

Nordea
ASSET MANAGEMENT



Responsible Investments Report 2022

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Nordea

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

About Nordea Asset Management¹

Nordea Asset Management (NAM) is part of the Nordea Group. We are an active asset manager with a global business model, offering services to institutional clients in Europe, the Americas and Asia. We manage investments across the full spectrum of asset classes. Our third-party distribution franchise services a wide range of international fund distributors, including many of the leading global wealth managers. We distribute our products through banks, asset managers, independent financial advisors, insurance companies and family offices. Our client base is equally split between Nordea Group-related and external clients. With EUR 239 bn (31 December 2022) in assets under management, we have been experiencing strong growth over the past decade.

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

Sailing through rough seas

Navigating our way through a perfect storm of inflation, supply chain disruptions and war

Last year began optimistically for Responsible Investors. More than 550 asset managers and financial institutions stepped up to fight climate change through loans and investment portfolios worth over USD130tn.² But our attention was soon captivated by swelling and surging energy prices driven by Russia's invasion of Ukraine. Even as investors began taking defensive positions in their portfolios, the case for energy sovereignty became crystal clear.

Questions regarding the value of climate and resource efficiency-oriented investment solutions seemed to answer themselves.

Although some investors de-emphasised their long-term sustainability goals in a bid to capture the short-term upside of gains resulting from higher energy prices, the long-term prospects for sustainable investing remained strong. Research by Dow Jones in September 2022³ showed ESG investment is expected to more than double over the next three years, while 66% of financial leaders named ESG investing as the number one driver for sustained, long-term growth. Faced with the dual challenges of our troubled economy and the undeniable need to ramp up ESG investment, we focused our attention on our core mission – delivering returns and responsibility – and let it guide us through a challenging year.

We inaugurated Climate Investing 2.0 and other innovative ESG thematics

The Global Climate Engagement strategy was launched on 26 April 2022 against the backdrop of the war in Ukraine and resulting energy independence questions. Leveraging NAM's 15 years of expertise in climate investing, the strategy targets companies in sectors essential to the green economy yet in the early transition phase to more sustainable business models. By pushing these companies through engagement to catch up to climate leaders, our approach aims to unlock their under-appreciated value and contribute to the reduction of real-world emissions. This is what we call Climate Investing 2.0.

Last year also saw the launch of our Global Social Bond Strategy and Global Social Solutions Strategy solutions addressing the "S" in ESG, and our Global Sustainable Listed Real Assets Strategy, which taps into the megatrend of greening core industries like energy, telecoms and transportation.

In keeping with our commitment to RI, we continued to expand our ESG STARS family with three additional solutions bringing the ESG STARS family AUM to almost EUR17bn.⁴

We zeroed in on engagement

Active ownership continues to be a strong focal point for us and in 2022, we initiated a concerted engagement campaign to communicate our Paris alignment expectations to the Top 200 emitters in our investment universe. The aim is to engage high-emitting companies that have yet to achieve alignment objectives, but which we believe can achieve real-world emission reductions with the help of firm-wide and collaborative engagements.

Last year, we also initiated 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. The coalition of the investors involved in this engagement represents EUR 2.1 tr in AUM⁵. We will continue to drive this engagement forward in 2023.

In 2022, we conducted 994 engagements on various topics ranging from climate action to better sustainability reporting practices. At the end of the year, we considered more than 10% of these engagements to be resolved as companies met our expectations. On the voting side, we yet again achieved our goal to vote in over 95% of all votable meetings, about 3900 general meetings attended in 2022. We are also proud to share that we voted in 97% of climate proposals. Our commitment to ESG and the Sustainable Development Goals has brought recognition from across the industry. Funds Europe gave us the esteemed European ESG Manager of the Year award, one of many we received.

We're thinking forward

Many of the issues that made 2022 a challenging year for the global economy will carry over in 2023. Moreover, with issues like climate change, biodiversity and human rights at the top of the agenda for authorities, companies unable to live up to the rising level of due diligence required will be increasingly locked out of the world's largest markets. This poses risks for investors, which means thorough ESG analysis will continue to be imperative.

And even without these regulatory tailwinds, the power of public opinion should not be underestimated. As we are increasingly confronted with visions of extreme weather events and biodiversity loss, retail investors are likely to become more conscious of the connection between their investments and sustainability factors. As for institutional investors, while we have seen a handful of cases of backtracking in terms of climate commitments, these were overwhelmingly dwarfed by the number of entities seeking to strengthen sustainability pledges, and we have the solutions they are looking for. I invite you to read our RI Annual Report to find out more about our ongoing commitment to Responsible Investment.



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

2022 at a glance

ESG Offering

Assets under Management

€ 239 bn
total AuM

70%
In RI solutions

Products

258
Art. 8 funds⁶

10
Art. 9 funds⁶

New reports in 2022

2
Impact Reports

22
ESG Reports

ESG Capabilities

RIT & CGT resources

22
Dedicated ESG analysts⁷

2
Corporate Governance
Specialists

Engaged

994
Engagements

48% E
22% S
29% G

Voted

~3900
General meetings in 2022

ESG Leadership

Initiatives

33
International investor
initiatives

Awards⁸

13
ESG Awards won

17
ESG Awards shortlisted

Labels⁹

3
European ESG labels

Net Zero Targets

By 2025

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

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

2040

By 2030

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

50%
reduction of WACI¹⁰ across
listed equity and corporate
bonds

By 2050

Net zero emissions across
all assets under
management

6) According to European SFDR classification. 7) Data as of 31.03.2022. 8) More information on ESG awards on pages 5 – 6. 9) More information on labels on page 37. 10) Weighted Average Carbon Intensity (tCO₂e/USD million) measures a portfolio's exposure to carbon intensive companies.

ESG highlights of the year

2022 is yet another year filled with challenges. As soon the world started to recover from the Covid-19 pandemic, it was already thrown in geopolitical and economic turmoil. Beyond the human tragedy, all aspects of our society have been affected by the following energy and inflation crisis. The ESG funds industry was not spared either. Nonetheless, during 2022, we have continued to further strengthening our ESG framework and offering.

Like in 2021, regulation around ESG has been a hot topic during 2022 with the enactment of the European Union's MiFID II¹¹ on August 2nd 2022. This new piece of regulation drastically affected the way financial advisers and distributors interact with their clients. Indeed, as sustainability preferences have become an integral part of the client's suitability assessment, advisers can only offer their clients with sustainability preferences suitable MiFID-eligible ESG products. Over the year, we've worked earnestly to meet our the regulatory timeline and clients' expectations for our sustainable products, continuously developing our ESG data platform with Principal Adverse Impacts and Sustainable Investments.

2022 was a prolific year in terms of new fund offerings in our ESG-enhanced fund ranges. Our ESG STARS family grew with two new strategies and one redesigned¹², extending the range's geographical and asset class coverage to emerging ex China equities, emerging corporate bonds and European small and mid-cap equities. Our Thematic Sustainable Solutions family grew with four new strategies. In line with our commitment to a green and just transition, we continuously imagine new products to meet our world's challenges. With the Global Climate Engagement Strategy, an Article 8 ESG thematic fund, we are bringing active ownership to a new level: we invest in high emitting companies with the purpose of engaging on environmental issues to unlock their underappreciated value and potential towards a green transition and decarbonization. To further meet our clients' growing needs in the Asia-Pacific region, we've also decided to increase our capabilities with the launch of a new ESG hub in Singapore.

Active ownership continues being a strong focus point for us and in 2022, we've achieved some significant results. On the engagement side, we've lead 994 engagements on various topics ranging from climate action to better sustainability reporting practices. At the end of the year, we considered more than 10% of these engagements as resolved as companies have met our expectations. On the voting side, we've yet again achieved our goal to vote in more than 95% of all votable meetings, with about 3900 general meetings attended in 2022. We are also proud to share that we've voted in 97% of climate proposals, in continuation with NAM's commitment to climate.

ESG headwinds are catching and the offer of sustainable funds has quickly grew in the past years and in this maelstrom, our dedication and expertise in ESG has not gone unnoticed. We have over 35 years of experience in sustainable investing and in 2022, we've worked hard to improve our ESG credentials, to further cement our position as ESG experts, deserving of our clients' trust. For over more than a decade, we have developed and continually improved a strong and proven RI framework. This is evidenced by the fact that PRI has given our Investment & Stewardship policy a top score of 5-stars following the recent change in the PRI reporting assessment¹³. In addition, our Fundamental Equities Team has been awarded the highest possible overall rating of AAA by Scope Analysis¹⁴, meeting institutional standards with excellent quality and competence. Finally, in September 2022 we became a signatory of the UK Stewardship Code, meeting the highest standards of disclosures and reporting in the UK.

Fund launches in 2022

Nordea 1 – Emerging Stars ex China Equity Fund
 Nordea 1 – Emerging Stars Corporate Bond Fund
 Nordea 1 – European Small and Mid Cap Stars Equity Fund
 Nordea 1 – Global Climate Engagement Fund
 Nordea 1 – Global Sustainable Listed Real Assets Fund
 Nordea 1 – Global Social Solutions Fund
 Nordea 1 – Global Social Bond Fund

11) Markets in Financial Instruments Directive II. 12) With effect as of 01.08.2022 the sub-fund is renamed from Nordea 1 – European Small and Mid Cap Equity Fund to Nordea 1 – European Stars Small and Mid Cap Equity Fund. 13) Source: PRI Assessment Report 2021. 14) Scope is the leading European provider of independent credit ratings, ESG analyses, fund analyses, creating a greater diversity of opinion for institutional investors. It offers the means to create a uniform, comparable assessment of ESG at asset management companies, beyond current regulatory efforts. Visit www.ScopeExplorer.com for more insights on the rating methodology.

Nordea Asset Management Awards

In 2022, Nordea was recognized as: the **“European ESG Manager of the Year”** by Fund Europe Awards; the **“Sustainable Asset Manager of the Year”** by FDI Insider Awards; and as the **“Best ESG Asset Management Company”** by International Investor Awards 2022. Additionally, we were awarded by Scope Awards 2023 with the **“Best Asset Manager ESG Complete Product Range”**.



ESG Products Awards

ESG STARS Strategies

Our ESG STARS fund range was awarded by Sustainable Investment Awards 2022 as the **“Best Sustainable Range”**.

The Nordea 1 – European Stars Equity fund was chosen as winner in the Sustainable Investment Awards 2022 in the category of **“Best Sustainable European Equity Fund”**. Additionally, our Nordea 1 – North American Stars Equity Fund won the category **“Equity Funds Sustainability Nordamerika”** in the Mountain View Fund Award and the Nordea 1 – Emerging Stars Bond Fund was recognized as the **“Best ESG/Sustainability Fund”** in the International Investment Awards 2022.



Sustainability Themed Funds

The Nordea 1 – Global Climate and Environment Fund was awarded with three awards in 2022: for the category **“Equity Funds Sustainability Climate”** in Mountain View Fund Awards; as the **“Best Investment Fund 2021”** in the Premios Cualitativos Awards 2022; and as the **“Best Sustainable Fund 2021”** in the Rankia Awards 2022. In addition, the Nordea 1 – Global Social Empowerment Fund was considered the **“Best Social Thematic Fund”** in the ESG Champions Awards 2022.

Responsible Investment Team Awards

The CFI Awards have awarded us with the **“Best ESG Team in Europe”** 2021–2022.



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 2022, we were active in 33 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 extremely important part of our work, we see that our role and responsibilities in the RI community extends beyond these initiatives. We wish to engage with our stakeholders, in order to educate them as well as to receive valuable feedback and information. We do this by participating in events and discussions, contributing to publications, engaging with our clients, and through academic collaboration. Below we share some of the highlights and examples of our actions in the Responsible Investment community.

Academic Collaboration

During 2022, our ESG experts have been contributing to the Copenhagen Business School lectures for students with a minor in ESG by sharing their knowledge and educating the students.

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

Policy support and engagement

In 2022, the European Commission appointed Thede Rüst, our Head of Emerging Market Debt Team, to the European Commission's High Level Expert Group to advise on the scale-up of sustainable finance in low and middle-income countries. Thede's team is behind successful strategies, such as the Nordea 1 – Emerging Stars Bond Fund, and aims to select investments that have a positive impact on the planet and societies where it sees values related to both ESG and financial risk.¹⁵

In 2022, we strived to support policy makers through public endorsement of several investor statements:

- NAM comment letter on the SEC's climate disclosure rule
- Global Investor Support for the SEC Proposed Rule on Mandatory Disclosure
- NAM comment letter to the ISSB's exposure drafts on sustainability and climate-related disclosures for investors
- The Environmental Defence Fund's letter commenting on the International Sustainability Standards Board's (ISSB)

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 2022, we participated in 659 collaborative engagements, leading 118 of those. The most common collaborations were related to SASB, Climate Action 100+ and the Corporate Human Rights Benchmark. As one example, NAM has been a key provider of feedback to the Transition Pathway Initiative (TPI) assessment framework for banks, based on our Institutional Investor Group on Climate Change (IIGCC) engagement during 2022.

Key progress reports published

In 2022, several progress reports were published on initiatives we are involved in. The Investor Action on Antimicrobial Resistance Progress Report featured NAM's long-term engagement with the world's largest pharmaceutical companies to combat water pollution related to drug manufacturing in India as an example of investor action on Antimicrobial Resistance. The Corporate Human Rights Benchmark published a progress report on assessing and engaging with 127 companies on their human rights performance. The Investor Policy Dialogue on Deforestation (IPDD), an investor-led sovereign initiative aiming to halt deforestation which we are currently a management committee member, also published its progress report. Finally, the Investor Leadership Network (ILN) published a Net Zero Playbook outlining NAM's approach to net zero and how we aim to influence real-world emission reductions. We are a member of this initiative as well as part of their climate change working group.

¹⁵ 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.

New investor initiatives 2022

As a responsible investor, we are actively participating in investor initiatives around various ESG topics. We are currently part of 33 initiatives, including the 8 new initiatives that we joined during 2022.

RI Initiatives
Collaborative Sovereign Engagement on Climate Change
Investor Initiative on Hazardous Chemicals (IIHC)
Investor Statements
NAM comment letter on the SEC's climate disclosure rule
Global Investor Support for the SEC Proposed Rule on Mandatory Disclosure
NAM comment letter to the ISSB's exposure drafts on sustainability and climate-related disclosures for investors
Environmental Defence Fund's letter commenting on the International Sustainability Standards Board's (ISSB)
Investor Statement to Governments on the Climate Crisis
Investor Statement on the European Commission's new Directive on Corporate Sustainability Due Diligence and gender

Collaborative Sovereign Engagement on Climate Change

In 2022, we have expanded our sovereign engagement by becoming part of the advisory committee of the Collaborative Sovereign Engagement on Climate Change initiative. This a pilot PRI-coordinated investor initiative to support governments to take action on climate change. This serves as a recognition of our fiduciary duty to support strong climate action from policy makers, to ensure a just and orderly transition to net zero can be accomplished.

The investor group identified major sovereign issuers as the area where collaborative engagement could add the greatest impact. Following the introduction of the Climate Change Act, the investor group found an opportunity to start this initiative by supporting climate policy in Australia.

Investor Initiative on Hazardous Chemicals

In 2022, we joined the Investor Initiative on Hazardous Chemicals, alongside 20 institutional investors and their representatives, with over US\$10 trillion under management.

This 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.

We ask from chemical companies that they:

1. Increase transparency, by disclosing the full list and production volumes of all hazardous chemicals produced globally
2. Publish time-bound phase-out plans of persistent chemicals
3. Work to improve ChemScore and share information with ChemSec

A few investor statements signed in 2022:

- **Investor Statement to Governments on the Climate Crisis:** Nordea signed the 2022 Global Investor Statement to Governments on the Climate Crisis, in which more than 500 investors and institutions with US\$39 trillion in assets under management urged governments to rapidly implement an ambitious programme to support investment of the trillions needed to respond to the climate crisis.
- **Investor Statement on the European Commission's new Directive on Corporate Sustainability Due Diligence and gender:** This statement called on policymakers to ensure the Directive is gender-responsive by explicitly and intentionally capturing a gender perspective throughout the Directive. For this legislation to effectively tackle human rights risks and impacts, it must intentionally and explicitly capture a gender perspective.

For more information on the investor statements we've joined, please refer to the Appendix.

Sustainability at Nordea



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

Sustainability is embedded across Nordea's business strategy, backed by measurable targets, strong governance, and a broad sustainability offering. Nordea Group has a long and solid experience within Sustainable Finance, and we are fully committed to – and actively working on – making the financial sector more sustainable.

Since the end of 2019, Nordea has decreased its financing to the whole oil, gas and offshore sector by more than 70%. The target of exiting the offshore sector by 2025 has previously been communicated to the market. Having joined the Net Zero Banking Alliance in October 2021, Nordea committed to setting sector targets. The first round of these targets has now been published. Nordea will continue to set sector targets in carbon-intensive sectors and this work is scheduled based on climate vulnerability and data availability. In 2022, Nordea has set four new sector targets covering Shipping, Residential Real Estate, Oil and Gas and Mining. These targets will help Nordea steer

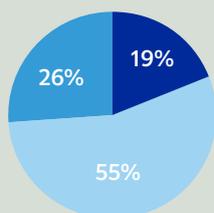
towards its objective to reduce carbon emissions by 40–50% across its lending and investment portfolios by 2030 – an overarching objective that Nordea was the first Nordic bank to publish in 2021.

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-use to diversity, and also integrating sustainable considerations into the products and services across the Group. At NAM level, the Responsible Investments (RI) team, carries out the research and integration of environmental, social, and governance (ESG) aspects into our investments.

The two boxes below summarize some of our key sustainability measures. More information about the work carried out by Group Sustainability can be found in [Nordea's Annual Report 2022](#).

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	50%	50%
Group Leadership Team	38%	62%
People leaders	44%	56%
Total workforce	52%	48%
Nordea Asset Management	35%	65%

Carbon footprint

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



CO₂e emission intensity:

2.07

tonnes/EURm of total operating income



Total CO₂e emissions:

11327

tonnes

Our Responsible Investment approach

ESG Governance and Teams

Responsible Investments team

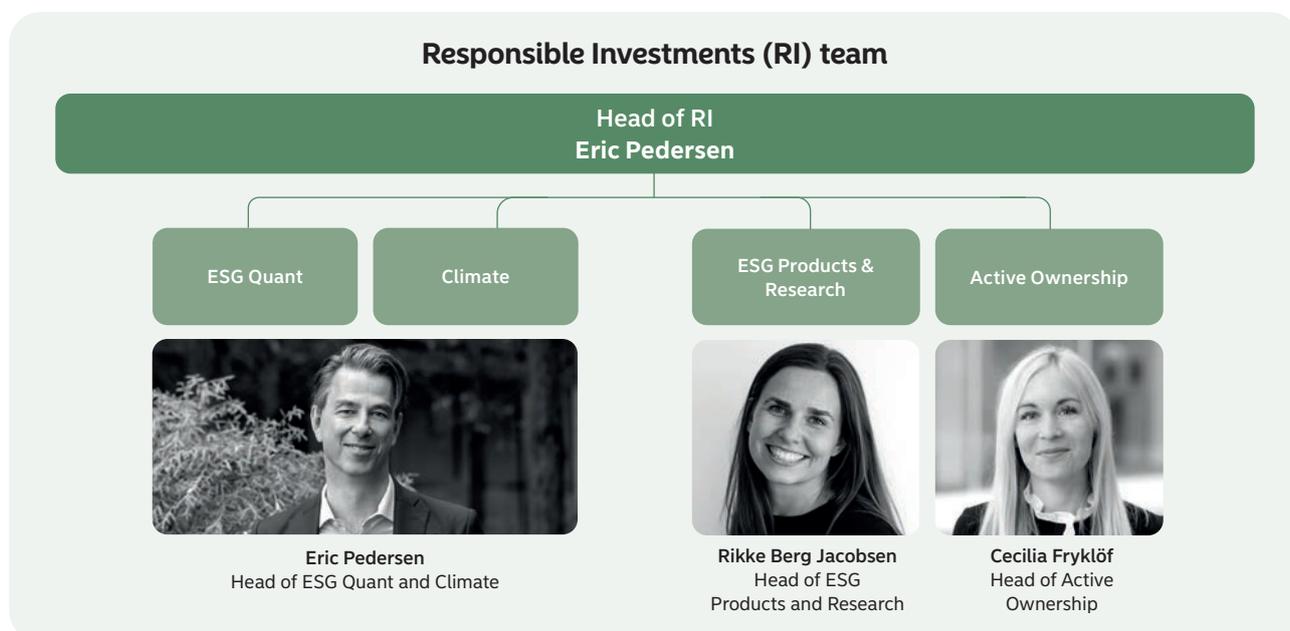
Our award-winning Responsible Investments (RI) team was established in 2009, and at the time of writing comprises 22 dedicated ESG analysts¹⁶ with a wide range of experience from academia, independent RI organisations and investment.

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

The team maintains both a broad RI coverage and a particular focus on our ESG STARS and thematic strategies, working closely with their respective portfolio management teams. The RI team often participates in client meetings and ESG conferences to share their latest insights and findings. It also leads ESG training (e.g. climate workshops) both internally and for clients.

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 model, as well as other advanced applications of ESG data



¹⁶) Data as of 28.02.2023. This number includes only full-time RI professionals in the RI team. Corporate governance and proxy voting professionals, Portfolio managers managing ESG funds and financial analysts and other employees with ESG as part of their responsibility are additional to this.

Corporate Governance team

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



Erik Durhan
Head of Corporate Governance



Richard Torgerson
Director of Corporate Governance

Responsible Investment Committee (RIC)

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

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

Responsible Investments Committee



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 of ESG performance, and that ESG and sustainability risks are managed in all our investment processes. These include both corporate-level RI approaches ("overlays") and product-specific approaches.

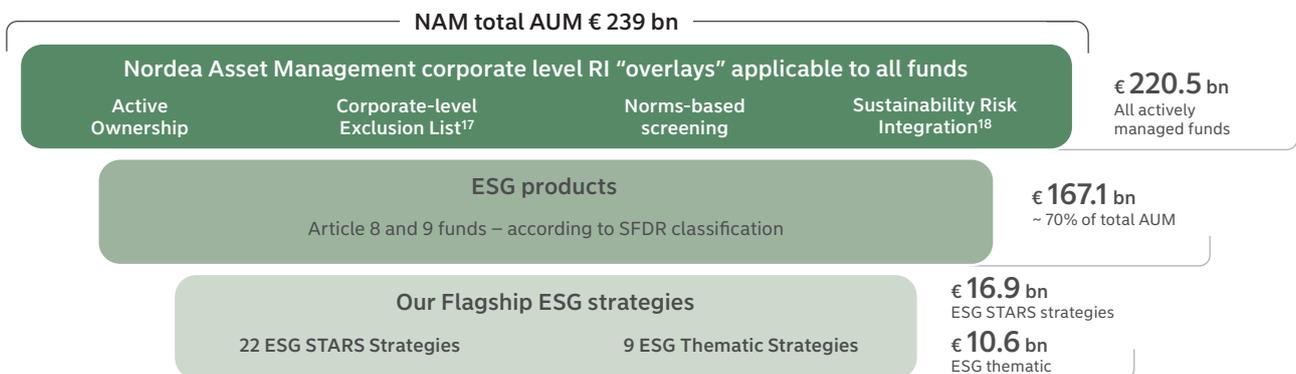
NAM's RI Policy defines our position on sectors that are linked to material ESG issues, going beyond the international norms and conventions. This helps to ensure that the companies we are invested in meet our expectations of sound ESG performance. The policy describes the stance we take on a number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

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

Our corporate-level RI overlays include norms-based screening, active ownership activities, 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. You can read more about these solutions on next page.

A comprehensive RI Framework including various forms of RI



Source: Nordea Investment Management AB. Data as at 31.12.2022. 17) Over 300 companies. NAM's Exclusion List available [here](#). 18) 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.

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). Since they all consider PAI elements within their investment processes, all of NAM's Article 8 and 9 funds are eligible under MiFID II regulation to be offered to clients with sustainability preferences, including our Global Climate and Environment Strategy which is one of the largest article 9 funds in Europe.

Going a step further, we have special ESG flagship strategies in the ESG STARS family and our ESG Thematic range. The ESG STARS funds follow an approach of full ESG integration and positive selection, while the ESG Thematic strategies seek solutions to specific sustainability challenges. Our credentials extend to international ESG-labels such as LuxFLAG ESG label¹⁹, Label ISR²⁰ and the Towards Sustainability label²¹.

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 standards²².

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

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

ment boutiques operate in close collaboration to engage in productive dialogues with many of our ESG STARS holdings.

The ESG STARS range covers a wide scope of regions and asset classes. In 2022, we've extended the ESG STARS range with the Emerging Stars ex China Equity and Emerging Stars Corporate Bond strategies.

ESG 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).

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

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

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

The Global Green Bond Strategy, the first fixed income strategy within our ESG Thematic universe, was formally launched on Earth Day 2021. The strategy's goal is to create positive impact and contribute to a low carbon economy by investing in green bonds, social bonds and sustainability-linked bonds, as well as conventional bonds from green companies.

19) 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. 20) 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.llabelisr.fr/en/what-sri-label/>. 21) 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. 22) **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.**



The Global Climate and Social Impact Strategy aims to provide meaningful solutions to meet pressing social and environmental needs. By addressing the interconnection between environmental and social challenges, investors in the strategy can be active players of the transition towards an inclusive green economy.

In 2022, Nordea's ESG Thematic range was enhanced with four new strategies. Engagement takes a new dimension in our new climate strategy launched in April 2022, 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 invests in 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 decarbonisation through a structured engagement approach.

The Global Sustainable Listed Real Assets Strategy was launched in August 2022 and it is an innovative investment co-creation of NAM (ESG specialist) and CBRE (Real Asset specialist) to deliver an article 9 solution to tackle inflation crisis, energy crisis and climate crisis at the same time.

The Global Social Solutions Strategy, launched in September 2022, focuses on companies that align their business models to the needs for a sustainable and resilient society. It seizes an untapped potential to generate revenue while creating social value.

Lastly, we launched the Global Social Bond Strategy in December 2022 which invests in social bonds that are issued by companies, financial institutions or public authorities that use such proceeds to raise funds for new and existing projects with positive social outcomes according to the International Capital Market Association (ICMA) or similar bond framework principles.

Sustainability reporting – Keeping our clients informed

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



Towards Sustainability Label²³



LuxFLAG ESG Label²⁴



Label ISR²⁵

ESG STARS equity funds

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 Climate and Social Impact Fund LU2355687059 (BP-USD) / LU2355687216 (BI-USD)			
Nordea 1 – Global Climate Engagement Fund LU2463526074 (BP-USD) / LU2463525423 (BI-USD)			
Nordea 1 – Global Gender Diversity Fund LU1939214778 (BP-USD) / LU1939215403 (BI-USD)			
Nordea 1 – Global Green Bond Fund LU2327920356 (BP-EUR) / LU2327921321 (BI-EUR)			
Nordea 1 – Global Social Bond Fund LU2555222566 (BP-EUR) / LU2555222723 (BI-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)			

23) 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. 24) LuxFLAG is an international and independent non-profit association and labelling agency. To promote sustainable investing in the financial industry, LuxFLAG awards an independent and transparent label to eligible investment vehicles in Microfinance, Environment, ESG (Environment, Social, Governance), Climate Finance and Green Bonds. The objective is to reassure investors that the labelled investment vehicle invests in a responsible manner. The LuxFLAG ESG Label is valid for one year. Investors must not rely on LuxFLAG or the LuxFLAG Label with regard to investor protection issues and LuxFLAG cannot incur any liability related to financial performance or default. 25) Label ISR is created and supported by the French Finance Ministry. The label’s goal is to increase the visibility of SRI products among savers in France and Europe. For more information on the Label ISR, visit <https://www.llelabelisr.fr/en/what-sri-label/>.



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 change.²⁶ We are convinced that ensuring good ESG practices in our funds' holdings is an important part of safeguarding the long-term interests of shareholders and society. When we want to improve a company's management of its ESG risks, we exercise our ownership right to support and influence the company.

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

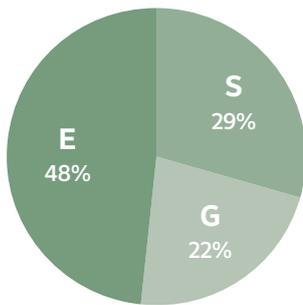
²⁶ There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

Active Ownership activities 2022

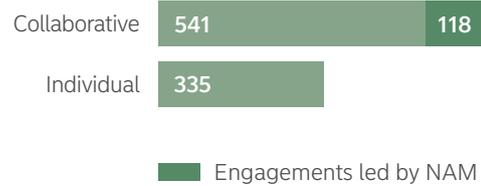
994 Total engagements

Covering 47% of our equity AUM

ESG breakdown



Engagement type



At the end of 2022, 10% were considered **resolved** and 1% **closed**.

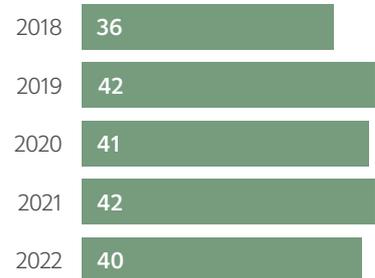
Top 3 SDGs



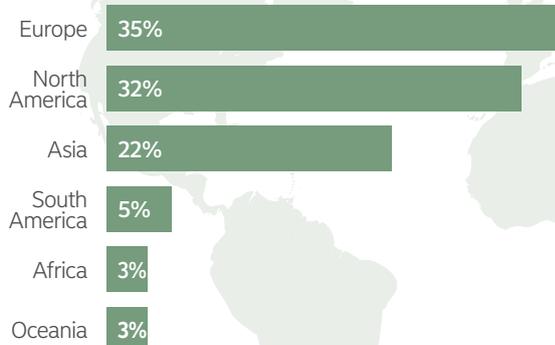
Top 3 engagement initiatives involved



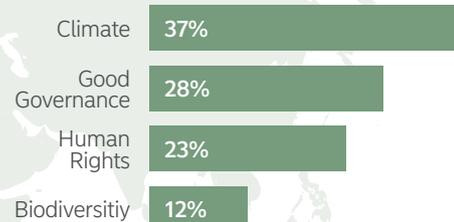
Nomination committees



Engagement geographical breakdown



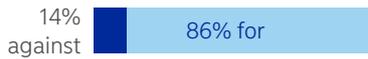
Focus engagement topics



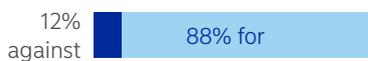
In 2022, we voted in around 3900 General Meetings

Representing around 95% of all votable meetings

Voted in 97% of climate proposals



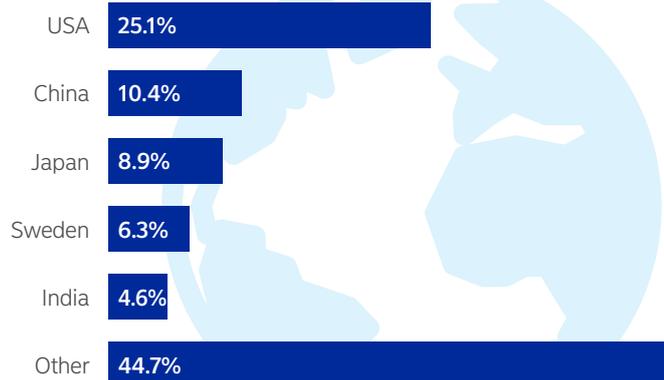
Alignment with management



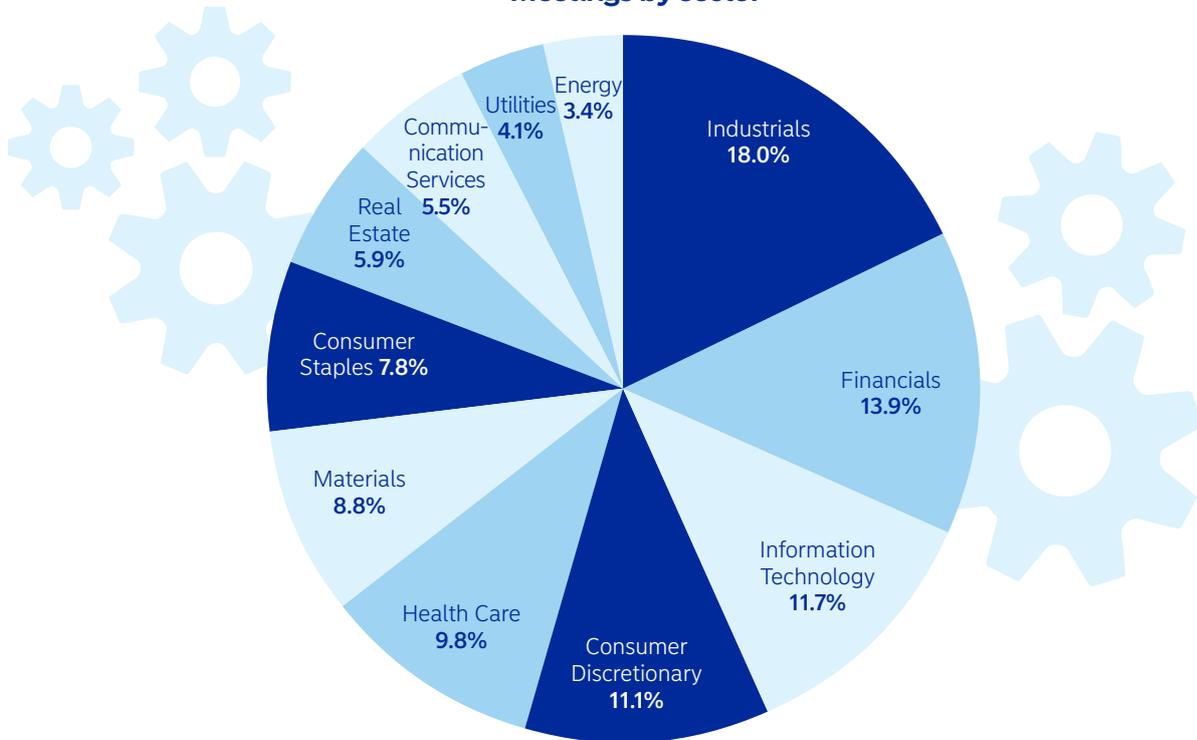
Examples of important votes are made available in the appendix of this report.

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

Meetings by country



Meetings by sector



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.²⁷

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

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

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

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

1. Investment-led engagement

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

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

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

3. Thematic engagement

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

- Biodiversity
- Climate
- Good governance
- Human rights

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

In addition to engagements with companies, we are increasing our work in the sovereign engagement sphere. This is emphasized by our since 2020 ongoing work as founding and advisory membership of the Investor Policy Dialogue on Deforestation (IPPD) and our advisory membership in the newly established PRI-coordinate investor Initiative on climate change.

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



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ESG focus areas

Climate

NAM is working on an ongoing basis to assess climate change risks and the impact of the low-carbon transition on sectors and companies. Climate change presents a challenge to our investments – in terms of its physical impact as well as through the prospect of radical policy measures and changing consumer behavior which aims to reduce GHG emissions globally.

We participate in multiple international investor initiatives and collaborative engagements around climate topics. One such example is our participation in Climate Action 100+ (CA100+) collaborative engagements with the world’s most carbon intensive public companies.

We are encouraged by some of the positive developments we have seen related to CA100+:

- 75% of the companies have set a clear ambition to reach net-zero GHG emissions by 2050 (up from 50% March 2021)
- 92% of the companies have board-level oversight of climate change (up from 87% March 2021)
- 91% of companies have disclosure aligned with TCFD recommendations (up from 72% March 2021)

Some of our Climate engagement initiatives



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 the signing of the UN Principles for Responsible Investment in 2007.

During 2022, 12% of our total engagements were on Biodiversity related topics. This includes our long-dating Pharma engagement. Started in 2015, the joint Pharmaceutical Supply Chain Initiative (PSCI) engagement campaign addresses India’s severe water pollution crisis caused by the waste generated by the manufacturing process of the pharma industry in the Hyderabad area. This initiative also focuses on the ensuing issue of antimicrobial resistance (AMR) caused by this pollution. We’ve participated in several roundtables on AMR: we were invited by the Swedish government to provide input to the Swedish government’s report on the use of antibiotics and livestock globally as part of a discussion on AMR and sustainable finance. Through our commitment to the Finance for Biodiversity Pledge, in 2022 we have been actively participating in a range of working groups, such as the Engagement Working group and the group concerning TNFD alignment.

Biodiversity and climate change are intrinsically linked topics. While our engagement on deforestation through our founding and advisory membership of the Investors Policy Dialogue on Deforestation (IPDD) is focused on the climate impact of deforestation, the linkage of these topics and the broader environmental and social aims of this initiative is highly relevant and complementary to our work on biodiversity.

Biodiversity will be a driving theme for us in 2023. In light of these efforts, we will start an engagement campaign on aquaculture over the coming year.

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 enhance long-term returns.²⁸ 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
- **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
- **Diversity:** We expect a board to include a strong presence of independent nonexecutives members and to be diversified

NAM has been taking action towards responsible tax practices for several years and in 2022 has shown good progress on the topic, including a follow-up on a co-signed letter to the US SEC Chair, in March 2021, in support of tax transparency and the shareholder proposal at Amazon. The letter had over 100 signatories, representing a combined total of over USD 3.6 trillion in assets under management sign-on. In 2022, the SEC ruled in favour of the shareholder proposal on tax transparency shareholder proposal. This is was the first time that the SEC has found that tax transcends ordinary business. We've co-filed a similar shareholder proposal on tax at 2022 Microsoft AGM.

2022 was also an interesting year with regards to our activities in favor of gender diversity and a good example of our escalation policy. During the end of 2021, we initiated an engagement with around 75 companies having zero females on the board. We initially targeted companies in developing markets, as well as China and Japan, and a few European companies. We shared our expectations that this ratio should improve, otherwise we may vote against relevant directors at the next AGM. During the beginning of 2022, we followed up with the companies where we could not identify any progress and that did not give us a satisfying response. During the voting season of 2022, we initiated to vote against relevant board members, in line with our statement to the companies.

Human Rights

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

Nordea Asset Management is 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.

Some of our Human Rights engagement initiatives



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Engagement campaign: Methane



Methane is a powerful greenhouse gas, estimated to be contributing to 25% of global warming today. Methane has more than 80 times the warming power of carbon dioxide over the first 20 years after it reaches the atmosphere. Although CO₂ has a longer-lasting effect, methane sets the pace for warming in the near term. The oil and gas industry is the largest industrial source contributing to 25% of global anthropogenic methane emissions.

Reducing methane emissions is critical for companies to achieve a 1.5 degree pathway. The International Energy Agency has demonstrated that reducing methane in oil and gas in the next decade is one of the most cost-effective forms of climate risk mitigation.

Status of the methane engagement

In July 2022, we initiated 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.

During the second half of 2022, we expanded phase one of the engagement to additional companies and our engagement efforts across the group continue. Although we still see gaps in the maturity of the companies in tackling methane emissions, we are seeing progress in the engagement. Many of the companies are taking action to reduce their methane emissions and are in dialogue with the OGMP 2.0 programme on membership. Petrobras and EOG Resources joined the OGMP 2.0 in January 2023.

Early success - Petrobras joins the OGMP 2.0

During 2022 we engaged with the state-owned Brazilian oil and gas company on their methane emissions as part of our methane collaborative engagement and on other climate topics such as their net-zero reporting and targets, in our capacity as lead

for the Climate Action 100+ investor cohort. We chose to focus our engagement efforts on methane emissions based on Petrobras' methane emission volumes, their suitability as a candidate for the OGMP 2.0, and the urgency of reducing their methane emissions to achieve alignment with the Paris Agreement.

International Energy Agency data has clearly identified high levels of abatable emissions at offshore oil and gas assets, where Petrobras is a dominant player. Petrobras is in a production growth phase and therefore it should be a priority to build engineering solutions which minimize methane emissions into the design of the new fields and production units. We saw a wide range of abatement opportunities at Petrobras, and we expect that additional asset level data on methane emissions – such as those reported to OGMP 2.0 – would help in targeting abatement efforts.

We sent a letter to the CEO of Petrobras encouraging them to join the OGMP 2.0 and had meetings with the company on methane in the second half of 2022. We expressed our expectation that the company should follow the example set by several of their peers and business partners by improving their measurement and management of methane emissions. The company acknowledged the importance of this issue and conducted an extensive technical review on the feasibility of reporting according to the OGMP 2.0 standard. In January 2023, Petrobras announced that they had joined the Oil and Gas Methane Partnership 2.0.

Engagement campaign: Top 200 emitters

As an active owner, NAM prioritizes engagement as the primary mechanism to drive Paris alignment amongst investee companies.

In line with our net zero commitment, in 2021 we set a target to ensure that by 2025, 80% of the Top 200 largest contributors to our financed emissions will be assessed as Paris-aligned, or else be subject to engagement to become so. This target will increase to 100% by 2030.

In 2022, we've initiated a concerted engagement campaign to communicate our expectations of Paris alignment amongst Top 200 emitters.

To assess the alignment profile of companies, we evaluate a set of current and forward-looking alignment criteria as defined by the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework:

- A long term 2050 goal consistent with global net zero;
- Short and medium term emissions reduction targets;
- Current emissions intensity performance (scope 1, 2, and material scope 3);
- Disclosure of scope 1, 2 and material scope 3 emissions;
- A quantified plan to deliver targets; and
- Capital allocation alignment.

The criteria are used to categorize companies into four alignment categories: aligned, aligning, committed to aligning or not aligning.

Collectively, to reach a state of net zero by 2050, we need companies across the investment universe to be categorised as aligned by 2040. This is why our target is to engage 80% of issuers who do not fall into the aligned category and therefore covers not just companies that have yet to make a commitment, but also those who are already aligning or committed to aligning.

The priority is to engage high-emitting companies that have yet to achieve alignment objectives, but where, through firm-wide engagement efforts and collaborative engagements, NAM believes it can facilitate real world emission reductions. In 2022 NAM initiated engagement with all companies assessed as not aligning.

Going forward NAM will continue to enhance its capacity to assess alignment status of investee companies, set out expectations, track progress and be prepared to escalate where progress stalls.

Assessing alignment profile across our investment universe

We have developed an in-house tool to assess alignment status of investee companies. For each criterion we source data across our data providers and other credible data sources, to indicate if the criterion is met. The indicative alignment status is then complimented by individualized research and company engagement.

Example of data sources:



Interview: Engaging for climate with the Global Climate Engagement Strategy

A conversation with Alexandra Christiansen, Portfolio Manager of the strategy, and Elin Noring, Senior ESG Analyst and Engagement Specialist

With the constant attention from civil society and regulators, climate considerations are now firmly entrenched in the minds of many investors and climate strategies have now become a staple for all sustainable portfolios.

How is the Global Climate Engagement Strategy addressing the climate challenge in a new light? What does this strategy bring to this highly competitive investment space?

Alexandra C.: The idea behind the strategy was born from witnessing the rapid growth of ESG strategies over the past few years and the subsequent capital flight from those parts of the market deemed as less good in ESG terms. This especially true of the heavy emitting industries, where many asset owners have divested in an effort to reduce the emissions footprint of their portfolios.

The challenge is that many of these companies will still be around in the low carbon economy of the future, and some may even play crucial roles in achieving sustainability goals. Excluding them from portfolios may look good on paper, but probably will not have an impact on real world decarbonisation.

For us investors, this creates an exciting opportunity. We believe that there are many businesses currently perceived as laggards in the context of the energy transition, but having the potential to still be relevant in the future green economy or even critical to enabling net zero ambitions. This underappreciated relevance is often reflected in these companies being undervalued relative to their justified worth.

Hence, rather than investing in the already recognized climate leaders and solution providers, the strategy seeks companies where we can engage with management teams to reduce transition risks and accelerate opportunities arising from a low carbon future. This includes improving environmental performance of operations and aligning business models with a low-carbon economy.

Given the strategy's innovative approach, the companies and sectors selected for the portfolio play an important role. Could you detail what you are looking for when selecting the highest conviction climate improvers?

Alexandra C.: As engagement is at the heart of this strategy, we are using the Sustainability Accounting Standards Board (SASB) Materiality Map to determine which sectors' fundamentals are most materially impacted by environmental issues, and by consequence have the most to engage on and de-risk. SASB has mapped all sectors to their defined sustainability issues, and shown the materiality of these issues within each sector. This generates a very broad universe which not only includes heavy emitting industries such as materials, industrials and utilities, but also parts of technology, financials and consumer goods.

We have aligned the SASB environmental issues to five engagement themes which we think are the most critical to address in the transition to a low carbon economy.

From this investment universe we have built a concentrated portfolio of high conviction ideas. The strategy follows a



Air and GHG Emissions

Decarbonise the economy to avoid irreversible damages to our world.



Energy Management

Improve energy efficiency to reduce the reliance on conventional energy.



Water and Waste Management

Conserve critical resources that will become increasingly scarce over time.



Natural Resources Management

Drive resource efficiency through innovation, recycling and substitution.



Sustainable Business Models

Reposition businesses to be resilient to both transition risks and physical risks of climate change.





Alexandra Christiansen and Elin Noring visiting Salzgitter Salcos site in Germany, the first DRI facility in the world mixing natural gas and hydrogen to directly reduce iron ore pellets for green steel.

disciplined fundamental bottom-up investment approach in which engagement is central to the investment and stock selection process. This is because we select companies based on their underappreciated fundamentals, feasibility of engagement and on the value that can be unlocked by helping them decarbonize.

As the name of the strategy suggests, engagement plays a central role in the strategy. NAM has a long experience with active ownership, proving that it is an effective tool of sustainable investing. How is the engagement process of this strategy different from NAM's other ESG-enhanced strategies?

Elin N.: Engagement takes a new dimension with our Global Climate Engagement solution. The strategy leverages on NAM's long experience with Responsible Investments, which is built on a strong belief in the Paris Agreement.

Even before becoming shareholders, we determine the feasibility of engaging with a specific company on a targeted topic by assessing the quality of the company's overall relationship with stakeholders to sense its willingness to cooperate and its commitment to ESG.

Engagement objectives and KPIs are included in the investment case when deciding to invest. To create a systematic and scalable process, we have formed a set of six KPIs which are applicable across industries and help us shape a roadmap for achieving the engagement objectives. To keep track of the engagements process and achieve the best possible results, we monitor closely the interactions with the companies and the progress on their decarbonization journey, and as such, we've created three flags to visualize the progress: initiate, accelerate and intensify.

The strategy really employs a robust engagement process and assuming that we want to engage with all the companies in the portfolio, how do you plan to distribute these engagement efforts?

Elin N.: It is important to note that we are dealing with a concentrated portfolio containing approximately 40 names, with varying degrees of maturity in aligning with the Paris Agreement. We divide the engagement cases into three categories, determined by the magnitude of change that we believe our team can help to contribute with, as well as how far the company has already progressed in its decarbonization journey.

The **Initiate** bucket consists of companies that have a long way to go towards achieving their objectives, but where we believe that there is potential to effect change either through our established firm-wide engagement efforts, or through powerful ongoing collaborative engagements which we can leverage in driving our agenda.

Next we have the **Accelerate** bucket which contains companies that have come the furthest in creating and executing on their climate strategy and where we consequently take more of a supportive role in helping them to execute and communicate on the strategy effectively.

The **Intensify** bucket consists of companies that, similar to the 'Initiate' category, have a lot of progress to make, but where the magnitude of change that we believe our team can help to create is most meaningful. These are our so called '**flagship**' **engagements**, and are driven individually by the team dedicated to this strategy, with support from other parts of the NAM organization where beneficial.

If a company's strategy is failing to progress towards the expectations set out, we will employ our escalation strategy which consists of open letters to management to voice our opinions in a public setting, voting against relevant board directors or compensation packages, and/or seeking collaboration with other investors so that we can increase the ownership share and consequently the pressure on the company to deliver.

As a final remark, could you share with us your outlook for the strategy in the coming years?

Alexandra C.: With this strategy we are trying to achieve something different: generating alpha and impact by de-risking the perceived climate laggards through engagement. The strategy lends itself to a more contrarian style of investing and as such the investment universe has a value-bias and tends to outperform when value is winning over growth in the market. We have observed this over the past year with very strong relative performance. This could be a useful source of diversification for ESG-focused asset owners, as we observe that most ESG strategies in the market tend to have more of a quality/growth bias in contrast.²⁹

Elin N.: On top of that, this solution will contribute to the reduction of real world emissions by going after names who can play a crucial role in the energy transition and where NAM's team sees opportunities for real change through a structured engagement approach.

Study case – Ashland Global Holdings³⁰

The strategy is invested in Ashland, a speciality chemical company which we believe has a business model that aligns well with sustainable trends in terms of products, core chemistry, and innovations. Its end markets include cosmetics, pharmaceuticals, food, beverages, automotive and construction. Over the years, Ashland has evolved from being a diversified chemical player to a consumer-focused specialty additive and ingredients company with leading sustainable chemistry. These sustainable components have better growth and pricing power, and should arguably deliver an improved return profile for Ashland, as well as environmental benefits.

Historically, Ashland has not delivered the same level of high returns as its competitors. Since the company is rather novel in the sustainable chemistries' space, our view is that it has not yet received recognition from the market for its efforts. The aim of our engagement is to support Ashland in convincing the market around how the portfolio has changed over the past few years, as well as to push for a clearer strategic direction for how to continue to accelerate on its journey towards a more sustainable product offering. Not only do we believe this will lead to improved fundamentals and a higher justified valuation for Ashland, the changing product offering will also bring environmental benefits along with it.

Since the launch of the Climate Engagement Strategy in April 2022, we have held four meetings with the company, including with the CEO and CFO. We have pushed Ashland on transitioning from using sustainability as a marketing tool, to this being a central aspect of their strategy in terms of knowledge, transparency, and targets. We were encouraged to see that the company achieved FSC Certification for cellulose-based materials, and we look forward to continue to work together to unlock further value and environmental benefits.

Examples of the key networks that Nordea Asset Management is able to leverage, either through membership or through collaborative engagement initiatives.



²⁹) 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. ³⁰) 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.

Voting



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

NAM's Corporate Governance Principles focus on increasing transparency and openness in contacts between the company and its shareholders. Our Principles also define how we view transparency and what level of openness we expect from the companies we invest in. An important factor in the funds' ownership responsibility is to promote sound administration and to safeguard the common interests of unitholders. A healthy, long-term development in the administration of the investee companies' benefits shareholders, employees and other stakeholders alike. The goal is to increase the return on fund investments and ensure smoothly functioning, reliable capital markets.³¹

The Corporate Governance team cooperates closely with NAM's RI Team, which oversees our work on responsible investment together with the investment organisation. The teams maintain an ongoing ESG dialogue with companies - pre and post-AGM - to get a better understanding and push for continued improvements. Besides good governance, we place particular emphasis on our other focus areas, climate, human rights and biodiversity. We see more and more shareholder proposals relating to environmental issues and climate reporting, and the support for these type of resolutions is also increasing. We welcome that interest in these issues is growing each year and that an increasing numbers of companies are supporting shareholder proposals around these questions.

In 2022 we voted at about 3 900 General Meetings on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure. The outcome in 2022 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 2022 we were represented in 40 nomination committees in four 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.

³¹) 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.

Significant votes³²

Company	Date of vote	Summary of proposal	Our vote	Rationale for the voting decision	Outcome
Walt Disney Company	9 March	Reduce ownership threshold for shareholders to call special meeting	For	We believe that lowering the threshold to call special meetings would enhance the rights of shareholders.	Against
A.P. Moller-Maersk A/S	15 March	Approve remuneration report	Against	We voted against the proposed remuneration program as the value in the program were not attached to any attached performance measures.	For
Topdanmark A/S	24 March	Require that Topdanmark joins the International Investor Coalition Net Zero Asset Owner Alliance	For	We think that the shareholders would benefit from a stronger alignment between the company's stated goals and its actions regarding corporate responsibility.	Against
Ericsson	29 March	Approve discharge of supervisory board members	Against	In October 2021, the US prosecutors determined that Ericsson had breached the obligations under the Deferred Prosecution Agreement related to potential bribes paid in Iraq previously. At the AGM we voted against discharge of responsibility for the entire Board and the CEO as we did not have enough of information on the nature and reason for the breaches of settlement with Department of Justice.	For
Meta platforms	22 May	Elect Director Mark Zuckerberg	Against	We voted against the election of Mark Zuckerberg since significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. We also think that roles of CEO and Chair should be separated. We supported several shareholder proposals at the AGM.	For
Amazon.com	25 May	Report on protecting the rights of freedom of association and collective bargaining	For	We believe shareholders would benefit from increased transparency and disclosure on how the company is managing human rights-related risks.	Against
Exxon Mobil Cooperation	25 May	Set GHG emissions reduction targets consistent with the Paris Agreement Goal	For	We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with the Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.	Against
Walmart	1 June	Report on lobbying payments and policy	For	We think that disclosure of the company's direct and indirect lobbying expenditures and decision-making process, along with its public policy priorities and trade association payments, would allow shareholders to better assess the risks and benefits associated with the company's participation in the public policy process.	Against
Alphabet	1 June	Report on managing risks related to data collection, privacy and security	For	At the Alphabet AGM, we supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	Against
FedEx Corporation	19 Sept.	Report on climate lobbying	For	It is our understanding that an assessment of the alignment between the company's lobbying activities and the goals of the Paris Agreement would give shareholders a better understanding of the company's management of its lobbying activities and any related risks and benefits.	Against

32) 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.



Outlook 2023 – Regulation and real-world issues continue to drive ESG demand from investors and distributors

While climate change, biodiversity loss and social violations continue at pace, the war in Ukraine, a generally fraught geopolitical environment and the continued battle of central banks against inflation are competing for global headlines. However, with the rolling implementation of environmental taxonomies, new reporting and disclosure frameworks, as well as tighter environmental and social due diligence rules Globally, sustainability factors will become even more financially material, and demand for ESG investments is on track continue to rise. With our long history as a responsible investor, our industry-leading Responsible Investments team, and one of the broadest ESG products ranges in the industry, NAM remains ready and able to serve clients across Europe and Globally with solutions that are fit for purpose – solutions that deliver Returns with Responsibility.

Globally, an increasing number of jurisdictions are introducing rules and taxonomies governing ESG investing and company disclosure. Often, these are modelled on the EU Sustainable Finance Disclosure Regulation (SFDR), Taxonomy, Corporate Sustainability Reporting Directive (CSRD) and related regulations, and non-EU jurisdictions, including UK, have been able to take into account the experience from the rollout of SFDR, adapting their approach. In the US, the SEC has proposed new climate-related disclosure requirements for public companies, and some market participants have already been fined for ESG-related disclosure breaches under existing general regulation.

Meanwhile in Asia, Singapore is quickly consolidating its claim to the mantle of Asian Sustainable Finance Hub with corresponding regulatory initiatives by the Monetary Authority of Singapore (MAS), while in Japan, the Government Pension Investment Fund has already for some time been particularly active in ESG initiatives, positioning itself as a “universal owner” and “cross-generational investor.”

SFDR and similar types of regulation increase investor demand for ESG factors to be taken into account, either indirectly or directly by mandating that sustainability concerns be part of investment advice sessions. Specifically within the EU, accelerating enforcement by national regulators of the already in-force

// In 2023, NAM will continue to give our investors and distributors a full range of choices in ESG investing, providing the data and disclosure needed to fulfil the requirements of SFDR and MiFID.

MiFID requirement to uncover and be able to fulfil retail investors' sustainability preferences, means that EU distributors of investment products must have a full shelf of ESG products. Those who do not already have such a shelf in place are exposed to substantial regulatory risk. In 2023, NAM will continue to give our investors and distributors a full range of choices in ESG investing, providing the data and disclosure needed to fulfil the requirements of SFDR and MiFID.

At the very highest level, while the COP 27 Climate Summit in 2022 was not universally regarded as successful, the Kunming-Montreal Global Biodiversity Framework was agreed and will inspire new legislation and debate in the coming years. Biodiversity has been a focus theme in Nordea for some time, and we acknowledge our role in preventing biodiversity loss and channelling capital flows towards nature-positive solutions. In 2023, we will continue to work closely with our portfolio companies to address biodiversity risks and capitalize on related opportunities.

At the same time, regulations such as the EU's new law on Deforestation-free products, the upcoming EU Corporate Supply Chain Due Diligence (CSDD) regulation, the Carbon Border Adjustment Mechanism and expanded Carbon Markets, as well as the US Uyghur Forced Labor Prevention Act and hard rules on e.g. board gender diversity, mean that the financial materiality of climate, biodiversity, human rights and other ESG/Sustainability issues is no longer in question. Companies that fail to adjust will find it harder to export into the World's biggest markets, creating real risks to investors – and investors are using ESG analysis to manage this risk.

Finally, while retail investors were shocked in 2022 by inflation, war and the effect of interest rates on investment returns, they increasingly meet heatwaves, floods, extreme weather and biodiversity loss both in their daily lives and in the media they consume.

As for institutional investors, many have made climate commitments, and while some cases of wavering occurred in 2022, more and more investors are making commitments of their own. This will continue to drive the demand for strategies with a climate theme, although finding the correct balance between approaches that promise a "clean" portfolio and those that aim for real-world impact on GHG emissions is not straightforward. At NAM, we aim to offer solution-driven portfolios based on analysis of individual companies' performance. This is illustrated both by our Paris-Aligned Fossil Fuel Policy, and by strategies such as our market-leading Global Climate and Environment Strategy. NAM's brand new and innovative Global Climate Engagement Strategy, and our recently launched thematic engagement campaign to reduce methane emissions especially illustrate the seriousness with which we approach the concept of real-world impact.

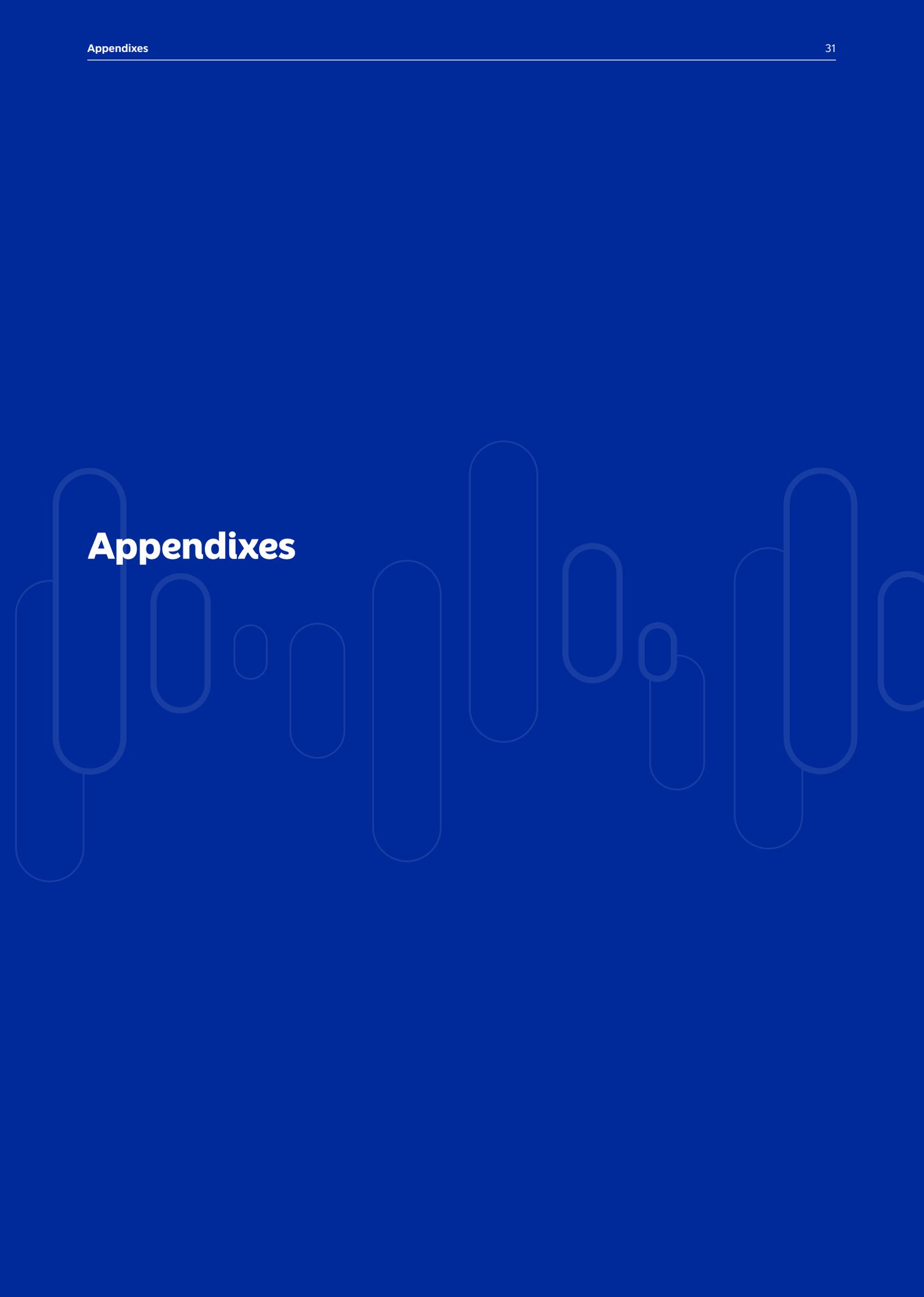
In conclusion, investors have had to digest the twin threats of war and inflation and the fact that some ESG strategies faced temporary headwinds as sectors of the economy typically underweighted or excluded from ESG portfolios rallied. Some will also note the debate about the relevance and legitimacy of taking environmental, social and governance factors into account, which erupted onto the United States political scene in late 2022. Nonetheless, every day, climate change, biodiversity loss and a host of social issues are only becoming more – not less – material for investors, supported by an inexorable march of regulation aiming to force companies to limit their negative externalities.

Against this backdrop, NAM continues to deepen its ESG resources and capabilities. We have now established our first ESG hub outside of the Nordics, in Singapore. The development of our world-calls in-house ESG data and analysis platform, which is fully aligned with SFDR while also facilitating deep and unique thematic and issuer-level ESG research by our analysts, continues apace, supported by a dedicated ESG agile development team. And our long-standing stewardship activities across engagement and voting, with private and public issuers of equity and debt, as well as industry bodies and regulators, are becoming ever deeper and more consequential. As we look into the 2023 and beyond, we have no doubt that this is what it will take to deliver what our clients expect of us: Returns with Responsibility.



Eric Pedersen
Head of Responsible
Investments

Appendixes



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 products³³
- 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

³³) 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

Investor Statement to Governments on the Climate Crisis:

Nordea signed the 2022 Global Investor Statement to Governments on the Climate Crisis, in which more than 500 investors and institutions with US\$39 trillion in assets under management urged governments to rapidly implement an ambitious programme to support investment of the trillions needed to respond to the climate crisis.

Investor Statement on the European Commission's new Directive on Corporate Sustainability Due Diligence and gender:

This statement called on policymakers to ensure the Directive is gender-responsive by explicitly and intentionally capturing a gender perspective throughout the Directive. For this legislation to effectively tackle human rights risks and impacts, it must intentionally and explicitly capture a gender perspective. Currently the proposal does not even mention the words "gender" or "women" once in its 70 pages.

NAM comment letter on the SEC's climate disclosure rule:

NAM sent a comment letter responding on "The Enhancement and Standardization of Climate-Related Disclosures for Investors".

Global Investor Support for the SEC Proposed Rule on

Mandatory Disclosure: Nils Bolmstrand submitted comments to Investor Agenda on behalf of NAM in support of the SEC Proposed Rule on Mandatory Disclosure, responding on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors.

NAM comment letter to the ISSB's exposure drafts on sustainability and climate-related disclosures for investors:

NAM Nordea Asset Management sent a comment letter responding on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures of the SEC Proposed Rule on Mandatory Disclosure.

Environmental Defence Fund's letter commenting on the International Sustainability Standards Board's (ISSB):

Nordea signed on to the Environmental Defence Fund's letter commenting on the International Sustainability Standards Board's (ISSB) Exposure Draft IFRS S2 Climate-related Disclosures and in particular the ISSB Oil & Gas Industry-based disclosure requirements. EDF organised ISSB comment letter with a group of investors and asset managers with specific focus on methane and the oil and gas disclosure requirements.

Investor initiatives

Access to Medicine Index

Access to Medicine 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 the expert committee between 2017 and 2019.

Carbon Disclosure Project (CDP)

Nordea is a signatory to the CDP, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies. We are also represented on the CDP Water Advisory Council.

Climate Action 100+

Nordea Asset Management is a signatory of the Climate Action 100+, a collaborative five-year global initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

Collaborative Sovereign Engagement on Climate Change

The Collaborative Sovereign Engagement on Climate Change is a pilot PRI-coordinated investor initiative to support governments to take action on climate change. We are part of the Advisory Committee.

FAIRR

We've joined the FAIRR's collaborative investor engagement on sustainable proteins which asked a number of global food companies to diversify their protein sources to drive growth, increase profitability, reduce risk exposure, and improve their ability to compete and innovate in a resource-constrained world.

Finance for Biodiversity Pledge

The Finance for Biodiversity Pledge is a commitment of 84 financial institution, representing € 12.6 trillion in AuM, to protect and restore biodiversity through their finance activities and investments. The Pledge consists of 5 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)

The Institutional Investors Group on Climate Change provides investors with a collaborative platform to encourage public policies, investment practices and corporate conduct that address long-term risks and opportunities associated with climate change.

International Corporate Governance Network (ICGN)

The International Corporate Governance Network'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.

Investor Initiative on Hazardous Chemicals

In 2022, we joined the Investor Initiative on Hazardous Chemicals, alongside 20 institutional investors and their representatives, with over US\$10 trillion under management.

This investor-led initiative that encourages chemical companies to increase transparency and stop the production of persistent chemicals. The aim of the IHC is to reduce adverse impacts from hazardous chemicals and thereby exposure to the financial risks to which they are linked.

We ask from chemical companies that they:

1. Increase transparency, by disclosing the full list and production volumes of all hazardous chemicals produced globally.
2. Publish time-bound phase-out plans of persistent chemicals.
3. Work to improve ChemScore and share information with ChemSec.

Investor Initiative on Sustainable Forests (IISF)

IISF works to foster investor collaboration and engagement to eliminate deforestation from soy and cattle supply chains in South America.

Investor Mining and Tailings Safety Initiative

The Investor Mining and Tailings Safety Initiative is an investor led engagement which advocates for increased tailings dam safety and transparency in the mining industry.

Investor Policy Dialogue on Deforestation (IPDD)

Nordea is a founding and advisory committee member of the Investors Policy Dialogue on Deforestation (IPDD) initiative, which was formally established in July 2020. The objective of the IPDD initiative is to ensure long-term financial sustainability of investments by promoting sustainable land use and forest management and respect for human rights.

Montreal Carbon Pledge

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.

Net Zero Asset Managers Initiative

In December 2020, we became an early joiner, committing to support the goal of net zero emissions by 2050, in line with the global efforts to limit warming to 1.5 degrees through our investments.

Partnership for Carbon Accounting Financials (PCAF)

In 2020, we joined this global partnership of financial institutions launched in 2015 aiming develop a harmonised approach to measure and disclose GHG emissions associated with loans and investments. A harmonised accounting approach provides financial institutions with guidance in developing risk management and regulatory compliance as well as a starting point required to align their portfolio with the Paris Agreement.

Pharmaceutical Supply Chain Initiative Advisory Panel

Since 2018, NAM is on the Advisory Panel of this industry-led organization aimed at establishing and promoting responsible practices for pharma supply chains. The dialogue and relationship with PSCI is part of our engagement with the world's largest pharma companies to address pharma water pollution in India, one of the largest drug manufacturing hubs in the world.

Principles for Responsible Investment (PRI)

PRI is an investor initiative to incorporate ESG in investment processes. We were an early adopter of RI and signed the PRI as early as 2007.

Swedish Investors for Sustainable Development

Partnership comprising 20 of the largest financial actors on the Swedish market and the Sweden's government agency for development cooperation (Sida) formed in 2016 and works to explore the role of investors, risks and opportunities related to the 2030 Agenda. Nordea joined in 2020.

Task Force on Climate-related Financial Disclosures

We are an official supporter of TCFD. The recommendations provide a foundation for climate-related financial disclosures for all companies, aimed at encouraging companies to report on the climate-related risks and opportunities that are most relevant to their business activities.

Transition Pathway Initiative

We are a supporter of the Transition Pathway Initiative (TPI), which is a global, asset-owner led initiative assessing companies' preparedness for the transition to a low carbon economy.

UN Environmental Programme Finance Initiative

We signed the UNEP FI in 1994. It is a partnership between UNEP and the global financial sector to mobilise private sector finance for sustainable development. We also became a member of the UNEP FI Banking Committee in 2018 and now since August 2020 holds the Scandinavian seat on the UNEP FI Banking Board. In 2021, Nordea Group's CEO Frank Vang-Jensen was invited to join the UNEP FI Leadership Council.

UN Global Compact

Initiated by the UN to encourage businesses to align their strategies and operations with ten universal principles building on UN conventions in the fields of human rights, labour standards, environment and anticorruption. We became a signatory to the UN Global Compact in 2002, first through Nordea Bank Finland. From December 2004 the coverage was extended to the whole Group.

World Benchmarking Alliance (WBA)

Between 2016 and 2020, we were a funding and steering committee member of the Corporate Human Rights Benchmark (CHRB) initiative which has now been integrated with the World Benchmarking Alliance (WBA). Since 2017, we have been part of WBA Allies representing organisations working at global, regional, and local levels to shape the private sector's contributions to achieving the SDGs.

Reporting and transparency

Responsible Investment at NAM

[Responsible Investment Microsite](#)

[Nordea Responsible Investment Policy](#)

[Corporate Exclusion List](#)

[Our ESG Learning Center](#)

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

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

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](#)

SFDR information and reporting

[Principal Adverse Impact statement](#)

[Sustainability risk integration into remuneration](#)

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

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

[Glossary](#)

For more information:



Nordea
ASSET MANAGEMENT

ESG STARS funds: risks for European investors

April, 2023

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 Stars Equity Fund

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

Risk indicator



Nordea 1 – Emerging Stars Local Bond Fund

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

Risk indicator



Nordea 1 – Nordic Stars Equity Fund

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

Risk indicator



Nordea 1 – Emerging Stars Equity Fund

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

Risk indicator



Nordea 1 – North American High Yield Stars Bond Fund

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

Risk indicator



Nordea 1 – Emerging Stars Ex China Equity Fund

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

Risk indicator



Nordea 1 – North American Stars Equity Fund

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

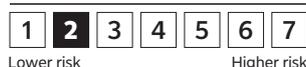
Risk indicator



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



Thematic Sustainable Solutions: risks for European investors

April, 2023

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 Social Bond Fund

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

Risk indicator



Nordea 1 – Global Climate and Social Impact Fund

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

Risk indicator



Nordea 1 – Global Gender Diversity Fund

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

Risk indicator



Nordea 1 – Global Sustainable Listed Real Assets Fund

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

Risk indicator



Nordea 1 – Global Green Bond Fund

LU2327921321 (BI-EUR) / LU2327920356 (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.

ABS/MBS risk: Mortgage-backed and asset-backed securities (MBSs and ABSs) typically carry prepayment and extension risk and can carry above-average liquidity risk.

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.

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