

January 2021

## The Importance of Socially Responsible Investing (and why it makes Economic Sense)

### Nordea's Global Social Empowerment Strategy

Nordea 1 – Global Social Empowerment Fund<sup>1</sup>

ISIN: LU2257592514 (BP – USD) / LU2257592787 (BI – USD)

#### Highlights

- **64% of the UN 2030 SDGs are dedicated to social empowerment**, yet most of the ESG investing inflows are channeled towards Environmental solutions
- There is an estimated investment gap of \$2–\$4 trillion per year on Global Social Empowerment, emphasizing the lack of research on this attractive global mid- to large-cap growth segment, and paving the way for **strong alpha generation**
- Nordea's Global Social Empowerment Strategy offers the unique combination of:
  - A pure focus on businesses providing social solutions
  - Strong global **Fundamental Bottom-Up and ESG research** platform with one of the largest dedicated Responsible Investments teams across the industry
  - Investment team with an outstanding track record and substantial experience in **sustainable investing**<sup>2</sup>

#### The importance of "S" in ESG

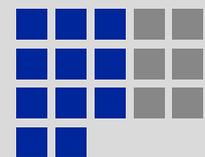
ESG considerations continue to gain traction in society as investors, politicians, regulators and companies acknowledge social issues are time sensitive. However, over the last four years, the majority of investment inflows related to the UN Sustainable Development Goals (SDGs) have made their way to environment-focused strategies only, leaving behind the Social pillar. Nevertheless, the recent health crisis and social inequality demonstrations have raised awareness around this theme. We believe there is an exciting investment opportunity behind this megatrend and we need to act now.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**

**17 goals**

which embody the  
framework to achieve a  
more sustainable world  
by 2030

Source: <https://www.unpri.org/download?ac=5909>



**64%**

of them are  
dedicated to  
**Social  
Empowerment**

To safeguard the future wellbeing of our societies, in 2015 the nations from around the world launched the UN Sustainable Development Goals (SDGs): An agreement on a sustainability agenda, to tackle the world most pressing matters. Three broad areas related to the prosperous development of the economy, society and environment were defined, and were further developed into 17 global goals, which in turn can be extended into 169 targets, to achieve a more sustainable world by 2030. Out of those 17 SDGs, we consider 11 of them to be directly related towards Social Empowerment.

To this day a large share of world's society lacks access to basic services such as healthcare, clean water, energy and sanitation. To further illustrate this precarious situation, we can take SDG 6, clean water and sanitation, as an example. A 2019 report from UNICEF and the World Health Organization stated that 2.2 billion people from around the world do not have safe drinking water services, 4.2 billion people do not have safe sanitation services, and 3 billion lack basic handwashing facilities, which is the most effective method for COVID-19 prevention.<sup>3</sup>

1) With effect as of 25.02.2021 the sub-fund is renamed from Nordea 1 – Global Impact Fund to Nordea 1 – Global Social Empowerment Fund. 2) The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the full amount invested. The value of your investment can go up and down, and you could lose some or all of your invested money. 3) <https://www.who.int/news/item/18-06-2019-1-in-3-people-globally-do-not-have-access-to-safe-drinking-water-unicef-who>

## BEFORE COVID-19

### DESPITE PROGRESS, BILLIONS STILL LACK WATER AND SANITATION SERVICES



**2.2 BILLION PEOPLE**  
LACK SAFELY MANAGED  
DRINKING WATER  
[2017]



**4.2 BILLION PEOPLE**  
LACK SAFELY MANAGED  
SANITATION  
[2017]

## COVID-19 IMPLICATIONS

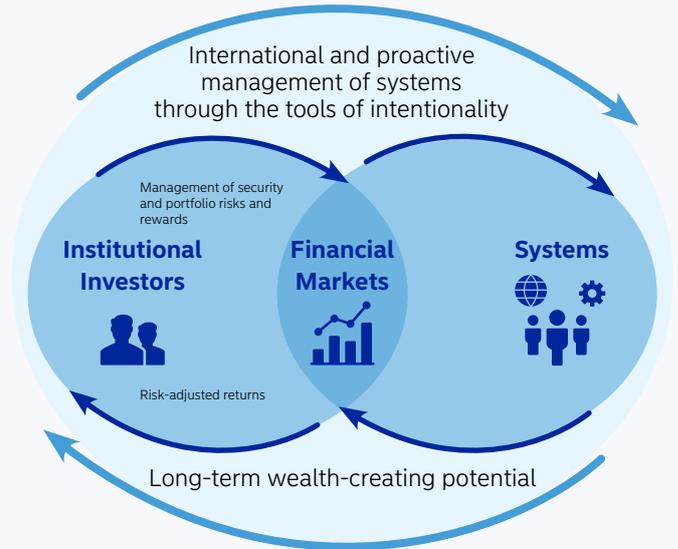


**3 BILLION  
PEOPLE WORLDWIDE**  
LACK BASIC HANDWASHING  
FACILITIES AT HOME  
↓ ↓ ↓  
THE MOST EFFECTIVE METHOD FOR  
COVID-19 PREVENTION

Source: <https://sdgs.un.org/goals/goal6>

Extreme inequality is another pressing matter that society is facing. Oxfam estimates that the world's richest 1% have more than twice as much wealth as 6.9 billion people together. To add on this, almost half of humanity is living on less than \$5.50 a day and around 735 million people are still living in extreme poverty.<sup>4</sup> This significant level of inequality is triggering social unrest across the globe, leading to mistrust of governments and businesses, on top of lower economic growth. Inequality is also expressed through access to education and acquisition of basic social needs which fuel economic stagnation.

It's in the best interest of investors to act towards the achievement of the social related SDGs, as the profitability of their investments depend on the continuing wellbeing of the world's society. Should we fail to properly address these goals, continuous economic turmoil will impact all countries and sectors, which in turn will hurt investors' portfolios as these are inherently exposed to these global and widespread economic risks. Furthermore, investing towards the success of the "S" within ESG could arguably translate into higher financial returns for investors as the development and wellbeing of society as a whole is a key driver of global economic growth.



Source: UN PRI 2019, Why and How Investors Can Respond to Income Inequality.

## Bridging the Social Investment Gap

According to United Nations data, there is a projected need of between USD 5 to 7 trillion a year – around 5% to 8% of the world nominal GDP<sup>5</sup> – to meet the world's financial needs for achieving the SDGs. With an estimated current allocation of approximately USD 3 trillion we need to double this amount to succeed.

In view of the acute shortage of public funding, private investors can contribute to bridge the financial gap through their investments in companies servicing Social goods and services.

## Making the "S" in ESG investable

In December 2020, Nordea Asset Management launched a new strategy with a strong focus on the "S" factor. Nordea's Global Social Empowerment Strategy has three main goals:

- To generate attractive risk-adjusted long-term returns<sup>6</sup>
- To support sustainable global growth by supporting businesses which provide social solutions creating a positive impact
- To be a responsible investor by fostering corporate improvement via engagement and active ownership

Importantly, we believe all three goals can be achieved at the same time. We should not underestimate the power of capital allocation, which we have seen first-hand through the success of our Global Climate and Environment Strategy. The Global Social Empowerment Strategy applies the same proven toolbox – rigorous fundamental analysis with full ESG integration, a disciplined risk management framework and engagement as a key component to foster change.

Hence it comes with no surprise that we also leverage on the very same investment team, that successfully managed the Global Climate and Environment Strategy for more than a decade.

4) Source: <https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it> 5) <https://data.worldbank.org/indicator/NYGDPMKTPCD> 6) 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.



### Three themes to empower

The Global Social Empowerment Strategy focuses on selecting businesses which provide social solutions, create a positive impact, and generate sustainable shareholder value. As such, the investment team of the strategy has identified a universe of about 1000 companies, being broken up into 3 main themes and 9 sub-strategies:

Theme	Vital Needs	Inclusion	Empowerment
Strategies	<ul style="list-style-type: none"> <li>Air, water and Sanitation</li> <li>Food and Nutrition</li> <li>Affordable Housing and Other basics</li> </ul>	<ul style="list-style-type: none"> <li>Human Capital Development</li> <li>Digital Connectivity</li> <li>Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Health and Wellness</li> <li>Productive Innovation</li> <li>Financial Engagement</li> </ul>
SDGs			

Source: United Nations

**Vital needs:** These are companies that provide **minimum foundational resources required for long-term wellbeing** including water and sanitation, food and nutrition and affordable housing. We are keen on solutions providers in this regard because the World Employment Conference in 1976 proposed that the satisfaction of vital needs is the most important objective of national and international development policy, notwithstanding that the definition of the poverty line is defined as the minimum income to satisfy these needs

**Inclusion:** Because participation in the formal global economy can reduce inequality, we look at companies that **empower human capital, improve digital connectivity and build infrastructure** to support economic, technological and social inclusion.

**Empowerment:** This theme focuses on solutions which empower people with means to **create lasting wealth and to improve their wellbeing going beyond the foundational basics** covered in earlier themes. We target Health & Wellness solutions, Innovators which help reduce operational costs whilst driving productivity and income generation possibilities of SMEs (Productive Innovation) and Providers who democratize the access to financial products (Financial Engagement).

To give you a better understanding of companies in our portfolio, let's illustrate with an example for each theme:

**Vital Needs:** Bad Nutrition is a big cause of obesity globally. **Simply Good Foods Company** provides innovative healthier snack alternatives that also provide the same level of taste satisfaction to traditional snacks.

**Inclusion:** 69 million new teachers are needed to reach the 2030 education goals according to the UN. **Kahoot!** enables teachers to adapt their curriculum into a fun and engaging digital format which has a **wider reach** and is **far more effective** than traditional means, optimising the pupil-teacher ratio.

**Empowerment:** Around 20% of Indonesia's population remains vulnerable of falling into poverty and do not have access to traditional financial services. **Bank Rakyat** provides **microfinancing** to small businesses that otherwise have no access to financial services. They also offer bank-and savings accounts to low-income individuals as well as financial education.



This proprietary universe of the Global Social Empowerment Strategy is closely aligned with the United Nations Sustainable Development Goals, as a blueprint for a more equal and fair society. We aspire to steer investments to businesses which provide social solutions, create a positive impact, and generate sustainable shareholder value. We believe that people can prosper from a resourceful and protected planet and benefit from social, economic and technological advances.

## Invest in social solutions and benefit from returns with responsibility

The Nordea Global Social Empowerment Strategy is a uniquely positioned thematic global equity solution well aligned with UN SDGs run by a passionate and experienced team from a

successful ESG thematic boutique in charge of more than €22bn AuM, mainly focused on sustainable solutions.

With the Nordea Global Social Empowerment Strategy investors can be an active player of the social empowerment trend. We create value by investing in businesses that provide successful solutions to close the existing social gap, yet always also having in mind the economic value of our investment. A robust ESG analysis is fully integrated into a proven fundamental process while engagement with the invested companies secure that ESG issues are identified and being discussed to foster a change towards a more sustainable and more social world.

## Together, we make a difference with your investment.

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