

A woman with long brown hair is running across a lush green field in a park. The sun is low on the horizon to the left, creating a bright lens flare. In the background, a dense city skyline with various skyscrapers is visible under a clear blue sky.

Nordea

ASSET MANAGEMENT

Towards a sustainable future

Climate change is happening today, and it requires immediate action from all of us to meet the challenge. The good news: there are solutions.



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Dear reader,



What we can influence about the future are the choices that we make today. Climate change demands engagement, mitigation and adaptation from all of us. At the same time, the imperative to adapt creates massive opportunities for companies and investors.

As a bank and a source of finance, it is Nordea's role to enable its clients to achieve their financial goals. However, this role comes with responsibilities, not only vis à vis our clients but also our broader stakeholders such as business partners, employees and shareholders. Since climate change is a global key challenge that will affect our society, our lives and our economy, it is only consequent that we, at Nordea, take this issue seriously. Together with customers and partners, Nordea can foster the transition towards a sustainable future. By doing this, we contribute and take responsibility for our surroundings and bring value to our customers.

To actively address the issue of climate change in a holistic way, Nordea established a Group Sustainable Finance Team that is working to integrate sustainable finance across all areas of the bank. Nordea also installed a group-wide sustainability policy covering investments, financing and advice. And we developed a Nordea Climate Change Position Statement with initiatives on how to fulfil our role regarding climate change. All these processes and the associated business development are meant to give you, our customers, shareholders or other stakeholders, the opportunity to make a convenient choice for a sustainable future.

For Nordea Asset Management, active ownership is key. It means engaging in dialogue with our investee companies on a range of issues, sustainability being an important one of them. By doing so, we aim to increase the awareness of these global challenges and focus on the solutions that can be developed.

If we look back ten years at where the journey towards sustainable finance really took off at Nordea, a lot has happened since then. Today, many investment funds that are taking sustainability criteria into account can offer a performance that rivals, if not surpasses, that of traditional funds. The companies and solutions we present to you in this booklet are real and actually make a difference. With a history of a decade with Responsible Investments, follow us on this exciting journey towards a sustainable future.

A handwritten signature in black ink that reads "Sasja Bestik". The signature is stylized and cursive.

Sasja Bestik,
Head of Group Sustainable Finance at Nordea



The climate challenge: Why do we need solutions?

Climate change is a global issue. But it is also happening here and now, and it is now acknowledged that human activity is the key contributor to global warming. If we do not do something about it, the average global temperature will rise by approximately four degrees from today's levels until 2100. This may not sound so bad, yet this rise in temperature poses remarkable threats and challenges to our society. It will, for instance, have a serious impact on our habitat. Sea levels will rise and extreme weather events will happen more frequently, from storms and heat waves to floods and droughts. Science also shows that climate change will affect human health across the world. If we do not act, we will experience a number of health threats during our

// To me, who has been diving in this reef for fifty years, it looks like a graveyard.

Dr. Charlie Veron, marine scientist and coral expert



Meet Dr. Charlie Veron

Sasja Beslik spoke to Dr. Charlie Veron, marine scientist and coral expert, about the effects of climate change on the Great Barrier Reef

“To me, who has been diving in this reef for fifty years, it looks like a graveyard.”

“Once, I would have thought that humans could not hurt the Great Barrier Reef in any way at all. It is bigger than Italy! It has got so much and I could never have imagined what has happened.”

“Australia has now overtaken Indonesia as the world’s biggest exporter of coal and now we are planning a mine which is so big that it will produce as much carbon dioxide as the whole of Australia does in a five- to seven-year period.”

“Australia is leading the world in this destruction of coral reefs.”

Do you think that people are aware of the fact that we need to act now?

“No, people are not aware of that. I could easily outlive the Great Barrier Reef. Now, how is that? That is how immediate this is.”



Find more information and the full video interview at sustainablefinance.nordea.com

lifetime, such as diminished air quality, degradation of food and water supplies or increasing levels of allergens, for instance.

“No, people are not aware of that” – climate change in Australia

There are many places around the world where the effects of climate change can be perceived most imminently. Australia is one of them.

As global temperatures are rising, the continent is becoming increasingly hotter and will experi-

ence even more extreme heat, causing intense drought and extensive coral damage in the world’s largest reef system, the Great Barrier Reef. The effects are devastating.

“It’s getting ugly” – climate change in Norway

The winter of 2016/2017 in Scandinavia was remarkable in many ways. Norway, for example, experienced temperatures of at least two to three degrees Celsius above average – in some places



// It is an ugly problem. My children are going to meet the hard realities.

Knut H. Alfsen, Senior Researcher at the Center for International Climate Research in Oslo, Norway

up to seven degrees. Global warming is taking its toll on the country: it is getting both warmer and wetter. The dramatic increase in temperature and precipitation has already been damaging many sectors of the Norwegian economy.

The question is: What can you do as an individual? Of course, you can use your democratic voice and vote for the most ambitious climate plans or you can dedicate yourself and become an activist. However, there are also lower hanging fruits, things you can change in your daily life. One of the most efficient actions you can take is to make sure that your savings are invested in a responsible or sustainable manner.

Today, there is an increasing number of options available to you. For instance, you can think about so-called responsible or sustainable investment funds that incorporate environmental, social and governance criteria in their investment approach. Or you can consider thematic funds focusing on sustainability themes, such as climate change. Such funds are a good way to support companies that are able to provide solutions to the broader sustainability challenge, with climate being a major part of this.

Experiencing the consequences: many glaciers are retreating due to global warming.

Did you know?



Key climate action dates over the past decade

- 2008** Intergovernmental panel on climate change warns that serious effects of global warming have become evident. More than 50% of the world's population now lives in cities.
- 2013** European Commission passes an EU strategy on adaptation to climate change.
- 2015** Paris Agreement (COP21): governments pledge to set targets for their own greenhouse gas cuts and to report their progress.
- 2015** UN adopts the 2030 Agenda for Sustainable Development. Adaptation to climate change is Sustainable Development Goal #13.



Meet Knut H. Alfsen

Sasja Beslik discussed with Knut H. Alfsen, Senior Researcher at the Center for International Climate Research in Oslo, the effects of climate change on Norway

“As we are gaining a deeper understanding of the nature of the problem: it is an ugly problem. It is a really difficult problem to solve. My children are going to meet the hard realities. So it is like: My god, what did I do?”

Do you feel bad about that?

“Yes, I feel bad about that. What do I tell them?”

“We have to stop emitting all our greenhouse gases. We have to change our lifestyles. I mean the really scary thing is that when, on a Friday night, you want a pizza, you go to your car, you drive 500 metres down to the pizza place. But by doing that you have emitted an amount of CO₂ into the atmosphere that is going to impact the climate for thousands and tens of thousands of years. Just that simple thing! People don't sort of realise that something that simple can have physical consequences for generations.”



Find more information and the full video interview at sustainablefinance.nordea.com



Solutions emerge

Climate change is old news. For several years, scientists have been studying the impact of human activity on the environment, while the world has been experiencing numerous natural disasters. Thankfully, the will to tackle the climate challenge has never been so strong. The commitment of several countries at the UN climate conference in Marrakech in 2016 (COP22), the fact that China is banning the production of high-polluting cars and even the demand of end consumers for cleaner and natural ingredients are a few examples that clearly show that society is becoming increasingly aware of the climate issue. More importantly, people are being proactive about it.

Businesses are increasingly sensitive to the challenge posed by climate change as well. Not only because of increasing regulation, but also because it makes sense economically. Think about it: the consumption of raw materials generates pollution, depletes the world's natural stock of resources and is the principal source of greenhouse gas emissions. In addition, the costs to access the world's finite resources are growing.

A company able to reduce its resource consumption will have significant savings and thus improve its competitiveness. It will also be better prepared for potential resource shortages and will more easily be in compliance with national environmental regulations, such as more stringent CO₂ emission standards.

The future starts now!

Innovative products and services that we once thought belonged to sci-fi movies are becoming part of our everyday lives. Smart cities, for instance, are now a reality. A smart city is an urban area that uses electronic data to manage assets and use resources efficiently. A growing number of large cities around the globe are participating in this trend, which offers significant growth opportunities for companies that can provide innovative solutions in related fields: from eco-mobility to traffic or waste management systems, to name just a few.

The thinking of consumers and investors is also changing. As climate change starts to impact our

// I think there is a business opportunity here you can't be missing.

Michael Canario, VP & General Manager America at Hexcel



Meet Michael Canario

VP & General Manager America at Hexcel in Salt Lake City, US

US company Hexcel is part of the growing aviation industry. Its carbon fibre and advanced composite technology helps decrease the weight of aircraft and thus reduce their carbon footprint.

"I think there is a business opportunity here you can't be missing. And I think the early movers in this area are going to be very, very powerful companies."

"It may not be our product itself, but what the product enables our customers to do: to take out weight, to deliver more passengers for the same amount of emission. And what we need is those opportunities to make the better environmental choice."

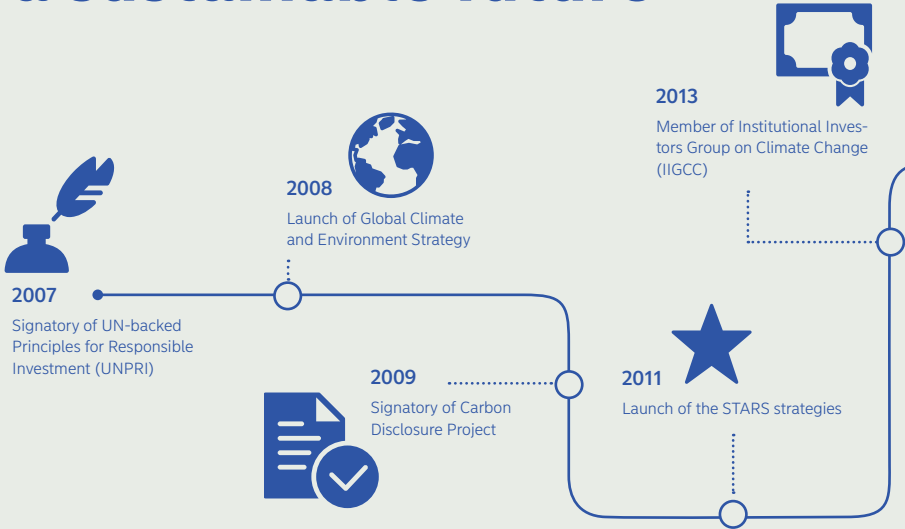
daily lives, we, as consumers, start favouring companies that try to minimise their environmental impact. The mounting pressure on corporates to act on climate change combined with technological development is driving investments in the areas of alternative energy, resource efficiency and environmental protection. This opens up exciting investment opportunities for investors. Those who are able to identify companies with sustainable business models or with the ability to provide solutions to the climate challenge will benefit from the long-term climate mega-trend. Investing in the companies that will be tomorrow's winners makes sense economically.

The aviation industry, for example, is booming and demand is growing. Yet, we all know that this industry is greatly contributing to global

carbon emissions. However, the development of advanced materials and the composite technology are rapidly evolving and can help the aviation industry to reduce its carbon emissions. Similarly, the photovoltaic and solar industry is making fast technological progress. As the technology is optimised, costs are being reduced, making these technological solutions to climate change more accessible to companies.

The future growth prospect of a company depends on how it responds to the global challenges of climate change. Companies that find a way to run their operations more efficiently are not only creating the conditions for a sustainable future – they represent real investment opportunities. As investors we can be part of the solution to the climate challenge.

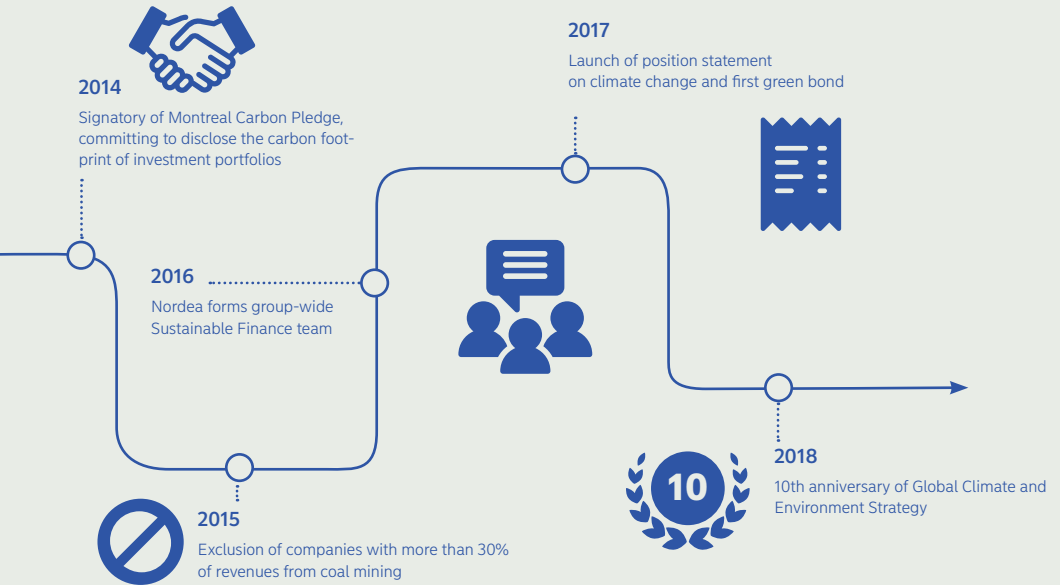
Our journey towards a sustainable future



More than ten years ago, Nordea Asset Management and its parent company, the Nordea Group, embarked on the responsible investment journey. The starting point for this journey was becoming an early signatory of the United Nations' Principles for Responsible Investment (UNPRI), a clear statement of intent. Although the notion of responsible investment extends well beyond climate-related concerns, we launched a number of specific initiatives demonstrating that we take the climate challenge very seriously. As one of the largest European asset managers, we consider it our fiduciary duty to care about any factors, financial or non-financial, that can be material to the investments our clients have entrusted us with. Climate change is one of them.

Our mission

We are committed to delivering returns with responsibility in the best interest of our clients and we strive to act responsibly vis-à-vis our shareholders, business partners and other stakeholders in society. We do so through operational excellence, by the way in which we generate risk-adjusted returns and by being proactive regarding environmental, social and governance (ESG) issues. In line with this thinking, we have developed policies, procedures and investment products to ensure that the companies we invest in live up to various criteria for sound ESG performance. We are taking various approaches to incorporate ESG considerations, including climate change related ones, into our range of investment solutions. The combination of all these approaches



underpins our commitment to responsible investment (RI).

Engagement and the exercise of voting rights.

We believe that engagement is a powerful tool to foster change. Consequently, we act as an active owner with our investee companies. This means, first of all, that we actively exercise our voting rights as a shareholder. In addition, this often entails entering into a dialogue with the companies in which we invest on a variety of material matters, including ESG-related ones. For instance, within our STARS strategies, we strive to understand how companies incorporate ESG and broader sustainability considerations into their respective business models. We may also engage with companies when they breach internationally



recognised norms concerning environmental, social, labour or human rights issues.

Exclusion. While engagement is always our preferred approach, we have made a corporate decision not to invest in certain companies. For instance, we do not invest in companies that derive more than 30% of their revenue from coal mining. Our Responsible Investment Committee may decide to exclude an investment from all our actively managed funds if our engagement approach has not come to fruition and a company is not showing the genuine will to change its norm-breaching behaviour. However, at Nordea, we think of exclusions as the approach of last resort.

Nordea's approach to "Best in Class". For specific funds, we analyse the ESG performance of

companies that we consider investing in and we select those that meet certain ESG standards in addition to offering suitable financial characteristics. This approach to "Best in Class" selection helps us to identify tomorrow's winners, which we believe will be those companies that can navigate ESG challenges successfully. At Nordea, we have created a specific range of investment strategies that fully integrate ESG factors into their investment processes and invest only in companies that fulfil strict sustainability requirements: the STARS strategies. In addition, we engage with all companies held by the STARS strategies.

Climate solutions. As early as a decade ago, we acknowledged that climate change is a structural mega-trend that will impact our society and influence business models in many sectors. It is our belief that this trend is also creating significant



On the journey: the launch of products that promote resource efficiency is an important step towards a sustainable future.

// Our comprehensive responsible investment framework helps us to keep track of all factors that may be material to the performance of our clients' investments.

Christophe Girondel, Global Head of Institutional and Wholesale Distribution

Nordea's position on climate change

In 2017, Nordea published a position statement on climate change to formalise its view and actions related to the topic. The document describes how we address climate issues across the Nordea Group. It covers all business areas including Nordea Asset Management. In this position statement, amongst other things, we recognise that we have a role to play in enabling the transition from a carbon-intensive economy to more efficient low-carbon alternatives. The statement also lists a number of initiatives that the Nordea Group undertakes as part of this role.





Setting new goals:
Nordea's responsible
investment journey
continues.

investment opportunities. In 2008, we therefore developed a specific investment strategy that could capture these opportunities: the Global Climate and Environment Strategy. It is a thematic strategy investing in global equities. The strategy focuses on companies that can offer innovative solutions in the areas of resource efficiency and environmental protection. By investing in companies that will be tomorrow's winners and simultaneously contribute to a more sustainable society, we provide an investment solution that can deliver positive returns while addressing climate change.

"Over the past decade, we have developed a comprehensive responsible investment framework which helps us to keep track of all factors that may be material to the performance of our clients' investments," says Christophe Girondel, Global Head of Institutional and Wholesale Distribution at Nordea Asset Management. "Climate change is one of these factors and will have great effect on investments. And we take that into account."

Nordea's Global Climate and Environment Strategy

➔ For more information about Nordea's Global Climate and Environment Strategy have a look at: www.nordea.lu/ClimateSolutions

Nordea's STARS Strategies

➔ For more information about Nordea's STARS strategies have a look at: www.nordea.lu/STARS

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