

Sustainability & Engagement Report

Nordea 1 – Emerging Stars Bond Fund

Fourth quarter 2020

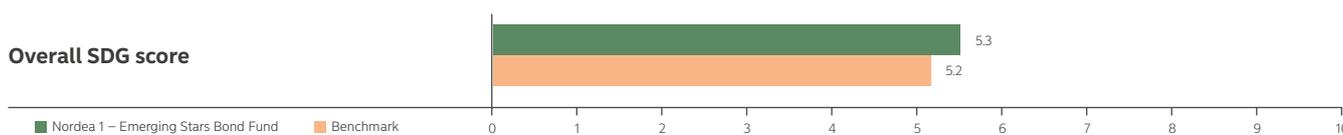


Nordea 1 – Emerging Stars Bond Fund

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)

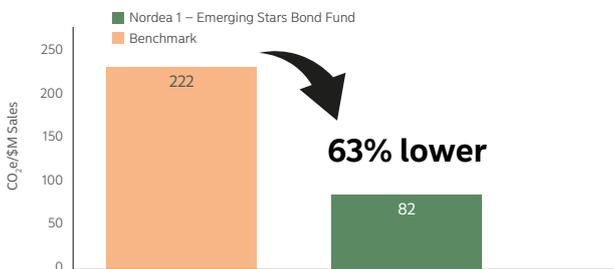
The overall contribution of the fund towards the 17 UN SDGs is stronger than the benchmark, with an overall SDG score of 5.3 and 5.2 for the fund and the benchmark, respectively, as illustrated in the chart below:



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 <https://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 63% 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.

Portfolio coverage for the SDG score

Benchmark	JP Morgan Emerging Markets Bond Index – Global Diversified
Portfolio coverage	96%
Benchmark coverage	100%
Portfolio holdings	334

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

Helios Towers Plc

Nordea ESG scoring ³	Proxy Voting ⁴	SDG Engagement	Engagement topic
B+	No	9 Industry, innovation and infrastructure	Energy management, Labour management

3) Current scoring, based on Nordea proprietary ESG model. Ratings: A+, A, A-, B+, B-, C. 4) Not applicable for bonds. Please find out more on nordea.com/sustainability or access directly the [voting portal](#).

OVERVIEW

Helios Towers owns and operates telecommunications towers and related infrastructure, serving customers in Tanzania, Democratic Republic of the Congo, and other African countries. The company primarily provides operational services including tower site selection, preparation, maintenance, security, and power management to mobile network operators who in turn provide wireless services to end-users. The company faces ESG risks in terms of energy and emissions management, labour management and corruption.

CHALLENGE

Energy Management, Labour Management, Business Ethics

PROCESS

The RI team engaged with Helios Towers during the second half of 2020, with the objective of strengthening the company's overall sustainability strategy and disclosures, focusing especially on the reduction of the company's environmental footprint and the integration of sustainability considerations in the company's supplier selection process. During recent years, Helios Towers have made significant efforts in strengthening their sustainability framework, being one of the first African companies to secure internationally recognized certifications for their full set of standards for anti-bribery, health and safety, and environmental management. They also recruited their first Group Sustainability Manager in 2020. Yet, the company has

been lacking a comprehensive and integrated sustainability strategy, and have not systematically measured or reported on their environmental footprint. The RI team met with the Group Sustainability Manager during her first month on the job, to discuss the strategic priorities for the company's ESG efforts going forward. In particular, the RI team recommended that the company should focus on integrating a robust sustainability plan into its business strategy, with clear and quantifiable key performance indicators (KPIs) that encompass also their supply chain, and to report on this following internationally recognized frameworks. After this initial interaction, the RI team also followed up with the company on multiple occasions during 2020, to review progress and priorities.

OUTCOME

During the second half of 2020, Helios Towers made significant progress towards their goal of becoming a sustainability leader in their market. They released their first Sustainable Business Strategy plan, which includes targets and priorities

across several material issues, including workforce diversity, sustainability assessments of suppliers, and climate action. They are planning to assess all key suppliers against sustainability criteria by the end of 2022, and will require all their maintenance partners to secure health and safety certifications. The company has also started measuring its carbon footprint, which they will start reporting on in the next quarter, and are planning to communicate their strategy for reducing emissions across their value chain in 2021. One third of their sites are currently partly or wholly powered by solar power, and increasing this share over time will be a key lever for their climate ambitions. The company's priorities also include notable efforts to improve connectivity in sub-Saharan Africa, and thereby marks a significant positive contribution to Sustainable Development Goal 9. Since the start of the engagement, the company has made substantial strides in the right direction, but remain at the beginning of their sustainability journey and a lot remains to be done if their goals are to be achieved. The RI team will continue engaging with the company during 2021.

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 7.50-10.00 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: 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.

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