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# ESG Report

Nordea 1 – Emerging Stars Equity Fund

Second quarter 2023



**Nordea**  
ASSET MANAGEMENT

# Overview

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# Sustainability footprint

The sustainability footprint of EUR 100,000 invested in

## Nordea 1 – Emerging Stars Equity Fund

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

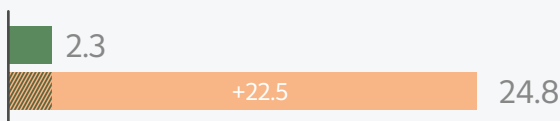
For illustrative purposes only

■ Nordea 1 – Emerging Stars Equity Fund

■ Illustrative Benchmark: NASDAQ Emerging Large Mid Cap Index

**CO<sub>2</sub> emissions<sup>1</sup>** **2.3 t**

Most of your savings are invested in companies that on average emit less CO<sub>2</sub> compared to their peers.



22.5 tonnes less than illustrative benchmark

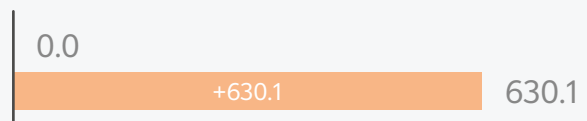
**18.8**



The equivalent of annual CO<sub>2</sub> emission from 18.8 cars

**Underground oil, gas and coal reserves** **0.0 t**

None of the companies in your portfolio own fossil fuel reserves, neither oil, coal nor gas.



630.1 tonnes less than illustrative benchmark

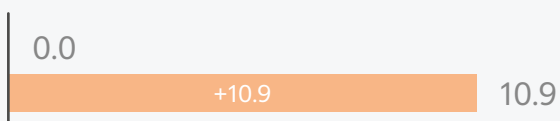


**788x**  
CPH / BKK

Equal to 788 Copenhagen-Bangkok flights

**Waste generation** **0.0 t**

Most of your savings are invested in companies that on average produce less waste than their peers.



10.9 tonnes less than illustrative benchmark

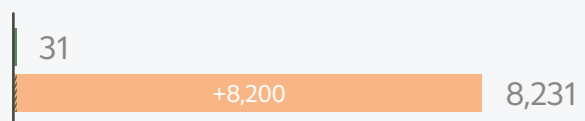
**1,090**



Equal to approx. 1,090 waste bags avoided

**Water usage** **31 m<sup>3</sup>**

Most of your savings are invested in companies that on average consume less water than their peers.



+8,200 m<sup>3</sup> less than illustrative benchmark



**78.1**

The equivalent of the water used by 78.1 households

1) Measured as CO<sub>2</sub>-equivalent greenhouse gas emissions. This sustainability footprint overview is prepared by NASDAQ based on analysis of Nordea 1 – Emerging Stars Equity Fund's holdings as of 30.06.2023. The analysis is based the equity investments in the fund and the holdings are compared to the NASDAQ Emerging Large Mid Cap Index, a broad market index used as benchmark for illustrative purposes only and which does not correspond to the official benchmark of the fund. The calculations are based on an example investment of 100,000 EUR, of which ca. 98% is invested in equities. For illustration purposes only. This overview does not constitute investment advice. Please note that the value of investments can go up as well as down and you might not get back the amount originally invested. Data & metrics are powered by Matter.

# Overview of ESG characteristics

## Corporate level ESG overlays of Nordea Asset Management

NAM's Responsible Investment Framework comprises a wide range of RI approaches. Some are decided and deployed at the corporate level – 'overlays' – while others are product-specific and apply to solutions with a stronger ESG focus. The corporate 'overlays' apply to all funds managed by NAM.

**Active ownership**

**Corporate-level exclusion list**

**Norms-based screening**

**Sustainability risk integration**

All of our funds are subject to minimum sustainability-related eligibility criteria. For example, we do not invest in companies involved in the production of controversial, illegal or nuclear weapons. Nor do we invest in companies with large and sustained exposure to coal mining, with a 5% revenue threshold on thermal coal, and a 30% revenue threshold on total coal (including metallurgical coal). Similarly, we exclude companies with large and sustained exposure to oil and gas extraction through oil sand with 5%, and Arctic drilling with 0% revenue threshold.

## Fund specific ESG characteristics

### Industry exclusions

While engagement is always NAM's preferred approach, we have made a decision to exclude certain industries from our ESG STARS range.

 Adult entertainment*	 Alcohol*
 Gambling*	 Tobacco and tobacco-related products**
 Coal mining <sup>2</sup>	 Conventional <sup>3</sup> oil & gas/ unconventional <sup>4</sup> oil & gas
 Controversial weapons <sup>5</sup>	 Military equipment*
 Nuclear weapons <sup>6</sup>	

### SFDR classification: Article 8

The fund is categorised as an Article 8 product based on Sustainable Finance Disclosure Regulation (SFDR) and adheres to the below characteristics:

- Active Ownership and Engagement
- Enhanced exclusion filters and other limits
- ESG STARS strategy
- Exclusion list
- Norms-based Screening
- Paris Aligned Fossil Fuel Policy (PAFF)
- Principal Adverse Impact (PAI) integration

### ESG labels<sup>7</sup>

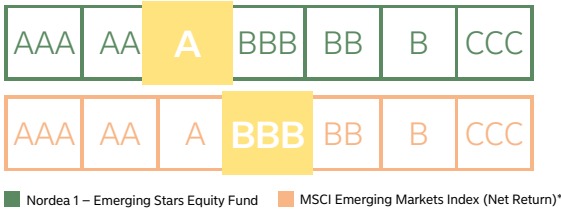


### Find out more about RI at Nordea Asset Management:

\* 5% revenue threshold on production. \*\* 5% revenue threshold on production, distribution and services. 2) NAM excludes companies with large and sustained exposure to coal mining, with a 5% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal). 3) 5% revenue threshold or alignment with the Paris Agreement as per the PAFF. Refers to oil & gas exploration and production companies, as well as integrated oil & gas companies (BICS classification 135 and 136). 4) 0% revenue threshold on oil sands, shale oil/gas, hydraulic fracturing, and Arctic drilling. 5) 0% revenue threshold. Controversial weapons include anti-personnel mines, cluster munitions, depleted uranium, biological/chemical weapons, incendiary devices. 6) 0% revenue threshold. Production and development of nuclear weapons. 7) LuxFLAG ESG Label recognises the Nordea 1 – Emerging Stars Equity Fund, validity 01.10.2022–30.09.2023. Towards Sustainability recognises the Nordea 1 – Emerging Stars Equity Fund, validity 07.2022–07.2024. Label ISR recognises the Nordea 1 – Emerging Stars Equity Fund, validity 02.2023–02.2026. For more information on sustainability-related aspects of the fund, please visit

# ESG overview

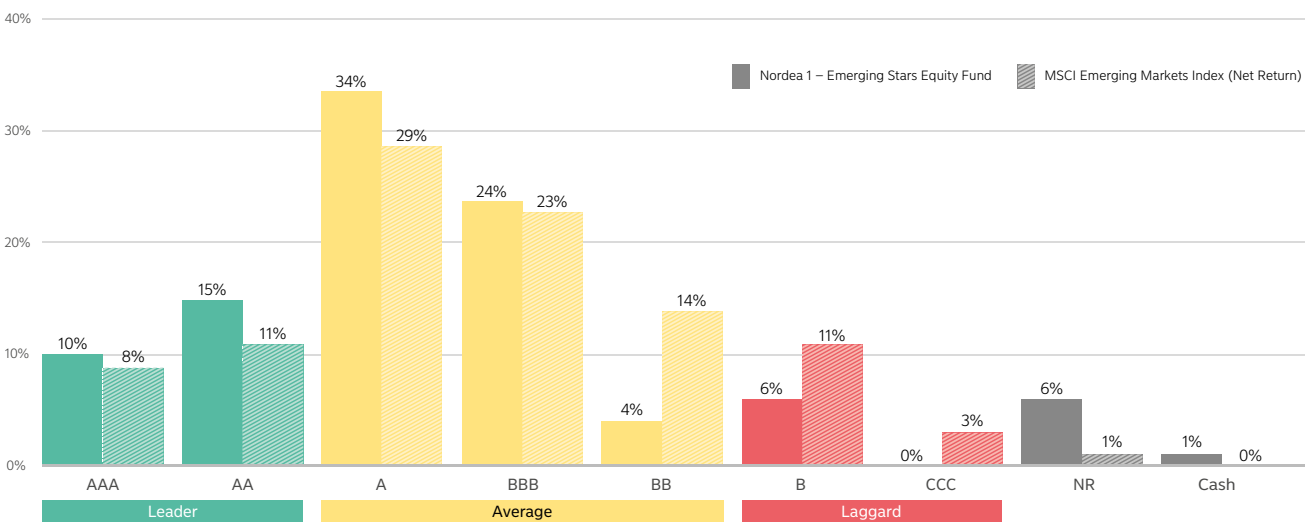
## ESG rating<sup>8</sup>



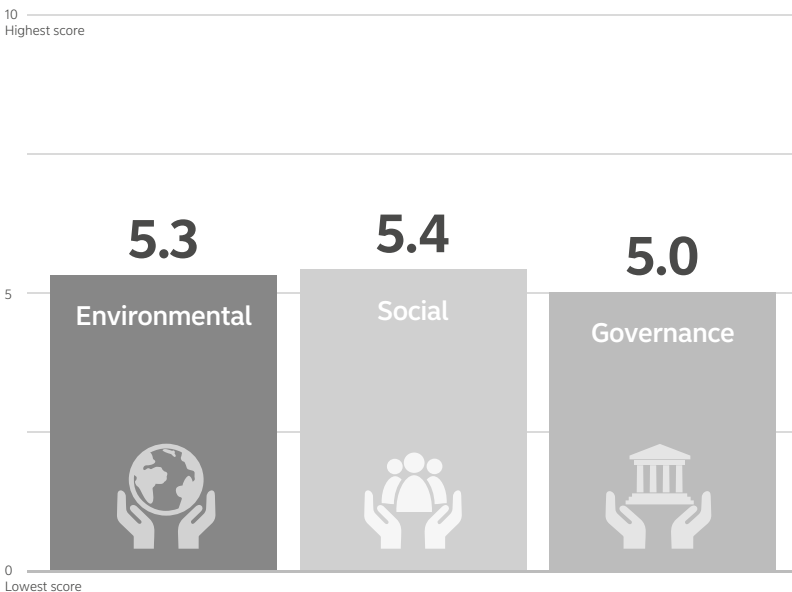
**Please note** that the MSCI ESG rating is mainly backward looking, relying mainly on publicly available information and can differ from Nordea’s internal ESG scoring which is based on a forward-looking approach.

The ESG Rating assesses the resilience of a fund’s aggregate holdings to long-term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks.

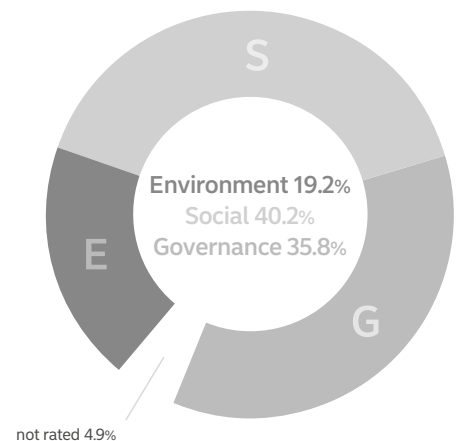
## ESG Rating breakdown<sup>8</sup>



## ESG scores by pillar<sup>8</sup>



## ESG risk exposure<sup>8</sup>









<sup>8</sup>) ©2023 MSCI ESG Research LLC. Reproduced by permission. \*The fund uses a benchmark which is not aligned with the environmental and social characteristics of the fund.

# ESG indicators

## Environmental indicators







■ Nordea 1 – Emerging Stars Equity Fund ■ Benchmark\*

<p>58 t</p> 	<p>322 t</p> 	<p><b>Weighted Average Carbon Intensity (tCO<sub>2</sub>e/USD million)</b></p> <p>The WACI measures a portfolio’s exposure to carbon intensive companies.</p>
<p>0.0%</p> 	<p>5.9%</p> 	<p><b>Exposure to high impact fossil fuel reserves</b></p> <p>The percentage of portfolio’s market value exposed to companies that own high impact fossil fuel reserves.</p>
<p>0.0%</p> 	<p>1.9%</p> 	<p><b>Exposure to environmental controversies</b></p> <p>The percentage of portfolio’s market value exposed to companies facing one or more very severe environmental controversies.</p>

## Social indicators

<p>0.0%</p> 	<p>1.8%</p> 	<p><b>Exposure to human rights norms violation</b></p> <p>The percentage of portfolio’s market value exposed to companies in violation of international norms around human rights.</p>
<p>4.6%</p> 	<p>7.2%</p> 	<p><b>Exposure to human rights controversies</b></p> <p>The percentage of portfolio’s market value exposed to companies facing one or more very severe human rights and community controversies.</p>
<p>4.6%</p> 	<p>8.6%</p> 	<p><b>Exposure to labour controversies</b></p> <p>The percentage of portfolio’s market value exposed to companies facing one or more very severe labour controversies.</p>

## Governance indicators

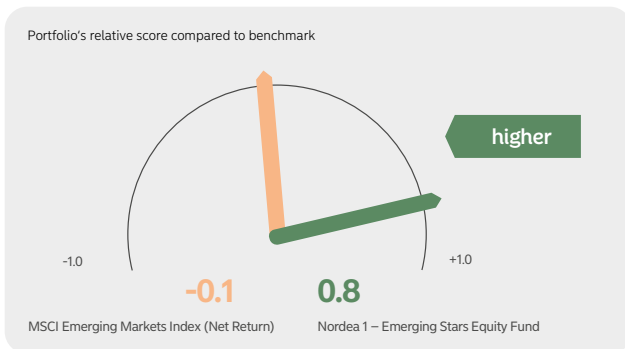
<p>6.4%</p> 	<p>14.1%</p> 	<p><b>Exposure to companies with no female directors</b></p> <p>The percentage of portfolio’s market value exposed to companies with no female directors.</p>
<p>71.4%</p> 	<p>69.1%</p> 	<p><b>Exposure to companies with a majority of independent board members</b></p> <p>The percentage of portfolio’s market value exposed to companies with board independence above 50%.</p>
<p>12.2%</p> 	<p>6.8%</p> 	<p><b>Exposure to governance controversies</b></p> <p>The percentage of portfolio’s market value exposed to companies facing one or more severe or very severe governance controversies.</p>

9) As measured by the iShares MSCI Emerging Markets ETF. Source: MSCI ESG Research LLC as of 30.06.2023. ©2023 MSCI ESG Research LLC. Reproduced by permission. Portfolio coverage 99.15%. Weighted Average Carbon Intensity based on MSCI Emerging Markets Net Return Index as of 30.06.2023. Scope 1&2. For further information on scope 1&2 please refer to the 'Methodology – Sustainability footprint' section in the appendices of this report. This metric relies on carbon data gathered by Nordea Investment Funds S.A., MSCI Inc. and is based on the Swedish Fund Association's recommendation. Further information on the calculation approach is available at: [https://www.nordea.fi/etf/esg](#). Source: Nordea Investment Funds S.A., MSCI Inc. The fund commits to perform better than its benchmark on two indicators, the Weighted Average Carbon Intensity (Portfolio coverage: 97.2%; Benchmark coverage: 96%) and the Exposure to Human Rights Norms Violation (Portfolio coverage: 87%; Benchmark coverage: 100%).

# Contribution to SDGs

## Total sustainability score (vs benchmark)

The chart below shows the contribution of the portfolio holdings products and services to both environment and social considerations compared to companies held in the benchmark. The contribution of the portfolio to the 15 objectives (social and environmental) is higher than the benchmark.



The relative score is calculated as follow: (Portfolio net score)/(Benchmark net score). Should the score of the benchmark be close to zero the relative score multiple might be distorted. **Comparison with other financial products or benchmarks is only meant for indicative purposes.**

## Top contributors

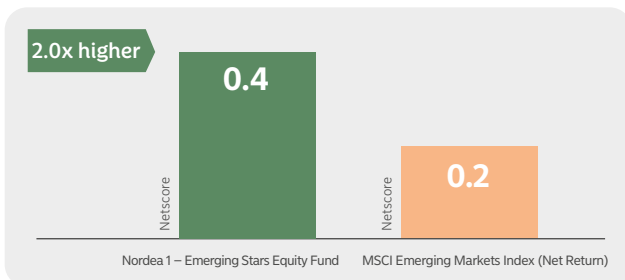
1. **Taiwan Semiconductor Manufacturing**  
(TW, Information Technology)
2. **Samsung SDI** (KR, Information Technology)
3. **Hapvida Participacoes e Investimentos S/A**  
(BR, Health Care)

### Notes

Benchmark	MSCI Emerging Markets Index (Net Return)
Portfolio coverage	86 %
Benchmark coverage	93 %
Portfolio holdings	45

## Exposure to the 7 social objectives<sup>10</sup>

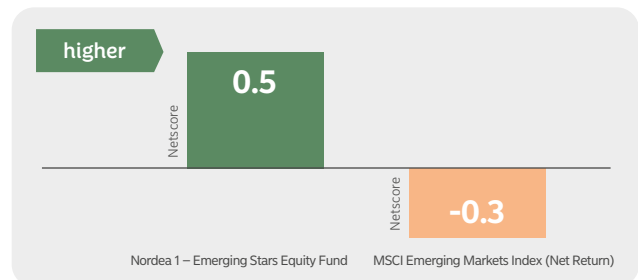
The contribution of the portfolio to the 7 social objectives is 2.0x higher than the benchmark.



Comparison with other financial products or benchmarks is only meant for indicative purposes.

## Exposure to the 8 environmental objectives<sup>10</sup>

The contribution of the portfolio to the 8 environmental objectives is higher than the benchmark.



Comparison with other financial products or benchmarks is only meant for indicative purposes.

## Top 3 social objectives

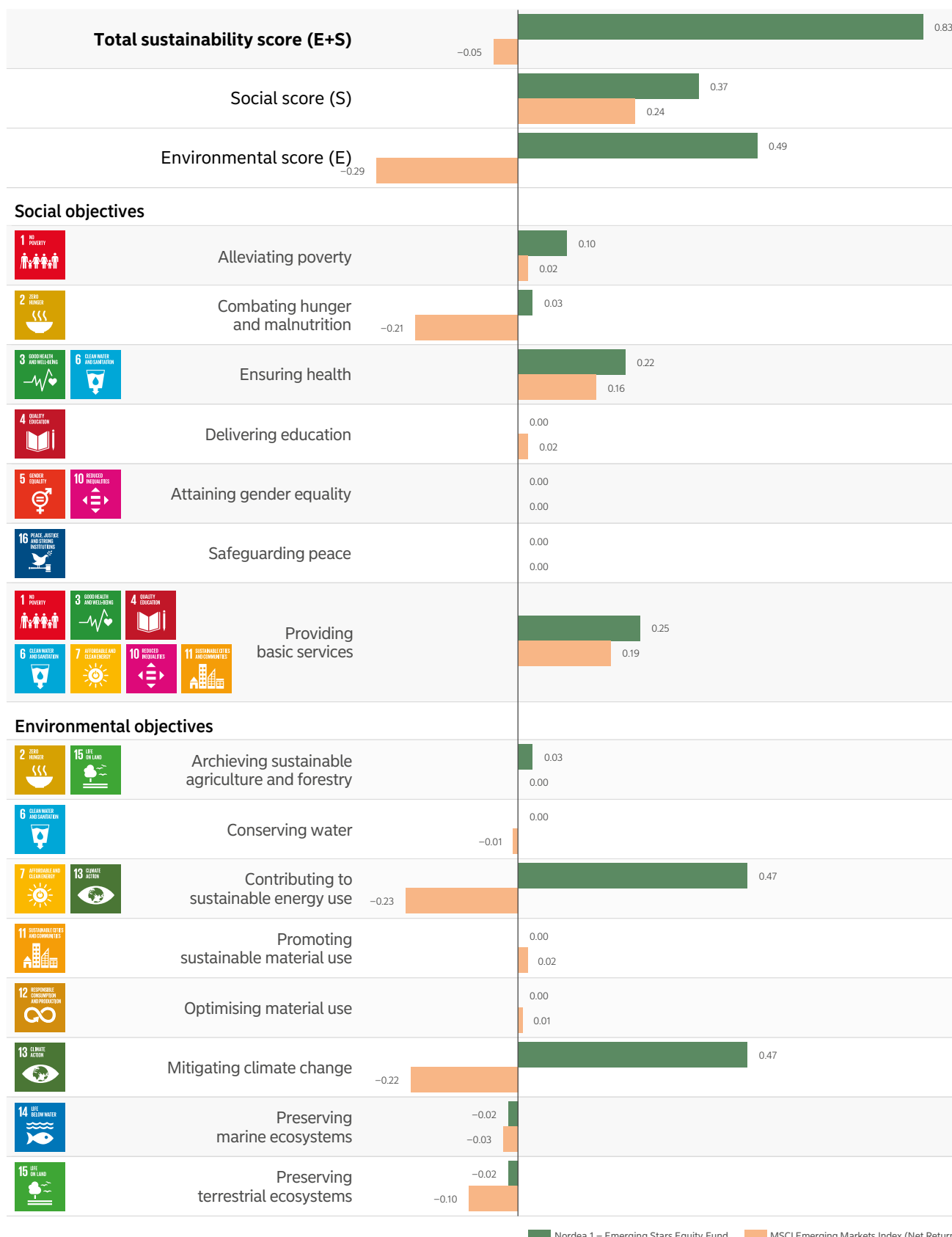
1. Providing basic services
2. Ensuring health
3. Alleviating poverty

## Top 3 environmental objectives

1. Contributing to sustainable energy use
2. Mitigating climate change
3. Achieving sustainable agriculture and forestry

10) Please note that the total sustainability score is the sum of the social and environmental scores and may slightly differ due to rounding differences. Further information on SDGs is available at Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals.

# Sustainability score details



Comparison with other financial products or benchmarks is only meant for indicative purposes. The total sustainability score (E+S) represents the Overall SDG Solutions Score as defined by ISS-ESG. This score is based on the Social SDG Solutions Score (S) and the Environmental SDG Solutions Score (E). Please note that the Overall SDG Solutions score may slightly differ from the aggregated figures of the social and environmental scores due to rounding differences. Further information on SDGs is available [here](#). Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals. Please note that the SDGs here presented are for illustrative purposes only. The sustainability indicators that are used to measure the attainment of the sustainable investment objective of this financial product are SDGs (9, 11 and 12), as mentioned in the Sustainability-related disclosures of the fund.



# Active ownership

The aim of this section is to describe some of the voting and engagement activities over the last quarter for this specific fund. This tool, therefore, is not meant to be fully comprehensive, but to allow investors to follow-up on the fund's relevant active ownership activities.

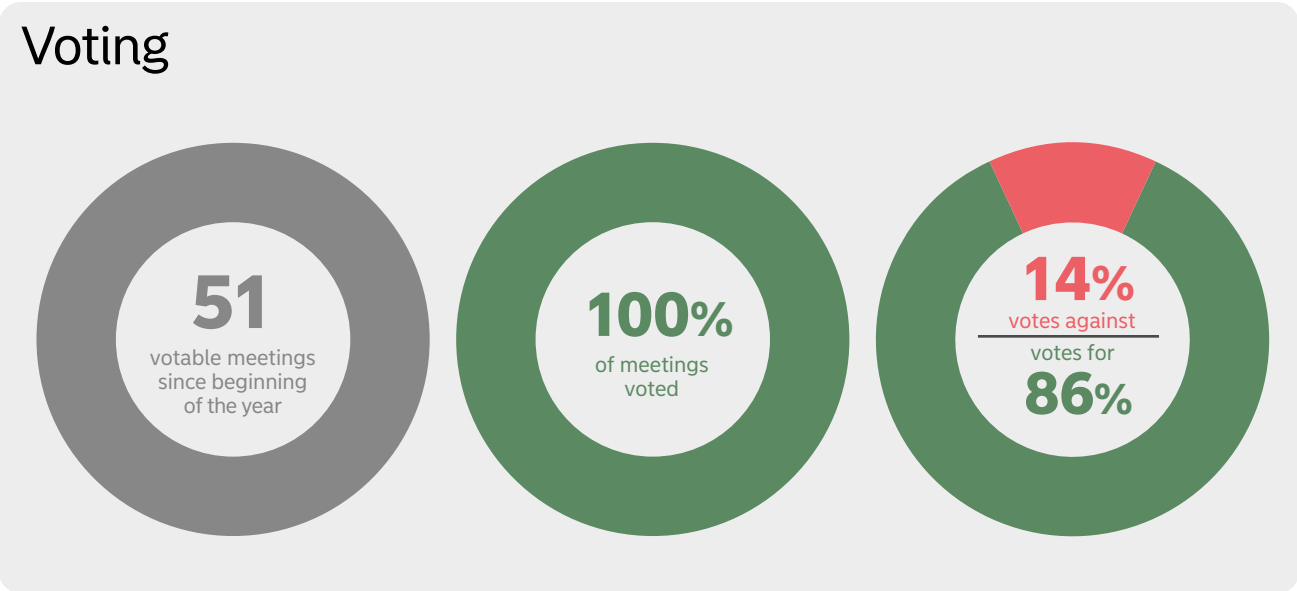
By adhering to Nordea's responsible investment policy, the fund excludes companies breaching international norms or involved in sectors we do not consider acceptable. However, excluding a company from our portfolios is always a last resort. Engagement is always our preferred approach and of paramount importance to NAM. We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. Our active ownership efforts begin with voting on our holdings, attending Annual General Meetings (AGMs) and representation on nomination committees. Our publicly available Voting Portal shows how we have voted in AGMs for stocks held across our funds. Access to the Voting Portal as well as our Corporate Governance Principles can be found

Engagement is the next step of being an active owner and is a crucial component of our RI philosophy and framework. Our engagement activities fall into one

or more of three different categories. The first type addresses companies that are in breach of international norms or conventions or those involved in ESG-related incidents. The second type relates to ESG-related risks or opportunities identified by portfolio managers and financial analysts via our company assessments. The third and final stream concerns our thematic engagements.

### Engagement categories:

- **Norms- and incident-based engagement:** engaging with companies breaching the international norms or conventions or companies having ESG related incidents
- **Investment-led engagement:** engaging with companies on their material ESG risks
- **Thematic engagement:** engaging on specific sustainability themes in focus



# Engagement cases<sup>11</sup>

## Bank Rakyat Indonesia

Nordea ESG scoring <sup>12</sup>	Proxy Voting <sup>13</sup>	SDG Engagement	Engagement topic
A	✓	13 Climate Action	Environment

### Overview

PT Bank Rakyat Indonesia (Persero) Tbk is an Indonesia-based banking company. The Company focuses on micro, small and medium enterprises (MSME) and microfinance in Indonesia, by providing technology-driven solutions in remote areas for the underbanked segment in the region.

### Background

Given the business environment of Bank Rakyat in ASEAN region, the bank has not traditionally put significant effort in environment-related policies and disclosure.

### The Engagement

We had an engagement call with Head of Investor Relations and Head of ESG from Bank Rakyat Indonesia. As stated above, the engagement call focuses on potential improvement within climate strategy and disclosure. Specifically, we found the necessity for clarification of their net-zero ambition, including its mid-long term roadmap as well as fossil fuel financing in terms of the plan and exclusion.

### Outcome

Bank Raykat explained to us that they are currently calculating scope 1, 2 and part of scope 3. The progress will include gradually increase the granularity, for instance by incorporating financed emissions. Calculations are done in accordance with the Global GHG Accounting and Reporting Standard during 2022. They will also subsequently aim to go for short- and long-term SBTi approval later this year. We appreciated the progress, and encouraged the company to link incentives to the GHG reduction targets once they have been set. Bank Rakyat acknowledged that and will take this input into consideration. Furthermore, NAM encouraged Bank Rakyat to report to the CDP climate questionnaire. Bank Rakyat provided a positive indication that this is likely to happen.

Regarding green finance, the Indonesian FSA is currently developing a pilot project to introduce a green taxonomy for Indonesia. Therefore, the focus for Bank Rakyat is primary on micro and SMEs within the sustainable business activities, which is also their strong suit. In terms of fossil fuel financing,

they responded that the bank’s direct coal operations’ lending is below 1% of the total loan book, and 2.5% indirect exposure via corporate lending. However, they currently do not have a specific plan to phase out these lending activities, as they found the data availability amongst Indonesian companies rather challenging.

Nonetheless, the regulatory environment in Indonesia is increasingly favouring banks to go on a transitioning journey. And Bank Rakyat is hopeful that this issue will be addressed when the green taxonomy is coming into play. NAM encouraged Bank Rakyat to make a time-bound commitment to end financing to fossil fuel and deforestation. They gave a promising signal that this is something that they will consider.

11) 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. 12) Current scoring, based on Nordea proprietary ESG model. 13) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM took place. Please find out more on or access directly the

## Alibaba Group Ltd.

Nordea ESG scoring <sup>12</sup>	Proxy Voting <sup>13</sup>	SDG Engagement	Engagement topic
B	✓	12 Sustainable consumption and production	ESG and decarbonisation strategy

### Overview

Alibaba Group Holding Ltd. engages in providing online and mobile marketplaces in retail and wholesale trade. It operates through the following business segments: Core Commerce; Cloud Computing; Digital Media & Entertainment; and Innovation Initiatives and Others. Alibaba is a world-famous tech giant, one of the biggest companies in China, and directly employs 240,000+ people. Earlier this year, Alibaba announced a new strategy to restructure its organisational and governance structure. Therefore we initiated an engagement dialogue to understand the implications of the new '1+6+N' structure to the existing sustainability governance.

### Background

Alibaba's ecosystem spans across multiple industries and is an integrated part in China's society and in people's life. NAM has been a long-term investor and has engaged with the company on several material topics.

For us, it is of vital importance to understand the ESG and sustainability related implications of the organisational changes as we seek to discuss and push Alibaba to deliver real-world improvements. Naturally, the company, with billions of annual deliveries and data center operations, is a big contributor to greenhouse gas emissions. For a company of this size, we expect proper management and disclosure around this topic and therefore engage in close dialogue in order to raise and explain our expectations to appropriate levels in the company.

### The Engagement

We had an engagement call with the ESG representative from its IR team. Alibaba reiterated that the group's 'carbon neutrality goal by 2030' remains unchanged, encompassing 3-layers of sustainability governance, namely: Board-level oversight through its sustainability committee, its steering committee that allocates tasks to subsidiaries, and the working group at low organisational levels to ensure implementation. NAM acknowledges that the strategy and targets remain unchanged after the re-organisation. However, we did stress the importance of having a well-working oversight also at the level of the company's subsidiaries. Alibaba agreed and indicated that this is part of the new organisational structure, while adding that its subsidiaries will be provided with a certain level of flexibility to tailor their own decarbonisation roadmaps specific to their respective business models.

However, Alibaba was also honest in acknowledging some challenges post re-organisation announcement. During our last meeting in Q4 2022, Alibaba was in the process of extending the 3rd party assessment of its Scope 3 GHG-emissions but it became clear that the organisational restructuring might impact the scope and potentially the ambition level. Currently, Alibaba is focusing on consolidating and centralising the internal ESG data from its different subsidiaries.

### Outcome

It is our expectation that Alibaba will reach its targets and deliver on its decarbonisation strategy. Therefore, we suggested to incorporate ESG KPIs into the incentive structure for newly established subsidiaries in order to ensure implementation and accountability. Alibaba agreed to take this suggestion into internal discussion.

We will keep monitoring the adjusted sustainability governance and the implementation of its decarbonisation targets and hold dialogues when necessary.

12) Current scoring, based on Nordea proprietary ESG model. 13) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM took place. Please find out more on [or access directly the](#)

# Appendix

# Methodology – Sustainability footprint

## CO<sub>2</sub>e emissions

**Shows annual greenhouse gas emissions produced directly by the companies in the underlying funds and from their consumption of energy (Scope 1+2).**

This metric is calculated by relating the annual greenhouse gas emissions (in tonnes, translated into CO<sub>2</sub> equivalents) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. The comparison with the car emissions (annual emissions of 1,216 tonnes per year) is based on data from EEA/ICCT on average emissions for new cars sold in EU in 2020.

### Why do we measure the CO<sub>2</sub>e emissions footprint:

While it is good to turn lights off to save energy, 20 companies have alone contributed to 35% of all energy-related carbon dioxide and methane worldwide, totalling 480bn tonnes of carbon dioxide equivalents (GtCO<sub>2</sub>e) since 1965. (Source: The Guardian)

### What are CO<sub>2</sub> equivalents:

Different greenhouse gasses that contribute differently to global warming. According to the GHG Protocol, they are all converted into one measure, CO<sub>2</sub> equivalents:

Greenhouse gas	CO <sub>2</sub> equivalent
Carbon Dioxide	1
Methane	25
Sulphur Hexafluoride	22.8
Nitrus Oxide	298
Per Fluoro Carbons	7,850
Hydro Fluoro Carbons	2,400

## Fossil reserves

**Shows the future potential CO<sub>2</sub>e emissions if oil, gas & coal reserves owned by the companies in the underlying funds are extracted from the ground and burned.**

This metric is calculated by relating the proven and probable resources of oil, gas and coal that the underlying companies have disclosed, to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. Please note that the calculation considers the lifetime CO<sub>2</sub>e emissions (in tonnes) associated with these reserves. The comparison with number of flights is based on calculations from ICAO (0.759 tons per round trip) based on the 2018 ICAO Carbon Emissions Methodology.

### Why do we measure the fossil reserves footprint:

While the business of extracting oil, gas and coal from the ground emits large amounts of CO<sub>2</sub>, an even larger amount is emitted when the resources are used as fuel. Extraction companies can therefore potentially cause future emissions by extracting reserves.

### What are Scope 1, 2 and 3 CO<sub>2</sub> emissions:

- Scope 1 are direct emissions from owned or controlled sources
- Scope 2 are indirect emissions from the generation of purchased energy
- Scope 3 are all indirect emissions that occur in the value chain of the reporting company, upstream and downstream

For instance, a car manufacturer: The car manufacturer emits CO<sub>2</sub>e when assembling cars (Scope 1). The manufacturer's suppliers emits CO<sub>2</sub>e to generate electricity for the manufacturer production of electricity (Scope 2). A rental car provider operates the cars and emits CO<sub>2</sub>e over the product's lifetime (Scope 3).

## Waste generation

**Shows how much waste the companies in the underlying funds produce annually, that is either incinerated or disposed to landfill.**

This metric is calculated by relating the annual waste generation (in tonnes) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio as well as the size of the invested amount. The comparison with number of waste bags considers that an average waste bag has 7kg and is based on data sourced from EU and Plast.dk from 2021.

**Why do we measure the waste generation footprint:**

With the current pace of plastic waste ending up in the oceans (equal to one garbage truck dumped in the oceans every minute), it's projected that by 2050, the total amount of plastic waste in the oceans will weigh more than all fish, and 99% of seabirds will have ingested plastics. Hence there is an urgent need to limit the waste. (Source: WWF)

## Water usage

**Shows how much water the companies in the underlying funds directly use or purchase annually.**

This metric is calculated by relating the annual water use (in cubic meters) of the underlying companies to the weight of those companies (equity exposure) in the fund/portfolio and to the size of the invested amount. The comparison with household use (105 m<sup>3</sup>/year) is based on average European household water consumption data from Eurostat from 2021.

**Why do we measure the water usage footprint:**

The fashion industry is the third largest annual user of water globally after oil and paper, responsible for more than 10% of the water used by all types of industry. Depending on materials and production processes, fashion companies can reduce their water footprint. (Source: Common Objective/WWF)

## Disclaimer

### Sustainability information

The information Nordea Investment Funds S.A. is providing to you as part of their services on specific legal entities' sustainability (the 'Sustainability footprint') is based on third party information provided to or obtained by Matter from either publicly available sources on sovereign topics, third-party analysis or as third-party evaluation on corporate topics.

### Nature of the Sustainability footprint

The Sustainability footprint does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities or other financial instruments in the legal entities to which the Sustainability footprint is provided on, nor shall it or any part of it be relied on in connection with any contract commitment or investment decision in relation thereto. Wording in the Sustainability footprint, including titles of the flags used are only intended for the purpose of providing an impression of the legal entities' compliance with ESG factors chosen by Matter and do not serve as a proof or detailed description of any of the issues described.

The Sustainability footprint shall not be seen as an analysis of the legal entities general performance

economically/financially or in relation to the sector of industry, in which the legal entities are operating. Nothing in the Sustainability footprint constitutes or should be considered as constituting a promise or a guarantee concerning any future developments, events, figures, etc. Nordea Investment Funds S.A. assumes no obligation to provide additional information or to update Sustainability footprint or correct inaccuracies in Sustainability footprint, unless when explicitly agreed.

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No representation or warranty, express or implied, is given by Nordea Investment Funds S.A. or any affiliates or directors, officers or any other person as to the fairness, accuracy or completeness of the Sustainability footprint and no liability whatsoever for any loss howsoever arising from any use of the Sustainability footprint is accepted by Nordea Investment Funds S.A. or any affiliates or directors, officers or any other person.

### Reliance

The Sustainability footprint is provided solely to you. The provision of the Sustainability footprint to you does not impose any obligation on Nordea Investment Funds S.A. to allow any other than you to rely on Sustainability information, unless explicitly agreed.

# Methodology – ESG overview

## ESG rating

The ESG rating assesses the resilience of a fund's aggregate holdings to long-term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks. Data provided by MSCI ESG Research LLC.

## ESG rating breakdown

The percentage of portfolio's market value exposed to ESG leaders (best in class companies, rated AAA or AA), average ESG performers (rated A to BB), and ESG laggards (worst in class companies, rated B or CCC) relative to the fund's benchmark. Data provided by MSCI ESG Research LLC.

## Portfolio ESG scores per pillar

The environment score represents the weighted average of all Key Issues that fall under the Environment pillar. The social score represents the weighted average of all Key Issues that fall under the social pillar. Starting with a '10', the governance score is based on the sum of deductions derived from key metrics included in the corporate governance (including ownership & control, board, pay and accounting) and corporate behavior (including business ethics and tax transparency) themes. The individual pillars of the ESG scores do not add up to the aggregated Fund ESG score due to adjustment factor which takes ESG trends into account during the aggregation process. For further details, please refer to official MSCI ESG Fund Ratings methodology document. Data provided by MSCI ESG Research LLC.

## ESG risk exposure

The percentage of portfolio's market value exposed to environmental, social and governance key issues. Data provided by MSCI ESG Research LLC.

## Environmental characteristics

### **Weighted average carbon intensity (WACI):**

The WACI measures a portfolio's exposure to carbon intensive companies. Since companies with higher carbon intensity are likely to face more exposure to carbon related market and regulatory risks, this metric can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark.

Calculating a portfolio's WACI is achieved by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company and calculating the weighted average by portfolio weight. Unlike the portfolio carbon intensity, carbon emissions are apportioned based on portfolio weights / exposure, rather than the investor's ownership share of emissions or sales. This measure is in line with the EU's non-financial reporting directive and TCFD (Task force for climate-related financial disclosure) recommendations. Emissions and sales values for equities is sourced from MSCI, and for bonds from ISS-ESG.

### **Exposure to high impact fossil fuel reserves (%):**

The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves. High impact fossil fuel reserves include thermal coal, oil sands, and shale oil and shale gas. Data provided by MSCI ESG Research LLC.

### **Exposure to environmental controversies (%):**

The percentage of portfolio's market value exposed to companies facing one or more very severe environmental controversies related to energy & climate change, land use & biodiversity, toxic spills & releases, water stress, or operational waste. Data provided by MSCI ESG Research LLC.

## Social characteristics

### **Exposure to human rights norms violation (%):**

The percentage of portfolio's market value exposed to companies in violation of international norms around human rights. Data provided by MSCI ESG Research LLC.

### **Exposure to human rights controversies (%):**

The percentage of portfolio's market value exposed to companies facing one or more very severe human rights and community controversies related to Impact on local communities, civil liberties, or human rights. Data provided by MSCI ESG Research LLC.

### **Exposure to labour controversies (%):**

The percentage of portfolio's market value exposed to companies facing one or more very severe labour controversies related to child labour, collective bargaining, discrimination, health & safety, labour management, or supply chain labour standards. Data provided by MSCI ESG Research LLC.

## Governance characteristics

### **Exposure to companies with no female directors (%):**

The percentage of portfolio's market value exposed to companies with no female directors. Data provided by MSCI ESG Research LLC.

### **Exposure to companies with a majority of independent board members (%):**

The percentage of portfolio's market value exposed to companies with board independence between 50%-100%. Data provided by MSCI ESG Research LLC.

### **Exposure to governance controversies (%):**

The percentage of portfolio's market value exposed to companies facing one or more severe or very severe governance controversies related bribery, fraud, controversial investments, and governance structure. Data provided by MSCI ESG Research LLC.

# Methodology – Contribution to SDGs

## Description

This report highlights how portfolio companies – through their products and services – have positive and negative impact on a total of 15 sustainability objectives covering both Social and Environmental aspects. These objectives have been developed by ISS-ESG and closely aligned with the United Nations Sustainable Development Goals. The objectives include 7 Social and 8 Environmental objectives with scores ranging from -10 to +10. The results are then compared with the benchmark.

Please note that this report does not comment on the Governance aspect as we already report on such considerations in separate reports.

As the UN SDGs primarily target states and the public sector, not all goals are relevant for companies. For this reason, ISS-ESG defined a total of 15 sustainability objectives which are closely aligned with the SDGs. They are used to assess companies' product portfolios in terms of their contribution towards sustainable

development based on their revenue weight. For each individual objective, a qualitative analysis is conducted to determine whether a product or service category contributes to or refrain from attaining the objective. As a result, the positive and negative effects of different product groups may partly cancel each other out within a given objective.

Further information on ISS-ESG and the methodology is available

## List of the 15 overarching sustainable objectives

### 7 Social objectives

- Alleviating poverty
- Combating hunger and malnutrition
- Ensuring health
- Delivering education
- Attaining gender equality
- Providing basic services
- Safeguarding peace

### 8 Environmental objectives

- Achieving sustainable agriculture & forestry
- Conserving water
- Contributing to sustainable energy use
- Promoting sustainable buildings
- Optimising material use
- Mitigating climate change
- Preserving marine ecosystems
- Preserving terrestrial ecosystems

Please note that each portfolio and benchmark are assigned a score ranging from -10 to +10 based on the above 15 sustainable objectives. For the approach to be meaningful and sound we have assumed that the minimum coverage at the fund level should at least be 60%. This means that for a fund score to be meaningful at least 60% of its holdings need to have a score.

## Complete list of SDGs:







# UN Sustainability Development Goals

## UN Sustainability Development Goals

## Corresponding ISS-ESG Sustainability Objectives

	No poverty	<ul style="list-style-type: none"> <li>– Alleviating poverty</li> <li>– Providing basic services (access aspect)</li> </ul>
	Zero hunger	<ul style="list-style-type: none"> <li>– Combating hunger and malnutrition</li> <li>– Achieving sustainable agriculture and forestry</li> </ul>
	Good health and well-being	<ul style="list-style-type: none"> <li>– Ensuring health</li> <li>– Providing basic services (access aspect)</li> </ul>
	Quality education	<ul style="list-style-type: none"> <li>– Delivering education</li> <li>– Providing basic services (access aspect)</li> </ul>
	Gender equality	<ul style="list-style-type: none"> <li>– Attaining gender equality</li> </ul>
	Clean water and sanitation	<ul style="list-style-type: none"> <li>– Conserving water (quality and quantity aspect)</li> <li>– Ensuring health (sanitary aspect)</li> <li>– Providing basic services (access aspect)</li> </ul>
	Affordable and clean energy	<ul style="list-style-type: none"> <li>– Contributing to sustainable energy use (clean aspect)</li> <li>– Providing basic services (access aspect)</li> </ul>
	Decent work and economic growth	—
	Industry, innovation and infrastructure	—
	Reduced inequalities	<ul style="list-style-type: none"> <li>– Attaining gender equality</li> <li>– Providing basic services</li> </ul>
	Sustainable cities and communities	<ul style="list-style-type: none"> <li>– Promoting sustainable buildings</li> <li>– Providing basic services (access aspect regarding housing, transportation)</li> </ul>
	Responsible consumption and production	<ul style="list-style-type: none"> <li>– Optimising material use</li> </ul>
	Climate action	<ul style="list-style-type: none"> <li>– Mitigating climate change</li> <li>– Contributing to sustainable energy use</li> </ul>
	Life below water	<ul style="list-style-type: none"> <li>– Preserving marine ecosystems</li> </ul>
	Life on land	<ul style="list-style-type: none"> <li>– Preserving terrestrial ecosystems</li> <li>– Achieving sustainable agriculture and forestry</li> </ul>
	Peace, justice and strong institutions	<ul style="list-style-type: none"> <li>– Safeguarding peace</li> </ul>
	Partnerships for the goals	—

# Glossary

## Active ownership

On behalf of its clients, NAM undertakes a range of engagement activities with companies, in order to affect and influence these to improve their environmental, social and governance practices, including promoting a long-term approach to decision-making. Our active ownership tools include voting, attending AGMs, standard setting, engagement with companies, filing resolutions etc. A detailed description of NAM's engagement processes can be found in the

## Engagement

A form of active ownership. The practice of shareholders entering into a dialogue with the management of companies to change or influence the way in which the companies are run.

NAM's engagement activities can be divided into three different categories:

1. **Investment-led engagements:** Engagement on ESG-related risks or opportunities identified by portfolio managers and financial analysts via our company assessments.
2. **Norms- and incident-based engagement:** Engagement with companies breaching the international norms or conventions or companies having ESG related incidents.
3. **Thematic engagements:** Focuses on companies' exposure to specific sustainability themes in focus. We have identified 5 focus themes: biodiversity, climate, human rights, good governance, and water. We engage with these companies both individually and through collaborative engagements.

## Enhanced exclusion filters and limits

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

## Environmental, Social and Governance (ESG)

Environmental (E), Social (S), and Governance (G) refer to the three main areas of analysis in modern responsible investment. ESG risks and opportunities are identified through careful analysis of a company's operations. Environmental criteria look at how a company performs as a steward of the natural environment. Social criteria examine for instance how a company manages

relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

## ESG STARS strategies

The ESG STARS product range uses NAM's proprietary ESG scoring system and bespoke analysis carried out by the Responsible Investment team and financial analysts.

The strategies focus on selecting companies, not only with sound fundamentals, but also with high ESG scores. Using the SASB materiality map, company analysis includes enhanced due diligence on environmental, social and governance risks material to the company, and considers how companies manage their identified ESG risks. Furthermore, each company's business model alignment with the SDGs is taken into consideration, as the strategies' exposure aims to skew towards companies whose activities are net supportive or neutral, rather than detracting towards the SDGs. ESG scores are recalibrated regularly and at least annually, or if triggered by relevant negative or positive events. The ESG model sources data from several external data providers as input for the ESG score.

## Exclusion list

NAM excludes companies involved in serious breaches of international norms, where engagement is deemed not to be possible or effective. For example, we ban investment in companies active in the production of controversial weapons, including – but not limited to – cluster munitions and anti-personnel mines, as well as nuclear weapons. The NAM level exclusion list can be found

## Integration of Principal Adverse Impact (PAI)

The environmental and social impact of the activities of all NAM investee companies is assessed on an ongoing basis through our firm-level PAI integration. Companies identified as outliers on one or more PAI indicators, are analysed further which may result in a recommendation for action. NAM's disclosure statement on the integration of Principal Adverse Impact indicators can be found

## Norms-based screening

NAM's investment products are subject to norms-based screening, which identifies companies that are allegedly involved in breaches of international laws and norms on environmental protection, human rights, labour standards and anti-corruption. If a company is identified in this screening process, an internal assessment of the company and the incident is initiated. Typical actions can consist of engagement, quarantine or exclusion. For more information please refer to the

### Paris Aligned Fossil Fuel Policy (PAFF)

In addition to the firm-wide exclusion list, a substantial and growing part of NAM's strategies is also subject to our Paris-Aligned Fossil Fuel Policy (PAFF), which sets thresholds for companies' exposure to fossil fuel production, distribution and services and excludes companies that are involved beyond these thresholds if they do not have a documented transition strategy that aligns with the Paris agreement. Funds for which the PAFF is not implemented as a hard exclusion criterion, the PAFF acts as guidance for engagement. PAFF criteria also inform the prioritisation of our top-down thematic engagements. The PAFF policy and list of Paris-aligned issuers can be found

### Sustainable Development Goals (SDGs)

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

### Sustainability risk integration

The explicit inclusion of sustainability risks into traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This considers sustainability factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials, which in turn may affect the investment decision.

## Overview of Investment Strategy\*

This Sub-fund aims to achieve long-term capital growth by investing mainly in a diversified portfolio of equity or Equities Related Securities of companies, which are domiciled or exercise the predominant part of their economic activity in the Emerging Markets. The fund is managed by the Fundamental Equities Team, based in Copenhagen, focusing on fundamental bottom-up

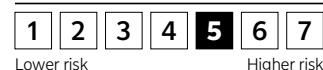
research. Alpha is generated through stock selection and by actively incorporating an ESG based analysis as part of the investment process. Actively managed. Benchmark used for performance comparison only. Risk characteristics of the fund's portfolio may bear some resemblance to those of the benchmark.

\*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.

# Nordea 1 – Emerging Stars Equity Fund

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

## Risk indicator



## Risks

The summary risk indicator is a guide to the level of risk of this product compared to other products.

For more information on risks the fund is exposed to, please refer to the section „Risk Descriptions‘ of the prospectus.

Other risks materially relevant to the PRIIP not included in the summary risk indicator:

**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.

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

**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.

**For UK investors, please refer to the SRRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on**

## Investment policy

The fund mainly invests in equities of companies in emerging markets. Specifically, the fund invests at least 75% of total assets in equities and equity-related securities issued by companies that are domiciled, or conduct the majority of their business, in emerging markets. The fund may invest in, or be exposed to up to 25% of its total assets in China A-shares (directly via the Stock Connect). The fund will be exposed (through investments or cash) to other currencies than the base currency. The fund is actively managed.

## SFDR classification

The fund has been classified as an article 8 fund under SFDR. The fund has environmental and/or social characteristics but does not have sustainable investment as its objective.

For more information on sustainability-related aspects of the fund, please visit:

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