



Corporate Governance activities voting season 2021

Being an active owner is central to our understanding of ESG and in delivering returns with responsibility. We are convinced that ensuring good ESG practices and sound corporate governance in our funds' holdings is an important part of safeguarding the long-term interests of both the shareholders and the society. We welcome the increasing interest in ESG proposals, and give high importance to those in our voting activities.

The Corporate Governance team works in close collaboration with the Responsible Investments (RI) team and our Portfolio Managers (PM) to align the stewardship work on important ESG resolutions and all other issues. Our ambition and aim is to vote in at least 90% of all general meetings in the companies in which we hold equities.

For us transparency is key, and a basic pillar of our ownership approach. Therefore, we invite you to read about our Corporate Governance activity and our corporate governance policy, which are publicly available on our [voting portal](#).

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Our approach to Corporate Governance

We believe that sound corporate governance contributes to shareholder value and adds value to equity investments. Corporate governance is essential for a transparent relationship between companies and shareholders, in which shareholders play a vital role in improving the performance of a company. Active corporate governance is a central aspect of Nordea Asset Management's (NAM) duty on behalf of unitholders and must always be conducted in their interests.

We also believe it is our duty to deliver returns with responsibility and we were an early adopter of RI, signing the UN Principles for Responsible Investment (PRI) back in 2007. Being an active owner – by using our voting rights and engaging with companies – is a central part of delivering returns with responsibility.

Our guidelines relating to these issues are brought together in the Corporate Governance Principles, which has been made available to read on Nordea's voting portal. It summarises our view on a range of governance issues such as board appointments, compensation issues and sustainability. In 2018 the Voting Portal was launched, providing detailed information about how NAM votes. The votes are logged in within 24 hours, and the information is so detailed that it is possible to see each individual vote.

Objectives of corporate governance

We believe that sound corporate governance is essential to creating value in companies, adding value for unitholders. NAM's Corporate Governance Principles focus on increasing transparency and openness in contacts between the company and its shareholders. Our 2021 principles document also defines how we view transparency and what level of openness we expect from the companies we invest in. An important factor in the funds' ownership responsibility is to promote sound administration and to safeguard the common interests of unitholders. A healthy, long-term development in the administration of the investee companies' benefits

shareholders, employees and other stakeholders alike. The goal is to increase the return on fund investments and ensure smoothly functioning, reliable capital markets. An active ownership policy is a key aspect of RI. Voting and engagements are important aspects of working with responsible investments, and where Nordea aims to be a leader. The Corporate Governance team therefore cooperates very 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. We place particular emphasis on our focus areas – climate, good governance, human rights, water and biodiversity. We see more and more shareholder proposals relating to environmental issues and climate impact reporting and the support for these type of resolutions are also increasing. It is welcomed that interest in these issues is growing each year and that an increasing numbers of companies are supporting shareholder proposals around these questions. As a signatory of the UNPRI, we have hence undertaken to integrate factors such as environmental, social and governance (ESG) in our investing activities, and have joined a number of organizations in this area, including the Net Zero Asset Managers initiative, IIGCC, Climate action 100+, CHRB and SASB. We will continue to evolve our approach to vote against directors for climate and human rights reasons and to use voting and/or shareholder resolutions to escalate lack of progress in company engagement. The goal for voting and other corporate governance matters is to take place with as broad a mandate as possible in order to address major systemic risks and ESG factors. In 2018, NAM signed up to International Corporate Governance Network's (ICGN) general corporate governance guidelines when they were launched.

Our corporate governance principles and RI policy are subject to a formalized annual review process. The aim is to evaluate whether our policies continue to meet best practice in the industry, meet client expectations and reflect our internal processes accurately. The review includes monitoring of any updates to signed



stewardship codes or RI-related memberships that may imply certain commitments. The review has led to changes in the responsible investment policy in relation to our climate commitments and other positions.

ISS and Nordic Investor Services are selected to provide proxy voting services after a thorough benchmarking and RFP process that included the major providers of proxy voting services. We perform regular due diligence to ensure operational integrity, quality of research and implementation of the Nordea custom voting policy.

In order to ensure ethical conduct in our engagement with companies, we also follow a clearly defined process if material non-public information is obtained. For instance, when members of our team are involved in the nomination process of board directors they follow our procedure to avoid dissemination or abuse of non-public information.

Nordea's engagement policy outlines our approach to identifying and managing conflicts of interest. The approach is based on the Conflict of Interest procedure.

2021 voting season overview

As we saw already in 2020, the ongoing pandemic has had a significant impact also on Corporate Governance in general and on Annual General Meeting (AGM) voting in particular. Sadly, we have not been able to physically attend as many AGMs over the last two seasons as we normally would, but instead focused on providing support to companies on, for example,

dividend policies and remuneration implications. There had been multiple stories in the media on changed remuneration schemes due to the weak markets seen in 2020 and into 2021. NAM tries to hold a pragmatic view and listen to the rationale given in the individual case in deciding whether to support such changes or not.

Up until August 2021 we have this year voted at over 3380 AGM/Extraordinary General Meetings (EGM) on thousands of proposals, including ESG issues such as climate, data privacy, diversity, as well as remuneration programmes and capital structure. This is a big upward shift from 2020, and reflects our ambition to vote in the majority of all AGM/EGMs in our portfolio companies, and the outcome so far in 2021 is above 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 the 2020 Nomination Committee period we saw female representation on these companies' boards improve to just shy of 40%. This is roughly in line with our goal of 40%/60% representation of any gender. For the 2021-season, we expect to join more than 40 such committees. We also strive to introduce ownership-led Nomination Committees in other countries, and over the last couple of years we have managed to help facilitate such changes in both Finland and Denmark.



Voting & Engagements

We believe that active ownership is a powerful way to protect shareholder value, enhance long-term returns and foster positive change. We are convinced that ensuring good ESG practices in our funds' holdings is an important part of safeguarding the long-term interests of shareholders and society. When we want to improve a company's management of its ESG risks, we exercise our ownership right to support and influence the company. Sound corporate governance contributes to shareholder value and adds value to equity investments. Our Corporate Governance team is responsible for defining and executing our corporate governance policy, and the Corporate Governance Principles guide the way we vote and in which issues we decide to engage with companies.

Every year, we vote and engage on a myriad of issues and on some we have a focused stance. For instance; we strongly believe that the Chief Executive should not be the same person as the Chairman of the Board. One of the most important tasks of a company's Board of Directors is to oversee and evaluate top management, and in our view this aspect potentially becomes compromised if there is a CEO/Chairman of the Board combination. Over the last couple of years, we have supported many proposals to split the roles, including in companies like Cisco, Facebook and Amazon.

We regularly engage with companies to explain our voting rationale, and we try to be as proactive as possible to get companies, if possible, to alter proposals in line with our principles. Furthermore, we are strict when it comes to remuneration proposals containing time based awards. Just showing up for work should not be the foundation for a Long Term Incentive Program, and accordingly we disapprove of any pay package containing a large part of time based compensation.

We see a limited number of non-financial KPIs being introduced into compensation programs, which we expect to increase in the future. Our view is that it enables the company to tie part of the

compensation to, for instance, ESG-related criteria – but it is important that the criteria's proposed are relevant, transparent and the goals challenging.

We also generally vote against any proposal to limit minority rights, such as higher threshold to call extraordinary general meetings, or limiting the ability for shareholders to vote or express their views. We are happy to see an increasing number of shareholder proposals regarding lowering such thresholds, and we generally support such initiatives.

It is interesting and encouraging to see the number of shareholder proposals on climate and social issues continue to increase over time. The Corporate Governance team works very closely with the Responsible Investments Team and our Portfolio Managers to align the stewardship work on these and all other issues. This year we co-filed a shareholder proposal at the ExxonMobil general meeting, to escalate the lack of progress in the ongoing engagement since 2018, in which we requested the Board of Directors to conduct an evaluation and issue a report within the next year describing if, and how ExxonMobil's lobbying activities (direct and through trade associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). The report shall also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks. The proposal was well received by ISS and other proxy advisers, and was approved at the AGM.

It is often important to discuss issues on which NAM's' views differ from the board's proposals before the general meeting to give the company the opportunity to change the proposal. Some companies asked additional questions about the application of voting instructions to clarify our view. A number of companies also explained their general meeting proposals in accordance with Nordea's voting instructions more actively than before, while other companies chose to change their proposals. Together with other institutional investors we have also convinced companies to withdraw proposals

that were impossible for us to support and instead put forward revised proposals. NAM take a positive view of close contacts between companies and large owners regarding proposals at general meetings.

Environmental issues

This season we have seen an increasing number of ESG proposals in our portfolio companies. One such example is the already mentioned ExxonMobil co-filed shareholder proposal, which requested the company to report on how its direct and indirect lobbying aligns with the Paris Climate Agreement goals. In line with the ambition to reach net zero by 2050 we have also supported proposals asking companies to join the International Investor Coalition Net Zero Asset Owner Alliance, as well as proposals on goals and plans to align to the Paris Agreement. Many such proposals can be seen in our table as outlining examples of important votes, including our vote in Equinor, which supported a proposal to set targets aligned with goal of the Paris Agreement covering short-, medium-, and long-term greenhouse (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2 and 3) and to report at least annually on the progress, strategy, and underlying policies. The rationale in this case was that we want to signal the importance to include these type of targets in the energy transition plan that they will submit to future annual meeting.

Social proposals

Especially in US companies we see a steady increase in proposals on social issues, often related to diversity and human rights. This year we supported shareholder proposals in the social category in, among others, Facebook, Alphabet and Twitter. The proposals focused on a requirement to find Independent Director Nominees with human- and/or civil rights experience. These companies have faced multiple issues in the human rights area, including the handling of hate speech and possible detrimental effects on civil rights stemming from the companies' technology, which pose a risk to shareholders. With Amazon we supported a proposal on a Civil Rights Equity, Diversity and Inclusion Audit after a string of lawsuit from employees alleging discrimination.

Initiatives from institutional owners

Together with Nordea's portfolio managers in the investment organisation we have also been in dialogue

with individual companies about strategy and our view of the company's development. This dialogue takes place both privately and/or together with other significant owners. Much focus this season has been on changing remuneration proposals due to the ongoing pandemic.

Private share issues/resale of repurchased shares

It is common for boards to seek authorisation to carry out placements, and increasingly frequent in combination with authorisation to resell previously repurchased shares. NAM generally encourage companies to be cautious with regard to placements and are actively engaging a number of companies in dialogue about these issues. NAM generally vote against proposals regarding total authorisation exceeding 10% of outstanding shares in the company if there is no pre-emptive rights for existing shareholders.

Multiyear board authorisation

A growing number of Nordic companies are proposing multiyear authorisation for boards to issue new shares or repurchase shares. Internationally, multiyear authorisation for boards in various sectors are common in certain countries. NAM's view is that authorisation for boards from annual general meetings shall only be valid until the next annual general meeting, i.e. for one year. We also see this trend in other countries, and actively aim to ask companies to maintain only one year mandates.

NAM's ownership policy is based on openness and we encourage our clients to read the corporate governance policy, which is available on the NAM's website and on the Voting Portal.



Examples of important votes 2021

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

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