

Fund Portrait

2025

Nordea 1 – Global Diversity Engagement Fund¹

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

SFDR classification

 ARTICLE
8

Highlights

- **Harvesting the Diversity Premium:** benefiting from the positive correlation between strong D&I practices and corporate financial performance
- **Driving outcome via engagement:** enhancing the diversity premium, invest and engage with companies that are early in their Diversity & Inclusion (D&I) journey to accelerate their D&I agenda
- **Bringing the best of two worlds:** unique combination of a data-driven approach with a robust fundamental bottom-up thematic investment process

The Nordea 1 – Global Diversity Engagement Fund was born with the aim to reap the benefit of the positive development around societies' increased awareness of Diversity and Inclusion (D&I). As companies realize the importance of this concept, they proactively address the relevant risks within their organization with a clear view that it will benefit them in the future. Additionally, we observed that diversity data disclosure has been continuously improving. This enables us to establish clearer engagement objectives which helps to achieve maximum impact.

What is D&I and why does it matter?

Diversity and inclusion (D&I) are two concepts that are closely interconnected. Diversity refers to the representation of different groups and inclusion refers to measurements/policies that ensure these different groups can have access to fair opportunities. Therefore, we believe that we can make true impact on diversity only in combination with inclusion.

Then, how does D&I matter from a company's perspective? In fact, it makes perfect sense to embrace the concept of D&I, as numerous research studies have highlighted the positive correlation between advanced D&I practices and higher likelihood of financial outperformance.



Some examples below in the table illustrate how companies with advanced D&I awareness can benefit financially:

Diversity and inclusion (D&I) are positively correlated with business performance

+36% Likelihood of higher **EBIT Margin** for top quartile companies in terms of executive team diversity*

+38% more share of revenue from innovative products and services than peers**

2x more likely to understand client's needs***

*McKinsey & Company, "Diversity Wins, How Inclusion Matters" (2020). **BCG "The Mix That Matters: Innovation Through Diversity" (2017). ***Harvard Business Review "How Diversity Can Drive Innovation" (2013).

Investment philosophy and team

Our aim is to invest both in companies that are already well-advanced in their D&I practices and also those that are willing to improve their D&I and are open to guidance through engagement to progress faster on their agenda.

1) The name of the strategy was changed from Nordea 1 – Global Gender Diversity Fund to Nordea 1 – Global Diversity Engagement Fund with the effective date as of 31.08.2023.

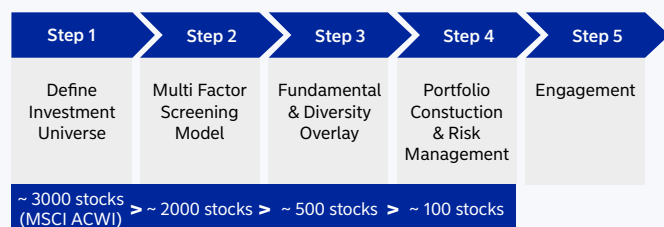
With this investment philosophy, the fund is managed by two Co-Portfolio Managers who are supported by Nordea's Diversified Equity team. To strengthen the process further, the PMs are working together with two dedicated RI analysts who assess and monitor engagement opportunities.

How we do it: bringing the best of two worlds

The Nordea 1 – Global Diversity Engagement Fund follows a **unique investment methodology: combining a data-driven screening approach with a fundamental and bottom-up thematic overlay**. We therefore screen for **companies that exhibit strong business fundamentals and growth outlooks, but which also promote diversity and inclusion**.

Our investment process

The Investment process consists of 5 clear steps as illustrated in the chart below:



In our first step, we **define the investment universe** by assessing companies based on liquidity and analyst coverage and eliminating companies that do not meet our minimum diversity standards (at least 30% representation of minority within upper leadership levels)² as a part of initial D&I screening.

Our **Multi Factor Screening Model** screens the investment universe in order to identify companies with fundamental characteristics that are stronger compared to their peers. Once these companies are identified, we carry out fundamental and D&I analysis (**fundamental and diversity overlay**). This step is where we conduct in-depth analysis of business fundamentals. For example, we look for strong fundamentals by looking into metrics such as growth outlooks, expected earnings, etc, while assessing D&I status via our Diversity Score.

Within our **Diversity Score**, we assess companies' D&I status based on 4 pillars²: **Leadership Diversity** (how diverse the leadership levels are), **Talent Pipeline** (how a company promotes diversity at different levels), **Inclusion** (how inclusion of different group is promoted), and **Diversity Change** (measures up/down diversity trends within a company). As a result, we identify and categorize companies from Leaders to Laggards with respect to how advanced their D&I profiles are.

Our categories are:

- **Diversity Leaders** (companies that are advanced in all D&I metrics). While these companies are not our priority for engagement, we may still engage with them if opportunities arise to further enhance best practices on D&I
- **Fast Movers** (companies that are closer to becoming Leaders) are eligible for "Light" engagement
- **Moderate Improvers** (companies that have higher upside potential to improve its D&I status to become Leaders) are eligible for "Focused" engagement
- **Diversity laggards** fall outside the scope of our investable universe

Diversity Leader illustration: Taylor Morrison Home Corporation

Taylor Morrison Home Corporation is a US based homebuilder. Despite the industry's traditionally male-dominated nature, the company has achieved gender balance on its board-, executive-, middle management- and workforce level.

The company's focus further extends beyond gender to include age, nationality, and ethnic diversity, better serving America's diverse homebuying population. The company's dedication to inclusivity is evident through initiatives targeting diverse talent acquisition, expanded data disclosure, and fostering a culture of belonging.

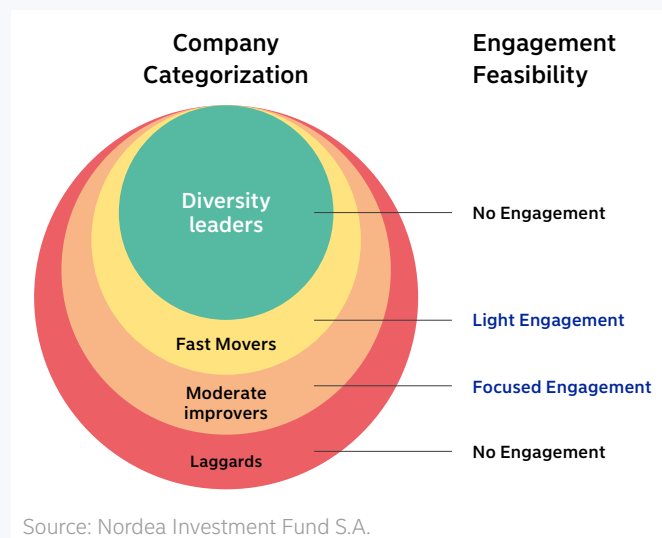
The **portfolio construction process** combines the stock selection process with a **risk-budgeting** framework. We weight the holdings according to conviction by the investment team in the company and the overall risk consideration (please note that the fund uses the MSCI All Country World Index as its official benchmark). We aim to be fairly region- and sector-neutral relative to the market on the whole. However, the fund follows certain sets of exclusions around controversial sectors such as Tobacco, Nuclear Weapons and Coal Mining. Furthermore, NAM's Paris Fossil Fuel Policy restricts Energy exposure to companies with lower or reducing carbon emissions. The final portfolio consists of **80 to 100 names**.

Our approaches to engagements

Engagement is used as an effective tool to influence and guide engaged companies to accelerate on their D&I agenda. Different levels of engagement are carried out depending on the D&I classification of a company. Diversity Leaders represent around half the portfolio, and do not require engagement. In

²) At the time of investment, the minority gender must represent at least 30% of the upper -level management i.e. either executive level, management level or Board level. Alternatively, the minority gender must hold the position of Board Chairperson or CEO of the company. For companies that show a clear trajectory towards improving and promoting diversity and equality, the threshold for minority gender representation is lowered to 20%. The 20% threshold is controlled on an ongoing basis, and if companies fail to meet the threshold on both upper-level management level and board level, they will be divested within a grace period.

general, engagement is initiated at the last step of the investment process once the portfolio has been defined.



Focused Engagement illustration: United Rental

Nordea initiated engagement with United Rentals since we saw the huge upside potential for improvements in gender representation in upper leadership. In addition, we encouraged United Rentals to improve its data disclosure on this topic. We suggested specific action points to move towards 30% thresholds within upper leadership. In return, United Rentals voluntarily proposed that they also would like to increase gender representation of sales and senior management position as well to 40% to enhance employee base diversity by 2030.

We leverage the extensive capability of Nordea's Responsible Investments Team, created in 2009, to carry out engagements and push for positive progress.

Invest in D&I while making a positive change³

The Nordea 1 – Global Diversity Engagement Fund focuses on the belief that companies committed to strong D&I practices are likely to see better financial performance, which is supported by numerous research. Our unique investment process combines a data-driven approach with a traditional fundamental bottom-up analysis that enables us to select the best performing companies in a given segment, while having a focus on D&I.

This solution could be appealing for those who believe in the value of Diversity & Inclusion (D&I) as an essential driver for social change, while also taking advantage of the positive correlation between above average D&I practices and corporate financial performance. The fund can also offer an attractive value proposition to those sharing our view that Engagement is the best way to achieve and promote a more diverse corporate environment and to support companies with a well-defined path towards D&I excellence.

Asset Management at Nordea

As an active investment manager, Nordea Asset Management manages asset classes across the full investment spectrum and aims to serve its clients in every market condition.

NAM is dedicated to delivering returns with responsibility. Having entered the ESG space over 30 years ago with the launch of our first sector screened fund, responsible investment is deeply rooted in our Nordic DNA. In 2007 we became an early signatory of Principles for Responsible Investment. As an ESG pioneer and market leader we established an award-winning RI Team in 2009 – now one of the largest in Europe. We currently offer a broad suite of RI solutions to investors of all types across the globe.

Nordea's success is based on a sustainable and unique multi-boutique approach that combines the expertise of specialized internal boutiques with exclusive external competences allowing us to deliver alpha in a stable way for the benefit of our clients.³

Nordea 1 – Global Diversity Engagement Fund

Fund manager	Diversified Equity Team
Fund domicile	Luxembourg
ISIN codes*	LU1939214778 (BP-USD) LU1939215403 (BI-USD)
Annual management fees	1.75% p.a. (BP-USD) 0.75% p.a. (BI-USD)
Base currency	USD
Reference index	MSCI ACWI Index (Net Return)
Launch date	21.02.2019

To find out more, visit our local microsite:
nordea.lu/ThematicSustainableSolutions
nordea.co.uk/ThematicSustainableSolutions
nordea.ch/ThematicSustainableSolutions



³ 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. *Other share classes may be available in your jurisdiction.

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Risk indicator



Risks
<p>The summary risk indicator is a guide to the level of risk of this product compared to other products.</p> <p>For more information on risks the fund is exposed to, please refer to the section "Risk Descriptions" of the prospectus.</p> <p>Other risks materially relevant to the PRIIP not included in the summary risk indicator:</p> <p>Depository receipt risk: Depository receipts (certificates that represent securities held on deposit by financial institutions) carry illiquid securities and counterparty risks.</p> <p>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.</p> <p>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.</p> <p>Securities handling risk: Some countries may restrict securities ownership by outsiders or may have less regulated custody practices.</p> <p>Taxation risk: A country could change its tax laws or treaties in ways that affect the fund or shareholders.</p> <p>For UK investors, please refer to the SRRI and risks as per the Key Investor Information Document (KIID) and Prospectus, which are available on nordea.co.uk.</p>

Investment policy	SFDR classification
<p>The fund mainly invests in equities of companies from anywhere in the world. Specifically, the fund invests at least 75% of total assets in equities and equity-related securities. The fund will be exposed (through investments or cash) to other currencies than the base currency. The fund is actively managed.</p>	<p>The fund has been classified as an article 8 fund under SFDR. The fund has environmental and/or social characteristics but does not have sustainable investment as its objective.</p> <p>For more information on sustainability-related aspects of the fund, please visit:</p>

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