus on specific aspects of sustainability.

Today we have around 250 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). All our Article 8 and 9 funds consider PAI on sustainability factors as part of their investment processes. As a result, they are all eligible under MiFID II to be selected for 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, such as our Global Climate and Environment Strategy, one of the largest article 9 funds in Europe. Our credentials extend to international ESG labels such as LuxFLAG ESG Label¹⁷, Label ISR¹⁸ and the Towards Sustainability Label¹⁹.

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 standards²⁰. Every investment in our ESG STARS strategies is examined through both an ESG and a financial lens. 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 tools 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 investment boutiques operate in close collaboration to engage in produc-

17) 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. 18) 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 www.llelabelisr.fr/en/what-sri-label/. 19) 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. 20) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

tive dialogues with many of our ESG STARS holdings. The ESG STARS range covers a wide scope of regions and asset classes. In 2023, we've extended the ESG STARS range with the Global High Yield Stars Bond Strategy.

Sustainable Thematic solutions – 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), as a means to tackle the most pressing social and environmental challenges.

The climate crisis is one of the greatest challenges of our time. But climate change has many faces, and it cannot be separated from social problems, which are often drivers of environmental issues. Significant economic, societal and institutional changes are needed to combat these challenges.

Our solutions aim to cover the whole-facets of these challenges:

Thematic Equity Solutions

Climate and Environment

Social



Focus on NAM's Engagement Strategies

During 2023, we formalised a new fund family: the Engagement strategies. This new angle to our RI activities is the product of a deep reflection on how we seek to maximise real world impact. We truly believe that engagement can support companies transitioning to more sustainable business models. At the moment, our Engagement Family comprises of two strategies: **the Nordea Global Climate Engagement Strategy**, which supports higher-emitting companies in crucial industries on their sustainable transition, and the **Nordea Global Diversity Engagement Strategy**²¹, which guides diversity laggards to become tomorrow's diversity leaders.

Widening our horizons: Nordea Global Diversity Engagement Strategy

The Nordea Global Diversity Engagement Strategy is the new form of the Nordea Global Gender Diversity Strategy, which was launched in 2019. We initially focused on gender diversity as the UN's Sustainable Development Goals (SDGs) have identified it as a foundation stone building a sustainable and prosperous world and we believe it brings positive externalities on other sustainability challenges defined by SDGs. In addition, its positive correlation to financial performance is backed by extensive research. (For instance, companies with at least 30% women in executive teams in US and UK have 48% more likelihood of financial outperformance²².)

In 2023, we decided to broaden our focus to reflect Diversity and Inclusion (D&I), as this wider scope enhances positive impacts of gender diversity, whilst remaining loyal to our investment process. Embracing D&I in business model broadens perspectives that helps to reduce 'group think' and leads to better decision-making. In our view, the business case that illustrates positive correlation between companies with strong D&I practices and financial performance remain strong.

D&I is correlated with business performance

- +36% likelihood of greater EBIT margin for top quartile companies in terms of executive team diversity²³
- +38% share of revenue from innovative products and services²⁴

In addition, the companies with better D&I practice have access to a wider talent pool and tend to make good use of it by increasing talent retention and lowering collective employee turnover. Subsequently, they are also able to enhance customer centricity which drives innovation throughout its business cycle.

The Nordea Global Diversity Engagement Strategy is not limited to investing only in the best-in-class companies in terms of D&I practices, but also seeks companies that are willing to improve. By engaging to generate the best "real" outcomes, we aim to maximise the potential of these D&I improvers.

Our engagements are based on clear objectives and implement different methodologies according to the upside potential, which helps us to better guide and monitor the progress made by the companies.

Clear and differentiated themes to drive D&I improvements



Data Disclosures: gender and minorities, and inclusion metrics.



Diversity in senior leadership: diversity in management, promotion and career development.



Inclusion and gender pay gap: inclusive HR policies, elimination of pay gaps.

Nordea Global Climate Engagement Strategy: the year-update

In 2022, Nordea's ESG Thematic range was enhanced with the Global Climate Engagement Strategy. The strategy leverages the same successful and robust investment process and risk management framework as other strategies managed by the Fundamental Equities Team since 2008, while taking on climate issues in a new investment universe.

This strategy focuses on companies in sectors typically neglected by the market because of their less 'good' carbon emission profile, but which can play a crucial role in energy transition and where NAM's team sees opportunities for real world decarbonization through a structured engagement approach. Often they just need the right impetus and know-how to realize their ecological potential, to unlock hidden value potential and to attract investments.

21) With effect as of 31.08.2023 the sub-fund was renamed from Nordea 1 – Global Gender Diversity Fund to Nordea 1 – Global Diversity Engagement Fund. 22) McKinsey Company, Company, "Diversity Wins, How Inclusion Matters". 23) McKinsey Company, Company, "Diversity Wins, How Inclusion Matters". 24) BCG "The Mix That Matters: Innovation Through Diversity".

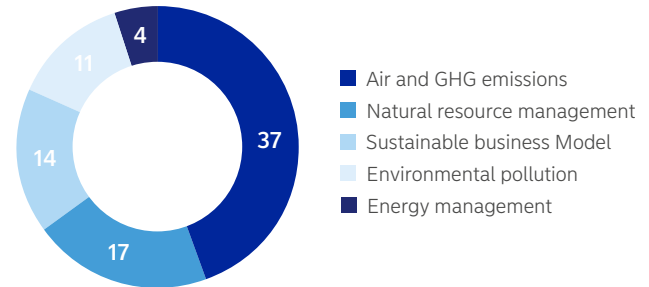
Our goals with the Nordea Global Climate Engagement Strategy

- Assessing companies with climate ambitions but facing meaningful fundamental risks in the transition to a sustainable economy
- Investing in underappreciated opportunities which have an attractive valuation and the potential to become relevant in the low carbon future
- Engaging to drive forward the necessary strategic and operational changes that will unlock companies' potential
- Generating alpha potential and curb real-world emissions

Since the launch of the Nordea Global Climate Engagement Strategy in April 2022, we have engaged with all the portfolio companies, living up to the commitment that underlies our strategy. In 2023, this amounted to over 140 interactions with the companies.

Overview of engagement activities 2023

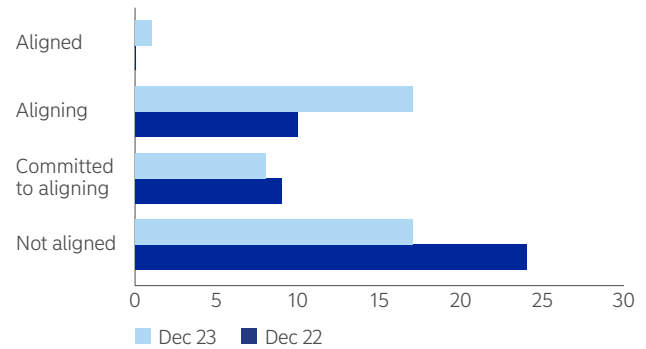
(in terms of number of meetings)



Source: Nordea Investment Management AB. Date: 29.12.2023.

Progress towards Net Zero-alignment

(number of companies in each category)



Source: Nordea Investment Management AB. Date: 29.12.2023.



ESG STARS equity funds

Towards Sustainability Label²⁵

Label ISR²⁶

Nordea 1 – Asian Stars Equity Fund LU2152927971 (BP-USD) / LU2152928607 (BI-USD)		
Nordea 1 – Emerging Stars Equity Fund LU0602539602 (BP-USD) / LU0602539354 (BI-USD)	✓	✓
Nordea 1 – Emerging Stars ex China Equity Fund LU2528868008 (BP-USD) / LU2528868263 (BI-USD)		
Nordea 1 – European Small and Mid Cap Stars Equity Fund LU0417818407 (BP-EUR) / LU0417818316 (BI-EUR)		
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 Corporate Bond Fund LU2500359935 (BP-USD) / LU2500360271 (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 Fund LU1937720214 (BP-USD) / LU1937720487 (BI-USD)		
Nordea 1 – US Corporate Stars Bond Fund LU1933824283 (BP-USD) / LU1933824366 (BI-USD)		

ESG Thematic funds

Nordea 1 – Global Climate and Environment Fund LU0348926287 (BP-EUR) / LU0348927095 (BI-EUR)	✓	
Nordea 1 – Global Impact Fund LU2355697216 (BI-USD) / LU2355687059 (BP-USD)	✓	
Nordea 1 – Global Climate Engagement Fund LU2463526074 (BP-USD) / LU2463525423 (BI-USD)		
Nordea 1 – Global Diversity Engagement Fund LU1939215403 (BI-USD) / LU1939214778 (BP-USD)		
Nordea 1 – Green Bond Fund LU232791321 (BI-EUR) / LU2327920356 (BP-EUR)		
Nordea 1 – Social Bond Fund LU2555222723 (BI-EUR) / LU2555222566 (BP-EUR)		
Nordea 1 – Global Social Empowerment Fund LU2257592514 (BP-USD) / LU 2257592787 (BI-USD)		
Nordea 1 – Global Social Solutions Fund LU2527453273 (BP-EUR) / LU2527453430 (BI-EUR)		
Nordea 1 – Global Sustainable Listed Real Assets Fund LU2500361329 (BP-USD) / LU2500361675 (BI-USD)		

25) 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.towardssustainability.be. 26) 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/>.



Active Ownership

Being an active owner is central to the integration of ESG in our Responsible Investment approach. Our active ownership activities span all of our products.

We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change²⁷. 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.

Whilst we are prepared to exclude companies when deemed necessary, our experience proves that active ownership is often a more effective tool to improve ESG performance, manage risk and identify opportunities. Our active ownership efforts include engagement, proxy voting, attending annual general meetings and contributing to the development of industry environmental, social and governance (ESG) standards.

²⁷ There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

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.²⁸

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 investibility 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 four 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):

These engagements cover 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

4. Political engagement

We may participate in activities that can be considered as political engagement, including public policy dialogues with governments as well as public authorities on specific ESG issues, through feedback on regulations and expressing support to policy makers through public endorsement in investor statements.

These type of activities are subject to careful consideration and diligence. We always assess the appropriateness of an activity that could be considered as political, before we decide to enter into it, and always assess the potential impact of such activity. Our activities focus solely on ESG issues, and do not intend to favour any specific political party or ideology. We believe that our participation in political activities can contribute to long-term value creation and have a positive impact on society.

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. In addition to engagements with companies, we are increasing our work in the sovereign engagement sphere. All of our engagements are tracked in our in-house database and reviewed by the RI team to monitor progress.

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



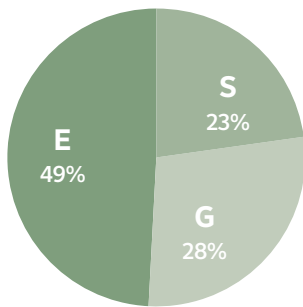
28) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Active Ownership activities 2023

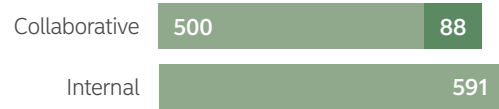
1179 total engagements

Covering 52% of our equity AUM

ESG breakdown



Engagement type



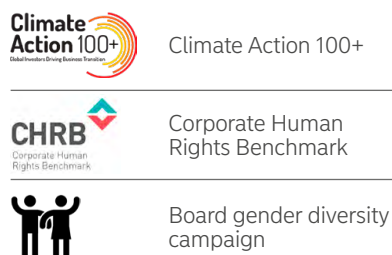
Engagements led by NAM

At the end of 2023, 13% were considered **resolved** and 13% **closed**.

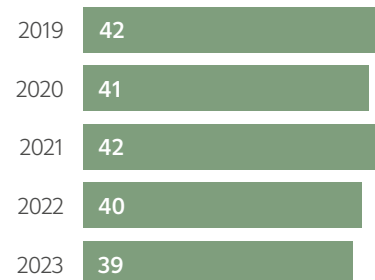
Top 3 SDGs



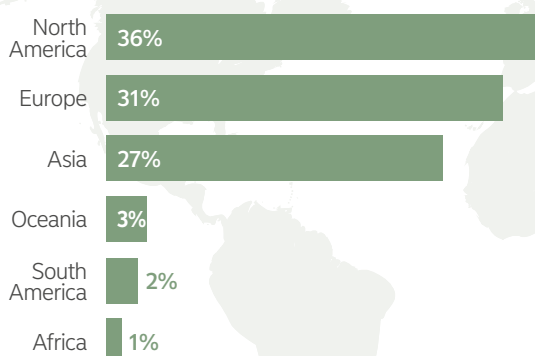
Top 3 engagement initiatives involved



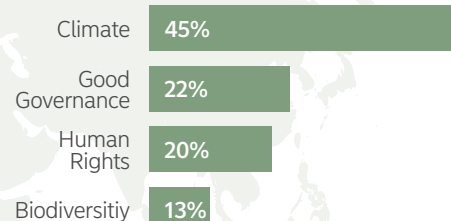
Nomination committees



Engagement geographical breakdown



Focus engagement topics



Source: United Nations, Sustainable Development Goals.

Thematic engagement focus areas

Climate

NAM works 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 behavior which aims to reduce GHG emissions globally.

A key driver for ensuring the climate resilience of investee companies is the increasing alignment of companies to net zero pathways. which is why our 2025 target is for 80% of our top 200 carbon footprint contributors be on a Paris-aligned trajectory or else subject to engagement.

Collectively, the top 200 list is responsible for an estimated 79% of our equity and corporate bond financed emissions.²⁹

To assess the Paris alignment profile of individual companies we follow criteria established by the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework. Each company falls into one of four alignment categories: aligned, aligning, committed to aligning or not aligned, based on six evaluation criteria: GHG emissions disclosure, net-zero ambition, credible GHG reduction targets, progress against targets, a supportive climate strategy and aligned capital expenditures.

As of end 2023 81% of top 200 companies were aligned or subjective to active engagement to become aligned.

This milestone was met through the following key actions:

- Individual dialogues with companies in which we stated and discussed our expectations of Paris alignment
- Engagements via collaborative initiatives (CA100+, IIGCC Net Zero Engagement Initiative, CDP non-disclosure campaign)
- A letter addressed to select company CEOs outlining the six alignment criteria and highlighting our expectation, as well as the expectation of the growing number of net-zero committed asset managers, of an increase in alignment maturity if the company is to remain investable in the medium to long term

Some of our Climate engagement initiatives



Elin Noring (Active Ownership) and Till Jorde (ESG Product and Research) at the facilities of Swedish-company Hybrit. This was part of a greater mining and steel-themed tour to meet holding-companies in Northern Sweden and Finland.

Reference to companies or other investments mentioned should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration.

29) Data as of 31.12.2023.

Biodiversity

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

2023 marked a milestone in our activities related to biodiversity preservation.

We published our [Biodiversity Report](#), which acts as a position statement on the matter and allows us to highlight biodiversity-related activities.

During 2023, 13% of our total engagements were on biodiversity related topics. To strengthen our voice as an active owner, we take part in numerous investor initiatives related to biodiversity.

The **Investors Policy Dialogue on Deforestation (IPDD)** is a good example:

We are a founding and management committee member of this collaborative investor initiative, backed by the Tropical Forest Alliance and 78 investors, and set up in July 2020 to engage with government officials, public agencies and industry associations in selected countries with critically important forests and native vegetation, on the issue of deforestation. 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. Currently, we are members of both the Brazil and Indonesia working streams.

During 2023, we took part in a field trip to Brazil together with an IPDD members delegation to meet with companies and policymakers to discuss Brazil's anti-deforestation agenda. In November 2023 Brazil issued its first sustainable sovereign bond under Brazil's Sovereign Sustainable Bond Framework, including actions and projects associated with environmental or social issues.

Other collectives include the Finance for Biodiversity Pledge, the Tropical Forest Alliance and Nature Action 100.

Some of our Biodiversity engagement initiatives



Good Governance

In our good governance focused active ownership activities, we aim to safeguard shareholder value and sound management of ESG risks and other risk types in portfolio companies, in order to protect shareholder value and with the aim to enhance long-term returns. We believe a sound corporate governance structure is essential for creating long-term shareholder value.

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:** 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
- **Diversity:** We expect a board to include a strong presence of independent and diverse non-executive members
- **Tax:** 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

NAM has been taking action towards encouraging our investee companies to commit to responsible tax practices for several years and in 2023 has shown good progress on the topic. Corporate tax avoidance activities may suggest underlying legal, operational, reputational, financial and/or governance risks. In 2023, we were part of a collaborative engagement coordinated by Danish engagement firm Engagement International targeting 15 global companies in IT/Tech, Extractives and BioTech with high exposure to tax risk. The objective is to encourage these companies to manage their corporate tax issues in a responsible way, aligned with international guidelines and best practices.

In 2022 we co-filed a shareholder proposal at Microsoft's 2022 AGM, asking for improved transparency and country-by-country reporting on tax. In 2023 we co-filed again at Microsoft and did the same for better tax transparency and country-by-country reporting at the AGMs of ExxonMobil and Chevron.

Human Rights

As responsible investors, 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.

Our 2023 target states that by the end of the year, investee companies in funds directly managed by Nordea Asset Management (NAM) will be assessed against the minimum safeguards in the area of human rights in line with the EU taxonomy.

Improving Human Rights data

During 2023 we have continued developing the process of assessing investee companies on their human rights performance through our norm-based screening, monitoring of Principal Adverse Impact indicators (PAIs) and by using other sources of information such as the Corporate Human Rights Benchmark. To address the limitations in regards to qualitative human rights data, we have also joined a collaborative investor engagement targeting data service providers and proxy advisors. We have also engaged with a number of companies on their human rights performance and disclosures and used our voting power when relevant.

The application of Human Rights is large and with technological developments, digital rights have become a major topic for us. We are part of a collaborative engagement together with 65 other investors and representatives representing over USD 8.7 trillion in assets under management on the topic of digital rights. Information and communication technology companies have immense control over the lives and identities of their users and must commit to respecting freedom of expression and privacy on their platforms and services – such human rights in online environments are often referred to as digital rights. Companies' implementation of that responsibility should align with the expectations outlined in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The Corporate Human Rights Benchmark (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 ever more important.

In November, the 2023 CHRB assessment was launched, covering 110 companies in the apparel retail and extractives sector. Since 2017, NAM has been a part of a collaborative engagement targeting companies that score zero on human rights due diligence in the CHRB.

Some of our Human Rights engagement initiatives



INVESTOR ALLIANCE
FOR HUMAN RIGHTS

Engagement campaign: Methane engagement, 2023 update



Methane is a powerful greenhouse gas, estimated to account for as much as 25% of the global warming we're experiencing today. It's a short-lived climate pollutant that is 86 times as potent a greenhouse gas as carbon dioxide over a 20-year period, but it doesn't stay in the atmosphere for as long as CO₂ does. This means that methane has not only had a huge impact on global warming to date, but also that reductions offer a critical near-term opportunity, as reductions achieved today will be felt in as little as 10 years.

The engagement

In July 2022, we initiated, in collaboration with the largest asset managers from Europe and North America with combined assets under management of approx. EUR 3.34 trillion, the first phase of a collaboration with selected partners and clients to engage with 15 companies in the oil and gas industry on the disclosure and mitigation of their methane emissions. Our primary engagement ask is for investee companies with methane emissions to join the Oil and Gas Methane Partnership (OGMP) 2.0 framework. OGMP is the gold standard in methane measurement, reporting and target setting. In addition to joining the OGMP, investee companies are asked to identify the actions being taken to reduce methane emissions and to share the cost/benefit analysis of these actions in engagement meetings.

Our results in 2023

We are proud to share that at the end of 2023, we were engaging with 63 companies about joining the Oil and Gas Methane Partnership 2.0 and reducing their methane emissions to near zero. The engagement focus is on oil and gas companies and utilities, and during 2023, nine companies in the engagement joined the OGMP 2.0 – Aker BP, Coterra Energy, Chesapeake Energy, Diamondback Energy, EOG Resources, INPEX, KazMuynayGas, Petrobras and PPT E&P. For us, this is a great achievement as it can often take a year or more for companies to work through the changes they need to make to join the program.

Parallel to our engagement activities, our Methane Campaign extends to industry best practice initiatives. For instance, we participated to the Canada Methane Mitigation summit in September 2023, where our Senior Climate Analyst, Harry Granqvist, moderated a session on investor expectations on methane, covering topics such as methane data quality and reporting, and its evolution in the future.

Nordea Asset Management Texas methane field trip

In the blistering heat of Texas, Nordea Asset Management made a week-long field trip to Houston and the Permian Basin to engage with 12 important oil and gas companies to ask them to join the Oil and Gas Methane Partnership 2.0.

NAM was already in dialogue with UNEP (the United Nations Environment Program) and a leading NGO, the Environmental Defense Fund, about our initiative to sign up companies for the OGMP 2.0. As a result we were invited to speak at the **Global Methane Mitigation Summit** held in Houston, Texas in June.

As the oil and gas operations in Texas have some of the highest greenhouse gas emissions in the world, we took the opportunity to combine the Summit with intensive face-to-face meetings with key decision-makers and specialists from relevant investee companies.



Eric Pedersen and the NAM team visited Diamondback Energy's headquarters and one of their facilities to better understand onshore unconventional oil and gas operations and to see first-hand their monitoring technology for methane detection.

Engaging on forever chemicals



PFAS – per- and polyfluoroalkyl substances – are a group of man-made chemicals that have been used in an extensive range of industries and consumer products since the 1940s³⁰. The overall size of this family of chemicals is not clearly defined, but a widely used definition from the OECD lists over 4,700 distinct substances.

PFAS have many desirable properties, including resistance to heat and chemical attack, allowing for their widespread use in industrial applications as well as everyday commercial and consumer products:



paper and packaging



clothing and carpets



outdoor textiles and sporting equipment



ski and snowboard waxes



non-stick cookware



pesticides and herbicides



windshield wipers



paints, varnishes, dyes, and inks

PFAS: a threat to humans and the environment

While PFAS have unique properties that offer significant utility in various applications, they are also accompanied by significant downsides. With their remarkable durability, PFAS barely degrade once released into the environment and may even accumulate in humans, animals and soil. Hence, they have been dubbed 'forever chemicals'. The European Chemicals Agency (ECHA) notes that their long usage coupled with persistence and accumulation is of grave concern, given the possibility of serious health impacts linked to continuous exposure.

On top of the human health and environmental concerns, PFAS are of interest to investors due to the evolving regulatory landscape, mainly in the EU and in the US. In the EU, for instance, there is a proposed ban on all PFAS chemicals which would – if it comes into force – prohibit both the production as well as the usage of all chemicals within the PFAS family. While the outcome of the proposed regulation is still unclear, the consultation phase from the EU's chemical agency received an unprecedented 5,600 replies.³¹ Furthermore, litigation on soil and water and pollution is also becoming more widespread, with multiple settlements agreed throughout the year with significant cost impacts.

30) ITRC (2017), [History and Use of Per- and Polyfluoroalkyl Substances \(PFAS\)](#). 31) ChemSec (2023): [8 critical points about PFAS that the EU needs to know](#).

The engagements

In Jan 2023 we joined a collaborative engagement campaign targeting producers of hazardous chemicals such as PFAS. This engagement is coordinated by the Investor Initiative on Hazardous Chemicals (IIHC), which is supported by the Swedish NGO ChemSec, and draws upon ChemSec's benchmark assessments, 'ChemScore', of the 54 largest chemical producers in the world. During the year, we became members of the Steering Committee of the IIHC and were leads on three of the engagements, acting as support on one further engagement.

In November 2023, the new round of ChemScore report cards³² were released and in tandem the companies assessed in the report received letters from the collaborative initiative.



In Q2 2023, we initiated our PFAS engagement program, which runs parallel to our involvement with IIHC. Since then, we have held multiple meetings with producers and other companies with exposure to PFAS to better understand their exposure, the future of the business and to relay the expectations depending whether they are producers, industrial users or consumer-facing users:

- **Producers:** we see engagements with producers as the most difficult as PFAS are frequently a core element of their business. Moving away from PFAS would therefore presumably result primarily from regulatory action. Nonetheless, some major manufacturers have exited the line of business citing increased stakeholder pressures as well as regulatory pressures
- **Industrial users:** we hope to find more room to nudge them in de-risking their business by reducing exposure to PFAS – we also see this group as being significantly impacted by regulatory developments
- **Consumer-facing users:** we clearly voice our opinion that these compounds should not be in products and that companies should move away from them as soon as possible – both in the interest of their consumers but also to safeguard their reputation and to avoid litigation

In total, both through IIHC and through our internal PFAS engagement stream, we've been in dialogue with 13 companies on the issue – mainly on the producer side. Given the wide range of use cases, the complex supply chains highest and recent intense regulatory scrutiny, we expect especially the industrial users to garner more attention in the year ahead. Moving beyond PFAS producers, our engagements have also focused on companies exposed to the risks of PFAS through no fault of their own, such as within the waste management and environmental services sector, and which may ultimately develop solutions for the safe disposal or destruction.

Supporting public policy

In May 2023, we took part in a discussion through ChemSec with the cabinet of EU Commissioner Thierry Breton in Brussels and with companies actively working on sustainable alternatives for hazardous chemicals. As the only investor present, a representative from NAM's Responsible Investment team presented our views on chemicals regulation within the EU as well as the necessity of clear classification frameworks for sustainable or 'green' chemistry.

Furthermore, we were able to discuss the importance that ESG reporting in the chemicals industry plays for us as investors at the GC3 Conference in Leverkusen, where we participated in a panel titled 'The Role of ESG Reporting in Driving Growth of Sustainable Chemistry Investment' together with company representatives and the European Commission.

32) [ChemSec \(2023\): ChemScore Report 2023.](#)

Engagement case: Ulta Beauty
Fund: Nordea 1 – Global Climate engagement Fund

Background

In 2023, we initiated our engagement with the US-based beauty company, Ulta Beauty. This engagement focuses on responsible procurement practices and a sustainable product offering. This includes both our belief that the company needs to source products and packaging with a lower lifecycle of environmental impacts, but also as a retailer the need to actively engage suppliers on their environmental footprint to enable positive change throughout the value chain.

However, given our broader PFAS engagement, we have also included this topic in discussions with Ulta Beauty. Given the absence of a harmonised regulatory framework and the uneven development of standards, we need to consider the ingredients and chemical management of consumer-facing companies such as Ulta. While we have seen improvements in the company's external rating for the management of chemicals, such as through the Retailer Report Card on Toxic Chemicals, we aim to further encourage positive progress and practice within this domain.

The Engagement

We discussed how the company can position itself progressively on the ingredients side with a 'Beyond Restricted Substances List' which goes further than legal compliance, such as on the topic of PFAS, while maintaining the possibility to offer a broad range of choices across different customers' sustainability preferences. In this regard, we encouraged the company to work closely with its entire supply chain to ensure that these substances are already – or can be – removed from their products.

Ulta explained its approach and the integration of 'Conscious Beauty' across the company. The company takes a holistic approach, which rests on a foundation of transparency as well as offering choices for consumers while monitoring and addressing the demand for more sustainable offerings. Its platform aims to allow the customer to make the best choice for themselves, offering different certified "pillars" within their sustainable offering.

Outcome

We followed up with the company, reiterating our key points.

- The company has a powerful role to play in going a step further to help customers not make adverse choices even while regulations on chemicals of concern, such as PFAS, are not finalized and remain patchy
- The long-term aspiration could be a 'Beyond Restricted Substances List' which goes further than legal compliance and would further underline the responsibility that Ulta already now takes towards its customers

Finally, we complimented the company on their reporting and encouraged them to enhance the quality and disclosure even further by discussing the progress and journey of their 'Made Without' list and ongoing engagements with brands and manufacturers on these topics where feasible.

Voting



Voting is an effective tool to influence companies and to support and escalate our engagements. We believe that sound corporate governance contributes to long-term shareholder value and thus supports sustainable development.

Our [Corporate Governance Principles](#) summarises our view on a range of governance issues such as board composition, remuneration and sustainability.

The Corporate Governance team spearhead our voting efforts. The team analyses investee companies' shareholder meeting agenda items and resolutions, and organises ongoing dialogue with investee companies before and after these meetings with the aim to:

- Be a responsible investor and strategic partner to our investee companies
- Encourage best practise in line with our corporate governance principles
- Raise awareness among board members around sustainability topics, particularly climate commitments

The Corporate Governance team cooperates closely with NAM's RI team, which leads NAM's work on responsible investment alongside the portfolio managers. The teams maintain an ongoing ESG dialogue with companies to get a better understanding and push for continued improvements.

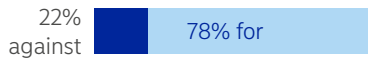
Besides good governance, we place particular emphasis on our other active ownership focus areas: climate, human rights and biodiversity. We see more and more shareholder proposals relating to environmental issues and climate reporting, and support for these type of resolutions is increasing. We welcome the fact that interest in these issues is growing each year and that increasing numbers of investors are supporting shareholder proposals around these questions.

In 2023 we voted at about 3,700 General Meetings on thousands of proposals, including issues such as climate, data privacy, diversity, as well as remuneration programs and capital structure. The outcome in 2023 is well above our target of 90% of possible voting.

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 2023 we were represented in 39 nomination committees in three countries, in line with previous years. We also strive to introduce ownership-led nomination committees in other countries, and we have been successful several times in doing so.

In 2023, we voted in around 3700 General Meetings Representing around 90% of all votable meetings

Voted in 98% of climate proposals



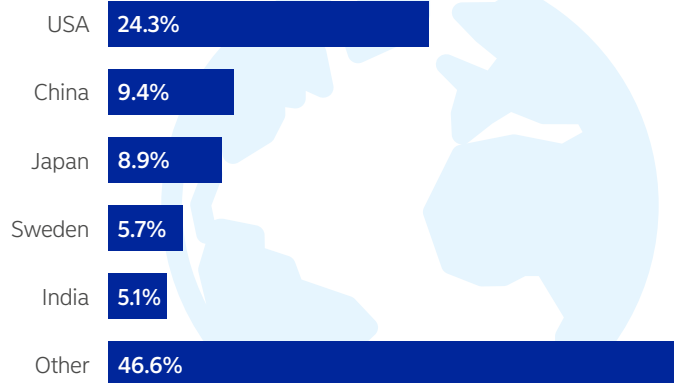
Alignment with management



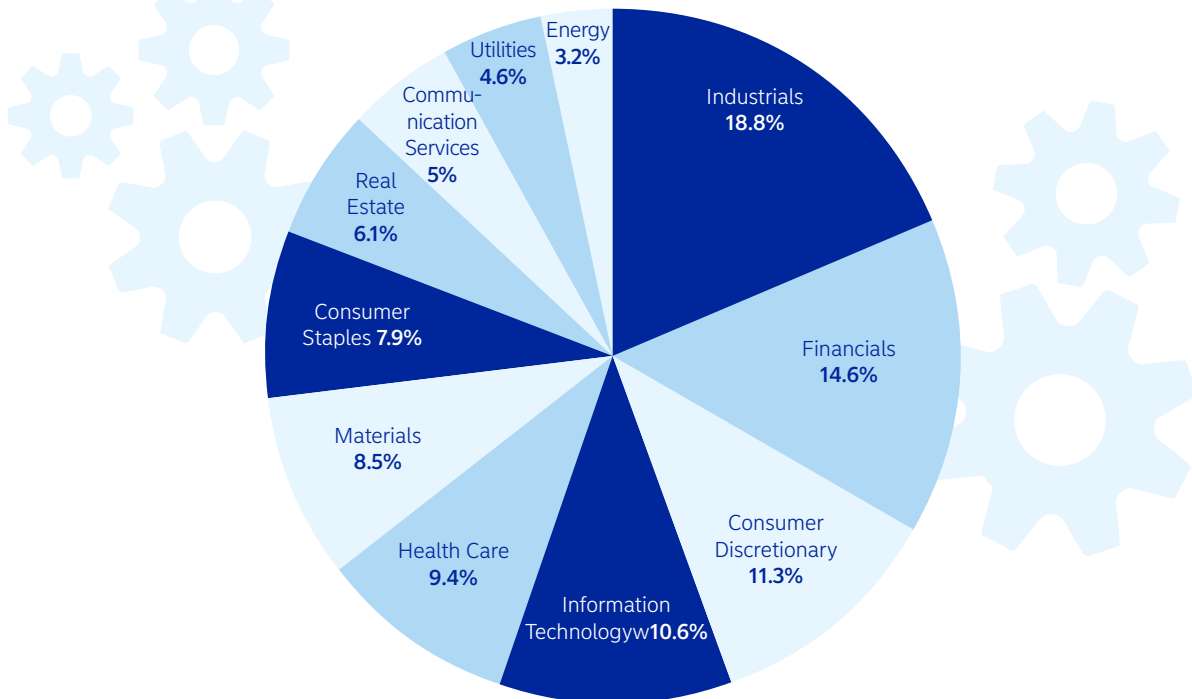
Examples of important votes are made available in the appendix of this report.

More information on our voting is available on our [voting portal](#).

Meetings by country



Meetings by sector



Voting activities

As a signatory of the UNPRI, we have undertaken to integrate ESG factors in our investing activities, and this is reflected in our voting practices. Our proxy-voting activities cover governance themes, and each year we work hard to expand our voting activities around social and environmental themes, which we illustrate here.

Climate

Climate has been one of our major active ownership themes for years, and 2023 is no exception. Climate poses significant investment risks and opportunities to many companies. Companies are thus encouraged to align with the Paris Agreement. Climate votes represent an opportunity for us to signal our approval or voice concerns over a company's climate action plan.

In 2023, a lot of our work revolved around alignment with the Paris Agreement. Our activities here were wide ranging, from shareholder proposals in favour of aligning targets for indirect scope 3 emissions with the Paris Agreement, like we did with Total Energies and Shell, to requesting better reporting on GHG emissions targets with Public Storage and reporting on Corporate Climate Lobbying practices with Toyota Motor Corp. On proposals that require companies to disclose information about its governance, strategy, risk management and targets related to climate risks, we voted in favour.

Finally, the Corporate Governance Team cooperates with the Responsible Investments Team to harness the power of voting and engagement together. One example is our activities around reducing methane emissions, which is now the topic of a company-wide engagement campaign. In 2023, we voted in favour of reporting on the reliability of methane emission disclosures for Coterra Energy Inc.



Compensation

We are positive towards reasonable share-based incentive programs for employees in investee companies. Incentive programs should incentivise long-term ownership of shares and should be constructed with requirements of own investment and financial as well as ESG performance criteria.

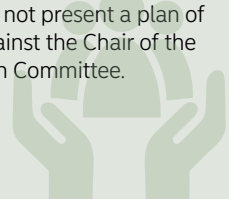
Nevertheless, we frequently voted against the proposed executive remuneration mainly in the US. This is because performance criteria in the share-based incentive programs were inadequate or non-existent, combined with too generous outcomes.

We've had several discussions with companies about their incentive programs. For example, a Swedish company presented to us a management compensation program prior to sending out the notice to the shareholders meeting. As the amount of shares being awarded key management was far too generous and not in the best interest of the shareholders, we declared that NAM would vote against the program. The program was pulled from the shareholders meeting before the notice was sent and a new program was presented at an extra general meeting.

Board composition and gender diversity

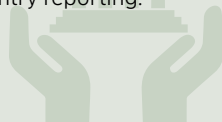
Nordea believes that participation on owner-lead nomination committees is a good forum to influence the composition of the board of directors and drive real change – for instance bringing about greater board diversity. We believe that a board should be diversified in terms of gender, experience, age and other factors. In terms of gender equity, we think a board should preferably be made up by at least 40% of either gender.

That's why we reached out to 75 companies where there were no women on the board of directors stating that we will vote against the Chair of the Board of Directors, or the Chair of the Nomination Committee if there was no change. In 2023, 56% of the companies addressed had elected at least one woman on the Board of Directors. In the remaining companies that could not present a plan of intended changes, Nordea voted against the Chair of the Board or the Chair of the Nomination Committee.



Tax Transparency

A company's approach to tax is now beyond a simple question of compliance and has become, in the context of ESG, an indicator of how a business views its role in society and its commitment to its purpose. 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.





Outlook 2024

Reports of the death of ESG are grossly exaggerated. In the real world, the undercurrent of Responsible Investing continues to strengthen among investors, while supporting regulation is successively rolled out in numerous jurisdictions. While robust debate about the ESG acronym continues in the political space – especially in the United States – and much of the early hype is receding, sustainability factors are steadily entering the mainstream of investing. This means increasing demands on asset managers, as the focus shifts to the substance and integrity of the sustainability-related claims made.

Headlines in the last few quarters have been heavy with reports of outflows from ESG³³ funds and investment strategies. Less publicised is the fact that global fund asset in funds deemed “sustainable” by Morningstar³⁴ rose from just over 2,5 trillion at the end of 2022 to nearly 3 trillion by end 2023. Nonetheless, while the last quarter of 2023 saw the first outflows from SFDR Article 9 funds, as well as from the Article 8 category, assets in Article 8 and 9 funds in fact grew, reaching a new record share of almost 60% of European fund assets.

The difficult macroeconomic and geopolitical environments and the competition from higher-rate bank deposits are all part of the explanation why investors are currently less enthusiastic for investment funds in general. These factors have also affected the ESG segment of the market. Setbacks to renewable energy

stocks are also likely to have played a pivotal role. But two other factors particular to the ESG space should not be overlooked:

Firstly, the higher rate environment carries a shift towards fixed income for those investors who stay in the market – and a sizeable portion of fixed income funds are in single-country government bonds. While these are typically consistent with investment strategies focused on avoiding harm (a prevalent concern of sustainability-minded investors), they do not lend themselves easily to ESG methodologies or classification. Thus, a shift towards bonds would superficially appear as reduced interest in ESG.

Secondly, data from Europe collected by Morningstar shows that the ESG funds with the largest outflows were Article 8 funds with no commitment to Sustainable Investments as defined under the

33) The term ESG is used here as a neutral catch-all for investment strategies variously described as ESG, Responsible, SRI or Sustainable.

34) Morningstar: SFDR Article 8 and Article 9 Funds: Q4 2023 in Review, and Morningstar: Global Sustainable Fund Flows: Q4 in Review, both January 2024.

EU SFDR. This could reasonably be interpreted to reflect investor concerns with greenwashing, in the sense of funds labelling themselves as ESG without delivering much in terms of differentiation from traditional investment strategies without a sustainability lens. Circumstantial evidence for this can be found in numerous investor surveys, where respondents express interest in – and a priori preference for – ESG investing, but are held back by doubts about the validity of the sustainability-related claims made.

In fact, surveys³⁵ among both institutional and retail investors continue to confirm that investors look for value creation not just in financial terms but also in terms of positive environmental (especially climate), as well as social impact. The avoidance of harm, expressed as a wish to minimize negative environmental

“From our own dialogues with investors, we get a consistent message: ESG factors are increasing in importance and the focus is shifting from easy solutions to the nitty-gritty of what we at Nordea Asset Management call Returns with Responsibility.”

and social impact, is equally prevalent. This does not mean that investors are not in the market for financial returns – they clearly are. But it does tell us that they are looking to achieve those returns within a set of guardrails that reflect their personal and institutional values. This preference for ESG guardrails becomes especially clear when investors are asked about their preferences to company behaviour, where a large majority consistently agree that companies should do their best to reduce their negative environmental and social footprints. It seems fair to conclude that sustainability issues matter to many – if not all – investors, and that these investors care not just about the headline of an investment strategy, but about what is actually delivered.

Regulation in many jurisdictions is supportive in this regard. In the EU, adjustments and clarifications to the current SFDR are currently being published, while regulation governing the naming and content of ESG funds is imminent. In the UK, the SDR will introduce categories of ESG-related products that should introduce more clarity and alleviate the confusion and hesitance some investors have felt in taking the step from preferences to portfolio implementation of their sustainability-related views. And next in line is a reform of the SFDR, potentially bringing it

closer to the thinking behind SDR. In the US and Japan, as well as Singapore and other countries globally, regulation to further sustainable finance are also continuing to be rolled out.

From our own dialogues with investors, there is a consistent message: ESG factors are increasing in importance and the focus is shifting from easy solutions to the nitty-gritty of what we at Nordea Asset Management call Returns with Responsibility. Our clients are looking for strong baseline ESG content, robust and effective stewardship activities across portfolios, and specialised tools and approaches in areas like climate, DEI and elsewhere. External certification of ESG-related processes will also become increasingly important. Notably, on the institutional side, even mandates and strategies that are not explicitly “ESG” now imply specific demands around especially stewardship, in the form of company engagement and voting at AGMs. Finally, climate investing and the challenge of contributing to real-world decarbonisation are taking centre stage against the backdrop of the increased urgency to reduce the pace of global warming and stay as close to the targets of the Paris Agreement as possible.

We believe all of these themes play to the strength of Nordea Asset Management: Investment stewardship has always been a core activity, whereby we have won several awards, including, in 2023, the Environmental Finance Company Award for Pollution Reduction Initiative of the Year. This award was given for our Methane engagement program, under which 9 engaged companies joined UNEP’s OGMP 2.0 Methane mitigation Partnership in 2023, with Exxon Mobil – in a major reversal – announcing its intention to join as the 10th in January 2024. In the area of climate, our uniquely focused Global Climate Engagement strategy follows in the footsteps of our long-running Global Climate and Environment Strategy, and is the hands-on future of climate investing. At the same time our industry-leading decarbonisation tools and methodologies can be adapted across a range of portfolios.

In conclusion, no matter the labels and the language used, the substance and integrity of ESG processes and strategies are increasingly what counts. At Nordea Asset Management, we are committed to this, seeking to deliver, as always, **Returns with Responsibility**.



Eric Pedersen
Head of Responsible
Investments

35) Including Morgan Stanley: “Sustainable Signals”, January 2024.

Appendices



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 products³⁶
- 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

³⁶ 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.

RI Initiatives

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

Investor statements and letters

Global Financial Institutions Statement to Governments on Deep Seabed Mining: This letter, signed by 36 signatories of the Finance for Biodiversity Pledge, representing over EUR 3.3 trillion of combined assets, urges governments to halt negotiations underway at the International Seabed Authority, which could lead to a potential start of deep seabed mining (DSM) in international waters.

Comment letter to the United States Environmental Protection Authority: The letter supported the Environmental Protection Agency's (EPA's) updated methane regulation for the oil and gas industry, the largest source of industrial methane emissions in the United States. The letter called for expanded leak monitoring, a phase out of polluting pneumatic devices, and additional restrictions on routine flaring. The final, strengthened regulation was published in December 2023.

Letter to the UK Prime Minister from the CEOs of IIGCC, PRI and UKSIF: CEOs of IIGCC, Principles for Responsible Investment, and UK Sustainable Investment and Finance Association, have sent a letter to UK Prime Minister, Rishi Sunak, following his announcement that the British government would water down key net zero policies. The letter signals deep concern with the recent proposals to 'backtrack on vital policy measures that support the UK's transition to net zero'. The letter was supported by 32 investors and financial institutions.

Investor initiatives

Access to Medicine Index

The index 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.

Antimicrobial Resistance (AMR) Benchmark

The AMR Benchmark tracks how pharmaceutical companies are responding to heightened drug resistance. We were a member of expert committee between 2017 and 2019.

Canada Climate Engagement (CEC)

Climate Engagement Canada (CEC) is a collaborative engagement initiative targeting the country's heaviest emitters. It is co-ordinated by Canada's Responsible Investment Association, the Shareholder Association for Research and Education (Share) and Ceres. Nordea Asset Management joined CEC in 2023 as the first international supporter.

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 part of the CDP Water Advisory Council.

CDP Green Finance Accelerator (GFA)

NAM is a signatory for the CDP Green Finance Accelerator, which is an initiative designed to drive greater climate and environment-related data reporting from companies. The greater transparency that results will assist investors in focusing their investments and meeting the reporting requirements of the EU's ESG regulations, which are ultimately aimed at directing capital towards greener investment.

Climate Action 100+

We are a signatory of the Climate Action 100+, a collaborative 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. In 2023 we were lead investor, or collaborative investor, in several CA100+ corporate engagements.

Collaborative Sovereign Engagement on Climate Change

This engagement initiative is a pilot PRI-coordinated investor initiative to support governments to act on climate change. We are part of the Advisory Committee.

Diversity Project Europe

Since 2021 NAM has been a part of Diversity Project UK which is a cross-company initiative championing a truly diverse, equitable and inclusive UK investment and savings industry. In 2023, NAM has committed to a new chapter of the project called Diversity Project Europe covering a larger geographical scope which will enable cross-border collaboration to help promote a diverse and inclusive European asset management industry. The project is a non-profit organisation structured with a board, advisory council and steering group. Kasper Elmgreen, CIO of Fixed Income & Equities, has taken a seat in the advisory council which is a group responsible for defining and setting out the strategy of the project.

Emerging Markets Investor Alliance

We are a member of the Emerging Markets Investors Alliance. It enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest.

FAIRR

We have joined the FAIRR's collaborative investor engagement on sustainable proteins which asked several 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 153 financial institutions, representing €21.4 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.

IFRS Sustainability Alliance

We are founding member of the ISSB Investor Advisory Group (IIAG), previously 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. Previously known as the Sustainability Accounting Standards Board (SASB).

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. In 2023 we were lead investor, or collaborative investor, in several IIGCC corporate engagements.

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 Action on Antimicrobial Resistance

Investor Action on Antimicrobial Resistance is a coalition between the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care to galvanise investor efforts to address global antimicrobial resistance.

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. In 2023 we continued to participate in several initiatives within IAHR such as Digital Rights.

Investor Initiative on Hazardous Chemicals (IIHC)

The Investor Initiative on Hazardous Chemicals (IIHC) is an investor-led initiative that encourages chemical companies to increase transparency and stop the production of persistent chemicals. The aim of the IIHC is to reduce adverse impacts from hazardous chemicals and thereby exposure to the financial risks to which they are linked. Cecilia Fryklöf, our Active Ownership head, is member of the Steering Committee of the Investor Initiative on Hazardous Chemicals (IIHC – supported by ChemSec). NAM also leads and support several company engagement streams.

Investor Initiative on Sustainable Forests (IISF)

In 2020, we joined this global partnership of financial institutions 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 have 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. We are also part of the IPPD Brazil and IPDD Indonesia Working streams. Considerable progress has been made in terms of awareness-raising in regard to the issue of deforestation risk and meeting with key stakeholders. During the past two years, the group has met with several ministries, banks and financial markets regulators, multilateral institutions, NGOs, and academics.

Montreal Carbon Pledge

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

Nature Action 100

In 2023, NAM joined more than 200 institutional investors – representing \$26.6 trillion in assets under management, in Nature Action 100, an Investor focusing on companies “systematically important” to reverse nature and biodiversity loss. The initiative has entered its engagement phase and we participated in the letter that was sent to 100 companies, who have been identified as critical for biodiversity protection and restoration. NAM will take part in several NA100 corporate engagements during 2024.

Net Zero Asset Managers Initiative (NZAM)

In December 2020, we were a founding investor, 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. Part of the NZAM targets that we set was to engage with the top 200 contributors to our financed emissions. In 2023 81% of our top 200 companies were categorised as aligned or engaged to become aligned.

This milestone was met through the following key actions: Individual dialogues with companies in which we stated and discussed our expectations of Paris alignment; Engagements via collaborative initiatives (CA100+, CDP non-disclosure campaign); A letter addressed to select company CEOs outlining the six alignment criteria and highlighting our expectation, as well as the expectation of the growing number of net-zero committed asset managers, of an increase in alignment maturity if the company is to remain investable in the medium to long term.

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. In 2023 we continued to promote the use of PCAF in the financial sector.

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 up to the PRI as early as 2007.

Swedish Investors for Sustainable Development Partnership

Comprising 20 of the largest financial firms in the Swedish market and the Sweden's government agency for development cooperation (Sida). It was formed in 2016 and works to explore the role of investors, risks and opportunities related to the 2030 Agenda. NAM 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. NAM joined in 2020.

UN Environmental Programme Finance Initiative (UNEPFI)

We signed on to the UNEP FI in 1994. It is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. Nordea Group became a member of the UNEP FI Banking Committee in 2018, and since August 2020 it holds the Scandinavian seat on the UNEP FI Banking Board which oversees the effective implementation of the principles for Responsible Banking. 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. Members work together at global, regional, and local levels to shape the private sector's contributions to achieving the SDGs.

Reporting and transparency

Responsible Investment at NAM

[Responsible Investment Microsite](#)

[Nordea Responsible Investment Policy](#)

[Corporate Exclusion List](#)

[Dedicated ESG STARS Microsite](#) (including quarterly ESG Reports and monthly factsheets)

[Dedicated Thematic Sustainable Solutions Microsite](#) (including quarterly ESG Reports and monthly factsheets)

[Dedicated Climate Expertise Microsite](#)

Nordea Group Sustainability

[Nordea Group Annual Report](#)

Corporate Governance and Active Ownership

[Nordea Corporate Governance Principles](#)

[Nordea Engagement Policy](#)

[Voting Portal](#)

[Annual Voting Report](#)

Climate

[Annual Climate Report](#)

[Paris Aligned Fossil Fuel Policy](#)

Biodiversity

[Biodiversity Report](#)

SFDR information and reporting

[Principal Adverse Impact statement](#)

[Sustainability risk integration into remuneration](#)

[Sustainability risk integration into investment decision-making process](#)

[Sustainability-related disclosures](#) (Product-Specific Article 10 documents)

[Glossary](#)

For more information:



Nordea
ASSET MANAGEMENT

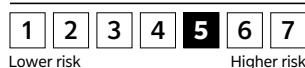
ESG STARS funds: risks for European investors

March, 2024

Nordea 1 – Asian Stars Equity Fund

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

Risk indicator



Nordea 1 – European Small and Mid Cap Stars Equity Fund

LU0417818407 (BP-EUR) / LU0417818316 (BI-EUR)

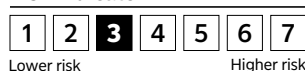
Risk indicator



Nordea 1 – Emerging Stars Bond Fund

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

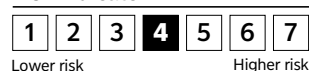
Risk indicator



Nordea 1 – European Stars Equity Fund

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

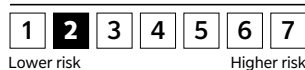
Risk indicator



Nordea 1 – Emerging Stars Corporate Bond Fund

LU2500359935 (BP-USD) / LU2500360271 (BI-USD)

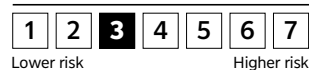
Risk indicator



Nordea 1 – Global High Yield Stars Bond Fund

LU2638553375 (BP-USD) / LU2638554936 (BI-USD)

Risk indicator



Nordea 1 – Emerging Stars Local Bond Fund

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

Risk indicator



Nordea 1 – Global Stars Equity Fund

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

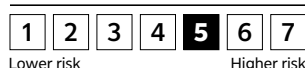
Risk indicator



Nordea 1 – Emerging Stars Equity Fund

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

Risk indicator



Nordea 1 – Nordic Stars Equity Fund

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

Risk indicator



Nordea 1 – Emerging Stars Ex China Equity Fund

LU2528868008 (BP-USD) / LU2528868263 (BI-USD)

Risk indicator



Nordea 1 – North American High Yield Stars Bond Fund

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

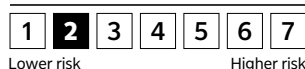
Risk indicator



Nordea 1 – European Corporate Stars Bond Fund

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

Risk indicator



Nordea 1 – US Corporate Stars Bond Fund

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

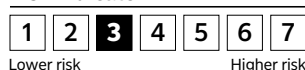
Risk indicator



Nordea 1 – European High Yield Stars Bond Fund

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

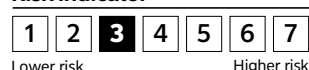
Risk indicator



Nordea 1 – North American Stars Equity Fund

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

Risk indicator



Thematic Sustainable solutions: risks for European investors

March, 2024

Nordea 1 – Global Climate and Environment Fund

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

Risk indicator



Nordea 1 – Global Climate Engagement Fund

LU2463526074 (BP-USD) / LU2463525423 (BI-USD)

Risk indicator



Nordea 1 – Global Social Empowerment Fund

LU2257592514 (BP-USD) / LU2257592787 (BI-USD)

Risk indicator



Nordea 1 – Global Social Solutions Fund

LU2527453513 (BI-USD) / LU2527453356 (BP-USD)

Risk indicator



Nordea 1 – Global Impact Fund

LU2355697216 (BI-USD) / LU2355687059 (BP-USD)

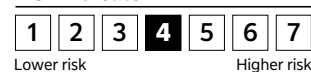
Risk indicator



Nordea 1 – Global Diversity Engagement Fund

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

Risk indicator



Nordea 1 – Global Sustainable Listed Real Assets Fund

LU2500361329 (BP-USD) / LU2500361675 (BI-USD)

Risk indicator



Nordea 1 – Green Bond Fund

LU232791321 (BI-EUR) / LU2327920356 (BP-EUR)

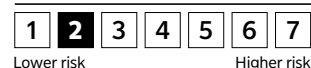
Risk indicator



Nordea 1 – Social Bond Fund

LU2555222723 (BI-EUR) / LU2555222566 (BP-EUR)

Risk indicator



Please see below the list with the most recurrent risks for each of our **ESG STARS & Thematic funds**.

Equity funds

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Depository receipt risk: Depository receipts (certificates that represent securities held on deposit by financial institutions) carry illiquid securities and counterparty risks.

Emerging and frontier markets risk: Emerging and frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, legal and currency risks, and are more likely to experience risks that, in developed markets, are associated with unusual market conditions, such as liquidity and counterparty risks.

Securities handling risk: Some countries may restrict securities ownership by outsiders or may have less regulated custody practices.

Taxation risk: A country could change its tax laws or treaties in ways that affect the fund or shareholders.

Country risk – China: The legal rights of investors in China are uncertain, government intervention is common and unpredictable, and some of the major trading and custody systems are unproven.

Bond funds

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Prepayment and extension risk: Any unexpected behaviour in interest rates could hurt the performance of callable debt securities (securities whose issuers have the right to pay off the security's principal before the maturity date).

Credit risk: A bond or money market security, whether from a public or private issuer, could lose value if the issuer's financial health deteriorates.

For the complete list of the risks related to the funds, please refer to the section "Risk Descriptions" in the Prospectus and the PRIIPs KIDs of the respective funds.

Risks relevant to the strategies and funds presented, please consult the prospectus for a full description of the risks

Derivatives risk: Small movements in the value of an underlying asset can create large changes in the value of a derivative, making derivatives highly volatile in general, and exposing the fund to potential losses significantly greater than the cost of the derivative.

Emerging and frontier markets risk: Emerging and frontier markets are less established, and more volatile, than developed markets. They involve higher risks, particularly market, credit, legal and currency risks, and are more likely to experience risks that, in developed markets, are associated with unusual market conditions, such as liquidity and counterparty risks.

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