The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: [www.eurosif.org](http://www.eurosif.org). The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in October 2019.

**REVISION OF THE CODE**

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

**TWO KEY MOTIVATIONS UNDERPIN THIS CODE**

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

**GUIDING PRINCIPLE**

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

**COMMITMENTS BY SIGNATORIES**

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

**Statement of Commitment**

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Nordea Asset Management. We have been involved in SRI since 2007 and welcome the European SRI Transparency Code.
This is our third statement of commitment and covers the period 01.09.2019 to 31.08.2020. Our full response to the European SRI Transparency Code can be accessed below and is publicly available on the EUROSIF website (www.eurosif.org).

**Compliance with the Transparency Code**

Nordea Asset management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Nordea Asset Management meets the full recommendations of the European SRI Transparency Code without exceptions.

**DATE: 9.7.2019**

**Eurosif classification of Sustainable and Responsible Investment strategies**

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries.

This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary but are not sufficient in themselves for inclusion in this category.

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1 Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016
Impact Investing: Impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances\(^2\). Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

Contents

1. List of funds covered by the Code
2. General information about the fund management company
3. General information about the SRI fund(s) that come under the scope of the Code
4. Investment process
5. ESG controls
6. Impact measures and ESG reporting

### 1. List of funds covered by the Code

<table>
<thead>
<tr>
<th>Name of the fund(s):</th>
<th>ISIN codes:</th>
<th>Fund launch date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordea 1 – Emerging Stars Equity Fund – Global emerging</td>
<td>LU0602539354 (BI USD), LU0602539602 (BP USD)</td>
<td>15/04/2011</td>
</tr>
<tr>
<td>markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nordea 1 – Nordic Stars Equity Fund – Nordic countries</td>
<td>LU1079987134 (BI EUR), LU1079987720 (BP EUR)</td>
<td>19/08/2014</td>
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<tr>
<td>Nordea 1 – Global Stars Equity Fund – Global developed</td>
<td>LU0985319804 (BI USD), LU0985320562 (BP USD)</td>
<td>17/05/2016</td>
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<tr>
<td>markets</td>
<td></td>
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<tr>
<td>Nordea 1 – European Stars Equity Fund – European developed</td>
<td>LU1706108732 (BI EUR), LU1706106447 (BP EUR)</td>
<td>14/11/2017</td>
</tr>
<tr>
<td>markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nordea 1 - North American Stars Equity Fund – North</td>
<td>LU0772957808 (BI USD), LU0772958525 (BP USD)</td>
<td>19/11/2018</td>
</tr>
<tr>
<td>American markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nordea 1 – Global Climate and Environment Fund – Global</td>
<td>LU0348927095 (BI EUR), LU0348926287 (BP EUR)</td>
<td>13/03/2008</td>
</tr>
<tr>
<td>developed markets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)

- ☐ Best-in-Class
- ☐ Engagement & Voting
- ☒ ESG Integration for STARS funds
- ☐ Exclusions
- ☐ Impact Investing
- ☐ Norms-Based Screening

#### Asset class
- ☐ Passively managed
- ☐ Active investing – core benchmark: specify the index
- ☐ Passive investing – ESG/SRI benchmark: specify the index

#### Exclusions standards and norms
- ☒ Leading to exclusions
- ☑ Leading to risk management analysis/engagement

#### Sustainability Themed

**For Nordea 1 – Global Climate and Environment Fund**

<table>
<thead>
<tr>
<th>Exclusions</th>
<th>Fund capital as at 31 December 2018 as per Annual Report</th>
<th>Other labels</th>
<th>Links to relevant documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Controversial weapons</td>
<td>• Nordea 1 – Emerging Stars Equity Fund: USD 2,268,045,044.87</td>
<td>☐ French SRI label</td>
<td>- (KIID?) - Prospectus - Management report - Financial and non-financial reporting - Corporate presentations - Other (please specify)</td>
</tr>
<tr>
<td>☐ Alcohol</td>
<td>• Nordea 1 – Nordic Stars Equity Fund: EUR 24,557,085.07</td>
<td>☐ French TEEC label</td>
<td>All of the above listed documents can be accessed via the below link: <a href="https://www.nordea.lu/en/professional/funds/">https://www.nordea.lu/en/professional/funds/</a></td>
</tr>
<tr>
<td>☐ Tobacco</td>
<td>• Nordea 1 – Global Stars Equity Fund: USD 373,001,753.28</td>
<td>☐ French CIES label</td>
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<tr>
<td>☒ Arms</td>
<td>• Nordea 1 – European Stars Equity Fund: EUR 47,306,840.88</td>
<td>☒ Luxflag Label</td>
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<tr>
<td>☐ 5% of revenue from weapons or tailor-made components.</td>
<td>• Nordea 1 – North American Stars Equity Fund: USD 442,676,789.32</td>
<td>☒ FNG Label</td>
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</tr>
<tr>
<td>☒ Nuclear power</td>
<td>• Nordea 1 - Global Climate and Environment Fund: EUR 958,800,018.94</td>
<td>☒ OECD Guidelines for MNCs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>We aim to limit the exposure to utilities companies with the majority of energy production from nuclear due to the high ESG risks.</td>
<td>☒ ILO Conventions</td>
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<td></td>
<td>☑ Leading to risk management analysis</td>
<td>☒ Global Compact</td>
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<td></td>
<td>☑ Human rights</td>
<td>☑ Austrian Ecolabel</td>
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<td>☐ Labour rights</td>
<td>☐ Other (please specify)</td>
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<td></td>
<td>☐ Gambling</td>
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<td></td>
<td>☐ Pornography</td>
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<td></td>
<td>☐ Animal testing</td>
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<td></td>
<td>☐ Conflict minerals</td>
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<td></td>
<td>☐ Biodiversity</td>
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<td></td>
<td>☐ Deforestation</td>
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<td></td>
<td>☐ CO2 intensive (including coal)</td>
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<td></td>
<td>☐ Genetic engineering</td>
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<td>☐ Other (please specify)</td>
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<td></td>
<td>☒ Global Compact</td>
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<td>☒ ILO Conventions</td>
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<td></td>
<td>☐ Other (please specify)</td>
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</tbody>
</table>

### 2. General information about the fund management company

#### 2.1. Name of the fund management company that manages the applicant fund(s)

Nordea Asset Management (“NAM”) is an organisational division of Nordea Bank AB and consists of two legal companies including Nordea Investment Management AB (“NIM AB”) and Nordea Investment Funds S.A. (“NIF SA”, the Management Company of the Nordea 1, SICAV). NIF SA has appointed NIM AB as Investment Manager of the Nordea 1, SICAV sub-funds.
2.2. **What are the company’s track record and principles when it comes to integrating SRI into its processes?**

In 2011, Nordea Asset Management launched the first “Stars” product, focussing on Emerging Markets. Since then NAM has expanded this product range to include investment solutions targeting Global, European and Nordic markets.

The Stars range is a product category with a distinct investment concept combining in-depth ESG integration with Nordea’s approach to best-in-class and extensive engagement with companies.

The concept not only aims at delivering sustainable alpha, therefore beating the benchmark, but it also enables investors to effect positive ESG change. The extensive engagement activities conducted within the Stars products, covering various ESG topics, are a way to create impact.

We engage with companies and other stakeholders including policymakers on different themes individually or through collaborative initiatives with global reach and supported by a large number of investors. This can take the form of field trips or dialogues with companies.

On a general note, we attended more than 100 annual general meetings in the Nordics during 2018 and voted on about 445 AGM/EGMs (Annual General Meetings/Extraordinary General Meetings) on thousands of proposals. As before, we engage with companies on a range of topics, including ESG issues, remuneration programmes and capital structure. We continue to strive for transparency in our voting activities and publish our voting record online. Our Voting Portal contains our voting activities since 2016.

We aim to vote on 100% of the holdings in the STARS portfolios. We engage with all STARS holdings as it is part of our investment philosophy. We report on the outcome of those engagements in our quarterly reports.

In 2018, Nordea held a total of 145 meetings. Around 83% were connected to our ESG analysis. The incident and norms engagements account for approximately 17% of our meetings.

The Luxembourg domiciled Stars products have been labelled as ESG funds by LuxFLAG.

In addition, all our internal investment boutiques were granted access to the MSCI ESG data and their scoring system (since 2013), which serves as an additional resource in the idea generation phase. By having access to this extra source of information, portfolio managers have the possibility to better evaluate ESG risks, hence avoiding unwanted risks in their portfolios.

NAM Responsible Investment site can be found here:

https://www.nordea.lu/en/professional/responsible-investing/

Additional information about our STARS fund offering can be found under:

https://www.nordea.lu/en/professional/funds/nordea-stars-offering/
2.3. **How does the company formalise its sustainable investment process?**

Nordea Asset Management’s (NAM) mission is to create returns with responsibility through operational excellence, risk-adjusted returns and by being ESG-proactive. By ESG-proactive we mean the integration of environmental, social and governance (ESG) issues into our investment processes and product development.

NAM has developed its policies, procedures and investment products to ensure that the companies we are invested in meet our expectations of sound ESG performance.

The Responsible Investment strategy and activities are overseen by the Responsible Investment Committee (RIC). The RIC includes members from the Senior Executive Management team and is chaired by NAM’s CEO.

Link to the sustainable investment policy:
https://www.nordea.com/Images/33227926/Nordea_Responsible_Investments_Policy.pdf

Read more about our commitments and policies:

Link to the voting rights policy:

Link to our voting portal:
https://vds.issgovernance.com/vds/#/Nzl0Nw=/

Link to the engagement policy:

Read more about our engagements:

2.4. **How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?**

Investing sustainable

As shareholders, we can choose to help companies improve the management of their environmental, social and governance risks. We believe that clearly informing the companies in which we invest of what

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3 Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES
4 Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)
we expect of their ESG performance is the best way to help them improve. The two main ways we achieve this is through active ownership and engagement.

**Proprietary research**
Environmental, social and governance issues are an increasing source of risk and opportunity, which is the main reason for integrating ESG into our investment analysis methodology. Our proprietary research seeks to identify stakeholder risks at company level, which can be related both to the business model and to how the company manages its material ESG risks and opportunities. ESG data is used to support and to understand how companies are positioned to manage longer-term risks and opportunities.

**Integration**
We recognise that integration of material ESG issues is a part of our fiduciary duty towards clients and beneficiaries. By integrating ESG issues, we ensure that investment decisions are based on comprehensive information and, by combining financial performance with ESG insight, we strive to offer clients sustainable solutions. ESG data is made available to portfolio managers and analysts and we continuously work to develop ways to ensure that ESG analysis adds value in the investment decision-making process.

**International collaboration**
We seek to encourage best practices through participation in international initiatives and collaborate with other investors to achieve our goals. Nordea is a signatory to the PRI as well as CDP. We are also members of IIGCC. Read more about our commitments here.

**Positions**
We set clear expectations on corporate ESG management and performance in our investments and ownership activities and communicate these expectations to the companies we are invested in and to other stakeholders. As a responsible investor we expect that invested companies operate in line with our commitment to the PRI and in observance of laws and regulations, international humanitarian law and international conventions, as well as standards for sound environmental, social and governance performance. We have clearly defined positions that are important for us in terms of fulfilling our own requirements for being a responsible investor. The positions are related to both exclusions and focus areas, which we see as important to support the development of a sustainable economy and future.

**Climate Change**
On 30th November 2017, Nordea launched its position statement on climate change. This position statement sets out the scope and principles of Nordea’s climate change agenda. Therein, we take into account the nature of our business, whereby investments, credits and purchases can have both a local and global impact.

This can be accessed here: [https://www.nordea.com/Images/33-235388/Nordea_Position_Statement_Climate_Change.pdf](https://www.nordea.com/Images/33-235388/Nordea_Position_Statement_Climate_Change.pdf)

2.5. **How many employees are directly involved in the company’s sustainable investment activity?**

The internal Responsible Investments (RI) team of NAM is directly involved in the STARS funds to integrate ESG into its investment process. The team is comprised of 12 experienced professionals (including the
Corporate Governance & Voting Team). The team works together from offices in Stockholm and Copenhagen. Each team member has a specific area of responsibility, covering: ESG research, active ownership, product development, and stakeholder management.

2.6. Is the company involved in any RI initiatives?

<table>
<thead>
<tr>
<th>General Initiatives</th>
<th>Environmental/Climate Initiatives</th>
<th>Social Initiatives</th>
<th>Governance Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ EFAMA RI WG</td>
<td>☐ Climate Bond Initiative</td>
<td>☐ Access to Nutrition Foundation</td>
<td>☒ Other (please specify)</td>
</tr>
<tr>
<td>☐ European Commission’s High-Level Expert Group on Sustainable Finance</td>
<td>☐ Green Bond Principles</td>
<td>☐ Accord on Fire and Building Safety in Bangladesh</td>
<td>United Nations Environment Programme Finance Initiative (UNEP FI) – Principles for Responsible Banking</td>
</tr>
<tr>
<td>☐ ICCR – Interfaith Center on Corporate Responsibility</td>
<td>☒ IIGCC – Institutional Investors Group on Climate Change</td>
<td>☒ Other (please specify)</td>
<td>PRI Tax advisory working group</td>
</tr>
<tr>
<td>☐ National Asset Manager Association (RI Group)</td>
<td>☒ Montreal Carbon pledge</td>
<td>Corporate Human Rights Benchmark</td>
<td>☒ SIFs - Sustainable Investment Fora</td>
</tr>
<tr>
<td>☒ PRI - Principles For Responsible Investment</td>
<td>☒ Paris Pledge for Action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☒ SIFs - Sustainable Investment Fora</td>
<td>☐ Decarbonization Coalition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Other (please specify)</td>
<td>☒ Other (please specify) SASB</td>
<td></td>
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</tr>
</tbody>
</table>

As a responsible asset manager, we want to invest in companies that operate in line with our commitment to the UNPRI and deliver long-term value. Acting responsibly is a prerequisite for a company to achieve long-term good returns. We define responsibly as observance of existing laws and regulations, relevant rules and international conventions.

Furthermore, a responsible company addresses environmental, social and governance risks, as well as identifies and capitalizes on opportunities within these areas. As the largest asset manager in the Nordic region we seek to encourage best practice through constructive and credible dialogue with companies.

Nordea has joined several investor initiatives, please see below a few examples:

**United Nations Environment Programme Finance Initiative (UNEP FI) – Principles for Responsible Banking**

In November 2018, Nordea became one of the founding organizations of the UNEP FI Principles for Responsible Banking. Together with the co-founders, we believe that the future of banking will be shaped with 6 principles; Alignment, Impact, Clients & Customers, Stakeholders, Governance & Target Setting, and Transparency & Accountability. These principles create a framework for sustainable banking and help the industry to demonstrate its positive contribution to the society.

[https://www.unepfi.org/banking/bankingprinciples/](https://www.unepfi.org/banking/bankingprinciples/)

**The Corporate Human Rights Benchmark (CHRB)**

We are part of the Corporate Human Rights Benchmark which is a collaboration led by investors and civil society organisations dedicated to creating the first open and public benchmark of corporate human rights
Institutional Investors Group on Climate Change (IIGCC)
We continued being part of the IIGCC investor initiative on corporate lobbying in an EU climate and energy policy context during 2018. A letter signed by 50 investors from eight countries representing over EUR 4.4 trillion in assets under management was sent to 75 companies. We continued our participation in the collaborative investor engagement on Climate Lobbying with more than 60 investors coordinated by the PRI. The initiative calls for improvements in practice and transparency from investee companies on their climate change lobbying practices.
https://www.iigcc.org/

Sustainability Accounting Standards Board’s Investor Advisory Group (SASB)
SASB develops sustainability accounting standards that help public corporations disclose material ESG information.
https://www.sasb.org/

Letter to governments of the G7 and G20 nations
In 2017, NAM was one of 217 investors representing more than $15 trillion in assets, who signed a joint letter to governments of the G7 and G20 nations. “As long-term institutional investors, we believe that the mitigation of climate change is essential for the safeguarding of our investments. We have previously conveyed our strong support for the Paris Agreement and one of the collaborative engagement initiatives we are involved in is a PRI-coordinated project focusing on water risks in agricultural supply chains.”

Principles for Responsible Investment (PRI) – collaborative engagement on human rights in the extractive industries
Nordea has been part of this engagement for several years and over time we have focused on different companies. The collaborative engagement held its last meeting in November 2017 and key findings were:

1. Improvements were made across all focus areas which are primarily related to showing a commitment to human rights in internal policies and management processes;
2. Disclosure on human rights used to be the exception in 2015 but is now the norm;
3. Most companies still struggle to monitor and track the effectiveness of the policies and mechanism they have put in place.

https://www.unpri.org

PRI – collaborative engagement on labour practices in agricultural supply chains
We are part of a collaborative engagement coordinated by the PRI on labour practices in agricultural supply chains. Supply chain labour practices have become a risk for companies with global agricultural supply chains. These include regulatory risks, e.g. the UK Modern Slavery Act, and reputational risk associated with investigations on poor corporate practices in supply chains with accompanying negative media
attention impacting consumer brand perception. The engagement targets 41 global large cap food producers and retailers with high exposure to supply chain labour rights risks.

https://www.unpri.org

PRI-coordinated Investor Working Group on Sustainable Palm Oil

We are part of the PRI-coordinated Investor Working Group On Sustainable Palm Oil working with companies across the palm oil value chain, including producers, refiners, traders, consumer goods manufacturers, retailers and banks, to adopt and implement a publicly available No Deforestation, No Peat and No Exploitation (NDPE) policy.

https://www.unpri.org

PRI Tax advisory working group

We are part of the working group which focuses on tax transparency within the pharmaceutical and IT sector. It is a two-year engagement process and we are lead investor on engagement with two companies within the IT sector. During the year 2018, we had an effective dialogue with one of the companies regarding its tax transparency.

https://www.unpri.org

PRI – SDGs (Sustainable Development Goals) and active ownership

In 2017, Nordea joined a new working group within the PRI on SDGs and active ownership. We see this as a highly relevant group given the increased focus we are currently witnessing in terms of the SDGs in our engagement activities. With the emergence of the SDGs the focus has increasingly shifted towards positive outcomes for society and as a consequence, active ownership activities will increasingly expand their focus on new business opportunities. The working group will focus on SDGs in active ownership and identify the most effective tools and strategies. One of the key issues that need to be addressed is how to measure impact over time.

https://www.unpri.org

The Engagement Initiative on Auto Manufacturers

The auto-industry has been hit by a number of controversies over the past years, starting with the emissions scandal implicating Volkswagen in 2015. In the scandal often referred to as the Diesel gate, the US Environmental Protection Agency (EPA) found that Volkswagen cars had a “defeat device” (software) in diesel engines that could detect when being tested and change performance accordingly to improve results. Nordea has held a number of meetings with Volkswagen and subsequently placed the company in quarantine, as we are part of a class action lawsuit against the company. Mitsubishi has been accused of similar actions, and we met with this company as well. Following our decision not to continue our engagement Mitsubishi has appeared to have taken serious steps in terms of preventive measures. Since it has become increasingly apparent that this is an industry-wide problem rather than company-specific, Nordea has taken a decision to initiate a thematic engagement targeting 14 automakers in which we have holdings. The engagement will focus on emissions cheating, anti-competitive behaviour, lobbying practices against climate regulation and supply shortage of metals for li-ion batteries increasing exposure to country
and sector ESG risks. As a first step a letter has been sent to company CEOs which will be followed by individual meetings.

**FAIRR**

We’ve joined the FAIRR’s collaborative investor engagement on sustainable proteins which asked a number of global food companies to diversify their protein sources to drive growth, increase profitability, reduce risk exposure, and improve their ability to compete and innovate in a resource-constrained world.

[https://www.fairr.org/](https://www.fairr.org/)

**Water pollution in the pharma supply chain**

The pharmaceutical industry is one of the fastest growing segments of the Indian economy. The market is expected to grow to $100 billion by 2025. We have engaged with 25 pharmaceutical companies regarding their supply chain management and the evidence of poor waste water management within pharmaceutical manufacturing in India since 2015. We engage directly with the companies and through the industry led Pharmaceutical Supply Chain Initiative. As a follow-up of a report on pharma pollution in Hyderabad and Visakhapatnam published by Nordea in 2016, we commissioned a new independent on-the-ground investigation and report in 2017. Evidence confirms pharmaceutical pollution is still rife and not being effectively addressed. Water samples taken adjacent to selected pharma sites found heavy metals and industrial solvents commonly used in pharmaceutical manufacturing. Some samples showed concentrations that were higher than maximum regulatory limits or safe exposure levels.

As part of our pharma engagement we also participate in various events, engage with various stakeholders including policy makers on antimicrobial resistance (AMR). Nordea co-hosted an event at the Stockholm World Water Week: “Antimicrobial resistance putting sustainable development at risk: Drivers, impacts, solutions” related to the engagement in India on pharma pollution. We were on the Expert Committee of the Antimicrobial Resistance Benchmark methodology.

We spoke at an event on pharma pollution in emerging markets and antimicrobial resistance (AMR) at Almedalen Political Week. We attended the AMR call to Action event in Berlin hosted by the UK Government, the Government of Thailand, the UN Foundation and the Welcome Trust to Held in partnership with the Inter- Agency Coordination Group (IACG). We have continued to work on this issue with the pharma companies and the industry-led organisation PSCI (Pharmaceutical Supply Chain Initiative). In April 2016, we were invited to present Nordea’s expectations on pharma supply chain management and manufacturing practices at the PSCI annual meeting. Our expectations were well received by PSCI members and the PSCI has initiated several initiatives to address our concerns. We have also been in contact with other relevant stakeholders. In October 2017 we again presented at the PSCI Annual Meeting. We have continued our dialogue with the companies. During 2018, the AMR Benchmark issued its first report at the World Economic Forum in Davos.

[https://pscinitiative.org/home](https://pscinitiative.org/home)

**World Water Week**

World Water Week is the annual focal point for the globe's water issues and a forum for scientific, business, and other parties to exchange their views on water-related challenges. For the third time, Nordea is co-hosting an event at World Water Week in August 2019 on antibiotic resistance with SIWI Swedish Water House, UNDP, FAO, Sida, SIANI and SLU.
2.7. **What is the total number of SRI assets under the company’s management?**

As at 26.03.2019, NAM had € 39 bn of SRI assets under management, composed of:

- Nordea’s STARS/ Best in class strategies (Fixed Income and Equities) € 4.8 bn
- Thematic Strategies € 1.2 bn
- Funds with additional exclusion filters (excl. STARS and thematic) € 14.3 bn
- Institutional mandates with best in class ratings or exclusion filters € 18.7 bn

The corporate RI “overlays” for all actively managed funds cover € 125 bn of our Assets. (Total NAM AUM € 216 bn end of March 2019.)

3. **General information about the SRI fund(s) that come under the scope of the Code**

3.1. **What is (are) the fund(s) aiming to achieve by integrating ESG factors?**

**Distinctive features - the STARS funds:**

*Beat the benchmark*
- By integrating ESG analysis with bottom-up fundamental research, we aim to select tomorrow’s winners

*Invest in companies living up to ESG standards*
- Our award-winning Responsible Investment team conducts in-depth ESG analysis
- We ensure the funds only invest in companies able to meet our ESG standards (positive screening)

*Create lasting impact*
- We influence and foster change with our companies by engaging in dialogues around specific ESG topics

For further details on the Nordea STARS Funds, please visit the below link:

https://www.nordea.lu/en/professional/funds/nordea-stars-offering/

**Distinctive features - the Global Climate and Environment Fund:**

- The Nordea 1 – Global Climate and Environment Fund was launched in 2008 to invest in innovative companies that advance an environmentally sustainable society and generate attractive returns.
- The Fund Invests in companies which, through their climate solutions, are changing the world for the better - because saving electricity is as important as generating clean electricity.
- Focuses on businesses operating in resource efficiency, environmental protection and alternative energy

For further details on the Nordea 1 – Global Climate and Environment Fund, please visit the below link:

3.2. **What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?**

In order to facilitate the implementation of Nordea’s RI Policy, there is a dedicated Responsible Investments (RI) team which is comprised of 12 experienced professionals (including the Corporate Governance & Voting Team). The team works together from offices in Stockholm and Copenhagen. Each member of the team has a specific area of responsibility and is a product dedicated analyst.

The proprietary ESG research methodology on company level is conducted from two perspectives. First, companies are assessed based on if they mitigate risks and capture opportunities in relation to their stakeholders. Second, we assess whether companies position their products or services well in relation to broader sustainability megatrends such as climate change or changing demographics.

We underpin our approach with externally sourced ESG research and ratings. This provides coverage of over 6,000 companies globally both in terms of their practices and tracking controversial issues.

Nordea’s Responsible Investments team uses ESG research providers, brokers with specialized sustainability services and non-governmental organizations for its desktop research.

The team is not dependent on any sole provider and any of our partners can be replaced if we feel a better service can be achieved elsewhere. All our investment boutiques have been introduced to the MSCI ESG data and their scoring system.

**MSCI ESG Research** uses a best-in-class (AAA), worst-in-class (CCC) approach when they rate companies, i.e. only appropriate when comparing companies within a specific industry. However, they also have an absolute approach called the weighted average score (0-10), which can be used to compare companies across sectors. They also have access to our proprietary ESG research.

All Portfolio Managers and analysts have access to this information in our own systems, but also via the MSCI ESG Manager platform and our internal research platform.

Some of the other most used partners are:
- ISS-Ethix
- ISS-ESG
- Sustainalytics
- RepRisk
- Maplecroft
- Bloomberg

By having access to this extra source of information, portfolio managers have the possibility to better evaluate ESG risks, hence avoiding unwanted risks in their portfolios. Material ESG events may occur with low frequency, but they usually have a high impact associated with them from a regulatory, operational and reputational perspective.

Within the evaluation of the company’s ESG rating, we are not only taking a risk perspective. As part of our ESG analysis, we continuously assess and evaluate transformative themes and areas which we believe shape the future landscape of investments. Social and technological change as well as climate change and other environmental issues are impacting business models and creating opportunities. Such opportunities can include, but are not limited to; clean tech, green buildings, renewable energy, nutrition and health, and access to communication, healthcare and finance.

In summary, we are combining the traditional financial analysis with an ESG lens in order to make more informed investment decisions. We do not narrow down our investment universe but utilise this additional source of data as a risk evaluation measure.
3.3. **What ESG criteria are taken into account by the fund(s)?**

As part of the proprietary ESG analysis we identify the relevant sustainability challenges and ESG implications affecting companies within the investment universe. These include the following:

- **Environment**
  - Energy Efficiency
  - Resource Efficiency
  - Sustainable sourcing
  - Greenhouse Gases
  - Waste
  - Water Abstraction
  - Air emissions
  - Effluents

- **Social**
  - Human Rights
  - Health & Safety
  - Freedom of Association
  - Human Capital Management
  - Community Relations
  - Responsible Supply Chain
  - Data security

- **Governance**
  - Independence and effectiveness of Board
  - Voting Rights/Ownership
  - Executive Remuneration
  - Bribery & Corruption
  - Tax Practices
  - Regulatory Compliance

Find out more from our [RI Policy](#), and [Sensitive Industries Guidelines for our Equity Stars Funds](#).

3.4. **What principles and criteria linked to climate change are taken into account in the fund(s)?**

For the funds we conduct an internal ESG analysis, where we assess climate risks for companies with material climate exposure.

The most important pillar in our ESG analysis and rating is Business Model, where we analyse a company’s exposure to sustainability-related risks and opportunities including climate change. Here we focus primarily on the revenues and geographical exposure. Companies with business models that create environmental solutions such as renewable energy and green technologies will be assessed as having positive contribution to climate change mitigation. On the other side of the spectrum will be companies in coal mining and oil & gas sectors which will be assessed as negative for environment. We have developed internal guidelines for sectors with high climate change impact and companies with business models with negative environmental contribution have virtually zero chance of being selected and allowed to the Stars funds.

Moreover, Nordea Asset Management applies an exclusion list that includes companies with 30% of revenues derived from sales of coal products and do not have a meaningful opportunity to diversify from coal.

In addition, we analyse climate change impact in the operations of the company under the Environmental pillar. Exposure to risks and opportunities differs across the sectors and can be divided between the company’s operations and their supply chain.

For example, for energy intensive sectors, we pay attention to carbon footprint of their operations and track their progress in reducing energy intensity over time and versus their competitors as well as their commitment to purchase renewable energy. For companies relying on raw materials, we will assess the exposure of these raw materials to climate change risks such as droughts, floods. We expect the companies to work with their suppliers proactively to manage these risks and in the long-run ensure supply chain sustainability. For insurance companies, we assess whether they have risks management tools to manage climate change risks.

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their exposure to climate change induced extreme events and natural disasters.

3.5. **What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

*NAM’s proprietary ESG research process focuses on risks but also opportunities, ensuring that companies live up to Nordea’s minimum ESG standards*

The RI team is responsible for conducting the ESG analysis and for providing relevant information to the investment teams. The core elements of the ESG research and analysis are constructed to provide insight and understanding regarding:

- Overall governance structure regarding management of relevant ESG aspects
- How companies address and manage the most material ESG risks and opportunities with respect to their key stakeholders
- How companies position their products or services in relation to broader sustainability megatrends, including climate change

The company’s rating is based on the company’s governance structure, management of key issues and level of transparency. Within these three areas the company’s policies and practices are analysed taking group commitment, strategies, organisation, actions, performance over time and transparency into consideration.

The ESG rating is based on the performance of the company in relation to the identified key issues. Each company is ranked as an A, B or C company. A-rated companies are called mature companies; these have a solid governance structure in place and are addressing key issues with good policies and practices.

A-rated companies are transparent about risks and opportunities and also how these are being managed. B-rated companies have a top management commitment and are developing their governance structure. Key issues are identified and to some extent addressed. Information is provided annually. C-rated companies are called laggards. No top management commitment exists, and the company has not made a full ESG risk assessment nor are identified issues addressed. The inherent ESG risk profile of the company is also considered in setting the rating. Depending on the activity level the company will also get a trend; positive, stable or negative. Analysts and Portfolio Managers will be provided with the company ESG ratings enabling them to systematically incorporate this information into their investment process.

The ESG Scorecard summarises the analysis and provides a final rating. The scorecard identifies the key issues analysed in the context of ESG pillars (Business model, Governance quality, Business Ethics, Environment and Social), where each pillar is rated and where each pillar is assigned a level of risk exposure, financial impact; reputational risk; and weighting.
The ESG Company Report is used for in-depth analysis. Information presented in the company report is more comprehensive and includes relevant data and information for the rating.

The report is structured in four parts; Summary of the rating; ESG Scorecard; Financial impact; Underlying Research (i.e. key company facts, overall governance structure for ESG management, management of key ESG issues and a summary of the assessment).

3.6. **How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

In the Stars and Global Climate and Environment funds we only allow companies that meet the specific threshold for the fund. If a company does not meet the criteria it will not be allowed in the funds. We can change our ESG view and ESG rating for a company when we conduct our planned update of the analysis or more commonly due to an incident. We constantly monitor our Stars holdings in the news with regards to ESG performance – we use Bloomberg and alerts functions on MSCI, RepRisk and ISS-Ethix as well as global and local newspapers and NGOs. Once we find out about an incident, we assess its materiality (scale and severity) and can decide to either (a) engage in a dialogue with the company; (b) quarantine the stock until we receive more information, e.g. due to an ongoing investigation; (c) downgrade and divest the stock, where portfolio managers will have 30 calendar days to sell the stock from the portfolio.

4. **Investment process**

4.1. **How are the results of the ESG research integrated into portfolio construction?**

**Incorporating ESG factors in Strategic Assessment**

The Strategic Assessment considers multiple factors to rate the strength of a company’s sustainable competitive advantage. In assessing a company’s competitive advantage, the portfolio managers fully incorporate the findings of the ESG analysis, including both sector level and company-specific ESG results. In this way, the portfolio manager gets a 360-degree understanding of the company and its ability to maintain its competitive advantages.

**Quantifying ESG impact on valuation**

The Strategic Assessment forms the basis for growth and profitability projections and is therefore an integral part of the valuation of the company.

When valuing a company, the managers look at a company’s projected growth rate and ability to generate excess return on its invested capital. Companies with strong ESG profiles and the ability to conduct their business responsibly in relation to their stakeholders (employees, suppliers, customers, investors and society at large) are likely to have more sustainable business models. Thus, the team build into their models greater sustainability of excess returns for companies with a higher ESG rating.

The ESG score represents the minimum expectations we have for the companies included in the STARS funds. Portfolio managers of the STARS funds are able to select only companies with a minimum score of B and are not able to invest in lower rated companies. We apply certain ESG standards to all our actively-managed funds at Nordea: the rating approach used by the STARS funds significantly raises the bar for a company to become eligible for investment.

**How STARS funds create impact**
We foster change with our companies by engaging with them around specific ESG topics. Our teams build structured Engagement roadmaps and regularly assess the impact of its Engagement activities.

Engagement is a key part of the STARS concept. Engagement means having a constructive dialogue with the companies we invest in or are considering for investment. Such dialogue enables us to understand how a company is thinking about and addressing ESG risks or opportunities that are relevant for its business. Engagement can take various formats, from conference calls to face-to-face meetings and field visits: the RI Team holds upwards of 150 meetings a year. We see engagement as a way to preserve or enhance the long-term shareholder value, as well as creating a positive impact for the broader society.

For STARS products, the portfolio managers and our RI team together build an engagement roadmap, identifying the most relevant and material ESG topics for each company. While the RI team typically takes the lead in engagement activities, our portfolio managers also participate.

We break down our ESG engagement into three categories – Traditional, ESG-driven and Thematic.

Risk engagement can include both reactive incident-driven ESG engagement (if a company breaches international norms⁶) and proactive ESG-driven engagement around material ESG risks⁷.

Thematic engagement focuses on companies’ exposure to certain themes which might represent a significant material risk for the company. In particular the team looks at issues related to the UN Sustainable Development Goals (SDGs)⁸. We believe that companies aligning their business models and practices with the SDGs will be successful in the long-term, because they are adjusting to global society’s future needs. As an illustration, since 2015 we have engaged with 25 pharmaceutical companies in India

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⁶ In 2017 NAM had 7 incident-driven engagement cases. Example: BHP Billiton and Vale, as part of an ongoing engagement following the 2015 collapse of the Samarco Dam.

⁷ In 2017 NAM engaged with 134 companies to ensure material ESG risks were being adequately managed or that ESG opportunities were being fully capitalised on. Example: Samsung Electronics.

⁸ The UN’s Sustainability and Development Goals are a series of thematic targets the UN identified in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.
to discuss waste water management (their own and their suppliers’), because pharmaceutical water pollution is a significant issue in India.

Following our goal to increase reporting and transparency we have introduced ESG quarterly reports for most of the STARS funds. These allow investors to inform themselves about the progress and outcome of our company engagements.

Global Climate and Environment Fund addressing climate change

The Nordea 1 – Global Climate and Environment Fund was launched in 2008 to invest in innovative companies that advance an environmentally sustainable society and generate attractive returns by recognising the research gap in this area.

The fund focuses on companies that can offer innovative solutions in the areas of resource efficiency and environmental protection. The portfolio managers cooperate with Nordea’s Responsible Investment team that provides company specific and general input regarding Environmental, Social and Governance risks and opportunities. We analyse the quality of management, corporate strategy, processes, risks, shareholder focus and integrate the company’s ESG profile into our valuation analysis.

By investing in companies that will be tomorrow’s winners and simultaneously contribute to a more sustainable society, we provide an investment solution that can deliver positive returns while addressing climate change.

4.2. How are the criteria specific to climate change integrated into portfolio construction?

NAM updates fund carbon footprint data on a monthly basis and make this information public via our fund company web-pages in the Nordic region. While there is no formal process for integrating this data into portfolio construction, the portfolio managers have access to the detailed data on carbon footprint results of their funds and respective benchmarks, which they can use to reduce their exposure to the most carbon intensive companies. Hence our investment process does not include any specific climate criteria into the portfolio construction, but our proprietary ESG assessment model and our engagement activities in the STARS funds align well with SDGs including SDG 13 “Climate Action”.

Our proprietary ESG assessment methodology looks at any material E, S and G factors for a given sector/company. As such, many elements pertaining to the above SDGs would be an integral part of our assessment. Our ESG company score card includes 5 overall assessment areas, of which environment, social, business ethics and business model. The latter is a way for us to understand how a company is adapting its business model and value chain to address sustainability challenges that are material to them, as well as creating opportunities (such as new products or services) to leverage the changes these challenges bring. For instance, climate change, resource depletion, demographics, corruption, etc. are typical factors that are assessed by the RI team.

With respect to the COP 21, climate is a broad thematic engagement theme for NAM for many years. We are part of various Climate lobbying initiatives (eg. Institutional Investor Group on Climate Change, Aiming for A), and have taken part in the COP22. We also signed the Montreal Pledge in 2014. Our parent group issues a climate position in 2017 covering also NAM.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

For the STARS funds, all portfolio holdings are subject to ESG analysis and receive an internal ESG rating.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?
There have been no changes in the ESG investment process over the last 12 months.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?
No.

4.6. Does (do) the fund(s) engage in securities lending activities?

The funds can engage in securities lending activities. The Corporate Governance Principles cover securities lending “Securities lending. The company shall strive to vote for as large proportion of its holding as possible. However, if it is in the best interest of our unitholders that securities remain in a securities lending program.” The counterparty selection process does not integrate ESG criteria.

For details on collateral management, please refer to the Nordea 1, SICAV Prospectus.

Does (do) the fund(s) use derivative instruments?

No, the funds do not use derivative instruments.

4.7. Does (do) the fund(s) invest in mutual funds?

No, the funds do not invest in mutual funds as part of its investment policy. However, please note that as per the Nordea 1, SICAV prospectus (applicable for all UCITS funds), the funds can invest up to 10% of their AuM in other undertakings for collective investments (UCIs).

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

The controls are performed by Nordea Asset Management’s Middle Office Risk Management Team and ensures adherence to:

a. Norm-based exclusion
b. Ensure no investments in companies rated below B from our internal ESG ratings.
c. 0% revenue threshold for: Controversial weapons.
d. 30% revenue threshold for coal

The RI team in cooperation with our internal Middle Office Risk Management Team, which monitors all holdings, are ensuring compliance with our ESG process and policy. This is done on the back of and in close cooperation with our external service partner ISS-Ethix and the information they provide us regarding updated assessments of companies in breach of international norms.

Reference to Article 173 of the French TECV Act
6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

The internal ESG analysis is performed “bottom-up” and focuses on how the company operates with stakeholders, particularly on potential conflict areas. For each sector we have identified the material issues which are included in our evaluation. As a result, we assign a score (A/B/C). All companies considered for investment are analysed by our dedicated ESG professionals, involved from the early-stage of the investment process. A company must have a minimum rating of B to be eligible for investment.

In addition, our teams build structured Engagement roadmaps and regularly assess the impact of its Engagement activities.

We publish Sustainability Exposure Reports that highlight how portfolio companies – through their products and services - have positive and negative impact on a total of 15 sustainability objectives which are closely aligned with the United Nation Sustainable Development Goals. 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.

We also report on our equity funds’ carbon footprint publicly.

6.2. What ESG indicators are used by the fund(s)?

The aim of the quarterly ESG report is to describe some of the activities that NAM’s Responsible Investment (RI) team has done over the last quarter for each specific fund. The report allows investors to follow-up on the fund’s relevant ESG-related issues and the main activities that the RI team has been involved in. The main highlights of the ESG activities over the quarter have been selected to share with investors some of the highlights of the period.

For Q1, 2019 NAM published its first Sustainability Exposure Reports for a selection of equity STARS funds as well as the Global Climate and Environment Fund. The report highlights how portfolio companies - through their products and services - have positive and negative impact on a total of 15 sustainability objectives which are closely aligned with the United Nation Sustainable Development Goals. The results are then compared with the benchmark. The Reports were launched for the ESG STARS equity range as well as the Global Climate and Environment Strategy and will be published on a quarterly basis. On the same report we also calculate the Carbon Footprint of the fund.

The quarterly ESG Reports and Sustainability Exposure Reports can be found in our website under each RI Product tab: https://www.nordea.lu/en/professional/responsible-investing/

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Further information about responsible investments at Nordea and our ESG Funds can be found under:

**Responsible Investments at Nordea:**
https://www.nordea.lu/en/professional/responsible-investing/

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10 Reference to Article 173 of the French TECV Act
6.4. **Does the fund management company publish the results of its voting and engagement policies?**

Yes, Nordea Asset Management has Voting portal to showcase our voting. It includes information on all Annual General Meetings (AGMs) we attended, proxy voting statistics and voting details on each company. The portal is updated continuously and contains our historical voting since the 2016 season:


Further information on active ownership and engagement at Nordea, can be found under:


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11 Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE