ESG Report

Nordea 1 – Emerging Stars Bond Fund

First quarter 2021

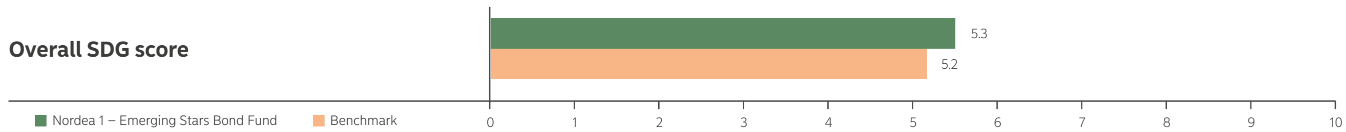
Nordea
ASSET MANAGEMENT

Nordea 1 – Emerging Stars Bond Fund

This report highlights the alignment of issuers in the fund and the benchmark with the 17 United Nations Sustainable Development Goals (UN SDGs), based on each issuer's country of risk. The majority of the fund's investment universe comprises emerging markets sovereign debt, and does not include countries with structurally deficient and non-improving ESG profiles. While engagement is always a preferred approach, we have made a corporate-level decision to exclude certain countries, bonds, stocks, sectors, and practices across our entire active funds range. In addition to the core country exclusion mentioned above, 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)

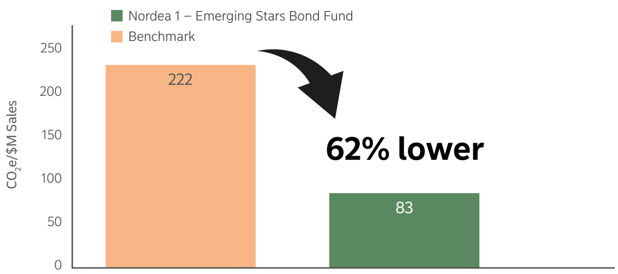
The overall contribution of the fund towards the 17 UN SDGs is stronger than the benchmark, with an overall SDG score of 5.3 and 5.2 for the fund and the benchmark, respectively, as illustrated in the chart below:



Data are sourced from Maplecroft.Net Limited ("Verisk Maplecroft") and follow an approach based on country-specific risk factors which are mapped by Maplecroft to the 17 SDGs. The result is a 0-10 score for each of the 17 SDGs for each country, as well as an aggregate SDG score. We have calculated the weighted average sustainability score for each SDG based on the fund and benchmark issuers' country of risk. Both sovereign bonds and corporate bonds are captured in the overall country exposure. Please note that the corporate bonds are not considered by issuer specific score, but rather from the country of risk perspective. Please see the section below "Methodology" for further details. **Comparison with other financial products or benchmarks is only meant for indicative purposes.** The total sustainability score represents the Overall SDG Score based on the individual country index score as defined by Maplecroft. Net Limited ("Verisk Maplecroft"). Copyright © 2021, Maplecroft.Net Limited. All rights reserved. Verisk Maplecroft is a Verisk Analytics business. Please note that the Overall SDG score may slightly differ from the aggregated figures due to rounding differences. Further information on SDGs is available at www.un.org/development/desa/en/news/ sustainable/sustainable-development-goals.htm. Sources: Nordea Investment Funds S.A., Verisk Maplecroft, United Nations Sustainable Development Goals.

Carbon intensity

The fund has a carbon footprint 62% lower than the benchmark.



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

Source: Data sourced from MSCI Inc. for equities and ISS Ethix for fixed income. 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.

Portfolio coverage for the SDG score

Benchmark	JP Morgan Emerging Markets Bond Index – Global Diversified
Portfolio coverage	96 %
Benchmark coverage	100 %
Portfolio holdings	360

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 countries with a structural and non-improving ESG profile and 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 country or a company from our portfolios is always a last resort: the **STARS concept aims for positive selection** with the objective to influence countries and 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 the improvement of their public governance and management systems, their ESG performance or their reporting. When assessing a country or 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 country and/or a company are not managing their material ESG risks well, the RI team engages with the public authorities and companies' management 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 countries or companies' exposure to certain themes, which might represent a significant material risk. Nordea believes that countries and 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

Republic of Ghana

Nordea ESG scoring[3]	Proxy Voting[4]	SDG Engagement		Engagement topic
A	–	8	Decent work and economic growth	Social – Child labour

Overview

Ghana is a lower-middle income country in West Africa, with one of the highest GDP growth rates and GDP per capita in the region. The economy has a diverse and rich resource and economic base, including the manufacturing and exportation of digital technology goods, automotive and ship construction, and the exportation of resources such as hydrocarbons, minerals and agricultural goods. It is the world's second biggest grower of cocoa, after Ivory Coast.

Ghana's democracy is perhaps the most well-established in West Africa, which has led to strong improvements over recent decades in key development indicators like school enrolment and public service provisions. The 2020 election results unusually led to a hung parliament and were contested by the opposition. However, given the robust democratic traditions in Ghana and the uncontentious and popular nature of policy measures, this is unlikely to destabilize government, democracy or economic development.

Background

Ghana is committed to the 2001 Harkin-Engel Protocol of removal of any form of child labour from the cocoa supply chain, but underage child labour still remains widespread in the country's cocoa production. According to a recent study funded by the US Department of Labor[A], 770,000 children aged 17 or below were engaged in cocoa production in Ghana – almost as many as in Ivory Coast, which produces more than double the volume of cocoa.

A) Source: NORC Final Report: Assessing Progress in Reducing Child Labor in Cocoa Production in Cocoa Growing Areas of Côte d'Ivoire and Ghana: www.norc.org/PDFs/Cocoa%20Report/NORC%202020%20Cocoa%20Report_English.pdf

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.

In cocoa growing areas, 55% of children living in agricultural households were engaged in cocoa production and most of those were also exposed to hazardous work, such as use of sharp tools and exposure to chemicals.

The study also found that while cases of forced child labour have been documented in most cocoa-growing countries, a majority (83%) of Ghanaian children working in cocoa farming work for their parents, and only 6% work for non-relatives. The Global Slavery Index estimates that 0.15% of children engaged in cocoa farming globally are victims of child forced labour, working for someone other than their own family[B]. This is consistent with a 2018 study by the Walk Free Foundation and Tulane University, which found that in Ghana, 0.2% of children engaged in cocoa farming were forced to work by persons outside their family[C]. There are no recent studies on child trafficking in Ghana's cocoa industry, but a 2019 Verité study on neighbouring Ivory Coast did not find evidence of child trafficking in the country's cocoa farming industry[D]. Hence, the prevalence of child labour in Ghana's cocoa industry is more closely linked to the conditions for cocoa-growing families than to forced labour.

The Engagement

We engaged with Ghana's government during the quarter to discuss the findings of recent reports on child labour in Ghana's cocoa industry, and initiate a dialogue around their efforts to prevent child labour in relation to cocoa growing. Child labour remains widespread despite the government interventions that have been made, both directly in the cocoa supply chain and indirectly through efforts in schooling and infrastructure.

Outcome

The government was able to share details on how it is working to curb the prevalence of child labour in Ghana, and we discussed opportunities for future efforts and dialogues focused on this area.

Over the past decade, the number of children involved in cocoa production in Ghana has remained stable, while cocoa production has grown by more than 50%. Against this background, the Ministry relayed to us that while their efforts have not reduced the number of children engaged in cocoa production, it has likely prevented increases that would otherwise have occurred. To some extent, there has been a shift in child labour from other agriculture to cocoa production and child labour appears to be linked to the expansion of cocoa farming into new geographical areas, where the infrastructure is not in place and awareness of child labour concerns is low.

Studies on the effectiveness of policy interventions against child labour have shown that the most effective measures are not necessarily those that are designed specifically to prevent child labour. Efforts targeted at increasing school enrolment and retention have proved among the most effective, along with upgrading infrastructure and constructing schools, agricultural practices training and infrastructure projects connecting cocoa communities with larger communities. Ghana has made significant strides in some of these areas, with school enrolment and retention increasing across all levels of education and literacy rates increasing from below 60% to almost 80% in the past two decades. Amongst other things, the government's policies have focused on school feeding, free high-school programmes and the removal of education taxes, and increasing access to education remains a large and widely supported focus area for future policy developments. Challenges remain in relation to truancy and the interference of cocoa labour with school activities for children that are enrolled in education, but school attendance has increased significantly in the past decade, especially for young children.

For children that remain involved in cocoa production, the Ministry also highlighted efforts undertaken by the government through the Forestry Commission and Ghana Cocoa Board (COCOBOD) to limit their exposure to hazardous labour. COCOBOD has taken full responsibility for mass cocoa spraying to reduce the risk of children handling chemicals, and has also introduced machinery for motorised slashing and pruning, intended to reduce children's handling of sharp tools. Yet, significant challenges remain as the future of Ghana's cocoa production is dependent on succession and socialization within families and communities, and within Ghana's socio-cultural context, this primarily presents itself through the involvement of children in the family's cocoa production.

We will continue the dialogue with the Ghanaian government to highlight the importance of investment in education and infrastructure, particularly at a time when lockdowns caused by the covid-19 pandemic have curbed progress in the education space. The government relayed that it is considering issuing sustainability-themed bonds later in the year and has yet to decide on the projects to be financed through this. We would propose that Ghana should consider sustainability-themed finance supporting the delivery of Sustainable Development goal 4 (Quality Education), where the country needs further progress towards meeting the goal by 2030.

B) Source: Global Slavery Index, 2018:
www.globalslaveryindex.org/2018/findings/importing-risk/cocoa/

C) Source: Tulane University & Walk Free Foundation, 2018:
www.cocoainitiative.org/wp-content/uploads/2018/10/Cocoa-Report_181004_V15-FNL_digital.pdf

D) Source: Verité, 2019:
www.verite.org/wp-content/uploads/2019/02/Verite-Report-Forced-Labor-in-Cocoa-in-CDI.pdf

Description of Verisk Maplecroft methodology

This report includes index scores developed to highlight the alignment of issuers in the fund and the benchmark with the 17 United Nations Sustainable Development Goals (UN SDGs), based on each issuer's country of risk. These index scores have been developed by Verisk Maplecroft and are presented on a scale of 0.00-10.00, where 0.00 represents the highest risk and 10.00 represents lowest risk, with the following breakdowns: 0.00-2.50 represents Extreme risks, 2.50-5.00 represents High risks, 5.00-7.50 represents Medium risks and 7.50-100 represents Low risks. We have then calculated the weighted average sustainability scores by SDG based on the fund and benchmark issuers' country of risk. Both sovereign bonds and corporate bonds are captured in the overall country exposure. Please note that the corporate bonds are not considered by issuer specific score, but rather from the country of risk perspective. Further information on the company and the methodology is available at: https://www.maplecroft.com/risk-indices/

Complete list of SDGs:

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

Please note that each fund and benchmark are assigned a score ranging from 0.00-10.00 based on the above 17 UN SDGs. 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 from a country perspective.

The sub-funds mentioned are part of Nordea 1, SICAV, an open-ended Luxembourg-based investment company (Société d'Investissement à Capital Variable), validly formed and existing in accordance with the laws of Luxembourg and with European Council Directive 2009/65/EC of 13 July 2009. **This document is advertising material** and does not disclose all relevant information concerning the presented sub-funds. Any investment decision in the sub-funds should be made on the basis of the current prospectus and the Key Investor Information Document (KIID), which are available, along with the current annual and semi-annual reports, electronically in English and in the local language of the market where the mentioned SICAV is authorised for distribution, without charge upon request from Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, from the local representatives or information agents, or from our distributors. Investments in derivative and foreign exchange transactions may be subject to significant fluctuations which may affect the value of an investment. **Investments in Emerging Markets involve a higher element of risk. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured. Investments in equity and debt instruments issued by banks could bear the risk of being subject to the bail-in mechanism (meaning that equity and debt instruments could be written down in order to ensure that most unsecured creditors of an institution bear appropriate losses) as foreseen in EU Directive 2014/59/EU. For further details of investment risks associated with these sub-funds, please refer to the relevant Key Investor Information Document (KIID), available as described above.** Nordea Investment Funds S.A. has decided to bear the cost for research, i.e. such cost is covered by existing fee arrangements (Management-/Administration-Fee). Nordea Investment Funds S.A. only publishes product-related information and does not make any investment recommendations. Published by Nordea Investment Funds S.A., 562, rue de Neudorf, P.O. Box 782, L-2017 Luxembourg, which is authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Further information can be obtained from your financial advisor. He/she can advise you independently of Nordea Investment Funds S.A. **Please note that all sub funds and share classes might not be available in your country of jurisdiction. Additional information for investors in Switzerland:** The Swiss Representative and Paying Agent is BNP Paribas Securities Services, Paris, Succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. **Additional information for investors in Germany:** The Information Agent in Germany is Société Générale S.A. Frankfurt Branch, Neue Mainzer Straße 46-50, 60311 Frankfurt am Main, Germany. A hard copy of the above-mentioned fund documentation is also available here. **Additional information for investors in Austria:** The Information and Paying Agent in Austria is Erste Bank der österreichischen Sparkassen AG, Am Belvedere 1, 1100 Vienna, Austria. **Additional information for investors in the Netherlands:** Nordea 1, SICAV is a Luxembourg Undertaking for Collective Investment in Transferable Securities (UCITS) registered in the Netherlands in the register kept by the AFM, and as such is allowed to offer its shares in the Netherlands. The AFM register can be consulted via www.afm.nl/register. **Additional information for investors in France:** With the authorisation of the AMF the shares of the sub-funds of Nordea 1, SICAV may be distributed in France. Centralising Correspondent in France is CACEIS Bank, located at 1-3, place Valhubert, 75206 Paris cedex 13, France. Investors are advised to conduct thorough research before making any investment decision. **Additional information for investors in Belgium:** The Financial Service Agent in Belgium is BNP Paribas Securities Services S.C.A., Brussels Branch, Rue de Loxum, 25, 1000-Brussels, Belgium. A hard copy of the above-mentioned fund documentation is available upon demand free of charge. **Additional information for investors in Spain:** Nordea 1, SICAV is duly registered in the CNMV official registry of foreign collective investment institutions (entry no. 340) as authorised to be marketed to the public in Spain. The Depositary of the SICAV's assets is, J.P. Morgan Bank Luxembourg S.A. In Spain, any investment must be made through the authorised distributors and on the basis of the information contained in the mandatory documentation that must be received from the SICAV's authorised distributor prior to any subscription. The Representative Agent is Allfunds Bank S.A.U., C/ de los Padres Dominicos, 7, 28050 Madrid, Spain. A complete list of the authorised distributors is available in the CNMV's webpage (www.cnmv.es). **Additional information for investors in Portugal:** The Management Company of the SICAV, Nordea Investment Funds S.A., and the Depositary of the SICAV's assets, J.P. Morgan Bank Luxembourg S.A., are validly formed and existing in accordance with the laws of Luxembourg and authorized by the Commission de Surveillance du Secteur Financier in Luxembourg. Our distributor in Portugal is BEST - Banco Electrónico de Serviço Total, S.A., duly incorporated under the laws of Portugal and registered with the CMVM as a financial intermediary. **Additional information for investors in Italy:** Fund documentation as listed above is also available in Italy from the distributors and on the website www.nordea.it. The updated list of distribution agents in Italy, grouped by homogenous category, is available from the distributors themselves or from the Paying Agents: State Street Bank International GmbH – Succursale Italia, Allfunds Bank S.A.U. – Succursale di Milano, Société Générale Securities Services S.p.A., Banca Sella Holding S.p.A, Banca Monte dei Paschi di Siena S.p.A., CACEIS Bank S.A., Italian Branch and on the website www.nordea.it. Any requests for additional information should be sent to the distributors. **Before investing, please read the prospectus and the KIID carefully.** We recommend that you read the most recent annual financial statement in order to be better informed about the fund's investment policy. **The prospectus and KIID for the sub-funds have been published with Consob**. For the risk profile of the mentioned sub-funds, please refer to the fund prospectus. **Additional information for investors in the United Kingdom:** The Facilities Agent is FE Fundinfo (UK) Limited. , 3rd Floor, Hollywood House, Church Street East, Woking GU21 6HJ, United Kingdom. **Additional information for investors in Ireland:** The Facilities Agent is Maples Fund Services (Ireland) Limited, 32 Molesworth Street, D02 Y512 Dublin 2, Ireland. **Additional information for investors in Sweden:** The Paying Agent is Nordea Bank Abp, Swedish Branch, Smålandsgatan 17, 105 71 Stockholm, Sweden. **Additional information for investors in Denmark:** The Representative Agent is Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, Postbox 850 0900 CopenhagenC, Denmark. A hard copy of the above-mentioned fund documentation is available here. **Additional information for investors in Norway:** The Nordea 1, SICAV is registered in Norway. **Additional information for investors in Finland:** The Representative Agent is Nordea Funds Ltd, Satamaradankatu 5, 00020, Helsinki, Finland. **Additional information for investors in Latvia:** The Representative Agent is Luminor Bank AS, 62 Skanstes iela 12, 1013 Riga, Latvia. **Additional information for investors in Estonia:** The Representative Agent in Estonia is Luminor Bank AS, Liivalaia 45, 10145 Tallinn, Estonia. **Additional information for investors in Lithuania:** The Representative Agent in Lithuania is Luminor Bank AB, Konstitucijos pr. 21 A, 03601 Vilnius, Lithuania. Shareholders must evaluate possible investment risks and take this into consideration when making investment decisions. **Additional information for investors in Brazil:** This is a strictly privileged and confidential document for the purposes of a potential investment in foreign securities on a one-on-one basis with potential investors with a pre-existing relationship with Nordea Investment Funds S.A. This document contains information addressed only to a specific individual and is not intended for distribution to, or use by, any other person. This document (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any securities or any related financial instruments, (iii) should not be construed in any manner as a public offer of any securities or any related financial instruments, and (iv) and will be addressed to a potential investor with restrict access of information. Nordea 1, SICAV have not been, and will not be, registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários - CVM), and must not be offered or sold in Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. Any public offering, placement or distribution, as defined under Brazilian laws and regulations, of securities in Brazil, is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended. Documents relating to the offering of the Nordea 1, SICAV, as well as information contained therein, must not be supplied to the general public in Brazil (as the offering of the Nordea 1, SICAV is not a public offering of securities in Brazil) or used in connection with any offer for subscription or sale of the Nordea 1, SICAV to the general public in Brazil. Investors within Brazil should consult with their own counsel as to the applicability of these laws and regulations or any exemption there from. Source (unless otherwise stated): Nordea Investment Funds S.A. Unless otherwise stated, all views expressed are those of Nordea Investment Funds S.A. This document may not be reproduced or circulated without prior permission and must not be passed to private investors. This document contains information only intended for professional investors and financial advisers and is not intended for general publication. Reference to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same but is included for the purpose of illustration. The level of tax benefits and liabilities will depend on individual circumstances and may be subject to change in the future.

Nordea
ASSET MANAGEMENT