

Environmental and social characteristics, sustainable investment objectives and the applied methodologies

Nordea 1, SICAV funds

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Article 10 disclosure under Regulation 2019/2088 on Sustainability-Related Disclosures in the Financial Services Sector (SFDR).

Environmental and Social characteristics

With respect to Article 8¹, Nordea Asset Management (“**NAM**”) has established Environmental and Social (“**E&S**”) general guidelines (“**E&S Methodologies**”) which includes both the legal and regulatory framework applicable to its activities (group policy, reference to international standards) as well as some voluntary initiatives.

The E&S Methodologies for NAM’s Responsible Investment approach create the foundation for the E&S characteristics of the funds in the Nordea 1, SICAV. The E&S methodologies used within NAM include:

- NAM level Norms-based Screening
- NAM level Exclusion list
- NAM level Principal Adverse Impact (PAI) integration
- Active Ownership & Engagement
- NAM Paris Aligned Fossil Fuel Policy (PAFF)
- The STARS strategies
- NAM’s Thematic ESG strategies
- Enhanced exclusion filters and other limits

The list above is non-exhaustive and is mentioned as information only. It is reminded that the list does not apply in its entirety to all article 8 funds which might apply one of the criteria but not the other. E&S methodologies per funds are further described in the prospectus in force of the SICAV and in the table below.

Overview of article 8 funds and their E&S characteristics

Nordea 1, SICAV Fund	SFDR article	NAM level Norms-based screening & Exclusion list	NAM PAI Integration	Active ownership & engagement	PAFF	Stars Strategy	Thematic ESG strategy	Enhanced exclusion filters & other limits
European Corporate Bond Fund	Article 8	✓	✓		✓			✓
Global Stable Equity Fund	Article 8	✓	✓	✓	✓			✓
Global Bond Fund	Article 8	✓	✓		✓			✓
Asia ex Japan Equity Fund	Article 8	✓	✓	✓	✓			✓
Swedish Short-Term Bond Fund	Article 8	✓	✓		✓			✓
Swedish Bond Fund	Article 8	✓	✓		✓			✓
European Covered Bond Fund	Article 8	✓	✓		✓			✓

¹ Reference to article 8 hereinafter shall be considered as a reference to funds mentioned under article 8 under SFDR that promote environmental or social characteristics.

Danish Covered Bond Fund	Article 8	✓	✓		✓		✓
Norwegian Short-Term Bond Fund	Article 8	✓	✓		✓		✓
Norwegian Equity Fund	Article 8	✓	✓	✓	✓		✓
Norwegian Bond Fund	Article 8	✓	✓		✓		✓
Stable Return Fund	Article 8	✓	✓	✓	✓		✓
European High Yield Bond Fund	Article 8	✓	✓		✓		✓
Nordic Equity Small Cap Fund	Article 8	✓	✓	✓	✓		✓
Global Stable Equity Fund – Euro Hedged	Article 8	✓	✓	✓	✓		✓
Emerging Wealth Equity Fund	Article 8	✓	✓	✓	✓		✓
European Small and Mid Cap Equity Fund	Article 8	✓	✓	✓	✓		✓
Global Portfolio Fund	Article 8	✓	✓	✓	✓		✓
European Corporate Bond Fund Plus	Article 8	✓	✓		✓		✓
Emerging Stars Equity Fund	Article 8	✓	✓	✓	✓	✓	✓
Low Duration US High Yield Bond Fund	Article 8	✓	✓		✓		✓
European High Yield Credit Fund	Article 8	✓	✓		✓		✓
Global Real Estate Fund	Article 8	✓	✓		✓		✓
European Cross Credit Fund	Article 8	✓	✓		✓		✓
North American Stars Equity Fund	Article 8	✓	✓	✓	✓	✓	✓
European Financial Debt Fund	Article 8	✓	✓		✓		✓
US Total Return Bond Fund	Article 8	✓	✓		✓		✓
Global Opportunity Fund	Article 8	✓	✓	✓	✓		✓
Chinese Equity Fund	Article 8	✓	✓	✓	✓		✓
Global Small Cap Fund	Article 8	✓	✓	✓	✓		✓
Nordic Stars Equity Fund	Article 8	✓	✓	✓	✓		✓
Emerging Stars Local Bond Fund	Article 8	✓	✓		✓	✓	✓
GBP Diversified Return Fund	Article 8	✓	✓	✓	✓		✓
Global Stars Equity Fund	Article 8	✓	✓	✓	✓	✓	✓
European Stars Equity Fund	Article 8	✓	✓	✓	✓	✓	✓

Emerging Markets Debt Total Return Fund	Article 8	✓	✓		✓		✓
Low Duration European Covered Bond Fund	Article 8	✓	✓		✓		✓
Global Disruption Fund	Article 8	✓	✓	✓	✓		✓
Global Gender Diversity Fund	Article 8	✓	✓	✓	✓	✓	✓
Global Listed Infrastructure Fund	Article 8	✓	✓	✓	✓		✓
Emerging Stars Bond Fund	Article 8	✓	✓		✓	✓	✓
European Corporate Stars Bond Fund	Article 8	✓	✓		✓	✓	✓
European Covered Bond Opportunities Fund	Article 8	✓	✓		✓		✓
European High Yield Stars Bond Fund	Article 8	✓	✓		✓	✓	✓
European Inflation Linked Bond Fund	Article 8	✓	✓		✓		✓
Long Duration US Bond Fund	Article 8	✓	✓		✓		✓
Asian Stars Equity Fund	Article 8	✓	✓	✓	✓	✓	✓
Flexible Credit Fund	Article 8	✓	✓		✓		✓
European Covered Bond Stars Fund	Article 8	✓	✓		✓	✓	✓
EUR Corporate Bond Fund 1-3 Years	Article 8	✓	✓		✓		✓
Sustainable Stable Return Fund	Article 8	✓	✓	✓	✓		✓

It is reminded that Article 8 funds can invest in a wide range of underlying assets, some of which may not qualify as sustainable investments or contribute to the specific E&S characteristics promoted by the funds.

Sustainable Investments

With respect to Article 9², in addition to the E&S Methodologies as defined for Article 8, NAM also takes into consideration other legal and regulatory framework, as well as proprietary investment methodologies, to ensure that the sustainable investment objective of each fund is measured and obtained, and that the investments do no significant harm.

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

² Reference to article 9 hereinafter shall be considered as a reference to funds mentioned under article 8 under SFDR that have a sustainable investment objective.

Overview of article 9 funds and their sustainable investment objectives

Nordea 1, SICAV Fund	SFDR article	NAM level		Active ownership & engagement	PAFF	Thematic ESG strategy	Enhanced exclusion filters & other limits
		Norms-based screening & Exclusion list	NAM PAI Integration				
Global Climate and Environment Fund	Article 9	✓	✓	✓	✓	✓	✓
Global Social Empowerment Fund	Article 9	✓	✓	✓	✓	✓	✓
Global Green Bond Fund	Article 9	✓	✓		✓		✓

Nordea 1 – Global Climate and Environment Fund has a sustainable objective to create positive environmental impact, by investing predominantly in companies that are substantially involved in economic activities that are considered environmentally sustainable according to the EU Taxonomy.

The fund invests in companies that are part of a proprietary investment universe of environmental solution providers. The alignment of the companies' activities with the objectives of the EU Taxonomy is identified and evaluated.

The fund uses a benchmark, which is not aligned with the sustainable objective of the fund. Instead, a proprietary EU Taxonomy framework is used to monitor the status and developments of the companies' contribution to the objectives of the EU Taxonomy.

Nordea 1 – Social Empowerment Fund has a sustainable objective to create positive social impact, by investing in companies that contribute to selected United Nations Sustainable Development Goals (SDGs) that relate to social issues.

The fund invests in companies that are part of a proprietary investment universe of social solution providers. Companies in the investment universe have a link, through company specific metrics, to underlying indicators of the relevant SDG targets. These metrics are used to measure the attainment of the sustainable objective.

The fund uses a benchmark, which is not aligned with the sustainable profile of the fund. Instead, a proprietary SDG framework is used to monitor the status and developments of the companies' contribution to the underlying indicators of the relevant SDG targets.

Nordea 1 – Global Green Bond Fund has a sustainable objective to create positive environmental impact by investing at least 70% of its assets in green bonds where the proceeds are used to finance green projects that are wholly or partly aligned with the objectives of the EU Taxonomy . The remaining part of the fund's assets is invested in other bonds that are considered sustainable, including conventional bonds from issuers whose economic activities are environmentally sustainable for investment purposes.

The fund invests in bonds where the use of proceeds and/or the issuer's economic activities are aligned with the EU Taxonomy's environmental objectives. The extent of alignment with these objectives will be identified and evaluated, on either the use of proceeds level or the issuer level, as appropriate for each bond type in the portfolio.

The fund uses a broad Green Bond Benchmark, which is aligned with the sustainability profile of the fund. However, not all benchmark constituents fulfil the sustainability requirements of the fund. The fund can also invest outside the benchmark, as long as the sustainability requirements of the fund are met.

Methodologies applied to achieve the E&S characteristics and the sustainable objectives of the Nordea 1 funds

NAM has developed policies and procedures to ensure that the companies we invest in meet our expectations of E&S characteristics and/or Sustainable investment objectives, and that sustainability risk is managed in all our investment processes. This is supported by a norms-based screening process and exclusion list as well as the firm-level integration of Principal Adverse Impact (PAI) analysis.

A substantial part of the funds display additional ESG measures. These include the deeper ESG integration and hands-on involvement of the Responsible Investments team in the STARS - and thematic ESG strategies (including Climate, Social empowerment and Gender diversity portfolios), and our internally developed ESG scoring. Many individual funds also have sector-based or other exclusion criteria beyond those implemented at the firm level.

NAM level norms-based screening

NAM's investment funds are subject to norms-based screening, which identifies companies that are allegedly involved in breaches of international law and norms on environmental protection, human rights, labour standards and anti-corruption. If a company is identified in this screening process, an internal assessment of the company and the incident is initiated. Typical actions can consist of engagement, quarantine or exclusion. For more information please refer to [the NAM RI Policy](#).

NAM level Exclusion list

NAM excludes companies involved in serious breaches of international norms, where engagement is deemed not to be possible or effective. For example, we ban investment in companies active in the production of controversial weapons, including – but not limited to - cluster munitions and anti-personnel mines, as well as nuclear weapons. NAM also does not invest in companies deriving more than 10% of their revenues from thermal coal, and excludes companies involved in the production of fossil fuels from oil sands or through arctic drilling.

[The NAM level exclusion list can be found here.](#)

NAM level Principal Adverse Impact (PAI) integration

The environmental and social impact of the activities of all NAM investee companies is assessed on an ongoing basis through our firm-level PAI integration. Companies identified as outliers on one or more PAI indicators, are analysed further which may result in a recommendation for action. For more information please see NAM's Responsible Investment Policy and disclosure statement on the integration of Principal Adverse Impact indicators which can be found [here](#).

Active Ownership & Engagement

On behalf of its clients, NAM undertakes a range of engagement activities with companies, in order to affect and influence these to improve their environmental, social and governance practices, including promoting a long-term approach to decision-making. Our active ownership tools include voting, attending Annual General Meetings, standard setting, engagement with companies, filling resolutions etc. A detailed description of NAM's engagement processes can be found in [the NAM RI Policy](#).

NAM Paris Aligned Fossil Fuel Policy

In addition to the firm-wide exclusion list, a substantial and growing part of NAM's strategies is also subject to our Paris-Aligned Fossil Fuel Policy (PAFF), which sets thresholds for companies' exposure to fossil fuel production, distribution and services and excludes companies that are involved beyond these thresholds if they do not have a documented transition strategy that aligns with the Paris agreement. For funds where the PAFF is not implemented as a hard exclusion criterion, the PAFF acts as guidance for engagement. The PAFF criteria also inform the prioritisation of our top-down thematic engagements.

The policy [can be found here](#).

The STARS strategies

The STARS product range uses NAM's proprietary ESG scoring system and bespoke analysis carried out by the Responsible Investments team and financial analysts.

The strategies focus on selecting companies, not only with sound fundamentals, but also with high ESG scores. Using the Sustainability Accounting Standards Board (SASB) materiality map, company analysis includes enhanced due diligence on environmental, social and governance risks material to the company, and considers how companies manage their sustainability risks. Furthermore, each company's business model alignment with the United Nations' Sustainable Development Goals (SDGs) is taken into consideration, as the strategies' exposure aims to skew towards companies whose activities are net supportive or neutral, rather than detracting towards, the SDGs. ESG scores are recalibrated regularly and at least annually, or if triggered by relevant negative or positive events. The ESG model sources data from several external data providers as input for the ESG score.

Thematic ESG strategies

NAM's thematic ESG strategies all apply proprietary methods to identify companies that can be expected to contribute to, or benefit from, the ESG theme in question. Often, in-depth research will reveal potential investee companies with activities in areas that are not reflexively associated with the theme of the strategy. For example, the holdings of the climate strategy are far broader than the traditional renewable energy and related sectors usually associated with combating or adapting to climate change. Methods are optimised according to the specific theme and may differ from fund to fund.

Sector screenings and other exclusions/limits

Exclusions aim at limiting the investment exposure to certain sectors or activities that may be considered to be damaging for the environment and/or the society at large. Sector screenings assess a company's involvement in a specific activity measured by the revenue derived from this activity. Sector exclusions are the result of screenings based on the data and methodology of NAM's selected data vendors. Strategies are available with different exclusion filters including ethical filters targeting tobacco, alcohol, gambling, pornography etc. In addition, some funds also feature targets or limits on carbon footprint/intensity relative to benchmark, targeted minimum ESG score or other exclusion lists like the so-called "NBIM list" of the Norwegian Government Pension Fund Global or the Carbon Underground 200 list.

Referrals for further reading

For more information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the sustainable investment objectives, please see [the NAM RI Policy](#).

For more fund specific information on environmental or social characteristics or the sustainable investment objective of the funds, please see the [Nordea 1, SICAV prospectus](#).

[The annual report of Nordea 1, SICAV](#) can also be found on nordea.lu.

Sourcing and governance of ESG data

Given the size of NAM's investment universe across its various investment boutiques and strategies, we use a range of external data providers of ESG data, as well as internal research and our proprietary ESG scoring platform.

NAM evaluates the quality of the all internal and external data on an ongoing basis, and continuously assess if new data providers can improve the analysis and models. NAM has also implanted a Supplier Code of Conduct and request that data provider respect it. Prior to a data provider being chosen as a supplier extensive market research is conducted, and the potential data providers are assessed on issues such as: data quality, coverage, security, methodology, price, reliability and conflict of interest.