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ESG Report

Nordea 1 – European Corporate Stars Bond Fund
Second quarter 2022



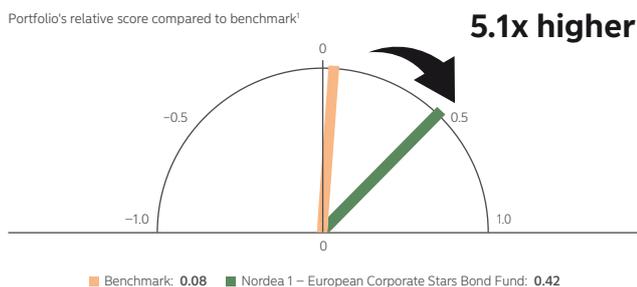
Nordea 1 – European Corporate Stars Bond Fund

This report highlights how portfolio companies - through their products and services - have positive and negative impact on 15 objectives closely aligned with the UN Sustainable Development Goals. While engagement is always a preferred approach, we have made a corporate-level decision to exclude certain stocks, sectors, and practices across our entire active funds range. We don't invest in companies involved in production of illegal or nuclear weapons, cluster munitions, anti-personnel mines, nor maintenance of nuclear weapons. We also exclude companies deriving more than 30% of their revenues from coal (incl. metallurgical coal), more than 10% from thermal coal, or more than 10% from oil sand. Our detailed [RI policy](#) and our [corporate exclusion list](#) are publicly available at nordea.com. Furthermore, companies deriving more than 5% of their revenues from fossil fuels must demonstrate a transition strategy aligned with a 2°C target to be part of our Paris-Aligned Fossil Fuel List or will be excluded. Further information on our fossil fuel policy is available [here](#).

Total sustainability score (vs benchmark)

The chart below shows the contribution of the portfolio holdings products and services to both environment and social considerations compared to companies held in the benchmark.

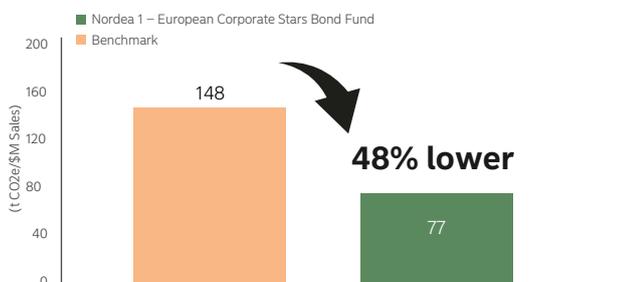
The contribution of the portfolio to the 15 objectives (social and environmental) is 5.1x higher than the benchmark.



¹ The relative score is calculated as follows: $(1 + \text{Portfolio net score}) / (1 + \text{Benchmark net score})$ as the benchmark score is close to nil. Comparison with other financial products or benchmarks is only meant for indicative purposes.

Carbon intensity

The fund has a carbon footprint 48% lower than the benchmark.



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

Top contributors

1. Takeda Pharmaceutical Co. Ltd. (JP, Pharmaceuticals & Biotech). The company mainly contributes to the social objective 'Ensuring Health' as its products address some of the most important global health challenges. Moreover, the company is in the process of expanding its access to medicine strategy for underserved regions.

2. Medical Properties Trust Inc. (US, Real Estate). The company mainly contributes to the social objective 'Ensuring Health' as it contributes to the provision of necessary health infrastructure.

3. Fresenius SE & Co. KGaA (DE, Health Care Facilities & Services). The company mainly contributes to the social objective "Ensuring Health" as it provides products and services that contribute to public health and sustainable development.

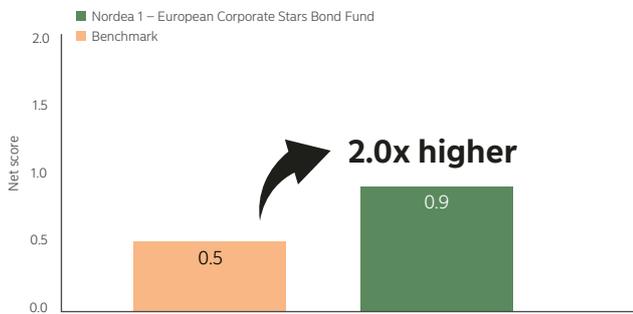
Notes

Benchmark (for illustrative purposes only)	ICE BofAML Euro Corporate Index
Portfolio coverage	84%
Benchmark coverage	93%
Portfolio holdings	210

Source: Data sourced from ISS Ethix. For sovereigns (countries) turnovers is replaced by GDP. Please note that only scope 1&2 are taken into consideration, excluding scope 3. The carbon intensity of our fund might therefore appear higher than the benchmark. Scope 1 refers to direct GHG emissions and Scope 2 refers to indirect GHG emissions from the consumption of purchased electricity and Scope 3 refers to other indirect emissions that occur from sources not owned or controlled by the company.

Exposure to the 7 social objectives²

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



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

Top 3 social objectives

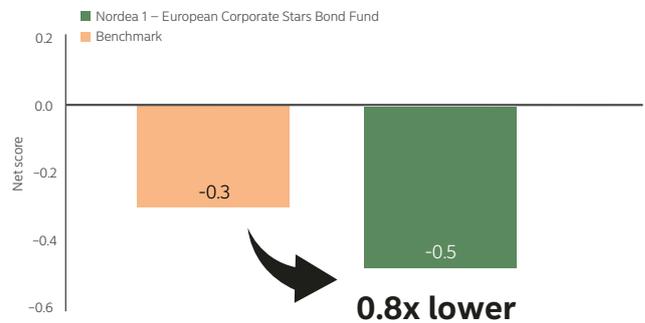
1. Ensuring health
2. Providing basic services
3. Delivering education

Main SDGs exposure



Exposure to the 8 environmental objectives²

The contribution of the portfolio to the 8 environmental objectives is 0.8x lower than the benchmark.



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

Top 3 environmental objectives

1. Conserving water
2. Optimising material use
3. Promoting sustainable buildings

Main SDGs exposure



Portfolio Company highlight: Mölnlycke Holding AB

Mölnlycke Holding is addressing health issues with their product offering in wound management, preventing pressure ulcers and surgical solutions, including single-use surgical instruments, staff clothing, antiseptics and surgical gloves. The company donates products to an NGO in order to increase access to healthcare in underserved regions despite not seemingly having a comprehensive strategy with regard to access to healthcare.

² Please note that the total sustainability score is the sum of the social and environmental scores and may slightly differ due to rounding differences. Should the benchmark score be negative the multiplier is calculated as follow: (Portfolio score + 1)/(Benchmark score + 1). Further information on SDGs is available at www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html. Sources: Nordea Investment Funds S.A., ISS-ESG, United Nations Sustainable Development Goals.

Engagement is key for active ownership

The aim of this section is to describe some of the activities that the Responsible Investment (RI) team has done over the last quarter for this specific fund. This tool, therefore, is not meant to be fully comprehensive, but to allow investors to follow-up on the fund's relevant ESG-related issues (Environmental, Social and Governance) and the main activities that the RI team has been involved in.

Being part of Nordea's responsible investment policy, the fund excludes companies involved in the production of nuclear weapons and cluster munitions as well as companies with large exposure to coal mining (>30% revenues). However, excluding a company from our portfolios is always a last resort: the **STARS concept aims for positive selection** with the objective to influence companies to improve their ESG profiles. **Engagement therefore takes a new dimension with the STARS.** It does not only consist of the traditional forms of engagement, like the exercise of voting rights or entering into a dialogue to encourage companies to improve their management systems, their ESG performance or their reporting. When assessing a company's ESG risk profile we also focus on specific themes utilising UN Sustainable Development Goals. Thus, we distinguish two types of engagement:

- **Risk Engagement:** if a company is not managing its material ESG risks well, the RI team engages with the company on the issue. The ESG risks can be company specific or stem from the country in which the company operates or its industry. Violations of international norms and conventions are also addressed under Risk Engagement.
- **SDG Engagement:** conducted with a specific focus on companies' exposure to certain themes, which might represent a significant material risk for the company. **Nordea believes that companies that align their strategies with the UN Sustainable Development Goals (SDGs) will be successful** in the long-term, because they are adjusting to global society's future needs.

Engagement cases

Telenor ASA

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B+	–	16 Peace, justice and strong institutions	Myanmar coup Transparency

Overview

Telenor ASA is a telecommunication company. The Company's segments include Norway, Sweden, Denmark, Hungary, Bulgaria, Montenegro & Serbia, dtac-Thailand, Digi-Malaysia, Grameenphone-Bangladesh, Pakistan, Myanmar, Broadcast and Other units. The Company's main products and services are mobile communication, fixed line communication and broadcasting activities. The Company's mobile communication business mainly includes voice, data, Internet, content services, customer equipment and messaging. Its fixed services comprise telephony, Internet and television, leased lines, as well as data services and managed services. Its broadcast activities comprise Canal Digital DTH in the Nordics, satellite broadcasting and terrestrial radio and television transmission in Norway and Belgium. Its Other units consist of International wholesale, Telenor Digital, corporate functions and others.

Background

In March 2021 we engaged with Telenor about their operations in Myanmar following the military coup that happened in the start of 2021.

Renault SA

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B+	–	16 Peace, justice and strong institutions	Understand their engagement in Russia including their link to the Russian arms manufacturer Rostec

Overview

Renault SA is a France-based company that designs, manufactures and sells passenger cars and light commercial vehicles and related services. Its brand portfolio consists of Renault, Dacia (both operating globally), Alpine (active in Europe, Japan and Australia), Renault Samsung Motors (operates only in South Korea) and Lada (operates only in Russia). Further Renault is part owner of AVTOVAZ, that consists of the Russian automotive group AVTOVAZ and its

The Engagement

The purpose was to clarify the situation and impress on Telenor the need for transparency. At the time Telenor chose a strategy of cooperation and relationship building with local stakeholders and engaging a dialogue with them. This includes UN Contacts, part of the Global Network initiatives with focus on freedom of expression and thus gain as much insight as possible and share NGOs, Human Rights Watch, etc.

Outcome

March 2022 Telenor Myanmar rebranded its operations 'Atom' following the closure of the sale of the unit by Telenor Group in March 2022 to M1 Group, which is 49 per cent owned by local partner Shwe Byain Phyu. Telenor has thus changed the strategy and left Myanmar.

parent company Rostec Auto that is also engaged in arms manufacturing in Russia.

Background

The purpose is to understand the company's operation and engagement in Russia and how the company view this in the light of the Russian invasion in Ukraine including co-ownership of AVTOVAZ with Rostec.

3) Current scoring, based on Nordea proprietary ESG model. 4) Proxy voting refers to the last 12 month-period. Generally, we vote in annual reports and most of the Annual General Meetings (AGM) which occurs once a year. If there is no vote, it is generally because the fund was not invested at the time when the AGM happened. Please find out more on nordea.com/sustainability or access directly the [voting portal](#).

The Engagement

The company has given written information and Nordea have followed up in a meeting in the end of march and in the start of April 2022.

Outcome

Since the last engagement with the company in April 2022 Renault have sold all activities in Russia and thus have exited the market in a way that enabled the employees to continue working but with no ownership from Renault.

With this it is the assessment of Nordea that the STARS funds can continue to invest in Renault.

Wells Fargo & Company

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B	–	10 Reduced inequalities	'Fake Interviews' investigation

Overview

Wells Fargo & Company is a financial services company. The Company provides a diversified set of banking, investment and mortgage products and services, as well as consumer and commercial finance, through banking locations and offices, the Internet (www.wellsfargo.com) and other distribution channels to individuals, businesses and institutions in states, the District of Columbia and in countries outside the United States.

Background

Wells Fargo has come under investigation being accused of conducting fake interviews in an attempt to show good diversity numbers on paper in the US. The goal of the engagement will be to further understand how WF has responded to the accusation.

The Engagement

Although this is an isolated event which is, to date, an accusation, we have analysed how Wells Fargo has generally responded to negative business ethics issues within their operations in recent years. Our initial response was to engage with the company to get a better understanding on how the company has responded to the accusation. The alternative was to downgrade the score which would ultimately lead to divestment. However, considering the latest media coverage is an accusation, we needed to first understand how the company has responded.

Outcome

Following our engagement, held 17.06.2022, we have concluded that Wells Fargo has responded responsibly and to the best of their ability considering the circumstances. Actions include pausing the 'diverse slate guidelines' (DEI policy) whilst they do a thorough internal firm-wide investigation, which include HR and internal audit, to better understand if the problem is true and, if so, why it happened. The company states that they have very ambitious diversity goals, higher than their peers, which may have led to individuals cutting corners to meet the diversity targets. Despite the 'diverse slate guidelines' being paused, executive level teams still have diversity linked to their compensation meaning this is still a very important topic that will continue being in focus.

In regard to Wells Fargo being a controversial company, we have seen a general improvement in the past 2 years. Notably, the Board has been overhauled in 2017 in response to the 2016 sales practice scandal, as well a new CEO in 2019. In addition, Wells Fargo has split three business groups into five and created four new Enterprise Functions to enable greater oversight and transparency

In sum, we are monitoring this case closely and intend to have a further engagement with Wells Fargo mid-late July following the quiet period. The engagement is to further understand the current progress on lifting consent orders as well as follow-up on the 'fake interview' investigation.

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Description of ISS-ESG methodology

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

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

As the UN SDGs primarily target states and the public sector, not all of the goals are relevant for companies. For this reason, ISS-ESG defined a total of 15 sustainability objectives which are closely aligned with the SDGs. They are used to assess companies' product portfolios in terms of their contribution towards sustainable development based on their revenue weight. For each individual objective, a qualitative analysis is conducted to determine whether a product or service category contributes to or refrain from attaining the objective. As a result, the positive and negative effects of different product groups may partly cancel each other out within a given objective.

Further information on the company and the methodology is available at: www.issgovernance.com/esg/impact-un-sdg/

List of the 15 overarching sustainable objectives

7 social objectives

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

8 environmental objectives

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

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

Complete list of SDGs:



Source: www.un.org/development/desa/en/news/sustainable/sustainable-development-goals.html

UN Sustainable Development Goals

Corresponding ISS-ESG Sustainability Objectives

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

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